

57-06-04

David P. Rakestraw  
P.O. Box 2436  
Blue Ridge, GA 30153

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February 18, 2004

PERSONAL

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



Dear Mr. Katz,

Should you have any questions regarding the attached letter please let me know. My address after March 25<sup>th</sup> will be 944 South Peninsula Drive # 107, Daytona Beach, FL 32118.

Sincerely,

David P. Rakestraw  
706-258-2413

Enclosure

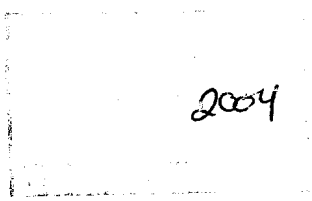
*The attached letter is  
for public use  
David Rakestraw*

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**David P. Rakestraw  
P.O. Box 2436  
Blue Ridge, GA 30513**

February 18, 2004

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



Re: SEC Release Nos.: 33-8358; 34-49148; IC-26341  
File No.: S7-06-04  
Proposed Confirmation Requirements and Point of Sale  
Disclosure requirements for Transactions in Certain Mutual  
Funds and Other Securities

Dear Mr. Katz,

Thank you for the opportunity to provide comments to the above proposed Rule.

Attachment 1 of Release No. 33-8358 provides an example of confirmation disclosures in the sale of class A mutual fund shares to a retail investor. The confirmation example shows a NAV of \$18.17 and a price {NAV plus load} to a customer of \$18.93 or \$321.18. To arrive at the retail price the sales charge would be 4% of \$18.17 computed as  $100 - 4 = 18.17 \times 100 / 96 = 18.927083$  {18.93}. The front-end sale charge is applied to an investment before the investment is made. This method of calculating a sales charge on an open-end mutual fund retail transaction appears to render excessive compensation and is material to an investing customer regardless of the quantity of shares purchased.

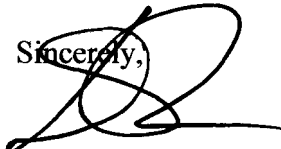
When a customer purchases on a principal basis an equity security from a broker-dealer SEC Rule 10b10 requires the confirmation to disclose the amount of markup separate from the prevailing market price or the price to the broker-dealer. The percentage amount of markup is readily determined without the customer having to go through a convoluted computation. A prevailing market price of \$18.17 on a principal retail sale of an equity security with a markup of 4% would have a confirmation price of \$18.90 { $18.18 \times 104\% = 18.8968$ }. The computational difference is material and a customer should be fully and fairly informed on a confirmation of the cost over and above the net asset value. The industry practice in calculating a sales charge on an open-end mutual fund transaction is costing the investing public an unjustified fractional amount of sales charge.

Some investment companies have up to 5.75% sale charge. The effective sale charge to a customer would be 6.10%. I believe such a sales charge is an unacceptable burden on the investing public. It is my understanding that most of a sale charge is a dealer commission. A broker-dealer is entitled to a reasonable profit but a retail customer should not have to

bear the cost of sales campaigns and promoting investment company products. There should be a requirement that the higher the sales charge the lower the breakpoint. Many small investors never see the benefit of a breakpoint sales charge when the breakpoint is at the level of \$50,000.00 as is in some mutual funds. A Letter of Intent serves no useful purpose when the breakpoint is out of reach.

The National Association of Securities Dealers, Inc. has a 5% Mark-Up Policy and determines the fairness of retail pricing based upon this policy on a transaction-by-transaction basis. It would be fair and equitable and in the interest of the investing public for the markup in a principal transaction and the sales charge in an open-end mutual fund transaction to be determined by the same method of computation. Would not the interest of the investing public be served if consideration were given to a similar policy Mark-Up Policy on sales charges in open-end mutual fund transactions?

Sincerely,

A handwritten signature in black ink, appearing to read 'DR', written over the word 'Sincerely,'.

David P. Rakestraw