

June 28, 2005

**BY HAND**

The Honorable William H. Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Dear Chairman Donaldson:

We, the independent chairs of the boards of the investment company fund families listed below, understand that the Securities and Exchange Commission will meet on June 29 to reconsider amendments to certain exemptive rules under the Investment Company Act of 1940 which would effectively require the boards of most mutual funds to be comprised of at least 75% independent directors and have an independent chair. The Commission reconsideration is reported to be in response to a June 21 ruling of the U.S. Court of Appeals for the D.C. Circuit, which sent the amendments back to the Commission for review after concluding that the Commission had failed “adequately to consider the costs mutual funds would incur in order to comply” with the amendments and also “a proposed alternative to the independent chairman condition”.

In our role as independent chairs, we have had experience with the costs of having a supermajority of independent directors and an independent chair, and the nature and content of disclosure documents filed by our funds. As the Commission prepares for its coming meeting, we thought it might be helpful to share our experience with these two governance changes.

Each of us serves as the independent chair of our respective fund boards and all of our boards have at least 75% independent directors/trustees. Although some of us were serving as independent chairs well before the Commission announced the amendments in question, some of us became board chair in response to the July 2004, “Best Practice” recommendation of the Mutual Fund Directors Forum, and others assumed this role in anticipation of the January 2006, effective date of the Commission’s rule.

While our tenures as chair differ, and the asset size of our respective fund groups differs greatly, it is our shared experience that fund costs associated with a 75% independent board and an independent board chair are minimal, if any.

The 75% independence requirement actually represents only a modest change from the Investment Company Institute's 1999 "Best Practice" recommendation that fund boards have at least two-thirds independent directors. No doubt as a result of that recommendation, many fund boards already meet the 75% threshold (as noted all of us serve on boards that do), and in those cases there are no additional costs. Similarly, boards that choose now to comply with the 75% requirement by asking "interested" persons to resign (as opposed to electing new independent directors) will not incur any added expenses. Only fund boards that decide to meet this requirement by electing one or more new independent directors will incur added costs. Even then, the compensation of the new independent directors would undoubtedly take into account the relative asset size of their fund group, and the added cost would be allocated among all funds in the group so that the cost impact on each fund shareholder would be de minimis.

With respect to the independent chair requirement, election of an independent chair by our respective fund families has not led to additional staffing costs beyond adjustments in the compensation of the independent chair. In both asset percentage and absolute dollar terms, when measured against the asset size of our respective funds, this cost is minimal. We believe our experience is typical of the industry in general and we are unaware of any fund or fund complex that has incurred other staffing costs in changing to an independent board chair. Simply stated, empowerment of fund boards in this manner is cheap and efficient.

We note that the Court of Appeals also directed the Commission to consider a disclosure alternative to the independent chair condition of the rule. Although that approach may appear to some to be a viable alternative, it strikes us as unrealistic.

Whether a fund's chair is independent or interested is already required disclosure in the Management Information Table contained in the Statement of Additional Information. Commission spokesmen have acknowledged the lesson of recent focus groups that fund disclosure documents are seldom read. In our view, therefore, requiring more prominent disclosure of whether a fund's chair is independent will not contribute in any meaningful way to a better shareholder understanding of the significance of the existence—or absence—of an independent chair. It would be a serious mistake to assume that investors would be able to make a rational choice between the two alternatives when they are unlikely even to read the suggested disclosure.

We hope our comments are helpful and request that this letter be made a part of the Commission's public files.

Respectfully submitted,

/s/ Arne H. Carlson  
Independent Chair, American Express  
Funds

/s/ David Downes  
Quaker Funds

/s/ Leigh Wilson  
Independent Chair, The Victory Portfolios

/s/ Albert R. Dowden  
Independent Chair, Cortland Trust

/s/ Peter Brown  
Independent Chair, Aegon  
Transamerica Idex Funds

/s/ Bruce Crockett  
Independent Chair, AIM Funds

/s/ Lawrence S. Lewin  
Independent Chair, H&Q Funds

/s/ Shirley Peterson  
Independent Chair, Scudder Funds  
(Chicago Board)

/s/ Virginia Stringer  
Independent Chair, First American Funds

/s/ Michael Scofield  
Independent Chair, Evergreen Funds

/s/ Charles Ladner  
Independent Chair, John Hancock Funds

/s/ Jock Patton  
Independent Chair, ING Funds

/s/ Fergus Reid III  
Independent Chair, J.P. Morgan Funds

cc: Paul Atkins, Commissioner  
Cynthia A. Glassman, Commissioner  
Harvey Goldschmid, Commissioner  
Roel Campos, Commissioner  
Jonathan G. Katz, Secretary  
Meyer Eisenberg, Acting Director,  
Division of Investment Management

