

March 6, 2003

BY ELECTRONIC AND U.S. MAIL

John D. Graham
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget
New Executive Office Building
Washington, DC 20503

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: RIN 3235-AI64

Re: File No. S7-36-02

Dear Mssrs. Graham and Katz:

We, the undersigned, appreciate this opportunity to comment on the collection of information requirements imposed under rules recently adopted by the SEC that require mutual fund to disclose information about how they vote proxies relating to their portfolio securities.¹

We believe that the information collection requirements imposed under the rule are necessary to accomplish the purpose of proxy voting disclosure. We believe that it is especially important that mutual funds report their individual proxy votes on Form N-PX.

The proxy voting disclosure and the disclosure of individual proxy votes on Form N-PX will benefit investors by providing better information to use in selecting funds and determining whether fund managers are maximizing the value of their shares or otherwise voting proxies consistent with shareholders' interests. SEC Release at VI. Disclosure of individual proxy votes also will deter votes that are motivated by self-interest, and make fund managers more careful about how they vote proxies. Id.

We also believe that the Commission's cost estimates are fair. As noted by the Commission, these estimates are consistent with cost estimates submitted by the fund industry. SEC Release at V.B. Many firms already collect proxy voting information in-house or outsource the collection of proxy voting information, and the additional cost of formatting the same information for Form N-PX will be minimal. SEC Release at VII.D. The Commission also noted that the expense ratios of funds that currently disclose "their proxy votes are not higher than those of funds in general." SEC Release at V.B.

Finally, we believe that the Commission has carefully considered ways both to minimize the costs and burdens of the collection of information. For example, in the final proposal, the Commission: (1) reduced the frequency of proxy vote disclosure from semi-annual to annual, (2) eliminated the requirement that proxy votes be provided on paper upon request, (3) permitted funds to omit CUSIP numbers and ticker symbols if that

¹ Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Investment Management Companies, Investment Company Act Rel. No. 25922 (Jan. 31, 2003) ("SEC Release").

information is difficult to obtain, and (4) eliminated the requirement that funds disclose votes that are inconsistent with their proxy voting policies. SEC Release at II.B & VII.E.

The Commission adopted the proxy voting disclosure rules after a lengthy and intense debate during which every side had the opportunity to fully express its views. The Commission received a record 8,000 letters in support of the rule. The Commission's analysis in the adopting release reflects its thoughtful, fair and expert consideration of all of the arguments presented. We strongly recommend that the Office of Information and Regulatory Affairs approve the Commission's decision requiring collection of information regarding proxy voting by mutual funds.

Sincerely,

Mercer Bullard
Founder and President
Fund Democracy, Inc.

Barbara Roper
Director of Investor Protection
Consumer Federation of America

Duane Thompson
Director of Government Relations
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cc:

The Honorable William H. Donaldson

The Honorable Cynthia A. Glassman

The Honorable Harvey J. Goldschmid

The Honorable Paul S. Atkins

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