TABLE VIII–27.—*Individual stockholder sales of shares of investment advisers or principal underwriters to the public, 1955–60*

Open-end company assets (in millions)	Number of adviser groups in class	Number of adviser (or underwriter) groups with individual stockholder sales to public, 1956–60		Net proceeds of public sales by individual stockholders, 1956–60
		Number	Percent [1]	
0 and under $1	30	2	6.7	$42,500
$1 and under $10	47	4	8.5	51,232
$10 and under $50	36	4	11.1	412,528
$50 and under $150	11			
$150 and under $300	12	2	16.7	5,606,000
$300 and under $600	10	6	60.0	25,441,118
$600 and over	5	3	60.0	21,456,000
Total	151	21	13.9	53,009,378

[1] Percentage of advisers in size class.

Public sales have been made by large stockholders of 21 advisers or their affiliated underwriters during the 5-year period 1956 to 1960, inclusive.[20] The tempo of such sales increased during the period, with a heavy concentration in 1959 and 1960. It can be seen in table VIII–27 that shareholders of the larger systems predominated in public sales of shares, both in number and dollar proceeds. Of the 21 advisers or affiliated underwriters whose shares were publicly sold by large shareholders during this period 11 were in the largest 3 size classes. And as we would expect, the number of advisers and/or underwriters with large stockholder sales is directly related to the size of open-end company assets subject to control, with the exception of the interruption in the $50 to $150 million class. We can also see from table VIII–27 that 99 percent of the net proceeds from shareholder public sales of adviser or underwriter shares accrued to those in the largest three size classes, which accounted for $52,503,118 of an aggregate net revenue amounting to $53,009,378.

Of the 21 selling groups, in 11 cases the shares sold were all voting common stock; in 6 cases the shares sold were entirely nonvoting common or preferred, and in 4 instances both types were involved in the public sales. Of the three public sales by large stockholders in the largest size class, all involved sales of nonvoting stock exclusively. Of the six cases of public sales involving large shareholders of advisers in the $300 to $600 million class, three involved voting common entirely, two were exclusively sales of nonvoting stock, and one involved both.

These sales have of course increased the number of advisers and affiliated underwriters that are publicly owned. Even before this, however, there were a number of advisers with significant outside ownership and a sizable number of shareholders. Apart from the 21 adviser groups shown in table VIII–27, at least 18 other groups qualify as publicly owned, either having sold shares to the public or having (directly or indirectly) over 100 shareholders at the end of 1960. Of these 18, 3 were insurance company subsidiaries whose parents had 100 or more shareholders, and 6 others were engaged mainly in banking or a trust business.

[20] In addition to sales to outside interests there were at least 4 instances of sales of privately held stock to officers and employees of the adviser, 2 sales of substantial partnership interests, 2 resales at book value (per agreement) because of retirement or separation from employment, and 1 instance of an estate resale of 10 percent to an executive of the adviser and 90 percent to the adviser.

B. AFFILIATIONS OF ADVISERS WITH OPEN-END COMPANIES, DISTRIBUTORS OF OPEN-END COMPANY SHARES, AND BROKERS

Relationships with open-end investment companies advised

In the discussion of the control of open-end companies in chapter II, it was shown that the overwhelmingly predominant form of control of these organizations, applicable to 139, or 89 percent of 156 companies studied, was management control. "Management control" was there defined as a situation—

> where effective power over the selection of managerial personnel, and the making of basic policy decisions, is held by a management group without substantial ownership interest in the controlled company.

The predominance of this form of control was there related to the wide diffusion of mutual fund shares, the redemption privilege, and the fact that many mutual fund shareholders are buying the investment supervisory service of a particular management group. It was concluded that under these conditions, even where the stockholder does possess the formal right to vote for trustees, directors, or the renewal of management or underwriting contracts, the maintenance of control by the promoting management group through the normal operation of the proxy machinery is a foregone conclusion.

It was also found in the earlier chapter that the strategic position of the investment adviser in the management of an open-end company is usually well consolidated in the very process by which a new open-end company is organized. Typically, a charter to do business is obtained, officers and directors are selected, and an investment advisory contract is entered into by the promoter-management group before any securities are sold. The initial sale of securities is made to a small group of promoters, their friends and relatives, and advisory clients of the promoters, as a private offering. The going concern is thus staffed initially with personnel selected by and frequently identical with that of the management group that enters into the advisory contract with the investment company. It is unusual for the mutual fund at any time to have a separate existence, with different facilities and personnel, from that of its adviser. Once such arrangements and relationships have been established they are virtually unassailable, for the reasons already mentioned as consolidating control by a promoting management group. (There has been no case of a proxy fight to oust the management of a mutual fund, at least since 1946, although there was a proxy contest between contending investment advisers to establish themselves in place of a management group ousted as a result of intervention by the Securities and Exchange Commission.)

The dominant position of the investment adviser in the control of the affairs of open-end investment companies can best be seen by looking at the interaffiliations of personnel of the two types of organization. In many cases the distinction between adviser and client company is strictly legal, the investment company possessing no office or personnel independent of that of its agent the investment adviser; and a substantial number of advisory contracts provide that the adviser will supply the investment company with office space, clerical help, and executive and other personnel.

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TABLE VIII–28.—*Affiliations of open-end investment company directors, officers, principal officers, and trustees, with their investment advisers (1960)*

Percentage of investment company personnel affiliated with the investment adviser	Investment company directors		Investment company officers		Investment company principal officers [1]		Investment company trustees	
	Number of companies	Percent	Number of companies	Percent	Number of companies	Percent	Number of companies	Percent
100	1	0.5	126	64.6	140	71.8	1	6.7
75 and under 100	7	3.6	24	12.3	9	4.6	3	20.0
61 and under 75	10	5.2	12	6.2	14	7.2	2	13.3
50 and under 61	52	27.1	17	8.7	17	8.7	2	13.3
25 and under 50	104	54.2	10	5.1	9	4.6	6	40.0
1 and under 25	18	9.4	2	1.0	0	0	1	6.7
0 and under 1	0	0	4	2.1	6	3.1	0	0
Total	[2] 192	100.0	[3] 195	100.0	[3] 195	100.0	15	100.0

[1] Principal officers as used here includes vice presidents, presidents, and chairmen of boards of directors.
[2] Excludes 16 trusts without officers or directors, 15 trusts with trustees (see last column), and 9 investment companies that failed to give adequate information on affiliations.
[3] Includes 3 trusts that have officers as well as trustees.

The affiliations of open-end company directors, officers, principal officers, and trustees with the investment adviser are shown in table VIII–28. The term "affiliated" is used here as follows: Officers, principal officers, and trustees of the investment company are regarded as affiliated with the adviser if they are officers, directors, partners, employees, or owners of 5 percent or more of the stock of the adviser, its parent, subsidiaries of the adviser or its parent, or the legal counsel of the adviser or one of its supervised investment companies. Directors of the investment companies are included as affiliated with the adviser if they meet the criteria applicable to officers or if they serve as officers or employees of the investment company. These definitions are approximately those given in section 2(a)(3) and section 10(a) of the Investment Company Act of 1940.

As may be seen in table VIII–28, in the case of 140 of 195 applicable open-end investment companies with investment advisers, or 71.8 percent of the total, all of the principal officers (president, vice presidents, chairman of the board) were affiliated with the investment adviser; and in 180 of the 195 cases, or 92.3 percent of the total, one-half or more of the principal officers were affiliated with the adviser. In 126 of 195 cases, 64.6 percent of the total, every officer of the investment company was affiliated with the adviser, and in 179 instances, or 91.8 percent of the total, one-half or more of the officers were affiliated with the investment adviser.

Affiliated persons are less common among boards of directors of open-end companies. Since we are including directors who are officers and employees of the investment company as affiliated with the adviser, in all instances some member of the boards of directors was affiliated with the adviser. However, in only 70 of 192 cases, or 36.4 percent of the total, were one-half or more of the directors affiliated with the investment adviser. This is due largely to the provisions of the Investment Company Act of 1940 which required that, with some special exceptions, boards of directors of registered open-end companies consist of not more than 60 percent of persons who are officers of the investment company or are otherwise affiliated with the

adviser, and less than 50 percent of persons affiliated with a regularly employed broker, principal underwriter, or investment banker of the investment company.[21]

The significance of this substantial representation of unaffiliated open-end company directors depends on two factors: (1) the degree of independence of these directors from the controlling management group of the investment adviser, who are the promoters and are usually represented by a majority of the principal officers of the investment company; and (2) the extent to which boards of directors, and particularly the unaffiliated directors, play an active role in the management of the affairs of the companies.

With respect to the degree of independence of unaffiliated members of the boards of directors of open-end companies, our information is sparse. In the special questionnaire to investment companies, advisers and underwriters, each open-end company was asked to indicate with respect to each director and officer—

> by whom he was proposed to be a director or officer of the investment company and * * * any understanding or arrangement pursuant to which he was so elected.

None of the companies, according to their replies, had any understandings or arrangements with any directors or officers except for the faithful discharge of the duties of office. However, not all companies replied to this question, and "understandings" may be too subtle and elusive to be definable or likely to elicit meaningful responses. On the matter of the person proposing officers and directors, in the 346 replies received to this question relating to unaffiliated directors, 273, or 78.9 percent were proposed by individuals affiliated with the investment adviser, usually the president or some other affiliated principal officer of the investment company.

It should be noted that a nonaffiliated person may and frequently does include a relative, a close personal friend, or a business associate falling outside of the scope of the limited definition of "affiliated person" in section 2(a)(3) of the act of 1940.[22] It seems likely that

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[21] Section 10(a) and (b).

In the original investment company bill it was also provided that a majority of the directors had to be independent of the adviser. The rationale for the subsequent reduction to 40 percent was that "it is difficult for a person or firm to undertake the management of an investment company, give advice, when the majority of the board may repudiate that advice." Still, since the manager has a pecuniary interest in "the method of running the trust" some "independent check" upon the management should be provided. (Testimony of Mr. David Schenker, counsel in charge of the SEC investment company study, "Investment Trusts and Investment Companies," hearings on H.R. 10065, 76th Cong., 3d sess. (1940), pp. 109–110.)

It should be noted that this line of argument relates mainly to the management of the investment portfolio, which may involve some conflict of interest between adviser and shareholders, but not necessarily self-dealing. With respect to the management fee and provisions of the management contract, however, permitting the affiliated majority to vote would be to permit clear self-dealing. In discussing the original bill Mr. Schenker stated, "We say that if you want to act as investment adviser you can act as investment adviser and get a fee for this advice, but the ultimate decision should be with the independents." ("Investment Trusts and Investment Companies," hearings on S. 3580, pt. I (1940), p. 950). Since, in the amended version of the bill, if the management contract is not submitted to a vote of the shareholders it must be approved by a majority of unaffiliated directors, it appears that the ultimate resolution of this important issue is still left with the independents. It would also seem reasonable to conclude that in considering the terms of the management contract it was assumed that the unaffiliated directors would act independently as representatives of the share holders of the mutual fund.

This distinction between an "independent check" applicable to investment management, and a more stringent voting requirement for transactions involving major conflicts of interest, is supported bythe following statement by a distinguished interpreter of the act of 1940: "The theory of these provisions [of sec. 10] is (1) that it is desirable that all investment company transactions be subject to the scrutiny of at least a minority of directors independent of the management and (2) that in cases where affiliations of directors might involve conflicts of interest, stockholders are entitled to the protection afforded by the existence of a majority of disinterested directors. This latter protection, coupled with the specific prohibitions on certain transactions of directors and affiliated persons and other safeguards of the act, was deemed sufficient." (Jaretzki, "The Investment Company Act of 1940," Washington University Law Quarterly, Apr. 1941, pp. 319–320.)

[22] It is also worthy of note that a director who serves as such for two or more open-end companies managed by a single adviser, but who is not otherwise affiliated with the adviser, is excluded both here and in the act of 1940 from inclusion as an affiliated person of the investment adviser. Question may be raised, however, whether it is realistic to consider as an unaffiliated person one who is selected by the adviser and associated with its personnel in several presumably independent ventures. A redefinition of affiliated person to include these cases would leave many of the multicompany systems without any unaffiliated directors.

where unaffiliated or "independent" directors may be selected by a controlling management group, the latter will be able if they desire to arrange for a friendly board that is independent in only a limited sense. Moreover, there appears to be no feasible way of defining "affiliation" so as to overcome this difficulty to any great extent, while the power to choose directors is still in the hands of the management.

Turning to the role of the board of directors in the management of the affairs of open-end companies, we find, first, that in response to a question relating to the frequency of meetings of the board of directors of open-end companies, in the case of 85 of 158 different replies from investment company groups, or 53.8 percent of the total, the board of directors met only quarterly or less frequently. In only six instances, or 3.8 percent of the replies, did the board of directors meet more frequently than monthly. In 48 cases the board met monthly, and in 64 instances, quarterly. As may be seen in table VIII–29, the boards of directors of the larger systems tend to meet more frequently than do those among the smaller size classes. It may be noted that this reflects the frequency of monthly meetings among the larger systems; only one adviser group with assets exceeding $150 million had open-end company board meetings more often than monthly. These figures on frequency of board meetings indicate that for most investment companies the board of directors does not play an active role in the day-to-day management of company affairs; and they suggest that for many companies the board may have very limited functions as regards investment decision making in general.

This conclusion is strongly reinforced by responses to a series of questions concerning the process of investment decision making in the investment company business. Of 161 different replies from open-end company groups supervised by an investment adviser, in only 29 instances (18 percent) did the board of directors have to give its approval before a new security (not in the company portfolio or on an approved list) could be acquired. None of these 29 were members of an adviser group with assets in excess of $300 million, although most of the companies in these larger groups had monthly directors' meetings. In 17 cases an approved list was formally part of the machinery of decision making, but in a number of such cases the approved list was not strictly binding and exceptions could be made by a smaller decision making body (or person). In 15, or 9.3 percent, of the 161 replies, board approval was needed for day-to-day purchases and sales of portfolio securities. Twelve of the 15 were among the systems with assets under $50 million; none applied to systems with assets exceeding $300 million.

TABLE VIII–29.—*Frequency of meetings of boards of directors of groups of open-end investment companies managed by 154 investment advisers, 1960*

Open-end company assets (in millions)	Number of meetings per year													
	Over 12		Monthly		Less than 12 and over 4		Quarterly		Less than 4		Irregular		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 and under $1	2	6.5	7	22.6	5	16.1	11	35.5	3	9.7	3	9.7	31	100.0
$1 and under $10	2	4.1	5	10.2	7	14.3	28	57.1	6	12.2	1	2.0	49	100.0
$10 and under $50			11	30.6	5	11.9	[1] 16	44.4	[1] 4	11.1			36	100.0
$50 and under $150	1	7.1	[1] 7	50.0			4	28.6	[1] 2	14.3			14	100.0
$150 and under $300	1	8.3	6	50.0	1	8.3	3	25.0	1	8.3			12	100.0
$300 and under $600			[2] 7	63.6	[1] 1	9.1	[1] 2	18.2			1	9.1	11	100.0
$600 and over			5	100.0									5	100.0
Total	6	3.8	48	30.4	19	12.0	64	40.5	16	10.1	5	3.2	[3] 158	100.0

[1] Includes 1 of 2 investment company boards of directors under contract with a single adviser with different numbers of meetings per year.

[2] Includes 2 cases where 2 investment company boards of directors under contract with single adviser had different numbers of meetings per year.

[3] Total includes 4 cases in which an investment adviser supervised companies with different numbers of director meetings per year.

Table VIII–30 summarizes the reported loci of decision making authority, including the affiliations of these decision makers with the investment adviser, for the 132 [23] cases (161 less 29) where new securities could be purchased prior to approval of the board of directors of the investment company. The table indicates that in 44, or 32.6 percent, of the cases an executive committee of the investment company was the active decision making body; in 39 cases (28.9 percent) officers of the investment company were reportedly the active decision-makers; in 16 instances (11.9 percent) the president of the company was the key decision maker; in 14 instances the investment adviser or one or more of its officers were stated to have the authority to acquire new securities for the investment company; and in 22 cases (16.3 percent) the executive committee of the investment adviser was reportedly the active decision making body.

It will be noted from the breakdown of affiliations in table VIII–30 that all 16 presidents reported to be active decision makers were directly affiliated with the investment adviser, and in fact 10 of them were also presidents of the investment adviser. All of the members of 30 of the 44 executive committees of open-end investment companies referred to in table VIII–30 were affiliated with the adviser. We can see that in some four-fifths of the 135 cases under consideration, the individual or group decision making unit was 100 percent affiliated with the investment adviser; and in 9 out of 10 cases a majority of the decision making group was affiliated with the investment adviser.

TABLE VIII–30.—*Locus of decision making authority for interim purchases of new securities, by open-end investment companies, 1960*

Decision making person or body	Percentage of decision makers affiliated with investment adviser									
	100 percent		50–99 percent		1–49 percent		0 percent		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1. President of the investment company	16								16	11.9
2. President and other officers of the investment company	[1] 28		6		4		[1] 1		39	28.9
3. Executive committee of the investment company	[2] 30		[2] 7		[2] 4		3		44	32.6
4. Investment adviser or its officers	13						1		14	10.4
5. Executive committee of the investment adviser	22								22	16.3
Total	109	80.7	13	9.6	8	5.9	5	3.7	135	100.0

[1] 2 different companies managed by the same adviser.
[2] 3 different companies supervised by the same adviser.

[23] It will be observed that the total number of cases included in table VIII–30 is 135 rather than 132. This is due to the fact that in three instances affiliations differed for two or more companies in the same system; and in order to give a complete picture of affiliations, three cases of double-counting resulted.

Affiliations with underwriters and dealers

The principal underwriting function is essentially that of wholesaling investment company shares as needed from the company at net asset value, and the distribution of these shares through a selling group of mutual fund dealers for retail sale at net asset value plus a commission. The size of the commission or "sales load" varies between companies and by size of purchase. Typically the sales load is 8 or 8.5 percent of the total selling price of shares (or 8.7 and 9.3 percent of net asset value) for purchases up to $25,000 in size, with a gradual decline in loading charge thereafter. The sales load for 214 open-end companies for small purchases is described in table VIII–31.

It may be observed that over half of the companies included in table VIII–31 had a sales charge of 8.0–8.9 percent, and that over two-thirds fell within the 7.0–8.9 percent range. There is a statistically significant relationship between company or group asset size and the size of the sales charge. This is due in considerable measure to the concentration of no-load and small-load companies (under 4 percent) among the smaller groups. However, it also reflects the great emphasis which many of the larger systems place upon selling investment company shares. They have found that high retailer commissions induce selling efforts that increase the rate of sales of investment company shares (other things, including performance, being given).[24]

[24] See ch. V.

VIII–31.—*Maximum sales load charged for 214 open-end investment companies, by size of open-end company assets managed by advisers, 1960*

Open-end company assets (in millions)	Sales charge (percent of selling price)													
	None		0.1–3.9 percent		4.0–6.9 percent		7.0–7.9 percent		8.0–8.9 percent		Not available [1]		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 and under $1	7	20.0			3	8.6	3	8.6	17	48.6	5	14.3	35	100
$1 and under $10	9	15.8	4	7.0	2	3.5	8	14.0	29	50.9	5	8.8	57	100
$10 and under $50	9	18.4	4	8.2	2	4.1	8	16.3	21	42.9	5	10.2	49	100
$50 and under $150	5	22.7	1	4.5			2	9.1	12	54.5	2	9.1	22	100
$150 and under $300	4	16.7			1	4.2	2	8.3	16	66.7	1	4.2	24	100
$300 and under $600					2	6.3	8	25.0	22	68.8			32	100
$600 and over					2	15.4	5	38.5	6	46.2			13	100
Total	34	14.7	9	3.9	12	5.2	36	15.5	123	53.0	[1] 18	7.8	232	100

[1] 6 companies were not offering shares at the end of 1960; 12 companies failed to provide information on this point.

The sales charge is split between the underwriter and retailer, with the latter usually getting between two-thirds and seven-eighths of the total. In other words, the underwriter usually retains between 1 and 2.5 percent of the 8 percent load, the retailer obtaining 5.5 to 7 percent. For its share of the load, the principal underwriter builds and caters to the needs of a dealer organization, supplying its members with sales literature, maintaining records of channels of sale (for the distribution of rewards, and for other purposes), transn itting securities, frequently supervising accumulation plans, etc. It does not, however, assume the risk, usually associated with underwriting, of a fall in the price of investment company shares between the time of underwriting acquisition and final sale. It serves as a transmittal agent rather than as an independent purchaser, acquiring the shares from the company as required and remitting to the company the net proceeds of the sales after the applicable commissions have been deducted.

With large sales of mutual fund shares, gross income from underwriting can reach very substantial levels. It was shown above in table VIII–4 that even without regard to parents, subsidiaries, and other affiliated organizations that underwrite open-end company shares, in 31 instances underwriting provided investment advisers with their largest source of gross income. And in table VIII–5, where affiliated organizations were taken into account, income from distributing the securities of mutual funds was found to be the largest source of gross income for the control groups of 48, or 29.4 percent, of 163 advisers.

We turn now to the details of the affiliations between investment advisers and underwriters of open-end company shares. In the case of five advisers there were two principal underwriters; on the other hand, there were 35 cases of advisers supervising no-load companies (29) or companies not selling shares (6); and information was unavailable for two very small systems. Our working universe is therefore 131 units (163+5−35−2), consisting of 126 advisers plus five cases where an adviser is counted twice because of a dual underwriter.

In 68, or 51.9 percent, of the 131 cases where underwriting functions were a direct source of income, the investment adviser itself performed the underwriting function and derived income from this activity. In 31 instances this was the adviser-underwriter's primary source of income, and in 60 cases the income from underwriting was one of the three most important sources of gross income to the organization.

In eight instances the principal underwriter was a subsidiary of the investment adviser, and in six cases the investment adviser was a subsidiary of the principal underwriter.[25] In 28 cases, or 21.4 percent of the total, the underwriter was majority-owned by one or more of the controlling persons of the investment adviser.

Thus the control groups associated with investment advisers derive income directly from underwriting in 110 (or 84 percent) of 131 relevant cases. In addition, in three instances controlling individuals own substantial minority interests in underwriters of fund shares, and in 12 cases they are otherwise affiliated with underwriters through very small ownership interests, family relationships, or interlocking officers and/or directors. This leaves only six, or 4.6 percent, of the

[25] This exceeds the number of adviser subsidiaries of underwriters in table 2 because one underwriter parent is also a broker and the adviser appears there as a subsidiary of a security dealer.

131 cases where the underwriting of open-end shares is a source of direct income as instances where unaffiliated underwriters are employed in this function.

While the groups that control investment advisers generally have a direct financial stake in the underwriting of the shares of open-end companies, they are less frequently involved directly in the retailing of investment company shares. Of the 131 cases where shares were sold at a positive sales charge through an underwriter, and then to investors at retail, in only 68 instances, or 51.9 percent of the total, did the adviser or an affiliated organization retail a substantial volume (10 percent or more) of open-end shares. In 34 of these cases (26.0 percent of the total) the adviser itself was a substantial retailer, in such cases usually accounting for 75 percent or more of retail sales. It is of interest that in only two instances among the advisers with assets exceeding $50 million, did the adviser also retail a substantial value of investment company shares.[26] The remaining 32 cases of adviser-retailers occurred in the smaller size classes, where direct retail selling is clearly more predominant.

In 18 cases, or 13.7 percent of the total, substantial retailing of investment company shares was done through an affiliated underwriter, and in 16 cases (12.2 percent), a significant volume of retail sales was carried out through an affiliated retail firm. In these cases also, retail selling through affiliated organizations was heavily concentrated among the advisers managing less the $50 million of open-end company assets. Only three of the 34 cases of substantial retail sales through affiliated organizations could be found in the size classes of $50 million or more; the other 29 occurred among the smaller systems.

It should be noted that despite the greater relative importance of direct retail selling to the smaller advisers and groups, the big systems dominate the industry in terms of asset totals and volume of shares sold, and two of the largest systems sell all or most of the shares of their open-end company clients directly. Investors Diversified Services, which sells all the shares of its five open-end companies through its own sales organization, sold $286.1 million of such shares in 1960, an amount substantially in excess of the end of 1960 assets of all 92 companies in the two smallest size classes. Approximately 90 percent of the shares of United Funds, Inc., is sold at retail by Waddell & Reed, Inc., a selling organization which is the beneficial owner of 50 percent of the voting stock of Continental Research Corp., the investment adviser of United Funds. This system, which is the fourth largest in the country (and the third largest with an investment adviser), utilized approximately 4,000 salesmen in fiscal 1960, to sell $217.9 million of United Fund shares ($107.5 million cash sales and $110.4 million in face amount of periodic investment plans).

In addition to these major systems that sell principally through their own sales forces, three other large systems engage in substantial retail selling either directly or through an affiliated organization. The two most important,[27] which rival IDS and Waddell & Reed in the size and scope of their selling operations, are F.I.F. Management Corp. and Hamilton Management Corp. Approximately 90 percent

[26] We exclude no-load companies from this generalization.

[27] In the third case, a substantial volume of the shares of the open-end companies managed by Van Strum & Towne, Inc., was sold through King Merritt & Co., both organizations being subsidiaries of Channing Corp.