



AAI Portland Chapter

Rule Comments

Proposed Rule on Mutual Fund Disclosure Forms

(SEC File No. S7-06-04)

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OFFICE OF THE SECRETARY

Name: YVONNE B. WEBER

Please be aware that all comments we receive will become part of the public record of what is considered in this matter. All comments we receive will be posted on our website. Please return the comment form to the SEC representative or mail your comments to the following address:

Jonathan G. Katz, Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609

Comments: Your two proposed forms make sense for transactions directly between a client and a broker. There is another, highly prevalent situation where the public, as mutual fund purchasers, is being grossly taken advantage of, and the forms you propose may NOT solve the problem.

The SEC should address the situation where a mutual fund management firm is selected to manage the 401K holdings of a company's employees. The Federal government has an interest in seeing that this tax-advantaged program is administered in the public interest. Often, it is not. The example I know most about is Nordstrom, with its 45,000 employees nationwide. It chose Putnam, that not only charged 2% of every employee's holdings, but the individual funds often charged an additional maintenance fee. Each year, these were automatically deducted from the employees' account. If you did not like Putnam, with its sub-standard funds, you opted out of the 401K opportunity completely. Many people did that.

There was no "economy of scale" in the annual 2% fee. Employees who had regular payroll deductions for twenty years might accumulate \$200,000<sup>00</sup> total, on which Putnam took \$4,000<sup>00</sup> automatically. Employees had no choice in the fund management firm selected to handle their 401K plan by the company. This "loophole" in fund operations should be closed immediately.

Thank you,

Yvonne B. Weber

Thank you for your comments