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May 6, 2004

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

Re: File S7 09-04

Dear Mr. Katz:

My comments about the proposed rule are brief. I am troubled by it for several reasons, including my perception that it has been proposed in response to a cynical misperception of our industry. In the release, the background includes the phrase "...brokers to demand additional payments...". In the Current Practices section, the release says, "if the brokers overall compensation for distributing the shares...falls below agreed upon levels, the selling broker may reduce its selling efforts".

In my experience, such attitudes are way off base and, in fact, I have not encountered them among my competitors. Any brokerage firm that hopes to succeed knows that its success depends on the success of its clients. The fund families with which successful firms do the most business are usually the best investment managers. If any firm is "demanding" it will get what it deserves for being so mercenary and misguided.

Directing portfolio transactions to certain firms does not hurt investors. Rates are as low as I can imagine. In fact, prohibiting the practice may focus such business among fewer firms and will very possibly result in higher commission rates.

The proposal strikes me as an intrusion into the free marketplace on behalf of prohibiting a format that is not fraudulent or harmful to investors in the first place. It should not be adopted.

Very Truly Yours,

Cadaret, Grant & Co., Inc.
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