

# BERTOLET CAPITAL LLC

1414 AVENUE OF THE AMERICAS, STE. 900 • NEW YORK, NY 10019  
(212) 508-4537 • FAX (212) 752-8875 • WWW.PINNACLEVALUEFUND.COM

June 16, 2006

S70304-295

RECEIVED

ES116910

2006 JUN 21 AM 10:37

Mr. Christopher Cox  
Chairman  
Securities & Exchange Commission  
Washington, DC 20549

CHAIRMAN'S  
CORRESPONDENCE UNIT

re: mutual fund independence standards

Dear Chairman Cox,



As the advisor to a small mutual fund, the Pinnacle Value Fund, I am writing to encourage you not to adopt the standards which would require that 75% of a fund's board and the board chairman be independent. Our reasons include:

1. We do not see why mutual funds should be treated differently from other companies which offer shares to the general public. We feel it is discriminatory to hold funds to a higher standard than other public companies where abuses have sometimes created huge shareholder losses (Adelphia, Enron, Tyco and Worldcom for starters). If you wish to hold funds to a higher standard, let's be fair and hold all public issuers to the same standard.

2. It has not been shown that funds with an independent chair have better performance or lower fees than those without. Abuses have occurred at funds with independent chairs (i.e. Putnam) and those without independent chairs (i.e. Strong). As you know, several large fund families (Fidelity, Franklin-Templeton, Pimco, T. Rowe Price, Vanguard) are strongly opposed to the standards believing (as do I) that boards should be allowed to choose the most qualified person as chairman regardless of affiliation.

3. As a small fund with \$20 million in assets, the independent chairman rule puts an unnecessary burden on the fund's sole employee (me) who performs many roles (portfolio, marketing, administrative, compliance) in order to keep our expense ratio low. This allows Pinnacle to compete against many large fund families which have significant resources and staffs to devote to various fund functions. Adoption of the rule would require valuable time and resources placing us at a competitive disadvantage.

While we have gladly complied with the new rules to protect fund shareholders, we urge you not to adopt the independence standards. We feel they are unfair to all funds (vs. other public companies) and place small funds, in particular, at a competitive disadvantage. Thank you, we're grateful for your time and consideration.

Sincerely,

*John E. Deysler*  
John E. Deysler  
President