Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

RE: SEC's reproposed Point of Sale and Confirmation Disclosure Rules for Mutual Funds, 529 Plans and Variable Insurance Products. (Release Nos. 33-8544; 34-51274; IC-26778; File No. S7-06-04)

Dear Mr. Katz;

MWA Financial Services, Inc. (MWAFS) appreciates the opportunity to comment on the proposed rule concerning the mandatory use of point-of-sale disclosures for mutual funds, 529 plans, and variable insurance products (covered securities).

MWAFS understands it is imperative for all investors to be made aware of all material information concerning the purchase of a covered security. However, the implementation of mandatory point-of-sale disclosures will not inform investors of all material information. Instead, the proposed rule will only point out specific pieces of information to the customer, thereby diminishing the value of the prospectus and creating less informed investors.

MWAFS strongly opposes the proposed rule for the following reasons:

Highlighting and Weakening of Prospectus

The use of these disclosures, as recommended by the SEC, would, in essence, require the registered representatives to highlight a selected piece of information found in the prospectus. These disclosures would be equivalent to a rep using a highlighter on the "Fees" section of the prospectus and showing it to the customer. The use of these disclosures could convey to the investor that the fees associated with the purchase of a security are the most important factor to consider, if not the only factor. Cheaper is not always better. If that were the case, there would be only one company providing a wide variety of covered securities at one pricing schedule. We would forget about the individual needs of the many and consider only the needs of a few, which would lead to a monopoly and the end of free enterprise.

Also, by placing so much emphasis on internal fees, the message received could be that there is no value assigned to services provided by the product's investment manager or the advice provided by the investor's financial advisor. This could represent a tremendous disservice to the smaller or less experienced investors who depend on reps for advice to help them achieve their financial objectives.

Currently, the prospectus is the only place for an investor to see a printed list of all associated fees. If the list of fees is effectively removed from the prospectus and handed to the investor, the SEC assumes the risk that the investor may never read the additional

information in the prospectus. Therefore, the investor will miss information concerning the other important features of the security such as, investment objective, risk and return summary, management structure, etc., which should be part of their decision-making process.

The purpose of the prospectus is to disclose important and relevant information to investors to aid them in determining the suitability of the investment. The SEC will be rendering the prospectus ineffective if we are forced to start removing information from the prospectus and providing it to investors in pieces.

SEC Chairman William Donaldson and Paul Roye, Director of the Division of Investment Management, have stated that covered security disclosures are too long and complicated. This proposal will do nothing to simplify the documents; this would only create more confusion. The SEC should consider mandating that prospectuses be written in plain language, thereby, simplifying the existing documents rather than creating additional documents.

Registered Representative Liability

Moving fee information from the prospectus and providing it in the form of disclosures will only increase the liability placed on representatives. Registered representatives will be required to complete these disclosures when recommending covered securities. Not all reps see clients in their office, nor do they always carry their laptop and have access to the internet during a sales presentation. If a rep was to make an accidental error while performing the necessary calculations, he could be held liable. Very often, during an interview, more than one covered security will be offered, which means several disclosure documents will have to be given to the client, creating more confusion and opportunity for mathematical error. Imagine, the rep is sitting with clients at their kitchen table that is now covered with disclosures. At that point, the clients would most likely throw up their hands and say "Forget it, this is too complicated." This situation could be avoided if the customer is simply instructed to read the prospectus, which already contains accurate fee data.

The proposed rule also states that the rep would only have to calculate the fees for the specific security at the request of the customer. This provision in the rule is not realistic. This rule will cause firms to require that the rep always complete the cost analysis for the customer, otherwise, the customer could always claim later that they requested the cost analysis and never received it.

For this reason, if this rule is to take effect, we request that the SEC include a signature and date line requirement for customers on the disclosure forms. This will provide proof that the customer was provided with the disclosure.

Inaccurate Estimates

Applying this rule to 401(k)/ IRA rollovers or 1035 exchanges would also skew the fee calculations as the investment amount is only an estimate from the client based on their last statement.

The proposed rule requires that firms provide a dollar amount estimate for back-end loads and future annual expenses, such as 12b-1 fees and M&E expenses for variable insurance products. This could be a very dangerous road to travel. For example, the back-end load estimate assumes that the security has not appreciated or depreciated. This type of assumption could lead to unrealistic expectations on the part of the investor.

If a customer was considering investing $10,000 in a Class B mutual fund with a back-end load of 5% in the first year, the registered representative would have to disclose to the customer that his estimated back end fee is $500. Let's say the customer had to liquidate the investment in nine months and its current value was $12,000. The fund company would charge a back-end load of $600. Granted, we only provided the customer with an estimate, but the actual figure is still a 20% increase over our estimated "maximum" back-end sales charge. The customer should be informed as to the percentage back-end sales load instead, since it is impossible and illegal to predict the future value of any security.

This same argument applies to a rep providing estimated annual expenses, such as 12b-1 fees or M&E expenses for variable insurance products. If estimated fees were 1.5% per year for a customer investing $10,000 in a Class A fund, the customer would be told that his/her annual expenses would be estimated at $150. Assume, after twenty years, the fund is worth $40,000 and the fund is now charging an annual fee of 1.9%. The customer now would be paying $760 in annual expenses, well above the rep's estimate.

Estimating future expenses in dollar terms only serves to confuse investors as it is impossible (and illegal) to accurately predict the future performance of a security. This act could be misconstrued as giving the client some sort of guarantee. Back-end sales load and annual expense percentages are clearly disclosed in every prospectus.

The Rule Increases "Information Overload"

The Commission's request for comment states that forms should omit information that is not applicable to a particular purchase in order to limit "information overload." Unfortunately, the use of these disclosures only compounds the problem of "information overload." The unintended result could be that the investor will consider the SEC mandated disclosures to be "enough information" with the belief that any really important information would have been included on the disclosure form. Therefore, it is unnecessary for them to read the incomprehensible prospectus.

These disclosures do not eliminate the need for a customer to receive a fund prospectus. The disclosures merely highlight one of the many valuable pieces of information found in

the prospectus. Therefore, as we begin to dissect certain sections of the prospectus for additional disclosure, we are both diminishing the value of the prospectus and overloading investors with redundant information.

The Consequences of the Rule Will Harm Customers

While MWAFS appreciates the SEC's goal to protect customers, this rule will have the opposite effect. The mandatory use of disclosures could lead to reduced investment choices and higher annual expenses for investors.

Most broker-dealers offer a wide array of investment choices to the general public. For example, our firm sells mutual funds from nearly 70 fund families. Therefore, our firm is able to offer investors well over 3,500 mutual funds to meet their unique financial needs. The cost of creating over 3,500 original point of sale disclosure documents would be prohibitive to all broker-dealers. This will lead firms to substantially decrease the amount of funds they offer to investors. As a result, investors would have a limited pool of covered securities from which to draw to reach their financial goals. In addition, customers might then have a myriad of advisers at different broker-dealers to accomplish what they can achieve now with one adviser.

The cost of producing point of sale disclosures will ultimately be passed directly to investors. Large broker-dealers will have the leverage to coerce insurance and investment companies to create the disclosure forms in order for those broker-dealers to continue to sell the company's funds. The investment companies will then simply pass these costs to customers in the form of higher 12b-1 fees and insurance companies will simply increase their M&E expenses for variable insurance products.

SEC's Legal Obligations

Under the Paperwork Reduction Act of 1995, Section 3(f) of the 1934 Act, the Small Business Regulatory Enforcement Fairness Act of 1966 and the Regulatory Flexibility Act, the SEC is required to consider, as a part of its rule making process, whether the proposed rule will promote efficiency, competition and capital formation and whether its actions will have an adverse impact on small business. We believe this proposed rule will violate those legal obligations.

Clearer Prospectuses are the Solution

MWAFS strongly agrees with the Commission that it is necessary for investors to have clear, concise disclosures concerning covered securities. We agree that the prospectuses for these covered securities can look very daunting to an investor. However, providing point of sale disclosures, in addition to the prospectus, will only increase investor resistance to thoroughly reviewing this important information.

We respectfully request that the SEC conduct a thorough investigation into creating more concise prospectuses. By creating clearer prospectuses, investors would be better

informed and more likely to actually read the information. A simpler, more concise prospectus will alleviate the "information overload" syndrome.

We respect what the SEC is trying to accomplish with the proposed rule. However, the consequences of the proposed rule will harm investors more than help them. The implementation of additional point of sale disclosures is unwarranted and redundant. Therefore, we strongly encourage the Commission to conduct a thorough full-scale review of the covered securities disclosure proposition. A simplified, "user friendly," "plain English," prospectus would accomplish everything the SEC is proposing.

Respectfully Submitted,

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Clint Pogemiller, Marketing
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