

January 11, 2009

William Lenox
Ethics Counsel and
Designated Agency Ethics Official
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Mr. Lenox:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Chairman, Securities and Exchange Commission.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

Upon confirmation, I will resign from my position as Chief Executive Officer of the Financial Industry Regulatory Authority (FINRA). Following my resignation and before I assume the duties of the position of Chairman, I will receive a cash payment of my interest in the FINRA Defined Benefit Plans, pursuant to the standard terms of these plans. This payment will be based solely on the fixed amount of my interest in the plans. I will receive a lump sum payment of three months temporary COBRA benefits before I assume the duties of the position of Chairman. I will continue to participate in FINRA's Savings Plus and 457(b) plans, but no new contributions will be made by me or FINRA. For a period of one year after my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which FINRA is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d). In addition, for the duration of my appointment as Chairman, I will not participate personally and substantially in any particular matter in which I previously appeared before, or directly communicated with, the Securities and Exchange

Commission on behalf of FINRA, or in any particular matter involving specific parties in which I previously participated in my capacity as a FINRA employee, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

In addition, I will receive my 2008 incentive compensation award from FINRA before I assume the duties of the position of Chairman. FINRA's policy is to award incentive compensation to employees who terminate employment during the course of a year, such that if an individual remains an employee beyond June 30 of a given year, FINRA will pay the individual a pro rated amount of incentive compensation based on the portion of the year that the individual worked. There is no requirement that I continue to be an employee on the date that FINRA pays incentive compensation to other senior officers of FINRA. In my case, I worked for FINRA through all of 2008, which means I am eligible for my entire incentive compensation award for 2008. However, I will not be eligible for a 2009 incentive compensation award because I will be resigning before June 30, 2009.

Upon confirmation, I will resign from my Director position with Duke Energy Corporation. I will retain my stock and vested stock options in Duke Energy Corporation. I do not have any unvested stock options, restricted stock, or unvested stock grants in Duke Energy Corporation. Following my resignation, I will receive a standard payment of deferred compensation from Duke Energy Corporation, pursuant to the standard practice of Duke Energy Corporation for departing Directors. This compensation is based on a previous election that I made to defer a specific amount of compensation that I had earned, and the amount is fixed. Duke Energy Corporation will make this payment to me in the form of cash and stock. The agency has determined that it is not necessary at this time for my spouse and me to divest these financial interests because my recusal from particular matters directly and predictably affecting Duke Energy will not substantially limit my ability to perform the essential duties of the position of Chairman. For as long as we hold these interests, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of Duke Energy, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). If we divest our interests in Duke Energy within the first year of my appointment, for a period of one year after my resignation from that entity, I will not participate personally and substantially in any particular matter involving specific parties in which that entity is a party or represents a party, unless I first obtain a written waiver to participate, pursuant to 5 C.F.R. § 2635.502(d).

Upon confirmation, I will resign from my Director position with Kraft Foods. I will retain my stock and vested stock options in Kraft Foods. I do not have any unvested stock options or restricted stock in Kraft Foods. I currently have unvested stock grants in Kraft Foods, but I will forfeit any such stock grants that are still unvested at the time of my resignation. Following my resignation, I will receive a standard payment of deferred compensation from Kraft Foods, pursuant to the standard practice of Kraft Foods for departing Directors. This compensation is based on a previous election that I made to defer a specific amount of compensation that I had earned, and the amount is fixed. Kraft

Foods will make this payment to me in the form of cash. The agency has determined that it is not necessary at this time for my spouse and me to divest these financial interests because my recusal from particular matters directly and predictably affecting Kraft Food will not substantially limit my ability to perform the essential duties of the position of Chairman. For as long as we hold these interests, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of Kraft Foods, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). If we divest our interests in Kraft Foods within the first year of my appointment, for a period of one year after my resignation from that entity, I will not participate personally and substantially in any particular matter involving specific parties in which that entity is a party or represents a party, unless I first obtain a written waiver to participate, pursuant to 5 C.F.R. § 2635.502(d).

In order to comply with Commission requirements that the investment company holdings of its members be restricted to those that are registered as diversified pursuant to section 5(b)(1) of the Investment Company Act of 1940, within 90 days of my confirmation, I and my spouse will divest our holdings in any investment companies that are not registered as diversified. With regard to each of these entities, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of the entity until we have divested it, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

I have been advised that the duties of the Chairman of the Securities and Exchange Commission may involve particular matters affecting the financial interests of the following entities: General Electric Company; Starbucks Corporation; Walt Disney Company; and Spectra Energy Corporation. The agency has determined that it is not necessary at this time for my spouse and me to divest our interests in these entities because my recusal from particular matters in which these interests pose a conflict of interest will not substantially limit my ability to perform the essential duties of the position of Chairman. Accordingly, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of any of these entities, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

Upon confirmation, I will resign from my uncompensated positions as Chairman of the FINRA Investor Education Foundation; trustee of Franklin & Marshall College; board member of the SEC Historical Society; and member of the RAND Corporation's LRN-RAND Center of Corporate Ethics, Law and Governance Advisory Board. For a period of one year after my resignations from each of these entities, I will not participate personally and substantially in any particular matter involving specific parties in which that entity is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

My spouse is an employee of The Urban Institute. I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my spouse's compensation or employment with The Urban Institute. I also will not participate personally and substantially in any particular matter involving specific parties in which The Urban Institute is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

Finally, I will provide the appropriate officials with a list of those interests I have retained (or may acquire) in order to support my efforts to avoid conflicts of interest. In addition, I will recuse myself from participation on a case-by-case basis in any particular matter in which I determine that a reasonable person with knowledge of the relevant facts would question my impartiality in that matter, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

Sincerely,


Mary L. Schapiro