

200 PARK AVENUE
NEW YORK, N.Y. 10166-0153
TELEPHONE (212) 878-8000
FACSIMILE (212) 878-8375
TELEX 234493 RKWUR

Rogers & Wells
607 Fourteenth Street, N.W.
Washington, D.C. 20005-2011

TELEPHONE (202) 434-0700

FACSIMILE (202) 434-0800

47 AVENUE HOCHE
75008 PARIS, FRANCE
TELEPHONE 33-1-44-09-46-00
FACSIMILE 33-1-44-09-46-01
33-1-42-67-50-81
TELEX 651617 EURLAW

58 COLEMAN STREET
LONDON EC2R 5BE, ENGLAND
TELEPHONE 44-71-628-0101
FACSIMILE 44-71-638-2008
TELEX 884964 USLAW G

LINDENSTRASSE 37
6000 FRANKFURT / M I
FEDERAL REPUBLIC OF GERMANY
TELEPHONE 49-69-97-57-11-0
FACSIMILE 49-69-97-57-11-33

July 7, 1994

444 SOUTH FLOWER STREET
LOS ANGELES, CA 90071-2901
TELEPHONE (213) 689-2900
FACSIMILE (213) 689-2999

WRITER'S DIRECT DIAL NUMBER

(202) 434-0760

The Honorable Anne K. Bingaman
Assistant Attorney General
U.S. Department of Justice
Antitrust Division
10th Street & Pennsylvania Avenue
Washington, D.C. 20530

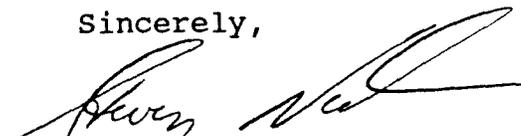
Dear Anne:

Please find enclosed our request for a business review letter on the Compensation Practices Committee. I am most grateful to Bob Litan, Mark Schechter and Jonathan Rich for meeting with us in advance on this project and especially for agreeing to respond within the next thirty days.

I hope that I have covered all the relevant issues. If I have missed something, or if you have any questions, please let me know.

Thank you again for your help in this matter.

Sincerely,


Steven A. Newborn

SAN/mbb
Enclosures

cc Robert Litan
Mark Schechter
Jonathan Rich

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FACSIMILE (212) 878-8375
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47 AVENUE HOCHÉ
75008 PARIS, FRANCE
TELEPHONE 33-1-44-09-46-00
FACSIMILE 33-1-44-09-46-01
33-1-42-67-50-81
TELEX 651817 EURLAW

58 COLEMAN STREET
LONDON EC2R 5BE, ENGLAND
TELEPHONE 44-71-628-0101
FACSIMILE 44-71-638-2008
TELEX 884964 USLAW G

LINDENSTRASSE 37
6000 FRANKFURT/M I
FEDERAL REPUBLIC OF GERMANY
TELEPHONE 49-69-97-57-11-0
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The Honorable Anne K. Bingaman
Assistant Attorney General
U.S. Department of Justice
Antitrust Division
10th Street & Pennsylvania Avenue
Washington, D.C. 20530

Re: Compensation Practices Committee

Dear Ms. Bingaman:

This is a request for an expedited business review letter from the Antitrust Division of the Department of Justice pursuant to 28 C.F.R. § 50.6 regarding proposed activities by a temporary group known as the Compensation Practices Committee. We ask that the Department provide its enforcement views as to participation by the Committee's members.

The Members, who are all serving voluntarily and at the express invitation of the Honorable Arthur Levitt, Chairman of the Securities and Exchange Commission, include senior executives of large corporations (including brokerage firms), a leading academic in the securities field, and an as yet unnamed representative of consumer interests. The SEC will participate as an observer on a continuing basis. See attached list of Committee members.

The Committee was formed "to identify the industry's practices that most effectively eliminate, reduce, or mitigate the conflicts (actual or perceived) that separate a client's interest

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from those of his broker." See Attached Letters from Chairman Levitt to Mr. Dan Tully, Chairman and Chief Executive Officer of Merrill Lynch & Co., Inc.

The Committee intends to seek input from a wide range of groups, including consumer advocates, academics, the brokerage community, and other experts on ways to reduce or eliminate actual or perceived broker/client conflicts. After all interested parties have expressed their views, the Committee will prepare a report that identifies "best practices" in this area to help bring these issues to the attention of the industry.

The Committee recognizes the need to avoid any actions that might result in any reduction of competition and will adopt procedural safeguards to achieve that result. All Committee discussion will be strictly limited to its mission as laid out by Chairman Levitt. The Members will not discuss the appropriate level of broker commissions or fees to charge clients. In addition, in advance of each of its meetings, the Committee will prepare an agenda, which will be reviewed by antitrust counsel to make certain that the discussion topics are appropriate under applicable antitrust law.

We believe that the work of the Committee will be both procompetitive and proconsumer. Properly structured industry practices should encourage broker behavior that reflects the preferences and objectives of the customer, while at the same time providing brokers with the incentive to facilitate efficient transactions.

Chairman Levitt has directed the Committee to take steps to achieve this balance. Moreover, as a result of the Committee's work, investors should become even more aware of the importance of harmonizing their interests with the incentives of their brokers. An important result of the Committee's work may well be to inject management of potential conflicts as an additional method of competition among brokerage firms. Once best practices are identified, firms will likely compete with one another in attaining those practices.

In short, we believe that the Committee's work will be fully consistent with robust competition in the brokerage industry.

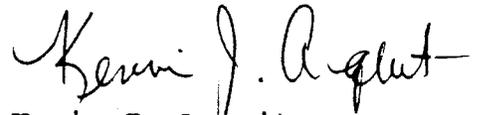
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If you require any additional information about the Committee in the course of your evaluation, please do not hesitate to give either of us a call. We look forward to your response.

Very truly yours,



Steven A. Newborn



Kevin J. Arquit

SAN/mbb
Attachments