

Abacus Fund, Inc.
New York, NY

February 28, 1968

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

Re: Proposed Commission Rule 10b-10

Dear Mr. DuBois:

Abacus Fund objects strongly to the Commission's proposed Rule 10b-10, which would cause a particularly severe burden for a small closed end investment company such as ours and would operate directly against the best interests of our shareholders. We do not wish to comment on the effect of the proposed rule insofar as it relates to open end mutual funds and the practice of compensating brokers for sale of such a fund's shares.

Abacus Fund has no management company, charges no fee for portfolio management services, and does not sell additional shares to the public. Furthermore, it is the practice of our management to utilize give-ups in order to combine the best available skills in the execution of orders with the highest quality investment research assistance, all of which accrue directly to the benefit of our stockholders.

In its program of purchases and sales of investment securities, Abacus Fund often attempts to take advantage of block offerings or block bids, when these result in obtaining a better price for the shares involved, thereby directly benefiting our stockholders. By the same token, our stockholders benefit from investment research assistance furnished us by as many as twenty brokerage firms which are entitled to be compensated for their efforts. It is therefore important in the management of the Fund to maintain active lines of communication for research assistance with those brokers, who quite naturally provide their assistance to those accounts from whom they earn commission dollars. A small fund such as ours with a limited annual volume of commissions will not be able to obtain the maximum efficiency in order execution as well as a good flow of research assistance if the proposed Rule 10b-10 is enacted, for our ability to compensate a number of firms would be severely impaired. To compensate our normal broker relationships by commissions for their research efforts may require us to forego maximum efficiency in order execution by

breaking up blocks and by dealing with firms who possess high quality research capability but who have less effective trading departments than many others.

It is our belief that since closed end investment companies compensate their brokers only for (a) technical excellence and (b) research assistance, they should not be penalized for reciprocal practices in which they do not engage. It is possible that this issue is not of paramount importance to some larger closed end funds whose annual commission volume is so great that even if this rule is enacted they will still be able to compensate adequately all firms who are of service to them. If enacted, however, proposed Rule 10b-10 will place a major anti-competitive burden on a small fund such as ours. We urge the Commission to consider either (a) a blanket exemption for all closed end investment companies from the proposed Rule 10b-10, or (b) a specific exemption for closed end companies whose annual commission volume is under \$1 million.

We shall be pleased to discuss this matter with the Commission at greater length.

Very truly yours,

Frank A. Weil
President