Polar Investment Counsel, Inc.

Brokers and Investment Advisors; Member NASD, NFA, SIPC
28798 Cramer Court
Burlington, WI 53105-9427
(262) 537-2200
(262) 537-3302 FAX
E-mail Address: mjordan@polarinvest1.com

Futures Accounts Cleared Through:
Iowa Grain Company
Securities Accounts Cleared Through:
SWS Securities, Inc., Member NYSE

Michael C. Jordan
President

February 12, 2004

RE: NTM 04-07 Commodity Trading Advisors

Ms. Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

Dear Ms. Sweeney:

This letter is in response to the request for comments solicited in NTM 04-07 and concerning the trailing commissions (or trails) on various commodity pool products.

As a matter of credential I have been active in the securities industry for over 30 years and have been actively involved in the marketing of various managed futures products (public pools, private placements and individually managed accounts) as both a large producer and as a supervisor for well over 20 years.

This firm is opposed to the elimination of trailing commissions (trails) on futures pools for a large number of reasons. Chief among our reasons for opposing the elimination of trailing commission is **the damage and disservice which, in our opinion, would be done to the small investor which the NASD has a duty to protect.**

Prior to the formation of the public pools a little more than 10 years ago, the small investor did not have access to this product (market). Oh, yes, the little guy could, and often did, open a small individually managed account with some start up, no name commodity trading advisor (as you know the better advisors require much larger minimum account sizes). This was all too often an unfortunate experience. The public pools offer the small investor a means of truly diversifying a smaller portfolio with in some cases an investment of only $10,000.00 (or less in an IRA). If you are not familiar with this concept of diversification using pooled futures please visit the Chicago Board of Trade website and access the managed futures documents. Research overwhelmingly supports the concept that inclusion of managed futures products into a traditional portfolio increase performance and reduces volatility.

In our view elimination or severe reduction of the trailing commissions with regard to these types of products will indeed cause their already severely limited marketing to be nearly completely curtailed, thus disadvantaging the smaller investor. Personally, if I were still in production there is not a chance I would spend the time and effort educating the small investor about this product for something like a 1% trail, and for zero trail we would consider the sale of this product a poor business decision because of the on-going servicing requirements and the expenditures of time and staff.

Additionally, in our opinion, any severe reduction in these trailing commissions will:

- dramatically reduce the legitimate marketing of these products and drive some investors back to the no name CTA;
- give rise to a large number of inexperienced small private placement products which will not serve the small investor;
- give rise to excessive switching among these products (not generally in the best interest of anyone but very easy to justify given the non-traditional nature of the product); and
- disadvantage the futures markets themselves which need the speculative investor to maintain liquidity. Were investment in these large pools to be reduced we believe the markets in general would be disadvantaged. Following the recent reduction in market makers and subsequent increase in volatility, I would think the NASD would understand this.

Finally, one must bear in mind that from an investor's standpoint these public futures pools are much more liquid and certainly initially less expensive than most other direct participation plan (DPP) products and annuities. Once an investment is made in most of the public pools, the investor may then decide that he or she is not comfortable with this particular investment, and liquidate his or her holding at the next month end incurring no charges (in some situations the pool operator charges any front end commission back to the rep for the first several months of the investment period). Elimination of trails will possibly cause some restructuring of the way some pools operate, and probably not in favor of the investor.

If it's not broken, don't fix it.

Regards,
POLAR INVESTMENT COUNSEL, INC.

Michael C. Jordan
President

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