

Approved March 27, 1990
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at
Chairperson

3:30 xx a.m./p.m. on March 26, 90 in room 531-n of the Capitol.

All members were present except:
Representative Delbert Gross, excused

Committee staff present: Chris Courtwright, Legislative Research Department
Bill Edds, Revisor of Statutes
Patti Kruggel, Committee Secretary

Conferees appearing before the committee:

see attached list

The Chairman called the meeting to order at 3:45 p.m.

Representative Flower made a motion to approve the Minutes of March 20 and March 21, 1990. Representative Wells seconded. The motion carried.

The Committee began hearings on HB 3068.

HB 3068 -- An Act authorizing school district and community college boards to act as a self-insurer in providing certain employee and dependent benefits; amending K.S.A. 72-8414 and repealing the existing section.

Chris Courtwright, Legislative Research Department gave an overview of HB 3068 which would allow USDs and Community Colleges to provide for group life insurance benefits for their employees.

Mick McBride, Wichita Public Schools provided testimony (Attachment 1) in support of HB 3068 and explained that insurance company administration of benefits is very high and that could be done by the district much more economically.

Merle Hill, Kansas Community Colleges appeared in support of HB 3068 as an option for community colleges to offer self-insuring programs in an effort to contain rising costs.

There were no others wishing to testify and hearings on HB 3068 were closed.

The Committee began hearings on HB 3090.

HB 3090 -- An Act amending the health care provider insurance availability act with respect to certain persons engaged in residency training; amending K.S.A. 1989 Supp. 40-3401, 40-3402, 40-3403, 40-3404 and 40-3414 and repealing the existing sections.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,

room 531-N, Statehouse, at 3:30 ~~xx~~m./p.m. on March 26, 80.

Chris Courtwright, Legislative Research Department gave an overview of HB 3090 similar to HB 2570 which was the bill that would have brought the three teaching hospitals in Wichita, providing the graduate medical education programs, under the health care providers insurance availability act. Mr. Courtwright explained that the Insurance Department noted some substantial differences in the bill, that on page 3, a person engaged in a residency or post graduate training program would be expanded to include not only the three teaching hospitals in Wichita, but broad enough to encompass other programs such as Menningers and some osteopathic programs. He stated that language that is stricken on pages 9 and 11 is technical and would go along with the policy decision on broadening the definition on page 3. Mr. Courtwright also explained that on page 12, all programs where this definition includes would be forced to select Option 3 which would require the annual premium surcharge of \$300,000.

Mary Ellen Conlee, Wichita Public Schools appeared in support of HB 3090 which would bring the Wichita branch residents in to the same program as the University of Kansas Medical Center residents. Ms. Conlee offered an amendment (Attachment 2) which would separate out their \$300,000 aggregate premium so that the hospitals could make good on a commitment that they would pay the portion into the Health Care Stabilization Fund and not ask that it be paid by the State, as was done in HB 2570.

Marlin Rein, University of Kansas testified on HB 3090 and addressed changes in the language of the bill as it differs from the earlier version. Mr. Rein provided testimony (Attachment 3) urging some technical considerations.

Next appearing in support of HB 3090 was Jerry Slaughter, Kansas Medical Society (KMS). Mr. Slaughter stated that KMS support the concept of treating all residents the same, but would prefer the original language of offered in HB 2570. He stated that should the Committee prefer the language of HB 3090, they suggest a technical amendment (Attachment 4) that regardless of the level of coverage the residents have selected, they would at all times, be in compliance with this act in entirety.

Harold Riehm, Kansas Association of Osteopathic Medicine provided testimony (Attachment 5) supporting HB 3090 and urged that the language on page 9 of the bill not be stricken.

There were no others wishing to testify and hearings on HB 3090 were closed.

The Committee began hearings on SB 587.

SB 576 -- An Act relating to insurance holding companies; concerning notices, hearings and administrative costs; amending K.S.A. 40-3301 and K.S.A. 1989 Supp. 40-3304 and repealing the existing sections.

The Chairman recalled that SB 576 was heard on the House floor and it was the will of the floor that the Committee take another look at the bill.

Pat Hurley, Pete McGill & Associates on behalf of Hoylake Investments, Inc. appeared in support of SB 576 and provided testimony (Attachment 6) which explained the two amendments to the Kansas Insurance Holding Company laws.

Todd Thompson, Hoylake Investments, Inc. briefly appeared to accept any questions the Committee may have and asked to be able to respond to anything new raised by the opposing conferee.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance,

room 531-N, Statehouse, at 3:30 ~~xx~~m./p.m. on March 26, 90.

Appearing briefly in support of SB 576 was Lee Wright, Farmers Insurance Group. Mr. Wright provided testimony (Attachment 7) stating briefly that Farmers does not oppose the bill and believes it will have no impact of their current fending off of a takeover attempt by Hoylake Company Limited.

Representative Kerry Patrick appeared in opposition to SB 576 expressing that by changing this law we are giving a \$3 million advantage to Hoylake in the middle of a takeover. Rep. Patrick agreed that the part of the bill relating to the cost of this hearing should be borne by the people petitioning and should be done immediately, but he provided an amendment (Attachment 7) to the part of the bill doing away with the mailing of the notice requirement and the saving of \$3 million, as been estimated to Hoylake, be postponed to March 1, 1991 so as not to give one side the benefit over the other. Rep. Patrick also provided published magazine and newspaper articles which make reference to Hoylake Investments, Limited activities (Attachment 8).

There were no others wishing to testify on SB 576 and the hearings were concluded.



Risk Management Department

Testimony of L. A. 'Mick' McBride before the House Insurance Committee on March 26, 1990.

Mr. Chairman, members of the Committee, I am Mick McBride, Supervisor of Risk Management for Unified School District No. 259 in Wichita, Kansas. My duties include supervision of the district's insurance and risk programs. Thank you for allowing me to appear before you today.

The Wichita public school system requested House Bill No. 3068. Our district offers a non-contributory group term life insurance benefit for eligible employees. The specific amount of benefit received by the various employee groups is established via the negotiations process.

Since 1981 the Wichita district has gained considerable experience in establishing and administering self funded programs. Current plans that are self funded include health/dental, school board liability, short term disability, and workers' compensation. Experiences gained from administering these plans have taught us that the cost of insurance company administration of benefits is very high and in each case could be done by the district much more economically.

For example, the annual retention (cost of plan administration over and above claim expense actually paid to the insurance company) for the district's non-contributory group term life insurance plan since July 1, 1988 is as follows:

Actual	1988/89	\$35,222
Estimated	1989/90	\$48,350
Estimated	1990/91	\$51,730

As a part of offering and purchasing this benefit our district processes payroll deduction requests, prepares a monthly premium statement, remits the monthly premium statement and premium check to the insurance company,

page 2
House Insurance Committee

processes all enrollments and terminations, processes and maintains beneficiary forms, distributes benefit information to employees, reads the obituary daily, receives notice of all death claims, communicates with beneficiaries, processes death claim forms and remits to the insurance company, and receives the claim check and delivers the check to the beneficiary. As this illustrates, our district is currently providing almost all administration service for this benefit now except writing the actual claim check. It is our opinion that we can pay the \$300,000 plus of annual premiums into a fund and write claim checks for significantly less than \$35,000 per year. The savings and the excess premiums would remain in the fund as accumulated reserves.

Since it would take some time to accumulate an actuarially adequate reserve for a self funded life plan and to protect against a catastrophe, the district does plan on purchasing aggregate stop loss insurance. As you can see on the attached loss history report, the district's claim experience has been fairly stable over the past 7 years. If the current years experience continues the 1989/90 school year will be a very light year for claims. I cannot explain the low claim experience from 1977 through 1982 versus the much higher claim experience from 1982 through 1990.



Risk Management Department

March 22, 1990

USD NO. 259 LIFE INSURANCE EXPERIENCE

<u>School Year</u>	<u>Deaths</u>	<u>Amount Paid</u>
8/1/71 - 7/31/72	3	\$ 9,000
8/1/72 - 7/31/73	0	\$ 0
8/1/73 - 7/31/74	12	\$ 60,000
8/1/74 - 7/31/75	12	\$ 60,000
8/1/75 - 7/31/76	8	\$ 80,000
8/1/76 - 7/31/77	14	\$295,000
8/1/77 - 7/31/78	2	\$ 50,000
8/1/78 - 7/31/79	6	\$125,000
8/1/79 - 7/31/80	6	\$145,000
8/1/80 - 7/31/81	5	\$100,000
8/1/81 - 7/31/82	7	\$190,000
8/1/82 - 7/31/83	15	\$310,000
8/1/83 - 7/31/84	11	\$201,000
8/1/84 - 7/31/85	12	\$180,000
8/1/85 - 7/31/86	14	\$180,000
8/1/86 - 7/31/87	12	\$270,000
8/1/87 - 7/31/88	11	\$240,000
8/1/88 - 7/31/89	12	\$250,000
8/1/89 - 2/28/90	3	\$ 60,000

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insurance premium is or would be \$100,000 or more for basic coverage calculated in accordance with rating procedures approved by the commissioner pursuant to K.S.A. 40-3413 and amendments thereto, may qualify as a self-insurer by obtaining a certificate of self-insurance from the commissioner. Upon application of any such health care provider or health care system, on a form prescribed by the commissioner, the commissioner may issue a certificate of self-insurance if the commissioner is satisfied that the applicant is possessed and will continue to be possessed of ability to pay any judgment for which liability exists equal to the amount of basic coverage required of a health care provider obtained against such applicant arising from the applicant's rendering of professional services as a health care provider. In making such determination the commissioner shall consider (1) the financial condition of the applicant, (2) the procedures adopted and followed by the applicant to process and handle claims and potential claims, (3) the amount and liquidity of assets reserved for the settlement of claims or potential claims and (4) any other relevant factors. The certificate of self-insurance may contain reasonable conditions prescribed by the commissioner. Upon notice and a hearing in accordance with the provisions of the Kansas administrative procedure act, the commissioner may cancel a certificate of self-insurance upon reasonable grounds therefor. Failure to pay any judgment for which the self-insurer is liable arising from the self-insurer's rendering of professional services as a health care provider, the failure to comply with any provision of this act or the failure to comply with any conditions contained in the certificate of self-insurance shall be reasonable grounds for the cancellation of such certificate of self-insurance. The provisions of this subsection shall not apply to the Kansas soldiers' home or to any person who is a self-insurer pursuant to subsection (d) or (e).

(b) Any such health care provider or health care system that holds a certificate of self-insurance shall pay the applicable surcharge set forth in subsection (c) of K.S.A. 40-3402 and amendments thereto.

(c) The Kansas soldiers' home shall be a self-insurer and shall pay the applicable surcharge set forth in subsection (c) of K.S.A. 40-3402 and amendments thereto.

(d) ~~A person~~ Persons engaged in residency training ~~shall be self-insured by the university of Kansas medical center their respective employers~~ as provided in subsections (r)(1) and (2) of K.S.A. 40-3401, and amendments thereto, for occurrences arising during such training, and such person shall be deemed a self-insurer for the purposes of the health care provider insurance availability act. The university of Kansas medical center shall pay the appli-

shall be self-insured by the state of Kansas

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eable surcharge set forth in subsection (e) of K.S.A. 40-3402 and amendments thereto on behalf of such person. Such self-insurance shall be applicable to a person engaged in residency training only when such person is engaged in medical activities which do not include extracurricular, extra-institutional medical service for which such person receives extra compensation and which have not been approved by the dean of the school of medicine and the executive vice-chancellor of the university of Kansas medical center as provided in subsections (r)(1) and (2) of K.S.A. 40-3401, and amendments thereto.

(c) (1) A person engaged in a postgraduate training program approved by the state board of healing arts at a medical care facility or mental health center in this state may be self-insured by such medical care facility or mental health center in accordance with this subsection (c) and in accordance with such terms and conditions of eligibility therefor as may be specified by the medical care facility or mental health center and approved by the commissioner. A person self-insured under this subsection (c) by a medical care facility or mental health center shall be deemed a self-insurer for purposes of the health care provider insurance availability act. Upon application by a medical care facility or mental health center, on a form prescribed by the commissioner, the commissioner may authorize such medical care facility or mental health center to self-insure persons engaged in postgraduate training programs approved by the state board of healing arts at such medical care facility or mental health center if the commissioner is satisfied that the medical care facility or mental health center is possessed and will continue to be possessed of ability to pay any judgment for which liability exists equal to the amount of basic coverage required of a health care provider obtained against a person engaged in such a postgraduate training program and arising from such person's rendering of or failure to render professional services as a health care provider.

(2) In making such determination the commissioner shall consider (A) the financial condition of the medical care facility or mental health center, (B) the procedures adopted by the medical care facility or mental health center to process and handle claims and potential claims, (C) the amount and liquidity of assets reserved for the settlement of claims or potential claims by the medical care facility or mental health center and (D) any other factors the commissioner deems relevant. The commissioner may specify such conditions for the approval of an application as the commissioner deems necessary. Upon approval of an application, the commissioner shall issue a certificate of self-insurance to each person engaged in such post-

University of Kansas Medical Center
March 26, 1990

Testimony on House Bill 3090

Dear Mr. Chairman:

I am pleased to offer a few comments relative to House Bill 3090. The bill is drawn in a manner similar to House Bill 2570 which this committee heard previously.

I would say at the outset that the University of Kansas Medical School is in support of the concept embodied in House Bill 3090 which would provide basically the same form of malpractice self-insurance for residents in Wichita and Salina as currently provided to residents on the Kansas City campus. As the bill differs from the earlier version there are some technical considerations which the Committee might wish to address.

The new language at the bottom of pages 3 and the top of page 4, is similar to that which was incorporated in House Bill 2570. It would extend the self-insurance provision to the residents in Wichita and the residents in the program operated by the Smokey Hill Family Practice Clinic in Salina. In the original version of the bill (House Bill 2570), it was proposed that the State would pay the surcharge to the Health Care Stabilization Fund. House Bill 3090 would make it clear that the sponsoring agents or employing hospitals would be responsible for that surcharge. One consideration that will have to be addressed is the manner in which that surcharge will be divided between the Wichita community hospitals and Salina.

I would secondly call the Committee's attention to the stricken language on page 9. Striking of that language would effectively reverse a legislative policy of a year ago to extend tail coverage to all residents of programs in Kansas. I believe the only residents that would be affected by the striking of that language, would be residents in the program at Menningers and any osteopathic residents that might be in the State. I don't believe it is the Committee's intent to reverse the policy of a year ago and a technical change is necessary to clarify this issue.

I would also note that House Bill 3090 provides that for residents in training, the highest option of coverage (Option 3) would be mandated. At the University of Kansas School of Medicine in Kansas City we selected Option 3 for the current year. We have no problem with this provision but would point out that it would remove from legislative consideration the matter of choice.

Finally, there appears to be some concern about the \$300,000 figure that is cited in the bill as the assumed basic premium upon which the surcharge would be computed. House Bill 2570 as originally introduced, merely raised

from \$600,000 to \$900,000 that assumed premium for the coverage of all residents. It seemed to those of us involved in drawing that bill that \$900,000 was a reasonable figure given the potential exposure to the fund. Now that we have split that assumed premium into \$600,000 for the residents in Kansas City and \$300,000 for those in Wichita and Salina, the issue is raised as to whether that is an appropriate division. I'll leave that to the Committee and Legislature's discretion I would note that there are something fewer than 300 residents involved in the program in Kansas City, and 225-230 in Wichita and Salina.

With those comments I think I would stand for questions. I would again reaffirm the University's support for this legislation and feel that it is warranted on the basis that the State has a vested interest in the continuance of these residency programs.

1 death arising out of the rendering of or the failure to render profes-
 2 sional services by such health care provider; ~~(12) notwithstanding~~
 3 the provisions of subsection (m), any amount due from a judgment
 4 or settlement for an injury or death arising out of the rendering of
 5 or failure to render professional services by a person engaged or
 6 who was engaged ~~in residency training or the private practice cor-~~
 7 ~~porations or foundations and their full-time physician faculty em-~~
 8 ~~ployed by the university of Kansas medical center; and (13)~~
 9 ~~reasonable and necessary expenses for the development and pro-~~
 10 ~~motion of risk management education programs; (14) notwithstand-~~
 11 ~~ing the provisions of subsection (m), any amount owed pursuant~~
 12 ~~to a judgment or settlement for any injury or death arising out~~
 13 ~~of the rendering of or failure to render professional services~~
 14 ~~by a person, other than a person described in clause (12) of~~
 15 ~~this subsection, who was engaged in a postgraduate program~~
 16 ~~of residency training approved by the state board of healing~~
 17 ~~arts; and (15) reasonable and necessary expenses for attorney~~
 18 ~~fees and other costs incurred in defending a person described~~
 19 ~~in clause (14) of this subsection.~~

20 (d) All amounts for which the fund is liable pursuant to subsection
 21 (c) shall be paid promptly and in full except that, if the amount for
 22 which the fund is liable is \$300,000 or more, it shall be paid, by
 23 installment payments of \$300,000 or 10% of the amount of the judg-
 24 ment including interest thereon, whichever is greater, per fiscal year,
 25 the first installment to be paid within 60 days after the fund becomes
 26 liable and each subsequent installment to be paid annually on the
 27 same date of the year the first installment was paid, until the claim
 28 has been paid in full. Any attorney fees payable from such installment
 29 shall be similarly prorated.

30 (e) In no event shall the fund be liable to pay in excess of
 31 \$3,000,000 pursuant to any one judgment or settlement against any
 32 one health care provider relating to any injury or death arising out
 33 of the rendering of or the failure to render professional services on
 34 and after July 1, 1984, and before July 1, 1989, subject to an ag-
 35 gregate limitation for all judgments or settlements arising from all
 36 claims made in any one fiscal year in the amount of \$6,000,000 for
 37 each provider.

38 (f) The fund shall not be liable to pay in excess of the amounts
 39 specified in the option selected by the health care provider pursuant
 40 to subsection (l) for judgments or settlements relating to injury or
 41 death arising out of the rendering of or failure to render professional
 services by such health care provider on or after July 1, 1989.

(g) A health care provider shall be deemed to have qualified for

, but not less than the required basic coverage limits,

at the time of the occurrence in residency training but who, at the time the claim was made, was no longer engaged



KANSAS MEDICAL SOCIETY

1300 Topeka Avenue · Topeka, Kansas 66612 · (913) 235-2383

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1 (l) On or after July 1, 1989, every health care provider shall
 2 make an election to be covered by one of the following options
 3 provided in this subsection which shall limit the liability of the fund
 4 with respect to judgments or settlements relating to injury or death
 5 arising out of the rendering of or failure to render professional serv-
 6 ices on or after July 1, 1989. Such election shall be made at the
 7 time the health care provider renews the basic coverage in effect
 8 on the effective date of this act or, if basic coverage is not in effect,
 9 such election shall be made at the time such coverage is acquired
 10 pursuant to K.S.A. 40-3402, and amendments thereto. Notice of the
 11 election shall be provided by the insurer providing the basic coverage
 12 in the manner and form prescribed by the commissioner and shall
 13 continue to be effective from year to year unless modified by a
 14 subsequent election made prior to the anniversary date of the policy.
 15 The health care provider may at any subsequent election reduce the
 16 dollar amount of the coverage for the next and subsequent fiscal
 17 years, but may not increase the same, unless specifically authorized
 18 by the board of governors. ~~Such election Options shall be made~~
 19 ~~selected for persons engaged in residency training and persons en-~~
 20 ~~gaged in other postgraduate training programs approved by the~~
 21 ~~state board of healing arts at medical care facilities or mental~~
 22 ~~health centers in this state by the agency or institution paying the~~
 23 ~~surcharge levied under K.S.A. 40-3404, and amendments thereto,~~
 24 for such persons. Such options shall be as follows:

(return to original language)

25 (1) *OPTION 1.* The fund shall not be liable to pay in excess of
 26 \$100,000 pursuant to any one judgment or settlement for any party
 27 against such health care provider, subject to an aggregate limitation
 28 for all judgments or settlements arising from all claims made in the
 29 fiscal year in an amount of \$300,000 for such provider.

30 (2) *OPTION 2.* The fund shall not be liable to pay in excess of
 31 \$300,000 pursuant to any one judgment or settlement for any party
 32 against such health care provider, subject to an aggregate limitation
 33 for all judgments or settlements arising from all claims made in the
 34 fiscal year in an amount of \$900,000 for such provider.

35 (3) *OPTION 3.* The fund shall not be liable to pay in excess of
 36 \$800,000 pursuant to any one judgment or settlement for any party
 37 against such health care provider, subject to an aggregate limitation
 38 for all judgments or settlements arising from all claims made in the
 39 fiscal year in an amount of \$2,400,000 for such provider.

40 (m) The fund shall not be liable for any amounts due from a
 41 judgment or settlement against resident or nonresident inactive
 health care providers who first qualify as an inactive health care
 provider on or after July 1, 1989, unless such health care provider


Kansas Association of Osteopathic Medicine

Harold E. Riehm, Executive Director

1260 S.W. Topeka
Topeka, Kansas 66612
(913) 234-5563

March 27, 1990

To: Chairman Sprague and Members of the House Insurance Committee

From:  Harold E. Riehm, Executive Director, Kansas Association of Osteopathic Medicine

Subject: TESTIMONY ON H.B. 3090

The Kansas Association of Osteopathic Medicine supports H.B. 3090, with the following exceptions:

- (1) We think the language stricken on Page 9 (lines 10-19) should be retained. This language was inserted in the 1988 Session to provide that physicians doing postgraduate programs in Kansas would not be "penalized" by starting at mature levels of professional liability insurance, were they to remain in Kansas to establish a practice. AS WRITTEN IT APPLIES TO M.D. PHYSICIANS AND D.O. PHYSICIANS IN POSTGRADUATE STUDY. Other provisions in the suggested changes to H.B. 3090, would retain this favorable treatment for certain persons involved in postgraduate programs but would remove it for residents in programs like Menningers (which includes D.O. residents) and the osteopathic residency and intern programs in Wichita. For these reasons we urge you not to delete these provisions, or to accept amendments which incorporate the intent of those who are seeking passage of H.B. 3090 BUT WHICH RETAINS FAVORABLE PROVISIONS FOR D.O. residents and interns.
- (2) We are opposed to requiring residents and/or interns to select a particular optional level of coverage under the Health Care Stabilization Fund.
- (3) There has been some questions raised by insurance companies concerning the classification of the internship programs which continue to be utilized within the osteopathic profession. For example, this year there are eight osteopathic "interns" conducting a year of postgraduate study at Riverside Hospital in Wichita. Apparently these have been resolved on a case by case basis, by convincing the insurance companies involved that this is indeed involvement in postgraduate education within the meaning of language in this Act. Perhaps a brief addition someplace in H.B. 3090, to the effect that an internship program as utilized in the osteopathic profession, is a postgraduate program as referred to in this Act.

Thank you for this opportunity to present our views.

TESTIMONY
OF
PATRICK J. HURLEY
OF
PETE MCGILL & ASSOCIATES
ON BEHALF OF
HOYLAKE INVESTMENTS, LTD.
PRESENTED TO THE
HOUSE COMMITTEE ON INSURANCE
ON MARCH 26, 1990
RE: SB 576

Mr. Chairman and Members of the House Insurance Committee:

I am Patrick J. Hurley of Pete McGill & Associates appearing on behalf of Hoylake Investments, Ltd.

We appear again in support of SB 576. I would like to very clearly reiterate what SB 576 does do and what it does not do, and why it is good public policy to adopt it.

SB 576 makes just two amendments to the Kansas Insurance Holding Company laws.

I. First Amendment:

A. It would require that the costs of all administrative hearings and proceedings relating to the Hoylake application be borne by Hoylake and not by the State of Kansas.

B. Why is this amendment needed?

Without this amendment, these costs, which could be substantial, would have to be absorbed by the Insurance Department within its current budget. Likewise, in all future hearings the Department would have to absorb the costs.

C. Who opposes this amendment?

None of the parties involved with the Hoylake application oppose this amendment. Neither Hoylake, nor B.A.T., nor Farmer's Insurance, nor the Insurance Department have appeared in opposition to this amendment.

D. Are Kansas residents in any way adversely affected by this amendment?

No! To the contrary, this amendment would save taxpayers money in this hearing and all future hearings under this law.

E. What are the public policy reasons for this amendment?

Under prior Kansas law, the costs of administrative hearings were assessed against applicants. Only through an inadvertent repeal of this requirement was the law changed. It is fair and equitable to assess such administrative costs against the applying party and not the state in such proceedings.

II. Second Amendment:

A. The second amendment would delete throughout the Insurance Holding Company Act the requirement of mailing all notices and materials to resident or nonresident shareholders of an insurance company or of its parent company.

B. Why is this amendment needed:

In this particular case, the materials required to be filed for the Insurance Department's review are voluminous, running hundreds and hundreds of pages. Under a literal interpretation of the mailing requirements under current law, all of these materials would have to be shipped to approximately 150,000 non-Kansas resident, non-U.S. citizens who are shareholders of B.A.T., but not

shareholders of Farmer's Insurance. It is estimated that the shipping expenses would approach \$3 million while serving absolutely no relevant purpose relating to enforcement of the Kansas Insurance laws.

C. Who opposes this amendment?

None of the involved players in this application oppose this amendment either. Neither the Insurance Department, Hoylake, B.A.T. nor Farmer's Insurance has appeared in opposition to this amendment.

D. Are Kansas residents adversely affected by this amendment?

No. To the best of our knowledge, no Kansas residents are shareholders of Hoylake, B.A.T. or Farmer's Insurance. Through the administrative hearing conducted by the Kansas Insurance Department, and the criteria set out in the law for approval or disapproval, the interests of Kansas policyholders are already protected.

E. What are the public policy reasons for this amendment?

The interest of Kansas policyholders are adequately protected under Kansas law. The Insurance Department has clear statutory guidelines for approving or disapproving such a proposed acquisition of a Kansas insurance company.

It is not the statutory responsibility or authority of the Insurance

Department to protect the interest of non-Kansas, non-U.S. citizen shareholders in any company which might be a subsidiary or a parent of a Kansas insurance company.

The Supreme Court and lower Federal courts have repeatedly held that while protecting local investors may be a legitimate state objective, a state has no legitimate interest in protecting non-resident shareholders.

III. Conclusion:

In summary, that is what SB 576 does and that is all that it does:

1. It has no detrimental impact on Kansas citizens, policyholders or shareholders.
2. Its adoption is not opposed by any of the legal parties involved -- Insurance Department, Hoylake, B.A.T. or Farmer's Insurance.
3. It is consistent with prior acts of the Legislature and rulings by the United States Supreme Court and lower Federal courts.
4. It in no way restricts or alters the authority of the Insurance Commissioner to review and approve or disapprove the application.
5. It removes an unfair cost and time burden on parties applying for approval, which present requirement serves no good public purpose.



THE Farmers Insurance Group of Companies

March 26, 1990

10850 Lowell
Shawnee Mission, Kansas 66210-1613
Mailing Address: P.O. Box 387
Shawnee Mission, Kansas 66201-0387

HOUSE INSURANCE COMMITTEE
Senate Bill 576
Testimony by Lee Wright
Legislative Representative for Farmers Insurance Group of
Companies
March 26, 1990

Thank you Mr. Chairman and members of the Committee. My name is Lee Wright and I represent Farmers Insurance Group of Companies. We appreciate this opportunity to make this brief statement.

My purpose in appearing before you today is to simply advise the committee Farmers Insurance is not opposing the Hoylake bill, Senate Bill 576.

Although BAT and Farmers are currently in the midst of fending off a hostile takeover attempt by Hoylake Company Limited, Farmers does not feel this particular bill will have any impact on the ultimate outcome of this battle.

Thank you Mr. Chairman that concludes my remarks.

STATE OF KANSAS

HOUSE OF REPRESENTATIVES

MR. CHAIRMAN:

I move to amend Senate Bill No. 576 as follows:

On page 1, in line 14, before "K.S.A." by inserting "On and after March 1, 1991,";

On page 2, in line 17, before "K.S.A." by inserting "On and after March 1, 1991,";

On page 7, in line 34, before "K.S.A." where it appears for the first time by inserting "On and after March 1, 1991,";

_____ District.

Goldsmith with bid active - open today

four and a half years, the Commerce Department reported, because of a decline in imports that could signal economic softness. [33.]

Producer prices declined by 0.4 percent in August, the third straight monthly decline. Excluding food and energy, the index would have shown an increase of 0.5 percent. [34.] Industrial production increased 0.3 percent in August. [34.]

Business inventories climbed 0.6 percent in July, while business sales fell 0.9 percent, putting the inventories-to-sales ratio at 1.54 in July, up from 1.51 in June. [34.]

Markets

The dollar went on a wild roller-coaster ride, reaching three-month highs in the morning because of the positive trade deficit report and then plunging in the afternoon on unfounded rumors, including one that President Bush had been shot. [31.] The same rumors caused gold futures prices to surge in New York. [43.]

The Dow Jones industrial average rose 8.00 points, to 2,674.58. For the week, it fell 34.96 points and closed well below the important technical resistance level of 2,700. Trading was near a three-month high on a triple-witching-hour day. [38.]

Treasury bond prices climbed and yields tumbled after an uncommonly wild session influenced by rumors and by the economic reports. [38.] "Junk bond" prices continued their slide, as traders worried about possible defaults. [39.]

Today's Columns

Long-term investing pays off, even if investors do just what Wall Street professionals often criticize the little guy for — buy high — a new study from T. Rowe Price shows. Your Money. [34.]

Procter & Gamble's \$125 million victory on its soft-cookie patent offers dramatic evidence of the growing importance that Federal courts attach to patent rights. Patents. [34.]

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Goldsmith Wins Extension In Britain on Bid for B.A.T.

By STEVEN PROKESCH

Special to The New York Times

LONDON, Sept. 15 — The investor group led by Sir James Goldsmith advanced significantly today in its battle to acquire B.A.T. Industries P.L.C. when Britain's Panel of Takeovers and Mergers gave the group an indefinite extension to clear regulatory hurdles in the United States.

Analysts said it was extraordinary for the panel to grant such an extension. The ruling, they said, set a precedent that could affect battles to acquire other British companies with foreign subsidiaries. The panel acknowledged as much and said it would establish guidelines to deal with similar cases.

"It sets a precedent; in that sense, it's quite important," said Andrew Mitchell, an analyst at the Smith New Court Agency, a London securities firm.

Under British takeover rules, a bidder has 46 days after formally making its offer to announce new informa-

tion or revise the offer and 60 days to complete the offer. Under that timetable, Hoylake Investments Ltd., which is offering \$21 billion in securities for B.A.T., had until Sept. 23 to revise its bid and until Oct. 28 to complete it. If the offer is not completed by 60 days, the bidder must wait a year before making another one.

The Sept. 23 deadline was also seen as crucial, because B.A.T.'s shareholders were considered unlikely to accept an offer containing no cash. Analysts now expect Hoylake to revise its offer to include cash. They said that Sir James had indicated he might do so, once he had overcome the hurdles in the United States.

Hoylake's attempt to buy B.A.T., the diversified tobacco, insurance and retailing concern, has been bogged down in the United States because B.A.T. owns the Farmers Group, a big American insurer. That means that Hoylake needs the approval of insurance regulators in nine states, but there was virtually no

Continued on Page 45

manufacturer, has introduced a model called the Heritage Softail Classic, reminiscent of best-selling models from the 1950's. The company is also sponsoring hundreds of clubs and special events for Harley owners, to encourage repeat sales.

But very few in the motorcycle

industry, 10 percent of the total. Nevertheless, manufacturers responded with new lower-priced models that women find easier to ride.

Robert Moffitt, vice president

Continued on Page 46

Machinists Seen Joining

By AGIS SALPUKAS

Unionized machinists at United Airlines are expected to begin talks soon on joining in a newly approved buyout of the airline's parent by a group including pilots, management and British Airways P.L.C.

Leaders of the International Association of Machinists and Aerospace Workers, which represents more than 20,000 workers at the airline, have so far refused to join in the \$2.75 billion, \$300-a-share buyout, which was accepted Thursday evening by the independent directors

of the UAL Corporation. The buyout requires the approval of shareholders and the Department of Transportation, and other bidders could emerge, but consummation of the buyout is considered likely.

The United tail of the Association of Flight Attendants has been in several days of negotiations to participate.

The machinists are seeking to solve a dispute over conditions. The buyout group wants the machinists' leaders to sign an agreement to disclose the terms of the buyout to their members. Union leaders are opposed because they want

U.S. Regulators Sue Owners In Big Savings Unit Failure

By DAVID E. ROSENBAUM

Special to The New York Times

WASHINGTON, Sept. 15 — Federal regulators filed a civil suit today against the owners and some officers of the failed Lincoln Savings and Loan Association, accusing them of racketeering, fraud and conspiracy for their personal use of the institution's funds.

Lincoln, based in Irvine, Calif., was seized by the Government last April and is believed to be the costliest savings and loan failure ever. The suit seeks \$1.1 billion in actual damages. Under the triple punitive damages allowed by the Federal racketeering law, the total could exceed \$2.5 billion, a regulatory official said.

The principal owner of Lincoln, Charles H. Keating Jr., an Arizona developer, was a contributor to political campaigns of several senators of both parties, including Alan Cranston of California, the assistant Democratic leader.

Accusations Denied

Mel McDonald, a lawyer for Mr. Keating, called the suit mean-spirited today and said Mr. Keating denied all the accusations. The lawyer said today's suit "was the same old wine in the same old bottles" and added that the accusations were not a surprise because the Government had been "leaking them for weeks."

The suit was filed in Federal District Court in Phoenix by the Resolution Trust Corporation, the agency established last month to rescue failed savings institutions. This was the first significant legal action taken by the new agency.

The suit maintains that Mr. Keating and the other owners purchased Lincoln for the sole purpose of milking its funds and that hundreds of mil-

The lawsuit says personal use was made of funds

lions of dollars were diverted to the savings association to Mr. Keating's real estate company, the Lincoln Continental Corporation.

To accomplish the diversions, suit says, Lincoln officials brokered general banking regulations, backdated and forged documents, and "sham transactions," made loans and cash payments, paid excessive compensation to some owners and spent Lincoln's deposits on "the personal, political and table convictions" of Mr. Keating.

In addition to the civil suit filed today, a Federal grand jury in Phoenix is investigating possible criminal charges and the House Banking Committee has begun an inquiry.

Mr. Keating's influence with important senators became a central issue during the debate earlier this year. The savings and loan legislation gave more than \$800,000 to a registration drive for Senator Keating and smaller amounts to other Senators: Dennis DeConcini of Arizona, John Glenn of Ohio and W. Riegle Jr. of Michigan, a Democrat, and John McCain of Arizona, a Republican.

The Senators have acknowledged that in 1987 and 1988 they interceded with Federal regulators and raised with them Mr. Keating's complaint that he was being treated unfairly.

Last month, the Federal Reserve Loan Bank Board released a report by an independent auditor that

NYT SEP 16 1989

Growth in 2d Quarter 5% From 2.7%

target of 2.7 percent growth for 1988. "They've got it," said Donald Ratajczak, an economist at Georgia State University, who predicts about 2.5 percent growth in the second half.

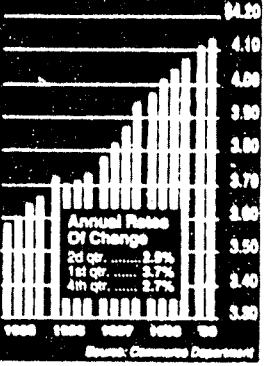
Today's report had little effect on the financial markets. Many investors are awaiting Friday's report on consumer spending in August and Tuesday's report on durable goods to get a better feel for the economy's direction.

On Wednesday, the Federal Reserve Board issued an overall review of the economy that said growth continued at a slow to modest rate.

In a report today, the Fed said that corporate profits fell 7.2 percent in the second quarter, compared with the previously estimated drop of 5.4 percent. The decline was the second consecutive quarterly drop and was the biggest since the first quarter of 1986, when profits fell 18.5 percent. The economy's slower growth has

Real Economic Growth

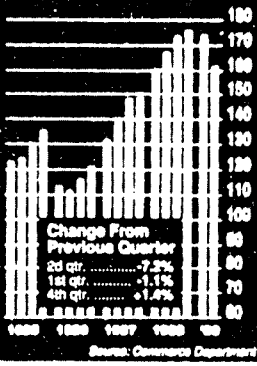
Gross national product, in billions of 1982 dollars, seasonally adjusted by quarter.



helped keep inflation under control. The G.N.P. implicit price deflator, a broad measure of inflation, rose 4.6 percent during the second quarter

Corporate Profits

Total corporate profits after taxes, in billions of dollars at seasonally adjusted annual rates.



The New York Times, Aug. 22, 1989

after running at 4.0 percent in the first quarter, but inflation has cooled since then, tempered by lower oil prices.

Most I.M.F. Members Ask Aid Rise

U.S. Opposes the Idea Of Two-Thirds Increase In the \$120 Billion Fund

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Sept. 21 — The head of the International Monetary Fund said today that most of the fund's membership supported a substantial increase in the amount it could make available to meet emergency financing needs in the 1990's. The United States, however, does not.

The managing director, Michel Camdessus, said at a news conference that 19 of the executive board's 22 members, representing 70 percent of the weighted vote in the I.M.F., supported an increase of at least two-thirds in the \$120 billion pool of gold and currencies that is used to help countries deal with economic crises.

But to go ahead with the increase, the I.M.F. would need the consensus of all its principal members. The other dissenters are Britain and Saudi Arabia.

Mr. Camdessus's willingness to disclose details of usually confidential board positions was expected to sharpen the growing debate over resources, which are technically known as quotas, as the membership gathers here for the joint annual meeting of the I.M.F. and its sister lending agency, the World Bank.

'Unexpected Problems'

"I am comforted by this vote of confidence," said the former French central banker who has headed the 152-nation organization for the last two and a half years. He is pressing for a doubling of its resources.



The head of the International Monetary Fund, Michel Camdessus, yesterday in Washington.

Noting the oil crisis in the Gulf and the debt crisis of the 1980's, he said he could not predict when the next crisis would be, but added that "we know we are living in a global and unstable universe and that there will have unexpected problems."

Mr. Camdessus is hoping to reach agreement on an increase at the coming meeting. But experts do not see the chances as high in view of the position of the Bush Administration, worried, among other things, by the rising volume of overseas I.M.F. debt and the prospect of selling quota increases to Congress. Washington has said it hopes to reach a consensus on the issue before the end of the year.

Japan, which has the world's second-highest gross national product and is the world's biggest creditor well as aid donor, would probably move from fifth to second position behind the United States. Britain is No. 2, followed by West Germany and France. Japan is already the second-most-influential country in the World Bank.

Is Creating Some Problems

Many companies are scrambling to find workers.

in particular, has been so hard hit that companies are reportedly going to the job sites of competitors and hiring away entire teams.

As a result, the incomes of workers jumped 5.5 percent in the second quarter from the period a year earlier, the Economic Planning Agency said today.

A Sensitive Issue

In a country that prizes its ethnic homogeneity, the issue of bringing in foreign workers is sensitive. But companies are so desperate that they have been willing to skirt the laws and social pressures.

One economist said he knew of a textile company that had brought several dozen Thai workers into the country as "trainees." The police detained the operators of a language school today on suspicion that they had supplied forged documents that would allow their "students" to work in the country. The Labor Ministry estimates there are some 150,000 illegal workers in Japan.

Some companies have become involved in the issue of whether Japan should repatriate boat people arriving from Southeast Asia.

Earlier this week, in another symbolic response to the problem, the Justice Minister, Masao Goto, said he would consider easing the ministry's traditional opposition to accepting unskilled foreign workers.

Bid for B.A.T. Clears Hurdle

LONDON, Sept. 21 (Reuters)

— The British Government gave conditional approval today to the hostile takeover bid by Sir James Goldsmith for B.A.T. Industries.

The Department of Trade and Industry said the offer, being made through Sir James's investment vehicle, Hoylake Investments Ltd., would not be referred to the Monopolies and Mergers Commission.

The department said the Government could reconsider the proposed acquisition "if there is a material change in the terms of the bid or other material facts."

The \$21.3 billion bid is the largest ever in Europe.

Takeover bids are normally referred to the commission if they threaten to reduce competition, although the Trade and Industry Secretary can also order an inquiry.

B.A.T., a conglomerate with operations in 90 countries, rejected the bid when it was made in July. It accused Sir James of trying to enrich himself at the expense of B.A.T. shareholders.

Sir James cleared one possible obstacle last week when Britain's Takeover Panel, which regulates merger activity, said it would give Hoylake more time to get regulatory clearances in the United States.

Insurers Win Court Round

Special to The New York Times

SAN FRANCISCO, Sept. 21 — A Federal judge today dismissed a lawsuit filed by 19 state attorneys general that had charged numerous insurance companies with engaging in anti-competitive behavior that made liability insurance expensive or impossible to get.

Judge William Schwarzer of the Federal District Court in San Francisco said the activities the insurance companies engaged in were permitted under the McCarran-Ferguson Act of 1945, which grants insurance companies special exemptions from antitrust law.

The decision issued by Judge Schwarzer today confirms a proposed decision he had issued in July.

Attorney General John E. Van Kamp of California said the decision would be appealed. "I remain convinced that Congress did not intend leave Americans defenseless against group boycotts by insurance companies," he said.

The suit, filed in March 1988, accused more than 30 insurance companies, brokers and trade groups of conspiring to limit the availability of certain kinds of commercial general liability insurance, particularly pollution damage.

Banks, one network for worldwide coverage.

Issue of taxation subject of intense litigation in States of Texas,

Washington, & Calif.

& Under review by U.S. Commissioner

THE NEW YORK TIMES, SATURDAY, AUGUST 25, 1989

COMPANY NEWS

Falconbridge Holders Urged to Take FL Bid

CHICAGO, Aug. 25 — In the continuing battle for what mineral experts say are some of Canada's richest mining assets, the board of directors of Falconbridge Ltd. recommended today that shareholders accept last week's offer of \$37 (Canadian), or \$31.45 (United States), a share from the FL Acquisition Corporation. FL was formed by two mining giants, Noranda Inc. of Canada, and Trelleborg A.B. of Sweden, to acquire Falconbridge's assets jointly.

Falconbridge's board also withdrew its recommendation that shareholders accept an earlier, lower offer of \$30.125 (Canadian), or \$30.70 (United States), a share made on Aug. 4, by Ammax Inc., one of the largest mining companies in the United States. The principal reason for the board's recommendation was the price difference.

Falconbridge's Kidd Creek mine is "probably the best base metal mine in all of Canada," said one Canadian mining analyst who asked not to be identified. The mine produces copper, zinc and silver. Falconbridge also runs a major nickel mine in Sudbury, Ontario. "These are prime assets operating at a very high stage of efficiency," the Canadian analyst said.

Analysts appear divided on whether Ammax will make a counteroffer. FL Acquisition already controls nearly 30 percent of the shares in Falconbridge, posing a major obstacle for Ammax or any other potential bidder.

Nonetheless, Falconbridge's board left the door open for additional offers. "Ammax remains free to increase the Ammax offer," Falconbridge officials said in a statement. "If a better offer is made by Ammax or another bidder, the directors will reconsider their recommendation" to accept FL Acquisition's offer.

Ammax officials could not be reached for comment.

Nortek Clearance On Federal-Mogul

CHICAGO, Aug. 25 (Reuters) — The Federal-Mogul Corporation said Nortek Inc. had received antitrust clearance from the Federal Trade Commission to acquire more than \$15 million worth of its stock. Barry Murphy, investor relations officer for Federal-Mogul, said his company did not know how many shares Nortek owns, but that \$15 million worth would represent about 2.5 percent of the company.

He said that the commission had told Nortek earlier this year that if it wanted to increase its stake in Federal-Mogul it would have to sell its Monogram Industries unit, which competes with Mogul's truck fastener division. Nortek has sold Monogram, Mr. Murphy said. Federal-Mogul, based in Detroit, makes bearings and transmission equipment. Its shares rose \$2.75 today, to \$26, on the New

Hoylake Denied An Injunction

A Federal district judge in Texas denied Hoylake Investment Ltd.'s request for a preliminary injunction that challenged the jurisdiction of state insurance regulators in Hoylake's bid for B.A.T. Industries, a B.A.T. spokesman said. Hoylake, controlled by Sir James Goldsmith, sought the injunction to keep state regulators from blocking his attempt to take over B.A.T. in a \$21.7 billion deal.

Hoylake said it would appeal the judge's ruling. B.A.T., based in Britain, has extensive American holdings including the Farmers Group insurance company. Hoylake has gone to Federal court in nine states to press its contention that under the Constitution, the state insurance regulators have no right to interfere in the takeover. B.A.T. said that the judge in Texas, Walter Smith, would issue a written opinion at a later date.

Anchor Glass Named In Suit

WASHINGTON, Aug. 25 — A class action suit has been filed against the Anchor Glass Container Corporation over its rejection of a \$280 million takeover proposal from Vitro S.A. The shareholder suit, filed in Delaware Chancery Court, seeks to block Anchor Glass from taking any defensive action to thwart the Vitro tender offer.

The suit seeks to enjoin Anchor Glass from carrying out its "poison pill" plan, which would be put into effect if an investor acquires 20 percent or more of the company's shares. The suit seeks to block the company from establishing an employee stock ownership plan or selling any assets. Anchor Glass rejected the \$20-a-share Vitro offer as inadequate. Several analysts said the offer was generous to Anchor Glass shareholders. In a separate announcement, Vitro said its offer had received Federal antitrust clearance.

Towle in Chapter 11

NEWBURYPORT, Mass., Aug. 25 (Reuters) — Towle Manufacturing said it had filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. Towle, a maker and seller of giftware, said it had made the filing because of excessive debt. The company had a previous Chapter 11 reorganization that ended in November 1987 but it said its revenues had failed to meet the forecasts on which that reorganization was based. Towle said it failed to pay

Group to Buy Avis Europe

LONDON, Aug. 25 (Reuters) — A consortium including the General Motors Corporation and Avis Inc. agreed to buy Avis Europe P.L.C. today in a deal that values the European car rental and leasing concern at \$1.4 billion.

Cilva Holdings, a group formed to complete the \$897 million bid, said it was offering £6, or \$9.41, a share for Avis Europe, which became a separate, public company in a stock offering after its American parent, Avis Inc., was bought out by investors and managers in 1986.

Avis Europe shares surged in London to £5.92, or \$9.29, from £5.60, or \$8.78, on news of the bid.

The bid was seen as a first step toward reuniting Avis Europe with Avis Inc., which will own 8.8 percent of Cilva.

Lease International, a Luxembourg-based company owned by the Belgian car distribution group D'Ieteren S.A. and the country's largest bank, Générale Bank, has a 64.7 percent shareholding in Cilva. G.M. owns the remaining 26.5 percent of Cilva.

G.M. said Avis Europe, which has a rental fleet of more than 76,000 vehicles, was an important customer and would be buying more G.M. cars and commercial vehicles.

Avis Europe operates in Europe, Africa, and the Middle East. In its latest financial year it reported pretax profits of £72 million, or \$113 million, on revenue of £623 million, or \$977 million.

Computer Manufacturer Meets a Sharp Setback

Continued From First Business Page

maker who isn't having difficulties," said Bill Coleman, who follows the industry for James Capel & Company in London. "But Nixdorf still has strengths. The company pioneered the art of engineering solutions for specific customers in Europe." He added that the company had a large and loyal customer base and was one of the most powerful software companies in Europe.

Margot Schoenen, an analyst with Westdeutsche Landesbank A.G. in Düsseldorf, said: "They have about 3 billion marks in financial assets, so the high losses are not existence-threatening. The first half of this year could be the turning point, but it will

'We aren't the only minicomputer maker who is suffering.'

take a long time until they return to profitability."

Nixdorf's slow response to the changes in the computer business, including rapid gains by personal computers and a shift toward universal computer systems, may have made its problems worse, analysts said. From 1987 until mid-1988, Nixdorf added 4,900 employees to its payroll. It was also caught by soaring prices for memory chips, at a time when a price war in minicomputers had knocked down its hardware prices, cutting deeply into profit margins.

Individual Solutions

Since mid-1988, the company has gone through a thorough management restructuring, assigning responsibilities by product, rather than by geographic location, as it had before. It reduced its work force to 29,000, from 31,000 last year, and limited recruitment to key areas like software. Mr. Luft also began to reshape Nixdorf's strategy, focusing more on individual solutions for specific customers.

"For the first time in 14 years, we will have lower costs than the year before," Mr. Luft said.

Software and services, Mr. Luft said, are the keys to returning to profitability. "We will continue to develop and build our own hardware," he said. "But the trend is clearly toward Unix-based universal systems. We have to offer solutions and we have to develop software for universal systems. That is where the margins are, not in hardware."

Nixdorf will focus on expanding its customer base among small to medium-sized businesses, already one of

lashed by the fact there is no sign of a recovery. There are rumors to the contrary. German justice Dept. (Federal and State) has been very critical of Mr. Luft's decision concerning the award of that contract. Computerized Decision

"He is a friend of Mr. Luft said, but he quiet comparisons with the founder of Steven Jobs and Steve Jobs were not justified. 1988, Mr. Nixdorf, small technical reducing contract work. Bull," Mr. Luft said. He was oriented to ment and marketing and 1975, we were made in the United States. Invent the personal garage and then it found a company."

Indeed, "Apple worked in Germany Zapf, managing of tuchka Group, one ny's leading asset companies. "If two young computer is a garage to the banks, they chance. They would the wrong clothes, th the wrong political to be shot on sight."

Nixdorf has a rich vation, including a r try firsts. Its initial pculator that Mr. N radio tubes to handle

In 1956, the compo world's first electri

Healthcare, including an investment by EPIC Healthcare Group Inc. of Dallas, American Medical said.

After the restructuring, EPIC will own 18 percent of Professional Healthcare, the company's employee stock plan will own 8 percent, institutional investors will own 18 percent, and American Medical will own 4 percent. In addition, Professional Healthcare will pay down on long-term debt to about \$17 million as a result of the restructuring, American Medical said.

A NEW VEHICLE From Land-Rover

FRANKFORT, Sept. 11 (Reuters) — Land-Rover, the British-based maker of workaholic rural vehicles, will introduce an off-road four-wheel-drive model Tuesday that it said cost more than \$20 million to develop. The Discovery, making its debut at the Frankfurt Motor Show, will compete against such Japanese vehicles as the Mitsubishi Pajero, the Isuzu Trooper and the Nissan Patrol.

The vehicle is scheduled to go on sale in Britain and Italy in November and will be available in other markets and European countries next year. Land-Rover, which recently bought a subsidiary of British Aerospace, said that company took over the Rover Group, but set maximum prices for the Discovery.

Flight International Is Told of Buyout

ATLANTA, Sept. 11 (Reuters) — Flight International Group Inc. said it had been informed that a consortium had been formed to buy out the company.

Donald G. Minton, chairman and chief executive of the company, said he had received a letter about the buyout from a consortium of New York and Los Angeles investors that is now structuring a management buyout of Flight International. Mr. Minton, who is not part of the proposed buyout, did not name the investors, and Flight International said no financial terms or conditions were provided in the letter. Shares of Flight International rose \$1.65 today, to \$11.35, as over-the-counter trading.

Fireman's Fund Stake in McFarland

WASHINGTON, Sept. 11 (Reuters) — The Fireman's Fund Corporation said it holds a 12.7 percent stake in the McFarland Energy Corporation and has announced its holdings will be 15 percent unless it receives the Fireman's approval to exceed that limit. Fireman's said it is filing with the Securities and Exchange Commission that it holds the 60,000 shares of McFarland's common stock representing an investment.

Like Employees' UAL Bid

was moving swiftly to head off a bid by Marvin Davis, a Beverly Hills, Calif., billionaire, who had said might top the pilot-management bid of \$200 a share and any other bid that might be made. Mr. Davis's report had a bid at \$75 a share, 60 cents below the bid of Montberg, Kravis, Roberts & Company yesterday denied recent reports of interest in making a bid for UAL. Investors responded by bidding UAL's stock down \$1.75, to \$11.75, in trading at the New York Stock Exchange yesterday.

Todd Shipyards' Reorganization

SEATTLE, Sept. 11 (Reuters) — The Todd Shipyards Corporation, a leading shipbuilder for the United States Government and the private sector, filed a proposed reorganization plan with the United States Bankruptcy Court for the District of New Jersey.

The plan provides that all unsecured claims filed by secured and unsecured general creditors are to be paid in full at cash on commencement of the reorganization plan. Todd Shipyards and interest payments would be agreed upon and would be paid to secured creditors.

Boeing Jet Order

SEATTLE, Sept. 11 (Reuters) — Boeing Commercial Airplane, a unit of the Boeing Company, said it had received an order from Viva Air, a Spanish charter carrier, for four of its 73-200 aircraft and options on another four. The eight-airplane commitment is valued at about \$200 million, Boeing said. Deliveries are scheduled to begin in 1991. Viva Air, which began service in April 1988, serves 31 countries with charter flights and has scheduled service throughout Spain.

Thomas S. Monaghan, the founder and chairman of Domino's Pizza, who is considering selling the company to invest more in philanthropy.

Joe Arpaio, chief executive, said that the proceeds had not been raised and that franchise owners had not completed about 100,000 shares.

In a letter mailed today to Domino's 200 franchise owners, Mr. Monaghan said, "It is not fair to give financial attention to Domino's Pizza and my immediate work." Mr. Monaghan's charitable interests include the Thomas Catholic Church, a children's hospital in Ann Arbor and health-care and cultural facilities in the city of Detroit.

Mr. Monaghan's first business was the Detroit Tigers baseball team, bought the first year prior to 1980 in help pay his way through architecture school. When the business faltered, he dropped out of school to run it. Forbes magazine estimates his worth at \$60 million.

James Strawn, a spokesman for Popcorn Inc., acknowledged that there had been "a long-standing rumor" that Popcorn's success in acquiring Domino's "Popcorn has never offered any comment on the legitimacy of the rumor," he said. Popcorn owns Pizza Hut, the nation's largest pizza chain, controlling 33 percent of the market. Domino's, the No. 2 chain, has 22 percent of the market.

Another rumored bidder is the Coca-Cola Company. Randy Donaldson, a Coca-Cola spokesman, said the company does not comment on acquisition rumors.

Domino's, which is privately held, had sales of \$2.3 billion in 1988. Net income was only \$63 million last year, Mr. Strawn said, because Domino's is reinvested in the company.

William Leach, an analyst with Donaldson, Lufkin & Jenrette, commented that Domino's would sell for a little over \$1 billion.

U.S. Judge Rejects Goldsmith's Plea

Farmers Group Inc., the United States unit of B.A.T. Industries P.L.C., said a Federal judge in California had rejected Sir James Goldsmith's plea to challenge the constitutionality of a California insurance Commission review of his takeover offer for B.A.T.

Trump Shuttle Offers Certificates

The Trump Shuttle was named a \$25 gift certificate that can be used at restaurants that accept the American Express card. The promotion will run through Sept. 30 but certificates will not be given on Saturdays and Sundays. The certificates are good until the end of the year.

The limited-edition Donald Trump required the shuttle operations in Eastern Airlines, has been serving to regain Eastern's former market share in competition with Pan Am for service routes between New York, Boston and Washington.

and American member, CIMA, and yesterday closed had named David R. Bates as its chairman and chief executive and had also chosen a new president and chief operating officer.

The company, based in Wilmington, Del., said in a press release that its current chairman and chief executive, Louis F. Welsch, Jr., was taking early retirement. Company officials did not return telephone calls seeking more information.

The company also said David J. Welsch, president of the Linco's division in the Toledo, Ohio, area, had been named chairman, vice president and chief financial officer. The former Winters A. Roseman Co. vice president.

EXECUTIVE CHANGES

- **3M Co. International**, Newark, N.J., an electronics testing company, named John P. Blair chairman, vice president and chief operating officer.
- **CPT Corp.**, Elgin, Ill., an office systems manufacturer, said James H. Kautzberg had resigned as vice president and chief financial officer.
- **Griffith Mills Inc.**, Greenville, N.C., a textile company, named Bryan Lusher president and chief operating officer.
- **Harding Associates Inc.**, Nevada, Calif., an engineering and construction company, named Herbert D. Montgomery chief financial officer.

COMPANY BRIEFS

- **ASR Computer Systems Inc.**, Las Alamos, Calif., a developer of integrated software systems, said it expected its fiscal first-quarter revenues to be the same as the quarter a year earlier, while earnings would be substantially lower.
- **Carlson Communications P.L.C.**, London, a master of television and videodisk recorders, said it would sell its Link Scientific Group to Oxford Instruments Group P.L.C. for a maximum consideration of \$5.5 million.
- **Chubb Corp.**, Warren, N.J., a real estate and insurance building company, formed a leveraged employee stock ownership plan, representing about 5 percent of the company's outstanding common stock.
- **Essential Corp.**, Denver, Colo., a maker of factory automation equipment for the production of printed circuit boards, agreed with Dyson-Cosman-Moran Corp., an investment company, to buy six commercial airplanes and military operations of Union Technologies, Bellevue, Wash., and to buy Dyson's 25 percent interest in E-Systems. The combined price for the two transactions is \$1.75 million.
- **Florida Program Corp.**, St. Petersburg, a company with diversified interests, will sell its Better Business Forms Inc. unit to Condalco Group P.L.C., an Irish printer and packager, for \$25 million.
- **Giant Group**, Greenville, S.C., a music company, said it would acquire a 50 percent interest in the musical instrument store under a marketing agreement with United Ar-

chives with a consortium of Japanese companies. The company, founded in 1970, had sales last year of \$2.2 billion.

The consortium also includes the Century Iron Dry Goods Co. of Charlotte and the James Store Co. of New York City. An American International has about 10 stores in the Midwest and the South, along with 15 family stores.

William A. Campbell, which makes textile products, holds an interest in the company and is one of its major shareholders. Campbell is chairman of the board and is currently president of the company. He is also chairman of the board of the company's parent, the Campbell Co. of Greenville, S.C.

The company has an excellent track record and has been a major force in the textile industry. It has been a leader in the development of new textile technologies and has a strong presence in the international market.

Back Terms were not disclosed.

- **Light Communications Inc.**, St. Louis, a telecommunications company, named Raymond A. Strohman, chief executive officer.
- **McA Inc.**, McLean, Va., a computer services company, named Al Taylor chairman of its U.S. market.
- **Union National**, Jacksonville, Fla., a maker of aircraft engine systems, appointed Earl Collins as president of the company and chief financial officer.
- **Unigra Corp.**, Deer Park, Pa., an computer manufacturer, named James A. Darr as president and chief operating officer.

Big '90 Wheat Crop Seen

WASHINGTON, Sept. 11 (AP) — Because of improved weather conditions, John Schuttler, a private analyst, has predicted the 1990 wheat harvest could reach a six-year high of 1.5 billion bushels. That would be up nearly one-fourth from this year's harvest of 1.4 billion bushels and 20 percent higher than the 1.3 billion bushels produced in 1988, when there was a drought.

Changes in the Current National Health System...

Changes in the Current National Health System... In a three-day session, the committee... they fear the change could also... forward generic products and... by 20 percent in 1989...

In dealing to have the Argentine economy move toward free enterprise... Mr. Frigerio said he considered the labor opposition to his plans to be based on "a complex mix of factors... The term corporatism is used in Argentina to describe the control of labor, the labor and private enterprise... Mr. Frigerio said he believed that the oil workers would be better off in the long run...

Mr. Frigerio said he considered the labor opposition to his plans to be based on "a complex mix of factors... The term corporatism is used in Argentina to describe the control of labor, the labor and private enterprise... Mr. Frigerio said he believed that the oil workers would be better off in the long run...

James here either worked on drilling contracts for Y.P.F. or explored fields after Y.P.F. abandoned them... The exploration contracts signed in the last year... The amount of Argentine oil and gas reserves is estimated to be only a small percentage of the world's...

Latin America Records Some Economic Gains

By CLYDE R. FALGOUTS

WASHINGTON, Sept. 10 — Despite a sharp contraction in economic growth last year, Latin American countries increased both exports and imports and managed for the first time since 1982 to reduce foreign debt... Overall growth of the international economy was nearly 4 percent last year, nearly matching growth in the industrial countries...

Yet in spite of the higher interest payments, the Latin debt fell to \$26 billion at the end of 1988... Bank economists project further declines this year as a result of Treasury Secretary Nicholas F. Brady's plan to reduce debt by offering banks incentives to forgive a portion of their loans... Measure of Decline



Court Blocks Hoylake

A Federal judge in Tacoma, Wash., has rejected an attempt by Hoylake Investments Ltd. of Britain to prevent a review by the Washington State Insurance Commission... B.A.I. is the parent of the Farmers Group insurance company... Hearings on the same are pending in seven other states...

Turkish 'Dumping' Law

ANKARA, Turkey, Sept. 10 (Reuters) — A law to block the "dumping" of unfairly subsidized imports will take effect Oct. 1, a Treasury official said Friday... Measures would be taken against companies responsible for such imports...

part. He added, however, that the future looked better, citing the region's expanding exports and policy changes that focused on a market orientation... Some nations, the report said, have made progress. Chile is the most dramatic example... Imports had also strengthened in 1987...

kyo
to the
DIRECT

SEC - No power to regulate takeover of Hoyle

stocks, more than twice their low price for the year.

Armstrong Suitors Request Meeting

LANCASTER, Pa., Oct. 3 (AP) — The Balsberg family of Canada, which is considering a hostile takeover of Armstrong World Industries, has asked the company's board for a special stockholder meeting. The Lancaster-based Armstrong, which manufactures interior furnishings, said it was examining the request.

The family's petition asks the board to amend its articles of incorporation to allow investors holding 20 percent of the company's stock to call a special meeting. According to the petition, two companies controlled by the Balsbergs own 4.54 million shares, or 8.85 percent, of the company. The shares were purchased for \$181 million this summer.

Bank of Boston Stock Falls \$2.625

The stock of the Bank of Boston Corporation fell sharply yesterday after the bank made a large addition to reserves, and action by regulators fueled worries that the bank may have more problems. The shares fell \$2.625, to \$24, on the New York Stock Exchange.

The bank said on Monday that it would add \$370 million to its loan reserve to cover securing real estate loans and a highly leveraged transaction. The corporation said it would report a third-quarter loss of about \$125 million. It also said that regulators were going to review its internal controls, real estate operations and risk assessment procedures.

S.E.C. Shuns Role In B.A.T. Takeover

WASHINGTON, Oct. 3 (Reuters) — The staff of the Securities and Exchange Commission has concluded that the commission had no power to regulate Sir James Goldsmith's bid for B.A.T. Industries. Richard Brennan, the candidate for S.E.C. chairman, said Mr. Brennan's outlined the staff's position in a 188-page response to questions from the Senate Banking Committee, which is considering his nomination. In August, David S. Ruder, the previous chairman of the S.E.C., said the staff was examining the \$3 billion bid for B.A.T. by Hoyle Investments, which it controlled by Sir James.

Crazy Eddie to Liquidate, Ending Effort to Reorganize

The company went public in 1983. In August, Crazy Eddie was removed from the Nasdaq automatic quotation system for over the counter trading. Last month, the Securities and Exchange Commission filed a complaint against Mr. Amar in Federal District Court in Newark, accusing him and six other executives, including two relatives of portraying the company as profitable when its financial health was declining. Mr. Amar, who served as the president and chief executive of Crazy Eddie from November 1987 to last January, and Peter A. Martorella Jr., a director of the Palmeri Company, which took over in February, have said that Mr. Amar overstated the company's sales by \$65 million. Mr. Amar, 41 years old, has denied the charges. The company's liquidation represents a substantial loss for Mr. Amar and Mr. Palmeri. The two acquired their shares for an average of \$7.50 each. Trans World Music had an 18-month old licensing agreement to sell records, tapes and other recorded music products in 24 Latin Eddie

and represented 21 million potential customers. The \$1.3 billion purchase price is equal to \$200 for each potential customer. McCaw said that it planned to maintain a marketing relationship with Contel Cellular, which will become the nation's seventh-largest cellular operator.

Contel, a telecommunications concern based in Atlanta, said it would finance the deal with debt and equity. Jack Grubman, an analyst with Paine Webber Inc., said the sale of McCaw's cellular properties would provide the company with a war chest that should increase its value.

In a telephone interview yesterday, Craig O. McCaw, McCaw's chief executive, said the company planned to build a national cellular network that would give cellular subscribers "seamless service throughout the country."

"Our objective is not to own the whole country but to provide consumers with a transparent cellular network that provide high-quality service and connections no matter where you are," Mr. McCaw said.

In the Metromedia transaction, McCaw will acquire a 50 percent voting interest and a 43.7 percent equity interest in the New York cellular franchise. Lin owns a 50 percent voting interest and a 45 percent equity interest in the New York franchise.

In the last year, the cellular telephone industry has been consolidating, as companies scramble to gain control of franchises in regions in which they can concentrate their efforts and obtain greater operating efficiencies.

'Duplex' System Established

The Federal Communications Commission created a "duplex" system for cellular mobile phones in the United States. In effect, it allows two licenses for a geographical region. One in each region is known as the "wireline" license and is assigned to the regional Bell operating company in that area. The other license is assigned to a "non-wireline" radio transmission company.

In over-the-counter trading yesterday, Lin closed at \$108.36, down \$3.125, while McCaw closed at \$40.50, up \$1. McCaw was the fourth-most active issue, with more than 1.1 million shares changing hands, while Lin placed 11th, trading more than a million shares.

On the New York Stock Exchange, Contel closed at \$34.50, up \$2.5 cents.

Officials of Metromedia, which is private, did not return telephone calls made to their offices seeking comment. John W. Khage, a general partner, issued a statement, saying, "This transaction enables Metromedia to realize full and fair value on our early investment in this key cellular market."

Since it became private in 1984, Metromedia has been selling its assets, which included the Harlem Globetrotters baseball team, radio stations and advertising operations as well as its cellular and paging business.

American market significantly. Indeed, Nomura's American subsidiary has suffered millions of dollars in losses in recent years.

The appointment presents a difficult task for Mr. Chapman, who will have to learn to adapt parts of the culture of an American securities firm with Nomura.

"I neither want to be a bull in a china shop nor am I going to roll over and become Japanese," Mr. Chapman said. "I think we're going to find a balance."

Indeed, Mr. Chapman may find some better balance working with a Japanese securities firm than he did at Kidder. The firm has been rocked in recent months as its parent, the

process of the American he is committed to operations.

In addition to its concerns is one of the firms that has purchased a stake in Unicom securities. Such a move is considered in Japan an advantage.

For Mr. Chapman, important questions arise of autonomy from Japan. In the past, that which he would be independent, "they provide autonomy and a strong presence here."

President of Bergdorf Is Leaving for Guccio

Dawn Mello, the president and the creative force at Bergdorf Goodman, will leave on Oct. 15 to join Guccio, where she will direct the worldwide corporate image and product development activities of the 60-store specialty leather and accessories concern, with offices in both Milan, Italy, and in New York.

After a bitter intrafamily battle, the Guccio stores are being reorganized and unified under the ownership of Maurizio Guccio, nephew of Aldo Guccio, the former chairman and chief executive.

The headquarters, in Florence, Italy, are being moved to Milan. Ms. Mello's appointment is the first step in what the Guccio company says is "a major restructuring to be announced soon."

"What has always excited me is the opportunity to express my creativity," Ms. Mello said. "At Bergdorf, I have been in charge of the store's image and personality. Now, I think Guccio needs some new creative ideas and I see an opportunity to expand my talents on a global basis."

Guccio operates 60 stores, 31 of them in the United States, as well as boutiques in department stores, stores in Asia and its base group in Europe.

A native of Lynn, Mass., Ms. Mello attended the Modern School of Fashion and Design in Boston and the Boston Museum School of Fine Arts. She started her retailing career in 1959 as an assistant in the fashion office of B. Altman and then spent 11 years from 1969 through 1971 as general merchandise manager and executive vice president in the New York buying office of the May Department Stores Company. In 1971, she returned to B. Altman as vice president and fashion director until 1973, when she was named vice president and fashion director of Bergdorf Goodman. Bergdorf is owned by the Neuman-Marcus Group, a publicly owned company.

In 1988, when she was promoted to executive vice president, she was given the responsibility of creating the image and fashion merchandising

Business Weekly The Guccio Group

direction. In November, she has been reported to have a selection of designers, merchandise and sales promotion.

While Ms. Mello will keep the same name she did at Bergdorf, she did not say if Guccio's name is "ambitious" — a title she would like to correct. "That can be done through a corporate name change," she said.

At Bergdorf Goodman, chairman and chief executive officer, said that she will be replaced and that reported to her would be ISADO.

EXECUTIVES

• Best Products Co., R coast retail company, has named president and chief officer.

• Dow Jones & Co., publishing company, has named senior vice president for information services.

• Dyna Group, based in Broadview, Ill., a computer-products manufacturer, has named John M. Licht general financial officer of its Ican Products subsidiary.

• Hughes Aircraft Co., subsidiary of General Electric, has named U.S.A.F. retired as president for corporate.

• International Business Machines, promoted its general manager A. Evangelista, president.

• Knightly Super Markets, based in New York, has named Richard Conte (retired), Frank Curry (retired) and Kelly Kelly vice president.

• Metropolitan Life has promoted Robert E. U. senior executive vice president.

LOS ANGELES, Oct. 3 — The Kaufman & Broad Home Corporation sold a planned Paris office complex to a Japanese investor group for \$600 million. The buyer is a group of international investors led by Kowa Real Estate, a subsidiary of the Industrial Bank of Japan.

A.T.&T.-Pyramid Computer Venture

SAN FRANCISCO, Oct. 3 — The Pyramid Technology Corporation, a minicomputer manufacturer based in Mountain View, Calif., entered a strategic partnership agreement with the American Telephone and Telegraph Company to develop a new generation of high-performance computer systems.

The systems will be based on Unix, the software operating system developed by A.T.&T. The agreement also calls for A.T.&T. to market the systems, as well as existing Pyramid products, under the name. A Pyramid spokesman said the agreement was worth \$50 million in the first year and \$400 million over the next five years.

Braniff Resumes Some of Its Flights

MIAMI, Oct. 3 (AP) — With a \$40 one-way fare to attract passengers, Braniff Inc. resumed about 20 percent of its 236 daily flights. The carrier was virtually shut last week as it filed its second bankruptcy reorganization in seven years.

The airline, which has lost nearly \$1.8 billion a week this year, filed for Chapter 11 bankruptcy protection Thursday, announcing plans to cut its work force to about 2,000 from 4,700, and reorganize as a smaller airline.

Intel Corp., Santa Clara, Calif., said it planned to build a \$225 million electronics plant in Ireland.

Laidlaw Transportation Ltd., Burlington, Ontario, said it had acquired 12 companies in the waste service area and three school bus concerns and was awarded two transit contracts.

Merck & Co., Rahway, N.J., offered to buy all shares of Bristol Ltd., a British medical products concern, for undisclosed terms.

News Inc., Stamford, Conn., said it sold its Superior Air Parts Inc. unit for \$30 million to SP Acquisition Corp., a unit of HMA Investments.

Outboard Marine Corp., Waukegan, Ill., agreed to sell its Lawn Boy mower business to Toro Co. for \$85 million.

PWA Corp., Calgary, Alberta, an airline, said it would combine the operations of its Canadian Airlines International and Wardair Canada units into one unit.

Delays Corp., Blue Bell, Pa., said it planned to cut up to \$500 million in costs, leading to a charge against third-quarter earnings.

United International Holdings exercised an option from United Artists Communications Inc., Englewood, Colo., which owns movie theaters and cable television systems, to acquire certain assets. Terms were not disclosed.

Warner-Lambert Co., Morris Plains, N.J., said it acquired the Italian pharmaceutical firm Pagnani

similar to the Disney in Florida and Universal in Florida and Florida. Include a working sections based on the go gambling in betting said. must complete before proceeding, added that he is to be open in late controlled by the corian, who also communications concerns. MGM/Orion Group \$5 billion. That tied to be complete year. it would raise for the Las Vegas page financing.

Systems Gain

Oct. 3 — Sun Microsystems expected a jump in the quarter. Expenses, the break even on a jump of from the \$38.5 first quarter a company said sales seen strong and having an ef-

Filiate

of Deloitte, had refused to firm's planned loss. The Inter-Atlantic reported late would include Lybrand, a the largest Britain. would not trying that his would have as the's British agreed to the

Pa., a maker of sale of its Jack-Jackson Acquisition.

Commercial Airline Aerospace moved seven or-sized, twin-engine jet is worth

stock plunged yesterday on Calif. com- vorat-than-ex-

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ment Corp., acquire the M- a maker of ad software.

Dallas, an in had reached re five new

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Drexel Head Limited On S.E.C. Dealings

By GREGORY A. ROBB

Special to The New York Times

WASHINGTON, Oct. 30 — The Securities and Exchange Commission has subjected John S.R. Shad, its former chairman and now the head of Drexel Burnham Lambert Group, to tight limits on his dealings with the agency.

The guidelines define what matters Mr. Shad can and cannot discuss with Government officials in the wake of Drexel's settlement of criminal and civil charges of securities violations.

Mr. Shad became Drexel's chairman in April. While at the commission, he participated in the agency's decision in November 1988 to begin a formal investigation into Drexel's affairs. That investigation led to the charges against the firm and the settlement.

Drexel said today that Mr. Shad had not yet seen the final guidelines. But based on an earlier draft, it said, the guidelines would "in no way" affect his role at the firm.

"Mr. Shad joined Drexel to assist in running our business and to assure that the firm adheres to the highest ethical standards, and the guidelines do not affect any of those things," the company said.

Mentoring Employee Trading

When it settled the S.E.C. charges, Drexel agreed to sweeping changes in how it does business.

The firm agreed to monitor trading by its employees, appoint three outside directors, appoint an ombudsman and to move certain divisions from California to New York. In addition, Drexel agreed to set up an oversight committee of its board, with independent directors in the majority to be responsible for internal controls.

The guidelines, which were sent to Mr. Shad on Oct. 20, are stricter than the S.E.C. first indicated it was considering. They are a result of Congressional concerns, first raised earlier this year by Representative Edward J. Markey, Democrat of

Massachusetts, that Drexel might try to use Mr. Shad to lobby the agency for leniency.

Under the guidelines, there can be no discussion between Mr. Shad and the S.E.C. about any issue involved in Drexel's settlement. This prohibits talks concerning disputes or modifications of Drexel's settlement. Mr. Shad is also not to answer questions to the brokerage firm about its compliance with the settlement.

Mr. Shad would be prohibited from discussing aspects of the settlement that are intended to guide future con-

Congressional pressure may have led to tough guidelines.

duct, but once the required changes are in place, he could then discuss Drexel's future operations.

Mr. Shad had played a unique role at Drexel. He is in charge of an oversight committee of independent directors responsible for insuring that Drexel employees cooperate fully in connection with the continuing investigation of the firm's employees.

The guidelines are complex. For instance, Mr. Shad cannot discuss an independent consultant's report on Drexel based on its past activities. But he can discuss the portion of the consultants work that contains recommendations for the future.

Daniel L. Goelzer, the S.E.C. chief counsel, said that the guidelines should not have a large effect on Drexel.

"I would assume that he was hired, that his value to Drexel, isn't as a lobbyist with the S.E.C., it's as a decision maker, and a very reputable and experienced person to assume control of their business," Mr. Goelzer said.

Merger of KPMG Peat Marwick

Issues from Andersen Consulting?

A. If they really did it and did it well, it would make them a very strong competitor in information technology. I look at it as a possibly even greater competitor than Andersen.

Q. Britain is considering allowing accounting firms to sell up to a 25 percent stake to outsiders. Would KPMG be interested in raising outside funds if the proposal goes forward?

A. KPMG was against that. We had not felt it appropriate to have outside shareholders. Our fear is it's hard to control. You begin to get outside shareholders who are not accountants, and that can raise independence issues. Let's say an investment bank ends up owning you that does all sorts of underwriting. The conflicts can become severe.

Q. The S.E.C. just sanctioned Peat Marwick in the 1970s because of some bad audits. What do you do today differently as a result, and how do you explain the recent lapses you have had on the audit side of your practice?

A. Those weren't Peat Marwick lapses. Wedtech came from Main Hurdman. Sahlen came from Main Hurdman. Crazy Eddie came from Main Hurdman. Regina was ours. I don't think we have any more problems than our competitors. Statistically, you will always get a certain number that go up in smoke. To some extent it reflects the litigious environment in which we work and the complexity of the business environment.

Q. What do you see as your firm's competitive advantages?

A. Our global capabilities really are unmatched. Frankly, I'm glad we are the biggest, but that could change tomorrow morning. Price Waterhouse and Andersen could come together again. And obviously our competition must think that we have a competitive advantage or they wouldn't be attempting to merge.

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Merrill Ends Index Trading

Continued From First Business Page

ive said. "I don't think if it were to disappear that volatility would end. All of the causes are more complex than that."

The three firms that stopped trading for their own accounts last week include Morgan Stanley & Company, the largest practitioner of index arbitrage. Bear, Stearns & Company, and Oppenheimer & Company.

Opposition of Investors

The firms' abandonment of the practice came as a number of large institutional investors, including Keiper Financial Services Inc. and the Keystone Group Inc., announced that they would no longer do business

with firms that engaged in index arbitrage for their own accounts.

In addition to its move yesterday, Merrill has been advocating other steps to address the recent market gyrations. Last week, officials with the firm spoke with the New York Stock Exchange to voice their support for reinstating the so-called "collar" on the market. Under that proposal, traders using index-arbitrage techniques would no longer have access to the Big Board's computerized order delivery system.

Merrill also said last week that it was pushing for a number of market-reform proposals recommended after the 1987 crash. Those initiatives include raising the margin levels on futures contracts and creating a single regulator for the futures, options and stock markets.

COMPANY INDEX

Page numbers refer to the beginnings of articles. A dagger (†) denotes a parent company not directly mentioned in an article about a subsidiary.

Hoylake's bid for B.A.T

Waiting for Roxani



FUNNY old world. Last year, Farmers Group, an American insurance company based in California, tried to fight off a hostile bid by B.A.T Industries, one of the world's largest tobacco companies. Its defence failed—despite some interesting arguments about the conflicts of interest that might arise when a cigarette producer owns an insurer which offers discounts to non-smokers. A year later, Farmers is B.A.T's best hope of fighting off the £13.4 billion (\$21 billion) bid by Hoylake, a vehicle designed by Mr Jacob Rothschild, driven by Sir James Goldsmith and supported by Mr Kerry Packer (left to right above). The fate of this bid may end up being decided not by B.A.T's shareholders, but by the insurance commissioners in the nine American states in which Farmers is domiciled.

State insurance commissioners are a tough bunch. They realise that an increase in debt-service costs as a result of a takeover might eventually have to be passed on to policy-holders in the form of more expensive premiums. That is not to their liking. With insurance settlements for liability suits seemingly on an ever-increasing spiral, they are keen to ensure that the financial health of their charges remains robust.

Judging by B.A.T's problems in soothing the commissioners' worries about Farmers' potential gearing as a result of its own bid last year, the Goldsmith consortium is facing an uphill struggle. By August last year, eight months after it launched its bid for Farmers, B.A.T had convinced only the insurance commissioners in Arizona, Illinois and Ohio that it was a suitable new owner. Kansas and Texas still could not make up their

minds. And Oregon, Idaho, Washington and California refused to allow the takeover to go ahead.

California had the oddest reason for refusing—one of the state's statutes says that Californian companies cannot be owned by entities controlled by foreign governments. Mrs Roxani Gillespie, the state's battle-axe of a commissioner for insurance, interpreted the wording of this statute in such a way as to make B.A.T a nationalised industry—thanks to minority shareholdings held in it by the likes of the British Rail pension fund. In August a state court overturned this absurd ruling, forcing Mrs Gillespie to change her mind; the three other intransigent commissioners did likewise when B.A.T upped its offer. The bid then went through.

Mrs Gillespie's decision will again be crucial, since 40% of Farmers' premium income comes from her territory. Sir James and his crew have 81 days from August 8th to convince her that their bid for B.A.T poses no threat to Farmers' policy-holders. If they fail, then under City of London takeover rules their bid must lapse, even if a majority of shareholders have voted to accept it.

Sir James's American lawyers, Skadden, Arps, Slate, Meagher & Flom, should know what they are doing—they helped to defend Farmers last year. The main thrust of their case to the insurance commissioners is that it does not matter if the illustrious trio are fit and proper owners of Farmers, as they have no intention of keeping it. Hoylake has promised to put Farmers under a standstill agreement which would be administered by Mr Daniel Evans, who is a former senator for and governor of Washington State, Mrs Shirley Hufstедler, a former secretary for education, and Mr David Sherwood, a past president of the Prudential Insurance Company of America. This fine collection of has-beens will be responsible for overseeing the management of Farmers until a buyer is found; help to vet the suitability of that buyer; and make sure that dividends to Hoylake do not shoot up in the interim.

Hoylake is scouting around for likely buyers. One candidate is Mr William Simon, a former treasury secretary building a West Coast financial-services empire. He is one of 23 outside investors who have offered to invest a total of £316m in Hoylake.

The insurance commissioners are not impressed. "At the end of the day someone has to pay for these deals; I don't want it to be policy-holders in Oregon", says Mr Theodore Kulongoski, that state's commissioner, with due populist fervour. Mrs Gillespie might be even keener to ensure those in California do not suffer: her job is soon to become an elected one.

Hoylake may have made one serious mistake in its handling of the Farmers case.

Takeover and make over

GIVEN the size of their fees, corporate raiders have a hard time convincing people that they really do wear medals with their pin-stripes. After all, when raiders make tens of millions of dollars from each deal, who can believe their claims to be working mostly to improve the efficiency of the business? Surely, they have to be sacrificing the firm's long-term health for their own short-term gain?

Perhaps not, according to a new study of several thousand American takeovers which took place between 1977 and 1982*. The study examined the effects of takeovers on the employment of produc-

tion workers, R&D specialists and administrators. It concluded that those firms that were taken over cut back heavily on administrators. Contrary to expectations, when it came to the number of research workers employed, there was no difference between those taken over and their independent brethren.

On average, administrative offices at taken-over manufacturing firms employed 12% fewer staff in 1982 than they did in 1977. Among firms not taken over, central-office employment grew by 4%. Employment of production workers also shrank at acquired firms—though by

Skadden, Arps recommended that it should sue the commissioners for unconstitutional behaviour—the constitution bans states from doing anything that might “impose an undue burden on commerce” within the Union. Disagreements over the division of power between the states and the federal government caused the civil war and are still controversial enough to make sure such a case could go all the way to the Supreme Court. Mrs Gillespie has asked Farmers to become a co-defendant and so to pick up the bills that Cravath, Swaine & Moore will charge to refute Skadden arguments.

Well might B.A.T.'s shareholders be dazed. The key question to them is whether the takeover panel in London will be willing to adjust its bid timetable. It could rule that Farmers' connivance with Mrs Gillespie constitutes a frustrating action of the bid, on which shareholders should have the right to vote. Or, if Hoylake has persuaded a majority of B.A.T.'s shareholders to accept its offer within 60 days, it could offer to extend the customary 21 days for tidying up all the loose ends.

One thing is certain: until the attitude of the American insurance regulators is clearer, Sir James and Co are not going to waste their money on offering shareholders a cash alternative to the cocktail of shares and junk they have now put on the table. As the takeover panel's deadline looms, the bid will begin to bear more than a passing resemblance to one of Sir James's and Mr Packer's favourite pastimes—roulette.

B.A.T.'s shareholders will be the losers. Either Hoylake will fail to get the necessary consents from America and so will have to withdraw its bid because it has run out of time, when presumably the B.A.T. share price will sink. Or the consents will arrive so near the deadline as to discourage a rival bidder from coming forth. That in turn will prevent B.A.T.'s share price from being pushed up as high as it might otherwise. Not so funny.

much less than that of administrators. Overall, growth in wages and benefits was 12 percentage points lower among those taken over than those not.

There remains a mystery in the figures. The report's authors say that the firms in their study which were taken over were, on average, smaller and paying lower wages than those which remained independent. Which might indicate that some of the fat being eliminated by pre-1982 raiders, at least, was coming from the already lean.

*“The Effect of Takeovers on the Employment and Wages of Central-office and Other Personnel” by Frank Lichtenberg and Donald Siegel; NBER working paper no. 2895

Financial regulation in Britain

Down from the mountain

MR DAVID WALKER, the chairman of Britain's Securities and Investments Board (SIB) is an unlikely Moses. A bespectacled mandarin from the Bank of England, he took over at the SIB in June 1988, one month after the Financial Services Act swept in a brand-new era of City of London regulation. His predecessor, Sir Kenneth Berrill, was blamed for all the costs and bureaucracy the new system entailed and was forced out by City financiers. On August 8th Mr Walker unveiled plans aimed at thinning Sir Kenneth's rules without reducing their effect. His consultative paper, “Regulation of the Conduct of Investment Business”, is now more widely known as London's “ten commandments”.

The new rulebook, which Mr Walker proposes to introduce by April 1990, would have three tiers:

- The first is the ten commandments themselves. These are broad “principles” that any financial firm must abide by, and most are as plain and as obvious as the biblical “thou shalt” themselves. The SIB's second principle says that a financial firm shall “act with due skill, care and diligence in the conduct of its investment business.” Importantly, a wronged investor cannot sue a firm that he believes has broken a commandment. Only the SIB can discipline it.
- The second tier, “designated rules” (of which there are currently 46), builds on the ten principles. Exercising skill, care and diligence, for example, requires that an investment firm give “prompt and timely execution”. This second tier is more concrete than the principles, but it is still much simpler than Sir Kenneth's multi-subsectioned opus. A private investor can sue his adviser if he breaks a designated rule.
- Day-to-day regulation is left to the five existing self-regulating organisations (SROs). Their rulebooks, the third tier, must incorporate all the designated rules, though the SIB is prepared to make exceptions.

Sir Kenneth argued that all the rulebooks had to have an “equivalent” standard of protection. It meant that when an SRO changed its rulebook, the SIB had to follow suit. This equivalence was one reason why the rulebooks were all so fearfully long and convoluted. Mr Walker asks only that the SRO rulebooks provide “adequate” protection. That gives the SROs a chance to simplify their books.

What is clear is that the commandments are essentially a deal with the City. Mr Walker has made the new system more “user-friendly”; in return he expects the City to abide by his principles. The risk is that Mr Walker's system will have less bite than the old one. Mr Walker retorts that the

more legalistic the system, the more it will be abused.

A case in Mr Walker's favour may be the recent County NatWest affair: County's directors managed to convince themselves that, technically, they had not broken any securities laws, though they would clearly have broken his “principles”. Even so, the Bank of England's semaphoric eyebrow rarely stopped unscrupulous or greedy financiers in the past. Mr Walker's argument—that one of his commandments will be a stronger barrier than a tightly-worded subsection—is, at best, untested.

Now, two things need to happen. First, Mr Walker must break a few noses early on, to prove that his principles really are set in stone. This he seems determined to do: indeed, he argues that it will be easier to fine



David takes the tablets

or to punish offenders for breaking a principle than for a technical infringement. Anybody who does not accept Mr Walker's interpretation of the principles will have to take the SIB to a costly, public tribunal.

Second, the SROs must learn to behave less like tom-cattish trade associations and more like the policemen they need to be. Mr Walker now plans to harry them with audits. But he has already let them off one hook by saying that they can keep their existing rulebooks if they wish. So far, only the two most go-ahead SROs, the Investment Managers Regulatory Organisation (IMRO) and The Securities Association (TSA), have said that they will change to simpler rules that fit the new adequacy test.

Mr Walker's vision is of a loftier, less bureaucratic SIB. Abroad, he sees the SIB as a City ambassador, particularly in Europe, where the Community is trying to put to-

BUSINESS



Et tu Arnold e Giovanni?

B.A.T stabbing

WOULD you sell a used conglomerate to Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer for £13 billion (\$21 billion)? They, at least, doubt it. Why else would they have invited a team of rich and famous co-conspirators to join their bid for Britain's third-largest company?

On July 18th the trio announced that an illustrious group will be taking minority stakes in Hoylake Investments, the vehicle for their hostile bid for B.A.T Industries. The new investors include the family holding company of Mr Giovanni Agnelli, the largest shareholder in Italy's sprawling Fiat empire; Britain's General Electric (GEC—no relation to the American firm of the same name) run by Lord Weinstock; Banque Paribas, a French investment bank; Pargesa, a Swiss-based investment company; the French end of the Rothschild family; and America's Bankers Trust. They may be joined by more backers and together are expected to put up £200m of Hoylake's planned £870m in equity capital.

With the exception of Bankers Trust, all of these investors have known Sir James and Mr Rothschild for years as friends or business partners and in some cases both. They are willing to act as the chorus to Hoylake's battle for B.A.T because they face little risk—they will only have to cough up if the bid goes unconditional—and stand to make a

handsome profit if it does come off.

The more intriguing question is why Hoylake wants their support. To say it gives the bid more credibility is to admit that there was a lack of credibility in the first place. Besides, it is by no means sure that their involvement will achieve this end. Sir James launched the bid with an eloquent and damning attack on the efficiency of the conglomerate. Yet Mr Agnelli and Lord Weinstock are master conglomerateers.

This inconsistency between Hoylake's rhetoric and its new backers has got B.A.T's blood up. GEC's financial performance has been substantially worse than B.A.T's during the 1980s. Lord Weinstock has only recently fought off an unwanted bid by a hastily assembled consortium and is even now putting the finishing touches to a range of joint ventures that will do nicely as poison pills. Just the sort of behaviour for which Sir James excoriates conglomerates.

Mr Patrick Sheehy, B.A.T's chairman, might be excused for feeling personally betrayed by Mr Agnelli and Paribas. Unusually for a British businessman, Mr Sheehy is a devout European and the only British member of Comité d'Action Pour l'Europe, a discreetly influential pressure group in which Mr Agnelli is also a leading light. So much for all being in the same boat trying to build European companies. Paribas was supposed to be the bank that helped B.A.T's European

ambitions. It brought the company to the Paris Bourse in 1985 and arranged annual roadshows to impress European investors. Last year it committed \$95m to a revolving loan to help finance B.A.T's purchase of Farmers Group, a Los Angeles-based insurer. Like Storehouse, Gateway and even GEC before it, B.A.T is taking a crash course in the disloyalty of banks when tempted by immense fees from break-up artists.

Mr Rothschild is the financial architect of the bid, but the builder is Sir James, and it is he who will have to use his considerable powers of persuasion to convince institutions that Hoylake can do what it says it will. That means he will have to come up with a rebuttal of B.A.T's main defence—its performance. Since Mr Sheehy took over as chairman in 1982, the company has given its shareholders an average annual return (capital increase and dividend payments) of 35% a year. Not bad for a supposedly directionless conglomerate. Sir James will have to start coming up with some convincing explanations of how he intends to squeeze higher returns out of the core tobacco business which Hoylake intends to keep.

His secret weapon for doing this will be Mr Al Dunlap. In 1986 Mr Dunlap became chairman and chief executive of General Oriental Investments (GOI), the holding company for Sir James's timber, manufacturing, oil and gas interests. Mr Dunlap gutted Crown Zellerbach, for which Sir James had paid \$1.2 billion the previous year, and pushed GOI's profit up from \$25m in 1986 to \$150m last year. In March this year Mr Dunlap was brought over to London to run Anglo Leasing, the Goldsmith-Rothschild operating vehicle. He has had three months to work out how he will boost B.A.T's trading



Sheehy's staple

profit from tobacco, which was £756m in 1988 compared to a peak of £810m in 1984.

That is not all Mr Dunlap is doing. He is co-ordinating the campaign to persuade regulators in America that the bid does not pose problems as far as ownership of Farmers is concerned. Under American law the insurance commission of each state in which an insurance company is domiciled must approve a change of control. Hoylake has to get past the commissions of nine states. It has written to each of them promising to freeze Farmers' shares in a trust until a suitable buyer can be found for the company. The main obstacle Hoylake will have to overcome is the commission in California, where Farmers earns 40% of its revenue. During the lengthy hearings leading up to B.A.T.'s acquisition of Farmers last year, the big worry that exercised the Californian regulators was whether the extra debt incurred would affect the company's balance sheet. They are not going to like a bid involving a pile of junk.

Hoylake is in for a long and costly battle. But the £44m profit it is already showing on its 1¼% stake in B.A.T will keep the lawyers fed for the time being. And there is always the vision of untold profit if it wins. Any capital gains from the stake or the sale of B.A.T.'s unwanted businesses will be tax-free, thanks to Hoylake's Bermuda registration. And Rothschild, Goldsmith and Packer each stand to pocket more than 7% of the tobacco business's annual earnings, worth a nifty £50m. Not a bad way to relieve the tedium of great wealth.

Losing money the old-fashioned way

NEW YORK

MAIN Street cheered while Wall Street booed a feisty octogenarian this week. Mr J. Irwin Miller, the former boss and a grandson of the founder of Cummins Engine of Columbus, Indiana, took an expensive stand against "short-term investors". On July 17th his family absorbed a \$5m personal loss to buy out the 10% stake held in Cummins by Hanson Industries, the American arm of Lord Hanson's acquisitive British conglomerate.

Lord Hanson had sworn that he held the shares purely as an investment. Wall Street arbitragers disbelieved him. They charged into Cummins shares in hopes of a takeover bid and, says Mr Miller, "destabilised" the company. So he and his sister, Mrs Clementine Tangeman, paid just over \$69 (a \$5 premium on the stockmarket price) for each of the 1m or so shares that Lord Hanson had bought for around \$53 each. They then exchanged them with the company for \$72m in notes yielding 10%. Speculators betting on a takeover were burnt. The

shares fell below \$60 on the announcement of the deal.

Mr Henry Schacht, Cummins's chief executive, says he did not think it ethical to use company money to buy out greenmailers. So the Miller family took the initiative. Mr Miller came up with the idea and his son, Will, negotiated the deal directly with Sir Gordon White, who runs the American side of the Hanson business.

Nonetheless, Mr Schacht is delighted by the family's altruism. The Hanson stake was making it hard for Cummins to attract and retain good staff. Long-standing customers had started to look for alternative suppliers. Like the Millers, Mr Schacht dislikes the increasing dominance of institutional investors in America. In taking a three-month view, he says, they hurt the other "stakeholders" in a company like Cummins that has to take a long-term view to prosper—the employees, the suppliers, the customers—and the good people of Columbus, an old-fashioned company town.

Avis

ESOP's fable

GARDEN CITY, NEW YORK

"OWNERS try harder" is the latest come-on at Avis, the best known American company owned by its workers. Enthusiasts believe that it is going to come on and on and on. Mr Joseph Vittoria, the chief executive, was able to boast about the triumphs of this "capitalist form of socialism" when he and other senior managers met in mid-July with 15 Avis workers' representatives at the head offices of the company in Garden City on Long Island. The workers' representatives—ten women and five men—joked about the new symbolism of their bright red blazers.

Avis's increasingly hard-pressed competitors are not amused. In a financial year that runs to February 28th, Avis's operating profit increased spectacularly from \$16m in 1987 to \$79m in 1988, the financial year when its employees took over, to \$94m in 1989. According to Alex Brown, a Baltimore brokerage house that follows the industry, Avis is now the most profitable of the four leading car-hire firms in America (more profitable than Hertz, National and Budget). Avis,

which once made such a point of being number two in sales, has also all but eliminated the gap in market share between itself and its arch rival, Hertz. A decade ago Hertz had a 41% to 23% advantage in cars hired at airports. The market breakdown today is about 30% to 28%.

Hertz has helped Avis by making several strategic mistakes. Concentrating on business travellers, Hertz was slow to react to the big increase in the hire of cars by holiday-makers that is a consequence of the lower air fares resulting from airline deregulation. Hertz also lagged in computerising its operations. Hertz's reputation and sales took a hit after it pleaded guilty in court last autumn to federal charges that it had for years defrauded its customers by charging them more than it cost to repair cars damaged in collisions and in some cases even charged for entirely fictitious repairs.

Despite this, industry insiders think that Avis is unlikely soon to overtake Hertz. The "try harder" company, they say, continues to give priority to profit margins instead of to market share. It does not share the obsession of Mr Frank Olson, the chief executive of Hertz, about being number one in car-hire. Mr Olson and Mr Vittoria, who was chief executive of Hertz before defecting to Avis, are more than mere business rivals. Mr Vittoria's dislike of



GOLDSMITH

References: *N Y Daily News* p28 Ap 26 '87 por; *N Y Times* E p26 N 8 '87 por; *N Y Times Mag* p39+ Je 9 '85 pors; *Vanity Fair* 50:88+ Ag 87 pors



Goldsmith, Sir James (Michael)

Feb. 26, 1933— Anglo-French financier; industrialist. Address: Cavenham House, Park Lane, Cranford, Middlesex TW5 9RW, England

"I don't owe money to the banks. I'm not running for office. I'm not a public company. . . . I'm going to do what I think is right. Not many people have that luxury." So declared Sir James Goldsmith, better known as Jimmy, in an interview for *Forbes* (September 17, 1979). Goldsmith is an Anglo-French financier and corporate raider who has been described as "50 percent energetic charmer, 50 percent bully, and 100 percent iconoclast." The first step in his financial rise was a pharmaceutical business he developed in France in the 1950s. In England in the 1960s he launched Cavenham Foods Ltd. and pyramided it into Europe's third largest grocery conglomerate. The complicated maze of his financial empire, controlled by companies in tax-lenient venues such as Panama and the Cayman Islands, later included the Grand Union grocery chain in the United States and the news magazine *L'Express* in France. After selling off Cavenham Foods, Goldsmith concentrated on arbitrage in the United States in the 1980s, quadrupling his net worth to \$1 billion. Having escaped from the stock market just before it crashed in 1987, he currently has a war chest of \$800 million in cash, at a time when cash is king in the financial world. Goldsmith doesn't mind people calling him ruth-

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less, because he considers his role of entrepreneur "necessary to an industrial society" and he relishes being "a free man—with all the advantages and disadvantages of that."

James Michael Goldsmith, or Jimmy, as he is called by all who know him, is a descendant of the Goldschmidts of Frankfurt, Germany, a Jewish merchant banking dynasty related to the better-known Rothschilds. In the mid-1890s Adolph Goldschmidt, Jimmy's paternal grandfather, moved with his family first to France and then to England, where Adolph's son Frank changed his name to Goldsmith and became a member of Parliament. Although Frank fought bravely as a British major at Gallipoli in World War I, the wartime anti-German sentiment in Britain made him a political pariah. After the Armistice, he moved to France, where he became an investor in and manager of Hôtels Réunis, a chain of forty-eight of the finest French hotels. Later, after becoming a director of the Savoy group of British hotels, including Claridges and the Berkeley, he was a trans-channel commuter. In 1928 he and Marcelle Mouiller, a Catholic from Vichy in the Auvergne region of France, who were as yet unmarried, had their first child, a son, Edward, better known as Teddy, who is now a prominent environmental consultant. After their marriage, Frank and Marcelle had their second child, another son—Jimmy, born in Paris on February 26, 1933.

When not at home in Paris or sailing on yachts, Jimmy Goldsmith spent his early childhood in some of the most luxurious hotel suites in London, Locarno, Biarritz, Monte Carlo, and other European cities. Goldsmith family dinners were formal affairs; parties were extravaganzas; guests were rich and famous. "It was a gilded childhood," as Geoffrey Wansell noted in the authorized biography *Tycoon: The Life of James Goldsmith* (1987). "The soft breath of affluence that blew across Jimmy Goldsmith's early years convinced him that life should never be lived in any other way. . . . Even when he had no money, twenty years later, he still employed a valet and a cook." Digby Neave, one of Jimmy Goldsmith's oldest and closest friends, told Wansell: "Jimmy does not have the same attitude to money as other people. He's never understood what it means not to have money, he has always been a millionaire. Even when he didn't have millions he was a capitalist without capital."

Wansell quoted Jimmy Goldsmith's brother, Teddy: "Jimmy was always driven. Even when he was young he was always buying and selling things. He was always competitive and ambitious." According to Teddy, when Jimmy was six their father expressed concern that he had not yet learned to read. In Teddy's account, Jimmy told his father: "When I'm old enough I shall be a millionaire and have someone to read to me." To his father's dismay, at about that time Jimmy began gambling, playing the one-franc casino machines in hotels his father managed in the South of France. His passion for gambling later extended to all sorts of games of chance, including horse racing and such card games as chemin de fer.

Fleeing the advancing Nazis at the beginning of World War II, the Goldsmiths went via England to the Bahama Islands, where Frank Goldsmith was invited to manage the Royal Victoria Hotel in Nassau. Enrolled in the Belmont School in New York, Teddy Goldsmith showed "some dedication according to a report card, but Jimmy was described as "lazy" and "uninterested." When Jimmy was ten, both boys were sent off to a stricter school, the University of Toronto, where Jimmy attended St. Andrew's College in Ontario, Canada, where he remained a reluctant scholar, interested in mathematics and rebelling against the school's sports program. After earning sufficient money by trapping animals and selling their fur in Toronto, he ran away from school during the Christmas holidays, traveling by train to New York City and checking into the Waldorf Astoria Hotel there. It was several days before his parents and school authorities succeeded in finding him. "The memory still amuses him," Geoffrey Wansell noted. "Throughout life he has never been able to escape an image of himself as the perpetually naughty schoolboy: the one always into scraps and scrapes, but, just as surely, out of them. It has become part of his character."

In 1945 Frank Goldsmith sent his younger son to the Millfield School in Somerset, England, to prepare for the British common preparatory school entrance examination. Partly on the strength of Jimmy's bilingualism in French and English, the school's headmaster, managed to get him into Eton, the elite British prep school. In the fall of 1946, Jimmy Goldsmith, already six feet tall and looking twenty-one years old. Ignoring most classes and adamantly refusing to take part in sports, he challenged his sharp mathematical mind with card-game strategy and betting calculations.

Jimmy Goldsmith's allowance was only a few pounds a week, but he won or borrowed enough money to flaunt a high-rolling lifestyle at Eton, throwing extravagant parties for his fellow students and taking them to the races. After parlaying a £10 bet on horses into an £8,000 payoff, he decided, at age sixteen, that "a man of [his] means should not be a schoolboy" and he withdrew from Eton, never having passed a single academic examination. In accordance with tradition, he participated in the school's "going down" ceremony, and he kept the certificate presented to him on that occasion to prove to everyone that I haven't been seen. While visiting Oxford University, where his father was a student, he awoke to his second green session (after gambling), the pursuit of beautiful women. He ended up staying a year and a half in the city of Oxford, "making whoopee," as his father put it. When he rejected an entry-level hotel job, his father proffered, the father agreed to pay his gambling debts if he would fulfill his normal service obligation immediately.

At the end of his two years of service in the British Royal Artillery, in April 1953, Jimmy Goldsmith was determined to "revive the family fortune and rebuild the Goldsmith business reputation. (

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is a manager of and shareholder in splendid but not the owner of them.) He first made national headlines, however, not as a business man but as one of Europe's best-known rich playboys. The headlines had to do with his vulgar international courtship of and elopement with the Brazilian tin heiress Isabella Patiño, whose parents opposed the liaison. Jimmy and Isabella were married in Scotland on January 7, 1954. The bride died tragically later in the same year of massive cerebral hemorrhage. Publicity was generated by Jimmy Goldsmith's successful negotiations with the Patiño family for custody of Isabella's daughter Olga Goldsmith, his daughter by Isabella, who died by caesarean section while Isabella lay in bed and dying.

Goldsmith's entrée into business was a license his brother, Teddy, had acquired for the distribution in France of Adremad, an adrenalin cream for rheumatism. Setting up an office in the Hôtel de Ville in Paris in 1953, Jimmy in his bereavement threw himself into building up a wholesale pharmaceutical business with the concentrated energy he previously expended only on sex and gambling. By the spring of 1955, Geoffrey Wansell, Jimmy's Tycoon, "Jimmy Goldsmith had made a fortune: business could be as much fun as gambling, especially if you treated it in much the same way as a matter of moving your chips around the table as possible for the maximum profit, and your luck and judgment. It was a style that had been abandoned."

In 1955 Jimmy Goldsmith founded Laboratoires Cassene, a company that marketed antibiotics, penicillin, chloramphenicol, the vaccine Lantigen B, the nasal decongestant ephedrine, and other American and British pharmaceuticals previously unavailable in France. Within two years Laboratoires Cassene was a formidable pharmaceutical firm, with an annual turnover of almost £1 million, a large factory, and 400 workers. Funds went to research-and-development and to hiring top experts. The fast expansion was based, not on money, complete financial independence, and hope," as Goldsmith later explained, "but on the fact that in early 1957, when he was besieged by creditors, he was saved from bankruptcy only by the grace of the first French bank strike in Paris. In the period of grace that the strike gave him, he sold his company and its debts to his brother, Laboratoires Roussel, for £120,000 and a share of the future sales of Lantigen B. "After the strike of 1957," Geoffrey Wansell observed, "Jimmy Goldsmith became a distinctly conservative financier, no matter how much of a gambler he had been on the surface."

After purchasing another small drug company, Laboratoire Laffort, Jimmy Goldsmith began a more systematic practice of acquiring small or weak companies, turning them around, and then merging them. Invading the British market with the financial assistance of his friend Selim Al-Fayez, an Iraqi-born banker, he set up Ward Cassary in London in November 1957 and soon an-

tagonized established British pharmaceutical interests by selling the drugs cortisone and tetracycline "below cartel prices," as he put it. Between 1960 and 1962 he and Zilkha transformed the Lewis and Burrows chemist shops, together with the W. J. Harris group of pram and nursery furniture shops, into the British chain Mothercare. In France, his Right Tan—inspired by America's Man Tan, a tanning-without-sun formula—was making his new Lanord company profitable. Aping the American slimming product Metrecal, Goldsmith developed Milical, a huge success in France. Later he acquired the company that produced the popular French bathroom disinfectant Synthol. After launching branches of the Lanord company, re-born as Gustin-Milical, in Holland, West Germany, Scandinavia, Italy, and Britain, his interest waned, and he looked for a new challenge.

Borrowing money from Isaac Wolfson, an old-fashioned usurer, and utilizing the takeover strategy he had refined in France, Goldsmith, in 1964, began buying into the British companies that he forged into Cavenham Foods. "His attack resembled that of a mercenary force rushing to seize an objective before the defenders realize how few their attackers are," Geoffrey Wansell observed in *Tycoon*. By 1970, when he controlled some of the most familiar brands in British shopping, including Slimcea, a low-calorie bread, Carrs Table Water biscuits, Carson's liqueur chocolates, Elizabeth Shaw mints, and Holland's toffees, Cavenham Foods was making a pretax profit of more than £700,316. Goldsmith also owned Hayes Lyon and Alex, a chain of seventy-one confectionery, tobacconist, and news-agents shops, which he expanded to 388 during 1970. Soon the 388 shops were making a profit of more than £250,000 on sales of £8.7 million. In August 1971 Cavenham Foods became the principal owner of Bovril, the manufacturer of the British grocery staples Bovril beef extract and puddings, Marmite bread spread, and Ambrosia creamed rice. Goldsmith regarded the acquisition of Bovril as "the turning point" in his emergence as a world-class financier.

Meanwhile, Goldsmith had acquired 60 percent of the French public company Financière et Industrielle de Pétrole et de Pharmacie, the umbrella for all of his French companies. With the financial aid and contacts of his cousin Baron Alexis de Gunzberg, Goldsmith, in late 1967 and early 1968 made a series of transactions that brought him the Société Générale Occidentale, which would serve as the master holding company of his business empire for many years, and the Banque Occidentale in Paris. Involved in those dealings was Madame Gilberte Beaux, a young banking whiz who became Goldsmith's closest adviser and aide, especially in banking matters. "Jimmy is really everything except a banker," Madame Beaux told Geoffrey Wansell. "He is a wonderful financial mind, a kind of genius, but financial matters and banking are totally different. Banking is for little margins and little risk. A financial man takes bigger risks for bigger profits." Goldsmith agreed:

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"The whole of my belief about business is that if you take a risk there has to be the potential for reward at least as great as the risk, if not greater."

Allied Suppliers, Britain's fourth largest food company, fell to Goldsmith in January 1972, and Générale Alimentaire, France's third-largest food combine, a leading processor of mustard, vinegar, and condiments, did the same three months later. Foreseeing an imminent downturn in the European economies, Goldsmith in 1973 began to sell off some of his European properties and to invest in American companies. In December 1973 he announced Cavenham's purchase of Grand Union, then the tenth-largest supermarket chain in the United States, for \$62 million, most of which was raised as a Eurodollar loan by the Hambros Bank in the City of London. Early in 1974 Jim Woods, who had been running the Cavenham small-shop chain in Britain, was made president of Grand Union. Although Goldsmith is not a natural manager, he himself later personally ran Grand Union, after merging it with two other chains, the Colonial Group, in 1978 and the Texas-based J. Weingarten stores, in 1979. Under Goldsmith, the Grand Union stores took on a new, European marketing look, designed by Milton Glaser, and specialty gourmet, fresh fish, and bakery departments were introduced. By 1986 Grand Union was the third-largest food retailer in the United States, after Safeway and Kroeger. Meanwhile, Goldsmith had been simplifying the affairs of his European companies as well as extending Cavenham's activities into Spain. He increased his shares in Générale Alimentaire to a controlling interest and consolidated both that French grocery company and Cavenham under the control of the Société Générale Occidentale.

During Britain's mid-1970s recession, Goldsmith temporarily turned his thoughts to a possible career in politics. He was an adviser to and speechmaker for the former Conservative prime minister Edward Heath in his effort to unseat Harold Wilson, the Labour prime minister—an effort that failed when Wilson soundly defeated Heath in the general election of October 1974. While he was working in the Tory Central Office, Goldsmith grew increasingly frustrated at the failure of the party to heed his advice to make itself less top-heavy by giving the local party organizations greater autonomy. In addition, his idiosyncratic and often intemperate plain-spokenness was at odds with the practical political traditions of compromise and obfuscation. Margaret Thatcher, Heath's successor as the leader of the Conservative party, liked the Lubbock lecture that Goldsmith gave at Oxford University in October 1975, but she did not much care for a speech he had given shortly before to a United Press International conference. In that speech Goldsmith suggested a sweeping reform of the electoral system and of the House of Lords, assailed the Communist party's infiltration of the Labour party, and criticized the Conservative party for its adherence to criteria of "wealth and birth" instead of merit.

The biggest obstacle to a career in British for Goldsmith was his unabashed polygynous arrangement of a wife and two children in London and a mistress and three children in London, much more acceptable to the French than British. The announcement of Goldsmith's hood in March 1976 sparked political controversy but his later reception of the Légion d'Honneur drew only moderate publicity. His reputation in Britain was not helped by an article in the biweekly *Private Eye* that implied that he helped to block a police inquiry into the disappearance of his friend Lord Lucan, who had been accused of murdering his children's driver. Goldsmith sued the publication for libel, but after eighteen months he settled out of court, for the driver's fees and a full-page apology.

Feeling misunderstood and rejected by the British establishment, Goldsmith moved his business operations back to Paris in 1975 and founded a new holding company, General Cavenham Ltd., based in Hong Kong but controlled by Goldsmith. He also founded a new holding company, General Cavenham SA in Panama, for his holdings in Générale Alimentaire, and he ventured into publishing with the purchase in March 1977 of *L'Express*, the news magazine in France. In September 1977 he founded *Now!*, a British weekly news magazine for which he recruited right-leaning political columnists at the highest salaries on Fleet Street. Mounting losses forced *Now!* to close in 1981.

Turning his attention to the western hemisphere, Goldsmith invested in Basic Resources International, a joint Spanish-French oil-export venture in Guatemala, in 1979. Within six months in 1980, he dismantled Cavenham Foods, a British manufacturing and retailing conglomerate. At that time he was buying into the Diamond International Corporation, a diversified American manufacturer of paper and other forest products. Taking control of Diamond International, he liquidated all of the corporation's assets, including 1.6 million acres of forest lands, for a \$500 million profit.

Before his highly publicized hostile takeover of the Crown Zellerbach Corporation, another forest products giant, in 1985, Goldsmith had been unsuccessful but nonetheless profitable in his dealings with two other American companies with substantial forest holdings—the St. Regis Corporation and Continental Group. Declaring "total, absolute, and irreversible war," Goldsmith overtook Crown Zellerbach's defensive strategy by acquiring majority control of the San Francisco company through stock purchases on the open market. Fending off "white knights," such as the Merrill Lynch Corporation, who sought to deliver Crown Zellerbach to Merrill Lynch, he took delight in remarking, "I'm white. And I'm a knight." William T. Creswell, who quipped Crown Zellerbach's board chairmanship to Goldsmith in July 1985 but remained president and chief executive officer. Goldsmith restructured the corporation, selling the paper-producing divisions to the James R.

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ation of Virginia and retaining nearly two million acres of timberland.

Goldsmith's next American target was the Goodrich Tire and Rubber Company, which had diversified far beyond its original core business, to its detriment, in his view. Backed by his network of European capital sources and his American investment banker, Merrill Lynch Pierce Fenner & Smith Inc., Goldsmith began buying "for the company's good" as well as his own until he acquired 11.5 percent of Goodyear's 109 million shares. When he proposed a tender offer at \$49 a share on November 5, 1986, Chairman Robert E. Mercer launched an intense counterattack, and Goldsmith's bid became the subject of hearings conducted by the House subcommittee on monopolies and commercial law. Stealing Goldsmith's thunder Mercer's board divested Goodyear of its aerospace and energy divisions. Recognizing that the public mood was turning against high-powered corporate raiding in the wake of the scandal surrounding Wall Street arbitrageur Ivan F. Boesky, Goldsmith on November 20 agreed to sell his stake back for \$50 a share, which gave him a profit of more than \$93 million. He came away from the affair claiming that his involvement had the positive effect of legitimizing the role of the raider. "As a result of my being there, the company's share price went much higher," he pointed out, "their earnings per share have doubled, and they are much healthier." On the very day that he released his Goodyear check, Goldsmith scored a victory in France. Acting as a "white knight" at the request of Presses de la Sorbonne, he successfully battled the Italian industrialist Carlo De Benedetti for control of the publishing house, the second largest in France. That acquisition, together with his earlier purchase of the literary weekly *Lire* and the large amount of money he spent improving *L'Express*, seemed to confirm an intention to make Générale Occidentale, his \$2 billion holding company, listed on the Paris Bourse, a mighty European communications group. In November 1987, however, Goldsmith sold his 51 percent stake in Générale Occidentale to the recently privatized Compagnie Générale d'Electricité, the world's largest telecommunications equipment company. In August, he sold still more assets, including *L'Express* and Grand Union. At the same time, a coalition of labor unions representing Pan American World Airways workers was holding preliminary discussions with Goldsmith about a possible restructuring of the airline's parent company. In the spring of 1988 Goldsmith entered yet another field when he invested some \$2 billion in the new production company Golden Gate Films for its first venture, *Why the Whales Sings*.

In the ever-shifting global structure of his interlocking holding companies, Goldsmith's chief corporate umbrella now appears to be General International Investments, based in the Cayman Islands in the West Indies, where he is protected from capital gains taxes. General Oriental is privately con-

trolled by the Brunneria Foundation in Liechtenstein through intermediary shell companies in Panama. In creating rather than managing his empire, Goldsmith relies on a corps of outstanding, trusted administrators, with whom he communicates often by telephone, even when he is sailing his yacht. He prides himself on not sitting behind a desk in his offices, on not keeping files, and on tearing "almost everything up when [he has] finished with it." "If I have any talent at all," he once said, "it is foreseeing major developments and acting on them before anyone else." His byword is: "if you can see a bandwagon, it's too late to get on it." Admittedly superstitious, he won't open an umbrella indoors, and he sometimes touches wood when talking about present or future business transactions. "He believes in luck," a colleague has said. "He believes in fate."

Goldsmith is too restless to limit himself to building up or concentrating on a single business, and he believes that such entrenchment tends to breed and perpetuate stodgy, ineffective, and complacent business bureaucracies. With missionary ardor, he preaches that takeovers represent "industrial renaissance" and that "liberating companies from tired old conglomerates is good for everyone—shareholders, employees, the economy, and, of course, the raider." Goldsmith, who views himself as "a revolutionary," uses some of his money to exert political influence, to bankroll conservative causes, and to fight what he views as Communism's deliberate, subtle invasion of western governments and media. One of his fears is that the United States is in danger of catching "the European disease," a "triangular alliance of big unions, big government, and big management." He has expatiated on his free-enterprise philosophy in speeches and articles, some of which were collected in *Counter Culture* (1985), which was privately published.

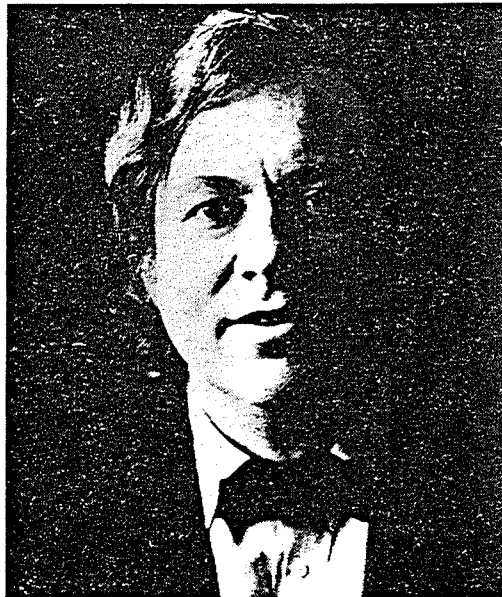
"The thing about Jimmy is that he's an English eccentric in the best sense of the term," Olivier Todd, the *L'Express* editor whom Goldsmith fired for endorsing the Socialists in the French elections of 1981, told an interviewer for *Time* (November 23, 1987). "He is sometimes downright reactionary, but he is also ferociously anti-establishment, left, right, and center." As Geoffrey Wansell observed in *Tycoon*, Goldsmith is "a character of weird and forceful originality . . . dismissed as neurotic by some, yet recognized as genuinely imaginative by others." Goldsmith married his second wife, Ginette Lery, in 1963; by her he has two children, Manes and Alix. Following his divorce, he married his longtime mistress, Lady Annabel Birley, in 1978; from that union he has three additional children, Jemima, Zacharias, and Benjamin. His youngest child is Charlotte, his daughter by Laure Boulay de la Meurthe, a niece of the Comte de Paris, the pretender to the French throne. According to a report in *Fortune* (October 12, 1987), he also has a mistress in New York City. Following his own code, Goldsmith is happily devoted to all of his ménages.

GOODE

Blue-eyed Jimmy Goldsmith, who went prematurely bald many years ago, is a cigar-smoking man of imposing presence, standing six feet three inches tall, sporting a year-round tan, and speaking in a self-confident staccato. While mercurial by temperament, he is suave and elegantly courteous. He maintains luxury residences in Manhattan, London, Paris, and the Spanish countryside. Wherever he happens to be, he spends some of his leisure time reading and playing backgammon (well) and tennis (badly), but pondering new business deals is

his favorite recreation. "The secret," he once said "is to create new ambitions the whole time."

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Goode, Richard

June 1, 1943—Concert pianist. Address: c/o Byers Schwalbe & Associates, 1 Fifth Ave., New York, N.Y. 10003

For more than a quarter of a century, the concert pianist Richard Goode, who has been called a "musician's musician," has been acclaimed on four continents for his technical prowess and interpretive skills, both as a soloist and as a member of leading chamber music ensembles. The principal keyboard artist for the Chamber Music Society of Lincoln Center and one of its founding members, Goode has successfully met the challenges of the repertoires in both areas in what continues to be a flourishing career in New York recitals and on European tours. Perhaps his most ambitious project so far has been his traversal of all the Beethoven piano sonatas in a seven-concert series at the Ninety-second Street YMHA in the fall of 1987 through the spring of 1988. He is also recording them on com-

pact disk, LP, and cassette for Book-of-the-Moon Records and Nonesuch Records.

Richard Stephen Goode was born on June 1943 in New York City, one of the two sons of Samuel Mitchell Goode and Helen (Kaiser) Good. Neither of Goode's parents was a musician, but his father was a piano tuner who at one time had studied the violin. Goode's first exposure to music came from listening to vintage Al Jolson records in his family's apartment in the East Bronx. "I love them," he told Karen Campbell during an interview for *Ovation* (January 1987) magazine. "It was something about Jolson's totally uninhibited schmaltzy emotionality. I used to sing and try to irritate him, and I guess my parents took note of that and decided I should study a musical instrument. Strangely enough, Goode originally took up the piano as an instrument preparatory to the violin. "Then I wanted to be a composer," he told Arthur Satz in *Musical America* (October 1981), "then conductor, and finally a performer. I kept lowering my sights, you might say."

At the age of six, Goode began studying the piano with a neighborhood teacher, but found the experience to be an unhappy one. He was soon introduced to Elvira Szigeti, a relative of the renowned violin virtuoso Josef Szigeti, and the two struck up a harmonious relationship. Goode credited his four years of study with Elvira Szigeti—from 1949 through 1952—with shaping his love and respect for music. "She was an inspiring force," he told Karen Campbell, "and she was totally dedicated. She didn't fool around with children's pieces but started me right off with Bach and Bartók. She gave me the sense that music was a very, very important matter."

After completing four years of study with Elvira Szigeti, Goode came to the attention of Mrs. Rosalie Leventritt, a friend and empathetic champion of many musicians and their careers, who arranged for him to play for the celebrated pianist Rudolf Serkin at her Manhattan apartment. It was Serkin's recommendation after that audition that Goode became a pupil of Claude Frank, the renowned, German-born virtuoso and teacher. "I was the first person I'd ever heard play close-up," Goode told Karen Campbell, "because Mrs. Szigeti had arthritis and never played. Claude made

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Who Owns This Company Anyway?

Greenmail Leaves Shareholders Out in the Cold

By BENJAMIN J. STEIN

IN THE halcyon November of 1986, Ivan Boesky's was not the only name in the news. Although attention centered on his confession of having traded profitably on insider information, the possible implication of other traders and Wall Street players and the SEC's handling of the case, there were other events of significance occurring on the investment scene. Some of these raise questions about the role of management in public companies, the duties of fiduciaries, the meaning of insider trading and the destiny of public ownership of shares. These questions have yet to be addressed in any full way.

In late October and early November 1986, Sir James Goldsmith made an offer to buy the 87.5% of Goodyear Tire & Rubber Co. that he didn't already own for \$49 a share, or a total of \$4.71 billion in equity. Goldsmith promised that he would, when he owned Goodyear, force it to divest itself of oil, aerospace and high-tech businesses and to concentrate on its basic business of making tires.

The management of Goodyear, led by its chief executive officer, Robert Mercer, fought back fiercely to maintain the company's "independence." Mercer and various Ohio congressmen arranged for congressional hearings that were

plainly hostile to Sir James. Mercer and his colleagues gave press conferences in which they declared they hoped they could retain their "independence" so that Goodyear could remain in high tech and aerospace, continue to lead the tire industry in research, and chart its destiny free of foreign domination.

On Thursday, Oct. 20, Goldsmith, after extensive conversation with Mercer, withdrew his offer to buy all the shares of Goodyear. He sold back his 12.5 million shares to Goodyear for \$49.50 a share, netting a profit estimated at \$80 million-\$90 million. Goodyear announced simultaneously that it would buy from the ordinary stockholders another 40 million shares at \$50 a share, or 50 cents more per share than Sir James received, but would not tender for the other 52% of the shares owned by the public.

The stock market sent Goodyear's shares down from roughly \$46 to about \$41.50. The latter presumably reflected the market's view that the average price of all the outstanding shares, those that would be bought in and those that would not, would be about \$41.50, or about 15% less than what Goldsmith had offered.

The difference between what Goodyear's shares were valued at (not counting Goldsmith's stock) after Sir James and management reached an understanding and what he had offered for the

shares came to about \$735 million.

This also presumably was a part of the price stockholders paid for seeing their company, Goodyear, remain independent. Another part of the price was the \$80 million-\$90 million profit paid by management to get Sir James to go away.

Ironically, immediately following the accord with Goldsmith, Mercer announced that Goodyear would be severely restructured along the lines Sir James had suggested. The aerospace, high-tech, and oil and gas operations of Goodyear will be sold. The research and development efforts of the rubber giant will be cut by more than half. Headquarters staff will be reduced. The company will become heavily laden with debt.

The "independent" Goodyear thus emerged as a company very much like the one Sir James wanted, with this large difference: The stockholders are about \$800 million less well off than they would have been had Goldsmith's bid succeeded, and the company they now own is different in several key ways from the one they bought.

Four days after the abandonment of the Goldsmith bid for Goodyear, another attempted takeover ended. Revlon, through its energetic chairman, Ronald O. Perelman, had offered to buy the huge toiletries and razor manufacturer Gillette in early November for

\$65 a share. Following a series of confrontations among representatives of Gillette and representatives of Perelman, on Nov. 24, Perelman decided to sell back his 9.2 million shares for \$59.50 each and renounce any intention of taking over Gillette for at least 10 years. For this, he received a profit of some \$43 million, the difference between what he paid for his stock and what Gillette paid him.

The other stockholders of Gillette, who held an additional 41 million or so common shares, within two days saw their holdings' value plunge from roughly \$65 a share, at which the stock had been trading, to about \$45. Their cumulative loss upon the settlement that kept Gillette "independent" ran to around \$800 million.

That sum does not include the \$43 million profit accrued by Perelman. Nor the \$7 million in expenses paid to him and his lawyers and investment bankers for their efforts, at what must be the highest hourly rates of pay in the annals of law and finance.

The peripatetic Perelman only a scant three weeks earlier had ended a similar maneuver involving CPC International. In that ballet, Perelman had halted his "attempted takeover" of the food titan by accepting a buyback of his shares at substantially above the next day's trading price, netting a profit of \$40 million or so in the bargain.

Benjamin J. Stein is a lawyer, economist and writer, based in Los Angeles.