

KPMG Peat Marwick

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September 21, 1992

The Honorable Mickey Edwards
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Edwards:

I am a young partner with KPMG Peat Marwick, which has approximately 200 Oklahoma employees and 17,000 partners and employees nationwide. Peat Marwick is among many businesses and associations seeking securities litigation reform legislation which is desperately needed in the United States.

Representatives Billy Tauzin, Norm Lent, Ralph Hall, and Don Ritter recently introduced H.R. 5828, "The Securities Private Enforcement Reform Act of 1992," which would discourage both groundless suits and coercive settlements, thereby freeing capital resources to invest in ways that help to create jobs and make our economy more competitive. *This legislation needs your support!* The reasons you should support H.R. 5828 are:

- Under the current system of securities litigation, defendants are pressured into settlements even when they are innocent by the prospect of huge legal fees and the possibility of joint and several liability.
- Any company that relies upon public offerings to raise capital, or which experiences volatility in its stock price purely as a result of natural market forces, faces the real and growing prospect of a meritless 10b-5 lawsuit.
- Many of these suits are directed at growth firms, forcing them to divert capital from technical innovation, product investment, worker training, and job training to respond to these baseless suits. In the end, this amounts to a hidden tax on capital, making it more difficult to compete against foreign companies, which do not face these suits.
- Joint and several liability is particularly inequitable. It encourages suits against "deep pockets," peripheral defendants, particularly accounting firms, simply to increase the prospect and size of settlements. This doctrine makes all defendants liable for full assessed damages, regardless of their degree of fault. A proportionate liability standard would be much fairer because it would hold all parties fully liable only for the share of the losses suffered for which they are responsible.

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- The legislation has been carefully drafted to ensure that investors with valid claims are not discouraged from filing suit. By relieving the courts of *baseless* suits, the bill will also help investors with legitimate claims recover losses.

Very truly yours,

KPMG Peat Marwick



Richard R. Coshow, Partner

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