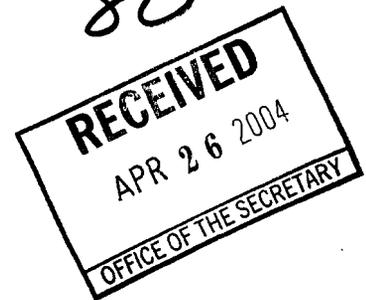


March 20, 2004  
25611 SE 42 Way  
Issaquah, WA 98029

57-09-04



Mr. Paul F. Royce  
Securities and Exchange Commission  
450 5<sup>th</sup> Street NW  
Washington, D.C. 20549

Dear Mr. Royce,

I am a broker with a member firm, which provided me with your comments before the Senate Banking Committee on March 10, 2004. If you will permit me I would like to provide you with at least one broker's comment of the proposed changes in regulation. I do this with the assumption that we brokers are generally the last ones to be consulted on issues of importance. Charles Schwab went so far as to characterize us as those 'who put lipstick on pigs'. While I find this comment repugnant, I was more distressed to see that the SEC did nothing about the commercials. When I received my registration back in the late 1970s, I was taught that it was improper and a violation for me to disparage another broker or firm. Apparently, this rule does not pertain to executives of certain firms. I hope one of the many changes in regulation will call for a certain amount of decorum and fair play among the firms.

There are a number of issues, which I would like to address and I hope my letter to you will be worthwhile and not a waste of your time.

The first of these is the issue of 12b(1) charges/fees. This issue has attracted a great deal of attention and the firms and funds have been roundly criticized for what is viewed as unfair and poorly disclosed compensation. From a broker's point of view, (mine) 12b(1) fees are a very legitimate form of compensation and should be continued not only in terms of fair compensation but also as positive for the fund shareholder who needs ongoing consultation as he holds the fund over time.

In 2003, my compensation was \$111,000. My best year I earned \$144,000. My clients are typically Middle America with an average account size of \$200,000. In 2003, 12b(1) fees represented 17% of my compensation. 12b(1) fees run from 10-25 basis points and my firm's average payout is 38%. On a \$100,000 mutual fund order my compensation is between \$38-\$95 per year after the first year. For that, I gladly meet at least annually with my clients to discuss performance, asset allocation, goals, risk tolerance, etc. These meetings last from 30-60 minutes. During the 1999-2002 bear market and again recently during the current market decline and terrorist attack in Madrid my consultation with clients increased. Unless you were on the front line, as a broker, you cannot imagine how stressful the bear market has been. I do not ask for sympathy but only recognition that

we brokers earn our money and our clients are better served by our advice, conviction, encouragement, and resolve.

My firm tells us the most of our clients hold their funds for over 10 years. This is exceptionally better than the industry average, which I reckon to be less than 2 years. When we sell a fund to a client, we sign on for a long period of service and consultation. It is my contention that all parties are well served by the modest 12b(1) fees.

A bigger concern to me is the way funds are marketed:

1. Index funds are marketed as a panacea for thoughtful investment selection. There are any number of managed funds, which have handily outperformed index funds with a lot less risk. Cost should be disclosed as just one measure of suitability.
2. Funds are not viewed as long-term investments. I looked for this in the prospectus and have be unable to find any advisement as to the fact the mutual funds are suitable as long-term investments. It's little wonder that the number of funds have proliferated. It is little wonder too that fund expenses, turnover, volatility all have increased.

My final concern, which your remarks before Senate touched on indirectly, was the responsibility assumed by those who actively give investment advice. Particularly those in the media, in my opinion, need to disclose their background and sources compensation. If magazines, talk show hosts, newsletters are going to put themselves out as having investment expertise, they should be held to some standard of conduct and disclosure, like the rest of us.

I appreciate your attention my letter. I realize your time is limited and important.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Head", written in a cursive style.

Doug Head