

Mr. & Mrs. David Fronck
373 Millridge Drive
Indianapolis, IN 46290

#70

December 16, 2003

57-27-03

RECEIVED
ES 105105
2003 DEC 23 P 2:23

William H. Donaldson, Chairman
Securities and Exchange Commission
450 Fifth Street NW
Washington, DC 20549

OFFICE OF THE
SECRETARY

Dear Mr. Donaldson:

Numerous articles continue to appear in news and business publications regarding the need to more closely regulate the mutual fund industry. In an earlier letter to you on this topic I expressed concern about the SEC's lack of sufficient initiative in this matter and expressed some specific concerns. Reference is made to my letter dated September 16, 2003.

The more I continue to read on this topic the more I become convinced that many governance, disclosure, and communication issues remain. I believe the investing public is looking to your agency to initiate corrective measures in order to better protect the interests of all investors, but especially the small, individual investing public. The more I read about the Investment Company Institute, the industry's trade association, the less confidence I have in this body and especially its ability to unduly influence SEC decision making processes.

It is time for action to be taken on the following issues: 1. Put an end to market timing by demanding fair-value pricing; 2. Prohibit companies from accepting orders after 4:00 pm; 3. Like other public entities, key management position compensation should be disclosed and fees paid to directors more explicitly reflected; 4. Outside auditors should be required to evaluate internal control adequacy; 5. Fees paid by investors should be better disclosed - dollars and cents, not just some asset percentage; and 6. Directors should be more independent of management, especially lead directors, and their responsibilities more specifically enumerated.

With regard to director governance, I am coming to the conclusion that mutual fund boards need to be reduced in size and made more independent. I sense boards are frequently an assembly of "good old boys" who get well paid for doing very little to benefit the mutual fund shareholder.

How much greater will the mutual fund scandal have to become before the SEC acts? I believe your agency should lead in this regard, not wait for Congress to enact some ill conceived piece of legislation.

Sincerely,



David T. Fronck

