

Dreyfus, we found on examination the other day, does not charge for the reinvestment of dividends and capital gains, whereas Eaton & Howard funds do.

Now if you were required to lower your commissions on the front-end load, could you not seek additional income by charging for the reinvestment of the capital gains or the dividend income?

Mr. KOSTMAYER. Mr. Keith, our counsel informs us that he is under the impression that the SEC has ruled that it would be inconsistent with the 1940 act not to reinvest the income dividends without charge.

Mr. KEITH. So it is a matter of rule.

Mr. KOSTMAYER. Apparently.

Mr. KEITH. Rather than a matter of law.

Mr. KOSTMAYER. Apparently.

Mr. KEITH. And the SEC has not suggested changing that rule if they do away with the front-end load or reduce the front-end load, but it would seem that that is an opportunity for obtaining additional compensation from the contractual plan buyer out of dividend and capital gains reinvestments in later years.

Mr. KOSTMAYER. Mr. Keith, I think that the SEC's position has been, and very strongly held position, that it is completely and totally opposed to taking any sales charges out of reinvested income.

Mr. KEITH. They may have that position with reference to the contractual plans, but they do not have that position with reference to the other plans.

Mr. KOSTMAYER. They don't stipulate, but I think they advocate.

Mr. KEITH. If they do, they are not enforcing it.

Mr. KOSTMAYER. I don't think they have any legal right to enforce it, but I think this would be their choice. I think this is their expressed preference. There has been an attack on reinvesting dividends with a sales charge, by the SEC, on shares in voluntary plans.

Mr. KEITH. It was revealed here last Friday that there was a split on this in the voluntary plans—were you here last Friday?

Mr. KOSTMAYER. Right.

Mr. KEITH. Do you not recall the discussion?

Mr. KOSTMAYER. I had left before this discussion took place last Friday.

Mr. KEITH. We had some discussion about this, and Eaton & Howard's representative said that they levied a sales charge on reinvestment and gave it to the agent or the salesman that initially handled the account, if he was still in the business, or if not they gave it to other salesmen, and the thing that prompted it in my mind at that time was I had in the morning ridden down with a man who was delighted with his plan, but he resented the fact that he had to name a broker for the investment of this dividend income, and he felt that when he purchased the plan, he was going to get the additional investment without any sales charge. I am sure that he was not so advised, but that was his recollection some years later.

It just is an interesting thing that the typical fund plan other than contractual, I believe levy a sales charge, but you have once again the competition. Dreyfus with a half of one percent investment company fee does not charge for the reinvestment of dividends, whereas others with a lower fee do charge.