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Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Comments on Proposed Amendments to Certain Rules Relating to Money Market Funds - Release No. IC-28807; File No. S7-11-09

Dear Ms. Murphy:

The comments set forth in this letter are being submitted by the undersigned on behalf of the Board of Trustees (the "Trustees") of the Pennsylvania School District Liquid Asset Fund (the "Fund").

Summary

The Fund is an entity established by public school districts in Pennsylvania to provide its participants with current income while preserving capital in a manner compatible with the needs and requirements of public school and local government entities in Pennsylvania. Although Rule 2a-7 (the "Rule") does not apply to the Fund, the Fund nonetheless views the Rule as an important guideline for the appropriate conduct of the Fund's operations and considers it to be an important factor in maintaining stability in the multi-trillion dollar portion of the financial markets in which money market funds play a significant role.

The Fund's comments in this letter principally respond to the Commission's request for interested persons to submit comments on the advisability of further possible fundamental changes to the regulatory structure governing money market funds, namely (i) a change from a stable net asset value format to a floating net asset value format and (ii) the introduction of a requirement for mandatory redemptions in kind by money market funds in certain circumstances. The Fund is opposed to both such further possible fundamental changes.

The Fund also submits comments in this letter (i) in support of the Commission's proposed changes to Rule 17a-9 to permit affiliated persons of a money market fund to purchase portfolio securities from a fund and (ii) in opposition to possible changes to Rule 2a-7 to require the disclosure of market-based net asset values per share and market-based prices of portfolio securities.

The Fund

The following brief description of the Fund is provided in order to clarify the perspective from which the Fund is submitting its comments and underline its material interest in the Commission's proposals regarding money market funds.

The Fund is a common law trust organized and existing under the laws of the Commonwealth of Pennsylvania, in accordance with provisions of the Pennsylvania Intergovernmental Cooperation Act and provisions of the Pennsylvania Public School Code of 1949, as amended (the "School Code"). The Fund provides various investment programs for the benefit of its participants, all of which are either public school or local government entities in the Commonwealth of Pennsylvania.

The Fund is governed by eleven Trustees, nine of whom are elected by the Fund's participant public school and local government entities. To qualify for election as one of the nine elected Trustees, a candidate must be either a member of his or her local Pennsylvania public school entity's board or a school business official employed by a Pennsylvania public school entity. In addition, the respective Executive Directors of the Pennsylvania School Boards Association and the Pennsylvania Association of School Business Officials serve as Trustees of the Fund and such associations act as sponsors of the Fund.

The Trustees have engaged (i) Bankers Trust Company N.A. of Des Moines, Iowa as the Fund's Administrator, (ii) Voyageur Asset Management Inc. of Minneapolis, Minnesota as the Fund's Investment Adviser, and (iii) PNC Bank, National Association of Pittsburgh, Pennsylvania as the Fund's Custodian.

Each of the eleven Trustees serves without compensation and is independent of the Fund's Administrator, Investment Adviser and Custodian.

The Fund was organized in 1982 and is the subject of No Action Letters from the Commission's Division of Corporation Finance and Division of Investment Management, dated February 25, 1982.

The general objective of the Fund is to provide current income for its participants while preserving capital by investing only in instruments authorized by Section 440.1 of the Pennsylvania Public School Code which governs the temporary investment of funds by public school entities. Accordingly, the portfolios of its various Series at all times consist solely of instruments in which Pennsylvania public school entities are permitted to invest funds temporarily pursuant to Section 440.1 of the School Code. Such instruments are set forth in the School Code as follows:

(i) United States Treasury bills;

(ii) Short-term obligations of the United States Government or its agencies or instrumentalities;

(iii) Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository;

(iv) Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; and

(v) Shares of certain investment companies registered under the Investment Company Act of 1940 and the Securities Act of 1933 which invest only in instruments listed in clauses (i) through (iv) above and repurchase agreements fully collateralized by such investments, maintain a constant net asset value per share in accordance with Rule 2a-7 and are rated in the highest category by a nationally recognized rating agency.

The Fund has multiple Series, most of which have fixed terms and portfolios comprised of investments that mature on the same date as the Series. In addition, the Fund has two Series which maintain a stable net asset value of $1.00, the Liquid Series and the MAX Series, that are intended for liquid investments by participants in the Fund. Both of these stable net asset value Series have AAA ratings from an NSRO (Standard & Poor's) and both comply with the various requirements regarding such factors as portfolio average dollar weighted maturity (currently 60 days) that are necessary to receive and to maintain such NSRO rating.

Response to the Commission's Request for Comments on Possible Further Fundamental Changes to the Regulatory Structure Governing Money Market Funds

Rule 2a7 and its importance to the Fund. The Fund came into existence a year before Rule 2a-7 (the "Rule") was promulgated in its original form by the Commission in 1983. While the Rule does not apply to the Fund directly, the Fund nonetheless has recognized the value and purpose of the Rule (and certain related rules) by analogy, and it has operated its two stable net asset value Series in general compliance with the principles and policies embodied in the Rule. Over the years, the Rule has provided a useful baseline to the Fund to evaluate the manner in which the Fund's money market activities take place, including the procedures that the Fund employs to reduce and control the risk that it might "break the buck."

Accordingly, proposals for significant changes to the Rule are important to the Fund as a part of its ongoing analysis of its own operations and in light of the Fund's concerns for safety and liquidity in the investment marketplace as a whole. The Fund is particularly cognizant that changes in the Rule may have a significant impact on the pricing and other aspects (such as trading) of the securities in which the Fund invests and the markets with which it has operational involvement as an investor on a daily basis.

In addition, the Fund notes as a preface to its comments that each of its participant Pennsylvania public school and local government entities effectively constitutes an institutional investor with an institutional investor's market needs. Finally, the Fund notes that each of its participants operates with an annual budget produced through an institutional budgetary process that has been developed after taking into account the participant's experience in prior fiscal years as well as its projections with respect to current and future fiscal years. The budgetary processes and disciplines applicable to its participants mean that the Fund's various Series have been developed to coincide and coordinate with the budgetary schedules and needs of those participants.

Thus, the Fund's two stable net asset value Series are used by the Fund's participants for the investment of their short term monies within the context of an annual budget process that takes place under the public scrutiny and oversight of the officials, residents and taxpayers of each participant throughout each fiscal year. It is important to note that, on the whole, the investment horizon for the Fund's participants is limited to one year at a time and that the two stable net asset Series value are important tools for the efficient and safe management of the participants' short term liquid monies.

By using the Fund as an investment vehicle, the participants are able to avail themselves of the professional assistance and advice of the Fund's investment adviser and the availability of investment options at a generally more efficient and lower cost of implementation than would be the case if they each were required to conduct their own investment operations or simply rely on bank deposits. In the case of their short term liquid investments, if the participants relied primarily on bank deposits, each one would have to each concern itself about the availability and perfection of collateral arrangements that are required under the School Code for the uninsured portions of their deposits, a function that the Fund's systems handle on a professional basis each day.

Potential Impact of a Floating Rate Net Asset Value. The Commission has requested comment on the possibility of eliminating the ability of money market funds to use the amortized cost method of valuation that allows for a stable net asset value. The Fund opposes such a change to the Rule. As noted above, although the Rule does not apply to the Fund, the Fund nonetheless considers the Rule to be an important guideline in the establishment and application of its own operational practices and precautions.

While a change in the Rule to eliminate the use of the amortized cost method of valuation by registered money market funds would not require the Fund itself to cease using such method for the two stable net asset value Series of the Fund, such a change in the Rule might be interpreted by some as setting a new guideline that should be followed even by entities such as the Fund.

The advantages of the two stable net asset value Series within the Fund's menu of available programs include, *inter alia*, the convenience and safety that such stable net asset value Series offer to Pennsylvania's public school and local government entities in their financial planning and management processes. The Fund respectfully submits that, whatever advantages the Commission might conclude could result from a floating rate net asset value, such advantages would be more than offset by the unintended disruptive impact of such a floating rate on public school and local government entities if the Fund were to eliminate the stable net asset value feature of its Liquid and MAX Series. For example, the Fund's Trustees would have to face the quandary of consciously deciding whether or not to continue to use a method that has served the Fund and its participants safely and well for almost thirty years after the Commission has by dint of a change in the Rule determined that such a method should not continue to be employed by money market funds.

Other unintended disruptive consequences of a floating rate net asset value would include:

- needless complication of the financial reporting systems of public schools and local governmental entities to reflect variations of value that are inconsequential;
- a temptation on the part of Fund participants to avoid the reporting and accounting complications inherent in floating value by migrating to bank deposits which may not have the same level of protection and safety in place for each public school and governmental customer as the Fund in terms of collateralization of the uninsured portions of the deposit;

- the statutory contradiction between funds with a floating net asset value and the provision of the Pennsylvania Public School Code that authorizes investment in shares of certain investment companies registered under the Investment Company Act of 1940 and the Securities Act of 1933 which invest only in certain instruments listed in the School Code and repurchase agreements fully collateralized by such instruments, maintain a constant per share net asset value in accordance with Rule 2a-7 and are rated in the highest category by a nationally recognized rating agency – and similar contradictions that may arise under the laws of other states; and

- the addition of a wholly new cause for potential market volatility - namely the possible chasing of relatively insignificant differences in market value by investors – that could disrupt normal trading patterns with respect to the instruments in which money market fund portfolios are invested as investors are motivated to move from one fund to another.

Redemption in Kind. The Commission also has requested comment on requiring money market funds to satisfy redemption requests in excess of a certain size through in-kind redemptions. The Fund does not believe that redemption in kind offers the potential degree of benefit that would justify the potential detrimental impact of such a mandated procedure. While the Fund recognizes that the organizational documents of various money market funds permit the implementation of a redemption in kind program under various circumstances, it is difficult to conceive of a justification for redemption in kind to be mandatory.

Indeed, the Fund believes that such an approach could have disruptive effects on the marketplace and lead to a significant degree of investor uncertainty. A myriad of practical questions arise:

- How would the securities within a money market fund portfolio be allocated among the various investors in the fund?

- How would possible rapid variations in value of the portfolio securities taking place while the securities are being distributed to investors be taken into account?

- Would an allowance be made so that the investors would be compensated for the costs they incur in disposing of securities distributed to them on an in kind basis?

- What would the impact be on the markets of the selling of securities by an investor – even a large investor – that may not have the personnel or facilities in place to sell such a security?

- How would small investors be treated in relation to large investors?

- Would fears of the prospect of a mandated redemption in kind cause premature or unjustified "runs" on a fund?

- Even if the operational problems of transferring a portfolio security to an investor through the maze of DTC and similar requirements could be handled smoothly, would the result of a redemption in kind be that investors would find themselves in distressed price sale situations that might have an adverse impact on the overall credit markets as well as themselves?

The Fund respectfully submits that mandating redemption in kind would be akin to the proverbial use of a fire axe to slice a loaf of bread.

Comment on the Proposed Disclosure of Market-Based Net Asset Values Per Share and Market-Based Prices of Portfolio Securities

The Commission has requested comment on whether money market funds should be required to disclose the market-based net asset value per share and the market-based prices of their portfolio securities on their websites in conjunction with the disclosure on a monthly basis of their portfolio holdings. The Fund strongly supports the posting of portfolio holdings on a fund's website on a monthly basis and would support even more frequent disclosures of portfolio holdings. However, the Fund respectfully opposes a proposed change to the Rule that would require the posting of market valuations.

The "shadow pricing" of a fund must be monitored by the board of the fund and the fund's applicable professional advisers to be sure that the market valuations are within the narrow range of acceptable deviation from a valuation that supports a $1.00 per share stable net asset value. If the deviation is beyond that narrow range, the board is required to act. Any information that would be posted on the website might be misleading to the applicable fund's investors, particularly since it would unavoidably be out of date if it was not posted on a continuing real time basis. Providing such rapidly changing out of date information to investors might be misleading and might result in precipitate action by an investor. If the Commission has concerns about the relationship of the market valuations of portfolio securities to the per share net asset value of money market funds, the appropriate approach would be to address those concerns through the consideration by the Commission of portfolio quality standards and market value deviation thresholds and not by the provision of potentially misleading information to investors.

Comment on the Proposed Change to Rule 17a-9

The Fund supports the proposed change to Rule 17a-9 that would expand the exemption currently in Rule 17a-9 that permits affiliated persons to purchase portfolio securities that are no longer eligible securities to permit affiliated persons to purchase other portfolio securities from an affiliated money market fund for cash at the greater of such security's amortized cash value or market value provided that such affiliated person promptly remits to the applicable fund any profit it realizes from the later sale of such security (the "claw-back"). Such a change would facilitate the taking of quick action by a fund and the applicable affiliated person in the event of a rapidly evolving credit or operational situation.

The Fund does note, however, that it believes that the claw-back is not essential in all circumstances and respectfully suggests that the Commission should consider not applying the claw-back if the independent directors of the fund in question conclude, prior to or following the purchase of a security by an affiliated person, (i) that the security is (or was at the time of the sale to the affiliate) one that presents an inappropriate level of credit risk or (ii) that the sale to the affiliated person was of material assistance in enabling the fund to respond to redemption requests in a timely and efficient manner.

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Please accept the appreciation of the undersigned and the Trustees for your consideration of the comments above. Please contact the undersigned if you have any questions regarding this letter.

Respectfully yours,

Thomas R. Schmuhl

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