

Irving Lundborg & Co.  
San Francisco, California

April 3, 1968

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

Attention: Mr. Orval L. DuBois, Secretary

Gentlemen:

Relative to your invitation to various members of the security industry to comment on the SEC proposed rule 10B-10, I have the following to submit.

Irving Lundborg & Co. is a regional securities firm in the Bay Area with its main office in San Francisco and with six branch offices in the surrounding territory. It is a member of the New York, American, and Pacific Coast stock exchanges and is an active underwriter of corporate and municipal securities. It has been in business since 1915 and has approximately 280 employees and partners. Our facilities are directed to serving the investment requirements of the securities business in our area.

In the conduct of our business we render service to institutions not only locally but in other parts of the United States as well as abroad. We have geared our research to following Pacific Coast companies to the benefit of our local, national, and foreign clients. In the conduct of this business we receive give-up commission income from various banks, insurance companies, pension funds, and mutual funds. Over the years this practice of give-ups has proved the most efficient way to compensate member firms for a contribution that they have made, to clients for the successful administration of their funds.

Certain members of the Commission have expressed themselves on the problem of fragmenting an order in order to properly compensate brokers for services rendered. If the proposed rule is made effective and you cannot fragment an order to the great number of regional firms, and the present practice of giving up part of the commission is abolished, it is quite apparent that this is going to be a great financial loss to the great mass of security firms.

It is important to recognize that basically the security business is a service business and therefore lends itself to small intimate units where the personal relationship can be pursued to its maximum. It is because of this relationship that

most security firms have been built over the years from a very modest beginning. This intimacy is certainly to the advantage of the investing public.

In addition to performing investment advice to our clientele, we have performed an investment banking function such as providing capital to small growing companies that are basically too small and removed from the large investment firms. In our own experience, for example, we have played a part in the early stages of the financing of Lockheed Aircraft, Continental Air Lines, and the Ampex Corporation.

In the event that Section 10B-10 were adopted it would seriously interfere with the profitability of the small regional firm with a tendency for the large growing institutional security business being channeled into the large investment firms. This development is certainly not good for the security business at large.

In conclusion I would like to enthusiastically endorse the position that the New York Stock Exchange, the Association of Stock Exchange Firms, and the Investment Bankers Association have taken on this most important proposal of the Securities and Exchange Commission because I do not believe it is in the public's interest to make such an arbitrary regulation.

Sincerely,

George J. Otto