



July 13, 2007

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, DC 20549-1090

RE: File Number 4-538

Dear Commission:

We are writing with reference to your recent request for comments regarding issues surrounding Rule 12b-1 under the Investment Company Act. As a firm of financial advisors, we recognize the need to re-assess Rule 12b-1 and appreciate the opportunity to play a role in this process.

To begin, we would like to note that we concur with Chairman Cox's statement that "today's uses of 12b-1 fees have strayed from the original purposes underlying the rule." Since 1980, when the Rule was adopted to help struggling mutual funds underwrite distribution expenses, the industry has changed considerably. Notably, the industry has seen tremendous growth in both advisor and issuer sold funds. Investors today have a greatly increased selection of funds to choose from and options regarding where to obtain such funds. Do-it yourself investors may obtain no-load funds directly from the fund companies; advice seekers may obtain funds through retail brokerages and other financial institutions; workers may obtain funds through 401(k) and other retirement plans; and others may choose the convenience of a fund "supermarket." Accordingly, mutual funds have become the investment vehicle of choice for Americans seeking to save for their long-term financial goals. It is estimated that approximately half of all American households today own mutual funds. Recognizing this growth, it is evident that Rule 12b-1 fees are no longer needed to address distribution problems. Therefore, we believe the question of whether and what changes are necessary to Rule 12b-1 must be addressed by considering the current status of the market place, the Rule and the potential impact of changes to investors.

Mutual fund companies today primarily use Rule 12b-1 to provide compensation to advisors for ongoing support and service to fund shareholders (i.e., answering inquiries regarding account status and procedures for purchase and redemption of shares, fund allocation assistance, guidance on fund attributes and holdings, etc.). When dealing with

smaller clients (generally middle class Americans), Rule 12b-1 fees are usually a key incentive for advisors to provide the time and effort necessary to deliver such ongoing support and service. Taking this into account, we are concerned that if Rule 12b-1 is repealed and this incentive is removed, even fewer advisors¹ will be in a position to do business with these smaller investors. Consequently, these investors may be deprived of an important investment option, the advisor-serviced fund. Arguably, smaller investors are the ones who need the professional expertise of a competent advisor the most. Most smaller investors are not in a position to wade through the investment waters alone, nor do they have the means to pay direct fees for investment advice. Considering the importance of the advisor-serviced fund option to these investors, we do not feel that limiting its availability is a productive change.

On the other hand, we do believe that issuers should improve the transparency of Rule 12b-1 fees by providing clearer and better disclosure. Investors are best served when they are given adequate information and allowed to choose the option that best suits them. Currently, Rule 12b-1 fees are disclosed in a standardized fund table that is required to be at the front of the prospectus. However, other than a brief reference to "12b-1 fee" – an esoteric term – there is no further clarification regarding what this fee is for. Transparency can be greatly improved by making explicit and describing in detail the purpose(s) for these fees (i.e., compensating advisors for the ongoing support and services they provide). As an additional and important step to promote transparency, we also recommend changing the name of the fee from the cryptic "12b-1 fee" to a name that corresponds to its purpose (i.e., "ongoing support fee" or other such descriptive name). Given understandable information regarding Rule 12b-1 fees, investors should be allowed to make informed decisions when choosing between advisor-serviced funds or no-loads available directly from issuers or other investment options (if they do not want to pay Rule 12b-1 fees).

Another proposed change which we believe may also benefit investors would be to update the factors that the fund's board must consider when approving their Rule 12b-1 Plan annually. The current suggested (not required) factors present problems when viewed in light of more contemporary practices as they focus on expenditures to address specific distribution problems. The factors do not contemplate that a Plan can be used as a method to compensate advisors for their ongoing efforts to service their clients. By clarifying and updating its guidance regarding these factors and aligning the factors more closely with the current uses of the Rule, fund boards may be better able to evaluate their Plans and play a role in ensuring that Rule 12b-1 fees are continuing to benefit investors.

It is our hope that the comments and suggestions provided in this letter will be helpful to the Commission in its analysis of the Rule. If we may provide any other

¹ Most of the financial services industry has already abandoned smaller investors indicating that it is not cost-effective to deal with such clients.

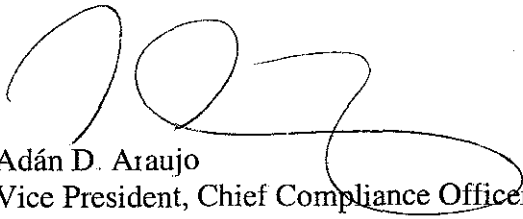
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information, please do not hesitate to contact us at hasimpson@firstcommand.com or adaraujo@firstcommand.com or to the address provided herein.

Sincerely,



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Executive Vice President, General Counsel and Secretary
First Command Financial Planning, Inc.



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