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Arthur F. Grant
President

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OFFICE OF THE SECRETARY

November 3, 2010

U.S Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn: Elizabeth M. Murphy, Secretary

Re: Mutual Fund Distribution Fees: Confirmations – Release Nos. 33-9128; 34-62544; IC-29367; File No. S7-15-10

Dear Secretary Murphy,

Following are our comments about the major elements of the proposals:

1. First and foremost, we object to elimination of the current mutual fund pricing structure. It has served investors well and to eliminate it would disrupt the industry immensely. We will acknowledge that it might result in reduced costs for middle and large investors, but it will result even more profoundly in reduced service and guidance for them. Investors with less than, for example, $100,000 of investments will find themselves relegated to "no-help" means of investing. They should not be cast adrift simply because regulators have decided that they shouldn't have to pay a certain amount for the guidance they receive.

   As a model for what to expect, we refer to May 1, 1975 when fixed commissions on the exchanges were eliminated. Ultimately, it became much less expensive to transact stock purchases and sales. It also became much more difficult to obtain individualized guidance or recommendations on what or when to buy or sell. Today, an investor must have significant assets in order to receive attention from an individual at a major brokerage firm and many of the small, mid-sized, or even large independent brokerage firms have merged or been acquired by large impersonal institutions.

   Many investors have shifted to discount brokers and attempted to do it themselves. Despite advertisements to the contrary, I doubt that the average telephone technician, or teacher, or middle manager is happy with their success and the hours that have been absorbed by doing it on their own.

   Mutual funds provide many flexible ways to buy shares with a variety of share classes and load-waived provisions for advisory accounts. No-load funds are numerous. I am not aware of a ground-swell of objections to the current structure. We suggest that the SEC not attempt to fix what isn't broken and risk that infamous reaction, the "unintended consequence".

2. We believe that an acceptable goal of any regulation might be to improve the quality of service to investors and prevent abuse, such as churning or unsuitable recommendations. Eliminating class C shares will not, in our opinion, accomplish that objective. Advisors recommend class C shares for various reasons, including putting 99-100% of the amount invested to work right away.

   But they also recommend class C shares in order to provide ongoing compensation that is adequate for the amount of service that they typically provide. Because of the mandatory disclosure requirement, clients are aware of the charge and they accept it. If the representative must have that amount of income in order to provide the level of service and still make a profit, it is logical that he or she has only two choices if the proposal is adopted: either reduce the level of service or find another way to maintain the income.

   It is likely that many investors who would have bought class C shares will become investment advisory clients and will be charged a fee of at least 1% per year. That is the marketplace at work. Other investors will lose the level of service that had previously been provided. Referring to comment #1, smaller investors will not be economical to deal with.

3. The proposal includes reassurance for the continuation of the .25% "trail". We are certainly in favor of that. Its portrayal, or title, is not critical as long as it is clear and informative to investors.

   I have been in the investment business for almost 45 years and I remember very well what happened in market declines prior to the initiation of 12b-1 trails. Too many retail brokers abandoned their clients and refused to take complaining phone calls. They did not have an incentive to maintain a relationship with an unhappy client.

   Today, representatives maintain an ongoing relationship with their clients, providing guidance and explanations during market fluctuation. They have an ongoing incentive. Rather than seeing mass exodus from investment business during bad times, we see representatives who can still pay their mortgage and provide for their families while they provide service for a relatively modest but important level of compensation. The 12b-1 fees have injected a level of stability in what was once a brutally volatile business.

I confess to being puzzled by the proposal, though. The sole objective seems to be to reduce costs to investors, and income to the investment community. Even beyond our comments on the three predominant aspects of the proposal, we don't think that, as a matter of principal, regulations should serve the primary goal of simply reducing the retail cost of investment or advisory financial services any more than the government should determine the price of automobiles or airline tickets or legal services or real estate transactions. Inherent in the proposal is the opinion that investors don't receive the value for which they are paying, but such a perspective is up to the consumer — not the regulator.

I appreciate the opportunity to comment on the proposal.