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1ST DISTRICT, MINNESOTA

**Congress of the United States**  
**House of Representatives**

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May 3, 2004

Washington, DC 20515-2301

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

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Office of Legislative Affairs

Dear Chairman Donaldson:

I am writing to comment on the Securities and Exchange Commission's Proposed Rule: Investment Company Governance (IC-26323). I am pleased that the Commission is working aggressively to protect investors and the integrity of our financial markets.

One of the proposals offered by the Commission seeks to mandate that the chairman of mutual fund boards be an independent director. I urge the Commission to consider the impact that this rule will have on small mutual funds across the nation. The expense associated with retaining additional qualified, independent directors to serve as chairman will disproportionately impact the expense ratios of small mutual funds, placing them at a competitive disadvantage to larger mutual funds.

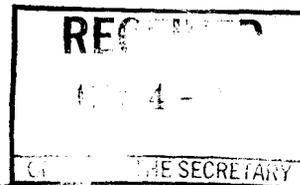
The Commission's proposal could also have a negative impact on investors. In order to be effective, a fund chairman must be familiar with all important operational details of the fund company. Requiring mutual funds to retain an independent chairperson not familiar with fund operations could have a significant and adverse impact on fund performance.

In attempting to strike the correct balance between the management of mutual funds and the proper role of independent directors, I hope the Commission will consider alternative mechanisms to alleviate the disproportionate burden placed on small mutual funds by the proposed rule. For example, one workable alternative would be to have these rules apply only to mutual fund complexes with a sufficiently large amount of assets under management (e.g. complexes with more than one billion dollars under management).

Thank you for all that you are doing to protect and strengthen our financial markets.

Sincerely,

Gil Gutknecht  
Member of Congress



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