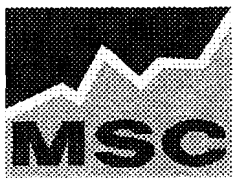

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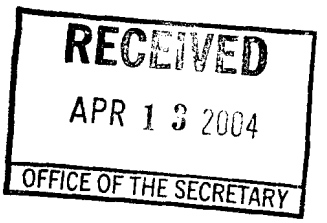


April 8, 2004

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

RE: Proposed Rule Changes- Point of Sale and Confirmation Disclosures- File No. S7-06-04

Dear Mr. Katz:

We are pleased to respond to the request for comments on the proposed rule changes concerning point of sale and confirmation disclosures for mutual fund shares, variable contracts and 529 Plan securities ("Covered Securities") included under File No. S7-06-04 ("the Proposal").

Mutual Service Corporation ("MSC") is a broker-dealer member firm of the National Association of Securities Dealers, Inc ("NASD"). MSC is licensed in fifty states and has over 980 branch offices and 1,550 producing representatives. MSC's branch office managers and registered representatives are independent contractors and business owners who provide financial and investment planning advice to their clients. MSC is an introducing broker-dealer and clears through Pershing, LLC a wholly owned subsidiary of the Bank of New York. MSC has dealer agreements with almost every significant load and no-load mutual fund sponsor and with most significant variable annuity and life sponsors that desire to distribute products through firms such as MSC. MSC is a subsidiary of Pacific Life Insurance Company ("Pacific Life"). Pacific Life through its affiliates is a sponsor of both mutual funds and variable contracts. MSC does not provide for any differential payouts on any products it sells through its Registered Representatives. Rather, MSC permits its representatives and their clients to access any Covered Securities on an equal basis, subject to the appropriate suitability considerations and MSC's supervisory oversight.

We have reviewed the Proposal and believe that the costs of implementation would be too great for many firms to absorb. Furthermore, if implemented, the proposed changes would have more unintended negative results for the investing public and the securities industry than positive outcomes. We appreciate the opportunity to explain the reasons for our conclusions.

The Industry Cannot Afford to Implement the Proposal

Even if the SEC's estimated costs to implement and maintain the proposed disclosures were correct, it would wipe out all or most of the profits that retail broker-dealers make on the sale of Covered Securities. Many financial planning oriented broker-dealers, including MSC, receive the majority of their revenues from the sale of Covered Securities. These firms will be severely penalized under the Proposal as they will have to build customized technology systems to create data feeds to and from hundreds of sponsors in order to automate the customized disclosures contemplated by the Proposal. Alternatively, these firms will have to double or triple their staffs to create the disclosures manually. We believe implementation of the Proposal as written will cause substantial financial damage to all retail broker-dealers and will likely result in the financial demise of many smaller firms that are primarily involved in the sale of Covered Securities.

If the disclosures proposed were enacted, the technology necessary for a broker-dealer to comply with the detailed, customized disclosures attached to the Proposal would take a long time to design and develop. Most firms that specialize in Covered Securities already have substantial technology projects underway to meet requirements under other regulatory initiatives, including improved ability to identify and track breakpoint opportunities and monitor the sale and suitability of "B" Shares and variable contracts. We estimate the cost for MSC to comply with the Proposal would exceed $2 million and that it would take at least two years or more to bring the necessary systems on line.

The "Good Guys" are Hurt the Most

The greatest burden of implementing the customized point of sale and confirmation disclosures under the Proposal would fall on the firms that have the least conflicts of interest and offer the greatest flexibility to public customers. By way of illustration, consider the impact of the proposed disclosure requirements on MSC. We are a retail, planning-oriented broker-dealer that signs agreements with all significant load and no-load mutual fund sponsors. Our affiliated financial advisors and public customers have ultimate flexibility in selecting mutual funds for investment portfolios. We would have an incredible (maybe impossible) challenge to build systems to gather and manipulate data from the broad universe of mutual fund and variable product sponsors to create the customized disclosures outlined in the Proposal. Contrast our challenge with that of a broker-dealer that limits its sales of Covered Securities to only proprietary products or to a small number of sponsors who pay the firm for access to their representatives. The big question is whether MSC and other similar firms will be forced to narrow their product lines to the detriment of their affiliated financial advisors and public customers in order to implement the Proposal

Unfair to Transfer Disclosure Obligations to Broker-Dealers

The Proposal makes an unprecedented transfer of obligations from sponsors to broker-dealers. Sponsors of Covered Securities have always been responsible to disclose distribution costs. This is logical since the sponsor controls the fees and other resources that cover these costs and determines how such resources and costs are shared with broker-dealers or others involved in the distribution and/or ongoing services connected with the Covered Securities. The Proposal unfairly transfers to the broker-dealer data gathering, administrative and disclosure burdens that properly belong in the Prospectus. Further, we believe the SEC should consider if the current Proposal would essentially force broker-dealers to amend the prospectus, which creates issues under the Securities Act of 1933. If the Proposal is implemented, broker-dealers will incur enormous costs associated with creating and maintaining systems for transferring, manipulating and disclosing information controlled by and proprietary to the sponsors of Covered Securities. Incidentally, the Proposal does not appear to mandate that sponsors make available to broker-dealers the information essential to creating the disclosures required under the Proposal.

Disclosures Will Confuse The Public

We are sure the objective of the SEC in promulgating the disclosures is to assist the public; yet the disclosures mandated are far more detailed and sophisticated than the average retail customer could reasonably be expected to understand or apply to their investment decisions. Current rules require the disclosure of sales loads, 12(b)1 fees, management fees, etc. in a format and in language that is relatively easy to understand. We believe the complex and duplicate disclosures the Proposal would require at point of sale and in confirmations are likely to create more confusion than clarity for investors. For example, in advance of making any purchase in addition to the delivery of a prospectus for the customer's review, the following disclosures would also have to be provided to (and be considered by) a customer:

1) Verbal or written disclosure of the dollar amount of any front-end load
2) Verbal or written disclosure of the dollar amount of any back-end load (assuming a holding period of one year at the same value)
3) Verbal or written disclosure of the dollar amount of any sales fee received by the broker-dealer
4) Verbal or written disclosure of the dollar amount of asset-based service fees the broker-dealer will receive in the first year
5) Verbal or written disclosure of whether the sponsors of the Covered Securities pay brokerage commissions to the broker-dealer
6) Verbal or written disclosure of whether the sponsors of the Covered Securities share revenues with the broker-dealer
7) If the Covered Securities are proprietary and/or include a back-end load, the customer would also have to receive verbal or written disclosure of any differential compensation programs to promote the sale of such Covered Securities.

Substantial further disclosures would have to be added to the confirmation of the sale. These would duplicate the disclosures already made at the point of sale, but would also add a myriad of additional details such as comparisons of costs to industry averages, projections of any back-end loads assuming a liquidation of the account in each year that those back-end loads would be in effect, the proportionate dollar amount of any revenue sharing and portfolio brokerage the broker-dealer received that relates to that specific transaction. Further, the confirmation would be required to disclose customized, comparative breakpoint information, when applicable.

If the Proposal is adopted, the average investor purchasing Covered Securities would receive a barrage of documents, including but not limited to, point of sale disclosures, sponsor applications, prospectus, new account forms, broker/dealer disclosure forms for Covered Securities, sponsor confirmations, confirmation disclosures with definitions and sponsor and/or broker-dealer account statements. This will be multiplied by the number of Covered Securities purchased by the investor and the number of accounts opened. We believe that this plethora of disclosures will create so much focus on financial arrangements that investors will fail to pay attention to other important considerations such as investment objectives of the product, the risks of making an investment, the operating expense ratio of the product, the historical performance, etc. For many years regulators have focused on the prospectus as the primary disclosure document. Creating substantive disclosure documents outside of the prospectus may cause a discounting of the prospectus as a primary disclosure tool.

Proposals Create an Unfair Risk Profile for Covered Securities

If the Proposal is implemented, a combination of the detailed disclosure obligations on representatives and the enormous cost to broker-dealers will result in a significant shift in product lines from Covered Securities to alternative investments. Since Covered Securities have often served a primary role in investment planning for middle income Americans, this would be an unfortunate result. The success of load mutual funds and other packaged products is ample evidence that broker-dealers and their affiliated financial advisors motivate the public to save and invest for their future needs. It would be unfortunate to discourage the sale and purchase of Covered Securities by increasing both the complexity of transactions and costs associated with those transactions to an unacceptable level.

We do not believe the risk profile of Covered Securities justifies singling them out for more detailed and onerous disclosure requirements than other investment classes. For example, current regulations require mutual funds to provide customers with more complete disclosure of risks, costs, expenses, objectives, etc. than any other investment class. In addition, despite recent problems fully aired in the media, we still believe that mutual funds are generally well governed, provide strong diversification standards and

are carefully regulated. Many other investments including individual equities, managed accounts, municipal and corporate bonds, government securities, options, stock futures, closed end funds, etc. will appear to have a lower risk profile than mutual funds. However, transactions in these securities do not require the kind of detailed point of sale disclosures promoted under the Proposal.

Requiring that mutual funds be subject to higher disclosure requirements and creating substantial customizing of disclosures at the point of sale sends a very negative message to the investing public and creates significant barriers and unfair burdens in connection with the sale of mutual fund shares (and other Covered Securities). Implementation of the Proposal will mean that many customers, who would be better served by investing in Covered Securities, will be directed to other investments that may present more risk.

Competition Should Be Protected

The Proposal would require the disclosure of private sharing arrangements between sponsors of Covered Securities and broker-dealers. We agree that it is important for investors to have fees and expenses disclosed, including details about selling compensation; but we believe that a sufficient disclosure can be made via a combination of standardized disclosures currently provided by the sponsors and generic disclosures of the existence of revenue sharing and/or directed brokerage by the broker-dealer. We think it is anti-competitive and unwise to require the disclosure of all the financial relationships between a sponsor and a broker-dealer; yet that is what would result if the Proposal were implemented. For example, a sponsor may negotiate with broker-dealer A to carry out more distribution tasks than broker-dealer B, which often center on providing educational resources to its sales force. It is logical that the sponsor would pay more to broker-dealer A for its extra work. Requiring disclosure of this detail would unfairly penalize broker-dealer A. As a further example, a broker-dealer that executes a significant number of trades for a mutual fund complex based solely on its execution capabilities, but only sells a small number of fund shares could be unfairly characterized by customized disclosures. Such disclosures would also expose the economic relationships between sponsors and broker-dealers to a degree that could cost them a significant competitive advantage.

We believe it is appropriate that customers be made aware when revenue sharing arrangements or directed brokerage arrangements exist between a sponsor of Covered Securities and the customer's broker-dealer. Such disclosure should be made in the most cost effective way and should not include details that would confuse the customer or unfairly inform competitors of the sponsor or broker-dealer. We suggest that a list of sponsors with which such arrangements exist be provided on a web site that is updated quarterly. Further, we suggest that customers be informed both verbally (at the point of sale) and in writing (with the confirmation from the broker/dealer or the sponsor of the Covered Securities) of the existence of that web site.

Point of Sale Disclosures Won't Work for Financial Advisors

We do not believe the proposed point of sale disclosures are workable in the real world. The Proposal apparently assumes that all business is conducted by a broker making a sales pitch on a particular product. That is not how real life is for the 150,000 plus financial advisors affiliated with planning oriented, independent contractor firms like MSC. For example, in a typical meeting with a prospective customer, MSC's affiliated planning oriented advisor would normally gather personal data and discuss various investment strategies taking into consideration multiple accounts – individual, joint, business, retirement, children, etc. The advisor would not even know what products would be recommended in advance of the session with the customer. In addition, substantial changes would be made during the session as the customer interacts with the advisor. In other words, what the Proposal describes as "point of sale" often is a dynamic meeting where creative interface results in investment decisions that cannot be predicted in advance. These meetings are often at the customer's home or place of business, not at a computer equipped sales office where customized disclosure forms could be generated at will. One session with the customer could result in the need to create multiple and very customized disclosure forms that would likely have to change several times during the discussions. The inefficiencies resulting from the proposed point of sale disclosures would certainly motivate broker-dealers and their financial advisors to consider alternatives to the Covered Securities.

Eliminate Proposed Customized Disclosure of Revenue Sharing and/or Directed Brokerage.

The proposed requirement that broker-dealers disclose revenue sharing or directed brokerage as though it has a direct relationship to an individual's purchase of Covered Securities should be dropped. In fact there is no direct connection to individual transactions and to indicate otherwise is misleading. In most cases, a broker-dealer does not even know what benefits will be paid by sponsors. Only large broker-dealers have contracted arrangements and even when contractual relationships exist, compensation varies based on company-wide sales volume and/or values of assets under management. A general disclosure that a sponsor does or does not provides some revenue sharing and/or directed brokerage is meaningful and sufficient disclosure in our view.

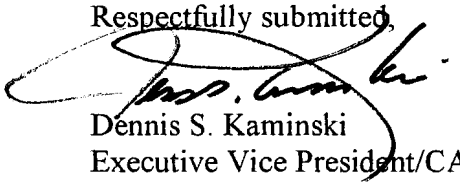
Clearing Firms Should Not Be Required to Monitor Compliance of Correspondents

MSC's relationship with Pershing is controlled by the clearing agreement we negotiated with them. That agreement does not contemplate any supervisory role on the part of Pershing. The Proposal has language that would dramatically change the relationship between clearing firms and their correspondents. No change of that magnitude should be considered without a full airing of the significant financial and liability issues that would result. The language in the Proposal that requires a clearing firm to have a reasonable basis for believing that an introducing firm is complying with all its legal requirements under the rules should be deleted.

Conclusion

In conclusion, while the Proposals have been presented with good intentions, we believe that present disclosure requirements relating to Covered Securities are generally adequate to assist customers in making wise investment decisions. Further, if more detailed disclosures are necessary, they should be accomplished by improving current disclosure materials created by product sponsors and should not require extensive and expensive new systems development on the part of broker-dealers.

Respectfully submitted,



Dennis S. Kaminski
Executive Vice President/CAO