

## STI Classic Funds

April 10, 2006

Nancy M. Morris  
Secretary  
U.S. Securities & Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303

Re: Mutual Fund Redemption Fees  
SEC Release No. IC-27255 (the "Release"); File No. S7-06-06; File No. 4-512

Dear Ms. Morris:

On behalf of the STI Classic Funds and Variable Trust family of mutual funds ("STI Classic Funds"), I would like to express our views on the above-referenced Release pursuant to which the Securities and Exchange Commission ("Commission") proposes to amend Rule 22c-2 under the Investment Company Act of 1940 (the "Rule"). As of December 31, 2005, the STI Classic Funds held assets of approximately **\$ 32 billion**, with more than **98,000** individual and institutional accounts. As such, the Rule is of great interest to us.

For the reasons discussed below, the STI Classic Funds strongly urge the Commission to reconsider and extend the Rule's October 16, 2006 compliance date.

### **Shareholder Information Agreements With Financial Intermediaries**

The STI Classic Funds appreciate the Commission's understanding of the difficulties the industry faces in complying with the Rule and we welcome the proposed amendments designed to reduce the costs of the Rule's compliance and clarify certain applications. However, we are concerned that the structural requirements of the rulemaking process will have the unintended effect of shortening the time period necessary for Funds to enter into Shareholder Information Agreements ("Agreements") with first-tier intermediaries.

The comment period for proposed amendments to the Rule will be open until April 10, 2006 and the Commission will then need to review and evaluate those comments. The Commission may not be in a position to issue the final amended Rule until late Spring 2006 and the resulting impact of this truncated timeline carries significant risks to the Funds and their shareholders.

Large Funds maintain hundreds of first-tier intermediary relationships, and we are seriously concerned with our ability to adequately and effectively implement the final Rule under current deadlines. Should the STI Classic Funds choose to revise and renegotiate Agreements with intermediaries prior to the Commission's final Rule statements, the language content may not be adequate to comply with the revisions. Even if the Rule only necessitates a short amendment to the Agreements, all efforts would require duplicative actions and related costs and time will have been wasted.

The alternative is that the STI Classic Funds refrain from disseminating the Agreements to intermediaries until the Rule is finalized. However, if the final amended Rule is not adopted until late Spring 2006, it is likely that we will not have sufficient time to obtain the required Agreements and implement the necessary manual and technical compliance programs.

In addition, because of all the uncertainty and possibility of duplicative efforts, the STI Classic Funds believe that intermediaries will not even begin reviewing and negotiating Agreements until the Commission completes its Rule discussions. Thus, the significant time and expense invested in this effort by the STI Classic Funds prior to a finalization of the amended Rule could have little or no benefit.

The STI Classic Funds also believe that the use of industry standard Agreement text, such as the Investment Company Institute's ("ICI") Model Contractual Clauses ("ICI Model Agreement") will not resolve the timing issue.<sup>1</sup> On March 13, 2006, the ICI issued a Rule 22c-2 Sample Mutual Fund Agreement Package for Intermediaries ("ICI Package"). However, included in the ICI Package was a Memorandum indicating that the proposed amendments to the Rule would require revisions to the ICI Model Agreement. Thus, even if the STI Classic Funds choose to use the current ICI Model Agreement, there is a risk that the final Rule could differ from the proposed amendment. Also, we strongly believe that many of the larger intermediaries will eschew the ICI Model Agreement in favor of their own proprietary agreements. This is particularly worrisome because the time and effort required to negotiate the Agreements could be much more substantial than originally thought. The negative impact to shareholders is that the Funds would have to switch to redemption only status for those intermediaries with outstanding Agreements, preventing all new and additional shareholder investments through those entities.

Furthermore, even the reference to the presence of an "industry standard" text is something of a misnomer. The SPARK Institute, Inc. has promulgated a competing sample contract for retirement plan services providers.<sup>2</sup> The SPARK sample contract differs substantially from the ICI Model Agreement. This presence of competing model agreements could also increase the time and effort required to negotiate the Agreements.

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<sup>1</sup> The ICI issued the Model Agreement in late December 2005. The ICI Model Agreement was drafted in consultation with the Securities Industry Association.

<sup>2</sup> The SPARK Institute issued its sample contract in February 2006.

Finally, industry-wide conversations with vendors, indicate that their technologies are seriously lagging and far from perfected. Without additional time to work through the myriad of systems and compatibility issues, mutual fund complexes and intermediaries may not be able to adequately monitor and supervise the process of fully complying with the revised Rule.

### **Conclusion**

For the reasons mentioned above, the **STI Classic** Funds strongly urge the Commission to reconsider and extend the October 16, 2006 compliance date. We believe that the compliance date should be extended for a minimum of six months after the final amended Rule is adopted.

We appreciate the opportunity to submit comments on this Release. If you have any questions or if you need additional information, please feel free to telephone me at STI Classic Funds. 404.581.1656.

Sincerely,

**Deborah A. Lamb, EVP  
Chief Compliance Officer  
STI Classic Funds**