



JOHN J. CARROLL & CO.

Investments Since 1958

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April 7, 2004

Jonathan G. Katz, Secretary
U.S. Securities & Exchange Commission
450 Fifth Street NW
Washington, DC 20549-0609

Re: File No. S7-06-04

Dear Mr. Katz:

Full disclosure is fine. More businesses need it; especially insurance and the legal profession. But, placing a lot of emphasis on costs without a caveat that low costs do not necessarily get you the best results is a disservice. If costs were all important you would always go to the cheapest doctors and lawyers; not the best. Service must also be considered - without good service low cost becomes expensive.

In my 40 years plus in the business, I have seen people buy so-called no-load funds because they thought there were no fees (some no-load funds have more overall fees than load funds) and wind-up with the wrong fund for them because no-load funds do not have to comply with the suitability regulations.

If 12B-1 fees are eliminated, I am dead in the water; and so will be many other small, honest broker-dealers. Our market is the small and moderate income investor investing \$25 to \$100 periodically. At top commissions of 5% we could not exist without 12B-1 fees. You do the math! On top of that regulatory compliance fees are extremely high; about \$50,000 for our very small firm.

Yet, our market is the very market that needs to be served! And it's an expensive market to serve. We may give free lessons in economics before someone becomes a client. But, this market must be served because unless most of a nation's citizens are financially independent that country cannot remain free. You see! the trend now of asking government to provide ever more! That is a sure path to socialism and the loss of freedom.

Also, you cannot regulate in a vacuum. If you make it too difficult for those of us who serve this market to do business and make a living, you will see more representatives selling godawful high commission cash value insurance policies where there is little regulation and the word "guaranteed" tossed around. I have seen the trend. Heaven help the consumer.

Throw the dishonest and conflict-of-interest bums out of the business, but don't burn down the barn and make it impossible for the honest to survive.

Sincerely,

John J. Carroll

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