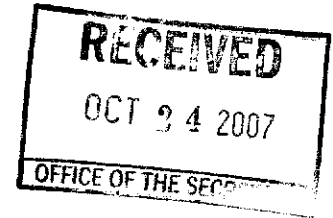


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**Certified Financial Planner**

October 11, 2007

Ms. Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090



Dear Ms. Morris:

**RE: SEC Review of Rule 12b-1**

I am pleased to submit these comments in connection with the recent Securities and Exchange Commission (SEC) roundtable convened to examine issues presented by Rule 12b-1 (Rule or Rule 12b-1) under the Investment Company Act of 1940 (Investment Company Act). The Rule allows fees to be deducted from mutual fund assets to pay distribution and shareholder service expenses. Rule 12b-1 was designed to enhance the value of fund ownership by attracting more investors into mutual funds. The Rule is of utmost importance to millions of investors, their financial advisors and the broker-dealers that serve them.

The Rule's important role in supporting mutual fund distribution, along with significant changes in the U.S. securities markets since the Rule was adopted some 27 years ago, justifies its re-examination. The Commission is, therefore, to be commended for initiating this comprehensive review of Rule 12b-1 and hosting the excellent roundtable session on June 19. However, as the clear majority of the roundtable panelists indicated, the Rule's purpose has been ably served by the use of 12b-1 fees to facilitate mutual fund distribution and shareholder services. Therefore, I believe that any potential changes to the Rule should relate solely to improving their effective disclosure to clients and reinforcing the Rule's important achievements.

The Independent Broker-Dealer (IBD) community has been an important and active part of the lives of the American consumers for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice with little, if any, proprietary product bias, while avoiding some of the pitfalls to which other financial services business channels have been susceptible in recent years. They also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products, by "check and application"; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment advisor firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisors are especially

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well positioned to provide middle class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives. In the U.S., approximately 110,000 independent financial advisors – or approximately 20 percent of all registered representatives – practice in the IBD channel. These financial advisors are independent contractors, rather than employees of the IBD firms. They provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisors are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisors affiliated with IBDs is clients with a net worth of \$250,000. Independent financial advisors are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence. Independent financial advisors get to know their clients personally and provide them investment advice in face-to-face meetings – oftentimes over the client’s kitchen table. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisors have a strong incentive to make the achievement of their clients’ investment objectives their primary goal.

The SEC’s re-examination of Rule 12b-1 is of particular interest to me. As financial advisors to middle-class Americans in small towns throughout the U.S., independent financial advisors can attest to the fact that 12b-1 fees provide a tax efficient means to support the continuing service that these Americans need for successful investing. Middle class Americans need the continuing service, guidance and support that are provided by these independent financial advisors to achieve their investment goals. 12b-1 fees subsidize these efforts. As a result, I believe that the consequences of eliminating or drastically altering Rule 12b-1 would be disastrous to investors and, therefore, should trump all academic discussions of the relative merit of the Rule.

#### Specific Investor Benefits of Rule 12b-1

Rule 12b-1 provides the following important benefits to investors:

1. **Expansion of Investor Choice** – Mutual fund companies have responded to the Rule by creating share classes with a variety of fee structures. In addition, the ability of small fund companies to assess 12b-1 fees has enabled them to remain competitive by allowing them to gain access to a wider array of distribution channels. The innovation and specialization offered by smaller fund families increases the choices available to mutual fund investors. The proliferation of fund families and share classes provides financial advisors with the tools necessary to tailor a portfolio to their client’s specific needs. More importantly, however, it provides investors with choices by providing them a greater variety of mutual fund options and a variety of choices in how they pay for distribution services and financial advisor support.
2. **Supporting Financial Literacy** - Mutual funds send their investors monthly statements, confirmations, prospectuses, annual reports, and other materials. Financial advisors serve the vital role of educators by helping investors to make



