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April 7, 2004

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

Re: File Number S7-06-04

Dear Mr. Katz,

Great American Advisors, Inc. ("GAA") respectfully submits the following comments for your consideration regarding the two new rules proposed, 15c2-2 and 15c2-3 (the "Proposed Rules"), by the Securities Exchange Commission ("SEC"). GAA is a medium-size independent-contractor broker/dealer and a wholly owned subsidiary of a large financial service organization. GAA operates primarily in the 403(b) k-12 marketplace where investors voluntarily contribute to their own retirement plan through the purchase of mutual funds and variable annuities. These contributions are often made in small investments over a long period of time.

GAA believes the extra administrative burden to implement the Proposed Rules will significantly hinder our ability to effectively sell and service these voluntary retirement plans. In addition, GAA believes the Proposed Rules inappropriately shift the burden of disclosure to member firms and away from product manufacturers. A more detailed summary of our concerns is listed below.

The Proposed Rules are vague and confusing in many areas:

- The objective of your Proposed Rules appears to be focused on a retail customer who does not understand the complexities of the securities industry, yet demands disclosure of far more detailed information than such a customer could reasonably comprehend or use in his or her investment decision-making. The Proposed Rules create an open-ended obligation to disclose anything important, but you have not adequately defined what is "important."
- Your analysis fails to address how the prescribed quantitative and qualitative data can be fairly and reasonably presented orally to a retail customer. You envision a one or two page point of sale disclosure, including explanatory material. How are retail customers likely to react to a 10+ minute recitation of numerical and statistical data?
- The Proposed Rule provision for a customer's right to terminate an order placed prior to disclosure does not indicate how long that termination right continues.

The Proposed Rules put an unfair burden on the broker/dealer as it relates to other parties involved in the transaction and does not take into account processing business direct with a fund complex:

- Disclosure of distribution costs is fundamentally the obligation of the mutual fund or insurance complex since it controls all of these costs and the myriad of ways in which those costs are incurred. Changes in the prospectus disclosure should be made to accurately identify those costs and the impact on the investment's performance. A predicate underlying your reasoning for the Proposed Rules is that more detailed disclosure will force the industry to lower costs, and that lower costs will result in better investment performance. Of course, in reality, there are many more variables affecting investment performance. Moreover, you choose to disregard the dramatically increased cost of these disclosures by forcing it onto the intermediary. The burden of disclosure is being unfairly transferred to the broker/dealer.
- In order to comply with the disclosure requirements of the Proposed Rules, broker/dealers would need additional information from mutual fund and insurance companies. We see no such mandate to these companies that they provide this information to our firm.

The Proposed Rules will significantly increase the costs to the intermediaries:

- The SEC does not seem to have taken into account the full costs to broker-dealers that would be associated with implementing these Proposed Rules. The SEC's cost estimates focus on the requirements to report the prescribed data in point of sale and confirmation disclosures, but do not appear to recognize the substantial processes and cost of setting up systems and procedures to gather the data with the prescribed frequency (generally quarterly), especially with affiliated entities.
- Compliance with the Proposed Rules would require extensive changes to our existing software systems, among other expenses. Most, if not all, of these costs are passed on to customers. The SEC estimates that an average cost to implement the Proposed Rules per registered broker-dealer would be in the neighborhood of $500,000, with an on-going cost of over $350,000 per broker-dealer. Annual outlays of this nature will certainly impact the competitive landscape for independent-contractor firms, such as ours, and will ultimately limit investors' choices.
- Disclosure of conflicts of interest is critical to an investor's decision-making, but disclosure of the conflict does not require the degree of current detail prescribed by the Proposed Rules. The mandated level of detail is disproportionately expensive to obtain for firms, especially those with a parent controlling variable products and accurately disclose when judged by how the average retail investor could or would use the information so obtained. Specific dollar amounts over a short time frame have no context to reasonably enable the client's decision process relative to the potential for conflict. The fact that other compensation is paid, together with a sense of the relative order of magnitude of that compensation, may be important for a retail investor to make an informed decision, but the specific dollars received for the last four months from a specific mutual fund complex is more information than the typical retail investor can effectively use. Also, it would be virtually impossible for firms to comply with the section of Proposed Rule 15c2-2 that requires disclosure of certain "anticipated" compensation. The disclosure requirements for conflicts of interest also cover sales contests.

Inclusion of variable insurance products:

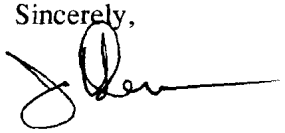
- The Proposed Rules cover disclosure of information related to insurance business that is unrelated to variable insurance products. The Commission should coordinate with the NAIC to address these issues, but is unlikely to do so.

Actual disclosures themselves are redundant and confusing:

- We agree that full disclosure about the out-of-pocket costs a customer will incur as a result of purchasing a Covered Security is essential in the relationship between a broker-dealer and its customer, but existing requirements under Rule 10b-10 and prospectus disclosure requirements address those concerns. All other distribution-related costs paid, directly or indirectly, by a mutual fund complex are reflected in each fund's bottom line performance. Fund performance is a straightforward and a well-publicized benchmark that is easily understood by a retail investor. While all the cost data is academically interesting, the apparent target audience is ill-equipped to use the data, but will ultimately pay for it through increased brokerage costs.
- The disclosure requirements are repetitive. They create many new disclosure requirements for broker-dealers to make not once but twice (and sometimes even three separate times in the case of certain oral point of sale disclosures). One-time disclosure should be sufficient if the disclosure is made in writing. Furthermore, disclosure must be made on a transaction-by-transaction basis, regardless of whether it is appropriate. Given the cost associated with implementing the Proposed Rules, there is little benefit in requiring disclosure of the same information three separate times, i.e., in the face to face meeting, in the prospectus, and on the confirmation. Moreover, a customer cannot avoid the deluge of paper and information even if they choose to do so.
- The required disclosures in the Proposed Rules are extremely complex. The quantity of information to be disclosed rises to the level of analyst information, rather than investor information. When given a one- or two-page disclosure document two times for every transaction, one wonders whether a retail customer would quickly become buried with information. This is especially true in light of small-dollar, payroll-deduct business.
- The complexity of the rules and disclosure requirements would prompt us to reduce the number of mutual funds and variable contracts we offer for sale in order to minimize the amount of data we need to maintain.
- The Proposed Rules discount the prospectus as a disclosure tool. Most of the required information is more appropriately placed in a prospectus. Mutual fund and insurance companies are in the best position to accurately describe the costs which they directly or indirectly control.
- The Proposed Rules not only require affirmative disclosures, but also require negative disclosures when the firm and/or representative has nothing to disclose. This type of disclosure seems unnecessary and will only serve to confuse investors.

In summary, GAA understands the need for clear and concise disclosure to investors. We also believe a portion of the information required under the Proposed Rules will definitely aid the investing public. However, we expect the implementation costs will decrease our firm's ability to service the small investor and force us to concentrate on more affluent customers, where the cost per transaction can be covered by higher commissions and fees. We will also be forced to significantly reduce the number of fund and insurance companies on our approved product list, limiting investor choices unnecessarily. From a broader industry prospective we believe the end result of these Proposed Rules will ultimately decrease the use of these types of investment products by the average investor.

Sincerely,



James L. Henderson
President