



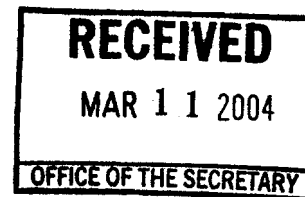
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March 10, 2004

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



Re: File No. S7-03-04

Dear Mr. Katz:

I am the Lead Independent Director and Chair of the Independent Directors Committee of the Boards of the Legg Mason Funds. On behalf of all the independent directors of the Funds, I am pleased to have the opportunity to comment on the SEC's proposed new rules relating to investment company governance practices. While our Boards strongly support the Commission's primary goal of enhancing the independent directors' ability to protect the interests of funds and their shareholders, we believe that this is best accomplished by empowering the independent directors and not by mandating details as to board structure and operations that would otherwise be left to the independent judgment of the directors themselves. Accordingly, while we support most of the Commission's proposed reforms, we believe the proposal that would require the appointment of an independent chair for mutual fund boards should not be adopted.

We raise these considerations in the context of previous fund governance initiatives that have already led to significant improvements in practice. Since the Best Practices Study of 1999 and the SEC Release of 2001, the Boards of the Legg Mason Funds have undergone considerable change in their composition and leadership roles. For example, our Boards have added several new independent directors who bring valuable skills to the Boards. We have also created new charters for the Independent Directors, Audit and Nominating Committees. Each of these Committees is chaired by, and comprised solely of, independent directors. These and other measures give us confidence that the independent directors of our Boards are properly empowered to protect the interests of the funds and fund shareholders they serve.

We also note that many of the Commission's proposals are consistent with current best practices in the industry. In fact, our Board has already adopted many of the proposed reforms. For example:

- 75% Majority – All but one of our Funds meet this test today.

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- Separate Sessions – We have been conducting executive sessions of independent directors and counsel at every one of our regular meetings over the past several years.
- Contract Approvals – With the aid of fund counsel, we have developed a comprehensive set of materials for annual contract review meetings and maintain copies of these materials in our records. The Boards' inquiry letter is updated annually to embrace new issues and regulatory requirements.
- Independent Staff - It has always been our understanding and practice that the independent directors of our Boards have the ability to retain independent staff and experts where appropriate to assist them in carrying out their oversight responsibilities. Nevertheless, we welcome the Commission's proposal to explicitly recognize this commonly understood power.
- Annual Self-Assessments - Although we have periodically engaged in self-assessments and made improvements to our processes, we agreed in principle at our last meeting to implement a more formal annual self-assessment process.

We support each of these measures, because we believe they will serve to empower independent directors to do their jobs better. As such, we expect that they will have an impact beyond their formal provisions, as they invigorate board processes and clarify the significant responsibilities of independent directors.

Unfortunately, we fear that certain aspects of the Commission's proposals may well have the opposite effect. We refer here in particular to the proposal to require that the board chair be an independent director. This proposal is especially troublesome, because it will take away the independent directors' ability to exercise their own judgment in determining how best to operate their boards in light of the facts and circumstances of their situation. The Commission's release cites certain factors that are obviously important to the choice of a chair, namely:

- creating a fiduciary culture for the long-term interest of fund shareholders; and
- fostering meaningful dialogue and active engagement.

To these, however, we would also add:

- investment industry expertise and experience consistent with the specialized nature of investment companies (as compared to general corporate boards); and
- accessibility and availability to meet the complex daily realities of operating a mutual fund business.

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There may be situations where appointing an independent chair is the best approach for a fund board to take. However, as independent directors, we believe that we are in the best position to determine, in light of all relevant circumstances and factors, the person most suited to chair our Boards. We therefore oppose any efforts to replace our judgment on this important decision with a simplistic "one size fits all" mandate.

We further believe that the transition to an independent chair may be highly disruptive to the operations of many fund boards at the precise moment when the Commission is adding or expanding numerous substantive responsibilities. Given the number of new responsibilities emanating from the Sarbanes-Oxley Act of 2002, the Commission's rule on fund compliance programs, and the governance rules themselves, as well as those that may be contained in any new rulemaking initiatives, it seems to us critical to preserve successful board dynamics where they already exist.

In short, we believe the proposal to require an independent board chair: (a) is unnecessary in light of the other corporate governance practices that the Commission is proposing to require (and which many fund boards have already adopted in practice); (b) is contrary to the expectation that independent directors should examine the circumstances of their own boards and exercise their own reasonable judgment as to how to structure themselves in a manner that serves shareholders in the best manner possible; and (c) may be very disruptive to board operations at a critical time.

Therefore, we respectfully ask the Commission to refrain from adopting the proposal to require independent chairs for fund boards. Instead, we urge the Commission to continue to focus its efforts on empowering fund boards, while at the same time avoiding the temptation to impose detailed mandates that might inhibit the healthy exercise of the independent directors' judgment.

Sincerely,



Arnold L. Lehman

Cc: Robin J. W. Masters
Jill E. McGovern
Arthur S. Mehlman
G. Peter O'Brien
S. Ford Rowan, Jr.