



OFFICE OF
THE COMMISSIONER

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

January 7, 1988

The Honorable Richard S. Cordrey
President Pro Tempore
River Drive
Box 486
Millsboro, DE 19966

Dear Senator Cordrey:

On January 5, 1988, the Executive Committee of the Delaware Bar Association voted to recommend that Delaware adopt an antitakeover statute. That statute would be codified as Section 203 of the Delaware General Corporation Law. It is my understanding that proposed Section 203 will be introduced on January 12 and that an effort will be made to bring the bill to the floor for a vote on January 13.

Proposed Section 203 is not a garden-variety amendment to Delaware's Corporation Law. If enacted, it will substantially alter the operation of the market for corporate control. Because Delaware is the corporate domicile of approximately half the corporations listed on the New York Stock Exchange, and half of the Fortune 500, any decision regarding proposed section 203 has national and international significance.

The debate over the merits of Section 203 spans a wide range of issues. It raises many of the questions that have been asked about the operation of the market for corporate control. It also cuts to the core of the fundamental philosophy of Delaware's Corporation Law because Section 203 departs radically from the enabling approach upon which Delaware law has long relied.

The proposed legislation has generated substantial opposition within Delaware and throughout the nation. I am informed that, within Delaware, Section 203 is opposed by four former Presidents of the Delaware State Bar Association, the Wilmington Trust Company, the Department of Economics of the University of Delaware, the Chairman and Executive Director of the Delaware State Pension Fund, and several local brokers and investment advisers, among others. The bill has also attracted unprecedented coverage and comment in the Wall Street Journal, New York Times, Washington Post, National Law Journal, and other media. This coverage is further evidence of broad national interest and concern.

For present purposes, the merits of Section 203 are irrelevant. The salient fact is that Section 203 has provoked a profound debate within Delaware and throughout the nation. The deliberations of Delaware's legislature should reflect a thoroughness commensurate with the significance of the proposed statute. Proposed Section 203 may well be the most important amendment in the history of Delaware's Corporation Law. It deserves more careful consideration than a silent, midnight run through the halls of Delaware's legislature.

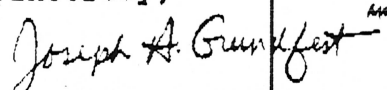
Delaware has much to gain from holding hearings on proposed Section 203. These hearings will attract testimony from nationally prominent observers of the takeover process, and will be well received in the national and local media. More fundamentally, the information gained will substantially assist the legislature in evaluating the merits of proposed Section 203.

Proponents of Section 203 have nothing to fear from hearings, unless, of course, they are concerned that the bill cannot withstand legislative scrutiny. If so, what kind of legislation is it that must be passed quickly and in the dark if it is to pass at all?

I greatly appreciate the opportunity to share my views on this matter of mutual interest, and note that the views expressed in this letter do not necessarily reflect the views of the Commission, other Commissioners, or of Commission staff. I would be glad to provide any information or assistance that might be helpful, and look forward to an opportunity to participate in a full, fair, and public examination of the merits of proposed Section 203.

With best regards,

Sincerely,



Joseph A. Grundfest
Commissioner

IDENTICAL LETTERS SENT TO THE HONORABLE THOMAS B. SHARP,
THE HONORABLE ORLANDO J. GEORGE, JR., THE HONORABLE
TERRY R. SPENCE, THE HONORABLE JOSEPH R. PETRILLI,
AND THE HONORABLE MYRNA L. BAIR