

May 7, 2004

Secretary, Security and Exchange Commission
RE: S7 09-04

Dear Sirs,

In response to this new rule of commission trades from mutual funds to broker-dealers and the potential loss of the 12 B-1 shares, I would like to make some comments. However I believe my comments should be taken seriously because of my past experiencing and credentials in the industry. I am in my 25th year as a registered representative. I wore many hats for the largest regional brokerage firm in the industry some years back called Blunt, Ellis and Loewi. I hold a series 8 license with the New York Stock Exchange, a principles license with the NASD and I am currently a first-line supervisor and an OSJ. I am a top producer for the firm(s) I've worked for since 1980. I have used a combination of mutual funds and stocks and bonds in my client portfolios during my 25 years in the business. I have close contact with many compliance people and securities lawyers in the industry and what I hear is the NASD and the SEC are literally "out of control." Every time there's a scandal from an analyst or a mutual fund, the selling representative and broker-dealers are the ones that have to pay. I am not making this up. That is exactly what the comments on the street are about these two regulatory bodies. Here are my recommendations.

I do not sell B shared mutual funds and I do very little V/A or Fixed annuity business and even less 1035 exchanges. I have reprimanded our fired brokers who have abused those rules over the years and I am in complete agreement on many of the rules supporting the changes to stop the abuse in those areas. However, the 12B-1 rules proposed by the regulatory bodies have gone too far. Taking away these 12B-1 payments to the broker-dealer for the broker-dealers use only would have some merit. Many of these 12B-1 payments though are paid to the reps like me and help us offset our costs for running our offices. There is no incentive at my broker-dealer, Sentra Securities, for me to sell one fund over the other. In fact, all the funds I use have similar 12B-1 fees. I cannot see why or how this can be abused since 12B-1 fees are nearly universal in the industry. And don't forget that the 12B-1 fees come out of the expense ratio of that fund. Lowering the 12B-1 fees will not reduce the expense for that fund.

The SEC should look at ways to have the 12B-1 fees paid to the rep, and not to the b/d. And how about the SEC looking at ways to have the 12B-1 fees used for reducing management fees in fee-based accounts? Does the SEC know that the expense ratio in mutual funds is lower in C shares then they are in A shares when you deduct the 12B-1 fees? And what is wrong with the broker getting paid to manage those mutual funds? Without some ability to have a trailing fee, does the broker have any incentive to manage these funds for their client without ever getting paid again? These are the other factors that the regulatory bodies don't put into the equation. I believe there would be less churning of mutual funds and less arbitration cases regarding mutual fund churning if the broker was paid a management fee just like a fee-based money manager gets for managing individual stock accounts. Don't eliminate these 12B-1 fees just have better disclosure.

In response to your questions about whether or not mutual funds should direct commissions to the broker-dealers, I do not believe that should take place. That can cause conflicts of interest and potential fraud. If a mutual fund company wants special status, trading the stock account or bond account for that mutual fund with those broker-dealers should be illegal. A law that states that mutual fund companies need to get the best price should rule the mutual fund company in pursuing the best execution for their portfolio at the lowest price possible allowed in the industry. However, the 12B-1 fees should not be allowed to stay at the broker-dealer and should be given to the representative, with better disclosure, when those fees are paid.

I would also suggest that some of these regulatory bodies at the SEC and the NASD spend a few weeks to a month with representatives like me and see what we have to go through in juggling all these rules and paperwork that comes from the scandals that we as reps have absolutely nothing to do with. But we are the ones that have to take the final punishment with adding more disclosure and more rules that are totally needless for the selling representatives.

If I can get on a committee or a board to help the SEC in better understanding our side, please let me know. I would be honored to give my time to this effort.

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