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February 2, 2004

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The Honorable William H. Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Dear Chairman Donaldson:

We are writing to express our strong opposition to the Investment Company Institute's ("ICI") recent recommendation that the Securities and Exchange Commission ("SEC") restrict the uses of soft dollars. We believe that adoption of ICI's recommendations would harm small investment management firms and mutual fund families as well as small independent research and brokerage firms. If the SEC determines to change the regulations regarding soft dollars reforms, we support measures such as the adoption of new rules that would improve soft dollar disclosure by investment advisers in the Form ADV Part II, disclosures in mutual fund shareholder reports and greater scrutiny of soft dollar arrangements by mutual fund boards.

Citizens Advisers is a socially responsible investment adviser with approximately \$1 billion in assets under management. We are the investment adviser to Citizens Funds, one of America's leading families of socially responsible mutual funds. Soft dollars are one of the mechanisms that make it possible for a small investment management firms like ours to compete against the giants of the industry.

The ICI recommendation that would ban the use of soft dollars to pay for independent third party research could potentially put some of our small independent research vendors out of business. We are frankly astonished that anyone would propose such a thing. The need for independent research firms has never been greater. SEC action to uncut this vital resource is unwise and runs counter to the public interest.

Our company relies on smaller research firms for their independent views. These smaller independent research firms depend upon soft dollars to compete for business against the large brokerage firms with in-house research capabilities. If the ICI's recommendation is adopted by the SEC, investment advisers seeking to use soft dollars to pay for research will have to direct all of their soft dollars to the large brokerage houses with proprietary research. Small investment management firms like ours will have to cease buying research from independent research firms because we simply will not be able to afford it.



This could hurt us significantly and impact the financial viability of some small independent research firms on whom we rely.

If small independent research firms cease to exist, the large Wall Street firms will be free of competition and investors will lose a diversity of views. This would be contrary to recent efforts by the SEC and other regulators to promote independent research. Just last year, the SEC and other regulators entered a global settlement ("Global Settlement") of enforcement actions with ten of the nation's largest investment firms that followed joint investigations by regulators of allegations of undue influence of investment banking interests on securities research at brokerage firms. Part of the Global Settlement was designed to encourage independent research. Adoption of the ICI's recommendations would cut against the SEC's recent efforts in this regard.

As stated earlier, we support other measures of reform such as more detailed disclosure of soft dollar arrangements in Form ADV Part II and mutual fund shareholder reports and greater fund board oversight of soft dollar arrangements. We feel these measures would be adequate to protect investors interests while maintaining a more level playing field for investment managers and mutual fund families of all sizes.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sophia Collier".

Sophia Collier  
President  
Citizens Advisers, Inc.