November 5, 2010

SUBMITTED ELECTRONICALLY

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

RE: Request for Comments; Mutual Fund Distribution Fees (File No. S7-15-10)

Dear Commissioners:

We are writing regarding the Commission's proposal for a new Rule 12b-2 and other rule amendments to replace Rule 12b-1 under the Investment Company Act. As a firm of financial advisors, we recognize the need to re-assess Rule 12b-1 and appreciate the opportunity to play a role in this process. We also applaud the Commission's efforts to increase transparency and competition; however, we are concerned that the caps on the "marketing and service fee" and "ongoing sales charges" under the current proposal will limit the ability of advisors to service middle-income Americans.

As background, since its inception more than 50 years ago, First Command's focus has been serving the financial planning needs of middle-income Americans (primarily military members and their families). While we understand that the current uses of Rule 12b-1 fees have strayed somewhat from their original purposes, we submit that any rule changes must consider the effect on access to financial services for middle-income Americans.[1] Rule 12b-1 was enacted at a time when the effort and cost associated with marketing and distributing mutual funds was well understood, but the nature of the ongoing relationship between advisor and mutual fund investor was perhaps not well anticipated. Mutual fund companies today primarily use Rule 12b-1 to compensate advisors for post-sale support and service to fund shareholders (i.e., providing guidance and answering inquiries regarding account status, fund attributes and holdings, fund allocation, and concerns about market fluctuations and current events, etc.). When dealing with smaller investors (i.e., middle-income Americans), Rule 12b-1 fees provide the primary source of compensation for the time and effort necessary to deliver ongoing

[1] While C Shares will be the class of fund shares most affected, and First Command does not recommend C Shares except in rare, very limited circumstances, we are concerned about regulatory mandates that remove the ability of investors and industry entities to agree on pricing structures that allow for service at fair, fully disclosed fees. By limiting choices, such mandates often have unintended consequences that hurt the very investors who the government is trying to protect.

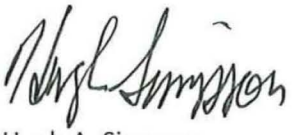
support and service. If Rule 12b-1 fees are eliminated or significantly reduced, even fewer advisors will be in a position to do business with these smaller investors. Consequently, these investors may be deprived of important investment advice. Recent times have shown that smaller investors are the ones who need the professional expertise the most and the lack of access to a competent advisor can have devastating consequences. Most smaller investors lack the ability to wade through the investment waters alone, and they usually lack the means to pay direct fees for investment advice. As such, limiting their ability to access professional advice even further would not be a productive change.

As an aside, we note that most smaller investors are already being ignored by the financial services industry on the grounds that it is not cost-effective to deal with such clients (due to the lack of assets and profitability). If the Commission limits 12b-1 fees, there will be even less incentive for financial services firms to work with middle-income Americans.

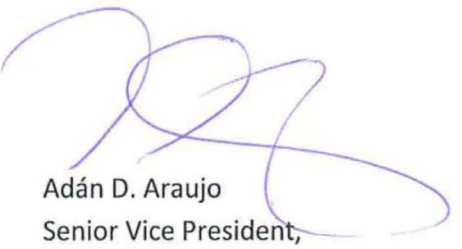
We believe that the problem is not that investors are being overcharged, but that they do not sufficiently understand what they are paying for due to the lack of effective disclosure. For example, Rule 12b-1 fees are currently disclosed in a standardized fund table at the front of the prospectus. However, other than a brief reference to "12b-1 fee," there is no further clarification regarding what this fee is for. With this in mind, we support the Commission's proposal to require greater disclosure and the separation of "marketing and service fees" and "ongoing sales charges" (although we oppose the Commission's proposed caps on these fees for the reasons noted above). Re-naming the cryptic and mysterious "12b-1 fee" to a term that corresponds to its purpose, i.e., "marketing and service fee" and/or "ongoing sales charge," would greatly improve transparency. And, given effective disclosure regarding these fees, investors should be trusted to make informed decisions when choosing between advisor-serviced funds with Rule 12b-1 or similar fees, no-load funds available directly from issuers, or other investment options (if they do not want to pay Rule 12b-1 fees). Investors are best served when they are given adequate information and allowed to choose the option that best suits them – not when their choices are unnecessarily restricted.

It is our hope that the comments and suggestions provided in this letter will be helpful to the Commission in its analysis of the current Rule 12b-1 and its proposal for a new Rule 12b-2 and other rule amendments. If we may provide any other information, please do not hesitate to contact us at hasimpson@firstcommand.com or adaraujo@firstcommand.com or at the address provided herein.

Sincerely,



Hugh A. Simpson
Executive Vice President,
General Counsel and Secretary



Adán D. Araujo
Senior Vice President,
Chief Compliance Officer