To whom it may concern:

This letter is meant to address comments needed from the public by the SEC for the 12b1 fees associated with mutual funds, and how advisors/brokers are paid. I am such an advisor. Now, before you ignore this letter out of hand because it comes from an advisor, I would ask that you to please hear the case for 12b1's I am about to make.

Firstly, those of us who have a "C" share business, many are invested in this manner on behalf of clients in part as a by-product of industry perception – it is my opinion, and my experience, that most clients we deal with have been schooled by the media to not want to pay a "load" up-front (performance, asset allocation, or risk tolerance being secondary or tertiary concerns) – an idea marketed exceedingly well by the Vanguards of the world. Nonetheless, it is the conclusion of many individuals that C shares offer a very good value (no upfront charge, short hold periods, 6 to 8 year or longer breakeven as compared to A shares) for the fees charged in many cases.

If anything, it is the lack of understanding on the general public's part that unfairly derides not only "load" fund companies' shares, but the brokers who sell them. Unfortunately, for individual investors, most, if not all, "no-load" funds that are not bought directly from the fund itself have an additional fee structure that more than fully offsets any "break" offered by A or Institutional shares (in asset based fee accounts). This is the price of a voice on the telephone to guide investors through the inevitable difficult times that come along. Why is <u>this</u> not discussed?

I will admit, I think people are definitely more "aware" of a fee charged in this manner, but the fact remains that the costs are nearly identical in the long run, and possibly more (but again, better awareness). People ALWAYS have a choice as to which share class to buy and where to buy it. They need only actually READ the prospectus they are given, offered, etc…. They <u>can</u> be vocal shareholders of the funds payment practices, but often <u>choose</u> not to.

Asset based advisory fees - exactly as is the case with "C" shares - are charged *in perpetuity*, and for long after the up front charge of an "A" share has been fully levied. I don't know of an "independent" advisor or advisory firm that <u>*doesn't*</u> charge this way. They rebate back the upfront load and charge an (often higher) amount based on quarterly or monthly account value – in addition to the fund's expense ratio – that brings it in line <u>or worse</u> than a "C" shares' costs. With proper marketing, it sounds like you are paying less than you really are.

Performance NET of fees is what should be focused on by investors – preferably 5, 10 and 15 year performance records. While no guarantee of returns, these records serve as an excellent guide to where the industry expertise resides. Asset Allocation, risk assessment and a plan will provide a better touchstone than this debate over C shares worthiness.

Having the fee advisors collect set at @1% across the industry (or less for fixed income funds) in "C" shares is very reasonable. Is the profit margin of any other retailer 1% or less? Your car dealer? Doctor? Your attorney (33.3%!!!)? Are financial services, guidance, a voice of reason, compassion and empathy worth so little?

If so, why not simplify this whole debate – and allow ONE share class for everyone, including institutions, pension funds, etc… – allow no fees whatsoever for paying brokers directly from the funds – allow no "breaks" for the institutions - and allow all share classes to be converted in a tax-free exchange (out of the SEC's power to enact, but if presented to Congress, it could happen) to a single share class structure. <u>Allow all funds from every fund family</u> to be sold <u>*anywhere*</u> (without fund "agreements", limitations or restrictions - Vanguard will probably not be happy with this), and allow us to charge an advisory fee as with any other asset based account. That would level the playing field, promote competition, fully disclose fees and drive perpetually underperforming funds or advisors out of business. It would allow investors to make a choice based on who they trust to guide them through their various life stages, who have proven to give them sound advice, and whether or not the relationship they have with their broker or advisor is "worth it".

Otherwise, the SEC could be unwittingly promoting people to engage in fund hopping on a decision based solely on expense. People will likely not focus on diversification or asset allocation. The "fee" will become the dominant conversation. Returns, planning and goals may very well take a backseat to fees. "You get what you pay for" is often very true. By mandating that 12b1's must end, the SEC will only serve to drive consumers toward a more expensive (albeit in some cases more transparent) fee structure. The proposal does not address the "wrap" fees charged by independent firms, advisory platforms and the like, in perpetuity, and unfairly concentrates only on broker platforms of the larger institutions.

The SEC, while having good intent, is relying on very angry public sector sentiment from which to draw opinion and to endorse this move away from 12b1's, thereby proving its worthiness as a concept. I would ask - When has the "herd" mentality driven proper behavior? Why have the "investor returns" in funds (even in index funds or ETF's) been so lackluster as compared to funds themselves? Any decision made based on anger, misperception, misinformed consumers, or governmental overreaction will likely lead to more, not less, of a problem over time.

This proposal will likely lead to an exodus from "C" shares en masse (putting pressure on the fund managers to "sell" at an inopportune time, perhaps), and into vehicles that compensate the advisor/broker commensurately. This will not be an institution-specific phenomenon, it will be across the board, and it is my opinion that the public will be not only less informed, but will be providing unscrupulous marketers an easy way to dig deeper into their pockets with the ensuing confusion. These marketers will vilify not just the few brokers with ill intent, but the whole category in one fell swoop.

I do believe the intent by the SEC here is good, but in reality, I'd like to see the SEC address how a "C" share purchase and ongoing charge is effectively ANY different than a fee charged based on account assets plus the expenses of the fund (the overall expense ratio, if you will), advisory capacity notwithstanding.

I believe, in many cases, and especially after considering the role investor behavior plays in whether to keep, sell or buy a fund anew, that "C" shares can be the same or even the *less* expensive route when considering the effect on overall fees (usually an additional 1% or more) of asset based accounts – but don't take my word for it - see the New York Times article "unscrambling the alphabet of fund fees" from January 2008:

http://www.nytimes.com/2008/01/20/business/20gret.html?_r=1&scp=1&sq=alphabet%20soup%20fund%20investing&st=cse ).

"A" shares tend to be cheapest only when holding for extended periods (6+), and would actually INHIBIT rebalancing or transferring out of a fund or fund family under many circumstances - for example, when a fund manager or team leaves for another fund company, when an unexpected bill comes in, a job is lost, or in a family emergency. How many people do you know that can actually GUARANTEE they "won't touch" the funds in the "A" share for 6+ years?? That a manager won't leave? That your child will not want to go to a more expensive college? That the markets won't be so volatile as to drive them to the sideline? Very, very few can say these things with any degree of certainty. This proposal takes these examples of everyday life out of investing. Only if everything lines up perfectly (this ALWAYS happens, doesn't it?) will the "A" share be the better option in many cases.

Most often, it is the fund's MANAGEMENT who creates the good track record, NOT the fund family name. Loss of these key figures often leads to high turnover, higher capital gains distributions (at least initially), and a change, however slight, in management style.

If Bill Gross were not running Pimco Total Return or Will Danoff were not running Fidelity Contrafund, and they both left to go to Vanguard, assets in "C" share funds would be able to follow their expertise to Vanguard much more readily (1% CDSC in 12 or 18 Months) than people who just paid 5%+ to get in. The people buying the "A" share at NAV (rich people) would also be able to move penalty free in 12-18 months (usually 1% otherwise), whereas the "A" or "B" small shareholder would be forced into a more substantial loss (5%+, possibly) if they chose to leave earlier than in 5 years, and quite possibly suffer underperformance with an unknown manager (I personally tend to prefer proven winners over the novice manager or team).

Why not simply have a separate line item where the funds must disclose "broker compensation"? Shining the light on that would be a lot more effective and MARKET BASED than this complex set of circumstances you are promoting (fees which, of course, will differ from fund to fund based on differing upfront charges, leading to further confusion). Pressure from shareholders on the fund's board – again, a market based solution – would be the determinant of fees, not an SEC mandate. Investor apathy should not force the hand of government. Wrongdoing should.

Lastly, If the SEC is going to mandate a higher standard of fiduciary responsibility for "brokers", as is being contemplated, then the brokers should be compensated for the additional risk they take in dealing with the public. This seemingly public campaign against financial service companies' does nothing to instill public confidence, to stop the institutional domination of market direction in favor of buy and hold - where "A" shares might truly be a better choice - or to allow for continued trust in the advisors that do their job scrupulously every day. This proposal casts everyone who sells a "C" share – or buys one – as either a money grubbing salesman or an uninformed fop. At the end of the day, these perceptions are not helpful, and the public's fees will wind up being very much the same, no matter what the nomenclature of the day may be.