c. What would the maximum dollar recovery to each such individual plaintiff have been in each such suit?

Neither the complaints nor reported opinions in the individual cases indicated the maximum dollar amount of the recovery sought by the plaintiffs and we are unable to estimate the maximum potential recovery. In *Kerner* v. *Crossman*, the courts finally approved a settlement of the lawsuit which resulted in estimated savings to the fund of $291,462 per year based on the fund's size in 1962. We estimate that this resulted in savings of $8.73 per year for the 607 shares held by the plaintiff in that case.

In our view, the reasonableness of advisory fees cannot be justified in terms of the cost per shareholder. Our recommendations that mutual fund advisory fees be governed by a standard of reasonableness reflects our basic view that these managers of mutual funds, having created the funds and sold their shares with all the trappings and attractions of "mutual savings institutions", must be held to the same standards of fiduciary duty and self-restraint required of the managers of other types of "mutual savings institutions." Indeed, even in the ordinary corporate situation, the fairness of executive salaries or self-dealing contracts such as involved in advisory fees are not measured in terms of cost per shareholder. When the director of a manufacturing firm causes his company to deal with the supplier in which he has a financial interest and the supplier overcharges the manufacturing company, the business community does not attempt to justify the transaction on the ground that it costs only a few cents extra per shareholder. We know of no reason why self-dealing transactions such as involved in mutual fund advisory fees should be judged on a different basis.

2. Please list all the stockholder suits challenging mutual fund management fees which have been commenced in the past ten years and give the date each suit was initiated and its present status.

Attached hereto are tables listing separately all the shareholder suits challenging mutual fund management fees, which to our knowledge, have been commenced in the past 10 years. Table I lists the suits initiated prior to the publication of the Commission's Report. In many cases several complaints were filed attacking advisory fees of a single fund as excessive. Since Table I does not list the names of duplicate suits, the list consist of 22 cases rather than the 50 suits which actually were brought.

Table II lists the shareholder suits which have been brought after publication of the Commission's Report on December 2, 1966. Unlike the suits instituted prior to publication of the Commission's Report, the later suits are concerned mainly with questions of portfolio execution and brokerage allocation, rather than the advisory fees. However, since the reasonableness of advisory fees have been placed into issue by the allegations of the complaints, the names of these cases are furnished in answer to your inquiry.

TABLE I.—SHAREHOLDER SUITS INVOLVING MUTUAL FUND ADVISORY FEES INSTITUTED PRIOR TO PUBLICATION OF COMMISSION REPORT

| Fund involved | Name of suit | Date brought | Disposition |
|---|---|---|---|
| 1. Affiliated Fund, Inc | Kellmer v. Prankard | Aug. 26, 1960 | Settled. |
| 2. Axe-Houghton Fund A | Saxe v. Axe | April 1960 | Do. |
| 3. Axe-Houghton Fund B | Kerner v. Crossman | Mar. 21, 9061 | Do. |
| 4. Capital Shares, Inc | Nadel v. Curtin | March 1963 | Do. |
| 5. Chemical Fund, Inc | Mieselman v. Eberstadt | 1960 | Do. |
| 6. Diversified Growth Stock Fund | Greene v. Sheperd | February 1963 | Do. |
| 7. Dividend Shares, Inc | Brown v. Bullock | Aug. 5, 1960 | Do. |
| 8. Dreyfus Fund | Adler v. Dreyfus | Dec. 31, 1963 | Do. |
| 9. Fidelity Capital Fund, Inc | Levitt v. Johnson | August 1963 | Do. |
| 10. Fidelity Fund, Inc | Lefkof v. Johnson | July 10, 1961 | Do. |
| 11. Financial Industrial Fund, Inc | Acampora v. Birkland | February, 1961 | Do. |
| 12. Fundamental Investors, Inc | Saxe v. Brady | Jan. 29, 1960 | Do. |
| 13. Group Securities | Kirman, v. Anderson | April 1963 | Do. |
| 14. Investors Mutual, Inc | Ackert v. Ausman | July 28, 1960 | Do. |
| 15. Investors Stock Fund, Inc | Glicken v. Bradford | Mar. 31, 1961 | Do. |
| 16. Keystone Custodian Funds | Saminsky v. Abbott | August 1960 | Do. |
| 17. Lazard Fund, Inc. (The) | Saminsky v. Hettinger | Aug. 1, 1960 | Do. |
| 18. National Securities Series | Chabot v. Empire Trust Co | July 1960 | Do. |
| 19. One William Street Fund, Inc | Rosenfeld v. Richardson | July 1960 | Do. |
| 20. Television Electronics Fund, Inc | Simonson v. Cooley | Feb. 6, 1962 | Do. |
| 21. United Funds, Inc | Ruskay v. Reed | Aug. 1960 | Do. |
| 22. Wellington Fund, Inc | Rome v. Archer | July 12, 1960 | Do. |