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JUN 23 2004

June 18, 2004

The Honorable Richard Shelby, Chairman and  
The Honorable Paul Sarbanes, Ranking Member  
United States Senate Committee on Banking, Housing, and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Mike DeWine  
United States Senate – State of Ohio  
140 Russell Senate Office Building  
Washington, DC 20510

The Honorable George Voinovich  
United States Senate – State of Ohio  
317 Hart Senate Office Building  
Washington, DC 20510

The Honorable Michael Turner  
United States House of Representatives – State of Ohio  
1740 Longworth HOB  
Washington, DC 20515

Mr. Jonathan G. Katz, Secretary  
Securities and Exchange Commission (SEC)  
450 Fifth Street, Northwest  
Washington, DC 20549-0609

RE: SEC File No.: S7-09-04  
Benefits Provided Via Rule 12(b)-1 Fees

Gentlemen:

In a proposal released on February 24, 2004, the SEC announced that it was seeking comments on whether Rule 12(b)-1 should be amended to shift 12(b)-1 fees that are paid to broker-dealers and investment advisers from an asset-based charge to a direct deduction from shareholders accounts. Under the proposal, an investor would pay the fees through an automatic redemption of fund shares and be shown the amount of the payment on the investor's quarterly statements.

Although this was not specifically enumerated in the proposal, several trade publications indicate that the SEC may also be considering the elimination of 12(b)-1 fees altogether. Since this became public, the SEC has apparently received hundreds of letters voicing opposition to such an idea and extolling the benefits of Rule 12(b)-1 fees – particularly on the small investor. We would like to add our voice – the voice of First Alliance Asset Management, Inc. (“FAAM”) - to the chorus, but in a distinctive way.

FAAM began six years ago when we, as brothers having approximately 40 years of combined experience in the brokerage business, decided that there had to be a better way to serve clients. We are registered representatives, and we do not endorse any specific product or mutual fund family. We serve our clients in an independent advisory capacity and invoice our clients accordingly. We employ a staff of six and one former Certified Public Accountant who also serves as our business manager. We manage over \$400 million in investment assets.

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More importantly, many of our clients receive both a statement from the custodian and a separate invoice from FAAM outlining their respective assets and fees. While some would argue that we are already complying with the SEC's proposal to a point, we truly are not because of complexities and issues that the SEC proposal neglects to address. These details are significant, and we ask that you consider the following:

1. The narrow focus of this proposal on 12(b)-1 fees is likely to mislead investors. They may not realize that mutual fund fees and expenses should be considered in total when reviewing investment performance. In addition, performance is currently reported for most mutual funds net of fees and expenses.
2. The proposed deductions from tax qualified accounts will create an administrative burden when taxpayers have to claim these fee deductions as income.
3. Elimination of 12(b)-1 fees will not lead to lower costs. There will just be higher front-end costs which will preclude many small investors from participating.
4. Elimination of 12(b)-1 fees, regardless of intention, will prevent the vast majority of good and honest investment advisers from receiving compensation for on-going service work that, in good conscience, needs to be done. Payment for on-going service may not have been the intended use of Rule 12(b)-1 revenue, but it has provided the incentive for advisers to continue providing client service on a long-term basis.
5. Elimination of this source of income may tempt some investment advisers to transfer a single client's account through many different distribution channels in order to receive compensation on an on-going basis. This type of "churning" should not be enabled.
6. Although there will always be those guilty of abuse in any profession, small investors should not have to pay the price for industry misconduct as a whole. Small investors in particular benefit from 12(b)-1 fees. They receive the same type of mutual fund investments and economies of scale that their larger, more sophisticated counterparts receive. Small investors tend to require more time, effort, and attention on an on-going basis as well. These 12(b)-1 fees allow them to pay little or nothing up front and receive investment advisory services that they otherwise would not be able to afford.

FAAM wholeheartedly supports the SEC's attempt to better disclose mutual fund fees to investors. However, we do not believe that the elimination or automatic deduction of Rule 12(b)-1 fees will accomplish this goal. Fee disclosure can be accomplished in a variety of ways, the best of which is to regularly speak with your clients. In addition, if fees are not fully disclosed, investment performance will appear to be suffering, and this typically causes clients to inquire and comparison shop.

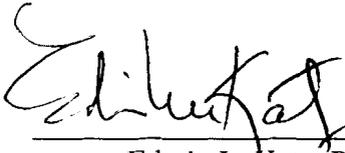
In conclusion, a supporter of the SEC proposal wrote that when a customer purchases a car, the customer does not continue to pay the dealer while they own the car. Why should clients have to continue to pay for mutual funds that they purchase once? Our response is that if all goes well with the car, the customer must still pay for gas, oil changes, new tires, etc. Will all investment advisers have to begin charging clients a flat fee for services like asset allocation, calculation of withdrawal amounts, or tax basis determinations? If so, will there be abuse with this discretion and will all of this have to be regulated?

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We choose to charge many of our clients a fee independent of where they invest their assets, and we invoice them separately. However, if the SEC proposal regarding Rule 12(b)-1 fees becomes law, we may be forced to do this for all of our clients. We will not be able to assist the smaller investors who need us the most and for whom we provide on-going service.

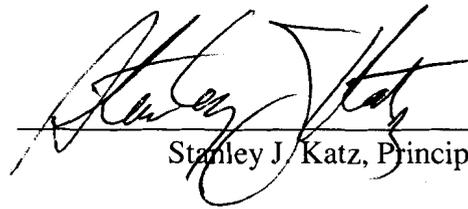
Thank you for your time and attention in this regard. We appreciate the opportunity to comment about the issues surrounding Rule 12(b)-1.

Respectfully Submitted,



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Edwin L. Katz, Principal



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Stanley J. Katz, Principal

cc: File

ELK/SJK/MRS/ms