

Arthur R. Hefren & Co., Inc.
Pittsburgh, Pennsylvania

February 29, 1968

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

Subject: SEC Release No. 8239 -- Rule 10b-10

Dear Sir:

In the above release, you asked for comments on your proposal to eliminate reciprocal business from institutions in all cases where possible.

We are a small investment firm started in 1947 by Arthur R. Hefren. Mr. Hefren's experience in the investment business encompasses over 40 years; and his many satisfied clients attest to his personalized, conservative investment advice over the years.

Our firm strongly believes in the excellent investment quality of mutual funds for the long term investor. As a result, the majority of our customers have mutual funds in their investment portfolios. This is also true of the Officers and Registered Representatives in our firm, the point being that performance, not commission, is the basic criteria for our recommendations.

We feel our small firm has contributed substantially to the economic growth of our country by consistently giving personal, individualized attention to our customers, and by increasing over the years the number of people employed by our firm. Following are figures to justify my last comment:

Year: 1964
Employed: 19
Commissions Paid: \$98,897
Salaries: \$17,024
Gross Income: \$154,881

Year: 1965
Employed: 27
Commissions Paid: \$203,260
Salaries: \$21,260

Gross Income: \$300,969

Year: 1966

Employed: 43

Commissions Paid: \$329,563

Salaries: \$41,005

Gross Income: \$506,379

Year: 1967

Employed: 40

Commissions Paid: \$492,412

Salaries: \$59,254

Gross Income: \$701,015

You will notice that in the last four years our payroll has increased from a little over \$100,000 to over \$500,000. Our growth during this period has been accomplished by concentrating on service to our customers. The record shows that the average investor whom we service needs and wants the personalized service available through regional firms such as ourselves.

The economy also benefits from the growth of small businesses as evidenced by our increased payroll over the years. In our opinion, we serve a function which could not and would not be filled by large national firms. Our Registered Representatives acquire the majority of their business via personal interviews with prospective clients. This personal interview, in which we take a complete financial survey, enables our Registered Representatives to better fill the investment needs of our present and prospective clients. This is in direct contrast to the majority of the large firms where business is acquired primarily over the telephone.

Last year over 54% of the income to our firm was generated by the sale of mutual funds. This includes reciprocal business from funds for our sales efforts on their behalf. The increased services required for our customers over the past four years have increased our salaried personnel from three in 1964 to fourteen during 1967. During the same period, our Registered Representatives have increased from sixteen to twenty-six. You can see from the disproportionate increase in personnel on the service side of our business that we are facing an ever-increasing overhead cost problem.

The institution of Rule 10B-10 by the SEC eliminating reciprocal business and give-ups would immediately place our firm in a deficit financial position. The same situation would exist for a good majority of the small regional firms around the country. The effects of Rule 10B-10 then seem to primarily guarantee the

increase in size of large firms and the demise of most of the small firms in the country. It would seem to give us a choice of either merging or closing our doors.

It might be possible to exist for a few years by elimination of different services which we now perform, but this would only be forestalling the inevitable. If this is the aim of the SEC and the Federal Government, including our elected officials, then you are undoubtedly on the right track. If, however, bigness has not reached the point where it is the only criteria for continued existence, we respectfully ask that you reconsider the advisability of Rule 10B-10.

Sincerely yours,

Arthur R. Hefren & Co., Inc.

Willard J. Tillotson, Jr.
President