

**MEMO# 1501**

October 30, 1989

## **PENDING TENDER OFFER LEGISLATION**

October 30, 1989 TO: CLOSED-END FUND COMMITTEE NO. 46-89 RE: PENDING TENDER OFFER LEGISLATION \_\_\_\_\_ Senator Shelby has introduced the "Investor Equality Act of 1989", which would amend the Securities Exchange Act of 1934 to require additional disclosure with respect to corporate tender offers and to impose certain substantive limitations on the operations of certain issuers including closed-end investment companies registered under the Investment Company Act of 1940. A copy of the bill is attached. Among other things, the bill would shorten the 10 day window under Section 13(d) of the Exchange Act to 5 days and require disclosure under the section to a nationally recognized financial news service as well as the Securities and Exchange Commission. The bill would also prohibit additional equity purchases between the time that a statement was required to be filed under Section 13(d) and the time such a statement was filed and a public announcement made. The bill would also create civil liabilities for violations of subsections (d), (f), and (g) of Section 13 of the Exchange Act. In addition, the bill would require any tender offer to remain open for 35 days and generally would prohibit a person from acquiring more than 25 percent of any class of equity securities other than by tender offer. Moreover, the bill would prohibit greenmail unless it has been approved by shareholder vote or the same offer is made available to all shareholders. Similarly, golden parachutes and poison pills would be prohibited unless approved (or, if preexisting, ratified) by shareholders. Finally, the bill would require confidential proxy voting procedures and provide 10% shareholders with increased access to the proxy process. We will keep you informed of developments. Mary K. Bellamy Associate General Counsel Attachment

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