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**MEMORANDUM**

July 9, 2004

To Our Clients and Friends

Re: FACT Act: SEC Notice of  
Proposed Rulemaking on Affiliate Marketing

The Securities and Exchange Commission has issued a proposed rule to implement the affiliate marketing provision of section 214 of the Fair and Accurate Credit Transactions Act of 2003 (the "FACT Act"). The proposed rule applies to brokers, dealers and investment companies, and to investment advisers and transfer agents registered with the Commission. The proposed rule is expected to be published in the Federal Register in mid-July. Comments will be accepted for 30 days after the proposal is published in the Federal Register.

The content of the Commission's proposed rule is similar to those of the Federal Trade Commission ("FTC") and those of the banking agencies. An analysis of the FTC's proposed rule can be found at [http://www.schwartzandballen.com/whats\\_new.html](http://www.schwartzandballen.com/whats_new.html).

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.