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April 12, 2004

Securities and Exchange Commission
Attn: Jonathon G. Katz - Secretary
450 5th Street, NW
Washington, DC 20549-0609

Re: Confirmation and Point of Sale Disclosure Requirements for Mutual Fund Request for Comment - File No. S7-06-04

Dear Mr. Katz;

As the principals of a small broker dealer, we appreciate the opportunity to comment on the proposal to consider alternative forms of disclosure for mutual fund transactions currently being proposed to be required at both the point of sale and on the confirmations of trades. In our case, our Firm has five employees and twenty-five independent contractor registered representatives. We are a fully disclosed, introducing broker dealer who clears through a large East Coast clearing firm and also facilitates direct paper applications to approximately fifty-five mutual fund companies for our customers. Quite a large number of our customers have multiple accounts at various vendors, including the clearing firm.

It has been our experience that every new piece of legislation considered has the potential of greatly impacting the standard operating procedures and budgets of a small firm like ours in a negative way. Additionally, these same regulatory proposals have the potential of confusing, annoying, and/or alienating the very consumers that they are trying to protect. We feel strongly that the proposals in this request for comment have that capability by simply "over-papering" customers to death:

Comment #1 - Do the new forms communicate clearly the information needed to make investment decisions?
Confirmation form: No, because the clients won't read it, much less understand it. It is too long, providing too much information for the investor. Confirmations are already too cluttered with useless information that no one reads.
Point of sale form: The form is not half bad but you should have only one version for both A and B shares, comparing them for the client. After all, that is what all the

disclosure is supposed to be about, deciding which class of shares would be more appropriate for the customer's situation. Also, instead of making the client sign the form before he purchases the fund**,** there should be a grace period for the client to cancel his order if, after reading the form, he changes his mind… as in insurance purchases. That way the forms can be mailed out to the client in a timely fashion after the sale. To require signatures before the purchase will "kill" the mutual fund industry.

Comment #2 - Comments on the types of securities transactions covered:
Good definition? Yes, unless you want to include private placements, partnerships, etc.
Include UIT interests? Yes.
Include ETF shares? No, they are traded on exchanges and do NOT raise the conflict of interest as those above.
Required of other securities distributors? If you are going to require it (which we don't think you should) then do it to everyone equally.
Transitional period required for adjustments to processes? Yes.

Comment #3 - Comments on the Schedule 15C form of disclosure:
Standardized disclosure on a periodic disclosure form? We think you should have just one form required to be given to each customer one time so you don't put every small broker dealer out of business trying to paper everything every time.
Is Schedule 15C appropriate? 15C should compare the charges of A, B, and C shares on one page in one section. Templates should be exactly the same industry wide.
Is it appropriate to combine quantitative info with explanatory info? We don't think it is appropriate to combine the two. Confirms should be confirms and nothing else. Don't confuse the customer with a bunch of jargon in fine print that they won't read anyway. All that investors want on the confirmation is the price and the total amount of money that they owe for the transaction. The point of sale form is the appropriate place to explain and disclose everything.

Comment # 4 - Comments on the appropriateness of the proposed disclosure requirements for covered securities:
Will they provide adequate information to customers? The proposed requirements are especially appropriate in the case of variable products, yet provides mutual fund customers with over-kill information.
Are the requirements appropriate for variable annuity transactions? Yes, as variable annuity/universal life type products should have the most disclosure requirements of any investment due to the additional costs and restrictions on the investor.

Comment #5 - Comments on asset-based sales charge disclosure:
Are the proposed disclosures appropriate? Yes.
Should the requirements be modified for certain products? All insurance related securities should be held to a higher standard, i.e.: more disclosure than non-insurance products.
Is the proposed Schedule C disclosure appropriate when disclosing sales loads and asset-based fees? Yes.

Comment #6 - Comments on sales fee incentive disclosure:
Sales fee disclosure, revenue sharing, and portfolio brokerage disclosure should be disclosed to the extent that it is over and above the normal fees outlined in the prospectus detailing the fees paid the broker by the issuer. This would include proprietary payouts that are higher than non-proprietary funds, rebates for doing "preferred provider" business, etc. The problem is that the confirm is already overly wordy with other required disclosure and that the paperwork will become unmanageable to the client and the broker dealer alike.

Comment #7 - Comments on revenue sharing disclosure:
Is the proposed definition adequate? Yes.
Is any additional information necessary? Anything more specific would be way more information than anyone needs to know, much less understand.
Is the term "revenue sharing" adequate? Yes.
Is the proposed disclosure adequate for the customer? We are already giving clients more information than they can reasonable assimilate.
Is the calculation method for revenue sharing commissions adequate? We don't understand the question, therefore customers won't understand either.

Comment #8 - Comments on differential compensation and the associated conflicts of interest:
Would the proposal adequately disclose the possible conflicts? This is extreme overkill - most customers won't understand it.
Should the disclosure be different for securities involving a deferred sales load? Full disclosure with the comparison to other share classes should be required in all cases.
Should firms be required to disclose trail commissions separately? No - it is in the prospectus already.
Should the actual amounts of the trails and the length of time they are paid be disclosed? No - it is in the prospectus also.

Comment #9 - Comments on the appropriateness of other non-material information:
No additional type of securities should be included. The periodic reporting currently required for principal or debt transactions is better than a transaction by transaction requirement.

Comment #10 - Comments on periodic disclosure vs. transaction by transaction disclosure:
Is periodic disclosure more appropriate? We feel that the periodic disclosure of the pertinent information regarding the products that a customer is dealing in is far more effective than flooding them with paper every time they do a trade. They won't remember and/or read anything given too much information.
Is the proposal the right balance between the right amount of disclosure that a client receives vs. the costs to the firm of giving it? Requiring disclosure to go out to the customer both before every transaction and with every confirm is giving clients more

information than they can assimilate and the costs for the firms would be way out of proportion with the good it would serve to the client.
Would summary information for some information be appropriate? Absolutely!

Comment #11 - Comment on the implementation of these proposals:
The type of security involved is very important when discussing the implementation of the proposals and how they should be compared. An apples to apples approach for the various types of securities products in the appropriate categories would make the most sense. The SEC should calculate the median and comparison ranges in these rather than a third party and they should not be weighted in any fashion - that would just make the disclosure more confusing.

Comment #12 - Comments on what entities should be required to report the information used in these comparisons?
Clearing firms only.

Comment #13 - Comment on the distribution-related costs of the 15c2-2 disclosure:
Introducing firms cannot implement this type of large-scale reporting in a cost effective manner. The operational challenges would be prove too costly to reasonably accomplish efficiently.

Comment #14 - Comments on the appropriateness of the point of sale disclosure proposals:
Are these disclosure requirements appropriate? These requirements would duplicate the information discussed in the confirmation disclosure requirements and would definitely be overkill. Investors and Registered Reps alike would (and already have) begun to steer clear of mutual funds and related securities due to the increased amount of paperwork already required in these types of transactions.
Should other entities be required to disclose this same information to customers? Of course! Banks, insurance companies, or anyone else engaged in selling covered securities should all be required to fulfill these requirements.
Are the point of sale requirements appropriate for variable annuity transactions? Yes! Due to the complexity of variable products, these proposed information requirements are even more appropriate for variable annuities than they are for mutual funds or unit trusts.

Comment #15 - Comments on the point of sale definition and timing of the disclosure:
Should the point of sale definition be different depending on the relationship of the parties involved? The definition should be as simple and straight forward as possible to avoid confusion - regardless of the relationship. We advocate the period not prior to the transaction, but within 10 days of the date of sale. This would give the client time to read the disclosure, a "cooling off period" if you will, to back out of the transaction if they so choose, like in life insurance. Additionally, once a customer has received the disclosure for a certain type of security and has signed a document indicating he understands and accepts the transaction, addition trades of that type would forego additional repeated

disclosure of the same information over and over again. Additional disclosure should be required only if the fundamental information for that product type changes.
Would the point of sale requirements impact the disclosure of revenue sharing and differential compensation requirements? We think they could be done at the same time - right after the sale as discussed above.
Would a transition period be necessary for implementation? Most definitely!

Comment #16 - Comments on the form and specificy of the point of sale information:
Should the disclosure be quantitative, qualitative, or both? Full disclosure to each customer once is desireable and the most effective…… give the customer ALL the information he needs to make an informed investment decision ONCE.
Is the cost of providing additional detailed information to the customer justified? Not usually, as most customers would get confused and wouldn't read and/or understand a lot of detail anyway.
Is breakpoint information appropriate in this disclosure time frame? Absolutely!
Should additional disclosure be required when the recommendation to sell or "switch" a covered security is made? Most definitely!

Comment #17 - Comment on the procedures necessary to convey only effective orders to the issuer:
Procedures would need to be modified industry wide to facilitate the additional amount of transactions canceled in the event that this requirement passes, making it easier and more cost effective for the customer to back out of a trade after looking over the disclosure documents.

Comment #18 - Comment on the proposed point of sale disclosure documents:
Should this document be required as a supplement to the oral disclosure? Yes, both the paper document (or electronic equivalent) and the oral explanation should be required, otherwise, the written disclosure will never be used on a consistent basis.
Is the Schedule 15D format appropriate? Yes, and should be the required format for all disclosure of this type to keep it all consistent.
Should a signed acknowledgement from the customer be required? Yes, if you want to be sure that all customers receive it. Other product types require customer signatures when disclosure is given.

Comment #19 - Comment on record-keeping requirements:
We feel that if this much disclosure is going to be required, a signed acknowledgement of its receipt by the customer is the effective way to prove it was done. Of course, adequate supervisory procedures would also have to be implemented to support it.

Comment #20 - Comment on the proposed exceptions:
We feel that for the disclosure of this type of information to be effective and consistent, the method of order delivery from the customer is irrelevant.

Comment #21 - Comment on the delivery of the disclosure by the clearing firm and/or the introducing firm:
All customers should get the same disclosure about the same products at approximately the same time from the broker or dealer that is selling it to him. Clearing and introducing firms should enter in to written agreements for the delivery of this disclosure at the appropriate time in the transaction process, as long as it was consistent across the board for the types of transactions involved. Putting the agreement in writing in an addendum to the clearing agreement would eliminate any confusion as to when, where, and how the disclosure will be delivered to the customer.

Comment #22 - Comment on exceptions for reinvested dividends, covered securities plans, and discretionary accounts:
As we have already stated, all the disclosure should be given to the customer with the initial purchase of each security type and then only updated if major changes occur.

Comment #23 - Comment on the fee and front-end load tables;
All of the proposed information should be disclosed in the document - both ways of figuring the sales load percentage, the possibility of rounding share amounts, and the possible conflicting information that these various methods may produce. Finding a clear, concise, easy-to-understand way of disclosing all of this in one document is going to be the difficult part. Trying to get anyone to read a prospectus successfully has proven that.

Comment #24 - Comment on the addition of information to the prospectus:
The prospectus is exactly the appropriate place for all the detailed information discussed in this proposal. Anyone who is that interested in the minute details of a transaction will read it - everyone else will not. Customers are used to being told to read the prospectus for the details. The client should, in our opinion, be expected to take some of the responsibility for learning about their investments. Putting the entire burden of hand-feeding all of the information to a customer is unfair. Requiring clear, concise, adequate information available in a consistent place is what the industry should strive for.

Comment #25 - Comment on disclosure in callable preferred stock transactions:
No comment.

Comment #26 - Comment on the proposal to require disclosure of the first call date of a debt security on the confirmation:
This information should definitely be required.

Comment #27, #28, #29, etc. - Comment on the costs to the industry vs. the benefits to customers of all of the proposals:
As a very small, fully-disclosed, introducing broker-dealer who has been dealing first hand with the deluge of regulatory burdens placed on the industry in the past few years, we are here to tell you that the costs of the additional disclosure requirements in the past few months are about to run us out of business. We don't know about anyone else but further requirements such as these as proposed will probably do us in for good. We

cannot afford to implement all of these requirements - there aren't enough hours in the day.

We are supportive of the proposals as far as the promotion of enhanced disclosure to customers goes, when it is reasonable. However, we feel that so much of this entire package has been spawned from the belief that if something is wrong with the industry, simply adding more disclosure is required. We feel that that is far from the case. The mutual fund system is obviously currently "broken"…. and no amount of paperwork thrown on to the pile will "fix" it. Perhaps a shift in corporate philosophy away from the "disclose it to death" stance currently in place back to one based on "fair, just, and equitable principals of trade" would be far more effective. Obviously the current system of burying everyone under a pile of paper isn't working.

Respectfully yours;

Jim G. Rhodes - President/CEO

Sandra T. Masek - EVP/Compliance Officer