B. A BREAKDOWN ON SALES CHARGES AND COMMISSIONS

Although it seems reasonable to assume that Congress is not interested in regulating prices, knowledge of how the clients' sales charge in Mutual Funds is distributed should prove interesting. These charges apply generally to sales under $25,000 and are scaled down on larger sales. The Dealer-Representative commission ratio shown are our Company's. Other Dealers may vary their commission ratio somewhat.

1. Charge to investor—8%
2. Dealer receives—6% on most funds
3. Managers receive—5%, leaving 1% for the house
4. Sales Representatives receive 4½%, 4%, or 3½% depending upon level of experience and accomplishment. The Managers receive, in override, the difference between these rates and 5%. This compensates them for hiring, training and supervising the representatives under them.

If the S.E.C.'s economically impractical proposal of a 5% Sales Charge is enacted into law, one does not have to be a financial wizard to see that firms like ours would simply be legislated right out of business. The Dealer concession would be lower than we now pay our managers and top representatives and representatives could not afford to stay in the business at 1½% or 2% sales commission. Therefore, since they would no longer bring this vital service to the public, the S.E.C. folks would be doing a disservice to the very people they purport to protect.

With all due respect for the S.E.C., personally, I strongly resent the implication that for my 12 years in this business, I have been overpaid for my services. In actuality, every client in all those years who has carried out my recommendations has made money. No one has lost a dime.

C. UNFAIR COMPARISONS

If indeed the sales charge is too high, as alleged, it must be too high in relation to the service rendered, or too high in relation to other services believed to be of a similar nature. These are matters of opinion to be settled in the free enterprice market place. It is interesting to note that the only complaints about Funds are from the S.E.C. and not from shareholders.

The following is a comparison in costs between Funds and individual stocks based on $5000 in an individual stock.

Funds:

8 percent to Buy
No charge to sell.

Stock:

1 percent to buy
1 percent to sell (approximately).

Funds are purchased to keep, not to sell. Stocks are usally bought to sell at a future date. Let's assume that a buyer turns over his stock 3 times a year. That would result in a 6% total sales charge in a year or 60% in 10 years.

The next example is $5000 in 50 stocks listed on the N.Y. stock exchange:

Amount invested	$5,000.00
Amount in each stock	$100.00
Price per share	$50.00
Number of shares in each stock	2
Buying cost:	
Odd lot differential	$12.50
Brokerage fee	300.00
Selling cost:	
Odd lot differential	12.50
Brokerage fee	300.00
State tax	5.00
SEC fee	.50
Total in and out fee	630.50
Percent of invested amount (percent)	12.61
Mutual fund cost: $400 or 8 percent.	