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Via Electronic Mail

May 10, 2004



Jonathan G. Katz, Secretary
U.S. Securities & Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609
www.sec.gov/rules/submitcomments.htm
Two (2) Pages

RE: Release No. IC-26356, Use of Brokerage Commissions to Finance Distribution
File Number – S7-09-04

Dear Mr. Katz:

NEXT Financial Group, Inc. (NEXT) is an independent retail broker/dealer and registered investment adviser headquartered in Houston, TX. The firm was founded in 1999 and provides securities products and services through more than 450 registered representatives nationwide.

NEXT Financial Group appreciates the opportunity to comment on the Proposed Rule in Release No. IC-26356 ("Proposed Rules") that would prohibit the use of brokerage commissions, including 12b-1 fees, to finance the distribution of mutual funds. We are concerned that approval of the Proposed Rule would have a negative impact on our firm, our representatives and our customers.

SEC Rule 12b-1 has allowed mutual funds to compensate registered representatives for the ongoing professional services that they provide to shareholders long after the initial investment. These services include administrative services such as changing, correcting and updating account information as well as ongoing analysis, advice and adjustments to mutual fund portfolios. Changing market conditions and investor objectives often require adjustments to mutual fund holdings during the long holding period of the average fund. If the representatives did not receive the 12b-1 fees, these professional services might not be made available to mutual fund shareholders or only made available at an additional cost. This would be particularly burdensome to smaller mutual fund investors.

It is beneficial to most individual mutual fund investors to receive professional assistance from registered representatives. Mutual fund investors that seek to use the professional services of a registered investment advisor deserve the advice and services during the lifetime of their investment but these services will not be provided without compensation. If registered

representatives cannot receive the modest compensation provided through 12b-1 fees, some representatives will be forced to charge additional fees for their professional services.

Some registered representatives or investment advisors will charge an hourly fee in lieu of 12b-1 fees. Unfortunately, some smaller mutual shareholders will be unable or unwilling to pay an hourly fee for the professional services that are now compensated by 12b-1 fees. Those shareholders will be forced to make changes and adjustments to their mutual funds on their own or rely on the assistance of proprietary advice of mutual fund personnel provided through the telephone or internet.

Even those mutual shareholders that are willing and able to pay an additional fee will pay more than they are currently paying in 12b-1 fees. Additionally, setting up and maintaining systems to charge these extraneous fees will add even more cost to the investor.

Unfortunately, some representatives that are unwilling or unable to charge fees may resort to making additional transactions to generate commission compensation when a commissioned transaction might not have been necessary. Free exchanges between funds within a mutual fund family will decline and the incentive and incidence of commissioned exchanges will increase.

In summary, we believe the compensation provided to registered representatives under 12b-1 is appropriate compensation for the professional services provided to the mutual fund shareholders. Elimination of 12-b1 fees will reduce the availability of those services to the small investors and be simply be replaced by a less efficient and more expensive assortment of additional fees. We would urge the Commission to take steps to be sure that 12b-1 fees are understood but not eliminated.

NEXT thanks you for the opportunity to comment on the Proposed Rule. If you should have any questions you may contact me at 877-876-6398 ext. 222.

Respectfully submitted,



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President
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