



COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway Richmond, VA 23236

MARY G. MORRIS
CHIEF EXECUTIVE OFFICER

(804) 786-0719

November 5, 2010
Ms. Elizabeth Murphy
Secretary
U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: SEC Release Nos. 33-9128; 34-62544; IC-29367 (July 21, 2010), 75 FR 47064
(August 4, 2010) Regarding Mutual Fund Distribution Fees and Transaction
Confirmations (collectively, the "Release")

VIA EMAIL AND U.S. POSTAL SERVICE

Dear Ms. Murphy:

We write this letter on behalf of the Virginia College Savings Plan ("VCSP"), the independent state agency responsible for Section 529 qualified tuition programs offered by the Commonwealth of Virginia. VCSP is comprised of four distinct 529 programs, including the *Virginia Prepaid Education Program* ("VPEP"), the *Virginia Education Savings Trust* ("VEST"), *CollegeAmerica*, a savings program offered through financial advisers, and *CollegeWealth*, a savings program offered through federally-insured banks. With approximately \$30.9 billion in assets under management and more than 2.1 million accounts as of September 30, 2010, VCSP is the largest qualified tuition plan in the country, accounting for almost 21% of 529 plan assets and 19% of 529 plan accounts. Given the number of families who have entrusted VCSP with their college savings, it is incumbent upon us to share our views regarding the Securities and Exchange Commission ("SEC") Release.

VCSP is a member of the Boards of the College Savings Plans Network ("CSPN") and the College Savings Foundation ("CSF"). Together, CSPN and CSF represent the public administrators, program and investment managers, and distributors of the more than ninety 529 plans offered nationwide. Additionally, our *CollegeAmerica* partner, the American Funds, actively participates in the Investment Company Institute ("ICI"), the national association of investment companies, including the mutual fund companies that are actively involved in the 529 industry. The American Funds are managed by Capital Research and Management Company ("CRMC"). CSPN and CSF jointly, and ICI and CRMC individually, are submitting comments

on the Release. As further detailed below, we echo strongly certain concerns expressed in those comment letters as they relate to 529 programs or plans.

As a fundamental matter we strongly support disclosure initiatives that seek to protect investors. We do so, however, with a balanced viewpoint, recognizing that 529 plans offered through municipal dealers generally are subject to oversight by the Municipal Securities Rulemaking Board (the "MSRB") but are exempt from the SEC's direct oversight. Thus, we support the MSRB requirements for transaction confirmations as set forth in Rule G-15. And, given this clear directive for 529 plans as municipal fund securities, we do not see a need for Rule 10b-10, whether in its current form or as it would be amended by the Release, to also apply to 529 plans. We agree entirely with CSPN-CSF that adding Rule 10b-10 to the regulatory requirements imposed on 529 plans, exacerbated by the changes proposed by the Release, would "increase the costs associated with confirmations without providing any concomitant benefit to investors."

As previously mentioned, *CollegeAmerica* is a 529 savings program available through financial advisers. We believe that financial advisers provide significant and valuable services to families saving for college through 529 plans. We fully support CRMC's comments that the use of fund assets is appropriate to compensate financial advisers for providing personal advisory services that benefit these families. We also agree that the proposal in the Release would limit the services provided by financial advisers and the choices available to investors to pay for these services. For example, 529-C shares account for 21% of *CollegeAmerica* assets and constituted 24% of *CollegeAmerica* sales year-to-date through September. Pursuant to the proposed rules and based on a maximum equity fund sales charge of 5.75%, these shares would be required to convert after approximately seven years. In light of the relatively short timeframe for college savings, the proposal's conversion requirements could deprive *CollegeAmerica* account owners of the full extent of the important services of their financial advisers just when those services might be most needed -- when the child is close to college enrollment. It is at this point when a financial adviser's services can be most critical in analyzing college financing needs and appropriate changes to investments, as well as the timing and amount of distributions required. In addition, the requirements as indicated in the Release would impose significant programming costs associated with aging and converting shares, which may ultimately be borne by the shareholders.

Considering the importance of 529-C shares to *CollegeAmerica* shareholders and the potential impact of a conversion at a time when the services of a financial adviser would be most valuable, we strongly urge the SEC to consider a higher "marketing and service fee" limit. The proposal currently allows funds to charge an ongoing marketing and service fee of up to 25 basis points. A higher fee limit would allow financial advisers to continue to provide investors, such as *CollegeAmerica* 529-C shareholders, with the same level of service they provide today. We believe that a fee of up to 100 basis points, or up to 75 basis points as suggested by CRMC, is appropriate.

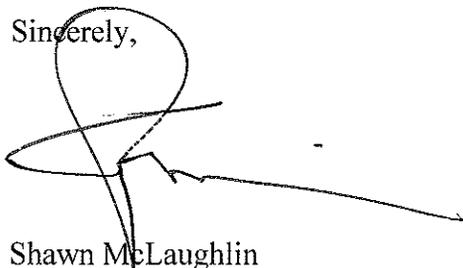
Although we appreciate the SEC's efforts to update rule 12b-1, we share the comments of the ICI and CRMC regarding the timing of the proposal. We understand that the SEC is considering

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proposals outlined in the Release as they may impact broker-dealer compensation and disclosures to investors.

Our goal at VCSP is to simplify the college savings process and to increase the accessibility of the college savings market to as many American families as possible. We believe that the proposed regulations could make it more challenging and limit options for families trying to save for college. It is on this basis that we support the CSPN-CSF, ICI and CRMC comments submitted. Thank you in advance for your consideration. We would welcome the opportunity to discuss Section 529 college savings plans with Commission Staff at any time in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn McLaughlin". The signature is stylized with a large loop at the top and a long horizontal stroke extending to the right.

Shawn McLaughlin
Chairman of the Board
Virginia College Savings Plan

Mary G. Morris
Chief Executive Officer
Virginia College Savings Plan