Robert Garrett & Sons
Baltimore, Maryland

February 23, 1968

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

Dear Sir:

The Securities & Exchange Commission has invited comments on your proposed Rule 10b-10.

As a matter of introduction, Robert Garrett & Sons, Inc. is a moderately small firm with capital of approximately two and a half million and with its main office in Baltimore, Maryland. The firm has two branch offices -- one in Annapolis, Maryland and one in New York City. The sale of mutual fund shares represents something less than 5% of our total revenues and as a result, reciprocal business from the mutual funds which we sell is also an unimportant contribution to earnings.

On the other hand, our firm, through its research efforts, general investment advice and block position of bank and insurance stocks, does a large (as a percentage of total business) volume of business with the mutual funds. This business may and often does take the form of a give-up. The part of the commission we receive on the give-up is almost exclusively for services performed to the funds other than for the sale of their shares and is, in fact, a commission paid for research or for advice on the timing of an execution. It seems to us that the vehicle of using one broker who is directed to send out give-up checks is by far the most efficient method of handling such orders and it would be, in our opinion, a distinct disadvantage to a mutual fund to be forced to give direct orders to each firm that has helped them, when one firm may execute difficult orders more professionally than another.

We are advocates of give-ups for one reason only. This method is used by the funds, in our case and we believe this to be generally true of the regional firms, as a method of compensation for services performed. We find it more difficult to defend the use of give-ups for the selling of mutual fund shares per se, but if there are abuses in this area, we would suggest that those abuses be corrected without destroying a system which has worked to the advantage of the entire industry, including the shareholders of mutual funds.

We believe the smaller regional firms would be unnecessarily penalized by the abolition of the give-up and the larger New York firms could retain the entire commission. This would continue what is already a frightening trend of takeovers of smaller regional firms by the larger New York houses, which will have serious effects on the entire industry.

As the Wharton School of Finance Investment Banking study observed

"The smaller firms seem either more willing or better able to underwrite and distribute the very small stock issues partly perhaps because of the regional nature of the issues involved."

We believe that it is important to protect this mechanism of providing capital to smaller businesses. I can cite many of our giants today which are supplying jobs to thousands, who were originally financed by regional firms.

Sincerely yours,

Truman T. Semans
Vice Chairman of the Board