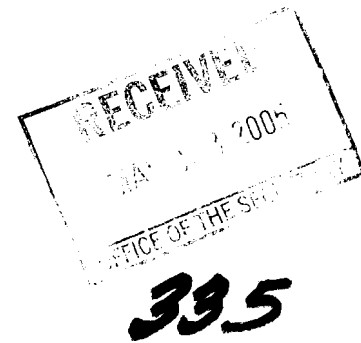


DIAMOND HILL
investments

May 16, 2005



Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: Mutual Fund Redemption Fees;
File No. S7-11-04

Dear Mr. Katz:

As a small fund complex, we are writing to express our concerns with the recently-adopted mutual fund redemption fee rule. We are a very small fund complex with six funds and only \$340 million in net assets. Substantially all of our shareholder accounts are held by a financial intermediary. The cost of compliance for a firm our size would be very significant and would likely cause a substantial increase in shareholder expenses.

We agree with and support the views expressed by the Investment Company Institute in its letter to the Commission dated May 9, 2005.¹ We are writing to emphasize the disproportionate impact that rule 22c-2 will have on small fund complexes.

There will be substantial costs and burdens associated with obtaining contracts as required by the rule. The term "financial intermediary" is broadly defined under the rule to include, among other things, *any* entity that holds shares in nominee name or maintains records for a participant-directed retirement plan. As a result, any account not registered specifically for a natural person potentially could be held by an intermediary for purposes of the rule. Identifying our universe of intermediaries, modifying existing agreements, and entering into new agreements containing the terms required by the rule will be a significant task.

The time and money we spend fulfilling the contract requirement can be better spent on other compliance efforts that more directly protect our shareholders. While we strongly support measures that will help us deter harmful short-term trading in mutual funds, we urge the Commission to consider whether a less burdensome alternative to the contract requirement in new rule 22c-2 is available.

Sincerely,

James F. Laird
President

Diamond Hill Funds

¹ See Letter from Elizabeth Krentzman, General Counsel, Investment Company Institute, May 9, 2005 (File name: ekren:zman050905.pdf)