

Prescott, Merrill, Turben & Co.  
Cleveland, Ohio

April 1, 1968

Secretary  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D. C. 20549

Dear Sir:

Undoubtedly the Commission has received numerous responses to the invitation in Securities and Exchange Commission Release No. 8239 to comment on proposed Rule 10b-10. As a representative regional firm in a major U.S. city and one of the largest mutual fund distributors in the state of Ohio, we would be remiss in not pursuing this serious subject.

The Institutional Department of Prescott, Merrill, Turben & Co. specializes in the research coverage of locally headquartered companies, as well as in the block trading of their securities. A substantial segment of the firm's total commission volume is received in the form of "give-ups" from institutions in recognition of our research services on their behalf. For their convenience and efficiency many of these institutions prefer the practicality, simplicity, and familiarity of utilizing a major New York trading house for the bulk of their transactions. In turn, the institutions direct these houses to "give-up" to regional firms instrumental in their investment-making decision. This critical source of our income would be seriously impaired by proposed Rule 10b-10. Furthermore, institutions recognize our specialization in the block trading of securities of Ohio companies through our knowledge of buyers and sellers in the shares of each. This information often leads to a "cross" which significantly benefits both parties as to price. However, before a cross is effected, our institutional clients generally stipulate that a certain percentage of the commission must be given up. This is a precondition to the majority of our crosses. Proposed Rule 10b-10 would virtually eliminate this important segment of our business.

In addition to the foregoing reasons, we are also opposed to proposed Rule 10b-10 as (1) a deterrent to practical and efficient business practice, (2) fair and proper compensation for services rendered, and (3) the vital necessity for continued expansion of the securities industry.

(1) Recognizing the lead-broker concept as desirable in the case of large orders, any system that might cause fragmentation of such orders could be detrimental to obtaining the best price and execution and thereby impede the fund manager's fiduciary obligation in this regard. If one assumes that the best two-way auction market for securities is the one which has the greatest representation of buyers and sellers, a rule which could weaken this market would not be in the interests of the best execution.

(2) It is our contention that there is a myriad of services performed by those other than the lead broker for which those firms should be compensated and which the funds, in proportion to size, must properly require to perform in the best interests of the shareholder. These, of course, include sales, research, distribution, and so forth. This applies particularly to the regional firm, which provides important services in more inaccessible areas.

(3) Were Rule 10b-10 to be adopted, the regional firms especially would suffer a distinct loss of revenue important to the constructive expansion of their organizations, improvement of services, and training personnel.

In conclusion, we cannot feel that proposed Rule 10b-10 is in the best interests of an industry attempting to upgrade service to the public in the face of growing investor participation and a commensurate lag in operational technology and trained personnel.

Respectfully submitted,

PRESCOTT, MERRILL, TUREEN & CO.

By:  
John G. Butler