



MUTUAL FUND DIRECTORS FORUM

The FORUM for FUND INDEPENDENT DIRECTORS

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Mutual Fund Directors Forum Comments on Today's Supreme Court Decision in the *Jones v. Harris Associates* Case

*Decision reaffirms the "Gartenberg standard" and confirms the central role
of fund independent directors*

WASHINGTON, D.C. (March 30, 2010) – The Supreme Court issued its long-awaited opinion in the *Jones v. Harris Associates* case earlier today and, in a unanimous decision, embraced the "Gartenberg standard" regarding the process followed by mutual fund directors in assessing the fees their funds pay for investment advice.

"We've long maintained that the courts should defer to a fund board's informed decision when it comes to approving advisory contracts," said Susan Ferris Wyderko, Executive Director of the Mutual Fund Directors Forum.

Jameson Baxter, Chair of the Forum and Vice-Chairman of the Putnam Funds said, "Today's decision confirms the central role of independent directors in the governance of mutual funds and gives appropriate deference to the conclusions of informed, engaged boards."

The Court's opinion, which was written by Justice Alito, states, "Where a board's process for negotiating and reviewing investment adviser compensation is robust, a reviewing court should afford commensurate deference to the outcome of the bargaining process. Thus if the disinterested directors considered the relevant factors, their decision to approve a particular fee agreement is entitled to considerable weight, even if a court might weigh the factors differently."

With respect to the comparison between fees charged by an investment adviser to other clients, the Court stated, "...courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but courts must be wary of inapt comparisons."

The Court also cautioned against relying too heavily on comparisons with fees charged to mutual funds by other investment advisers.

About the Mutual Fund Directors Forum

The Mutual Fund Directors Forum is an independent, nonprofit membership organization for investment company independent directors dedicated to improving mutual fund governance by promoting the development of concerned and well-informed independent directors. For more information about the Forum, please visit www.mfdf.com.

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