

Babbitt, Meyers & Waddell
Pittsburgh, Pennsylvania

March 11, 1968

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

Dear Sir:

This letter is being written pursuant to the request of the Commission, made in its Release No. 8239, for comments with respect to proposed Rule 10b-10, and the recommendations of the New York Stock Exchange, referred to in said Release.

I am a partner of Babbitt, Meyers & Waddell, a stock brokerage firm, which is a member of the Pittsburgh Stock Exchange, and associate member of the Philadelphia-Baltimore-Washington, and Boston Stock Exchanges. As the Commission very well knows, the profits of a brokerage business are unpredictable from year to year. We are happy to note, however, that in the last few years we have prospered. In light of this, we have undertaken to expand our operations. In addition to three partners, we employ twenty-one registered representatives, and fifteen salaried office employees. We have six offices -- one located in DuBois, Pennsylvania, which has a population of 10,300 persons, another in Beaver, Pennsylvania, which has a population of 5,900 persons, and another in Uniontown, Pennsylvania, which has a population of 17,200 persons. We maintain the only brokerage office in DuBois and Beaver.

Assuming that Rule 10b-10 had been in effect during the year 1967, our profits would have nearly been cut in half. This figure was arrived at by deducting the gross earnings from our reciprocal business and bank-directed business from our net profits. Since fund reciprocal business does not involve payments of commission and is credited directly to partnership income, any loss of this business would be a proper deduction from net income. In addition, if it turns out that we would lose business which is directed to us from firms which we give our New York Stock Exchange business, we would have to include, in said figure, a loss of an additional forty-two per cent of our profit. In ether words, the full impact of Rule 10b-10, upon us, if it were in effect last year, would have been to eliminate nearly ninety per cent of our profits. It has been a policy of our firm to pay the partners very small salaries. If, on the other hand, we had not adopted that policy and had paid salaries that would be considered normal for our operations, our 1967 operations would have ended in a loss.

If Rule 10b-10 is put into effect, we are going to lose our reciprocal and bank-directed business. If we lose this type of business, it would naturally gravitate to one of the large New York Stock Exchange wire firms. Furthermore, if this Rule is adopted, my firm would probably have to begin phasing out our operations in DuBois, Beaver, and Uniontown. If this occurs, which one of these big wire houses is prepared to open a branch in DuBois, Beaver or Uniontown? If this proposed Rule, with its emphasis on discounts is adopted, obviously the banks are going to provide brokerage services on pooled transactions for their customers. Are they also going to provide the research, analysis, and the personal service which we provide?

In opposing the proposed Rule, my firm is not doing so on any philosophical basis, such as may have been the basis upon which some of the medical profession may have been motivated in opposing Medicare. We certainly are not motivated by the political and philosophical considerations that are involved in businessmen opposing minimum wages. Our opposition is neither political nor philosophical. It is based upon a threat to the livelihood of all my partners and our employees. By virtue of hard work, sound planning, and willingness to take the chances that are necessarily inherent in the proprietorship of a small enterprise, we have built a solid little firm. We have radiated out of Pittsburgh into the three small communities referred to above, and we have continued to think of enlarging our operations to go into other small communities. Therefore, it was with considerable dismay that we received the Release setting forth the proposed Rule. I think that the existence of our firm is justified, and we are a contributing factor to the general welfare of the communities that we serve. I am certain that the proposed Rule, if adopted, would seriously impair our ability to remain in business. I think the whole rate structure should be reviewed in all its aspects, so that one can be produced that will make it worthwhile for us to continue in business.

I am enclosing, herewith, a schedule showing precisely the amount of our reciprocal and bank-directed business.

Very truly yours,

Karl F. Meyers, Partner

THIS SCHEDULE IS CONFIDENTIAL AND IS NOT TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

Schedule of reciprocal and bank-directed business of Babbitt, Meyers & Waddell

Profit: \$135,000 (100%)

Reciprocal Business: \$49,000 (36.5%)

Bank Directed Business (approximate amount to firm after deducting commission paid): \$12,000 (9%)

New York Stock Exchange Give Up Business: \$57,000 (42%)

Remainder after categories above are deducted: \$17,000 (12.5%)