From: Bill Donoghue
Sent: Wednesday, May 04, 2005
To: rule-comments@sec.gov
Subject: File No. S7-11-04

Re: Mandatory Redemption Fees For Redeemable Securities

I am a registered investment advisor who, responsibly and within the rules of both good citizenship and responsible investment management, advocates and practices proactive investing practices to allow my clients the potential of building wealth for retirement.

As such I would like the SEC to seriously consider the following recommendations.

1. Redemption fees on redeemable securities are inappropriate and probably unjustifiable. There is little empirical evidence that the mutual funds have any significant additional costs due to redemptions or that the actualy cost anywhere near 2%, especially since so many funds charge high loads. No fund should be allowed to impose these restrictive fees without proving to the SEC that such costs exist and justify a redemption fee. If done objectively and enforced by investor-oriented audits, few funds could justify redemption fees.

2. Encourage funds to protect investors from bear markets by at least "going to cash" or hedging. I would suggest respectfully that the funds seriously consider why redemptions are necessary in a responsible investment program. Fully 40% of mutual funds earned more (had higher expense ratios) than their investors (load-adjusted returns) over the past five years because they refused to acknowledge the need to address the risks of a three-year bear market. No responsible advior would encourage investors to stay in such funds by imposing redemption fees. I would rather see them encouraged to manage to protect investors from obvious risks.

3. Punish the fund managers, not the investors. The so-called "market-timing" issue exists because the funds allowed and encouraged irresponsible managers to circumvent their own policies by offering late-trading services, insider information on fund holdings and even consulting services. This has nothing to do with investors' practices which might be restricted by redemption fees.

As you can see, I am against any redemption fees and for mutual fund recognizing a responsibity to their investors to produce positive returns from professionally-managed portfolios.

The Mutual Funds are owned by their shareholders and should be protected from lazy and unprofessional management. The SEC is to protect all the investors' rights, not the funds' marketing programs.

Respectfully,

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