

Boettcher and Company
Denver, Colorado

February 15, 1968

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

Dear Mr. DuBois:

Your Release #8239 requests comments on proposed Rule 10b-10 which would bar mutual funds from directing that a portion of the commissions on their securities business would be "given-up" to broker-dealers selected by them. We wish to file this letter as our comment on this proposal and we are sending copies of this comment to our Colorado Senators and our Colorado Congressmen.

For over 25 years investment companies have placed part of their securities buying and selling business with the firms and the salesmen who raised the money by selling the investment company shares. After a quarter of a century, the staff of the SEC now maligns this practice as something evil and brings forth the tenuous concept that the commissions on the purchase and sale of securities belong only to the fund shareholders and cannot be used for the benefit of the salesmen or firms who raise the funds or for the benefit of the companies who manage the funds. You ignore the fact that these commissions have built and today support vast organizations of men and machines. Proposed Rule 10b-10 would destroy parts of these splendid selling organizations and would weaken all

of them. You must realize that the source of income you would cut off constitutes a primary source of livelihood to the regional companies, both those that are members of Exchanges and those that are non-members.

Enactment of this rule would be a financial blow of major consequences to my firm, Boettcher and Company. It would be a serious reversal for nearly every regional member firm of the New York Stock Exchange, in some instances, it would mean total extinguishment of non-member firms who devote their principal activities to the sale of mutual fund shares. At the same time, Rule 10b-10 would enhance the business of the big-national wire houses. From a public interest viewpoint, the major criticism of 10b-10 is that it tears down the regional firms and strengthens the big national firms.

Boettcher and Company employees over 300 people. Enactment of Rule 10b-10 would mean that a substantial number of our people would become unemployed. It would mean the cut off of an income source which has enabled us to open competent branch offices in such small Colorado communities as Grand Junction, Pueblo, Greeley, Boulder, Lakewood, Ft. Collins and Colorado Springs where we have New York Stock Exchange facilities. We intend to improve and extend our facilities in these smaller communities and we will not be able to do so if Rule 10b-10 is enacted. The big national houses such as Goldman, Sachs, Lehman Bros, and others, will be benefited by Rule 10b-10. Their income will be enhanced -- ours will be reduced. These big wire houses do not serve our small communities and they have shown no intention of doing so. The profitability of these large firms is enormous and their profitability will be increased by Rule 10b-10.

It is absolutely inconsistent with the American way of doing business that any governmental Commission would enact a rule building up the big fellow and tearing down the small regional firm. That is exactly what Rule 10b-10 will do.

The proposal of the New York Stock Exchange is the result of careful thought given to the welfare of everyone. The Stock Exchange proposal recognizes the threatening size of the give-up business and it recognizes that irregularities are growing. These questions are dealt with intelligently and realistically by a proposed volume discount, regulations of the size of give-up commissions, and the offer of a regulated concession to broker-dealers who are not members of the Stock Exchange. The Stock Exchange proposal also points directly at the necessity for the SEC to adopt uniform Exchange practices and sensible regulation of the type of institutions which can become members of the Exchanges. The Exchange proposal invites the SEC to take action in these areas and offers its complete cooperation in bringing itself into line with proper regulations in these areas.

The New York Stock Exchange proposal is far and away the more intelligent approach to the problems resulting from the huge size of the investment companies and the problems you are attacking with Rule 10b-10.

In 1967, Boettcher and Company's business resulted in gross revenues of approximately \$7 million and we employed our capital funds of nearly \$6 million. After operating expenses, the pre-tax income of our firm amounted to approximately \$1,400,000. Bearing in mind this pre-tax profit of \$1,400,000, consider the following:

In 1967 we received in give-up commissions for our retail sales of mutual fund shares the sum of approximately \$190,000.

In 1967 we received give-up of over \$400,000 for the three-fourths of our research work for investment companies which is paid for in give-ups.

Total: \$590,000

This is the evidence that enactment of Rule 10b-10 would cause an immediate and severe retrenchment in our firm. We would be forced to lay off people and curtail activities.

We strongly urge the SEC to step forward and do the things that it should do under the New York Stock Exchange proposal and, at the same time, demand of the New York Stock Exchange that it come forth immediately with specific proposals on volume discount, controlled give-up, and concessions to non-member dealers.

Yours very truly,

Boettcher and Company
David L. Lawrence, Senior Partner

cc:

Colorado Senators: Gordon L. Allott, Peter H. Dominick

Colorado Representatives: Frank E. Evans, Donald G. Brotzman, Byron G. Rogers, Wayne N. Aspinall