



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 28, 1997

Mr. Matthew Lee
Executive Director
Inner City Press/Community on the Move
P.O. Box 416
HUB Station
Bronx, New York 10455

Dear Mr. Lee:

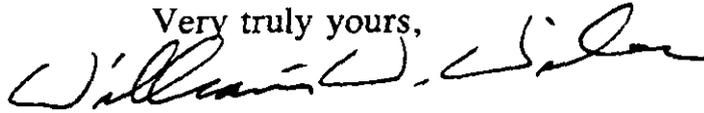
This is in reference to your letter dated March 12, 1997, regarding the proposed merger of Dean Witter, Discover & Co. ("Dean Witter") and Morgan Stanley Group, Inc. Attached is the Board's response to Dean Witter's request for an opinion that consummation of the proposed merger would not cause Dean Witter to lose its grandfather rights with respect to Greenwood Trust Company ("GTC").

Dean Witter did not violate the restrictions contained in section 4(f) of the Bank Holding Company ("BHC") Act by acquiring control of Bank of New Castle ("BNC") or Dean Witter Trust, FSB, and, for the reasons discussed in the attached letter, the proposed merger with Morgan Stanley is not subject to section 3 of the BHC Act. BNC is engaged solely in credit card operations and is not considered a "bank" or an "insured institution" for purposes of the BHC Act. See 12 U.S.C. § 1841(c)(2)(F) and (j). Dean Witter Trust, FSB, was established to acquire the assets and liabilities of a failed federal savings bank from the Federal Deposit Insurance Corporation in a transaction authorized by section 4(f) of the BHC Act. See id. at § 1843(f)(12). In addition, you have presented no evidence to support the contention that BNC has violated the restrictions imposed on credit card banks by accepting deposits at more than one location. See id. at § 1841(c)(2)(F)(iv).

Finally, you contend that Dean Witter may lose its grandfather status in light of GTC's proposal to establish a branch with ATM machines and

a drive-up window. GTC, however, was engaged in deposit-taking and limited lending activities as of March 5, 1987, and, accordingly, may establish a branch with ATM machines and a drive-up window to engage in such activities.

Very truly yours,

A handwritten signature in black ink, appearing to read "William W. Wiles". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

William W. Wiles
Secretary of the Board

cc: William Eckland
Sidley & Austin