Reinholdt & Gardner
St. Louis, Missouri

March 1, 1968

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

Re: Securities Exchange Act of 1934 Release #8239

Dear Sir:

This is in response to your request for comments on:

(1) Proposed Rule 10b-10, under the Securities Exchange Act of 1934, and

(2) The proposal of the New York Stock Exchange for certain revisions in its commission rate structure; in consideration of the Commission,

(a) supporting the practice of customer directed give-ups,

(b) taking steps to prohibit reciprocal practices which result in rebate of New York Stock Exchange commissions on other stock exchanges, and

(c) limiting membership on all registered exchanges to bona fide Broker-Dealers.

I would like to make it clear that the views expressed herein are those of the partners of Reinholdt & Gardner, St. Louis, Missouri, a regional firm, with membership in the New York Stock Exchange as well as the other major exchanges.

We do not favor the adoption of the Proposed Rule 10b-10 for the following reasons:

(1) We can't see anything wrong with a registered investment company doing business with the firms which sell, their shares inasmuch as the efforts of a firm such as ours which sells the shares produces the funds which are subsequently invested; therefore, if the commission costs to the investment company is the same, we cannot see any reason why the business should not be done through these firms which generate the sales; and

(2) I believe it is generally admitted that experience over many years has indicated that the most efficient way to get the best execution on large orders which are generally placed by investment companies is by using what is called a "lead broker". Generally, these lead brokers are picked because of some special ability in the execution of a certain order. In turn, the lead broker in a great many cases shares part of the commission with other exchange members. If Rule 10b-10 were to be adopted, it could lead to fragmentation of these orders being placed with many firms which the institution might want to favor, and it could be to the disadvantage of the investment company and its shareholders.

We favor the adoption of the proposals of the New York Stock Exchange with certain exceptions:

(1) We do believe that a volume discount should be instituted;

(2) We favor the continuation of allowing the customer to direct give-ups which would permit the investment companies to avail themselves of the advantages of a lead broker and at the same time share part of this commission with the other Stock Exchange members who have generated the business through the sale of the investment company's shares and/or through research advice; and

(3) We strongly favor membership on all exchanges be limited to professionals who make a full-time business of the execution of transactions in investment securities.

In our opinion, the adoption of Rule 10b-10 would have a serious effect on the income of the regional firms and ultimately bring about a concentration of most of the Stock Exchange business in the larger firms which, in turn, would cut seriously into the profits of firms such as ours and could lead to our either merging with some larger firm or at least cutting back on our research and training program. The value of the regional firm, I believe, is being greatly overlooked by the SEC and certain of the New York investment houses as small companies that are too small to interest the larger investment houses generally get their original financing and market sponsorship from the regional firm. Here in St. Louis our firm has been very active in this area of the business. Some of the companies that are today outstanding in their line of business were initially financed by local St. Louis houses when the major houses would not consider them.

It cannot be overlooked that the years 1966 and 1967 can hardly be called normal years in the investment business; and if the general stock exchange volume and underwritings decline, as they well might in 1968 and 1969 and in turn the regional firm is no longer permitted to share in the reciprocal business, it could accelerate the concentration of the investment business into fewer hands.

We realize that our firms must be run efficiently to be competitive, but we do not believe that it would be good for the industry or the country to ultimately end up with 25 or 30 giant investment houses.

Very truly yours,

John H. Hayward