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February 4, 2004

William H. Donaldson, Chairman
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Independent Chairs of Mutual Fund Boards
Good Intentions, Unintended Consequences

Dear Chairman Donaldson:

So far in the mutual fund debates, little attention has been given to small fund groups and the burden of increased regulation on them and the disproportionately higher costs to their shareholders given their smaller asset bases. Many new fund groups started up in the 1990s, funded by entrepreneurial portfolio managers breaking away from established firms, and they have been a dynamic force in creating jobs, introducing competition to giant fund complexes and providing choice to the investing public.

The relationship between a new fund and its investment adviser is unique in that they are financially linked. Although they are separate corporate entities, nevertheless, a fund does not come into existence unless sponsored by an investment adviser who is willing to front-end the startup costs including $100,000 seed money and organizational costs of at least that amount as well as cover ongoing operational expenses until a fund eventually breaks even at an asset level of several million dollars. With significant risk capital at stake, I doubt that any rational adviser would front-end the costs of launching a fund, and especially one that bears his or her name, if denied the chair of that entity. Imagine if Michael Dell could not chair his own company or if an entrepreneur could not chair the company he founded once it went public through an IPO.

Mandating that fund chairs be independent directors may have good intentions but unintended consequences. The introduction of new funds by entrepreneurs and the jobs that they create would be curtailed; higher barriers to entry and operational costs would likely force unwanted consolidation and leave the mutual fund industry in the hands of a few. A chair from the investment adviser is more efficient in setting a board's agenda, with the input of other directors, and collecting requested information on which to base decisions, than an independent director chair. Otherwise, the shareholders are likely to face higher expenses such as duplicative staffs and consultant reports and higher director and insurance fees.

Large fund groups may complain about higher regulatory costs but at least they can spread these incremental costs over large asset bases. They will also be quietly thrilled to benefit from the elimination of startup competitors and from reduced competition from smaller funds with less competitive cost structures by virtue of the greater impact of higher regulatory compliance costs on their smaller asset bases.

Enforcing existing laws should go a long way to achieving an honest playing field, especially in the wake of recent publicity, before destabilizing and raising the cost structure of the mutual fund industry.

The basic concept of a mutual fund remains solid in that a fund provides a pooled investment vehicle for investors to participate in the financial markets with economies of scale and under daily supervision by professional management. Performance, net of fees, can be tracked daily in the financial press. It would be a pity for excessive regulation to stifle the overall industry most of which is overwhelmingly staffed by decent law-abiding persons.

Sincerely,

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OFFICE OF THE SECRETARY

Elizabeth R. Bramwell, CFA
President, Bramwell Funds, Inc. and
Bramwell Capital Management, Inc.
(Both launched 10 years ago in 1994)

cc: Paul S. Atkins, Commissioner
Roel C. Campos, Commissioner
Cynthia A. Glassman, Commissioner
Harvey J. Goldschmid, Commissioner