

counts on portfolio transactions executed by Kansas City Securities Corp., for United Funds, Inc., bear to the gross revenues and income of Kansas City Securities Corp., from all sources. Reductions under either (A) or (B) are made monthly after giving credit for the aggregate amount of previous reductions, but no adjustment is made in any month where the aggregate amount of previous reductions exceeds the higher of (A) or (B) for the period then elapsed since the beginning of the then current fiscal year of Kansas City Securities Corp. The reduction in the management fee has been computed on the basis set forth above since September 1, 1966.

Mr. Moss. This is for the purpose of reducing the management fee charged against the fund; is that correct?

Mr. ROACH. That is correct.

Mr. Moss. As members of the Pacific Coast Stock Exchange, can you deal with the third market in making portfolio purchases or sales?

Mr. ROACH. Yes.

Mr. Moss. Mr. Keith.

Mr. KEITH. To what extent do you use the third market?

Mr. ROACH. In the past several years, as you know, there has been an increasing use of the third market, and I believe that we have used it about in the same proportion that other similar companies have used the third market.

Mr. KEITH. That isn't very responsive.

Mr. ROACH. Well, it isn't very responsive, but I can provide precise figures.

Mr. KEITH. Can you tell me roughly and then perhaps provide more precisely at a later date?

Mr. ROACH. In what—

Mr. KEITH. Could you give us a percentage estimate?

Mr. ROACH. This would be a guess, and I would prefer to provide the precise amount; but I would say somewhere between 5 and 10 percent of our transactions would be third-market transactions, but I would like to have an opportunity to find out precisely what that is, and give you a letter and let you know. This is not an area in—

Mr. Moss. Would you like to hold the record at this point so we can include that letter in context then with the hearing.

Mr. ROACH. I will be very happy to do so.

Mr. Moss. All right; fine.

(The information requested follows:)

* WADDELL & REED,

Kansas City, Mo., October 23, 1967.

In re H.R. 9510 and H.R. 9511 report of proceedings before the Subcommittee on Commerce and Finance.

Hon. JOHN E. MOSS,
The House of Representatives,
Washington, D.C.

DEAR MR. MOSS: In response to the question, Lines 19 and 30, Page 446 of the above record, "To what extent do you use the third market?" and "Could you give us a percentage estimate?", please be informed that for the nine month period from January 1 to September 30, 1967, the volume of third market transactions transacted by Waddell & Reed, Inc., were as follows:

1. Stated as a percentage of total brokerage commissions—6.58%.
2. Stated as a percentage of total dollar transactions—10.62%.

Very truly yours,

CORNELIUS ROACH,
General Counsel.