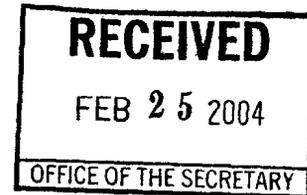


WALTER E. AUCH, SR.  
6001 N. 62nd Place  
Paradise Valley, AZ 85253



February 20, 2004

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Mr. Jonathan G. Katz  
Secretary  
U.S. Securities & Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20549-0609

RE: File No. 57-03-04; Comment on Proposed Rule regarding Investment  
Company Governance

Dear Mr. Katz:

I have spent my entire business life, beginning in 1946, in the securities investment industry. Since my active retirement at the end of 1986, I have served on the boards of a number of mutual fund management companies or mutual funds. I find myself driven to comment on what I consider to be a very unfair representation of the industry as a whole because of the misconduct of a few.

Because a few have been motivated to circumvent the rules and standards which have served the investing public so well over the years, the millions who have invested in funds are being led to question the integrity of all fund managers. Also, fund boards are represented as failing to meet their responsibilities to the shareholders. In my experience, this perception is not valid.

Permit me to make some comments, growing out of almost 60 years of experience:

- The recent "Bubble" so much discussed these days was easy to recognize as we experienced it. Our markets were turned into a casino. The "investment" mindset was replaced by unrealistic expectations and the greed that some of us have witnessed a number of times in the past (and will see again!). This is always an atmosphere where logic goes out of fashion, and "sharpies" multiply.
- This "Bubble Mentality" injected some individuals into the fund industry who, to be expected, found that trading in funds could generate quick profits.

- The mutual fund section of the Wall Street Journal on the day President Reagan was inaugurated took up about one-half a page. That information in January 2000 took up five and a half pages!
- Where did all those investment management “geniuses” come from in such a short period of time?
- Where were all those voices then that are now so concerned about the public’s well being?
- Who was it then - indeed, who is it now - that emphasized that mutual funds must be purchased as long term investments, while fund performance is reported daily, monthly, quarterly and yearly? This is a formula for overwhelming “investor” dissatisfaction.

We now find ourselves in an era where Mr. Spitzer, Congress, the SEC and the media are calling for changes that go far beyond market timing and late trading issues. Because of “the sins of a few,” we are (industry-wide) faced with proposals and legislation that would affect fund governance, portfolio management, distribution, brokerage practices, fees and changes, etc. Among these proposals is the proposal that the chairman of the board must be an independent director. So – what is deemed to be the appropriate way to protect the public from the greedy actions of the few, is to impose highly inappropriate and unworkable responsibilities on the independent directors of all funds.

Has any thought been given to what all the historically proper and well-managed funds have had to pay (and will continue to pay) lawyers and accounting firms and directors because of all of those changes and proposals?

All this, while one of the important responsibilities of a fund director is to oversee fund expenses and fees!

I particularly object to the proposed requirement that the Chairman of the Board must be one of the Independent Directors. In my opinion, recommending that the Board Chairman be an Independent Director is neither desirable or necessary. The Independent Directors can control the meeting agenda by simply requiring what matters should be covered, and how.

As an independent director, I am not involved directly in the business of the distributor, and I am not, and should not, be involved in the daily management of the funds. Clearly, the independent director must be satisfied that the meeting agenda properly covers all relevant matters, but calling for fund governance changes which will

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necessitate director involvement in day-to-day management is not appropriate nor does it offer any meaningful additional protections to shareholders.

Respectfully

A handwritten signature in cursive script, appearing to read "Walter E. Auch, Sr.", written in black ink.

Walter E. Auch, Sr.

cc: Paul F. Roye, Director, Division of Investment Management  
The Honorable William Donaldson, SEC Chairman