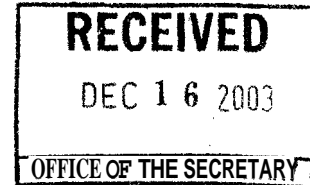


CZP
ASSOCIATES, INC.
57-27-03

ES/104715
#16

November 14, 2003

William H. Donaldson
SEC
Washington, D.C.



Dear Mr. Donaldson,

I am an investor in mutual funds, have previously been a fund manager, and have recently retired after a 30 year career in investment management. CV attached.

Needless to say the recent disclosures about misconduct on the part of several mutual funds are most depressing and **risk** undermining confidence in the industry. I believe the root of the problem is governance, or lack thereof. A recent article in the Wall Street Journal (enclosed) about the composition of the Strong Board is indicative of the problem. Selection of directors is essentially done by the "buddy system", and most other funds seem to be run similarly. If you **examine** the backgrounds of the independent directors of most funds you will discover that very few of them have any experience with mutual funds or managing money in general. Many have impressive resumes with backgrounds in business, finance, government, and academia, but these experiences may not be relevant to the tasks of oversight and governance of a mutual fund. The devil is in the details and to govern properly it helps to have some **familiarity** with the details. Having been involved in the launching of two fund families, I confess to having participated in the traditional selection process, but there should be a better way.

I would recommend that the SEC consider establishing some guidelines for the selection of directors. Clearly these cannot be extremely precise, but can make a statement that more attention need be paid to the specific relevant qualifications of a director.

Given my background I feel qualified to serve on a Board and any suggestions you might have regarding **the** appropriate way to approach funds would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Charles Porten".

Charles Porten, CFA

Professional Profile

Chartered Financial Analyst with a background within broker-dealer, registered investment advisor and bank trust environments, including responsibility for assets of over \$20 billion and organizations **staffed** by as many as 100 personnel. Currently an investment consultant. Former Chief Investment Officer and Group Executive for IBJ Schroder Bank and Trust, and Portfolio Manager at Neuberger Berman. Prior experience at Citibank: Chief Investment Officer of its Global Private Bank, Area Manager of Private Client Asset Management; Director of Investment Research. Early background as a Senior Analyst and Unit Head at J.P. Morgan. Harvard MBA in Finance.

Areas of Expertise

- Drawing upon an extensive depth and breadth of mutual fund compliance management experience to provide oversight and define ethical standards guiding behavior
- Overseeing the preparation of mutual fund prospectuses and other SEC-required documents
- Establishing and supervising the investment process and management functions to maximize the performance of a mutual fund
- Qualifying the governance capabilities of candidates for mutual fund director positions
- Managing the administrative aspects of mutual funds

MUTUAL FUND EXPERIENCE AND ACHIEVEMENTS

COMPLIANCE MANAGEMENT

- **As** Chairman of the Board of Trustees for Citibank's mutual funds, conducted quarterly meetings to review SEC filings. Liaison to the SEC during audits.
- Oversaw the preparation of financial statements and quarterly reports on fund performance and activity to the boards at Citibank and IBJ Schroder.
- Instrumental in negotiating the SEC's approval of a new type of fund offering.
- Established internal controls and **risk** management processes.

INVESTMENT PROCESS

- As the Chief Investment Officer of Citibank's Private Bank and of IBJ Schroder, led the Policy Committee in determining mutual fund asset allocation. Chaired committees responsible for making investments in mutual funds and other investment funds.
- Oversaw the Trust and Investment Committee, which **reviewed** all accounts to ensure **their** conformance with clients' instructions regarding asset allocation and other investment criteria.

INVESTMENT MANAGEMENT

- Played a major role in achieving recognition by Lipper in 1987 for a Citibank top-performing balanced fund.
- While Director of Investment Research for Citibank, supervised 30-40 analysts in evaluating individual equities, fixed-income products and other securities.
- **As** a portfolio manager, gained in-depth knowledge of the daily decision-making, trading and administration of a mutual fund.

ADMINISTRATION

- Participated in selecting mutual fund directors at both Citibank and IBJ Schroder.
- Hired and supervised research, portfolio management, trading, custody, compliance and administrative personnel.
- Interacted with legal counsel in developing prospectuses, annual reports, semi-annual reports and Statements of Additional Information. Prepared shareholder communications.

Professional Experience

2002 - present	CZP ASSOCIATES, INC., WESTON, CT. President Provide consulting services on investment and securities matters. Served as an independent contractor to Greenwich Associates.
1999 - 2002	NEUBERGER BERMAN, NEW YORK, NY. Portfolio Manager Provided discretionary account management services to individual clients.
1988 - 1999	IBJ SCHRODER BANK AND TRUST, NEW YORK, NY Chief Investment Officer/Group Executive Recruited by the firm. As Chief Investment Officer, supervised a staff in primarily managing discretionary accounts. Launched and managed a family of mutual funds (now Atlantic Whitehall Funds), as well as managed related compliance matters. As a Group Executive, ensured compliance with state banking and Federal Reserve regulations. Established and served as a Senior Managing Director of Innovest Capital Management, a wholly owned subsidiary operating two hedge funds. Oversaw the due diligence activities that led to the acquisition of Delphi Asset Management, which managed <i>two</i> hedge funds, also serving as Senior Managing Director. Directed the acquisition of Atlantic Asset Management.
	CITIBANK, NEW YORK, NY 1978 - 1988
1985 - 1988	Chief Investment Officer - Global Private Bank Promoted to this position entailing supervision of portfolio managers in overseeing \$20+ billion in assets. Oversaw the establishment of a family of mutual funds, since merged into Smith Barney Funds.
1982 - 1985	Senior Vice President - Private Client Asset Management. Directed an organization staffed by 100, including portfolio managers, trust/estate officers, custody administrators and compliance officers in providing investment advisory and trust services to clients with assets that totaled \$10 billion. Instrumental in structuring and managing the Collective Investment Trust for Citibank IRAs, a registered investment fund.
1978 - 1982	Director of Investment Research. Recruited by the bank to manage 30-40 analysts engaged in research pertaining to equities and other investments.
1971 - 1978	J. P. MORGAN, NEW YORK, NY. Senior Analyst/Unit Head Began as an Analyst; promoted in 1974 to Senior Analyst/Unit Head. In that capacity, supervised analysts in conducting research into technology and capital goods sectors.
1962 - 1971	IBM, ARMONK, NY. Litigation Analysis Specialist/Systems Engineer
Education	M.B.A. Finance, 1959, Harvard University, Cambridge, MA B.S. Mechanical Engineering, 1956, University of Pennsylvania, Philadelphia, PA
Licenses and Certifications	Chartered Financial Analyst; NASD Series 7 and 63 (formerly held) NASD Arbitrator
Memberships	Association for Investment Management and Research (AIMR)

Independence for Ex-Green Bay Packer

By CHRISTOPHER OSTER

IN JULY 1994, the Securities and Exchange Commission censured Strong Capital Management for improper trading among its mutual funds and took the unprecedented step of ordering the firm to increase the number of independent directors overseeing Strong Funds.

Strong complied, expanding the board from three members to six, five of whom now qualify as independent.

How independent? The Strong board's unaffiliated directors include a longtime friend of Strong Chief Executive Richard Strong, the former chancellor of Mr. Strong's alma mater and a former Green Bay Packer football player who was recommended to Mr. Strong by a friend. Another member is a former

board member of a hospital whose firm is now once run by Strong Capital Management.

Under current federal rules, it is not improper about the Strong board's independent directors having such ties with Mr. Strong or investment-management company, whose activities the independent directors are required by law to oversee. But now that Mr. Strong and the Milwaukee-based investment company founded are central figures in the investigation into fund-trading abuses, the conduct of the Strong board is drawing increased scrutiny.

New York Attorney General Elliot Spitzer was expected to bring charges against Mr. Strong last week. Spitzer said in congressional testimony last week that his findings by his investigation

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An Independent Board Lineup?

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indicating Mr. Strong had profited from rapid trades in his own funds were "Exhibit A" showing "dereliction of duty" by independent directors on the Strong Funds board. Mr. Spitzer said the Strong directors did not have sufficient oversight and he called for moves to ensure that independent directors of fund boards.

Strong's board members either didn't return calls or referred calls to a spokesman at Bingham McCutchen LLP, the board's Boston-based legal counsel. A spokeswoman for the independent directors said in a statement that they "remain dedicated to the best interests of the funds' investors. Any suggestion that they are somehow beholden to Richard Strong to the detriment of the investors simply is not true."

Directors declined to comment any further because "events are still unfolding."

A spokeswoman for Strong Capital Management said in a statement regarding the independent directors that the company "knew these individuals to be well-respected for their integrity, their experience and their accomplishments, and believed they would serve our clients well." Mr. Strong, who remains a member of the

board since November that he was stepping down as the fund's chairman, refused to comment on Spitzer's charges.

To protect investors and perform important functions such as hiring a fund's investment manager, SEC rules require that the majority of mutual fund boards consist of directors who are independent of the investment management company paid to run the day-to-day activities of the fund. The Investment Company Act of 1940 has very specific guidelines for who qualify as a "disinterested" person when it comes to fund boards. Immediate family members, employees and people who have a financial interest in a fund-management company all are considered to be interested. The definitions of an interested person are very specific, including clauses for such things as whether a person has loaned money to an investment manager in the preceding six months.

The rules are less clear about relationships. It is common for former investment company employees to qualify as independent directors for the funds they go on to work for. Sometimes the relationships are even closer. When the investment manager Ryan Jacobson joined the fund in 1994, he was the uncle of a former director, Jacobson's uncle, who was on the board with the SEC's settlement.

"To the extent that board members have personal relationships, they are

from the get-go biased in connection with the performance of their duties," says Mercer Bullard, a securities-law professor at the University of Mississippi and president of Fund Democracy Inc., a shareholder advocacy group.

Critics say another reason directors aren't really independent is that fund board members are often paid more than \$100,000 a year for preparing and attending several meetings a year. At Strong Funds, the five independent directors earn between \$124,000 and \$152,000 for overseeing all of the company's 66 funds, and attending five meetings a year.

Two years ago, Strong's board had just three members: Mr. Strong, a retired Wisconsin foundry executive, and the chief executive of a Milwaukee-area engineering firm. The SEC ordered that Strong change its board to include at least five members, with at least three of those required to be independent.

The Strong board's first new member after the SEC settlement was Willie D. Davis, a former All-Pro Green Bay Packer defensive lineman who had forged a successful career as a beer distributor and radio-station owner. He joined the board in July 1994. While Mr. Davis had to be approved by shareholders, Mr. Strong introduced him to the current board.

Mr. Davis was recommended to Mr. Strong, according to people who worked at Strong in the early 1990s, by Ben Barkin, a Milwaukee public-relations executive who was close to both men. Two years ago, Messrs. Strong and Davis both were pallbearers at Mr. Barkin's funeral.

In 1995, the board added two more new directors, Stanley Kritzik and William F. Vogt. Mr. Kritzik knew Mr. Strong from the mid-1980s, when he had served on the pension board of Aurora Health Care, which hired Strong as a money manager. Two years ago, Richard Weiss, a fund manager at Strong, served on Aurora's board along with Mr. Kritzik. Mr. Vogt, meanwhile, is a long-time friend of Mr. Strong, according to people who used to work for the company.

In December 1999, Neal Malicky, then chancellor of Baldwin-Wallace College in Berea, Ohio, joined the Strong board. Mr. Strong earned an undergraduate degree from Baldwin-Wallace in 1963 and is a major contributor to the school. In 2001, Mr. Malicky's first full year as a director, Mr. Strong gave between \$2,500 and \$4,999 to the small college. The next two years, Mr. Strong gave between \$5,000 and \$9,999 to the school.

But even if they don't raise questions about the SEC guidelines, it is likely to be more closely scrutinized in the future because of the trading scandal.