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ES105927

Mr. William Donaldson, Chairman
Securities Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

S7-09-04

Feb. 18, 2004

Re: Mutual Fund Fees and Other

Dear Mr. Donaldson;

Recent material in the media has quoted you as being in favor of eliminating 12(b)1 Fees.

I believe that this would be a mistake for a number of reasons:

1. It is in the Customer's best interest to have his Financial Advisor have a continuing interest
   In the customer's investment holdings. It is also in the customers' best interest that his continuing
   Advisor is compensated on a basis that is not "activity-oriented". The 12(b)1 method is consistent with these two principles.

2. If the Advisor cannot be compensated on a continuing basis by 12(b)1's, he will be forced to rely on activity-generated compensation OR alternatively on some sort of Wrap Fee basis. We rarely see Wrap Fees as low as 1%, and the range that seems to be most common is from 1.5% to 2.5% with some as high as 3%. Some of these Wrap Fees even charge on investments in Money Market Accounts, which, as you know, currently are paying from ¼ to ½%, so the customer is losing from 1 to almost 3% on his MONEY MARKET Account!

3. It is my understanding that Investment Advisory Fees are only deductible for tax purposes for amounts in excess of an Income-based thresh-hold, while 12(b)1 fees are a reduction in taxable income; so $1 in 12(b)1 Fees costs an investor less than $1 in Investment Management fees.

4. 12(b)1 fees permit a flexibility of Sales Charges that can be favorable to the investor.

In addition, I believe that consideration should be given to the following additional items:

A. Elimination of the Statements of Additional Information and inclusion of that information in the Prospectuses. The information, though, should be worded clearly and definitively and not vaguely as seems to be presently—"The Fund may at its discretion allocate additional compensation to entities responsible for sales of Fund shares...". Perhaps the Prospectuses should be divided into two parts – first, a brief understandable, "Executive Summary" and in addition, the balance in verbose legalese.

B. Settlements with Fund Managements should not be "sealed" or stated to be that "the Fund does not admit any wrongdoing, ...etc".

C. Sales organizations that provide more favorable compensation arrangements for sales of proprietary products by their sales representatives should be required to disclose that fact and the amount of the difference in $ to the customer before consummation of the purchase.

D. Fund Managements should be required to disclose in their Prospectuses the amounts of compensation paid to individuals in excess of some thresh-hold such as $500,000.

E. Analyst Reports for which they are specifically compensated should be required to disclose that fact as well as the terms of their compensation for the Report.

F. Fund Managements who have been found to have violated the rules should not be permitted to write letters to their shareholder filled with complementary statements and almost ignoring their violations.

G. Their remorse is comparable to the phony sanctimoniousness of the NFL and CBS's statements regarding the Super Bowl half-time shows.

H. Non-Securities licensed individuals (primarily insurance sales people) should not be permitted to sell Equity products such as Equity Annuities.

I. And, on the subject of Fees, Retirement Plans should not be permitted to use Annuities in Retirement Plans where the Insurance Companies load additional fees of as much as 2% on top of the Expense Charges of the Mutual Funds funding the Annuities.

Thank you for your efforts and consideration of these suggestions.

Sincerely your,

Joseph A. Zelson ChFC