November 1, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549-1090

RE: Mutual Fund Distribution Fees (S7-15-10)

Dear Ms. Murphy:

I've been a Certified Financial Planner ™ Licensee for 12 years and have worked in the financial services industry since 1993. I've worked in both the wire house and independent channels, servicing mostly a mid-market clientele. My practice currently incorporates both fees and commissions in servicing my clients.

I'd like to echo the comments made by Karen Dolan of Morningstar, Inc that stated*, "We urge you to consider a sweeping overhaul of fund expense ratios, from top to bottom, that would break fees into appropriate, easy-to-understand buckets and standardize the accounting"*

Ms. Dolan's comments are on the mark when suggesting "bucket labeling" and that one of the buckets could be labeled "advice". However while agreeing with her regarding the bucket labeling solution as an essential start to any reform, I disagree with the suggestion that "C" shares be automatically converted to a *lower expense* class of shares at predetermine future time. Rather, I think this "automatic conversion" should be offered to the consumer as an option not a mandate.

Automatic conversions, not only would be very costly for fund firms and broker dealers to monitor and enforce, but it doesn't allow the consumer/client a "cost-efficient" choice in maintaining an ongoing fee arrangement with their advisor. As you have been made aware by numerous advisor comments, RIA pricing arrangements can be cost prohibitive for mid-market clientele.

Please consider letting the consumer/client decide what they want to pay and to whom? My suggestion would be to offer two simple classes of shares to consumers: <u>One with an advisor fee and one without as follows:</u>

Class I - This class would be the "non-advisor supported" class or "NAS" share class. It would be offered at NAV, without the "Advice" cost bucket. These "NAS" shares would typically be sold to the "do-it-yourself" crowd. But for investors that are not seeking and ongoing relationship with an advisor but just would like some initial help, the shares would be available for purchase to this group via a one-time commission to be determined by the broker-dealer/fund company.

Class II - This would be the "advisor supported" class or "AS" share class. Similar to a "C" share it would be offered to the consumer with the "Advice" cost bucket built in. The shares wouldn't have a mandatory conversion feature but rather a conversion option. Broker dealers and fund companies would be required to "remind" investors every year through an annual disclosure that the client owns the more expensive "AS" class and can opt out at any time. This conversion would be a tax-free, penalty-free conversion to the non advisor class.

Giving the clients the above listed two options would put the consumer in control. And as their need for advice changes overtime they would be able to move from one class to another and back again if they like. They can fire a broker by choosing to switch to class I or even hire a broker by switching to class II if they feel that they are in over their head.

It would be much cheaper to send out a letter once per year than to create a massive tracking automatic conversion tracking system.

Thank you,

Jon T. Flynn
Certified Financial Planner ™