

**FRANK R. WOLF**  
10TH DISTRICT, VIRGINIA



177

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March 2, 2004

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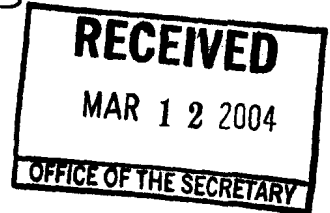
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Ms. Jane Cobb  
Director, Legislative Affairs  
Securities and Exchange Commission  
450 Fifth St NW Rm 6100  
Washington DC 20549

ES106115

S7-03-04



Dear Ms. Cobb:

I recently received the enclosed e-mail from my constituent, Mr. Keith Matthews, inquiring about new mutual fund proposals.

I would appreciate any comments that you may have on this matter. Please address your reply to my office, attention: Anne McClure.

Thank you for your assistance in helping me serve my constituents.

Best wishes.

Sincerely,

Frank R. Wolf  
Member of Congress

FRW:am

RECEIVED

MAR 10 2004

Office of Legislative Affairs

Walten, Jeff *CON-SEC mutual fund proposal*

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From: writerep  
Sent: Wednesday, February 18, 2004 11:32 PM  
To: Wolf, Write  
Subject: WriteRep Responses

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DATE: February 18, 2004 11:08 PM  
NAME: Keith J. Matthews  
ADDR1: 8697 Trenton Chapel Way  
ADDR2:  
ADDR3:  
CITY: Manassas  
STATE: Virginia  
ZIP: 20109-4816  
PHONE: 8322874486  
EMAIL: keith.matthews@eds.com  
msg:

57-03-04

The SEC proposal to mandate that all mutual fund chairpersons in America be "independent" – that is, have no ownership stake in the fund's management company is a grave mistake. Please pass along my concerns to Chairman Donaldson. He is an industry veteran that can see that idea is not a silver bullet solution the problems the mutual fund industry has recently experienced. As evidence I offer:

The title of a study published by the Stanford University School of Law – "The Non-Correlation Between Board Independence and Long Term Firm Performance" – pretty well sums up these findings: "Firms with more independent boards do not perform better than other firms... there are numerous anecdotes where a highly independent board hasn't prevented large-scale wealth destruction. Enron (with 11 independent directors on its 14-member board) is only the most recent example."

"Regulators and legislators should ask themselves this question: If a wrong-doer is tempted to try some abuse against fund shareholders, which board chairman would they rather try sneaking it past – an industry veteran with a direct and personal interest in the fund – or a chairman with 40 years experience making carbonated beverages, and who has just flown in for a two-day board meeting? I suggest that if George Putnam, Sr. (the founder and former interested chairman of Putnam Investments) or Jack Bogle (the former interested chairman of Vanguard) had been at the helm of some of the mutual fund companies that have gotten into trouble – things might well have turned out differently." Edward C. Johnson 3rd

Even an unseasoned investor like myself can see the logic in those statements. I have very small positions in several Fidelity Funds as I in the early stages of my retirement planning. In my brief stint of research I learned Fidelity put in many safeguards years ago to prevent the type of dishonest practices other companies suffered under. In particular the short term trading fees (<30-90 days) I am subject to along with all Fidelity Fund investors actually enrich the funds those who attempt so called "market timing" because the fees collected from this practice are given to the fund.

This is just an example of good example of management looking out for their shareholders. I could care less whether or not the funds directors are truly independent or not and in some cases that may be appropriate. However, I also know that the industry veterans overseeing my funds are doing a spectacular job in a very difficult time for this industry and need the tools to continue to do so at their disposal.

Thank you for your time,