February 21, 1990

The Honorable Richard C. Breeden
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Chairman Breeden:

Thank you for agreeing to testify before the full Committee on March 2, 1990 regarding the issues surrounding the collapse of Drexel Burnham Lambert. Specifically, I would like you to cover the following subjects:

1. What lessons are to be learned from the collapse of Drexel? For example, what went wrong at Drexel, how were they able to achieve such a dominant industry position and what brought about such a rapid demise?

2. What regulatory changes, if any, should be made? For example, should more attention be paid to the flow of funds between a broker-dealer and its parent?

3. What do you anticipate will be the ripple effects following Drexel’s filing for Chapter 11 protection?

Finally, I would hope that you would use this occasion to address the issues I raised in my October 5 letter to you. You should feel free to testify on any other issues as you see fit. I appreciate your willingness to appear before the Committee on such short notice.

Enclosed is a copy of the Committee’s guidelines for witnesses. The Committee’s rules require you to deliver at least 150 copies of your written statement to room 534 of the Dirksen Building by 10:00 a.m. on March 1. Your written statement must include a two- or three-page summary. Please limit your oral opening statement to 10 minutes. Your full written statement will be included in the record.

Sincerely,

[Signature]

Donald W. Riegle, Jr.