buying, and a member of the board of directors has an interest, he has to stand up pretty straight to disclose the nature of the transaction in which he is involved.

Mr. ALGER. Well, of course in the same way, for instance, at our firm we have a last in, last out rule on investing in stocks. If everybody is completely in we can buy stock; all of our clients when I say everybody. And after everybody is out we can sell stock.

Mr. KEITH. Let's put it this way. In the board of directors of a mutual fund there are 40 percent that are unaffiliated.

Mr. ALGER. I think so.

Mr. KEITH. Therefore, there are 60 percent, generally speaking, that are affiliated. These people owe their allegiance to the management company, and they are disqualified from voting on the management contract, but they are nevertheless present during the discussions and they are very much involved in the decisionmaking process indirectly, and that is their primary responsibility. Therefore, the contract that is entered into is, generally speaking, not as arm's length as would be the case in other corporate transactions, I would think.

Mr. ALGER. Well, if we could——

Mr. KEITH. It gets back to what you just said, "We run the fund."

Mr. ALGER. We view it as a product which we are just trying to——

Mr. KEITH. Yes.

Mr. ALGER. I mean that is the way we view it.

Mr. KEITH. The SEC does not think this is healthy.

Mr. ALGER. Well, there is such tremendous competition. How can something be unhealthy which is so tremendously competitive? I mean that is of course the question, and in fact the SEC admits that if you view it as a product, the basis of the whole study does not exist. They admit this. And we say, "Well, gee, what else is it?"

I mean you can only describe it in competitive terms. They talk about the vigorous sales competition. They also make references to the entrepreneurial risk. There is no clear-cut guarantee to success in this thing.

In fact, I can tell you here we have had, and I will say the Security Management Co. has had the best product in the country, and once again here is a point which you can prove. You know, we can say we have had the best. We can prove it. And even so, just this year it broke even, and it has $70 million in total assets under management. Just this year it broke even and there was great rejoicing. I mean no one is making an awful lot of money.

I have on my desk, for instance, in my office, an offer from a man who owns 40 percent of a company which is quite well known. They have about a half-billion dollars in assets under management which includes investment counseling accounts and some funds and they have a contractual program of $150 million in face and they have a captive sales force and they have been making money every year, and what do you suppose he wanted for his 40 percent interest? Would you have any idea offhand?

Well, it was so depressingly little. He wanted $800,000 which he would accept in 6-percent notes if they were bankable. That was in parentheses, if they were bankable. Well, here is a man who has had a tremendously successful company in a great growth industry, and for