

MEMORANDUM

TO: Public Comment File No. S7-08-04

FROM: Jennifer B. McHugh
Senior Advisor to the Director
Division of Investment Management (“IM”)

DATE: May 11, 2004

On May 6, 2004, several independent fund directors currently serving on the Investment Company Institute’s Board of Governors and a representative of the Investment Company Institute met with staff members of the U.S. Securities and Exchange Commission. The following Commission staff members attended the meeting: Paul Roye, Director, IM; Cynthia Fornelli, Deputy Director, IM; Robert Plaze, Associate Director, IM; and Jennifer McHugh, Senior Advisor to the Director, IM.

With respect to the Commission’s proposal titled Disclosure Regarding Approval of Investment Advisory Contracts by Directors of Investment Companies (Release No. IC-26350 (Feb. 11, 2004)), the independent fund directors reiterated the views expressed in the comment letter of the Investment Company Institute’s Directors’ Committee dated April 26, 2004 (available in File No. S7-08-04). The independent directors stated that they generally support the concept of enhanced disclosure to shareholders of the reasons a fund’s board approved the investment advisory contract. However, the independent directors expressed concern that the emphasis on advisory contract deliberations could distract shareholders from the important issue of the total cost of owning fund shares.