

November 19, 1973

To Our Clients

The SEC injunction and receivership law suit against A. J. Groesbeck Financial Advisors, reported in today's "Wall Street Journal", is a culmination and a dramatic example of the warnings that the SEC considers the conflict between an investment adviser (counsellor, broker or tax shelter promoter) to be beyond the disclosure solution. We again emphasize that senior staff members of the SEC have questioned principal transactions with discretionary accounts -- we advise strongly that this warning be heeded. Tax shelter promoters should reexamine their structures to be sure that there is no conflict between their advisory functions and their promotions. Essentially, advisers should not receive creation fees, management fees, property brokerage commissions, etc. and their ownership interests should be on the same basis as those of other investors.

M. Lipton