Niagara Share Corporation
Buffalo, New York

March 29, 1968

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

Subject: Securities Exchange Act of 1934 Release 8239

Dear Sir:

This is in response to the Commission's request for comments on its proposed Rule 10b-10 and the related proposals of the New York Stock Exchange.

Niagara Share Corporation is an internally managed, diversified closed-end investment company whose shares are listed on the New York Stock Exchange. The current value of its net assets is approximately $100 million. It has no investment advisor.

It appears to us that the basic problem arises from the fact that the minimum commission rate as applied to large orders is excessive for the basic functions of executing and clearing orders in the auction market. The development of a large volume of institutional transactions in common stocks, handled on a commission scale set for smaller transactions, has resulted in this overcompensation. The overpayment, representing some 50 to 60% of the commissions paid, is, therefore allocable by the institutions involved. As pointed out in the Commission's release, such allocations are being made in two major ways:

First: The managers of mutual funds direct give-ups to broker dealers who have sold fund shares to motivate or reward such sales agents. Niagara Share Corporation as a closed-end company does not have any broker dealers engaged in selling its shares. For that reason we have no comments to make concerning this aspect of the problem except to suggest that such payments might well fall in a different category from the payments discussed in the next paragraph.

Second: Allocations to broker dealers are also directed as payment for statistical, research and other services rendered to the investment companies. We estimate that of the $134,000 which we paid in commissions last year, approximately $70,000 was in payment for investment research, quotation and other services

rendered to us. The brokers involved in rendering such services have established costly institutional research departments whose facilities could be duplicated by Niagara Share Corporation only at substantial additional expense to our stockholders. The services rendered to us by these research departments must be paid for either in the present manner or by direct payments. To prohibit the present method of compensation for such expenses without a corresponding reduction in the minimum commissions would only penalize the stockholders of investment companies.

We believe that a possible solution might be to separate payments for the basic functions of executing and clearing orders from payments made for these other services. This would require the establishment of an institutional commission scale at approximately one-half the retail level, subject, of course, to annual or other minimums. Direct payments could then be made for services rendered rather than having the payments generated as a by-product of the portfolio turnover process. It might be added that there could be a tax advantage to investment company stockholders if these payments were charged to investment income rather than entering into the computation of capital gains or losses, where only half of such expenses are considered.

Payment of higher commissions should not, however, be barred where necessary in the orderly sale of blocks of stocks by negotiation or distribution, even if these are crossed on a stock exchange as a matter of record.

In direct comment on the proposed Rule 10b-10, we do not believe it would be feasible for a fund of our size to establish a broker-dealer affiliate to participate in commissions as mentioned in the release and, of course, we have no advisor underwriter.

The proposed rule is based upon present commission schedules and subparagraph (a) and (b) of Section (1) prohibit both cash give-ups and the use of "lead brokers". We do not fragment our orders and have quite a few brokers to compensate for services. While in the past we have used "give-ups", we now employ the "lead broker" concept whereby one broker with proven ability executes the entire order but at our direction gives up the names of others who clear and confirm. If the practices referred to in the Commission's release are in fact prejudicial to the best interests of investment company stockholders, we believe that the adoption of subparagraph (a) alone would be sufficient. Prohibiting the use of the lead broker concept as contemplated by subparagraph (b) is unnecessary because any other broker receiving payment performs some actual services in the execution, clearing and/or confirmation of the transaction.

Thank you for your consideration.

Very truly yours,

E. D. Howard II
President