

MEMORANDUM

TO: Public Comment File No. S7-20-03

FROM: Adam B. Glazer
Office of Regulatory Policy
Division of Investment Management

DATE: January 26, 2007

Between the end of October 2006 and the beginning of November 2006, I contacted representatives of seven mutual fund complexes to update the time and cost figures of proposed rule 15a-5 (Investment Company Release No. 26230 (Oct. 23, 2003)) in order to extend the Commission's approval under the Paperwork Reduction Act, as well as to ascertain the time and costs associated with certain possible revisions to proposed rule 15a-5 that were recommended by comment letters filed with the Commission. I spoke with representatives of the following fund complexes: Agile, American Beacon, Frank Russell, Memorial/Monteagle, Mercer Global, Charles Schwab, and SEI.

Based on the discussions with the fund representatives, on average: (i) three registered funds in each fund complex rely on the manager of managers order; (ii) each fund relying on the rule hires three new subadvisers annually; and (iii) each fund would spend 5 hours per subadviser change to discuss the reasons for a change in subadvisers in a prospectus supplement delivered to shareholders and filed with the Commission. On average fund representatives estimated that the cost of including the reasons for a change in subadvisers in a prospectus supplement would be \$1,000 per prospectus supplement.