



Legg Mason Inc.  
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CHAIRMAN'S  
CORRESPONDENCE UNIT

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Mr. Christopher Cox, Chairman  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Dear Chairman Cox:

I am writing to encourage you to take steps to preserve the ability of investors to choose a fee-based brokerage account for their assets. As you know, the recent U.S. Court of Appeals decision vacating provisions of Rule 202(a)(11)-1 has raised considerable doubt about the continued viability of fee-based brokerage accounts. If allowed to stand, this decision will result in an incredible disservice to investors by restricting their ability to choose the type of brokerage account that best suits their investment needs.

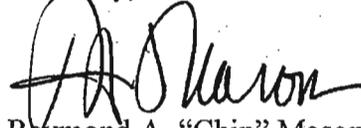
In 1994, I was a member of the "Committee on Compensation Practices," a broad-based group headed by Daniel Tully of Merrill Lynch that included CEOs of a number of leading brokerage firms, investors, and members of academia. Among the tasks given the "Tully Committee" was to identify the actual and perceived conflicts of interest that can arise in a commission-based brokerage account and to identify "best practices" the industry used to eliminate, reduce, or mitigate these conflicts. We identified fee-based brokerage accounts as one such "best practice" and encouraged greater use of these accounts where appropriate. As our report noted, in many cases fee-based accounts better align the interests of all three parties in the relationship - the client, the registered representative, and the brokerage firm - and they encourage long-term relationships among the parties. These accounts also provide investors with greater transparency on costs and stability of their cost structure.

While Legg Mason is no longer active in the retail brokerage business,<sup>1</sup> I believe strongly that the Commission should preserve the ability of investors to choose among different types of brokerage accounts. By investing nearly \$300 billion in fee-based accounts, many investors already believe the fee-based account option is best for their needs, and I agree. I urge you to take prompt action on this issue to preserve freedom of choice for all investors.

<sup>1</sup>In 2005 Legg Mason became a major "pure play" global asset management firm when it acquired substantially all the asset management business of Citigroup and sold Legg Mason Wood Walker, the firm's retail brokerage business.

Please let me know if I can provide any assistance to you in this effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond A. Mason". The signature is fluid and cursive, with a large initial "R" and "M".

Raymond A. "Chip" Mason  
Chairman and CEO  
Legg Mason, Inc.

Cc: Daniel Tully