



Filed Electronically

November 5, 2010

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F. Street, NE  
Washington, DC 20549-1090

WOODBURY FINANCIAL SERVICES, INC.  
Member FINRA, SIPC, and Registered Investment Adviser  
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Re: Proposed Rules on Mutual Fund Distribution Fees and Confirmations [File Number S7-15-10]

Dear Ms. Murphy:

Woodbury Financial Services, Inc. ("Woodbury Financial") appreciates the opportunity to submit this letter in response to the request by the Securities and Exchange Commission ("SEC") for comments on the proposed rules on mutual fund distribution fees and confirmations (the "Proposed Rules").

Woodbury Financial<sup>1</sup> is an independent retail broker-dealer that sells a wide variety of financial products<sup>2</sup> and serves its financial services customers through approximately 1700 registered representatives (the majority of whom are independent contractors)<sup>3</sup>. Woodbury Financial's registered representatives are often the primary financial advice and product service provider to their customers. Woodbury Financial is registered with the SEC as both a broker-dealer and as an investment adviser, and is a member of the Financial Industry Regulatory Authority.

Woodbury Financial is a member of the Financial Services Institute ("FSI") and we share the views expressed in FSI's comment letter on the Proposed Rules. In particular, Woodbury Financial would like to emphasize the following comments:

Woodbury Financial generally supports the SEC's efforts to modernize the regulatory framework under Rule 12b-1. We agree that protecting investors from disproportionate sales charges and improving investors' understanding of fees should be the primary goals of this reform effort. To that end, we support the following elements of the Proposed Rules:

- the adoption of more descriptive names for 12b-1 fees that emphasize their role in supporting fund distribution and ongoing account services provided to investors;
- the use of the term "ongoing sales charge" to describe continuing commissions charged after the initial purchase of a mutual fund;

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<sup>1</sup> Woodbury Financial is a member of The Hartford Financial Services Group, Inc. (NYSE: HIG) ("The Hartford").

<sup>2</sup> This includes, but is not limited to, The Hartford's financial products

<sup>3</sup> Approximately 700 of these registered representatives are also registered as investment adviser representatives and provide advisory services.

- the adoption of common sense improvements to the disclosure of marketing and service fees and ongoing sales charges within a mutual fund prospectus (including the summary prospectus) and confirmation statements; and
- the 18-month implementation period to allow firms the opportunity to make necessary changes to their business practices and technology platforms, and to educate their field force.

While we believe that the provisions listed above would be appropriate and effective ways to help achieve the SEC's important objectives, we are concerned about a number of other aspects of the Proposed Rules, including the proposed cap on ongoing sales charges and the proposed alternative distribution model. These provisions, though well-intended, could actually result in decrease in the level of services available to investors and/or an increase in the cost of such services to investors. This would likely most impact investors with the greatest need and desire for assistance from our representatives – small to mid-size investors.

*Cap on Ongoing Sales Charges.* We are concerned that the SEC's proposal to cap ongoing sales charges may not adequately take into consideration all of the services provided by our representatives and the firms that support them. Many investors need ongoing support and service, but registered representatives can not be expected to provide support and service without compensation. Share classes that include ongoing sales charges are obviously not right for all investors, but they are often a better choice for small and mid-size investors than share classes sold through fee-based accounts. Such share classes provide a way to compensate registered representatives that is tax efficient from the investors' perspective, and an efficient way for registered representatives to provide ongoing support and service, including incidental investment advice, to investors with small to mid-sized accounts by eliminating the expense of fee debiting, invoicing, and other costs associated with investment adviser accounts.

We also disagree with the SEC's assertion that the increase in total 12b-1 fees from just a few million dollars in 1980 to \$9.5 billion in 2009 is evidence of the need for this limitation. This argument does not recognize the significant difference in the level of services and volume of choices offered to investors in 1980 and 2009. Advances funded by 12b-1 fees, such as the development of advances in technological infrastructure, have helped make it easier for investors to do business, given investors access to a wider variety of investment options, increased the speed of trade execution, created user friendly enhanced analytical tools, and provided more investors with access to data that was previously available only to the very wealthy and institutional investors. Had a cap on 12b-1 fees been in place, these advances may have developed at a slower pace or in some cases, may never have come about. We encourage the SEC to consider the potential impact that this cap may have on future innovations that could greatly benefit investors.

*Alternative distribution model.* We do not support the proposal to allow funds to offer share classes with respect to which broker-dealers would set their own commission rates. While we support the SEC's goal of encouraging retail price competition, we are skeptical that this would actually increase competition in the industry and we are concerned about potential unintended consequences, such as the following:

- The proposal will likely interfere with another critically important goal identified in the SEC's proposing release – “to promote investor understanding of fees” – by adding a new layer of complexity to mutual fund pricing structures.
- The proposal will likely alter the mutual fund distribution model from one based upon relationships to one focused on transactions by eliminating the financial incentive to provide ongoing services. When sales charges are uniform throughout the market, firms compete by offering different levels of ongoing services to differentiate themselves from their competitors. If firms can compete on price, there is less need for them to provide added services.
- The proposal will likely create pricing advantages for large mutual fund families, broker-dealers, and/or financial advisor practices that can leverage their size to charge lower fees than their smaller competitors.
- The proposal will likely create a variety of significant operational issues for broker-dealer firms, including, for example, how to administer the proposal when an investor changes broker-dealers or when a registered representative changes firms and transfers his or her book of business.

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We appreciate the opportunity to provide these comments. If you have any questions, please do not hesitate to contact Jennifer Relien, Chief Legal Officer, at 651-702-1888.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick H. McEvoy". The signature is fluid and cursive, with a large initial "P" and "M".

Patrick H. McEvoy  
President and Chief Executive Officer