

**Rule-Comments**

S7-03-04

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**From:** Mike Montgomery [mmontgo749@comcast.net]**Sent:** Sunday, January 25, 2004 10:07 AM**To:** rule-comments@sec.gov**Subject:** S7-03-04:**Sent:** Sunday, January 25, 2004 7:01 AM**Subject:** S7-04-04:**Dear Security and Exchange Commission,**

I am glad you are allowing the general public to provide comments regarding how investment firms and others should be covered in the Amendments to rules under the Investment Company Act of 1940 you are proposing and collecting comments on. These are my comments. I will encourage others to do the same. I understand that anyone can comment by email or hard copy, but not both using the email address above and subject as shown.

If responding by email, the Subject must contain S7-04-04.

Your email address is [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**I believe that amendments to rules under the Investment Company Act of 1940 are vital and should contain provisions that address the following as if a "Golden Rule" or "Ten Commandments":**

The ideas or "ideals" expressed below are just ideas. Professionals with a better grasp of what can be done practically without adversely affecting Corporate Profits or the intent of what is said should be able to improve upon the words without demeaning the "meaning" of them.

- All mutual fund and other trading firms should be graded by their adherence to that amendments to rules under the Investment Company Act of 1940 and that grade be updated and published semi-annually at minimum, or quarterly if possible.
- All firms be encouraged to give the individual investor AND the employees of the publicly listed companies and their retirement fund, the primary focus of the code, then institutional investors and others regarding the criteria in developing this code.
- All firms should be graded very poorly if they "window dress" their funds by actually investing other than their annual statements say they are. This provision should include a time period that must pass of at least 90 days before they can list the stock or bond as if it were a long term investment.
- There could perhaps be a way to report a mutual funds holdings by showing (in quarters of a year) how long they held which stocks or bonds and which quarter they purchased or sold how many shares as part of all annual reports.
- Insider trading, while already illegal, should have major punitive implications for any firm that is found to have violated that trust beyond what the courts or the SEC may determine, by removing the fund, its board of directors, and other corporate officers from participating for a period of 5 years for violation of the amendments to rules under the Investment Company Act of 1940 . Their fund and the company shall be listed as having been removed or blackballed and a link provided to indicate who

was involved.

- The statements below that may also apply to mutual fund companies or other trading firms should also apply in this section, especially regarding their investments in the companies that do not score well as indicated in the criteria mentioned below.

**Regarding companies that are publicly listed (whether in our country or other countries). It is expected that US companies would have to report, foreign firms may not report and should be listed as not reporting or devise a way to report what can be obtained from other sources and list those:**

We MUST have a means by which you can help publicize reports indicating the following in a way that affects the grade given regarding adherence to the same amendments to rules under the Investment Company Act of 1940 by public companies which should also be imposed and graded on the same cycle, based on the following:

- Does the company have a long term pension plan that protects retirees for a minimum of 25 years into the future based on current financial information, and is there a plan to continue this beyond the normally reported financial statements?
- Does the firm have a means to protect their employees from hostile takeovers and an internal amendments to rules under the Investment Company Act of 1940 their Board of Directors and all corporate officers must agree to uphold, that includes the provisions of the other Codes of Ethics expected by their authorities having jurisdiction whether state, local, or federal such as the one these comments are being provided?
- Has the firm exported jobs outside the United States in the previous 8 quarters? Grade that negatively if they have.
- What plans does the company have to export more jobs in the next 8 quarters and report which quarters that is planned? These numbers should adversely affect their score if they export jobs OR, import immigrants at lesser pay than those they replaced, OR report a loss of employees without reporting investments in foreign firms whether by acquisition or contracting out, that might do the work of those laid off in the USA.
- ANY listed company that has sold an interest in the company at the expense of the company retirement plan, to export jobs, or other actions which could affect negatively the employment numbers of United States Citizens. This score should follow the company and the officers or other individuals involved for 5 years or longer.
- Grade the companies based on the following composite characteristics; family friendly, health care, day care, physical fitness, support for the National Guard and their participating employees, volunteerism, community support whether of non-profits, schools, libraries or other community needs.
- Grade the companies based on their use of foreign companies and their employees in factories that are adversely affecting those employees' health and safety whether considered sweat shops, youth labor, or other criteria.
- Grade companies based on their investment in companies or countries that do not have laws protecting intellectual rights, property rights, or do not have goals of improving their internal codes and administrative laws regarding Health and Safety, Building codes, Electrical Codes, and those similar to our OSHA and the other Codes of Federal Regulations. While we might disagree internally which of these codes are truly worthwhile, these do represent costs that foreign firms are not burdened with and if the countries have no plans to improve their employees health and safety, we line their pockets at the expense of our jobs, their citizens health and safety which is not

good for either.

**Conclusion:**

It is my belief that the coming two decades may test us beyond any time since the great depression, or certainly since WW II. While our baby boomers retire (I am one), there will be far fewer employees supporting them in 2012 or after than at any other time in history. We will have exported more jobs, and lost more manufacturing capability than at any time in history. These facts will also work to our disadvantage if we find ourselves involved in a global conflict larger than what we have experienced in the last three decades. We will be vulnerable. The wars that have been fought in the first half of the last century were more clearly defined. The evil that existed then, exists today, but in forms that do not necessarily follow international borders. Our citizens must have leaders that can see this vulnerability and provide the means to encourage other countries to improve their citizen's lot in life, including their own codes of ethics, laws, individual rights, so these threats might be mitigated by their own citizens. Without this kind of global far reaching thinking, your amendments to rules under the Investment Company Act of 1940 can either contribute to the success of our future generations, or their downfall. This is on your shoulders. Decide wisely. We are all counting on you to put evil back in its box in those areas you can affect the most.

Sincerely, Mike Montgomery