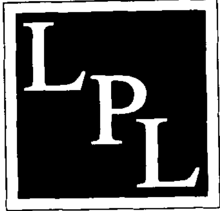

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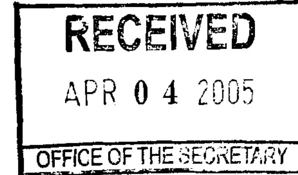
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APR 04 2005
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March 31, 2005

S7-06-04

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

Re: SEC Proposal on Point of Sale and Confirmation Disclosures

Dear Mr. Katz:

As a financial professional, I am concerned about the potential negative impact that the SEC's proposal on point of sale and confirmation disclosures will have on investors.

While it is very important to disclose percentage fees and commission options to clients, I think that the existing prospectus system allows clients to clearly see the fee options available and examples of costs over time. I think that the proposals could make fees the primary focus and consideration when clients are making investment decisions. While fees are an important consideration, in my opinion they are certainly not the only or even the most important consideration. I think that the services provided for those fees and the return on investment, net of fees, are every bit as important. An excessive focus on fees at point of sale may lead a client to reject many investment options solely on that basis. It may also lead them to ignore service considerations or keep them from seeking professional advice at all. Would that be in their long term best interest?

Also, I have noticed, what seems to me to be, a regulatory bias toward A share business in mutual funds on the premise that they are less expensive to the client in the long run if they buy and hold funds for the long term. When I first entered the business in the 80's, A shares were the rule. This created a conflict between the interests of the client and the advisor. The advisor got paid a large sum up front on each transaction and very little, usually .25%, after the first year to service the account. The result was that economics forced advisors, who had to pay significant overhead to operate their businesses, to focus on getting new clients with new money and paying very little attention to existing clients. It also gave a significant financial incentive for churning accounts. Is this in the client's best interest?

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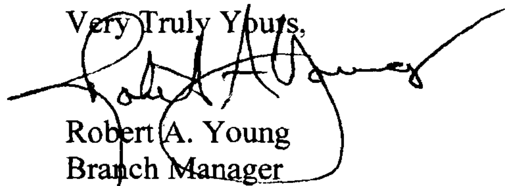
The move toward C shares and wrap accounts over the past ten years has moved the focus to serving existing accounts and lined up the client's financial interests with those of the advisor. If the account value goes up, it benefits both the client and the advisor, if it goes down, so does the advisor's income. Also, the client is not locked into any investment and can move money whenever they want without taking a hit due to up front charges.

It is my opinion, after almost 20 years in the business as an independent advisor, that a C share, 1% per year, compensation system allows an advisor to operate their business and receive reasonable compensation commensurate with their education and knowledge if they have between 400 and 500 clients with an average account size per client of $200,000 - $250,000. The A share model, at .25% per year, requires that the advisor have between 2,000 and 2,500 clients to pay their overhead and achieve the same compensation. How can an advisor meet with and service 2,000 clients a year? Is that in the client's best interest? I don't think so. Yet, the extreme focus on fees would tend to push clients and advisors toward A shares and give them very little ability to provide ongoing service.

I hope that the SEC can find a way to balance the information provided to clients at point of sale so they focus on the types of service and incentive considerations I have outlined above as well as fee structure.

Very Truly Yours,



Robert A. Young
Branch Manager