I am writing to you today about the potential reform of 12(b)-1 fees. My financial planning practice has been built serving smaller investors, including primarily public school employees. Currently, we maintain relationships with 600 families across the country that have average account sizes of about $50,000.00. By all means, these would be defined as 'small investors' across the United States.

My team and I work on providing wealth management services, including asset management, tax planning, estate planning, retirement income planning, risk management, college planning and business planning. We can be compensated for these services through the 12(b)-1 fees that we collect as ongoing compensation. Clients pay anywhere from 65 to 100 basis points in 12(b)-1 fees from their funds for these comprehensive services.

The 12(b)-1 fee reform will force smaller investors to pay higher fees. In order for clients to receive the services they are used to, they will have to be transitioned into advisory accounts. Advisory accounts cost substantially more than C share arrangements. The average small investor would see an overall fee increase of 50%-100% in the amount they currently pay to support the ongoing service and advice they are accustomed to receiving. For example, on average the small investor we serve pays about 80 basis points total at this time for C share arrangements. The total cost of fee-based accounts to the client would be approximately 120 - 140 basis points. It's impossible to know how clients will react to this fee increase, but let's just say this reform will make wealth management services much more expensive to the small investor.

Additional expenses that small investors pay for advice is really only a starting point. Investment companies and broker/dealers will have to allocate more resources to comply with additional reform. In the end, small investors will have to pay for this additional regulation because investment companies, broker/dealers and advisers will pass the fees on to small investors.

There are alternative measures to be considered with the goals of this reform. These include the following:

1. Consider reform that would require investment companies to report the total amount of fees each client pays on their account. This would help the transparency issue and make it crystal clear on how much clients are paying for wealth management services. This would be relatively easy for investment companies to conform to; thereby reducing the amount of costs investment companies and broker/dealers would pass on to small investors.

2. At a minimum, grandfather all existing class C share investments as they are, with no reversion to class A shares. This would not affect existing clients, with whom relationships have been built under the current cost structure; but would provide a smoother, less expensive transition for investment companies and advisers, thus reducing costs to small investors.

3. Let the market take its role on developing competitive investment alternatives at a lower price without additional rules and legislation. Individual retail investors have a host of different opportunities to invest at their discretion. Let investors decide how they would like to pursue their investment strategy with or without an adviser. Making it more complicated for retail

investors that choose to work with advisers will only make it more expensive and more complicated in the future. This is not the time for more confusion when it comes to small investors planning for their futures.

Please give special consideration on how the reform will hurt small investors whom, I believe, you are trying to help. If you would like to discuss this further, please don't hesitate to respond to my letter and/or give me a call.

Sincerely,

Michael Ovshak
President
FPS Financial, Inc