INVESTMENT COMPANY INSTITUTE

LETTERS TO THE EDITOR & RESPONSES

May 26, 2004

IDC Letter to New York Times (pdf)

DRAFT May 26, 2004 Ms. Gretchen Morgenson The New York Times 229 West 43rd Street New York, New York 10036 Dear Ms. Morgenson: I write to you as the Chairman of the Independent Directors Council. There were a number of inaccuracies in your May 23rd column, “A Great Fund (For Them, Not You),” that warrant correction. I shall mention a few. Contrary to your assertion, the Council was formed by independent directors to promote director participation in public policy debates independently of the Investment Company Institute. In addition, the Council intends to offer professional development and educational opportunities for directors, as well as increase communications among the mutual fund director community. We agree that the independence of mutual fund boards of directors is a cornerstone of the protections afforded by Investment Company Act of 1940. The Council seeks to strengthen the role of independent directors through our support of and, where appropriate, our opposition to legislative and regulatory proposals. Indeed, while in the process of formation, our membership stated in a letter to SEC Chairman Donaldson, “[We] … strongly support efforts to tighten the definition of “interested person” to address those instances where attenuated relationships may create the perception, if not the reality, of lack of independence.” We also have supported super majorities on mutual fund boards. Our membership stated in a March 10, 2004 letter to the SEC, that an increase to either 66 2/3% or 75%, “…will help enhance the authority of fund directors.” We expect to continue to encourage independent directors to speak with a strong voice on issues that impact our shareholders’ interests. We also note that your column’s representation concerning securities lending activities by mutual funds is inconsistent with industry practice. Revenues derived from securities lending are fund revenues and typically enhance fund income. Some funds pay their advisers a portion of the revenues from securities lending to oversee the process, others pay a third party to do the same. Fund directors are aware of and authorize the practice when it is in the interest of the fund shareholders they serve. We invite you to contact the Council with any questions you have about fund practices or the role of the Council. We believe that we must earn the respect of independent fund directors and shareholders and intend to do our best to achieve that respect. We ask for no special treatment. But, we are dismayed that you dismiss the Council categorically with no foundation in fact. Sincerely, James H. Bodurtha Chairman, Independent Directors Council Independent Director, Merrill Lynch Funds