

July 11, 2007

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-1090

Ref: File Number 4-538 SEC Requests for Public Comments Regarding 12b-1 Reform
Dear Ms. Morris:

Dear Ms. Morris:

In responding to the invitation from the SEC to submit public comments on Rule 12b-1, I have: (1) examined the written comments submitted; (2) reviewed a legal summary of the four roundtable panel discussion groups conducted by the SEC on June 19th, 2007; and (3) discussed the subject extensively with experts familiar with the 12b-1 issues. I have also re-reviewed the written comments I submitted to the Commission dated March 15, 2004 under the File No. S7 09-04, entitled "Prohibition on the Use of Brokerage Commissions to Finance Distribution."

I continue to believe that the written public comments I submitted three years ago to the Commission are just as apropos today as they were when the Commission first asked for public comments. I hope the Commission appreciates how critical and essential 12b-1 mutual fund fees have been since 1980 for financial professionals to operate their practices effectively, efficiently, and legitimately as financial executive through an independent broker/dealer firm.

In addition, 12b-1 fees have contributed to the significant growth in the mutual fund industry by allowing investors to spread out payments to financial intermediaries during the course of their investment. It is also important to remember that the typical maximum front-end load has declined from 8.0% in 1980 to about 4.8% in 2006.

I believe that should the SEC rescind the Rule the unintended consequences to the middle income investor with limited wealth would be severe. I can foresee clients of financial professionals that currently have limited assets invested (i.e., less than \$75,000) simply being cast aside in favor of wealthier clients. This latter group of investors is typically are better informed and willing to pay considerably more than they do now for financial planning and investment advice.

The Commission should be aware that several payment alternatives currently exist in lieu of 12b-1 fees in the form of Separately Managed Accounts (SMAs) or mutual fund advisory "wrap" programs. It is my impression that such "externalized" investment programs generally cost considerably more over time than the current "A" share class cost structure with 12b-1 fees included. The "externalized" compensation investment models have certainly grown in popularity among the financial advisory firms that primarily handle wealthier clients. I believe the costs for ongoing investment services

under these newer compensation models over time would generally result in a much higher cost to my clients than if they had invested long term in the “A” share class of mutual funds offering 12b-1 fees to financial advisors.

Today, millions and millions of small investors (with \$50,000 - \$75,000 invested) currently own mutual funds outside defined contribution plans, yet mutual fund experts report that four out of every five investors currently seek personalized advice from a financial advisor, Registered Investment Adviser, or securities broker. I believe most investors who come to us are seeking a convenient and cost-effective way to invest and save for their long term financial goals and objectives. I simply can't foresee a promising financial future for the millions and millions of relatively small investors with limited wealth being well served in the future by a qualified professional if 12b -1 fees are repealed by the Commission.

A potentially promising area for the SEC to consider is revising 12b-1 fees as to the amount and nature of detailed information that should be disclosed covering both fees paid and services provided for under 12b-1 plans. The third roundtable panel group generally acknowledged that investors may not fully understand 12b-1 fees. They appeared to be urging the SEC to come up with greater “transparency” of the fees as well as “efficient” communication. One of the panel members may have a valid approach to improved transparency. Specifically, break the 12b-1 fees into the following three components of expenses: (1) portfolio management; (2) client services; and (3) administrative expenses. This approach would thus avoid identifying expenses by subtle legal characterizations. More 12b-1 fee information could also be provided on the mutual fund firm's website.

After the Commission provides details on the changes they believe should be made that would benefit small investors in mutual funds who are seeking ongoing advice, I will provide further comments on the possible unintended consequences these changes may have on the future growth of the industry, the small investor, and the financial advisors to millions of investors with less than \$50,000 - \$75,000 of assets in mutual funds or variable annuities. I sincerely hope the SEC will ***allow rule 12b-1 to continue in place and not restrict payment of 12b-1 fees***. I believe that 12b-1 fees have been a major contributing factor in allowing me to provide proactive, ongoing investment services to my current clients.

Sincerely,

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