

I feel I must comment on your latest proposal for changes to the 12b-1 policies. I have no problem and I welcome any improvements to disclosure information on mutual funds. I spend a substantial amount of time explaining the advantages and disadvantages of the different classes of funds so any additional disclosures are welcome as far as I am concerned.

The one area I totally disagree with is the proposed effort to introduce retail price competition and the limiting of time the 12b-1 fee on "C" shares can be received by the broker. I have been a broker for over 30 years and a manager for over 15 years. In the last 10 years, we have experienced a major change on the amount of time we must spend managing client portfolios. We now must make changes to a portfolios more often due to the changing economic and political environments. Because of this, we have seen a dramatic increase in fee-based accounts, so we can make changes to portfolios without charging commissions. This aligns us with the clients objectives of increasing their portfolio value, since our pay is based on the account value (both want it to increase) not on how many trades are performed. Most fee-based account charge **more** than the 12b-1 fee on mutual funds, so if we are looking out for the best interest of our clients, it is better to use "C" shares than it is to put them in a fee-based account. It is cheaper for them and it still gives us the flexibility to move funds when we feel it is proper to do so. I consider the 12b-1 fee to be a management fee which I receive to cover my cost of managing their account. Whether the investment was purchased a year ago, or ten years ago does not change how much work I perform in managing the account. The 12b-1 fee is not a commission, but a fee we receive to manage money by using mutual funds. It would be the same as saying that a fee-based account can only charge the client for a limited period of time and then you must manage the money for nothing. The "A" share is for the client that does not looking for us to manage the account, but just wants to buy the fund and the commission is the cost to purchase it. The "C" share 12b-1 fee is not a commission, but a fee to help manage the investment account by using mutual funds rather than individual stocks. The two share classes have totally different purposes when used properly. Once again I must point out, just because we have not sold an investment and moved it to another, does not mean we are not sitting down with the client and reviewing their portfolios, researching other possible investments, and doing everything the broker with the fee-based account are doing. I use both and the deciding factor which to use is what is cheapest for the client, but it also must be fair to me for the work I do. Please keep in mind that if the current policy on "C" shares is changed, the broker can just switch the account over to a fee-based account and obtain the same result, but it will be less convenient for the client, and may even be more expensive to them. Bottom line is, that in reality, what you are proposing will not only not obtain the results you are looking for, but may actually be detrimental to the client.

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