March 10, 2004

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

Re: NASD Notice to Members 04-07: Policy on Trail Commissions in Publicly Offered Commodity Pools

Dear Ms. Sweeney:

Beacon Management Corporation is a commodity trading advisor and commodity pool operator located in Princeton New Jersey. We have been active in the managed funds arena since 1982 as both an advisor and a pool operator for private commodity pools and as an advisor for public funds. We are also in the processing of launching a single advisor public fund and have already incurred significant costs in doing so.

We strongly urge you to reconsider the proposal to rescind the current treatment of trail commissions. We feel that this proposal:

1. is not in the best interest of the general investing public;
2. would place the interests of commodity brokers at odds with their customers;
3. would reduce competition in the marketplace; and,
4. would severely limit the opportunity of smaller firms, such as ourselves to raise capital.

One of the most likely effects of this proposal would be to curtail access to commodity pools by the general public and by smaller investors in particular. Given that private pools which are targeted to larger, accredited, investors would have no such restrictions on trail commissions, it is highly likely that the futures industry would focus future money raising efforts in this arena. Consequently, small investors would lose access to this asset class.

If this rule is implemented there would be substantial pressure on commodity brokers to "churn" their client's investments, moving them from fund to fund regardless of performance, in order to circumvent the commission limits. Thus, the interests of commodity brokers would no longer be aligned with their customers.

If this proposal is implemented NASD would have to choose between: applying these rules to existing funds or selecting implementation by "grandfathering" existing funds. Either of these choices would create serious inequities in the marketplace.

If the rules are applied to existing funds then NASD would be eliminating compensation to brokers who have already been committed to providing ongoing services for existing funds**.** In effect, NASD would be changing the terms of an implied service contract after it had been agreed to by both parties (the brokers and the investors).

If existing funds are “grandfathered” then this would create prohibitive barriers for entry into this marketplace. New funds such as ours would find it extremely difficult to compete for distribution against funds that are allowed to pay an ongoing trail. This would reduce competitive pressures on fees in this market. Furthermore, this would leave the single advisor public fund market virtual under the control of one advisor, with limited opportunity for other advisors to enter that market.

This proposal is equivalent in many ways to invoking wage and price controls. NASD is proposing to limit the fees that brokers may earn for providing services to their clients. We respectfully submit that in order to reduce the costs of public funds to investors, NASD should focus instead on improving disclosure of fees, including trail commissions, and allow market forces to push costs down.

Sincerely,

Mark S. Stratton
President
Beacon Management Corporation