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Aladdin, Vicki T.

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From: HSEverett@aol.com

Sent: Thursday, April 26, 2007 12:03 AM

To: CHAIRMANOFFICE

Subject: Mutual funds need independent chairmen and majority of directors

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Chairman Christopher Cox
U.S. Securities and Exchange Commission

Dear Chairman Cox:
I am writing to encourage you and the Commission NOT to modify the rule requiring an independent chairman and a supermajority of independent directors for mutual fund boards. I am aware of the efforts of certain advisory firms to undercut support for the rule.

It may be that the SEC adopted the rule requiring independent supermajority boards and chairs to address the illegal behavior of a few. But in so doing the stage was set for more effective oversight of the behavior of the many -- especially high fees charged funds for services which in many cases may be of questionable value. In those firms where the fund chairman is an officer of the advisor and sets the meeting agendas, the fund board does not always get the timely opportunity for a thorough, objective and impartial assessment of what is going on. The deck is easily stacked in such circumstances -- particularly where a board is charged with overseeing the affairs of multiple funds.

In the last few decades mutual funds have grown exponentially in numbers and size due to a variety of factors. This growth has not always served the best interests of existing fund shareholders, but as a result of this growth fees paid to advisors have soared. Many advisors have been slow to share in a meaningful way economies of scale resulting from this enormous growth with the funds they manage.

In recent years a body of literature has grown with analysis that suggests that most funds do not meet, much less exceed, the performance of their relevant indices. One can buy the index in an index fund or ETF at a fraction of the cost paid to advisor-managed funds. So the fees paid to advisors have grown enormously while the value of investment advisory services rendered is increasingly subject to question.

Where have the fund directors been during this time? Have they been scrutinizing the advisors they are supposed to watch over with a critical eye? Have directors adequately served the interests of the real owners of the funds -- the fund shareholders? The fees paid fund directors in recent years have grown so substantial that it may be that few are prepared to rock the boat of the persons who, in most cases, selected them in the first place, when that boat supports everyone so handsomely.

Meanwhile, the compensation of advisory personnel in the form of salary, bonus, stock grants and options and deferred comp has sky rocketed too, so they have a vested interest in seeing the status quo perpetuated. Advisory compensation bears little relationship to the performance of the funds they manage -- rather it is more a function of the sheer size of the assets under management.

The SEC may not be in a position to regulate advisory fees or compensation of advisory personnel, but it should do what it can to allow and encourage those who are in a position to look with a critical eye on these subjects to do so in the most objective and professional way.

I encourage the SEC to stick to its guns by continuing to require independent chairmen and majorities of board members.

My own background in this area was as General Counsel for, and senior officer and director of, a major mutual fund advisory organization during the decade of the 1970s. I continue to be a stockholder of that firm and the mutual funds of that and several other fund complexes, including an array of index funds and ETFs.

Respectfully,

H. Spencer Everett, Jr.