Dear Secretary Katz:

Changes have been proposed to the current method of selecting candidates for Boards of Directors. It is my disagreement with these proposals that has prompted me to comment publicly on the topic. To put it simply, I do not believe the change is a good idea. The goal may be sound, and matter of factly - quite reasonable, after Enron and WorldCom. With numbers of boards making changes already, to exert greater control over corporate activities, and respond more effectively to shareholder issues, is not necessary.

I have invested (largely in mutual funds) for about a quarter century. Since I utilize proceeds from that source to supplement my income, any developments that hurt their value concerns me. Your proposal seems to court that danger. Greater participation by stockholders in corporate oversight cannot guarantees better results. Neither can your reforms keep Boards from being diverted by outsiders or special interest to serve their own ends. Distracting Boards from their primary duties may actually heighten the risk of more Enron or WorldCom mishaps. When Boards cannot perform their duty, the company, its interests, and often the employees all suffer.

Looking at the issue this way, it is clear that democratizing corporate governance will not fix very much. Open governance will not provide superior performance, compared to current systems. The effectiveness of independent nomination committees may also be weakened through greater shareholder influence.

Sincerely,

Andrew Bain
November 20, 2003