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November 5, 2010

VIA E-MAIL RULE-COMMENTS@SEC.GOV

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

Subject: Stradley Ronon Stevens & Young LLP ("Stradley Ronon") comments on
File No. S7-15-10, Release No. IC-29367 (the "Release")

Ladies and Gentlemen:

Stradley Ronon submits this letter in response to the request for comments made by the Securities and Exchange Commission (the "Commission" or "SEC") in the Release, which proposes a new rule (Rule 12b-2) and rule amendments that would replace Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act"). Stradley Ronon maintains one of the premier investment management practices in the United States, representing investment company clients with more than 700 separate funds and assets under management approaching nearly \$1 trillion. Over 50 years ago, Stradley Ronon name partner, the late Andrew Young, reviewed the legislation that ultimately became the 1940 Act and helped establish one of the first mutual funds in the country. This letter expresses the views of Stradley Ronon and not necessarily those of any client.

1. Role of Fund Boards of Trustees

We support the Commission's proposal to relieve fund trustees of some of their current obligations under Rule 12b-1, including annual reviews of Rule 12b-1 plans and the related required considerations and determinations and quarterly reviews of the amounts expended under Rule 12b-1 plans and the purposes therefor.

We believe, however, that the proposed guidance regarding the role of fund trustees in setting and reviewing sales charges, including that such charges be found to be fair and reasonable in light of the usual and customary charges, represents a significant departure from the historic role of fund trustees. In our experience, most fund boards do not annually include a

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review of the level of a fund's sales charges (including front-end sales charges and CDSCs) as part of the annual review of a fund's underwriting agreement, except to acknowledge receipt of compensation through such charges, principally because these fees are not paid out of a fund's assets and have generally been set by the underwriter in response to market forces and in accordance with the underwriting agreement. As the SEC acknowledged in the Release with respect to payments to financial intermediaries, we also believe that fund trustees lack the bargaining power or knowledge to negotiate effectively the level of sales charges. Imposing the obligation on fund trustees now to make the proposed findings with respect to such charges as if they were payments for services rendered to the fund (e.g., custody, transfer agency, fund accounting) would represent a significant additional obligation for, and burden on, fund trustees and could potentially result in unwarranted and unnecessary litigation. We also believe that the proposed guidance is inconsistent with the purposes underlying the proposed amendments to Rule 6c-10 and that the guidance could complicate significantly a fund board's decision to offer such a class at net asset value along side share classes with the more traditional sales load structure. Finally, we believe that the fund sales charges have been adequately regulated by FINRA's rules for many years.

2. Shareholder Voting with Respect to Grandfathered Classes

In the Release, the Commission states that for funds that convert current 12b-1 share classes to conform with proposed Rule 12b-2, shareholder approval would not be required if the fund "currently deducts from fund assets annual 12b-1 fees of 25 basis points or less and does not increase the rate of the fee or (ii) reduces the amount of the 12b-1 fees it currently deducts to an annual rate of 25 basis points or less and renames the 12b-1 fee a 'marketing and service fee.'" We concur with the Commission's view that shareholder approval in these circumstances should not be needed but request further clarification from the Commission on how this guidance would apply to "compensation-type" vs. "reimbursement-type" 12b-1 plans. Funds that currently have reimbursement-type 12b-1 plans and charge 12b-1 fees equal to or in excess of 25 basis points may wish to convert those fees to "market and service fees" of 25 basis points or less. However, because such plans are "reimbursement-type" plans, in some instances the actual amount reimbursed may have fallen below the maximum amount permitted in any one fiscal year. Because of this possibility, many funds, when considering converting "reimbursement-type" plans to "compensation-type" plans, have sought shareholder approval, even if the maximum amount payable has not increased, on the theory that shareholders under a compensation-type plan always pay the maximum amount. We request that the Commission clarify, should Rule 12b-2 be adopted, that any Rule 12b-1 fees paid pursuant to reimbursement-type plan be treated the same as those paid pursuant to a compensation-type plan in terms of being able to convert to market and services fees without shareholder approval.

3. Clarification of Payment of Non-Distribution Expenses

In footnote 153 to the Release, the SEC references that some funds may pay for non-distribution expenses under rule 12b-1 plans. We request that the Commission affirmatively

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confirm the guidance given by the Staff of the SEC to the Investment Company Institute regarding mutual fund supermarket fees (Investment Company Institute no-action letter (pub. avail. October 30, 1998)). Thus, if a fund board determines that certain services currently paid under a rule 12b-1 plan are not distribution or marketing related, such services could continue to be paid for directly by a fund outside of the proposed Rule 12b-2 marketing and services fee.

* * *

We appreciate the opportunity to comment on the proposed Rule and amendments. If you have any questions about Stradley Ronon's comments or would like any additional information, please contact the undersigned at 215-564-8037.

Yours truly,



Kristin H. Ives

cc: The Honorable Mary L. Schapiro
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

Andrew J. Donohue, Director
Division of Investment Management