Lea & Whittaker
San Rafael, California

March 28, 1968

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

In response to your request for comments about your proposed changes in Release 34-8239, I submit my viewpoints on the following:

Regarding reciprocal business paid non-members of exchanges and your proposal to prohibit reciprocal business unless it accrues to shareholders.

Many mutual fund brokers realize the service that they have performed directing shareholders into a managed professional investment. Your own regulating body recognizes this in your own declarations of the fine job mutual funds do for the investors as a whole.

We solicit business with a long-range viewpoint for our clients. We feel that a constant churning of stocks to be detrimental to most small investors.

Our firm prides itself on policy of avoiding switching. Virtually all of our sales are new money. We must depend on volume as we do not receive all of the sales charge. We rarely profit once our client is invested; yet we must maintain his records and service his account.

Transactions of the fund are a necessary expense and the shareholder realizes that he must pay somehow for management; this is spelled out in the prospectus percentagewise. It is Illegal to refund a commission or any part of it with a client; why should he receive other commissions? Commission accruing to the shareholders is the same thing.

A small firm like ours cannot place big orders for a fund. However, we perform an important service to the funds inasmuch as we keep a constant flow of new money going into the funds. It is the money that we have helped to channel into the funds that is used for purchase of stocks. From a practical standpoint a large brokerage firm can execute a purchase and/or sale of a large block of stocks much easier and more efficiently than a smaller one can; but since the small firms assist in making the money available for the large firms, there is no reason why the large firm executing the order should not give up some of his commission to the firm that helped make the money available for him.

Without such a system many small brokers would go out of business -- certainly not a desirable event for the government that constantly strives to protect the small businessman. Isn't it rather inconsistent to have Anti-Trust laws on the one hand and to protect only the large brokerage houses on the other?

Gentlemen, I plead with you: Do not force us out of business. The greatest sufferer will be the small investor, who needs someone to help him plan an investment so that he will not be denied a decent retirement program. Without a fair sales charge and some reciprocal, we cannot afford his business.

Sincerely yours,

Harry C. Whittaker