

takeovers customarily generate much hostility between the management of the "target" and that of the acquiring entity. In such battles, the interests of the holders of the untendered shares in the "target" corporation become irrelevant.

I believe that Maryland has a legitimate interest in regulating the internal affairs of companies incorporated under Maryland law in order to better protect resident shareholders. Consequently, I support legislation such as House Bill 1030 and urge that such legislation be enacted by the General Assembly. House Bill 1030, the only bill now before me, is of such breadth that some beneficial transactions unfortunately may be impeded by its requirements. By requiring that certain corporate transactions involving the owner of more than 10 percent of the voting power of the outstanding voting stock of the corporation be approved by a "supermajority" of the shareholders, House Bill 1030 may impede or prevent certain transactions which are advantageous to corporations governed by Maryland law.

The public hearing which I conducted on this bill revealed that several Maryland corporations believe that this bill will seriously interrupt routine and beneficial corporate transactions involving entities which hold substantial portions of the corporation's stock. For example, American Motors Corporation reported that Renault, the French automobile manufacturer, holds a substantial block of American Motors stock which was acquired in a mutually advantageous transaction. If the bill were signed, future dealings with Renault would be jeopardized, including an arrangement for the marketing of Jeep vehicles in France. A similar situation exists with respect to Certain Teed Corporation which enjoys a mutually beneficial relationship with Compagnie de Saint Gobian, a French concern with whom Certain Teed has had a wide variety of financial dealings. The scope of the bill is further illustrated by the testimony of representatives of Allegheny Beverage Corporation, who is about to enter into a financial transaction which involves issuance of stock warrants whose future value may be adversely affected by this bill. Finally, a representative of the mutual fund industry, a substantial number of whose members are incorporated in Maryland, testified that those corporations would have operating difficulties if the bill were to become law.

Although there are provisions of the bill which can be used to exempt certain transactions and certain corporations from the requirements of the bill, the scope of those exemptions is uncertain in the opinion of the management of the corporations whose representatives testified at the public hearing. Those representatives predicted that, should the bill be signed into law, they would have no choice but to recommend to their respective boards of directors that the corporation be re-incorporated in another State. I think that Maryland corporations could be spared this inconvenience under the terms of a bill that is carefully drafted to exempt transactions which all agree should not be subject to extraordinary shareholder approval.