

J. LAWRENCE WILSON
175 STRAFFORD AVENUE, SUITE ONE
WAYNE, PENNSYLVANIA 19087

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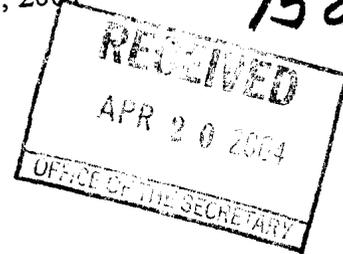
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OFFICE OF THE
CHAIRMAN

January 7, 2004

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The Honorable William H. Donaldson
Chairman
U.S. Securities & Exchange Commission
450 Fifth Street, N. W.
Washington, D.C. 20549



Dear Chairman Donaldson:

I am the lead independent trustee of the Vanguard funds and Chairman of their Audit Committee. I am writing for myself and also on behalf of the other independent trustees of the Vanguard funds to express our views on the role of independent trustees in selecting a chairman of the board, an important function we perform today.

Our board has long supported, and indeed has lived by, best practices for mutual fund directors. All trustees of the Vanguard funds are independent of The Vanguard Group in letter and spirit, with the sole exception of the Chairman, who is Vanguard's CEO. In addition, all members of the Board's audit, nominating and compensation committees are independent trustees. We have voluntarily adopted all Sarbanes-Oxley requirements for the operation of audit committees and perform an annual assessment of our effectiveness as a Board.

It has certainly been a difficult year for the mutual fund industry and we share the Commission's concern about maintaining the integrity of the industry and the confidence of mutual fund shareholders. We understand that the Commission is poised to propose new mutual fund governance rules later this month. We will support, as we always have, provisions that are well designed to enhance the strength of independent trustees and their ability to serve the best interests of shareholders. To that end, we urge the Commission to reinforce the ability of the independent trustees to appoint a chairman of the board, including a non-independent chairman.

My colleagues and I are privileged and proud to stand in the shoes of the Vanguard funds' shareholders. The greatest service we offer fund shareholders is our commitment to use our experience, expertise and most of all, judgment, in making decisions on their behalf, depending upon the circumstances at hand. In our view, the value we bring to our role is our ability to exercise that judgment with a singular focus on the interests of shareholders. For this reason, the Commission should leave to the independent trustees the decision of whether a particular fund is best served by an independent chairman or an alternative, such as a lead independent director.

From our perspective, there is no need to dictate by regulation a single approach when specific circumstances, tempered by the judgment of the independent trustees, may warrant a different approach. The use of a lead independent trustee has worked remarkably well for the Vanguard funds, although we can envision different approaches for different funds and indeed, even for a single fund over the course of its lifetime. The Commission should let the independent trustees, who, by the Commission's own rules must be in the majority, do the job they are called upon to do – exercise their judgment in selecting a chairman in the interests of shareholders. We see little benefit to mutual fund shareholders of a rigid approach and urge the Commission to provide appropriate flexibility on this issue.

Thank you for the opportunity to express these views. I hope the Commission will not hesitate to call upon us directly if we may provide additional information or assistance in considering governance issues for mutual funds.

Sincerely,



J. Lawrence Wilson

cc: Paul F. Roye, Director
Division of Investment Management

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