UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-12540

In the Matter of FRED ALGER MANAGEMENT, INC. AND FRED ALGER & COMPANY INCORPORATED, Respondents.	: : : : : : : : :	PROPOSED PLAN OF DISTRIBUTION

1 Introduction

1.1 This Distribution Plan ("Distribution Plan") sets forth the methodology for allocating the distribution fund ("Fair Fund") established by the Commission in this proceeding. The Distribution Plan seeks to distribute to accountholders, a proportionate share of the Fair Fund as compensation for dilution losses they may have suffered as a result of market timing and late trading during the period spanning September 12, 2001 through October 15, 2003, in the Alger Fund portfolios and a proportionate share of the advisory fees paid during the relevant period.[1] The Fair Fund is not intended to compensate accountholders for losses they incurred solely because of fluctuations in securities markets. The Distribution Plan is subject to approval by the Commission, and the Commission retains jurisdiction over the implementation of the Distribution Plan.

2 The Engagement

2.1 On January 18, 2007, the Securities and Exchange Commission ("Commission" or "SEC") issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections

[1] Beginning in February 2004, the name of the Alger Fund was changed to "The Alger Funds". For simplicity, and to be consistent with the SEC Order, this Proposed Plan of Distribution will refer to the Alger Fund and individual Alger mutual funds as portfolios.

203(e) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (" Alger Order") finding that, from September 12, 2001 through October 15, 2003, certain accountholders in the Alger Fund engaged in frequent trading of the Alger Fund portfolios contrary to restrictions placed on the annual number of permissible exchanges out of the Alger Fund portfolios as described in the Statement of Additional Information ("SAI") attached to the Alger Funds' prospectuses.[2] In particular, the Alger Order found that Fred Alger Management, Inc. ("Alger Management") willfully violated, and Fred Alger & Company, Incorporated ("Alger Inc.") willfully aided and abetted and caused Alger Management's violations of Sections 206(1) and 206(2) of the Advisers Act. Alger willfully violated Section 17(d) of the Investment Company Act and Rule 17d-1. Alger Management willfully violated 34(b) of the Investment Company Act. Alger Inc. willfully violated Section 15(c) of the Exchange Act and willfully violated Rule 22c-1 as adopted under Section 22(c) of the Investment Company Act. None of the Respondents admitted or denied any of the Commission's findings in the Alger Order.

2.2 The Alger Order required Alger Management and Alger Inc. (collectively "Alger" or the "Respondents"), investment advisers to the Alger Fund during the period September 12, 2001 through October 15, 2003, to pay disgorgement of $30 million and a civil penalty of $10 million and to establish a Fair Fund[3] in the total amount of $40 million pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 for the distribution of disgorgement and penalties paid by the Respondent. Pursuant to the Alger Order, Respondents paid a total of $40 million within 30 days of the entry of the Order. This amount is currently being held by the United States Departmentof the Treasury's ("U.S. Treasury") Bureau of the Fiscal Service ("BFS"), and earning interest through investment in short-term U.S. Treasury securities. As of January 31, 2013, the Fair Fund had an approximate value of $40.17 million.

2.3 The Alger Order required Respondents to retain an Independent Distribution Consultant ("IDC") to develop a Plan of Distribution of the Fair Fund according to a methodology developed in consultation with the Respondents and acceptable to the staff of the Commission and the independent Trustees of the Alger Fund. Pursuant to the Alger Order, Respondent retained James C. Meehan, Vice President and head of the New York office of Cornerstone Research[4], as the IDC to develop a Distribution Plan for the distribution of the Fair Fund according to a methodology developed in consultation with Alger and acceptable to the staff of the Commission and the independent Trustees of the affected Alger Fund portfolios.

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[2] *In the Matter of Fred Alger Management, Inc. and Fred Alger & Company, Incorporated*, Admin. Proc. File No. 3-12540 (January 18, 2007).

[3] Section 308(a) of the Sarbanes Oxley Act of 2002.

[4] Mr. Meehan has analyzed issues relating to materiality, loss causation, and damages on a variety of securities class actions and other commercial litigation. He holds a Bachelor of Science in Mathematics from the Massachusetts Institute of Technology and a Master of Science in Management from the MIT Sloan School of Management.

2.4 It is the view of the IDC that the methodology described herein constitutes a fair and reasonable allocation of the Fair Fund.

3 Representations by the IDC

3.1 The IDC has received full cooperation from the Respondents, including access to data and individuals as requested.

3.2 Several people at Cornerstone Research have assisted the IDC in developing this Distribution Plan; all work in this matter has been done under the IDC's direction.

3.3 The IDC has never been employed by Alger. Under the terms of the Alger Order, the IDC agrees that, for the period of this engagement and for a period of two years from completion of this engagement, he will not enter into any employment, consultant, or other professional relationship with Alger or "any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such."

3.4 Pursuant to the terms of the Alger Order, Cornerstone Research and/or its representatives set forth above will not, without prior written consent of the independent Trustees of the Alger Fund and the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Alger, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of this engagement and for a period of two years after this engagement.

3.5 The conclusions the IDC has reached in this matter should be viewed as specific to this engagement and to the facts of this case, and may not apply elsewhere.

4 Background

4.1 Accountholders purchased shares in the Alger Fund portfolios through one of three distribution channels. Each distribution channel presents unique challenges to the Distribution Plan, and the manner of distribution to each channel is described herein.

4.1.1 Direct Purchase Holders – Certain purchasers bought their shares directly through the distributor for the Alger Fund by submitting an application with payment to either a third party transfer agent or to an Alger affiliated servicing company.

4.1.2 Holders in Omnibus Accounts – Other purchasers bought their shares through brokerage firms that functioned as the accountholder of record. Under this structure, the brokerage firm provided to the transfer agent, on a daily basis, customer transaction data concerning the number of shares purchased and sold by all customers on an aggregate basis. Specific information, such as a Tax Identification Number for each customer or account, was not provided.

4.1.3 Holders in Network Accounts – Other purchasers bought their shares through brokerage firms that, for each account, provided to the transfer agent a unique identifier and information concerning the number of shares each unique identifier purchased or sold. Specific information, such as a name and address, was not provided.

4.2 The IDC sets forth below the methodology used to develop the Distribution Plan for calculating and distributing the Fair Fund to accountholders in the Alger Fund portfolios during the relevant times.

5 Methodology Used to Develop Distribution Plan

5.1 The Order requires the Distribution Plan to "provide for investors in the Alger Fund portfolios during the period from September 12, 2001 to October 15, 2003 to receive, from the monies available for distribution, in order of priority, (i) proportionate share of losses suffered by Alger Fund portfolios due to market timing and late trading, and (ii) a proportionate share of advisory fees paid by Alger Fund portfolios that suffered such losses during the period of such market timing and late trading."[5] This Distribution Plan relies on the findings in the Order and the assumptions set forth above, and makes no independent assessment as to the legality of the market timing in the Alger Fund portfolios. The methods of calculation of each eligible investor's share of the Fair Fund are intended to result in a payment to each eligible investor that restores the impaired value of the investor's investment in the harmed portfolios resulting from the Respondents' conduct described in the Order. Some of this impaired value is susceptible to calculation, while some of this impaired value is not. In particular and as discussed in more detail below, the data limitations regarding omnibus account holder transactions prevent a complete estimation of the impaired value that each underlying investor has suffered. Also, the Fair Fund is not intended to compensate investors for losses they incurred because of fluctuations in securities markets that were unrelated to Respondents' conduct, as set forth in the Order.

5.2 The Distribution Plan is designed to allocate the Fair Fund among accountholders who held shares in the Balanced, Capital Appreciation, Health Sciences, LargeCap Growth, MidCap Growth, and SmallCap Growth portfolios of the Alger Fund from September 12, 2001 through October 15, 2003, except those accountholders referenced in ¶6.4, and to the extent appropriate, to the affected portfolios.

5.3 <u>Identifying Market Timers</u>

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[5] Alger Order at ¶ 54.

5.3.1 To estimate the losses suffered by Alger Fund portfolios due to market timing and late trading, Alger provided the IDC with a database containing data on transactions occurring between September 12, 2001 and October 15, 2003 compiled in connection with Alger's settlement discussions with the Commission. The transactions in the database provided resulted from a two-step identification process. First, accounts were selected if within 30 days of a purchase of at least $100,000 in an Alger Fund portfolio, there was a sale of at least $10,000 in the same portfolio, between January 1, 1998 and October 15, 2003. Second, all transactions of any size by the above-selected accounts in any Alger Fund portfolio during the relevant September 12, 2001 through October 15, 2003 time period were included in the database.

5.3.2 Market timing consists of short-term roundtrip exchanges from (into) an Alger Fund portfolio into (from) another portfolio, usually the Alger Money Market Fund portfolio. The IDC identified market timing transactions in the database for all non-omnibus accounts but was unable to identify market timing activity for any omnibus accounts;[6,7] consequently, any losses suffered by the Alger Fund due to market timing are only measurable for those associated with short-term roundtrip exchanges for non-omnibus accounts. Despite this limitation, it is the view of the IDC that measurable losses provide a fair and reasonable basis by which to allocate the Fair Fund.

5.3.3 The IDC examined all the non-omnibus accounts in the database in each Alger Fund portfolio for roundtrip trades within the September 12, 2001 through October 15, 2003 period. The accounts with this pattern are referred to as "market timers."

5.3.4 Table 1 summarizes the number of market timers by number of accounts and the value of all identified roundtrip trades by market timers in each Alger Fund portfolio during the period of September 12, 2001 through October 15, 2003. The table shows that the portfolio with the largest number of market timers was the Capital Appreciation portfolio at 303 active accounts followed by the MidCap Growth portfolio with 198 active accounts and the LargeCap Growth

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6 Omnibus accounts were identified using information provided by Alger. Transactions in these accounts represent the net of the aggregate individual transactions, preventing the identification of roundtrips by market timers who traded within an omnibus account. While particular market timing transactions cannot be identified, it is clear that market timing activity was occurring within omnibus accounts during the relevant period.

7 Transactions were matched using a LIFO inventory assumption. The dataset used as a basis for the analysis contained transaction records that identified the date, the account, the portfolio, number of shares, dollar amount, and a buy/sell indicator and is discussed in more detail in ¶5.3.1. The dataset did not contain information regarding when the order resulting in a particular transaction was placed. Accordingly, no determination of whether or not any trade represented a late trade was possible. Market timing transactions may result in dilution no matter if the trade is late or not. For simplicity, this Distribution Plan will refer only to market timing generally.

portfolio at 142 active accounts. However, the MidCap Growth portfolio had the highest dollar volume of market timer activity at $11.0 billion followed by LargeCap Growth at $8.8 billion, and Capital Appreciation at $6.3 billion. In particular, Veras Investment Partners, the only late trader named in the Alger Order, was identified as a market timer on the basis of 72 roundtrip trades during the period.

5.3.5 Similarly, Table 2 lists the number of market timers and the value of all trades by market timers across all portfolios in each quarter during the period September 12, 2001 through October 15, 2003. The 4th Quarter of 2001 had the highest dollar volume of trades at $5.5 billion followed by the 1st Quarter of 2002, with $4.6 billion, and the 4th Quarter of 2002 at $4.3 billion. The trading activity was high from the fourth quarter of 2001 through the end of 2002 before beginning to decline in 2003.

5.3.6 Timer activity was the largest in four portfolios, Capital Appreciation, LargeCap Growth, MidCap Growth and SmallCap Growth, where timer activity represented over 90 percent of all trading activity in the portfolios.

5.4 Estimating Dilution Losses Associated with Trading by Market Timers

5.4.1 To estimate the dilution losses incurred by accountholders in the Alger Fund resulting from transactions by market timers, the IDC first examined whether timer cash flows in and out of the Alger Fund portfolios during the period September 12, 2001 through October 15, 2003 affected the equity position of the portfolio. The appropriate dilution methodology was then applied to each portfolio.

5.4.2 Timer activity does not always harm other accountholders. Sometimes the market moved in the opposite direction than timers anticipated. For reasons explained below, this would have caused timer trades to be accretive (benefiting accountholders) rather than dilutive. The sum of the accretive and dilutive effects for every day each accountholder is in an affected fund determines the total net dilution or accretion for that accountholder.

5.5 Alternative Dilution Approaches

5.5.1 The amount of dilution losses associated with market timing is related to how the portfolio manager invests the cash flows invested by market timers in the portfolio. For example, if the portfolio manager fully invests the net cash flows in equity securities and/or equity derivatives the day after a market timer invests in the portfolio, and liquidates the equity investment the day after the market timer exits the portfolio, then the "next day NAV" approach is an appropriate way to estimate dilution losses associated with market timing (e.g., Greene, Jason T., and Charles W. Hodges, "The Dilution Impact of Daily Fund

Flows on Open-End Mutual Funds," *Journal of Financial Economics*, 65(1), July 2002, 131-158). Under this approach, dilution losses are equal to the sum of the market timer's first day profits and avoided loss on the day he exits the portfolio.

5.5.2 If the portfolio manager holds all of the market timer's net cash flows as cash (i.e., if he does not invest any of the market timer's cash flows in equity securities), then the "realized profits" approach is an appropriate way to estimate dilution losses associated with market timing (e.g. Greene, Jason T., and Conrad S. Ciccotello, "Mutual Fund Dilution from Market Timing Trades," *Journal of Investment Management*, 4(1), First Quarter 2006, 31-54). Under the realized profits approach, dilution losses are equal to the market timer's holding period profits.

5.5.3 A third possibility is that the portfolio manager invests some of the market timer's net cash flows in equity securities and holds the remainder in cash. In this case, dilution losses are a combination of the dilution losses estimated under the next day NAV approach and the realized profits approach.

5.5.4 A fourth possibility is that there is some investment of timer funds in equities but over a several day period of time.

5.6 <u>Empirical Analysis of How Alger Fund Portfolio Managers Invested Cash Flows from Market Timers</u>

5.6.1 To determine whether the Alger Fund portfolio managers invested the net cash flows invested in the funds by market timers, the IDC estimated an ordinary least squares regression of the net equity purchases for each Alger Fund portfolio. For each portfolio, the IDC regressed the equity purchases on two variables: (i) net timer flows and (ii) net cash flows invested by omnibus accounts. For each portfolio, he estimates regression models in which net cash flows invested by market timers and omnibus accounts are measured as lagged variables, with lags of one through ten trading days before the day on which the change in cash holdings (i.e., the dependent variable) is measured. The regression models are estimated two ways. First, regressions are run on each lag of the timer cash flows and the respective lag of the omnibus cash flows. This is done for each portfolio for ten lags. Second, regression models are run with ten lags of timer and omnibus cash flows.[8]

[8] The IDC obtained and examined data on the daily cash balance and net asset values of the six Alger Fund portfolios (Balanced, Health Sciences, Capital Appreciation, Small Cap Growth, Mid Cap Growth and Large Cap Growth) during the period of September 2001 through October 2003. For the Health Sciences portfolio, there appear to be no significant transactions in the omnibus accounts for the Health Sciences fund.

5.6.2 Table 3 reports the results from the estimation of the first set of regression models. The coefficients on the timer cash flows are sometimes significantly negative and sometimes significantly positive. A positive coefficient indicates that the purchase (sale) of securities is correlated with the inflow (outflow) of timer money. An insignificant coefficient implies that flows of timer money are not correlated with portfolio manager decisions about investments. The negative coefficient implies a counterintuitive result that timer money inflows (outflows) are correlated with sales (purchases) of securities by portfolio managers.

5.6.3 These regression results suggest that the LargeCap Growth, MidCap Growth and SmallCap Growth portfolios may have invested some of the timers' investments into equities. The results of this analysis show significant positive coefficients for either the first or second lag variable for the LargeCap Growth, MidCap Growth and SmallCap Growth portfolios. The coefficients for the other regressions show no pattern that suggests investment. The Balanced portfolio has one statistically significant positive coefficient for the fifth lag term. This appears to be driven by an outlier.[9] The Health Sciences portfolio has a positive statistically significant coefficient on the fourth lag but this is more than made up by a negative statistically significant coefficient on the second lag term.

5.6.4 In addition, the IDC ran a regression that included 10 lags of all timers and omnibus accounts together in a regression for each portfolio. The results of this regression are in Table 4. These regressions suggest that several portfolios, notably the LargeCap Growth portfolio, the MidCap Growth portfolio and the SmallCap Growth portfolio may have invested some portion of timer inflows into equities. All these regressions have several statistically significant positive coefficients suggesting that a significant proportion of funds get invested.

5.6.5 In addition, an F-test was run which shows that the coefficients on the lagged values of timer cash flow are jointly greater than zero for those three portfolios. This suggests that some of the timer cash in those portfolios were invested by their respective portfolio managers. In addition, the adjusted-R^2 for these regressions show that timer flows can explain between 8 to 10 percent of portfolio manager trades. The other three portfolios, Balanced, Capital Appreciation, and Health Sciences have a low adjusted-R^2 and insignificant joint F-tests when corrected for outliers. The insignificant joint F-test and low adjusted- R^2 suggest that timer cash flows in those portfolios were not invested by their respective portfolio managers.

[9] The largest equity purchase was made on October 26, 2001 for $17.5 million. Elimination of this day removes any statistically significant day for the balanced fund from the Table 3 and Table 4 regression for timer flows.

5.6.6 The IDC also looked at the weighted-average holding period of a timer's positions in each portfolio. The results of this analysis are in Table 5. The typical timer held on average between 2 and 3 days for the Capital Appreciation, MidCap Growth, and LargeCap Growth portfolios. The Balanced portfolio was held an average of almost 5 days and the SmallCap Growth portfolio was held an average of 6 days. The positions held in the Health Sciences portfolio were held an average of 15 days.

5.6.7 The IDC also engaged in conversations with individuals at Charles River Associates who had interviewed portfolio managers and reviewed SEC testimony of Alger portfolio managers. The discussions indicated that during the relevant time period, the MidCap Growth and SmallCap Growth portfolio manager did not attempt to adjust the portfolio's cash to reflect timer inflows while the LargeCap Growth portfolio manager attempted to adjust its cash to timer inflows and outflows. However, the portfolio managers were not always informed about which cash inflows and outflows were due to timers and which were due to other trading activity. This may have made it difficult to treat timer flows differently from non-timers. The discussions also revealed that there was often a delay of up to a day before portfolio managers were aware of cash inflows and outflows.

5.6.8 Based on the above, it is the IDC's opinion that different approaches may be reasonable for different portfolios to appropriately estimate the dilution losses associated with market timers in the Alger Fund portfolios. For three of the portfolios, Balanced, Capital Appreciation, and Health Sciences, it appears that little to no timer funds were invested by portfolio managers, making the realized profits approach the most appropriate dilution methodology. For the other three portfolios, LargeCap Growth, MidCap Growth and SmallCap Growth, it appears that some timer funds were invested by portfolio managers making a combination of the next day NAV approach and the realized profits approach appropriate.

5.7 Total Dilution Caused by Market Timers

5.7.1 To arrive at the percentage of the total settlement proceeds that should be distributed to accountholders of each portfolio on each day over this period, the IDC estimated the total dilution caused by market timers in each Alger Fund portfolio on each day during the period September 12, 2001 through October 15, 2003. For three portfolios, the Balanced portfolio, the Capital Appreciation portfolio, and the Health Sciences portfolio, the realized profits approach was used. For the other three portfolios, LargeCap Growth, MidCap Growth and SmallCap Growth, dilution is calculated under the assumption that some of the timers' cash is invested. The lag structures estimated in Table 4 are used to determine when and how much timers' cash is invested in each of the LargeCap Growth, MidCap Growth and SmallCap Growth portfolios.

5.7.2 The dilution is calculated on a daily basis for each portfolio. To illustrate how the dilution losses associated with market timing vary over time, Table 6 shows the dilution caused by the market timers in each Alger Fund portfolio aggregated by quarter from the third quarter of 2001 through the fourth quarter of 2003.[10] The table shows that market timers caused total dilution (including interest) of $10.6 million in all Alger Fund portfolios during the period. The total includes approximately $7.1 million of dilution in 2001, $11.9 million of accretion in 2002, and $15.4 million of dilution in 2003.

5.7.3 As Table 6 demonstrates, timer activity is not always dilutive to other accountholders. When the market moves in the direction opposite from that anticipated by the timers, the timer activity is accretive (benefiting accountholders) rather than dilutive. With dilution calculated on a daily basis for each portfolio, net dilution is calculated for each accountholder as the sum of the dilutions and accretions for each day the account was invested in each of the portfolios.

5.7.4 The dilution caused by market timers in Alger Fund portfolios, are highly concentrated in 2 quarters: Q4 2001 and Q2 2003. These two quarters account for approximately $16.9 million of the dilution.

5.7.5 The table also shows that the dilution is also highly concentrated in two Alger fund portfolios. The MidCap Growth portfolio accounts for approximately $8.9 million, while the SmallCap Growth portfolio accounts for approximately $3.6 million.

6 Allocation of the Fair Fund

6.1 Under the Distribution Plan, accountholders of each Alger Fund portfolio, including Direct Purchase Holders, Holders in Omnibus Accounts and Holders in Network Accounts, will receive a prorated share of the Alger Fund portfolios' settlement proceeds based upon individual accountholders proportionate share of the total dilution calculated by the IDC. "Total Dilution" is the sum of all the net dilution from the accountholders with positive net dilution as of October 15, 2003. Funds paid to accountholders in excess of their individual dilution amounts will be deemed to

[10] The IDC adjusted dilution amounts to account for the time value of the dilution prior to the Commission's Order. For this calculation, the Federal Short Term Rate as reported monthly by the Internal Revenue Service (Section 1274 of the Internal Revenue Code) was applied. The interest on the profits lost by a fund in a particular quarter was calculated by cumulative application of the IRS monthly interest rates starting from the quarter when dilution occurred and ending October 2003.

constitute a proportionate share of advisory fees paid by funds that suffered such losses during the period of such market timing.[11]

6.2 The dilution (or accretion) that affects each accountholder is calculated each day the accountholder held one of the affected portfolios. For example, suppose an accountholder owned 0.1 percent of the MidCap Growth portfolio on a day when MidCap Growth portfolio accountholders are entitled to a total of $1 million in settlement proceeds. Under the Distribution Plan, the accountholder would receive $1,000 to compensate it for dilution losses associated with market timing in the MidCap Growth portfolio on this day (i.e., 0.001 times $1 million).

6.3 The net dilution (or accretion) for each accountholder is calculated by aggregating within each fund all the dilution and accretion for all days that the accountholders held each affected fund. The accountholders with net dilution will be compensated through the Distribution Plan and will be considered Eligible Accountholders. It is not feasible to aggregate accounts by named account holder to make an overall dilution determination because accounts may be held in different capacities with different legal entitlements. This information was not included in the data provided, and it would be cost prohibitive to attempt to collect. Some accountholders will have net accretion, which means they benefited from the timing activity of market timers, and they will not receive compensation under the Distribution Plan.

6.4 Respondents, Veras Investment Partners, as well as accountholders whose gains from their market timing activity exceed their losses caused by the market timing of other accountholders, as well as Identified Excluded Timers (as defined in Section 7.6.2.4), will not be eligible for a distribution under the Distribution Plan. In addition, prior to commencement of any distribution under this Distribution Plan, the IDC shall inquire of the Fund Administrator, Respondents, and/or the staff of the Commission which, if any, of the investors potentially eligible to receive a distribution under this Distribution Plan are persons who have either (a) been found in a final and non-appealable order of a court or regulatory body of competent jurisdiction to have engaged in unlawful behavior affecting the affected mutual funds during the relevant period or to have engaged in market timing or late trading conduct that is the basis of the unlawful behavior alleged in another Court or Commission proceeding, (b) entered into a settlement of any proceeding before a court or regulatory body in which such unlawful behavior has been alleged, unless the IDC determines that the settlement should not be deemed an admission of such unlawful behavior, or (c) admitted in writing to such behavior. Based upon any information provided in response to such inquiries, the IDC shall determine which if any of such investors will be excluded from participation in this Distribution Plan. In making any such determination, the IDC may rely on documents and other information provided by Respondents, the Commission, or courts of competent jurisdiction. Any investor excluded from

[11] Total fund advisory fees paid during the period significantly exceeded the remainder of the Fair Fund after subtracting Total Dilution adjusted for interest.

participation in this Distribution Plan shall receive a notice from the IDC or the Fund Administrator. An excluded investor shall not receive any portion of the Fair Fund on behalf of those accounts that are associated with activities that result in such exclusion, and any distribution that would otherwise have been payable to an excluded investor shall be added to the Fair Fund residual.

6.5 Only accountholders with an aggregate prorated share of at least $10 are eligible to receive a distribution from the Fair Fund. This decision is based on the conclusion that it is not cost effective to attempt to distribute amounts of less than $10 to individual accounts. The ratio of the distribution per calculated accountholder dilution will be chosen such that the total amount sent to accountholders with a prorated amount of at least $10 equals the amount available in the Fair Fund.

6.6 Any monies remaining in the Fair Fund after completing the distribution to individual accountholders and omnibus accounts not to exceed $10 million are part of the Residual Funds and, pursuant to Section 7.17, shall be transmitted to the U.S. Treasury. To the extent that any remaining funds are in excess of $10 million, such funds shall be distributed to the Alger Fund portfolios based on the proportion of aggregate excess profits by market timers accounted for by each Alger Fund portfolio that experienced dilution. For example, suppose, after the distribution to accountholders (including both individual and omnibus accounts), there is a $5 million excess above $10 million remaining in the Fair Fund, then $4.2 million of the settlement proceeds will be distributed to the Alger MidCap Growth portfolio (i.e., $5 million times 85% (the proportion of aggregate excess profits earned by market timers in the MidCap Growth portfolio relative to the three portfolios that had net dilution)). Each fund eligible to receive a distribution will be notified that the allocated monies are designated solely for the fund, should be deposited into the fund's asset base, and prior to such deposit to the asset base, are not to be used directly for administrative or management fees.

7 Distribution of Funds

7.1 Fund Administrator. Rust Consulting, Inc. ("Rust") is proposed to serve as Fund Administrator pursuant to Rule 1105 of the Commission's Rules on Fair Fund and Disgorgement Plans ("Rules"), 17 C.F.R. §201.1105 (the "Fund Administrator"). The Respondents will provide all the information that Rust requires in order to administer the Distribution Plan.

7.1.1 Rust, founded in 1976, specializes in claims administration and the development and implementation of plans for the distribution of settlement funds, and has administered more than 1,500 cases worth billions of dollars with class sizes ranging from 80 class members to more than 100 million. Rust has never had any occurrence of employee or vendor problems or claims against its Errors & Omissions insurance due to employee theft or dishonesty. Over the past three years alone, Rust has distributed approximately $1.8 billion in settlement disbursements to approximately 9.6 million recipients without incident. Rust typically oversees the check printing process and relies on a third party check-printing vendor. Rust will be compensated for its time and expenses by the Respondents in accordance with the terms set forth in the Alger Order. Under the supervision of the IDC, Rust will perform the duties and obligations set forth herein, including overseeing the administration of the Fair Fund; obtaining accurate mailing information for accountholders; cooperating with the tax administrator in providing the information necessary to accomplish the income tax compliance; setting up and staffing a call center to address accountholder questions or concerns regarding the distribution; and distributing funds from the Fair Fund to accountholders in accordance with the Distribution Plan. Once the Fair Fund has been transferred from BFS to Deutsche Bank , the Fund Administrator will prepare and submit to the staff in accordance with Rule 1105(f) periodic quarterly accountings of all monies earned or received and all monies spent in connection with the administration of the Distribution Plan; and, with the IDC, will submit a final accounting for approval of the Commission prior to termination of the Fair Fund and discharge of the Fund Administrator.

7.2 Limitation on Liability. The IDC and the Fund Administrator, and/or each of their designees, agents and assigns, shall be entitled to rely on any Orders issued in this proceeding by the Commission, the Secretary by delegated authority, or an Administrative Law Judge, and may not be held liable to any injured accountholder or potential injured accountholder for any act or omission in the course of administering the Fair Fund, except upon a finding that such act or omission is caused by such party's gross negligence, bad faith or willful misconduct, reckless disregard of duty, or reckless failure to comply with the terms of the Distribution Plan. This paragraph 7.2 is an expression of the current state of the law and is not intended, nor should it be deemed to be, a representation to or an indemnification of the IDC or the Fund Administrator or their designees, agents and assigns, nor should this paragraph 7.2 preclude the Commission or the Qualified Settlement Funds ("QSF") from seeking redress for any act or omission in the course of administering the Fair Fund or from seeking redress from any insurance or bond provided as set forth in this Distribution Plan.

7.3 Custody of the Fair Fund and Other Security Issues.

7.3.1 The Fair Fund constitutes a QSF under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5.

7.3.2 The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. As set forth above, ¶2.2, the Fair Fund is currently deposited at the BFS. .

7.3.2.1 Upon approval of the Distribution Plan, the Fund Administrator shall establish an escrow account ("Escrow Account"), at Deutsche Bank ("Bank"), together with either a controlled distribution account, managed distribution account, linked checking and investment account or similar deposit account name that fits the practice of the Bank ("Distribution Account"). The Escrow and Distribution Accounts will be established in the name of the QSF as custodian for the distributees of the Distribution Plan, and shall bear the Employer Identification Number ("EIN") of the QSF, in the following form: Fred Alger Distribution Fund as custodian for the distributees of the Alger Fund Plan of Distribution (together referred to as the "QSF Account"); EIN ______.

7.3.2.2 The Fund Administrator and Bank will establish the accounts pursuant to an Escrow Agreement provided by the staff of the Commission. The Fund Administrator shall be the signer on the QSF Account, supervised by the IDC, and subject to the continuing jurisdiction and control of the Commission. The Fund Administrator shall authorize the Bank to provide account information to the Tax Administrator, including providing duplicate statements for the QSF Account. The Fund Administrator shall use the assets and earnings of the Fair Fund to provide payments to Eligible Accountholders and to provide the Tax Administrator with assets to pay, as appropriate, tax liabilities and tax compliance fees and costs.

7.3.2.3 In consultation with the staff of the Commission, the Fund Administrator shall work with the Bank on an ongoing basis to determine an allocation of funds between the Escrow and the Distribution accounts that will preserve earnings, if possible, without compromising safety and soundness by providing maximum protection for the Fair Fund under the full faith and credit of the United States Government ("U.S. Government") and/or the maximum available Federal Deposit Insurance Corporation ("FDIC") deposit insurance and pass-through deposit insurance.

7.3.2.4 During the term of the Escrow Agreement, if invested, the Escrow Account shall be invested and reinvested in short-term United States Treasury securities backed by the full faith and credit of the U.S. Government or an agency thereof, of a type and term necessary to meet the cash liquidity requirements for payments to Eligible Accountholders, tax obligations and/or fees of the Tax Administrator and/or Fund Administrator, including investment or reinvestment in a bank account insured by the FDIC up to the guaranteed FDIC limit, or in AAA-rated Money Market Mutual Funds registered under the Investment Company Act of 1940 that directly invest in short term

U.S. Treasury securities and obligations, all backed by the full faith and credit of the U.S. Government; provided however, that any investment by an AAA-rated Money Market Mutual Fund in short term U.S. Treasury securities will not be made through repurchase agreements and/or other derivative products.

7.3.2.5 Pursuant to the Alger Order, the IDC has developed the Distribution Plan, and the escrow agent has provided to the IDC an attestation that all funds in the Escrow Account will be held for the Distribution Plan and that the escrow agent will not, directly or indirectly, place any lien or encumbrance of any kind upon the funds. All interest earned on the monies will inure to the benefit of accountholders except as otherwise provided in the Order or herein. All fees and costs associated with the Escrow Account and the Distribution Account will be borne exclusively by one or more of the Respondents, in accordance with the Alger Order. Upon the Bank's receipt of funds from the Treasury, the Bank shall promptly deposit the funds into the Escrow Account.

7.3.2.6 Following approval of the Distribution Plan, and submission by the IDC of a list of payees and amounts to the Commission staff and all information necessary to make disbursement to each distributee, and unless otherwise directed by the Commission, the Commission staff shall cause the balance in the Fair Fund to be deposited in the QSF Account. For funds in the Escrow Account invested pursuant to the Escrow Agreement, subject to the controls set forth below, the amount needed to satisfy any presented check will be transferred to the Distribution Account and immediately paid out. For any payment to be made by wire instruction, and subject to the controls set forth below, funds will be paid by the escrow agent from the Escrow Account in accordance with written instructions provided to the escrow agent by parties authorized by the Escrow Agreement.

7.3.2.7 The Fund Administrator will obtain a bond in accordance with Rule 1105(c) of the Commission's Rules in the amount of $40,000,000. The cost of the bond premium will be paid from the Fair Fund, first from the interest earned on the invested funds, then, if not sufficient, from the corpus.

7.3.3 The Bank will hold Fair Fund assets during the check-cashing period and require use of a positive payment system. Once the Fair Fund assets are transferred from the U.S. Treasury to the Bank, they shall be placed in an escrow account which shall invest and reinvest the escrow property in short-term U.S. Treasury securities and obligations, all backed by the full faith and credit of the U.S. Government; provided however, that investments in short-term U.S. Treasury securities will not be made through repurchase agreements or other derivative products. This shall be done pursuant to the terms of an escrow agreement that must be acceptable to the staff of the Commission. When checks are presented for payment by recipients of the distribution, and validated by the Fund Administrator, the exact amount necessary to pay such presented checks shall be transferred from the escrow account into a distribution account bearing the name and taxpayer identification number of the Fair Fund, and validated presented checks shall be paid from this distribution account. For any payment to be made by wire instruction, the appropriate funds will be distributed by the escrow agent from the escrow account directly to the payee in accordance with written instructions provided to the escrow agent by the Fund Administrator. The Bank maintains a Financial Institutions (FI) Bond, including errors and omissions coverage with an aggregate limit of 125 million Euros. The primary insurer is a company which, as of its most recent renewal, was rated A+ by A.M. Best. The Bank annually assesses the adequacy of its policy limits through extensive analysis of historic loss data, exposure to loss and internal company controls. The Bank's limits are reviewed annually by the Bank's Board of Directors. Documentation has been provided to the staff to support the foregoing representations.

7.4 Additional Distribution Controls. Following approval of the Distribution Plan, and in order to maximize the security of the Fair Fund, the following procedures will be followed in connection with the Fair Fund:

7.4.1 In order to distribute funds, the IDC will submit a validated list of payees and the payment amounts to the assigned Commission staff, who will obtain authorization from the Commission to disburse pursuant to Rule 1101(b)(6). The payees and amounts will be validated at the IDC's direction by the Fund Administrator. The validation will state that the list was compiled in accordance with the Distribution Plan and provides all information necessary to make disbursement to each distributee. Unless otherwise directed by the Commission, the Commission staff will obtain an Order Directing Disbursement that releases funds to the bank account established by the Fund Administrator based upon the validated list and representation by the Fund Administrator that the checks or electronic transfers will be issued within the next 5 business days.

7.4.2 Upon presentation of an outstanding check, and subject to the controls set forth below, the exact amount needed to satisfy the presented obligation will be transferred from the Escrow Account to the Distribution Account and immediately paid out. As stated in ¶7.3.2.2, for any payment to be made by wire instruction, funds will be distributed by the escrow agent from the Escrow Account in accordance with written instructions provided to the escrow agent by parties authorized by the Escrow Agreement.

7.4.3 The Positive Pay system for clearing checks at the Bank will be used to control distributions from the Distribution Account, requiring, among other things, confirmation by the Bank that all checks presented for payment match the identifiers and amounts on the positive pay file prior to payment of the presented obligation.

7.4.4 Upon the Bank's receipt of a wire instruction, the Bank will take the following steps before the escrow agent will release any funds from the Escrow Account:

7.4.4.1 An administrative employee of the Bank will:

7.4.4.1.1 Check that the signatures on the wire instruction are those of the persons authorized to issue wire instructions in the Escrow Agreement and that the wire instruction is otherwise complete and in accordance with the Escrow Agreement; and

7.4.4.1.2 Input the wire instructions into the computer system of the Bank.

7.4.4.2 A Bank officer will compare the wire instruction entered by the administrative employee into the Bank computer system with the original wire instruction prior to approving the wire instruction for execution by the escrow agent.

7.4.4.3 Upon the Bank officer's approval of the wire instruction for execution, the escrow agent will release the exact amount needed to satisfy the presented wire transfer in accordance with the wire instruction.

7.5 Oversight and Costs. The Fund Administrator will assist the IDC in administering this Distribution Plan. The IDC has oversight authority over the Fund Administrator in the conduct of its duties with respect to this engagement and the Fund Administrator will keep the IDC informed as to work on this engagement. Except as otherwise provided herein, the Respondents are responsible for all fees and costs associated with the administration of the Distribution Plan.

7.6 Procedures for Identifying and Distributing to Eligible Accountholders. The Fund Administrator will identify and make distributions to Eligible Accountholders in several ways, depending on the distribution channel through which the accountholder purchased the shares. The manner in which the accountholders will be identified and paid is as follows:

7.6.1 Direct Purchase Holders: The Fund Administrator will use records provided by Alger Management and Alger Inc. and transfer agency records to identify each Direct Purchase Holder and determine the shares held by each on a daily basis. The Fund Administrator will then, in accordance with the Distribution Plan and under the supervision of the IDC, determine the distribution amount payable to each eligible accountholder.

7.6.2 Omnibus Account Holders: Under the supervision of the IDC, the Fund Administrator will identify and determine the Distribution Amount for these accountholders as follows:

7.6.2.1 The Fund Administrator will use transfer agent records and other Alger Management and Alger Inc. resources to identify "Omnibus Accounts."

7.6.2.2 The Fund Administrator will, in accordance with the Distribution Plan, determine "net" shares held in each Omnibus Account on a daily basis.

7.6.2.3 Under the supervision of the IDC, the Fund Administrator will calculate the total amount due to each Omnibus Account using the methodology set forth in the Distribution Plan.

7.6.2.4 The Fund Administrator will engage in an "Outreach Process" by which the Fund Administrator will contact each "Omnibus Account Brokerage Firm" with provisional distributions of $1,000 or more and request individual accountholder records (i.e., shares held by each accountholder on each day). The individual accountholder name and address, as well as the Tax Identification Number, for each account within the Omnibus Account, will be requested from the Omnibus Account Brokerage Firm that sold the Alger Fund portfolios in this manner. Each of the Omnibus Brokerage Firms listed in Appendix A to the Distribution Plan also will be requested to identify any and all individual accountholders who made six or more exchanges into and/or out of Alger Fund portfolios annually by telephone or in writing ("Identified Excluded Timers"). The accounts that are directly underlying the Omnibus Account will be referred to as "Tier 1."

7.6.2.5 The Fund Administrator shall maintain in confidence shareholder identifying information and any other information relating to sub-account holders obtained from any Omnibus Accountholder pursuant to this Distribution Plan, and shall not share such information with Respondents. The Fund Administrator, however, may share such information with its service providers or other parties to the extent necessary to perform its duties under this Distribution Plan, and the Fund Administrator shall require that such service providers and other parties maintain such information in confidence.

7.6.2.6 Upon receipt of the individual accountholder records from each Omnibus Account Brokerage Firm, the Fund Administrator will, in accordance with the methodology set forth in the Distribution Plan, calculate the amount due each Tier 1 account, excluding the Identified Excluded Timers (as defined in Section 7.6.2.4), who will not be entitled to any recovery under the Distribution Plan.

7.6.2.7 The Fund Administrator will maintain records of efforts made to obtain the cooperation of the Omnibus Account Brokerage Firm and of the responses to these efforts. After 60 days from the approval of the Distribution Plan, the Outreach Process will cease, unless otherwise directed by the IDC. Omnibus Accountholders may (1) fail within a reasonable time to respond to the Fund Administrator's request for information identifying shareholders or (2) refuse to provide the Fund Administrator with the requested information. In those instances, the Fund Administrator will proceed as follows: the Fund Administrator will ask the omnibus accountholder to certify that the omnibus accountholder will make commercially reasonable efforts consistent with its legal, fiduciary, and contractual duties, as applicable, to disburse the Fair Fund payment to its affected accountholders in accordance with the methodology and the deadlines set forth in this Distribution Plan, and that the omnibus accountholder will return any undistributed money; provided, however, that each of the Omnibus Brokerage Firms listed in Appendix A to the Distribution Plan will certify that no payments were made to any Identified Excluded Timers (as defined in Section 7.6.2.4). After each such omnibus accountholder has provided its certification(s) to the IDC, which Fund Administrator will make commercially reasonable efforts to obtain under the direction of the IDC, the IDC will instruct the Fund Administrator to include the portion of the Fair Fund allocated to the omnibus accountholder in the distribution, so that it can distribute the funds to its affected sub-accountholders. In the event such omnibus accountholder refuses or fails to provide such certification, the amount of Fair Fund allocated to such omnibus accountholder shall be treated as "undistributed" for purposes of this Distribution Plan, and processed pursuant to ¶ 6.6 above. After the omnibus accountholder has distributed the funds in this fashion, the omnibus accountholder will be required to provide the IDC with a certification that it has complied with these terms and conditions.

7.6.2.7.1 The Fund Administrator will maintain records of each attempt to contact an omnibus accountholder about providing a certification to receive a distribution payment and each response received, if any. These records will be provided to Commission staff at least 60 days before the scheduled distribution.

7.6.2.8 Respondents have agreed to pay the reasonable costs of gathering shareholder/demographic information as defined in ¶7.7 from opaque omnibus accounts which elect to do the distribution. However, the Respondents should not have to pay more than the amount that would be distributed had the Omnibus Account Brokerage Firm been treated as an individual.

7.6.3 Network Account Holders: Under the supervision of the IDC, the Fund Administrator will determine the Distribution Amount for these accountholders as follows:

7.6.3.1 The Fund Administrator will use transfer agent records and other Alger Management and Alger Inc. resources to identify "Network Accounts."

7.6.3.2 The Fund Administrator will, in accordance with the Distribution Plan, determine "net" shares held in the Network Accounts on a daily basis.

7.6.3.3 The Fund Administrator will, in accordance with the Distribution Plan, calculate the total amount due to the Network Accounts using the methodology set forth above.

7.6.3.4 The Fund Administrator will engage in an "Outreach Process" by which the Fund Administrator will contact each "Network Firm" with provisional distributions of $1,000 or more and request individual accountholder identification information. The individual accountholder name and address, as well as the Tax Identification Number, typically the individual's Social Security Number, will be requested for each of these accounts. This information will be requested from the Network Firms identified in the records of Alger Management and Alger Inc. as having sold the Alger Fund in this manner.

7.6.3.5 The Fund Administrator shall maintain in confidence shareholder identifying information and any other information relating to sub-account holders obtained from any Network Accountholder pursuant to this Distribution Plan, and shall not share such information with

Respondents. The Fund Administrator, however, may share such information with its service providers or other parties to the extent necessary to perform its duties under this Distribution Plan, and the Fund Administrator shall require that such service providers and other parties maintain such information in confidence.

7.6.3.6 Upon receipt of the individual accountholder records from each Network Firm, the Fund Administrator will, in accordance with the methodology set forth in the Distribution Plan, calculate the amount due each account.

7.6.3.7 The Fund Administrator will maintain records of efforts made to obtain the cooperation of the Network Firm and of the responses to these efforts. After 60 days from the approval of the Distribution Plan, the Outreach Process will cease, unless otherwise directed by the IDC. Network Firms may (1) fail within a reasonable time to respond to the Fund Administrator's request for information identifying shareholders or (2) refuse to provide the Fund Administrator with the requested information. In those instances, the Fund Administrator will proceed as follows: the Fund Administrator will ask the Network Firm to certify that the Network Firm will make commercially reasonable efforts consistent with its legal, fiduciary, and contractual duties, as applicable, to disburse the Fair Fund payment to its affected accountholders in accordance with the methodology and the deadlines set forth in this Distribution Plan, and that the Network Firm will return any undistributed money to an account that has been established to hold otherwise undistributed funds for ultimate disposition in accordance with this Distribution Plan. After each such Network Firm has provided its certification to the IDC, which Fund Administrator will make commercially reasonable efforts to obtain under the direction of the IDC, the IDC will instruct the Fund Administrator to include the portion of the Fair Fund allocated to the Network Firm in the distribution, so that it can distribute the funds to its affected sub-accountholders. In the event such Network Firm refuses or fails to provide such certification, the amount of Fair Fund allocated to such Network Firm shall be treated as "undistributed" for purposes of this Distribution Plan, and processed pursuant to ¶ 6.6 above. After the Network Firm has distributed the funds in this fashion, the Network Firm will be required to provide the IDC with a certification that it has complied with these terms and conditions.

7.6.3.7.1 The Fund Administrator will maintain records of each attempt to contact a Network Firm about providing a certification to receive a distribution payment and each response received, if any. These records will be provided to Commission staff at least 60 days before the scheduled distribution.

7.6.3.8 Respondents have agreed to pay the reasonable costs of gathering shareholder/demographic information as defined in ¶7.7 from opaque omnibus accounts which elect to do the distribution. However, the Respondents should not have to pay more than the amount that would be distributed had the Omnibus Account Brokerage Firm been treated as an individual.

7.6.4 Embedded Omnibus Accounts. To the extent that the accountholder identification information provided to The Fund Administrator in accordance with ¶¶7.6.2.4 and 7.6.3.4 in turn identifies "Omnibus Accounts" or "Network Accounts," the Fund Administrator will not seek account-holder information relating to the beneficiaries of such accounts. In this instance, the Fund Administrator will proceed as follows: the Fund Administrator will ask the Omnibus accountholder or Network Firm to certify that the Omnibus accountholder or Network Firm will make commercially reasonable efforts consistent with its legal, fiduciary, and contractual duties, as applicable, to disburse the Fair Fund payment to its affected accountholders in accordance with the methodology and the deadlines set forth in this Distribution Plan, and that the Omnibus accountholder or Network Firm will return any undistributed money to an account that has been established to hold otherwise undistributed funds for ultimate disposition in accordance with this Distribution Plan. After each such Omnibus accountholder or Network Firm has provided its certification to the IDC, which Fund Administrator will make commercially reasonable efforts to obtain under the direction of the IDC, the IDC will instruct the Fair Fund's custodian to disburse the portion of the Fair Fund allocated to the Omnibus accountholder or Network Firm so that it can distribute the funds to its affected sub-accountholders. In the event such Omnibus accountholder or Network Firm refuses or fails to provide such certification, the amount of Fair Fund allocated to such Omnibus accountholder or Network Firm for an embedded account shall be treated as "undistributed" for purposes of this Distribution Plan, and processed pursuant to Section 6.9, above. After the Omnibus accountholder or Network Firm has distributed the funds in this fashion, the Omnibus accountholder or Network Firm will be required to provide the IDC with a certification that it has complied with these terms and conditions.

7.6.4.1 The Fund Administrator will maintain records of each attempt to contact an Omnibus accountholder or Network Firm about providing a certification to receive a distribution payment and each response received, if any. These records will be provided to Commission staff at least 60 days before the scheduled distribution.

7.6.5 Non-IRA Retirement Plans

7.6.5.1 "Retirement Plan" as used in this Distribution Plan means an employee benefit plan, as such plans are defined in Section 3(3) of ERISA, 29 U.S.C. § 1002(3), which is not an Individual Retirement Account ("IRA"), whether or not the plan is subject to Title I of ERISA. Under this Distribution Plan, distributions to IRAs will be made in accordance with ¶¶7.6.1-7.6.4, above.

7.6.5.2 Assets of Retirement Plans are held in trust by a trustee, and the trust is the legal owner of the assets. This Distribution Plan requires the plan fiduciaries and intermediaries, as defined in Department of Labor Field Assistance Bulletin No. 2006-01, April 19, 2006 (the "Field Assistance Bulletin"), of Retirement Plans to distribute the monies received in accordance with their legal, fiduciary, and contractual obligations and consistent with guidance issued by the Department of Labor, including, but not limited to, the Field Assistance Bulletin.

7.6.5.3 An intermediary to one or more Retirement Plans may allocate the distribution it receives pursuant to this Distribution Plan among eligible Retirement Plans participating in an Omnibus Account administered by such intermediary according to the procedures set forth in ¶¶6.2–6.4 above or according to the average share or dollar balances of the Retirement Plans' investment in the Balanced, Health Sciences, Capital Appreciation, SmallCap Growth, MidCap Growth and LargeCap Growth portfolios during September 2001 through October 2003, provided, however, that for the purposes of such allocation each Retirement Plan itself (and not the individual plan participants) shall be treated as the beneficial owner.

7.6.5.4 The fiduciary of a Retirement Plan receiving a distribution may distribute it pursuant to one of the following four alternatives:

7.6.5.4.1 Retirement Plan fiduciaries may allocate the distribution to current and former participants in the Retirement Plan using the methodology referenced in ¶¶6.2–6.4 above. The IDC will make this methodology available to Retirement Plan fiduciaries.

7.6.5.4.2 Retirement Plan fiduciaries may allocate the distribution pro rata (based on total account balance) among the accounts of all persons who are currently participants in the Retirement Plan (whether or not they are currently employees).

7.6.5.4.3 Retirement Plan fiduciaries may allocate the distribution per capita among the accounts of all persons who are currently participants in the Retirement Plan (whether or not they are currently employees).

7.6.5.4.4 To the extent that none of the three preceding alternatives is administratively feasible because the costs of effecting the allocation exceed the amount of the distribution, Retirement Plan fiduciaries may, to the extent permitted by the Retirement Plan, use the distribution amount to pay the reasonable expenses of administering the Retirement Plan.

7.6.5.5 In view of, among other things, alternative distribution methodologies available to Retirement Plans, plan fiduciaries and/or intermediaries will not be reimbursed the costs and expenses associated with administering the distribution received pursuant to this Distribution Plan.

7.7 Subject to ¶ 7.6.5.5, and in accordance with the Order, the Respondents will bear the costs and expenses associated with the administration of the Distribution Plan, including the reasonable administrative costs incurred by Omnibus Holder Brokerage Firms and Network Firms for identifying individual accountholder records in connection with the Distribution Plan. Requests for reimbursement from Omnibus Holder Brokerage Firms or Network Firms will be paid to the extent that such costs are commercially reasonable in light of the amount to be distributed to such firms. All reimbursement requests are subject to final review by the IDC and the Fund Administrator.

7.8 Data Accuracy. All brokerage firms providing information to the Fund Administrator will be required to attest to the IDC that to the best of their knowledge the information they provide is true and accurate.

7.9 Affected Accountholders. Even though the Distribution Plan does not anticipate soliciting accountholder information directly from affected accountholders, it can be expected that a limited number of accountholders will contact the IDC, or others, to request a distribution. If this occurs, the information received will be compared to the data obtained during the course of the engagement to 1) ensure accurate account information and 2) avoid any duplication of payment. This information will be forwarded to the Fund Administrator for processing.

7.10 Notice and Accountholder Communications. The Distribution Plan will utilize the following methods to provide notifications and information to affected accountholders. These services will become active at least by the time of the first distribution. The

Commission retains the right to review and approve any material posted on the various websites.

7.10.1 Alger Website and Toll Free Numbers. The Fund Administrator will provide customer support and communications programs which will become active at least by the time the first distribution occurs. These services will include a toll free number and a website to the public. The Commission retains the right to review and approve any material posted on the website. The website will provide a link to the Commission's website, which is: http://www.sec.gov/litigation/fairfundlist.htm.

7.10.2 Final Approved Distribution Plan. The Distribution Plan, once it has been approved by the Commission ("Final Approved Distribution Plan") will be posted on the following free public websites:

- http://www.sec.gov/litigation/fairfundlist.htm
- http://www.algerfairfundsettlement.com/

7.10.3 Frequently Asked Questions. In addition to the Final Approved Distribution Plan, a list of "Frequently Asked Questions" ("FAQs") will be posted on the following website:

- http://www.algerfairfundsettlement.com/

7.11 Initial Distribution. Upon the Commission's approval, and subject to ¶7.12.3, below, the IDC will direct the Fund Administrator to implement the Final Approved Distribution Plan.

7.11.1 All payments shall be preceded or accompanied by a communication (the "Letter") that includes, as appropriate: (a) a statement describing the distribution; (b) a description of the tax information reporting and other related tax matters; (c) a statement that checks will be void after 90 days; and (d) the name of a person to contact, to be used in the event of any questions regarding the distribution. The Letter or other communication to Eligible Accountholders describing their distributions shall be submitted to the assigned Commission staff for review and approval. Distribution checks, on their face or in the accompanying mailing, will clearly indicate that the money is being distributed from a Fair Fund established by the SEC.

7.11.2 All accountholders whose distribution is less than the taxable threshold that includes a taxable component will receive the Letter and their distribution checks.

7.11.3 All accountholders whose distribution exceeds the taxable threshold and includes a taxable component will receive the Letter, Form 1099 (or similar document), and their distribution check.

7.11.4 It is expected that all distribution checks will be mailed, via the United States Postal Service ("USPS"), to the Eligible Accountholders' last known address of record. All checks drawn on the Account will bear the legend "Void after 90 days." A wire transfer may be made in lieu of a check payment where efficiencies dictate. Unless specific direction is provided by the IDC or the Commission staff, checks that are not negotiated within the 90-day period will not be honored and the Fund Administrator will instruct the Bank to refuse payment on those checks.

7.11.5 Once the Fair Fund has been transferred from the BFS to the Bank, the Fund Administrator will file an accounting during the first ten days of each calendar quarter on a standardized accounting form provided by the staff of the Commission, and will submit a final accounting for approval of the Commission prior to termination of the Fair Fund and discharge of the IDC or Fund Administrator. The Fund Administrator will provide regular updates and reconciliations to the IDC, and will provide a final reconciliation of all un-distributed funds to the IDC.

7.11.6 Tax Issues. The methods of calculation of each accountholder's share of the Fair Fund are intended to result in a payment to each eligible accountholder that restores the impaired value of the accountholder's investment in affected Alger Fund portfolios. Some of this impaired value is susceptible to calculation while some of this impaired value is not. The methods of calculation are intended by the Commission to fairly estimate the impaired value that each accountholder has suffered and make a payment in that amount.

7.11.7 Tax Administrator. The Commission has appointed Damasco & Associates ("Damasco") as the Tax Administrator of the Fair Fund ("Tax Administrator"). *See* Order Appointing Tax Administrator, Admin. Proc. File No. 3-12540, Release No. 55888 (June 8, 2007). The IDC, Fund Administrator, and Respondents will cooperate with the Tax Administrator in providing information necessary to accomplish the income tax compliance, ruling and advice work assigned to the Tax Administrator by the Commission. The Tax Administrator shall be compensated by the Respondents.

7.11.8 Other Tax Obligations. The IDC will consult with the Tax Administrator regarding the Fair Fund's income tax compliance, reporting and withholding obligations, if any. The IDC shall work with the Tax Administrator to make adequate reserves for tax liability and any costs of tax compliance not required to be paid by the Respondents.

7.11.8.1 Before submitting a validated payment file to the Commission staff or before obtaining an Order Directing Disbursement from the Commission, the Fund Administrator will coordinate with the Tax Administrator to determine whether it is necessary to solicit an IRS

Form W-8 (Foreign or non-resident entities) or an IRS Form W-9 (U.S. or resident entities) from each fund.

7.12 Claims Process. The Fair Fund is not being distributed according to a claims-made process, so the procedures for providing notice and for making and approving claims are not applicable.

7.13 Procedure for Handling Disputes. Accountholders may initiate disputes through the call center within 30 days of the initial distribution date. The bases for such disputes are limited to claims that the accountholder received an incorrect amount in the distribution, or was incorrectly excluded from the distribution because the terms of the Distribution Plan were incorrectly applied to that accountholder. The call center will refer any such accountholder disputes to the IDC for resolution within 30 days, which shall be final. The IDC will not consider types of disputes other than those identified in this Section.

7.14 Locating Accountholders. Returned and/or undelivered mail and checks will be handled as follows:

7.14.1 All mail returned by the USPS for which a new forwarding address has been provided by the USPS will be immediately repackaged and sent to the new address. The master database will be updated with the new address.

7.14.2 All mail returned by the USPS for the first time, without a new forwarding address, will be coded as return mail. The check will be voided, and the information forwarded to a company that has access to address information. That company will then search for the most current address available through its proprietary databases, and return each record back to the Fund Administrator. If a new address is found, that address will be updated to the master database and a new check will be issued.

7.14.3 All mail returned by the USPS from a second attempted mailing, for which a new forwarding address has been provided by the USPS, will be immediately repackaged and sent to the new address. The master database will be updated with the new address.

7.14.4 All mail returned by the USPS from a second attempted mailing, without a new forwarding address, will be coded as returned mail and the check will be voided. Additional efforts to identify the addresses of Eligible Accountholders will be conducted as is commercially reasonable in the view of the IDC, where the costs of further research and the amount to be distributed will be considered.

7.14.5 All uncashed checks returned as undeliverable will be coded as such. These checks will be identified as "VOID," coded into the settlement database and stored in a secure facility until they are destroyed.

7.15 Special Circumstances. It is anticipated that distribution checks will be returned to the Fund Administrator for various reasons, including the death, divorce, incapacitation, bankruptcy, or dissolution of the affected eligible accountholder. The Fund Administrator and/or IDC will resolve and process these distributions on a case-by-case basis.

7.16 Receipt of Additional Funds. This Fair Fund has been deposited at the BFS for investment in government obligations. Other than interest from these investments, it is not anticipated that the Fair Fund will receive additional funds.

7.17 Residual Funds. Following the completion of the Fair Fund disbursements described in ¶6, appeals, if any, under ¶7.13, the payment of all taxes and fees, and Commission approval of the final accounting, the Fair Fund residual will be transferred to the U.S. Treasury.

7.18 Termination of the Fair Fund. Within 20 days after the last day of the month after the final distribution of uncashed or unclaimed funds, the Fund Administrator shall make arrangement for the final payment of taxes and Tax Administrator fees and shall submit a final accounting to the Commission in an SEC standard accounting format provided by the Commission (the "Final Accounting").

7.18.1 The Fair Fund shall be eligible for termination, and the Fund Administrator shall be discharged, after all of the following have occurred: (1) a Final Accounting, by the Fund Administrator, in an SEC standard accounting format provided by the staff, has been submitted for approval and has been approved by the Commission, (2) all taxes, fees and expenses have been paid, and (3) any amount remaining in the Fair Fund has been received by the Commission.

7.18.2 When the Commission has approved the Final Accounting, the staff shall arrange for the transfer of any amount remaining in the Fair Fund to the U.S. Treasury, and shall seek an order from the Commission to terminate the Fair Fund and discharge the Fund Administrator.

7.18.3 Within 10 days of the termination of the Fair Fund, the IDC will provide to the staff of the Commission an attestation that the Distribution Plan, as approved, has been implemented.

7.19 Extensions of Deadlines. For good cause shown, the Commission staff may extend any of the procedural deadlines set forth in this Distribution Plan.

7.20 Material Changes in Distribution Plan. The IDC and the Fund Administrator shall take reasonable and appropriate steps to distribute the Fair Fund according to the Distribution Plan. The IDC will inform the Commission staff of any changes needed in the Distribution Plan. Upon agreement with Commission staff, the IDC may implement immaterial changes to the Distribution Plan to effectuate its general purposes. If a change is determined to be material by the Commission staff, Commission approval is required prior to implementation by amending the Distribution Plan, which may be done upon the motion of any party, the Fund Administrator, or upon the Commission's own motion.

7.21 Notice of a Proposed Plan of Distribution and Opportunity for Comment. The Notice of the Proposed Plan of Distribution and Opportunity for Comment ("Notice") will be published in the SEC Docket and on the Commission's website at http://www.sec.gov/litigation/fairfundlist.htm. Any person wishing to comment on the Distribution Plan must do so in writing by submitting their comments to the Commission within thirty (30) days of the date of the Notice: (a) to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; (b) by using the Commission's Internet comment form (http://www.sec.gov/litigation/admin.shtml); or (c) by sending an email to rule-comments@sec.gov. Comments submitted by email or via the Commission's website should include "Administrative Proceeding File No. 3-12540" in the subject line. Comments received will be publicly available. Persons should only submit comments that they wish to make publicly available.

Table 1
Summary of Market Timers and Market Timing Activity by Portfolio [1]

Source: Alger Portfolio Data

(percent of total in parentheses)

Portfolio	Number of Accounts		Volume (in millions) [2]	
Balanced	146	(17.0%)	$717	(2.6%)
Capital Appreciation	303	(35.2%)	$6,263	(22.3%)
Health Sciences	3	(0.3%)	$21	(0.1%)
LargeCap	142	(16.5%)	$8,838	(31.5%)
MidCap	198	(23.0%)	$11,044	(39.4%)
SmallCap	68	(7.9%)	$1,165	(4.2%)
Total	860	(100.0%)	$28,049	(100.0%)

Note:

[1] Accounts exclude omnibus accounts and money market portfolios.

[2] Volume is the dollar volume of all buys and sells.

Table 2
Summary of Market Timers and Market Timing Activity by Quarter [1]

Source: Alger Portfolio Data
(percent of total in parentheses)

Year	Quarter	Number of Accounts		Volume (in millions) [2]	
2001	Q3	155	(18.0%)	$464	(1.7%)
2001	Q4	207	(24.1%)	$5,461	(19.5%)
2002	Q1	125	(14.5%)	$4,636	(16.5%)
2002	Q2	105	(12.2%)	$3,033	(10.8%)
2002	Q3	70	(8.1%)	$3,094	(11.0%)
2002	Q4	70	(8.1%)	$4,309	(15.4%)
2003	Q1	57	(6.6%)	$2,979	(10.6%)
2003	Q2	48	(5.6%)	$2,450	(8.7%)
2003	Q3	23	(2.7%)	$1,503	(5.4%)
2003	Q4	0	(0.0%)	$120	(0.4%)
Total		860	(100.0%)	$28,049	(100.0%)

Note:

[1] Accounts exclude omnibus accounts and money market portfolios.
[2] Volume is the dollar volume of all buys and sells.

Table 3

Regression of Net Equity Purchases on Frequent Traders' Cumulative Cashflow and Omnibus Cashflows, by Portfolio and Day

Source: Alger Portfolio Data

Days (n)		Balanced		Capital Appreciation		Health Sciences		Large Cap Growth		Mid Cap Growth		Small Cap Growth	
Prior to t		Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat	Beta	t-stat
1	Timer	0.018	0.379	0.005	0.258	-0.026	-1.420	0.025	1.625	**0.073**	**5.444**	**0.113**	**6.046**
	Omnibus	-0.093	-0.466	0.052	0.427			**0.258**	**2.058**	0.088	0.763	-0.135	-1.097
2	Timer	0.059	1.249	0.025	1.341	***-0.037***	***-2.041***	**0.063**	**4.065**	0.013	0.905	0.037	1.894
	Omnibus	0.008	0.038	0.106	0.873			0.090	0.728	-0.084	-0.706	0.036	0.282
3	Timer	-0.004	-0.076	-0.019	-1.039	0.028	1.538	-0.003	-0.190	0.011	0.821	-0.030	-1.587
	Omnibus	0.181	0.906	-0.090	-0.740			-0.096	-0.761	0.223	1.873	0.082	0.651
4	Timer	-0.031	-0.656	-0.006	-0.343	**0.036**	**2.032**	-0.012	-0.737	-0.022	-1.565	0.012	0.654
	Omnibus	-0.001	-0.005	0.089	0.729			-0.148	-1.171	0.087	0.727	-0.063	-0.503
5	Timer	**0.093**	**1.983**	0.024	1.302	-0.017	-0.957	0.002	0.151	0.001	0.094	**0.050**	**2.606**
	Omnibus	0.311	1.563	0.088	0.720			-0.139	-1.100	-0.005	-0.041	-0.020	-0.159
6	Timer	-0.007	-0.150	-0.010	-0.554	-0.018	-0.973	0.000	0.007	-0.001	-0.039	-0.011	-0.551
	Omnibus	0.098	0.491	-0.115	-0.961			0.038	0.302	-0.065	-0.544	0.052	0.414
7	Timer	-0.051	-1.088	0.006	0.323	-0.012	-0.689	-0.009	-0.568	0.005	0.361	-0.002	-0.086
	Omnibus	-0.217	-1.085	0.199	1.685			0.173	1.389	0.061	0.511	-0.006	-0.049
8	Timer	-0.005	-0.116	-0.020	-1.106	-0.016	-0.862	-0.012	-0.792	0.002	0.132	-0.023	-1.247
	Omnibus	0.101	0.501	0.018	0.152			0.108	0.868	-0.051	-0.427	-0.062	-0.503
9	Timer	0.061	1.302	0.017	0.960	-0.003	-0.169	0.014	0.900	-0.005	-0.332	0.022	1.159
	Omnibus	-0.005	-0.026	-0.123	-1.049			0.010	0.078	-0.206	-1.723	0.051	0.413
10	Timer	-0.008	-0.172	-0.001	-0.055	-0.003	-0.141	0.013	0.820	0.005	0.373	0.027	1.445
	Omnibus	-0.079	-0.394	-0.062	-0.526			**0.279**	**2.247**	0.098	0.817	-0.054	-0.433

Note: Regressions are run separately for each portfolio group, on 2 independent variables (Timer and Omnibus) that represent the transactions that occurred n days prior to the net equity purchase at time t=0. The Omnibus cash flow Health Sciences Portfolio has too few observations to produce meaningful regression results. Significant coefficients are in bold. Negative significant coefficients are in bold and italics.

Table 4
Regression of Net Equity Purchases on Frequent Traders' Cumulative Cashflow and Omnibus Cashflows, by Portfolio

Source: Alger Portfolio Data

	Balanced		Capital Appreciation		Health Sciences		Large Cap		Mid Cap		Small Cap	
Adjusted R^2	-0.0033		-0.0058		0.0162		0.0844		0.1049		0.1028	
	Beta	**t-stat**	**Beta**	**t-stat**	**Beta**	**t-stat**	**Beta**	**t-stat**	**Beta**	**t-stat**	**Beta**	**t-stat**
Timer Cashflow												
1	0.05	1.04	0.03	1.49	-0.03	-1.43	**0.08**	**4.57**	**0.13**	**7.92**	**0.16**	**7.16**
2	0.11	1.94	0.05	1.94	***-0.04***	***-2.05***	**0.13**	**6.22**	**0.11**	**5.53**	**0.07**	**3.16**
3	0.06	1.10	0.03	0.85	0.03	1.54	**0.08**	**3.61**	**0.10**	**4.28**	**0.08**	**3.17**
4	0.05	0.80	0.03	1.03	**0.04**	**2.03**	**0.05**	**2.30**	**0.06**	**2.46**	**0.08**	**3.07**
5	**0.13**	**2.23**	0.05	1.56	-0.02	-0.96	0.04	1.87	**0.06**	**2.39**	**0.09**	**3.58**
6	0.05	0.77	0.02	0.66	-0.02	-0.98	0.03	1.29	**0.05**	**2.15**	**0.05**	**2.17**
7	0.02	0.30	0.03	0.84	-0.01	-0.69	0.02	1.03	**0.05**	**2.09**	0.04	1.52
8	0.04	0.69	0.00	0.04	-0.02	-0.87	0.02	0.76	0.04	1.57	0.00	-0.03
9	0.08	1.43	0.02	0.75	0.00	-0.17	0.02	1.20	0.01	0.58	0.01	0.57
10	0.03	0.50	0.01	0.24	0.00	-0.14	0.01	0.84	0.01	0.42	0.03	1.28
Sum 1-10 Timer Cashflow												
F-Stat	3.55		1.77		1.38		**12.51**		**15.34**		**24.58**	
P-value	0.06		0.18		0.24		**0.00**		**0.00**		**0.00**	
Omnibus Cashflow												
1	-0.15	-0.68	0.00	0.00	-	-	0.20	1.68	0.07	0.63	-0.07	-0.49
2	-0.03	-0.15	0.09	0.71	-	-	0.06	0.46	-0.13	-1.17	0.08	0.59
3	0.22	1.01	-0.13	-1.08	-	-	-0.12	-0.95	0.22	1.87	0.13	0.88
4	-0.04	-0.19	0.06	0.54	-	-	-0.18	-1.46	0.10	0.89	0.03	0.20
5	0.33	1.47	0.07	0.56	-	-	-0.17	-1.39	-0.04	-0.35	-0.06	-0.38
6	0.13	0.59	-0.13	-1.08	-	-	0.03	0.22	-0.07	-0.65	-0.03	-0.21
7	-0.22	-0.99	0.19	1.59	-	-	0.18	1.47	0.09	0.79	0.03	0.22
8	0.12	0.57	0.01	0.05	-	-	0.19	1.56	0.01	0.11	-0.09	-0.60
9	-0.06	-0.29	-0.09	-0.76	-	-	0.11	0.92	-0.18	-1.56	0.00	-0.03
10	-0.09	-0.41	-0.09	-0.77	-	-	**0.29**	**2.40**	0.03	0.25	-0.08	-0.58

Note: Regressions are run separately for each portfolio group, on 20 independent variables that represent the transactions in Timer and Omnibus cashflows that occurred up to 10 days prior to the net equity purchase at time t=0. The omnibus cash flow Health Sciences Portfolio has too few observations to produce meaningful regression results. Significant coefficients are in bold. Negative significant coefficients are in bold and italics.

Table 5
Weighted Average Holding Period of Market Timers' Short-term Positions by Portfolio

Source: Alger Portfolio Data

Figures in trading days

Portfolio	Weighted Holding Period
Balanced	4.81
Capital Appreciation	2.60
Health Sciences	15.45
Large Cap	2.92
Mid Cap	2.38
Small Cap	6.20

Table 6
Aggregate Dilution Model by Portfolio and Quarter in Dollar Amount
Class Period: 9/12/01 – 10/15/03

Source: Alger Portfolio Data

Aggregate Dilution Before Interest

Portfolio	Q3 '01	Q4 '01	Q1 '02	Q2 '02	Q3 '02	Q4 '02	Q1 '03	Q2 '03	Q3 '03	Q4 '03	Total
Balanced	$ 817	$ 70,618	$ (97,210)	$ (295,432)	$ (341,330)	$ 59,131	$ (211,578)	$ 360,420	$ 52,137	-	$ (402,427)
Capital Appreciation	$ 476,795	$ 2,259,804	$ (3,246,738)	$ (3,034,646)	$ (1,698,244)	$ (1,172,600)	$ 562,292	$ 3,163,028	$ 874,125	$ 72,873	$ (1,743,311)
Health Sciences	-	-	-	$ (6,212)	-	-	-	-	$ 178,450	-	$ 172,237
Large Cap	$ 66,788	$ 1,700,259	$ (1,749,354)	$ (2,681,134)	$ (933,049)	$ (2,088)	$ 913,916	$ 2,330,070	$ 302,039	$ 264,569	$ 212,017
Mid Cap	$ (146,410)	$ 1,696,437	$ 2,069,396	$ 518,577	$ 1,663,687	$ (751,363)	$ (487,574)	$ 3,358,377	$ 797,255	$ 64,993	$ 8,783,375
Small Cap	$ 190,718	$ 474,886	$ 44,685	$ (193,447)	$ 300,491	$ (24,264)	$ (15,838)	$ 1,219,095	$ 1,551,243	$ 191	$ 3,547,760
Subtotal	$ 588,708	$ 6,202,005	$ (2,979,222)	$ (5,692,294)	$ (1,008,444)	$ (1,891,183)	$ 761,218	$ 10,430,989	$ 3,755,249	$ 402,625	$ 10,569,652

Aggregate Dilution Compounded Interest

Portfolio	Q3 '01	Q4 '01	Q1 '02	Q2 '02	Q3 '02	Q4 '02	Q1 '03	Q2 '03	Q3 '03	Q4 '03	Total
Balanced	$ 38	$ 3,150	$ (3,494)	$ (8,006)	$ (7,191)	$ 778	$ (2,345)	$ 2,401	$ 78	-	$ (14,591)
Capital Appreciation	$ 21,977	$ 95,161	$ (117,484)	$ (87,102)	$ (37,531)	$ (16,560)	$ 4,193	$ 20,273	$ 1,562	$ 31	$ (115,481)
Health Sciences	-	-	-	$ (157)	-	-	-	-	$ 532	-	$ 375
Large Cap	$ 2,725	$ 71,423	$ (64,367)	$ (73,127)	$ (17,728)	$ 1,390	$ 6,376	$ 13,271	$ 568	$ 155	$ (59,313)
Mid Cap	$ (7,106)	$ 70,987	$ 73,738	$ 9,962	$ 34,389	$ (9,239)	$ (6,731)	$ 20,185	$ 1,593	$ 8	$ 187,786
Small Cap	$ 8,727	$ 18,770	$ 1,406	$ (6,281)	$ 5,965	$ (248)	$ (293)	$ 7,514	$ 4,611	$ 0	$ 40,172
Subtotal	$ 26,361	$ 259,491	$ (110,200)	$ (164,711)	$ (22,096)	$ (23,880)	$ 1,201	$ 63,644	$ 8,945	$ 194	$ 38,949

Aggregate Dilution including Compounded Interest

Portfolio	Q3 '01	Q4 '01	Q1 '02	Q2 '02	Q3 '02	Q4 '02	Q1 '03	Q2 '03	Q3 '03	Q4 '03	Total
Balanced	$ 855	$ 73,768	$ (100,703)	$ (303,438)	$ (348,521)	$ 59,908	$ (213,923)	$ 362,820	$ 52,215	-	$ (417,018)
Capital Appreciation	$ 498,771	$ 2,354,965	$ (3,364,222)	$ (3,121,748)	$ (1,735,775)	$ (1,189,160)	$ 566,486	$ 3,183,300	$ 875,687	$ 72,904	$ (1,858,791)
Health Sciences	-	-	-	$ (6,370)	-	-	-	-	$ 178,982	-	$ 172,612
Large Cap	$ 69,513	$ 1,771,683	$ (1,813,721)	$ (2,754,261)	$ (950,777)	$ (698)	$ 920,292	$ 2,343,341	$ 302,607	$ 264,724	$ 152,704
Mid Cap	$ (153,515)	$ 1,767,424	$ 2,143,134	$ 528,539	$ 1,698,076	$ (760,603)	$ (494,305)	$ 3,378,562	$ 798,849	$ 65,000	$ 8,971,162
Small Cap	$ 199,446	$ 493,656	$ 46,090	$ (199,728)	$ 306,456	$ (24,512)	$ (16,132)	$ 1,226,609	$ 1,555,854	$ 191	$ 3,587,932
Subtotal	$ 615,069	$ 6,461,496	$ (3,089,422)	$ (5,857,005)	$ (1,030,540)	$ (1,915,063)	$ 762,419	$ 10,494,633	$ 3,764,194	$ 402,820	$ 10,608,601

Note: The Balanced, Capital Appreciation and Health Sciences portfolios are calculated using the LIFO Profits methodology. The Large Cap, Mid Cap, and Small Cap portfolios are calculated using the Regression Model methodology. Interest is calculated using the short-term Applicable Federal Rate provided monthly by the IRS (Section 1274).

Glossary

Alger Inc.	Fred Alger & Company, Inc.
Alger Management	Fred Alger Management, Inc.
Alger or the Respondents	Fred Alger Management, Inc. , Fred Alger & Company, Inc.
Bank	Escrow Bank
FS	Bureau of the Fiscal Service
Commission	Securities and Exchange Commission
Damasco	Damasco & Associates
Distribution Account	Distribution account established by the Fund Administrator in the name of and bearing the Taxpayer Identification Number of the Fair Fund
Distribution Plan	Distribution Plan for the distribution of the Fair Fund developed by the IDC
EIN	Employer Identification Number
Eligible Accountholders	Accountholders who will be compensated through the Distribution Plan.
Escrow Account	Escrow account established by the Fund Administrator in the name of and bearing the Taxpayer Identification Number of the Fair Fund
Excluded Investors	Market timers not eligible for a distribution according to the Distribution Plan.
FAQs	Frequently Asked Questions
Field Assistance Bulletin	Department of Labor Field Assistance Bulletin No. 2006-01, April 19, 2006
Final Accounting	Final Accounting prepared and submitted after the distribution is complete and covering all income and all disbursements
Final Approved Distribution Plan	The Distribution Plan, once it has been approved by the Commission
Fund Administrator	Rust Consulting, Inc. ("Rust") is proposed to serve as Fund Administrator pursuant to Rule 1105 of the Commission's Rules.
IDC	James C. Meehan, Independent Distribution Consultant
Investment Company Act	Investment Company Act of 1940
Letter	Communication that precedes or accompanies distribution payments
market timer	Non-omnibus account in the database in each Alger Fund portfolio for which Mr. Meehan identified roundtrip trades within the September 12, 2001 through October 15, 2003 period.
Network Firm	Brokerage firm holding Network accounts
next day NAV	Approach to estimate dilution losses as proposed by Greene and Hodges (2002)
Omnibus Holder Brokerage Firms	Brokerage firm holding Omnibus accounts
Outreach Process	Process by which Rust will contact each Omnibus Broker and Network

	firm to obtain account holder information
QSF	Qualified Settlement Fund, an IRS term
QSF Account	Using the IRS term, it indicates a Distribution Account, and here it also indicates the Escrow Account
realized profits	Approach to estimate dilution losses as proposed by Greene and Ciccotello (2006)
Residual Funds	Includes funds reserved, but not used, for future taxes and related expenses, distributions from checks that have not been cashed, from checks that were not delivered or not accepted upon delivery, and tax refunds for overpayment or for waiver of penalties.
SAI	Statement of Additional Information attached to the Alger Fund prospectuses
Tax Administrator	Damasco & Associates, Tax Administrator of the Fair Fund
U.S. Treasury	United States Department of the Treasury
USPS	United States Postal Service