

But in terms of what I understand your question to be directed to, I would suggest that you might feel, as we know that the SEC and others feel, that there is something about investment-counsel-sponsored no-load funds that represents a pretty outstanding and different kind of a vehicle for the investor, and they would like to see more like us.

What we are saying really to you here is that if you do some of these things that would be included in this bill, require additional outside directors, require them to accept greater responsibility with a whole list of criteria spelled out against which they must test the management fee, subject them to much greater chance of litigation, in case a shareholder, whether justified or not, chooses to bring suit—and bearing in mind that no-load funds are started by an investment counsel firm from scratch, and they lose money for years, and that the only reason you start them, other than trying to oblige clients who want a place to put smaller amounts of money, is that you hope maybe someday this will be a profitable thing for you—we are saying to you that, if the rules of the game are changed, we think you discourage the formation of future no-load funds, and we doubt that this is in the public interest.

Mr. MURPHY. Do you think there would be any way, Mr. Lyman, to find out the reasonableness without going through a stockholder suit?

Mr. LYMAN. Well, I think there is the present method, which, in our opinion, is a satisfactory one and an effective one. Nobody has proved what is reasonable and what isn't reasonable, necessarily, but I think that the fact that you can attract investors with no sales force over a period of years, and have your funds consistently grow, is an indication that this is not considered an unreasonable fee to pay. This is the working of the people associated with the adviser and the independent directors, all as a complete group. If there was anything unreasonable about the management fee, I think we would hear about it from our independent directors, even though we only have to have one.

Mr. MURPHY. Have you had any complaints with the fees?

Mr. LYMAN. I would say, basically, no.

Mr. MURPHY. Have you had any suits?

Mr. LYMAN. You realize, of course, that our funds in terms of the industry are very small, and in practically every case there is already a sliding fee in existence.

Mr. MURPHY. Have there been any suits brought as far as fees are concerned?

Mr. LYMAN. Not that I know of in the no-load funds.

Mr. MURPHY. Thank you very much, Mr. Lyman. Mr. Cohen, I will submit those questions to you. Mr. Keith.

Mr. KEITH. Thank you, Mr. Chairman.

Mr. Cohen, it is nice to see you again, and Mr. Lyman. I believe you had something to do with the SEC's "special study."

Mr. COHEN. I had something to do with the special study, yes, sir.

Mr. KEITH. I am just now reviewing the recommendations that were contained in the special study with reference to mutual funds, and you say in the concluding paragraph: