

RECEIVED
U.S. SECURITIES AND EXCHANGE
COMMISSION

JUN - 5 2007

MUTUAL FUNDS INVESTMENT COMPANY

- brokers for all leading mutual funds -

1500 Massachusetts Avenue, N. W.
Washington, D. C. 20005

OFFICE OF THE DIRECTOR
INVESTMENT MANAGEMENT DIVISION

Office: 293-1900

June 1, 2007

Chairman Andrew Donohue
Securities and Exchange Commission
100 F, St., NE
Washington, DC 20549

4-538-60

Dear Chairman Donohue:

a As a small, independent broker dealer, specializing in the re-tiling of mutual funds, I would strongly urge you to retain the 25 basis-point 12-B-1 fee even if the larger fees are rescinded.

The 12-B-1 fee was originally instituted in 1980 during a period of weakness in the securities markets that lasted from the late 1960's until 1982. The SEC and the industry were concerned about net redemptions of mutual funds over new sales and the consequent impact on the securities markets caused by the liquidations of fund positions to raise funds for meeting redemption demands. We avoided a meltdown during the 1970's and early 1980's in part because broker-dealers were able to receive 12-B-1 compensation for contacting mutual funds shareholders and discouraging them from redeeming their accounts. While broker-dealers could have telephoned their mutual-fund shareholders without receipt of a 12-B-1 fee, human nature being what it is, representatives may have been less likely to call a customer without some expectation of a monetary benefit. Remember that, in 1980, mutual funds were sold with front-end loads and without any commission of any kind for their redemption. Calling a client who has not added to an inactive account and does not seem to be a prospect for future purchases in a lackluster or declining market is not something that the average representative would be inclined to do.

The 12-B-1 concept worked during the 1980's and, arguably, laid the groundwork for a quarter-century bull market instead of a free-fall in market averages and even a market meltdown. It should be retained at a 25 basis-point level for this reason, as we are inevitably going to experience market volatility in the future.

The additional 12-B-1 fees that were imposed later, however, were not clearly justified and have degenerated into payment for order flow. Although we have not received these additional fees, many broker-dealers have chosen to recommend funds to customers because of their 12-B-1 fees instead of their suitability or investment return. This, in my judgment, borders on the unethical and should be brought to an end. However, I strongly urge you to retain the original 1980 12-B-1 fee of .25%, which is only \$2.50 per \$ 1,000 of client assets--a small price for anyone to pay for a stable market and relative freedom from the wholesale dumping of portfolio securities in a declining market.

Very truly yours,

R. Donohue, Principal Rep