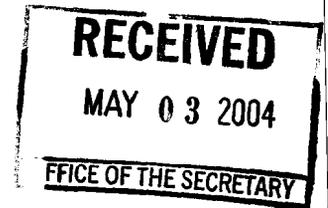




The Commonwealth of Massachusetts
Secretary of the Commonwealth
State House, Boston, Massachusetts 02133

William Francis Galvin
Secretary of the Commonwealth

April 26, 2004



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Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

RE: Release Nos. 33-8364; 34-49219; IC- 26350; File No. S7-08-04
Proposed Rule: Disclosure Regarding Approval of Investment Advisory Contracts
by Directors of Investment Companies

Dear Secretary Katz:

The Massachusetts Securities Division welcomes this opportunity to comment on the Commission's proposed rules to improve disclosure provided by registered management investment companies about how their boards of directors evaluate and approve, and recommend shareholder approval of, investment advisory contracts. We strongly support the Commission's proposal.

The proposed rule amendments would require disclosure, in fund annual and semi-annual reports and in proxy statements, of the reasons for a board's approval of an advisory contract. The proposed amendments clarify that fund disclosure should include a discussion of factors relating to both the board's selection of the investment adviser, and its approval of the advisory fee and any other amounts to be paid under the advisory contract.

A fund would be required to provide a discussion that includes, but is not limited to, (1) the nature, extent, and quality of the services to be provided by the investment adviser; (2) the investment performance of the fund and the investment adviser; (3) the costs of the services to be provided and the profits to be realized by the investment adviser and its affiliates from the relationship with the fund; (4) the extent to which economies of scale would be realized as the fund grows; and (5) whether fee levels reflect these economies of scale for the benefit of fund investors.

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The fund board would be required to indicate whether it relied on comparisons of the services to be rendered and the amounts to be paid under the contract with those under other advisory contracts, such as contracts of the same and other advisers with other mutual funds, or with other types of clients (e.g., pension funds and other institutional investors). If the board relied on such comparisons, it would be required to describe the comparisons relied upon, and whether they assisted in concluding the contract should be approved.

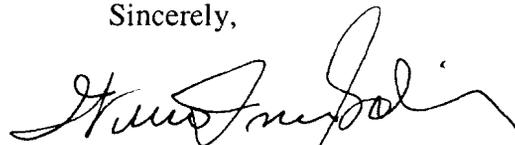
The fund board would be required to relate how the factors considered relate to the particular circumstances of a fund, rather than providing just conclusory statements or lists of factors considered.

These proposed rules will create a healthy pressure for fund boards to police the relationship between the advisers and funds. The rules highlight that fund boards are fiduciaries that must represent the interests of funds and their shareholders. Furthermore, the proposed rules will require greater transparency about board decision making about fund advisers and adviser compensation.

Most institutional investors negotiate for advisory services in true arm's-length transactions. We are hopeful that since the Commission's rules encourage boards to compare the compensation funds pay to their advisers with the compensation other institutional investors pay, there may be a downward pressure on fund advisory fees.

We note that the approach taken in the proposed rules is consistent with the requirements that the Sarbanes-Oxley Act of 2002 imposes on public company boards to promote greater board independence and reinforce the board's role as the representative of investors. This approach should be a valuable step to strengthen fund boards and protect fund investors.

Sincerely,



William Francis Galvin
Secretary of the Commonwealth
Commonwealth of Massachusetts
