

## Karpus Investment Management

MARCH 1, 1999

Chairman Arthur Levitt  
Securities Exchange Commission  
450 5th Street, NW  
Washington, DC 20549

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OFFICE OF THE CHAIRMAN

Dear Chairman Levitt:

After attending last week's roundtable on "The Role of Independent Investment Company Director", I came away from the sessions better informed and impressed by the positive actions and attitudes voiced by leaders in the industry. Your remarks enlightened me to your methods of accessing the role the SEC portrays in protecting investors, improving governance, and maintaining the trust of the investing public.

I want to thank you for having the conference. It was one of the most inspiring conferences I have ever attended. Continued education and discussions are the roots for improvement within our industry.

I am the president of a small (\$380 million) Investment Advisor with approximately 200 clients. We take great pride in the work we do for our clients. The opinions of respected industry leaders at the roundtable have given me the insight to further strengthen our firm. We have always strived to be a firm that exemplifies "best practices".

Chairman Levitt, in your closing remarks, you said that you were "committed to looking carefully as to what the Commission could do to empower those in the trenches." Having been in the securities business for 30 years, I consider myself to be one of those in the "trenches". You said that you "needed to take harder steps to improve on governance, and that the Commission needed to undertake efforts to enhance the roll of independent directors beyond best practices." I must commend your efforts and firmly believe that they will benefit all shareholders.

I am writing you to further apprise you of something that "does not pass the smell test" of which you spoke last week. I am writing to you in hopes that the SEC will take action with respect to violations of the 1940 Act, as well as the 1933 and 1934 Acts.

The subject that I am writing you about is Bull & Bear Advisors, Bull & Bear Group and in particular, Bull & Bear U.S. Government Securities Fund, Inc. which is now doing business under the trade name Bexil Corp. (BXL: AMEX) (formerly BBG). Even though shareholders rejected the name change to Bexil Corporation, at the December 18, 1998 annual meeting, the Fund has attempted to circumvent this vote and announced the Fund would be doing business

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under the proposed name change. The Directors of this Fund of which two of the five are so called "independent" have their own agenda with no regard for serving in the best interest of all shareholders.

As Deborah R. Gatzek said at the roundtable on February 24th, "Does it make sense for a fund to be closed-end?" This should have been an issue for the directors in September 1996 when they recommended converting this U.S. Government Securities Fund with continued dwindling assets to a closed-end fund. The conversion stopped the outflow of assets and maintained the Advisors fee revenues, but did nothing to improve or represent shareholders value. This conversion resulted in an almost overnight loss to shareholders that had purchased the open-end version of the Fund.

The conversion allowed the Fund to employ leverage to enhance returns. As a matter of fact, the Fund never employed leverage until over a year after the conversion. Look at the proxy materials for the conversion in the summer of 1996. It did not make common sense to convert this U.S. Government Bond Fund to a closed-end fund. There was no benefit to the shareholders, only to the Adviser by maintaining fee revenue.

I invite the Commission to look at the abandoned proxy materials filed in September 1997 to convert the Fund to a balanced fund in light of the statements made in the conversion prospectus filed in 1996. Look at the Funds Articles of Incorporation, and By-Laws and the changes made to them in the last couple of years. Look at the timeliness of the release of information and the lack of "Plain English". After looking at all of these things, in your heart tell me that these changes were not made to disenfranchise corporate governance and to entrench the Board of Director, so the Advisers control could be maintained. The changes in the By- Laws of June 1998 (filed on Edgar in August 1998) did not meet "Plain English" standards. In my opinion the changes were designed to disenfranchise stockholders from nominating a truly independent director for election at the December 18, 1998 annual meeting. It was impossible to read and interpret the "Advance notice provision change" and develop the correct conclusion for proposals to be included in the agenda of business at the annual meeting. The timeliness of the released changes made it virtually impossible for the shareholders to nominate an independent candidate for Director because of the narrow allowable time period. And how do you like the fact that their By Laws require 80% vote to elect a director that was not nominated by the existing Directors?

On August 17, 1998 this U.S. Government Securities Fund announced that they were going to invest 35% of the assets of The Fund in stocks and other investments. This announcement was false and misleading. It was designed to attempt to get shareholders such as us to sell our shares because of possible investment restrictions. This was misleading because as of year-end 1998, they had less than 3% in stocks. The Fund made this announcement in full knowledge of the fact we might have to sell our shares since many of our accounts restrict us to fixed income type investment or investment companies that own fixed income investments. We had disclosed this to the Fund when they released preliminary proxy materials in 1997 and 1998 and as representing owners of over 15% of the Fund opposed a possibility of a change of this magnitude. It was our opinion that extreme damage to all shareholders would result if we were forced to sell into the market approximately 15% of a thinly traded security.

Independent Directors at the roundtable last week exemplified what is good and trustworthy, whereas the so-called independent Directors of Bull & Bear U.S. Government Securities Fund have exemplified what is bad about the industry. If you meant what you said last week, I believe you will take actions against these Directors.

Chairman Levitt, investors in this Fund need your protection. We need the protection to generate at SEC level since the judicial system is both slow and costly. The SEC should not just sit on the sidelines when violations of the 1933, 1934 and 1940 act are occurring.

Look at the attached results of the December 18, 1998 annual meeting of stockholders. Look at the news release, the business day before the meeting. The Adviser should have postponed the meeting until shareholders could have been apprised of the "real need" for a name change of the Fund. Despite the overwhelmingly defeat of the name change to Bexil Corp., they changed the name to Bexil anyway. Bull & Bear Group was selling the "name" to Royal Bank of Canada, not for the reasons given in the proxy materials. The Directors of this Fund are not working for the interest of the shareholders but are instead protecting the Adviser and in some cases their own pocketbook. Furthermore when they announced doing business under the name of Bexil on the Monday following after the annual meeting. This deceived the shareholders into believing that the name change was not rejected by the shareholders! They did not state that the auditor was rejected by shareholders until February 28, 1999, or did they state that more votes were "withheld" for their Director than were cast "for" their Director. Had they not mailed false and misleading proxy materials, I believe the Adviser would have been terminated by shareholders also. Votes on adjournments were not properly counted in accordance with the proxy disclosures since it stated votes that were solicited "for" a proposal should be cast "for" an adjournment and votes solicited "against" a proposal, against adjournment.

I am asking the SEC to protect the shareholders of this Fund from further harm. On February 19th the Fund traded at an all time low of \$12/share. It's net asset value has dropped from around \$15.23/share in October 1996 when it was an open—end fund to \$13.94 today an all time low. For comparison, bond prices are significantly higher today than they were in 1996.

Expenses in this fund have been averaging over 5½% of assets annually over the last year and a half. Since this Fund has converted to a closed-end fund it has been one of the poorest performing funds in its category of U.S. Government Bond Fund.

Shareholders are presently not protected in the absence on an independent auditor being retained by the Fund. The independent Directors and the audit committee have not been representing shareholders interest. The Fund continues to waste shareholder assets. The performance continues to be among the worst of any bond fund.

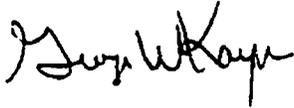
I am asking you to have the Commission step in and stop these abuses of unprotected shareholders. As best practices should be rewarded, abuses should be punished.

I have been hanging in trying to do the right thing to represent shareholders and my clients. I am asking the Commission to do the right thing and to put some teeth into the 1940 Act especially

with respect to breeches in Fiduciary Duties. Also, in the interest of protecting the public, I believe the SEC should, on Section 8 of the 1940 Act, issue a "Cessation of existence as an investment company." The Fund should be liquidated after the Directors pay back to The Fund the assets they have wasted.

If you would care to discuss this further, or if I can provide any further information please feel free to contact me. Thank you for your time and consideration of my requests.

Sincerely,

A handwritten signature in black ink, appearing to read "George W. Karpus". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

George W. Karpus  
President

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