



DIVISION OF  
ENFORCEMENT

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

February 17, 1989

The Honorable Matthew J. Rinaldo  
U.S. House of Representatives  
2469 Rayburn House  
Office Bldg.  
Washington, D.C. 20515

Re: West Point-Pepperell, Inc.

Dear Congressman Rinaldo:

You recently expressed interest in questions being considered by the Commission's Division of Enforcement (the "Division") and the staff of the Federal Reserve Board (the "Board") regarding Farley, Inc.'s compliance with the Board's margin requirements in its tender offer for West Point-Pepperell, Inc. On January 24, Chairman Ruder provided you with copies of two letters: one dated December 23, 1988 from Michael Bradfield to Harry Weiss of the Division of Enforcement, and the other dated January 19, 1989 from Gary Lynch to Michael Bradfield. Those letters set forth the respective analyses of the Board's staff and the Commission's staff regarding the application of the Board's 1986 Interpretation of Regulation G to Farley's tender offer for West Point-Pepperell. On February 10, Michael Bradfield, the Board's General Counsel, provided the Commission staff with further analysis of the application of the Board's margin rules to the tender offer.

The Division has received requests from certain interested Members of Congress regarding Mr. Bradfield's February 10 letter. Because of your interest in the application of the margin rules to tender offers such as the pending offer, I am enclosing a copy of the February 10 letter. It contains a candid discussion of the legal issues involved in this tender offer, and relates to a potential enforcement action. Accordingly, I hope that it, like the privileged communication previously furnished to you on this subject, will be treated confidentially.

As you know, it is unusual for the Commission to disclose its analysis of enforcement issues at any time and, in particular, prior to the commencement of an enforcement action.



The Honorable Matthew J. Rinaldo  
Page Two

That policy protects the privacy of individuals and entities whose activities are under investigation, as well as the integrity of the Commission's deliberative processes. Nevertheless, you and your colleagues have been advised in correspondence of certain issues in this matter because of the intense interest in the manner in which the Board's margin rules have been applied to leveraged takeovers. In addition, the Division's enforcement interest in this matter had already been disclosed by the public release of previous communications between the Board's General Counsel and the Division.

Because of our mutual interest in the independence of the Commission's investigative and enforcement processes, and consistent with the concerns expressed by the federal court in Securities and Exchange Commission v. Wheeling Pittsburgh Steel Corp., 482 F. Supp. 552 (W.D. Pa. 1979), vacated and remanded, 648 F.2d 118 (3rd Cir. 1981), I am not in a position to advise you whether the Division will recommend that the Commission take any enforcement action in this matter.

Very truly yours,



Gary Lynch  
Director

Enclosure