Subject: Comment on "Mutual Fund Distribution Fees; Confirmations" (SEC File Number S7-15-10)
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The SEC synopsis of the fee structures of Class A and B load funds was educational for me. I would say, though, that the proposed change to have the Class B additional ongoing sales charge w/optional CDSC lapse when they reach the maximum front end load charge, is somewhat biased against Class A shareholders due to the time value of money. There is a general theorem based on convexity (Jensen's inequality if I remember my college math right) that says that for a fixed rate of return on the underlying investments, the Class B shareholders come out a bit ahead in this setting. For example, with a Class A front end load of 3%, a Class B ongoing sales charge of 1% per year, a mutual fund service fee of 1% per year for both, and quarterly reinvestment, the table below shows that the SEC proposal, which would terminate the Class B sales charge at the 3 year mark, leaves those Class B shareholders ahead of their Class A counterparts. In this case, and all others that I’ve run it takes an extra quarter’s extension of the Class B ongoing sales charge in order for Class A to come out ahead.

Return	4.0%
A Load	3.0%
B sales chg	1.0%
Principal	$100.00
Nper/Yr	4
Svc fee	1.00%

					Y1				Y2				Y3	
	W/Load	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
A	$97.00	$97.73	$98.46	$99.20	$99.94	$100.69	$101.45	$102.21	$102.98	$103.75	$104.53	$105.31	$106.10	$106.90
B	$100.00	$100.50	$101.00	$101.51	$102.02	$102.53	$103.04	$103.55	$104.07	$104.59	$105.11	$105.64	$106.17	$106.70

With Class A funds, the investor is taking on the most risk by paying the load up front, thereby putting less of their money to use. They should, in all fairness, get the most reward for their risk. I would respectfully ask that the ongoing sales charge be allowed to extend at least one more deduction period beyond the SEC’s current proposed time limit.