SACKS EQUALIZATION MODEL™

Sacks Equalization Model Inc.

September 11, 2013

SEC Investment Advisory Committee
100 F Street, NE
Washington, DC 20549-1090

Dear Committee Members:

I am writing to you, as members of the Investment Advisory Committee, to make you aware of a significant problem with mutual funds – a problem that costs equity fund shareholders alone $10-17 billion annually. This is on top of the management fees and other hidden charges.

This shocking problem is due to the fact that new investors who purchase shares do not pay their portion of the portfolio trading commissions incurred to assemble their portion of the portfolio and liquidating shareholders do not pay their portion of portfolio trading commissions to liquidate their portion of the portfolio. These portfolio-trading commissions were deducted from the assets of the fund, which means all shareholders bear the costs generated by those buying and liquidating shares. Mutual funds disclose none of this in their prospectuses.

The $10-17 billion estimate is based on calculations using independent data from the Investment Company Institute's ***Investment Company Fact Book*** and is reported in a research paper. The paper, ***Mutual Fund Liquidity and Fiduciary Conflicts of Interest***, was authored by Miles Livingston, Bank of America Professor of Finance, University of Florida, Gainesville, and David Rakowski, associate professor of finance, Southern Illinois University, Carbondale. The paper points out that the $10-$17 billion estimate would be much higher if all mutual funds were considered and says the current system costs the shareholders approximately 1.5% in lost performance each year.

Please find attached related information that will detail the above.

Very truly yours,

Seymour Sacks

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President

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Participant SACKS EQUALIZATION MODEL™

Sacks Equalization Model Inc.

November 28, 2012 VIA E-MAIL AND PRIORITY MAIL

Ms. Elizabeth M. Murphy, Secretary
U. S. Securities & Exchange Commission
100 F Street, NE
Washington, D. C. 20549

Petition for rulemaking mandating that mutual funds fully disclose through a disclaimer in their prospectuses that shareholders are being financially disadvantaged by new and liquidating shareholders who are not paying their portion of the brokerage trading commissions that were generated to establish the portfolio's holdings, a result of buying the portfolio securities.

Dear Ms. Murphy:

1. Currently, when mutual funds price their shares at the end of each trading day, they allow new investors who are purchasing shares, and shareholders who are liquidating shares to avoid paying their portion of the brokerage commissions that were incurred in establishing the current portfolio, to reflect the buying of the portfolio securities. These commission costs were deducted from the assets of the fund. New investors and liquidating shareholders are not charged their respective portion of the incurred portfolio commissions. They are unfairly transferring these commission costs to the existing shareholders; most of them long term investors.

2. In mathematical calculations obtained from statistics contained in the "Investment Company Fact Book" of the Investment Company Institute, it is estimated that this unfair pricing is costing existing shareholders in equity funds $6 - $10 billion year, including market impact costs, and as much as $20 billion a year if you include all mutual funds. This is considerably more than was lost in the "mutual fund scandals" of 2003, when the SEC and other agencies took action.

3. We are enclosing as an exhibit an academic research paper by professors Miles Livingston of the University of Florida and David Rakowksi of Southern Illinois University of Carbondale titled "Mutual Fund Liquidity and Conflicts of Interest" that addresses the above, including the relevant calculations.

4. Mutual funds, their officers and directors have the responsibility of exercising their mandated duties by complying with the "fiduciary standard" provisions of the Investment

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Company Act of 1940 along with the Investment Advisers Act of 1940; and with the "full disclosure" and "disclaimer" provisions of the Securities Act of 1933. One of the mandates of the 1933 Act is to disclose all material information that a reasonable shareholder would require in order to make up his or her mind about the potential investment. The transfer of wealth from existing shareholders to new investors and liquidating shareholders to the tune of $10 - $20 billion a year is certainly material information.

5. The following is a **sample** disclaimer disclosure that would be included in a mutual fund prospectus;

"New investors who purchase shares do not pay their portion of the portfolio trading commissions incurred to assemble their portion of the portfolio. Liquidating shareholders do not pay their portion of portfolio trading commissions to liquidate their portion of the portfolio. These portfolio trading commissions were deducted from the assets of the fund, which means all existing shareholders bear the costs generated by those buying and liquidating shares."

6. Our interest is that Sacks Equalization Model Inc. owns a U. S Patent that is an algorithm that adjusts for the unequal pricing of mutual funds shares so all that shareholders are allocated their rightful amount of portfolio commissions, thus creating a level playing field.

7. This algorithm, by nature, will reduce the activity of frequent traders and of excessive trading. This in accordance with Investment Company Act Release No.26782 (Mar. 11, 2005); (the Commission stated that excessive trading can harm-long term investors, by among other things, raising the funds' transaction costs because the fund manager must either hold extra cash or sell investments at inopportune times to meet redemptions).

In conclusion, over 90 million Americans own $11 trillion in mutual funds, which includes almost $5 trillion in retirement-related accounts. There is little doubt that the aforementioned requested disclaimer disclosing this information that affects such a large portion of the U.S population, would serve in the public interest. If the Commission requires additional information, please contact me.

Seymour Sacks

Seymour Sacks
President

Copyrighted material redacted. Author cites:

Livingston, Miles. "Time for mutual funds to favour shareholders." Economists' Forum, *Financial Times* Feb. 14, 2013.

Livingston, Miles and Rakowski, David A., Mutual Fund Liquidity and Fiduciary Conflicts of Interest (June 6, 2013). Forthcoming, Journal of Applied Finance. Available at SSRN: http://ssrn.com/abstract=2275401