

# PINNACLE VALUE FUND

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CHAIRMAN'S  
CORRESPONDENCE UNIT

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

re: mutual fund independence standards

Dear Chairman Cox,

As the advisor to a small mutual fund (Pinnacle Value Fund), we are writing to encourage you not to adopt the mutual fund independence standards which would require that 75% of a fund's board and the chairman be independent.

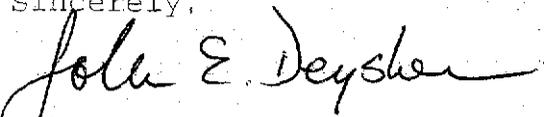
We read the two papers prepared by the Office of Economic Analysis (OEA) relating to mutual fund board independence.

The first, Power Study as Related to Independent Mutual Fund Chairs, appears to conclude there are no demonstrable economic benefits (performance, fees, etc.) to having an independent chair and that there is no relationship between a fund's board being led by an independent chair and better outcomes for fund investors.

The second, Literature Review on Independent Mutual Fund Chairs and Directors, indicates there is no consistent evidence that funds with independent chairs have lower fees or better performance. The paper further states the literature provides no clear guidance on the best structure for a fund board and that what works for one fund complex may be inappropriate for another. The data does not indicate the superiority of any particular board structure.

While we have readily complied with new SEC rules to protect fund shareholders, we urge you not to adopt the independence standards. We feel there is no empirical evidence that funds with an independent chair have better performance or lower fees than those without. We feel the standards are unfair to mutual funds by holding them to more stringent standards than other public firms where aggrigious behavior damaged many shareholders. Finally, we feel the standards place small funds like ours at a competitive disadvantage to large fund complexes which have significant compliance budgets and staffs to deal with these issues.

Thank you for your thoughtful consideration of this matter.

Sincerely,  
  
John E. Deysher  
President