

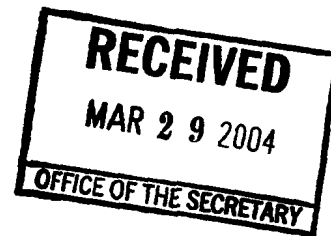


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Troy M. Smith
CERTIFIED FINANCIAL PLANNER®



March 23, 2004



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

Subject: File No. S7-06-04

I'm writing to comment on the Commission's February 11 vote to adopt enhanced mutual fund expense and portfolio disclosure and proposal to prohibit brokerage commissions to finance distribution (File No S7-06-04).

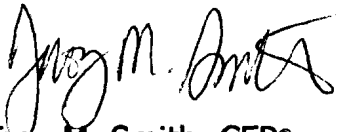
One of the purposes of the stock and bond markets is to raise money to finance Corporate America. Without that financing, there would be less jobs and less money circulating for the benefit of us all. Mutual Funds play a major role in supporting the stock and bond markets. As packaged products, though, mutual funds need to be distributed somehow. It should not be a surprise that the costs of distribution are borne by the investor whether that expense is because of a web site, toll-free phone lines, an advertising campaign on television, or an expense paid to a financial representative. The costs of any product, real or financial, are usually paid for directly or indirectly by the end user. Since mutual funds are pools of stocks or bonds, a \$1,000 expense, for example, paid by a company for a office party, paid by the company to the investment bankers trying to raise money for the company, paid by a mutual fund for the added legal and accounting cost of more regulation, paid by a mutual fund to distribute the fund to prospective shareholders, or paid by the fund to brokers who now have the obligation to make sure the mutual fund is still suitable for the shareholders, is still a \$1,000 expense and reduces shareholder equity. Mutual Fund shareholders should be interested in all these expenses.

NASD requires Broker/Dealers to update client account information on multi-page forms at least every 36 months, thus creating the liability that

Registered Representatives review the "current" investor suitability of mutual funds that have been purchased through their Broker/Dealer. The added regulatory compliance to monitor the ongoing suitability of mutual fund shareholders and the obligation to make sure investors' suitability is regularly monitored should not be without compensation. A 12b(1) service fee or other payments are compensation for such service.

Mutual funds are Investment Companies with a fiduciary duty to shareholders in all they do. Requiring mutual funds greater disclosure is fine as is holding their boards more accountable and being able to enforce infractions of the law, or deviation of generally accepted accounting principals. However, prohibiting Investment Companies from making certain expenditures, which are deemed prudent by those acting in a fiduciary capacity, is only a grandstanding public relations ploy and will not help shareholders. Such prohibition could provide disincentives for financial representatives to deal with clients, especially smaller shareholders.

Thank you,

A handwritten signature in black ink, appearing to read "Troy M. Smith". The signature is written in a cursive, somewhat stylized font.

Troy M. Smith, CFP®

Cc: 1717 Capital Management Company