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ERPEN & COMPANY INC.

FINANCIAL PLANNING SPECIALISTS

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SECURITIES AND EXCHANGE COMMISSION
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DIVISION OF CORPORATE REGULATION

SECURITIES & EXCHANGE
COMMISSION

Mr. Francis X. Kelly
Chief Counsel
Securities and Exchange Commission
Washington, D.C. 20549.

August 14, 1967.

Dear Mr. Kelly:

Thank you very much for your reply to my request to Chairman Cohen that the Commission adopt rules which will prevent mutual funds from expropriating commission re-allowances on dividend reinvestments below a minimum, arbitrarily set by them.

The Commission's concept as to how dividend reinvestments come about - as far removed from reality as the paper profits which beat fund performances - confirms the statement I made in the first sentence, third paragraph, of my letter of July 27th. But since you were kind enough to give me the Commission's view, I'd like to give you mine. I invite you to visit me in my office when one of several funds we do business with distributes dividend reinvestment announcements. The clerical work for a small dealer with a few hundred accounts alone is staggering! And, indisputably, it is my duty to keep each and every client's account au courant.

Obviously on the question of who is to bear the cost of record-keeping for dividend reinvestments, the Commission which protects the public and the distributor who services the public, are on opposite sides of the fence. This is no different than in price control of utilities, in anti-trust provisions, in drug regulations, transportation and communication delineation, etc.

In our area, I feel very strongly, the gap in the conceptualization could be narrowed considerably and I'd like you to convey to the Chairman just one suggestion along these lines: Let the four bright, young men who wrote the report on mutual funds go out to 4 different cities around the country (say on a six-months, paid leave-of-absence), and let them try (anonymously, of course) to make a living selling mutual funds. From their experience the Commission could derive more than from tons of tomes of erudition.....


But that gets us off on a tangent. Whether or not legislative or other changes on dividend reinvestments of

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letter to:
Francis X. Kelly
Chief Counsel, S.E.C.

mutual funds will be made is besides the question I have raised. In order to explain this question in somewhat greater detail I enclose copy of one of my letters to one of the members of a panel at a mutual fund dealer's conference a couple of years ago.

There are now some funds which charge the sales load for the reinvestment of dividends. Among them there are some which, arbitrarily, withhold part of the dealer re-allowance. This is an intolerable arrogation and I respectfully re-state my request that the Commission grant relief.

Sincerely yours


Fred K. Kerpen

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