

Stern, Frank, Meyer & Fox
Los Angeles, California

March 18, 1968

Mr. Orval L. DuBois, Secretary
Securities and Exchange Commission
500 North Capitol Street
Washington, D.C. 20549

Dear Mr. DuBois:

Relating to your proposed Rule 10B-10 which would eliminate "give-ups" of commissions by institutional buyers, I believe that very close consideration should be given to the serious effect, probably not intended, of such a rule under certain circumstances.

As an example, our firm is a small or medium-sized, as the term might be interpreted, regional member of the New York Stock Exchange, and which Exchange we joined in 1943. We have one branch office located in Beverly Hills, California. We are spending approximately \$175,000 to \$200,000 per annum on our research. This, as you will recognize, is a substantial sum for such a firm. Much of the research is in depth and, therefore, acceptable and used by institutions of all types -- banks, insurance companies, pension funds, mutual funds, etc.

Our research enjoys the credibility of many such institutions and who, therefore, are interested in receiving our research material and opinions, and who very frequently request that we obtain specific information from corporate managements in our area. For this we receive, at times, orders for execution and at other times "give-up" checks upon instructions from the interested institution.

It happens that mutual funds are not a substantial portion of our business, nor is so-called reciprocal business based upon retail sales of a mutual fund's shares of major importance to us, although under the circumstances of more normal stock exchange volume, all sources of income become important in the light of constantly increasing operating costs.

Were "give-ups" prohibited, we could well run into a situation in which we had called an institution's attention to a particular stock, had given them the basic and supplemental information upon which they were willing to base their judgment to purchase or sell such security. A large institution might place an order for 100,000 or 200,000 shares. In this case they might likely wish to place such

order with one of the member firms who might regularly execute large orders for them. Further, such firms which are usually large ones, might find it necessary to take a position in 25,000 or 50,000 shares of the block in order to facilitate execution. We do not believe that an organization that provides requested and dependable research information, investment and market judgment should be required additionally to become a "risk taker" in order to receive a commission or a portion of a commission which is the compensation for the research work done. Our smaller public clients are beneficiaries of the quality research that we believe our firm provides. Without participation in the commissions from large executions, we would be "hard put" to maintain our present research facilities. To the degree that this research is accurate and the judgments exercised good, any reduction in effort in this area would penalize individual clients, beneficiaries of institutional "pooled" funds, including shareholders of mutual funds, all of whose interest you are seeking to advance and protect.

Rule 10B-10 as proposed, in my opinion and that of my associates, would be a serious detriment to regional firms who are performing a valuable function for investors of all types and sizes.

We are appreciative of the opportunity to present our views.

Very truly yours,

Louis Meyer, Jr.
Chairman of the Board