priate but very necessary, you will see that it eliminates a very large area of potential abuse arising out of the conflict of interest between management and stockholders, whether the management happens to consist of investment bankers, brokers, or anyone else. Even a banker or broker, if he cannot buy from, sell to, lend to, borrow from, or otherwise directly or indirectly deal as a principal with an investment company, has only the most theoretical opportunity to harm the stockholders of that company. You will find, I am sure, that the prohibitions which I have recommended cover all potential conflicts except that class of abuse which was mentioned the other day and which may be generally described as the use of investment-company funds to purchase securities of some other company for the purpose of establishing an investment banker as underwriter of the company whose securities are purchased. Admittedly, this possible field of abuse is open.

Now if there were to be no other provisions in a regulatory bill, perhaps this would be serious. However, the present bill proposes that if an investment company owns more than one-half of 1 percent of any class of securities of a portfolio company, an investment banker on the board of the investment company may not be an underwriter for the portfolio company. As I have shown before, this particular provision as now written would simply mean that no investment banker would be a director of an investment company. But suppose the unrealistic one-half of 1 percent were to be raised to some more sensible figure—for example, 5 percent, which seems to be a percentage set elsewhere in the bill as the point at which an investment ceases to be a casual affair and begins to take on some aspects of influence. If there were such a realistic percentage limitation written into the bill, it would permit investment bankers to serve on the board of investment companies without the danger of having their firm eliminated from important underwriting business merely because of some minor and casual investment on the part of the investment company. But at the same time such a provision would protect the stockholders of the investment company from the misuse of the company's funds to buy underwriting business for the bankers. The S. E. C.'s answer to this may be that there are some situations in which ownership of 5 percent of the securities of a company would constitute by far the largest single holding and would give the owner and his banker friends an influential voice in directing the underwriting business.

I am free to admit that there are certain theoretical situations where something like this could happen. But they are rare and in my opinion would more than adequately be handled by the provisions in the proposed bill calling for the fullest publicity for all acts and investments of investment companies. It seems to me inconceivable that in the face of self-dealing prohibitions, percentage limitations on underwriting, and complete periodic publicity, investment bankers, whatever their intentions, would be able to any dangerous degree to misuse their relationships to investment companies to the practical disadvantage of stockholders. As I have said before, this is a question of degree.

Before leaving this subject, I think I should call your attention to the fact that the one-half of 1 percent restriction on underwriting would in fact prevent a banking firm affiliated with an investment

company from joining a group making a public bid on bonds of a company, sixth-tenths of 1 percent of any of whose securities were owned by the investment company. It seems incredible that any such prohibition was in the mind of the authors of this provision—but there it is.

Further—and finally—I must mention briefly the suggestion that, in the case of broker managed investment companies, there exists a danger that the broker will be tempted to force the company into unnecessary trading merely for the sake of increased commissions. There may be cases of this. I do not know. But aside from the pettiness of such a kind of impropriety, I am quite certain that a combination of quarterly publicity for brokerage fees paid, and the heavy hand of the appropriate committees of the New York Stock Exchange can be counted on to minimize the risk the investor runs on this score.

I hope that I have succeeded in making clear to you my fundamental belief that the problem of management is a crucial problem of the investment company. These companies will stand or fall over a period of time on their ability to perform a useful service to the community and I cannot believe that their usefulness will be enhanced by depriving them of the services and experience of those classes of the American business and financial community which are most experienced in the problems that face investment companies.

Senator WAGNER. Are there any questions of Mr. Bunker? (No response.)

If not, we will hear from Mr. F. Wilder Bellamy, of the National Bond & Share Corporation.

STATEMENT OF F. WILDER BELLAMY, PRESIDENT, NATIONAL BOND & SHARE CORPORATION, NEW YORK, N. Y.

Mr. BELLAMY. I am the president of the National Bond & Share Corporation, a closed-end investment company of the management type, having outstanding but one class of security. I have asked permission to appear before you because our company is small compared with those whose representatives you have heard, and because I am in a position to give you not only the attitude of its management, but also a very good indication of the attitude of the stockholders of this corporation toward this proposed legislation.

My remarks will take less than 10 minutes.

Formed in March 1929 by the New York Stock Exchange firm of Dominick & Dominick, of which I am a partner, and managed by that firm in the succeeding years under a management contract, our corporation has paid cash dividends in every year of its existence since 1929, and as of this date the asset value of each original share is greater than its value upon the formation of the corporation, so that an original investment in this company is represented by assets worth more in April 1940 than they were in March 1929.

My primary duty as president of this corporation is to represent its stockholders, and with that aim in view, and within a few days of the introduction of this bill in the Senate, I forwarded to each of our stockholders a copy of the bill. Because of the length and complicated nature of the bill, I tried to explain to the stockholders in a covering letter the more important effects which it would have on the manage-

ment of their company. That letter, which incidentally contains a mistake since corrected, I have here, if you should care to see it. It makes no recommendation and asks for no action by the stockholders except an indication by them of their attitude toward this proposed legislation.

The National Bond and Share Corporation is a small company. It has 953 stockholders. The management of the corporation to date has received from 21 States 205 replies. Of these replies, of which we estimate 18 came from individuals of close relationship to the directors, 8 expressed approval of the bill, and 197 expressed disapproval of it. The replies are available in the event that members of the committee should care to see or to inspect them. They range from mere expressions of approval or disapproval to long and detailed objections to this proposed legislation.

Senator WAGNER. Will you put your letter to the stockholders into the record?

Mr. BELLAMY. I will, Senator. I might want to refer to it.

Senator WAGNER. All right.

Mr. BELLAMY. As president of this corporation, I will welcome any step which really benefits our stockholders, whether this step comes as a result of legislation or whether it comes as a natural evolution in business practice. I want our stockholders to know everything we do, and why we do it, and I want every practical safeguard against acts or policies which may hurt them, but I do not want their expenses to rise, and I do not want them forced against their will to change their management or the character of their company so that they find themselves investors in an enterprise the whole complexion of which has been changed without their consent.

Because other representatives of the industry have appeared and will appear before you, I will limit myself, with your permission, to a discussion of those comparatively few provisions in the bill which most seriously affect our company.

I am sure that our company in its relation to its stockholders and in the effect which this proposed legislation will have upon it must be typical of many others, and for that reason I should like to use it in my remarks as a method of illustration.

The officers and board of directors of the National Bond & Share Corporation since its organization have consisted entirely of members of the firm of Dominick & Dominick, and that firm has acted as its manager and principal broker. This relationship was known to all of the original purchasers of its stock. In fact, I think it fair to say that it was in the first instance, and has continued to be, the principal inducement for the acquisition of the securities of the corporation.

Section 10 prohibits the corporation from having a board of directors of which more than a minority are members of any one firm or are persons who regularly act as its manager or as its broker. Section 10 also prohibits any person who is the regular broker for the corporation from also acting as its manager. The theory of these provisions is apparently based on the hypothesis that one who acts as broker and manager may dishonestly undertake the purchase and sale of securities for the account of the corporation in order to make commissions for himself, and that this temptation is irresistible.

Senator TAFT. You say that this is a closed-end company. What other type is there? Diversification? Small lots of all kinds of stock?

Mr. BELLAMY. Yes. The policy is to invest small amounts in readily marketable securities. It is all common stocks.

Senator TAFT. Is there any considerable question at all relating to the matter of control of other companies? That control never did have any particular influence in the management of such a company, did it?

Mr. BELLAMY. No, Senator. This is only a $9,000,000 corporation.

The problem presented is of particular importance to a small company such as ours, for the time, trouble, and experience necessary to manage a fund of $9,000,000 are nearly as great as are necessary to manage a fund many times larger, so that while the cost may be approximately the same, the proportion is higher for the smaller fund.

The chief justification for the existence of any management investment company is to enable the investor to obtain adequate diversification of investment and exeprienced management at a cost not disproportionate to the advantages achieved thereby.

There is already a heavy tax burden upon investment companies, and if there is added thereto too great a burden for management expense, the management investment company no longer serves a useful purpose.

Section 10 seems to me to necessitate:

(1) An independent board of directors.

(2) Possibly an independent investment officer or officers.

(3) Brokers who have less than 50 percent representation on the board of directors.

(4) Possibly a manager who has a similarly restricted representation on the board.

Accordingly, our company is confronted with the necessity of employing and paying separately at least two, and possibly three, different groups of persons for the performance of those functions which in the past have been performed by one group alone. It happens in the particular case of the National Bond and Share Corporation that the commissions on the purchase and sale of securities, the amount of which is reported currently to the stockholders, the S. E. C., and the New York Stock Exchange, have been the only compensation paid for all of these services. This is the case because the original management contract provided for compensation so conservative from the standpoint of the stockholder that no payments thereunder have ever become due.

In any event, it is apparent that if the bill in its present form is enacted into law, this corporation cannot carry on without an increase in its expense.

Although I heartily disapprove of the philosophy which condemns a business relationship completely disclosed to, and thoroughly understood and approved by, the respective parties thereto solely because there may exist in any degree therein a "dual relationship," nevertheless, I believe that the election of an appropriate number of independent directors under whose scrutiny and criticism contemplated transactions would pass for review would furnish a desirable protection both for stockholders and management and, in my opinion, would remove any criticism of such so-called dual relationship as may now exist in broker-managed companies.

It has always seemed to me that broker management of a company of this character should be efficient management. The operation of

investment companies in this country is a comparatively new industry, but it involves the kind of knowledge and experience which have been gained by many in the brokerage business over a long period of years. It must be remembered that the brokerage business and members of registered exchanges are at the present time more closely regulated than almost any other group of businessmen in the country.

I think the S. E. C. will agree that the brokerage fraternity as a whole has submitted to regulation by the Commission with a spirit of cooperation and that in the great majority of cases has shown an honest endeavor to comply not only with the letter but with the spirit of the law and the Commission's regulations.

Therefore I completely disapprove the provisions of those portions of section 10 of this bill which provide for what appears to me from a practical point of view to be a segregation of brokerage and managerial functions.

Section 5 and section 13 have a far-reaching effect on the whole industry because they seek to classify security companies by their rate of portfolio turn-over and provide that once a company has fallen into the class of a low turnover company it may not substantially increase its activity without the consent of its stockholders.

Senator TAFT. You mean, in buying and selling securities?

Mr. BELLAMY. Yes, sir.

Senator TAFT. Turning them over faster?

Mr. BELLAMY. Yes, I am not using exact figures, because you get into too many complications if you do.

Under these provisions a low turn-over company which had reached the upper limit of its class's activity, even if suddenly faced by panic or boom conditions, could neither sell nor buy securities without the approval of its stockholders, to be obtained at a meeting for which weeks' notice must be given. This provision appears to me to be an outright danger to investors, not a safeguard.

I think that Judge Healy spoke of some tax advantage which might be recommended for companies having certain characteristics, among them that of low turn-over. This seems to me to add danger for the investor because the directors of a company at the top of the low turn-over limit, believing that either selling or buying was to the advantage of their corporation, would hesitate to act since in addition to the responsibility for the wisdom of the contemplated action they must also take the responsibility for incurring the liability for additional taxes. If the history of the last 15 years has proved anything, it has proved that the practice of allowing investment policy to be governed by tax considerations rather than economic conditions has been disastrous.

If there were any formula for the handling of money which guaranteed success, I think it would be universally in use, but unfortunately there is none. On the contrary, while there are many theories with regard to the handling of money, success or failure depends primarily on the wisdom with which these theories are applied. I am strongly in accord with the principle that the stockholder should know the general policies of the company in which he is an investor, and I am strongly in accord with the principle that the management of his corporation should not go beyond the known scope of its policies without the approval of the stockholders, but I am as strongly opposed to any legislation that limits the activities of management within this

known scope because I know that such legislation is bound to impair the efficiency of management.

I will not speak of the general restrictions upon directors which seem to me to defeat their very purpose and to insure the election to boards of this character of only incompetent directors, nor will I speak of the provisions governing the settlement of lawsuits, the restrictions on dividends, the registration of officers and directors, the enormous amount of data to be filed with the Commission, but I cannot close my remarks without commenting on the tremendous reservation of power to change the rules which would place the industry constantly in the position of not knowing what it could or could not do. These restrictions and provisions, in my opinion, present insurmountable barriers to the successful operation of the kind of a company which I represent.

The stockholders of this corporation are well informed as to its affairs. Many from time to time make close inquiry and learn of our mistakes as well as our successes.

This fact, together with the replies of our stockholders giving their views on this bill, indicates to me that the stockholders of this corporation do not want to be subjected to the provisions of this or any similar bill, that they are at the present time satisfied with their management and that they wish it continued.

There have, however, been flagrant abuses and many mistakes in this industry, and to any reasonable regulation which will make less likely their repetition in the future no reasonable man can object. I am in favor of such legislation if it is simple in form and easy of administration.

I approve of the six points suggested here last week by Mr. Bunker, with which I think the greater part of this industry is in complete accord. A simple, easily administered law containing such provisions, together with the already existing regulation by Federal and local authorities, the liabilities, civil and criminal, to which officers and directors are subject, would accomplish the result of giving adequate protection to stockholders without disrupting an industry which I believe is destined to play an increasingly important part in our national economy.

Senator TAFT. You say you have only one class of stock. What are your views as to the question, not of the importance of changing existing ones, but your future policy with reference to that?

Mr. BELLAMY. Senator, our company was formed really at the request of the clients of our firm. The stock was never publicly offered. There has been some public distribution, but it was sold in the first instance privately to our own clients. This was the kind of a company they wanted, because they wanted us to deal in securities somewhat freely; and for that purpose it is my opinion that a plain common-stock set-up is better. I can see no reason why there should not be many different classes of stock outstanding. For our particular kind of a company this seems most appropriate.

Senator WAGNER. You said in the course of your testimony that you did believe in the election of some independent directors?

Mr. BELLAMY. I do, Senator.

Senator WAGNER. Have you in mind whether there should be a specific minimum of independent directors provided?

Mr. BELLAMY. To put it the other way, Mr. Chairman, I think I should say the maximum. I do not think that a corporation of our

character, Senator, the management of which by us is the principal thing on which the stockholders rely, should be forced, not because of the management but because of the stockholders, to surrender or to allow others to get control of the board of directors. My opinion would be that it would not make much difference what number it was so long as it did not come up to 50 percent.

Senator WAGNER. In other words, in your opinion it should be a minority representation?

Mr. BELLAMY. I cannot see any representation that could be supplied by a majority that could not be supplied by a minority, for, after all, Senator, the cold light of day is the thing that keeps people from doing things that are wrong. As a rule the minority directors can see that the light of publicity, is turned on transactions just as well as the majority can.

Senator WAGNER. However, you do agree that it is desirable to have some independent directors?

Mr. BELLAMY. I do.

Senator WAGNER. These letters are not included in your testimony, so I will put them into the record at the conclusion of your testimony.

Senator FRAZIER. Does your company have some subsidiary interest?

Mr. BELLAMY. Yes.

Senator FRAZIER. Just one company?

Mr. BELLAMY. Yes.

Senator FRAZIER. What do you think of the proposition of having a dozen different companies, as some of them have?

Mr. BELLAMY. I am not really competent to discuss that, Senator. My experience has been, as you see, very limited in the management of a very small company, and I have never given any consideration to any other form of operation.

Senator WAGNER. Thank you, Mr. Bellamy.

(Copies of two letters, dated, respectively, March 27, 1940, and April 9, 1940, from F. Wilder Bellamy to the stockholders of National Bond and Share Corporattin, are here printed in full as follows:)

NATIONAL BOND & SHARE CORPORATION,
New York, N. Y., March 27, 1940.

To the Stockholders of National Bond & Share Corporation:

We feel it our duty to call to your attention the enclosed bill which has been recently introduced in the Senate and in the House of Representatives of the United States to provide among other things for the registration and regulation of investment companies. The bill is long and complicated but because of the effect it will have upon the operation and management of National Bond & Share Corporation, we earnestly request that you study its provisions.

By the terms of the bill all investment companies, their officers and directors, must register with the Securities and Exchange Commission and, among other things, its provisions have to do with the type of securities such companies may issue; their size in terms of total asset value; their capital structure; the declaration of dividends; the extent to which they may own securities of other corporations; the make-up of their boards of directors; their management; their investment policy; their relations with brokers, underwriters, and financial institutions; the purchase for retirement of their outstanding securities and the provisions of their charters, bylaws, and indentures. In addition, and over and above all, the bill provides that the Securities and Exchange Commission, from time to time, may prescribe such rules and regulations within the provisions of the bill as the Commission may deem necessary or appropriate. In other words, in addition to its specific provisions, the bill vests in the Securities and Exchange Commission a continuing supervision not only of the management of investment companies but of substantially every phase of activity in which such companies may engage.

For the information of those who have become stockholders of National Bond & Share Corporation in recent years, the following facts with regard to the corporation are of interest. The corporation now has approximately 950 stockholders of record and after adjusting for the two-for-one split-up in 1938 the presently outstanding capital stock of the corporation consists of 360,000 shares. These shares are duly registered pursuant to the requirements of the Securities Exchange Act of 1934 and are listed on the New York Stock Exchange. Since March 1929, when the corporation commenced doing business, it has paid dividends, in cash, equivalent to $8.90 per present share and the liquidating value of its stock as at the date of this letter is approximately $25 per share. This compares, after adjusting for the two-for-one split-up, with $25 per share initially paid in March 1929. The circular prepared in connection with the original sale of the corporation's stock represented that the board of directors would be composed exclusively of the partners (general and special) of the firm of Dominick & Dominick and that such firm would be the managers of the corporation under a contract which had been entered into between the corporation and the firm and set forth the compensation to which that firm would be entitled as managers. In addition to compensation the management contract also provided, among other things, for the payment to Dominick & Dominick of the usual brokerage commissions on the purchase and sale of all securities effected by that firm for the account of the corporation. The compensation payable to Dominick & Dominick as managers was to be computed upon an amount of net profits which has never been realized so that such firm has never received any compensation except what it has earned by way of commissions on the purchase and sale of securities. Furthermore, no compensation has ever been paid to the partners of Dominick & Dominick as the principal officers and directors of the corporation, the only officer of the corporation receiving any compensation being its secretary who has no affiliation with that firm. The amount of brokerage commissions paid to Dominick & Dominick is regularly published in the corporation's semiannual and annual reports.

If the bill referred to is enacted into law in its present form it will affect the management of your corporation in the following manner: Section 10 (a) prohibits the corporation from having a board of directors of which more than a minority are persons who regularly act as its manager or as its broker. Section 10 (d) prohibits any person who is a regular broker for the corporation from also acting as its manager. The practical application of these provisions is that if it is desired to have the firm of Dominick & Dominick continue its connection with the corporation in some capacity, the alternatives with which your corporation will be confronted will be either:

(1) To have partners of the firm of Dominick & Dominick continue to constitute the board of directors and to be the principal officers of the corporation—in which event their firm could neither act regularly as manager of nor as broker for the corporation—and to provide adequate compensation for their services as such; or

(2) To have a board of directors, the majority of whom are independent persons having no affiliation whatsoever with Dominick & Dominick—in which event the minority of the board can consist of partners of that firm—and either

(a) To enter into a contract of management with Dominick & Dominick on a basis of compensation satisfactory to them and approved by the holders of a majority of the outstanding stock of the corporation; or

(b) To enter into an agreement whereby Dominick & Dominick undertakes regularly to serve as broker for the corporation—such an agreement being permitted by the terms of the bill if authorized and approved by a majority of the directors of the corporation exclusive of any director who is interested, directly or indirectly, in such agreement.

In any event it is apparent that if the bill in its present form is enacted into law, your corporation cannot carry on without an increase in its overhead as neither the firm of Dominick & Dominick nor any other persons can be expected fairly either (1) to serve as manager of the corporation or (2) to constitute a majority of its board of directors unless adequate compensation is provided for such services.

With reference to the investment policy of investment companies, section 5 (b) classifies such companies into, among others, (a) "diversified investment companies" which are limited in their portfolio turnover (as defined in the bill) to

one and one-half times in any fiscal year and (b) "securities trading companies" on which no such limitation is imposed. During the 11 years which your corporation has been in existence its average annual portfolio turn-over has been 4.07 times, the highest turn-over having been 7.44 times in the fiscal year ended February 28, 1930, and the lowest turn-over having been 2.55 times in the fiscal year ended February 28, 1933. Because of this rate of activity your corporation would be classed in the first instance as a securities trading company but if in any subsequent fiscal year the turn-over of its portfolio was less than one and one-half times, your corporation would automatically be classed thereafter as a diversified investment company and under section 13 (a) of the bill your corporation could not again function as a securities trading company unless such change is authorized by the holders of a majority of its outstanding stock. In a time of unsettled conditions and uncertainties any limitation on your corporation's rate of portfolio turn-over might well be to its definite disadvantage and pending the obtaining of the necessary authority of its stockholders to become again a securities trading company, your corporation might be obliged to conduct its affairs in a way which would be contrary to its best interests.

The Committee on Banking and Currency of the United States Senate, to which this bill has been referred, proposes to have public hearings on its provisions, these hearings to begin on April 2. Because it is probable that one or more officers of your corporation will appear before the Senate committee in this connection, we will greatly appreciate it if you will let us know whether you approve or disapprove of this legislation and in addition it will be particularly helpful if you will give us the benefit of your comments and suggestions. For this purpose, we enclose herewith a stamped return addressed envelope together with a form on which you may express your veiws. Because of the short time which will elapse before these public hearings commence, may we ask that you favor us with your reply as soon as possible.

F. WILDER BELLAMY, *President.*

NATIONAL BOND & SHARE CORPORATION,
New York, N. Y., April 9, 1940.

To the Stockholders of
National Bond & Share Corporation:

We wrote you under date of March 27 with reference to the bill now pending before the Senate and the House of Representatives in Washington to provide, among other things, for the registration and regulation of investment companies. In our letter we made the statement that by the terms of the bill the partners of the firm of Dominick & Dominick could continue to constitute the board of directors and be the principal officers of National Bond & Share Corporation but that in such event their firm could act regularly neither as manager of, nor as broker for, the corporation. A further study of the provisions of the bill would seem to indicate that this statement is incorrect and that there are no conditions under which the members of any partnership could constitute a majority of the board of directors of an investment company.

Very truly yours,

F. WILDER BELLAMY,
President.

STATEMENT OF RAYMOND D. McGRATH, EXECUTIVE VICE PRESIDENT, GENERAL AMERICAN INVESTORS CO., INC., NEW YORK CITY

Senator WAGNER (chairman of the subcommittee). Mr. Raymond McGrath, please.

Mr. McGrath, you are an officer of the General American Investors Co.?

Mr. MCGRATH. Yes, Senator.

Senator WAGNER. We are glad to hear from you.

Mr. MCGRATH. Thank you, sir.

I am executive vice president of General American Investors Co., Inc. Personally, although I was in the investment banking business for a number of years, I now have no investment banking connections.

Our company is a closed-end investment trust with assets of over $29,000,000. These assets are represented by a capitalization which consists of bonds, preferred stock, and common stock in the approximate proportions of about 23 percent bonds, 25 percent preferred stock, and 52 percent common stock. That these senior securities are considered good investments is evidenced by the fact that both the bonds and the preferred stock are selling in the market near their call price. Among our senior securities holders are a number of discriminating investors and public institutions. Our common stock has a book value which is higher than the price at which it was originally offered to the public. It is selling at a substantial discount from its asset value in line with the common stocks of all other closed-end investment trusts. This, in my opinion, is due in a large measure to the unequal tax burden on the stockholders of closed-end companies, plus the fact that the industry has been under the cloud of an investigation for more than 4 years. The two banking firms which sponsored my company have maintained a substantial investment in its common stock since its organization.

Senator TAFT. Who were those firms?

Mr. MCGRATH. Lehman Bros. and Lazard Freres.

Now I should like to present the record of our management.

Senator HUGHES. Before you do that, would you mind telling me this: You speak of the taxes on closed-end investment companies. Is that a peculiarly heavy burden?

Mr. MCGRATH. I think I can show you that it is rather heavy, Senator. I shall go into that in detail.

Now I should like to present the record of our management. The net asset value applicable to the company's outstanding securities, as just stated, was something over $29,000,000, based on market quotations of the company's portfolio securities as of the close of business December 31, 1939. After making deductions for retirements, the sponsors and the public paid a net amount of approximately $25,500,000 into the company at the time of its organization 1 or 2 years prior to 1929. In other words, our company today is worth approximately $3,500,000 more than it started out with. In addition, from its inception it has paid out an aggregate of $4,428,000 in interest on its debentures and $6,774,925 in dividends on both classes of its stock. Further, they have either paid out in taxes or reserved for taxes during this same period $3,235,000.

I don't mention this record in a boastful way and would not take your time in mentioning it at all except there has been such a parade of the horrible examples of our industry before you that I feel, in order to maintain any kind of perspective, you must look at the good with the bad.

I think a company with our record deserves consideration in the drafting of this type of legislation. Yet I should like to point out to you that our company under the proposed bill would, as a practical matter, be legislated out of existence. Why? First, under various provisions of this bill we would, as a practical matter for one reason or another, lose practically all of our directors. Under section 10, investment bankers on our board would have to decide whether to give up the investment banking business or get off our board. There can't be much doubt about what they would do.

Under a different subsection of section 10, any of our directors who are also directors of portfolio companies would have to give up these