

MEMORANDUM

April 9, 2004

TO: Files

FROM: Daphne Tippens Chisolm
Counsel to Commissioner Goldschmid

RE: Release No. IC-26323; File No. S7-03-04

On April 9, 2004, Eric D. Roiter, Senior Vice President and General Counsel of Fidelity Management & Research Company, met with Commissioner Goldschmid and Daphne Chisolm, counsel to the Commissioner. He discussed a possible alternative to the proposed independent chairman requirement. The alternative would permit a mutual fund board to either have an independent director as chairman or comply with comparable corporate governance safeguards as specified in his proposal. Mr. Roiter gave the Commissioner and his counsel a proposed draft of the possible alternative, a copy of which is attached.

April 9, 2004

Alternative to Independent Chairman Requirement

The board of directors of a fund shall be exempt from a requirement that its chairman be an independent director provided that:

1. The independent directors designate a Lead Independent Director;
2. Each committee of the board
 - a. is chaired by an independent director who has authority to set the agenda of the committee, preside over the committee's meetings, and obtain from the adviser or any affiliate of the adviser information relevant to the matters subject to the oversight or responsibilities of the committee,
 - b. has a 75% majority of independent directors,
 - c. meets in executive session at least quarterly, and
 - d. prepares and keeps minutes of each meeting in sufficient detail to memorialize the deliberations of the committee and all formal actions taken by and recommendations of the committee;
3. The board of the fund
 - a. delegates every matter requiring board action to an appropriate committee of the board,
 - b. takes action on any matter only if the appropriate committee of the board has deliberated upon such matter and has made a formal recommendation to the board. This requirement includes, but is not limited to, action by the board to approve or renew any management contract, principal underwriting agreement or any other contract between (i) the fund and (ii) the fund's adviser or any affiliate of the adviser, and
 - c. prepares and keeps minutes of each meeting in sufficient detail to memorialize the deliberations of the board and all formal actions taken by the board;
4. Independent directors have sole authority to approve the agenda for every board meeting, including the authority to add any matter to the agenda;
5. The board and the independent directors, by separate vote, elect the board chairman annually; and
6. Independent directors have sole authority to set their own compensation.