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United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: File No. S7-03-04; Release No. IC-27395, *Investment Company Governance*, 71 Fed. Reg. 35,365 (Jun. 19, 2006)

Gentlemen:

We write to provide the Securities and Exchange Commission ("Commission") our comments in response to the request for additional comment published in the above-cited release (the "Release"). Although our Firm regularly represents clients before the Commission, our comments are not made on behalf of any client or group of clients that our Firm or any attorney in it represents; rather, our comments are to provide our input and guidance on the issues highlighted by the Commission in the Release.

The Release requests comment on Investment Company Act Release No. 26520 (the "Original Release"), in which the Commission sought to amend the Commission's rules under the Investment Company Act.[1] Specifically, the Original Release sought to amend various exemptive rules under the Investment Company Act to require (1) investment companies to have a board of directors comprised of no less than seventy five percent (75%) independent directors (as that term is defined in the Original Release); and (2) that investment companies be chaired by an independent director.[2]

The main focus of the Commission's request for additional comment in the Release was to receive comments regarding the costs of implementing these amendments.[3] Secondarily, the Commission requested comment regarding whether the rules in the Original Release would promote efficiency, competition, and capital formation pursuant to Section 2(c) of the Investment Company Act.[4] [5] Our comments are directed to this latter issue.

We believe that the rules mandated by the Original Release would not promote efficiency, competition, and capital formation in accordance with the Section 2(c) of the Investment Company Act. On the contrary, these rules would create additional bureaucracy for fund advisors, thereby stifling the creation of new fund offerings for investors.

[1] *Investment Company Governance*, 69 Fed. Reg. 46378 (Aug. 2, 2004).
[2] *See generally id.* These rules would only apply to those investment companies seeking exemption for certain otherwise prohibited transactions under the Investment Company Act of 1940 ("Investment Company Act"). *See generally* Release, 69 Fed. Reg. at 46,379 & nn. 9-11. As the Commission noted in the Release, reliance on these exemptive rules is common. *See* Release, 69 Fed. Reg. at 46,379.
[3] *See generally* Release.
[4] Investment Company Act of 1940 ("Investment Company Act") § 2(c), 15 U.S.C. § 80a-2(c).
[5] *See* Release, 71 Fed. Reg. at 35,367 & n.15.

In creating new funds, fund advisors are motivated by the potential to collect management fees from these new funds. There is nothing inherently evil in this motivation nor is this motivation necessarily in conflict with the interests of the funds' shareholders. Fund shareholders are provided with the opportunity to invest their money in funds that they believe provide the best opportunity to maximize their investment dollars. Fund advisors attempt to accomplish this objective by providing professional management services in exchange for a fee based on a percentage of assets managed.

The rules contained in the Original Release would interfere with this entrepreneurial spirit, and instead of protecting investors, would ultimately deny them a greater array of investment choices.

As a result of this interference and the concomitant reduction in choices for shareholders, efficiency, competition and capital formation would all be negatively affected. The concept of efficiency means that shareholders are able to invest in those funds which provide the greatest return on their investment dollars. Competition would also be hampered because of the increased bureaucracy (which usually leads to higher economic costs) required by the rules in the Original Release; less fund choices would be available to shareholders as a result. Capital formation too would be reduced because less funds would ultimately flow into the secondary and primary securities markets.

In sum, we believe that the rules contained in the Original Release do not protect investors; rather, they reduce the investment options available to them, which cannot be considered beneficial. Therefore, we urge the Commission to withdraw the Original Release.

We appreciate this opportunity to have provided the Commission with our comments regarding the Original Release, and hope that the Commission takes into account the points made herein when formulating its policy with respect to the matters considered in the Original Release.

Thank you.

Very truly yours,

WHITLEY LAW GROUP, P.C.

By:__/s/______________________________

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