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April 17, 2006

Mr. Jonathan G. Katz, Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-9303

Dear Mr. Katz:

Subject: S7-09-05

Thank you for the opportunity to comment on the proposed interpretation by the Securities and Exchange Commission ("Commission") regarding commission practices under Section 28(e) of the Exchange Act (the "Proposal").

Due to technological advances and competitive forces, there is an increase in the instances of money managers choosing to pay for research provided by both broker-dealers and non broker-dealer with a cash payment. The Proposal clarifies that research provided by third parties or someone other than the executing broker is eligible under Section 28(e) so long as the executing broker-dealer is legally obligated to pay for the research provided to the money manager.

We were surprised that the Proposal gave significant detail to commission sharing arrangements ("CSA"). Moreover, it was surprising that the Proposal essentially required that research providing broker-dealers ("Research Providers") enter into formal clearing arrangements with firms chosen by money mangers to effect the execution ("Execution Firms"). We would ask the Commission staff to consider other more efficient ways to accomplish cash payments under 28(e) without the need for a formal New York Stock Exchange Rule 382 clearing agreement ("NYSE 382") or for that matter a CSA.

Notwithstanding that the Proposal is still in the comment period, the industry has reacted on several fronts. First, a number of Execution Firms have commenced marketing campaigns to become preferred broker-dealers of specific money managers. We don't think Mr. William T. George's April 4, 2006 letter in response went too far stating the case that concentration of trade execution may create problems. Moreover, it is our position that this trend may adversely result in money managers not seeking liquidity from smaller firms providing capital on micro, small and mid cap names. A second reaction has been a flood of NYSE Rule 382 clearing proposals from Execution Firms to Research Providers. In effect, a Research Provider could easily enter into scores of clearing arrangements solely to meet the Proposal's requirement on commission sharing.

Our concern with the formal clearing arrangement is the overkill of required provisions built into a standard contract which would further strain resources. NYSE Rule 382 does not permit modified agreements, without SRO approval. Additionally, the circumstances surrounding the transactions place the Research Provider in an untenable situation of assuming liability for transactions which are typically entered by either the Executing Firm or the money manager using a direct access terminal. It might be worth while to note, that the agreements are originating from the Execution Firm's capital market sections and not an identifiable clearing department. My experience with traditional clearing departments is that they spend a great deal of time conducting due diligence on potential introducing partners. This is not occurring presently. The desire of some Executing Firms to win business has fostered a casual "sign this" environment.

I feel that the March 28, 2006 letter from JP Morgan's David W. Miller, Vice President and Assistant General Counsel contains good points why a formal NYSE 382 agreement is not needed. Additionally, I find the JP Morgan CSA framework, which was attached to the letter and does not tie a payment to a specific transaction, much more workable than a NYSE 382 agreement.

My issue with the Proposal's prominent discussion of CSAs is that it somehow has triggered a dash to consolidate the number of trading partners. Taking this further, the elimination of alternative smaller trading desks can not help money managers obtain best execution.

I can be reached at 518-431-3500

Respectfully,

/S/

Peter E. Bulger
Chief Operating Officer
C.L. King & Associates, Inc.