

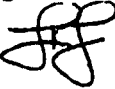


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OFFICE OF THE VICE PRESIDENT
WASHINGTON

December 13, 1986

MEMORANDUM FOR DAVID Q. BATES

FROM: LEHMANN K. LI 

SUBJECT: Shareholder Equity

T. Boone Pickens wrote you the attached letter asking your help to encourage the SEC to hold public hearings on a request by the New York Stock Exchange (NYSE) to allow listed companies to issue classes of voting stock with unequal voting rights.

For the last 60 years, the NYSE has required member companies to issue all common stock on a "one-share, one-vote" basis. The NYSE proposes to eliminate this requirement, subject to approval by a majority of shareholders and a majority of a company's independent directors. The NYSE argues that continuing this requirement would encourage its members to desert to the American Stock Exchange, which has a more lenient rule, or the over-the-counter exchange, which has no requirement at all.

Pickens and other investors, such as large institutional funds, argue that allowing companies to issue stocks with different voting power would concentrate power in the hands of management and enable them to ward off takeover attempts, which would hurt the interests of shareholders.

For only the second time ever, the SEC agreed to hold public hearings on this proposal. The hearings will take place in New York on December 16 and 17. The SEC is in somewhat of a bind. If it rejects the proposal, it would weaken the NYSE and competition. If it approves the proposal, it would attract criticism that it is abandoning "shareholder democracy" as well as invite attempts by the Congress to overrule their decision.

My apologies for the delay on this letter. I have attached a suggested response to Pickens, which notes the SEC hearings and assures him of the Administration's interest in this issue.

cc: Frederick N. Khedouri
✓ C. Boyden Gray