562

**Eugene V. Ciancanelli**
**California Professional Geologist #357**
3358 Apostol Road, Escondido, CA 92025-7802
Tel. 760-489-0969 e-mail. gene100@mac.com



March 12, 2007

Chairman Christopher Cox
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

RE: Comments on File No. S7-03-04

Dear Chairman Cox,

I am an individual investor in mutual funds. I am not affiliated with nor do I represent any group or individual other than myself. As I understand, the Securities and Exchange Commission's duty is to protect the interests of individual investors such as myself. Recent and ongoing practices of some investment companies have not served the best interests of their shareholders. I understand that you, Chairman Cox, are trying to provide better protection for individual investors. I thank you for your efforts in our behalf. The purpose of this letter is to provide my position regarding the composition of the Board of Directors of mutual fund companies.

The Board of Directors and the Board Chairman of mutual fund companies should be entirely independent of the companies and individuals acting as managers and advisors to the fund. In this regard, independent should mean Board members will not be relatives of, business partners of, or in any way affiliated with the individuals and company providing management and/or advisory services to the mutual fund.

Mutual fund Board independence is important to assure the mutual fund is operated in the best interest of the mutual fund's shareholders, who are the owners of the mutual fund. Too often, in fact usually, fund management companies act as if they own the mutual fund. Usually the Board and the fund management company cooperate to manage the fund to first serve the best interest of the management company and the interest of the fund's shareholders becomes secondary if at all. A fund's Board will not negotiate the best management fees and practices for the fund shareholders, if their personal financial interests and those of their close friends are tied to the management company. Even requiring such individuals to have a small amount of their net worth invested in the fund is a sham practice, if these individuals receive greater personal wealth from mutual business associations and fees charged to the fund's shareholders.

The argument can be made that if investors are not happy with a mutual fund, they can invest elsewhere. This would be true if it were not for the tax consequences and expense of moving from one fund to another.

Numerous independent studies have shown a direct connection between fund expenses and long-term fund performance. The lower the expenses, the better the fund's performance and therefore the more money returned to the investor. Obviously, if a mutual fund's Board protected the best interests of the shareholders, they would strive to keep expenses as low as possible. Again numerous studies show this is not the case where there is a close relationship between the composition of a fund's Board and the management company.

I could cite further arguments for Board independence, but I am sure you are familiar with all these arguments. My letter is to request that the SEC require complete independence between the Board of Directors and the management companies operating mutual funds, because that is the duty of your agency.

Sincerely,

Eugene V. Ciancanelli

Eugene V. Ciancanelli