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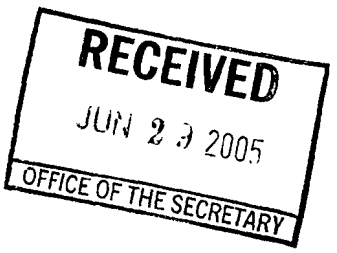
June 28, 2005

William Donaldson, Chairman
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549



Re: Agenda for Open Meeting to be held on June 29, 2005

Dear Chairman Donaldson:

I write in support of the Commission's determination to consider the costs of complying with the 75% independent director condition and independent chairman condition, and the disclosure alternative to the independent chairman condition, currently scheduled as item 3 of the Agenda for the Commission's Open Meeting to be held on June 29, 2005.

I am an independent trustee of a large mutual fund complex and a former lead independent trustee. In my experience as a trustee, I have had personal experience with the costs of having a supermajority of independent directors and an independent chairman, and the nature and content of disclosure documents filed by funds. My experience, however, pales in comparison to the knowledge of the Staff of the SEC's Division of Investment Management on these subjects given their access to broader industry data.

As an independent trustee, I encourage the Commission to complete the fund governance agenda as swiftly as possible in order to move forward on the rules adopted July 27, 2004. I have no doubt that the Commission has in its possession sufficient knowledge and information to satisfy the requirements of the remand order issued by the United States Court of Appeals for the District of Columbia Circuit in *Chamber of Commerce v. SEC*, No. 04-1300 (D.C. Cir. June 21, 2005). I understand that some believe that consideration on remand should await the appointment of a new SEC Chairman. In my view, however, these matters should be resolved promptly, so that fund boards can complete their governance modifications in light of the Commission's fund governance releases and recent best practice recommendations from the Mutual Fund Directors Forum concerning fund governance and board operations. Many funds have already undertaken modifications to comply with the rules and with best practice recommendations designed to improve independent directors' power and authority with respect to managing their oversight functions. Without regard to the emergence of a new SEC Chairman, changes in board constitution are still required to empower independent directors. The change in SEC Chairman should not delay the Commission's making the necessary findings as required by the remand order.

My views with respect to the cost of the 75% independent director and independent chairman conditions, and the disclosure alternative, are as follows:

- Many funds have already added independent directors to compensate for the increased workloads or more rigorous responsibilities resulting from other regulatory changes and increased civil litigation. Having an independent chairman is becoming a "best practice" in the industry. Thus, the cost of additional directors may be imposed whether or not the conditions are mandated.

- The nature of the inherent conflict between the adviser and a fund is tied in no small part to financial gains. Recent experiences make clear that disclosure alone is insufficient to address these types of issues. Thus, for example, disclosure of a fund's anti-market timing policies did not elevate violations of those policies to the adviser's compliance personnel and upward reporting to the funds' boards. Similarly, a management chairman recently failed to bring to the board's attention the details of an affiliated service arrangement that was clearly designed for management to "capture" the profit associated with the service function by subcontracting performance to the prior service provider at a substantially reduced cost.

- Whether a chairman is independent or interested is already disclosed in the required Management Information Table contained in each fund's Statement of Additional Information. Requiring more prominent disclosure of whether a fund's chairman is independent will not lessen the conflict or improve the ability of independent trustees to perform their watchdog function, or contribute in any meaningful way to shareholder understanding of the conflict or how it can be policed.

- Improved or additional disclosure of the chairman's status as independent or interested, either in the Prospectus or Statement of Additional Information, could be required in any case, but I believe these changes should be part of the Commission's consideration of a comprehensive restructuring of the disclosure regime for investment companies, a topic that has been discussed for some time.

Some management-chaired funds provide substantial governance structures designed to avoid or lessen the conflicts of interest that are the focus of the 1940 Act and have strong independent directors who participate in these processes. Conflicts of interest, however, are inherent in fund structures, and can be better addressed by empowering independent directors and independent chairmen to control a fund board's agenda. As many commentators have

previously noted, the independent chairman requirement does not mean that management directors will be unable to participate.

Moving the current disclosure requirement to a more prominent place will not contribute in any meaningful way to enhancing the role of independent directors in fund governance. Empowering independent directors, by requiring a 75% majority and an independent chair, is a more effective. While the costs of compliance may be significant for some smaller funds, the overall cost will be recouped by the improved oversight of the inherent conflicts and benefits to shareholders. I believe that the Commission can and should provide the information to support the conditions, and should do so promptly at Wednesday's meeting.

Respectfully submitted,

Carl Frischling

Carl Frischling

cc: Paul Atkins, Commissioner
Cynthia A. Glassman, Commissioner
Harvey Goldschmid, Commissioner
Roel Campos, Commissioner
Jonathan G. Katz, Secretary