

Now this was created to provide a mutual organization. That is not the technical term. But it is far from a mutual organization; there has been no fair sharing of the growth of these mutual organizations. And I will show you later, only because the industry introduced some figures which I think are completely misleading, what the actual facts are with respect to these mutual organizations. But I think it is important to emphasize—

Mr. KEITH. Are you implying that it is a mutual organization?

Mr. COHEN. I am saying that it is sold as a mutual fund.

Mr. KEITH. Yes.

Mr. COHEN. And they have tried to argue that it is a mutual organization.

Mr. KEITH. Who is trying to argue that?

Mr. COHEN. Well, if you—

Mr. KEITH. I raise that question because they were very careful it seemed to me not to claim that they were mutual.

Mr. COHEN. Because they are on the horns of a dilemma. On the one hand they want to say this is a personal service.

Mr. KEITH. Who argued that it was a mutual in the legal or income tax sense which is a significant factor? They were very careful it seemed to me to compare their operations with that of a stock life insurance company.

Mr. COHEN. I want to deal with that and I brought some figures along to deal with that.

Mr. KEITH. My second question to you, I am not quite happy with your first answer—

Mr. COHEN. I know, but if you will let me answer them one at a time, Mr. Keith, as I forget them.

Mr. KEITH. Will you respond to that point?

Mr. COHEN. Yes, sir. So far as this mutualization that we are talking about, these are referred to as mutual funds. That is the common parlance. The statute refers to them largely as open end companies. Now what I mean is that there is a continual argument "Look what this fellow is getting. He is getting this great service and it costs him \$22 a year," as if that is—

Mr. KEITH. My question was who has argued that they were mutual in the legal or income tax point of view.

Mr. COHEN. I don't know about the income tax thing. I have not heard any arguments about that.

Mr. KEITH. Or the legal.

Mr. COHEN. What I am saying, Mr. Keith, I am trying to answer your question—

Mr. KEITH. My question is, the one that I want you to answer is, who has argued that they were mutual in fact as well as in name?

Mr. COHEN. They don't argue it that way, but by arguing to you that this is really a relationship between the investment adviser and the individual shareholder, who may be just a name that is somewhere in a computer, they are arguing that this is that type of an arrangement, and that is the type of discussion that goes on.

Mr. KEITH. They are arguing that it is a corporate arrangement as contrasted to a mutual arrangement.

Mr. COHEN. It is a corporate arrangement when their actions are asked to be put into account. Then they like to rely on the corporate waste doctrine.