adverse effects at all. Essentially, the revision of Section 16 of the Securities Act of 1934 which I propose in subparagraph (i) modestly changes the numbers and concepts in the present rules of a long-established statute, which now forces disgorgement of profit, after a ten-per-cent-of-shares-outstanding position is reached, on any sales of stock where the holding period is under six months.

The law revision proposed in subparagraph (i) above would go further and would be designed to take the virtually sure profit out of the common practice of first buying, on a totally secret basis, less than five per cent of a corporation's stock, then making or encouraging a take-over proposal which is outbid by some "white knight," creating a profit realized as a direct result of threats posed by the investor, as distinguished from the normal profit realized passively by the ordinary successful investor in stock.

(3) In addition, I think there should be an absolute bar against any hostile tender offers except properly financed offers for all outstanding shares on an all-cash basis. [As the current law allows, any form of tender offer by or with the consent of the target corporation should be permitted so long as all shareholders were treated alike.] With respect to the hostile-tender-offer situation, I join Martin Lipton in believing that the front-end-loaded, two-tier cash offer is inherently unfair to ordinary shareholders and tends to create excessive debt. I also believe that tender offers involving newly-issued securities are both (i) almost always inherently difficult to appraise properly under pressure, (ii) under certain conditions are likely to cause enormous undesirable concentrations of power in "chain letter" promotional operations like those of many conglomerates in the 1960's, and (iii) generally assist book strap aggressiveness of a paper-shuffling type, which is negative in average socio-economic effect, and a tendency toward undesirable diminishment of pluralism in American business.

If no changes in law are made as outlined above, I do not agree with the SEC's proposal for a total bar to corporate payment of "greenmail," that is a bar to stock repurchases which are not made either at or below market prices or under registered tender offer available to all shareholders. Standing alone the SEC "anti-greenmail" proposal would tend to create even more successful hostile corporate take-overs and forced mergers with "white knights" than we see now, which, in turn, would tend to attract even more people into trying to make hostile take-overs, a result I think Congress should conclude is undesirable.

In short, under current law, inelegant and unfair as many "greenmail" transactions appear, I think the hostile take-over attempts they avoid would be worse.

However, assuming that the Lipton-amplified-by-Munger proposals were adopted into law, which I think would reduce "greenmail" transactions by about 95%, the question presented by the SEC proposal becomes more difficult. I see no clear preference, under such circumstances, for or against a total bar to corporate payment of "greenmail" in the few instances of "greenmail" possibilities which would remain (for instance, on stock positions held for more than five years or of a size under five per cent of total shares outstanding).

In favor of the SEC proposal for a general bar to "greenmail," I point out that I have lived with similar law for many years as a corporate manager with no serious