

[Transcription note: All spelling and grammar as in original.]

ECONALYSIS (tm) Investment Corporation
Altadena, California

March 8, 1968

Securities and Exchange Commission
Washington, D.C.

Re: SEC Release 34-8239 of Jan. 26, 1968, is Regulation or Destruction

Gentlemen:

Regarding your consideration of limitation of reciprocal business payment of reciprocal income which is important to dealers such as ourselves which derive 80% or more of income from sell of mutual funds and reciprocal income, I can only ask you where you think compensation would come from to cover the extra expense of custodian bank errors in the well-known paper logjam in the mutual fund and stock industry if dealers did not have reciprocal income?

It is sometimes necessary to come to the office seven days a week to correct custodian bank errors by banks serving some of the oldest and largest mutual funds. It would be necessary to bill the mutual funds extra for their errors over and above dealer concession to cover cost of processing orders delayed by errors of custodian banks if it were not for reciprocal income.

Furthermore, an intelligent appraisal of sales of mutual funds which are important to raising capital to create jobs for American people, would reveal as did the NASD study, that present dealer concession levels are necessary to provide incentive under which it is possible to hire sales representatives. The reciprocal income permits the dealer to meet increasing costs of doing business in addition to paying sales representatives. It is important to the buying public that they have independent dealers who give them more personalized mutual fund service than would be available in many large stock houses where objective too often is to get investor on stock treadmill.

It is always difficult for people paid a guaranteed salary as in the case of civil servants in regulatory bodies to realize that their jobs would not be possible if it were not for private businesses such as those of the independent, NASD, mutual fund and securities dealers who take risk to be in business without guaranteed income.

Gentlemen, if you do not have guaranteed income than you must have incentive as provided by present dealer concession arrangement and reciprocal income!

Because of confiscatory taxation and excessive regulation by government, United States is in danger of passing into a system of servitude which would destroy our system which made this country the most prosperous in the world.

INASMUCH AS INVESTOR MUST PAY AN AVERAGE OF AT LEAST 8% A YEAR TO REINVEST HIS STOCKS FOR PROTECTION OF CAPITAL AND GROWTH THERE IS NO REASON WHY THE PRESENT SALES CHARGE FOR MUTUAL FUND ORDERS OF UNDER \$10,000 SHOULD NOT BE 8 1/2% TO PROVIDE THIS SERVICE ON A MORE PROFESSIONAL LEVEL THAN SINGLE BROKER COULD PROVIDE CLIENT.

Kindest regards,

R. W. Lyon

cc: NASD