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Jonathan A. Katz
Secretary, Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Reference: S7-03-04

Dear Mr. Katz:

I have served as an independent director of PIMCO Funds (PIMS Series) since 1987, though I resigned in 1992 for a three year period while I performed unpaid charitable service. I rejoined the funds board in 1995 and have served as Chair of the Audit Committee since shortly after that date. My background is finance and general management.

The purpose of this letter is to provide my views on proposed regulations under consideration for mutual funds. While I support the Commission's efforts to improve fund governance, there are however, some proposed regulations that I believe may create new problems rather than resolve existing difficulties.

I am concerned that the Commission may propose that an independent director be required to serve as chairman of the board of a fund group. In the U.S., board chairmen are typically full time employees who are considered part of management. A non-executive independent director who also serves as chairman may be considered part of management and this could lead to confusion as to whether he is serving as an independent chairman or in a management role. As you know, several of the funds that appear to have the most difficulty adhering to existing regulations already have an independent director serving as chair. Thus, in my view, fund governance will not be improved by requiring that the chair be an independent director.

More importantly, I feel this structure complicates the primary responsibility of a board, which is to provide meaningful oversight to management. If an independent director serves as chair, it blurs the separation of duties between management which is day to day operations, and the board, which is oversight. What is important is that each body fulfill its fiduciary responsibilities to investors/shareholders in a trustworthy manner, rather than by assigning titles in a way that is atypical, which could lead to confusion.

Management must be held accountable for operating practices and procedures and the attitudes that translate into day to day practices. With funds, this means compliance procedures must be effective, with proper penalties when they are disregarded; ethical behavior must be required, and appropriate actions taken when violated; controls must be sound and rigorously followed; personnel must be competent with training continuously provided; and third party service providers supervised, with appropriate controls and segregated duties. Very high standards of performance and conduct must be emphasized

and expected at all times and in all matters. These are the responsibilities of full time management. If directors are responsible for day to day operations it is difficult for them to exercise oversight responsibilities as they may end up supervising themselves. Directors must insist on the highest standards of operations and ethical conduct and focus their efforts on factors that will help insure that an organization operates accordingly. When lines of authority or duties between management and directors are not clear, it is difficult to fix responsibility and correct problems.

The Commission may want to propose regulations that will allow it to step in and make organizational changes that will improve the governance of a fund when there is a history of management not following correct procedures or a board is not providing effective oversight.

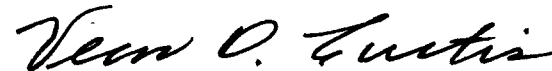
U.S. corporations, with some notable exceptions, have in most respects successfully delineated the responsibilities between management and boards. It seems to me that to mandate such an exception from what has generally been effective would be a mistake. Proposed regulations regarding board composition, lead directors, annual self assessment, separate sessions for independent directors, separate staff for independent directors, as necessary, and other proposals may be appropriate. In my experience, well managed and directed organizations have already instituted such practices. I've found that good directors step up and take the lead in areas where their experience makes them particularly able to provide leadership and direction when required. One lead director may facilitate this process; however, boards that operate well have a number of "lead" directors, depending on the circumstances. Good management encourages this process.

I have the same feelings as expressed above, regarding independent directors providing "certifications" to vast and complicated amounts of information. This is the duty of management and boards must insist that they fulfill this basic fiduciary responsibility. Boards; auditors, both independent and government agencies; and counsel must also fulfill their responsibilities of providing effective oversight and have the competence and tools to insist that standards be high and effective. Recognizing that each body has different responsibilities and duties enables checks and balances to be effective. Having both management and directors be responsible for the same things confuses matters and makes it difficult to fix responsibility and make changes when necessary.

A number of the proposals will assist in improving fund governance. It is important to distinguish between those that will help and those that may complicate.

Thank you for the opportunity to comment.

Sincerely,


Vern O. Curtis