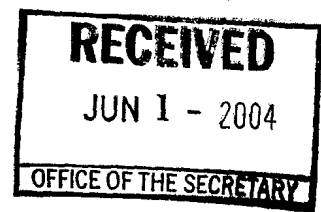


158

Jon S. Fossel
Double F Ranch
Ennis, Montana 59729



May 3, 2004

57-09-04

Dear Chairman Donaldson,

I would like to take this opportunity to offer my input on two critically important issues being considered by the SEC. These views are mine only and do not necessarily represent the views of any OppenheimerFunds board member.

SOFT DOLLARS:

The bundling of other expenses together with execution or trading costs creates several difficulties for fund directors and also, in all likelihood, results in higher and unnecessary costs for fund shareholders. Transaction costs should be based on the cost of executing the transaction and should not include any "bundled" services such as research, sales or any other services. "Soft dollar" payments of all types should, therefore, be eliminated for the following reasons:

1. Bundling of transaction costs, fund sales, third party research, and direct research, etc. into a single cents per share commission makes it very difficult to accurately assess the cost and value to the fund of each of these services.
2. Bundled "soft dollar" payments create the possibility for significant conflicts of interests. High turnover results in higher commissions, therefore a greater ability for the advisor to pay for research, fund sales, and other services, thereby transferring these costs to fund shareholders and potentially resulting in lower investment returns due to the higher expenses associated with high turnover. The cost of high turnover to taxable shareholders is even greater since the fund will have a higher portion of short-term gains resulting in far lower after-tax returns.
3. Since, in most cases, 4 or 5 cents per share commissions include at least 1-2 cents per share in research and other non-transaction costs, it becomes an expense to fund shareholders that is properly an expense of the manager whose contract requires them to provide investment advice and management to the fund. This cost can easily total 10-20 basis points

annually, depending on the level of fund turnover. In the event that the manager chooses to pay for research, either directly or indirectly, from its own assets, they are likely to more carefully scrutinize its value, thereby reducing overall costs to the fund. Currently the manager has no incentive to control research costs since its cost is automatically passed on to fund shareholders. Such elimination of soft dollar payments may cause advisors to request an increase in their management fees. If so, fund directors should carefully evaluate the reasonableness of any such request.

RULE 12b-1 PAYMENTS:

While the original rationale for the rule, which was to help a small and struggling mutual fund industry become competitive, may have been well founded, this is clearly no longer the case. With over \$7 trillion under management the industry has become America's single most profitable large industry with net profit margins 3-4X the S&P 500, more profitable than the large pharmaceutical companies.

It is incomprehensible that corporate America would dare to ask for there to be a 25 basis point charge assessed on the value of all stockholder assets on the theory that these monies would then be used to attract other stockholders or passed on to brokers who "service" stockholder accounts. As ridiculous as any such proposal may seem that is exactly what a mutual fund is permitted to do under Rule 12b-1! This is a rule that, if proposed today, would have little support and would not be adopted.

Therefore, with the exception of certain payments made to reimburse the distributor for upfront sales commissions advanced under certain share classes, all 12b-1 payments made by a fund and its shareholders should be eliminated for the following reasons: .

1. Payments by shareholders to reimburse the distributor for marketing and distribution expenses are not appropriate. Marketing and sales expenses are rightly an expense of the advisor and its distributor. The original premise that, by charging shareholders to attract new assets, management fees will be lowered as the fund reaches new breakpoints has proven to be invalid except possibly in the case of new funds with low assets and a steeply declining fee schedule. If fund fee breakpoints declined much more rapidly or reached far lower levels (i.e. low enough to offset the 12b-1 fee at reasonably attainable asset levels) there could be an economic logic for some 12b-1 type payments, but current fee structures do not generally support such payments.

2. "Service" payments made from shareholder assets which are passed on to brokers in order to compensate the broker for "servicing" the

shareholder's account are not an appropriate expense of the fund any more than they are an expense that should be borne by corporate stockholders. Even more egregious is the fact that this same "service" fee is charged to "orphan" or "house" accounts that have no broker yet are forced to pay for "service" they never receive. If brokers believe that, for some reason, a client's mutual fund assets need extra service that stock, bond, or e.t.f. assets do not, let them charge these accounts directly or let the manager pay the broker a fee to keep its assets on their books.

3. Payments to reimburse the distributor for fund sales charges that were paid upfront to brokers and others who sold shares of the fund are a legitimate expense and are no more expensive to shareholders so long as the payments are at a level and duration that is no more costly to fund shareholders than if they had paid an upfront sales charge and the shares then convert to 'A' shares.

In summary, there are a number of expenses currently borne by shareholders that are legitimately a cost of doing business of either the fund advisor or the broker. These charges should be eliminated. Reforming soft dollars and Rule 12b-1 has the potential of saving shareholders 30-50 basis points annually, thereby increasing shareholder returns. To the extent that any of these costs are legitimately in the interest of shareholders then let the fund advisor pay them out of their assets and profits.

Elimination of such charges is not only likely to reduce the expense burden borne by most fund shareholders, but it will also reduce conflicts of interests, and create far greater transparency of fund expenses.

These changes are clearly in the interest of fund shareholders, but they are also in the long-term interests of a healthy and conflict-free industry.


Jon S. Fossel