Legg & Co.
Baltimore, Maryland

March 27, 1968

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

Dear Sir:

The Commission's approach to the give-up problem through the proposed Rule 10b-10 gives us a good deal of concern as it could be inequitable to a major segment of the investment community. It appears to us that this rule, if adopted, would prohibit institutional fund managers from using the give-up method for the very legitimate purpose of compensating research oriented brokerage firms for their services.

During the last twenty years Legg & Co. along with numerous other medium size New York Stock Exchange member firms have spent substantial sums of money in developing institutional departments. In many cases these firms are just beginning to realize a return on their investments in this area.

Legg's approach to the institutional field has been through the medium of in-depth research. We have been fortunate in building a professional institutional research department which is nationally recognized in the insurance and oil stock fields.

It has been our approach to offer the institutional portfolio manager continuing in-depth service rather than isolated investment ideas or blocks of stocks. In effect we "follow the group" for him. Because this method involves constant research and analysis by high-salaried, qualified personnel, travel and communication expenses, publishing costs, etc. it is an expensive operation. However, we feel that it is a very worthwhile service which redounds to the ultimate benefit of the beneficiaries of the pooled funds.

To realize a return for our efforts we offer this continuing in-depth research service on a subscription basis. While part of our compensation comes from executing orders for institutional clients or subscribers, a good portion of it is paid to us through the give-up method. The loss of this give-up income with no replacement would cause us to suspend our institutional service. We do not believe that certain giant institutions who deal in large blocks of stock through a limited number of brokerage firms, and use the give-up method to compensate other brokers for legitimate services performed, are going to divide that order into six or eight different parts. It may very well be that if they were to do so they would hurt their own market by being in competition with themselves. Thereby, they would be working to the disadvantage of the beneficiaries of the pooled funds, the very ones Rule 10b-10 proposes to protect.

We request that you take these thoughts into consideration during your deliberations to the give-up problem.

Very truly yours,

Joseph W. Sener
Managing Partner