

**SUMMARY:** This hearing is being held to consider industry proposals to amend the New England milk order. One proposal would remove Dukes County, Massachusetts, from the definition of the New England marketing area. The handler proposing the amendment manages a dairy herd and operates a fluid milk processing and distribution business on the island of Martha's Vineyard. The handler confines its business to Dukes County and wishes to be exempt from regulation under the New England milk order.

Another proposal, by a handler located in Danbury, Connecticut, would change the pricing zone designation of the westernmost portion of Fairfield County, Connecticut, to make the minimum prices under the order more comparable to prices in the adjacent New York-New Jersey order area.

**DATE:** The hearing will convene January 26, 1983.

**ADDRESS:** The hearing will be held at the JFK Federal Building, Room 505, Government Center, Boston, Massachusetts 02203, beginning at 9:30 a.m., local time.

**FOR FURTHER INFORMATION CONTACT:** Clayton H. Plumb, Marketing Specialist, Dairy Division, Agricultural Marketing Service U.S. Department of Agriculture, Washington, D.C. 20250, 202-447-6273.

**SUPPLEMENTARY INFORMATION:** This administrative action is governed by the provisions of sections 556 and 557 of Title 5 of the United States Code and, therefore, is excluded from the requirements of Executive Order 12291.

Notice is hereby given of a public hearing to be held at the JFK Federal Building, Room 505, Government Center, Boston, Massachusetts 02203, beginning at 9:30 a.m., local time, on January 26, 1983, with respect to proposed amendments to the tentative marketing agreement and to the order regulating the handling of milk in the New England marketing area.

The hearing is called pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 801 *et seq.*), and the applicable rules of practice and procedure governing the formulation of marketing agreements and marketing orders (7 CFR Part 900).

The purpose of the hearing is to receive evidence with respect to the economic and marketing conditions which relate to the proposed amendments, hereinafter set forth, and any appropriate modifications thereof, to the tentative marketing agreement and to the order.

Actions under the Federal milk order program are subject to the "Regulatory

Flexibility Act" (Pub. L. 96-354). This act seeks to ensure that, within the statutory authority of a program, the regulatory and informational requirements are tailored to the size and nature of small businesses. For the purpose of the Federal order program, a small business will be considered as one which is independently owned and operated and which is not dominant in its field of operation. Most parties subject to a milk order are considered as a small business.

Accordingly, interested parties are invited to present evidence on the probable regulatory and informational impact of the hearing proposals on small businesses. Also, parties may suggest modifications of the proposals for the purpose of tailoring their applicability to small businesses.

#### List of Subjects in 7 CFR Part 1001

Milk marketing orders, Milk, Dairy products.

The proposed amendments, set forth below, have not received the approval of the Secretary of Agriculture.

#### PART 1001—MILK IN THE NEW ENGLAND MARKETING AREA

*Proposed by Seaside Dairy, Inc.:*

*Proposal No. 1. Revise § 1001.2, definition of the New England marketing area, to remove Dukes County, Massachusetts.*

*Proposed by Marcus Dairy, Inc.:*  
*Proposal No. 2. Revise § 1001.52, Plant location adjustments, so that the portion of Fairfield County, Connecticut, consisting of those towns and cities located within 15 miles of the New York/Connecticut state border and located north of a line forming the northern boundary of the towns of Wilton, Weston, Easton, and Trumbull would be rezoned from existing Zone 5 to Zone 8.*

*Proposed by the Dairy Division, Agricultural Marketing Service:*  
*Proposal No. 3. Make such changes as may be necessary to make the entire marketing agreement and the order conform with any amendments thereto that may result from this hearing.*

Copies of this notice of hearing and the order may be procured from the Market Administrator, P.O. Box 1478, Boston, Massachusetts 02205, or from the Hearing Clerk, Room 1077, South Building, United States Department of Agriculture, Washington, D.C. 20250 or may be there inspected.

From the time a hearing notice is issued and until the issuance of a final decision in a proceeding, Department employees involved in the decisional process are prohibited from discussing

the merits of the hearing issues on an ex parte basis with any person having an interest in the proceeding. For this particular proceeding the prohibition applies to employees in the following organizational units:

Office of the Secretary of Agriculture.  
 Office of the Administrator, Agricultural Marketing Service.  
 Office of the General Counsel.  
 Dairy Division, Agricultural Marketing Service (Washington Office only).  
 Office of the Market Administrator, New England Marketing Area.

Procedural matters are not subject to the above prohibition and may be discussed at any time.

Signed at Washington, D.C., on January 3, 1983.

William T. Manley,  
*Deputy Administrator, Marketing Program Operations.*

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 BILLING CODE 3410-02-M

#### DEPARTMENT OF THE TREASURY

##### Comptroller of the Currency

##### 12 CFR Parts 3, 6, 7, and 32

[Docket No. 82-25]

##### National Bank Lending Limits

##### Correction

In FR Doc. 82-34445 beginning on page 56862 in the issue of Tuesday, December 21, 1982, the following change should be made on page 56866: In the first column, the fifteenth line, the figure "10" should read "100".

BILLING CODE 1505-01-M

#### SECURITIES AND EXCHANGE COMMISSION

##### 17 CFR Parts 230, 239, 270 and 274

[Release Nos. 33-6447; IC-12927; File No. S7-957]

##### Registration Form Used By Open-End Management Investment Companies; Proposed Guidelines

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Proposed form, guidelines and proposed rules.

**SUMMARY:** The Commission is publishing for comment a proposed revision of the registration form used by open-end management investment companies ("mutual funds") under the Investment Company Act of 1940 and the Securities Act of 1933. Specifically, the

Commission is proposing for comment: (1) Proposed form N-1A, a new registration statement form for open-end investment companies other than registered separate accounts of insurance companies; (2) certain related new rules; and (3) staff guidelines for the preparation of proposed Form N-1A. Proposed Form N-1A would establish a two-part format for disclosure to prospective investors consisting of: (1) A relatively short prospectus that could be used to satisfy the prospectus delivery requirements of the Securities Act of 1933, and (2) a statement of additional information that would be available to prospective investors upon request and without charge. The Commission is proposing Form N-1A and certain related rules for disclosure in order to shorten and simplify the prospectus provided to investors, while making available more extensive information to those who desire it.

**DATE:** Comments must be received on or before March 25, 1983.

**ADDRESS:** Persons wishing to submit written comments should file five copies thereof with George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

**FOR FURTHER INFORMATION CONTACT:** Jane A. Kanter, Special Counsel (202-272-2115); Larry L. Greene, Attorney (202-272-7320); Aviva L. Grossman, Attorney (202-272-7321); or with respect to insurance company separate accounts, Mary K. Crook, Attorney (202-272-3010), Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

**SUPPLEMENTARY INFORMATION:** The Commission is today publishing for comment:

(1) Proposed Form N-1A, a registration form that would replace Form N-1 (17 CFR 274.11) under the Securities Act of 1933 (15 U.S.C. 77a et seq.), (the "1933 Act"), and the Investment Company Act of 1940 (15 U.S.C. 80a et seq.), (the "1940 Act"), for use by open-end management investment companies other than registered separate accounts of insurance companies. Proposed Registration Form N-1A is divided into three parts: (i) Part A, the simplified prospectus, would consist of information that meets the requirements of section 10(a) of the 1933 Act (15 U.S.C. 77j(a)); (ii) Part B, the "Statement of Additional Information," would provide additional and more detailed information and would be available to prospective investors upon request, and (iii) Part C would contain other information that is

required to be in the registration statement. The text of proposed Form N-1A is published herewith as Appendix A to this release;

(2) Proposed new rules 404A(a), (c) and (d) (17 CFR 230.404A(a), (c) and (d)), and 472A (17 CFR 230.427A) to be added to Regulation C under the 1933 Act (17 CFR 230.400-494);

(3) Proposed new rules 8b-11A (17 CFR 270.8b-11A) and 8b-12A (17 CFR 270.8b-12A) under the 1940 Act;

(4) Proposed staff guidelines for the preparation of Registration Form N-1A which is Appendix B to this release and may be obtained directly from the Commission through the above-mentioned contact persons. In addition, the proposed staff guidelines will be published in the SEC Docket. All comments and suggestions received concerning the staff guidelines will be considered in the development of this rulemaking proposal.

#### Background and Purpose

Under existing requirements prospectuses provide extensive disclosure about all aspects of an investment company's operations. The Commission believes, however, that in practice investment company prospectuses may not be effective disclosure documents for most investors. Although the inclusion of most disclosures that currently appear in these prospectuses can be defended as being of material interest to at least some investors, the size and complexity of the present investment company prospectuses may discourage many fund investors from reading and understanding the entire document. In addition, current prospectuses appear to contain more detail than is necessary for most investors to make an informed investment decision.<sup>1</sup> The commission believes, therefore, that investors would be better served if they were provided with a prospectus that is substantially shorter and simpler, so that the prospectus clearly discloses the fundamental characteristics of the particular investment company they are considering.

Investment companies register under the 1940 Act and register their shares under the 1933 Act. Management investment companies may use a single form to accomplish registration under both statutes. Open-end management investment companies, including mutual

funds, currently use Form N-1 to register under the 1933 Act and the 1940 Act, and closed-end investment companies, use Form N-2 (17 CFR 274.11a-1). Unit investment trusts register on Form N-8B-2 (17 CFR 274.12) and register their securities on Form S-6 (17 CFR 239.16). Since mutual funds constitute the largest segment of the investment company industry, the Commission has determined to initiate the process of simplifying investment company prospectuses with the registration form applicable to mutual funds, i.e., Form N-1. The Commission plans to develop prospectus simplification proposals with respect to other types of investment companies at a future date. In doing so, the Commission will take into consideration comments received in response to the present proposal relating to mutual funds.

In order to shorten and simplify the prospectus for mutual funds, the Commission has concluded that it is necessary to eliminate certain types of information from the prospectus, so that only matters of fundamental importance to most mutual fund investors will be included in the prospectus. On the other hand, the Commission is aware that some investors might have use for the more extensive information that is now included in fund prospectuses. For example, institutional investors or financial analysts may want more information about an investment company than do most individual investors. In order to meet the needs of these investors, while at the same time providing more useful disclosure to the majority of individual investors, the Commission has developed proposed new Form N-1A, under which all investors would receive a greatly simplified prospectus, but more extensive information would be available upon request and free of charge to those investors who desired it.

#### Form N-1A—An Overview

The proposed new form for disclosure, Form N-1A, would establish a three part registration statement: Part A would be the simplified prospectus; Part B would be the Statement of Additional Information; and Part C would contain other information required by the registration statement.

Part A, the simplified prospectus, is intended to provide a concise presentation of certain information now in Part I of current Form N-1. This simplified prospectus would meet the requirements of section 10(a) under the 1933 Act, and could, therefore, be used to satisfy the prospectus delivery requirements of section 5(b)(2) of the

<sup>1</sup> See in this regard the speech by Commissioner Barbara S. Thomas, Town Hall of California, Los Angeles, California (July 7, 1981) advocating simplified disclosure in a two-part format for all issuers. See also the speech by Philip A. Loomis, Jr., Mutual Funds and Investment Management Conference, San Diego, California (March 23, 1979).

1933 Act (15 U.S.C. 77e(b)(2)). The proposed form seeks to achieve the goal of prospectus simplification in several ways. First, many specific items of disclosure that must be in the prospectus under current Form N-1 would simply be transferred to the Statement of Additional Information. Second, with respect to general matters that would be discussed in the prospectus, but amplified in the Statement of Additional Information, the items of Parts A and B attempt to delineate with specificity what information should be in the prospectus and what information should be in the Statement of Additional Information, in order to provide guidance to registrants and their counsel who may be concerned about potential liability for material omissions from the prospectus. The Commission's expectation is that this degree of specificity will encourage registrants to be more concise in describing the fundamental characteristics of the fund than they might be if the items in the form were couched in more general and open-ended terms. In addition, the instructions emphasize brevity, greater prominence to more significant information, and minimizing or eliminating technical and legal detail. At the same time, in order to preserve registrants' flexibility, registrants would, for the most part, not be required to present information in a particular order or format and would be free to include in the prospectus information in addition to that required by the specific items.

Part B of proposed Form N-1A, the Statement of Additional Information, would consist primarily of information that is currently required in Form N-1, but which does not appear to be of fundamental importance to most investors. In Part B, registrants would have the opportunity to provide more detailed discussions of matters described in the prospectus, as well as discussions of certain matters that are not required to be in the prospectus, but which may be of interest to at least some investors. Registrants would be required to disclose on the cover page of the simplified prospectus that the Statement of Additional Information is available free of charge to any investor.

Part C of proposed Form N-1A pertains to information that is not required to be in the prospectus, but is required by the registration statement. Such information is almost identical to that currently required in Part II of Form N-1.

## Synopsis of the Proposals

### Form N-1A

1. Part A: Prospectus. Part A of proposed Form N-1A contains instructions for preparation of the prospectus. (The General Instructions, particularly General Instruction G, contain additional guidance.)

### Item 1—Cover Page

Certain technical requirements are applicable to prospectus cover pages for all issuers, whether or not they are investment companies, and such requirements have not been altered for proposed new Item 1.<sup>2</sup> The cover page would have to contain specific identifying information including a brief statement of the registrant's investment objective and a notification of the availability, without charge, of the Statement of Additional Information. The registrant could include on the cover page information other than that listed in the instructions to proposed Form N-1A, but not information so detailed or complex as to prevent understanding of the basic required information.

### Items 2—Synopsis

Proposed Form N-1A requires a synopsis of the salient features of the offering only if the prospectus in printed form is longer than twelve pages. It appears to the Commission that a synopsis would be unnecessary if the prospectus were sufficiently brief and that twelve pages is a reasonable cutoff point. In this regard, it appears that mutual fund prospectuses, which now average 25-30 pages in length, would under normal circumstances not need to exceed 12 pages in length under proposed Form N-1A. However, the Commission requests comment on this question and on the question of whether estimating the length of the prospectus would involve undue costs of other burdens.

The information that would be required in the synopsis is similar to that which is presently required in Form N-1, although less detail would be required. Specifically, the synopsis would have to include a brief description of the registrant, including: How the registrant proposes to achieve its investment objectives; the principal speculative or risk factors associated with investment in the registrant; registrant's total expenses for the past

<sup>2</sup> All prospectuses must include: (1) The date of the prospectus; (2) a legend warning that the securities have not been approved by the Commission; and (3) other information that may be required by the Commission or by any other governmental agency.

year, if registrant has been in operation for a full year, or if not, the maximum investment advisory fee or other asset based fee that may be charged and a list of other significant expenses of the registrant; and the nature of the securities being offered.

The synopsis would also have to include the name of the investment adviser, provide a cross-reference as to where in the prospectus investors can find a description of how to purchase the securities being offered, and any additional information that will not "impede understanding of the information required to be presented."<sup>3</sup>

### Item 3—Condensed Financial Information

Item 3 is identical to current Item 3 of Form N-1 and requires certain financial information to be presented in tabular form on a per share basis for a ten year period or the life of the fund.

### Item 4—General Description of the Registrant's Business

Item 4 requires a concise discussion of the organization and operation of the registrant. Specifically, this item calls for: (i) Basic identifying information about the registrant; (ii) a concise description of the investment objectives and policies of the registrant, including: if these objectives may be changed without a majority shareholder vote, a statement to that effect; a brief discussion of how the registrant proposes to achieve these investment objectives, noting in particular the types of securities and special investment practices or techniques to be used by the registrant and whether the registrant will concentrate in a particular industry or group of industries; (iii) identification of any other policies of the registrant that may not be changed without a majority shareholder vote; and (iv) a concise description of those significant investment policies or techniques not described above that registrant intends to employ.

The instructions for Item 4 call for giving prominence in the prospectus to registrant's principal types of investments and placing less emphasis on less significant policies. To encourage brevity in discussing activities that will not be central to the registrant's operation, the form provides that disclosure of policies or practices

<sup>3</sup> See rule 421(a) under the Securities Act of 1933 (17 CFR 230.421(a)) which states that the information required in a prospectus shall not "be set forth in such fashion as to obscure any of the information or any information necessary to keep the required information from being incomplete or misleading."

that the registrant will not follow in a way that will place more than 5 percent of the registrant's assets at risk should be limited to that which is necessary to identify the practice. Discussions of so-called negative policies, that is, policies that prohibit the registrant from engaging in certain activities and of policies the registrant has not followed in the past year and does not intend to follow in the future should not be included. In seeking concise disclosure generally, and limited or no disclosure of certain policies, proposed Form N-1A differs substantially from Form N-1.

Finally, the registrant should discuss briefly the principal risk factors associated with investment in the registrant.

#### *Item 5—Management of the Fund*

Item 5 collects and shortens a number of items that are included in current Form N-1 in an attempt to elicit a concise but coherent discussion of the management of the fund. The instructions to Item 5 concerning the role of the board of directors specifically state that information regarding the board may be limited to a general statement that the directors are responsible for the overall supervision of the affairs of the registrant. The identities of the board of directors and other information about them would be in the Statement of Additional Information. However, if any director or other affiliated person of the registrant is or has been subject, within the last ten (10) years, to the provisions of section 9(a) of the 1940 Act or an order pursuant to section 9(b) of the 1940 Act, identifying information about such person should be provided together with a brief description of the relevant circumstances.

Item 5 also requires identification of the investment adviser and a statement that the adviser is responsible for portfolio management. The instructions to Item 5 state that, if the investment adviser is also responsible for administration of the fund, a general statement to that effect, rather than a specific discussion of the various management services provided by the adviser, will be sufficient. Item 5 would also require disclosure as to the adviser's compensation. New funds and funds that pay their advisers on some basis other than a percentage of net assets would have to describe briefly the basis on which the adviser's fee would be calculated. However, with respect to existing funds that pay their advisers a percentage of net assets, if the adviser has served in that capacity for a full fiscal year and the basis for the adviser's compensation did not change

during the most recent fiscal year, the fund would have to disclose only the compensation actually paid during the most recent fiscal year as a dollar amount and as a percentage of net assets. Other detailed information about the investment adviser that is required by current Form N-1 would be in the Statement of Additional Information.

The prospectus would also have to provide information about any person who provides the types of services normally provided by an investment adviser, as well as identification of the transfer agent and dividend paying agent for the fund. This item also calls for identification of individuals and companies which are controlling persons of the registrant. Further, the prospectus would have to provide information concerning the fund's overall expense ratio. Finally, Item 5 of Part A requires that, if the registrant engages in certain brokerage allocation practices, a statement to that effect must be included in the prospectus. However, much of the detailed discussion of brokerage practices that is in the prospectus currently would be transferred to the Statement of Additional Information.

#### *Item 6—Capital Stock and Other Securities*

This item calls for a concise description of the nature and significant attributes of the security being offered, including: (i) A brief discussion of any restrictions on shareholder voting rights; and (ii) any obligations or liabilities shareholders might incur, excluding investment risks. Certain other factors would have to be discussed, if present, but in general Form N-1A would require significantly less detail in the prospectus about the security being offered than does current Form N-1. However, the prospectus would have to have one item of information that is not required now, a description of how shareholder inquiries should be made.

In addition, Item 6 calls for a brief description of the registrant's dividend and distribution policy, and a description of the tax consequences of an investment in the registrant. The item emphasizes that the statement on tax consequences should not include detailed discussion of the law. The item is intended to require disclosure only of the tax effect of the registrant's policies on the shareholders.

#### *Item 7—Purchase of Securities Being Offered*

Item 7 requires a brief description of the procedures to be followed by an investor in purchasing securities of the fund. By placing the emphasis on how to

purchase securities, the Commission intends to avoid the technical descriptions of the requirements applicable to pricing and selling securities that are generally in current prospectuses. However, because the manner in which the public offering price is determined is a particular attribute of a mutual fund, the prospectus would have to include a brief explanation of this aspect of the offering. The prospectus would also include the name and address of any principal underwriter for the registrant. Item 7 also requires that the prospectus state whether there are any special purchase plans, and, if so, from whom additional information may be obtained. Finally, the registrant would have to include information about any plan to pay distribution expenses pursuant to rule 12b-1 under the 1940 Act (17 CFR 270.12b-1).

#### *Item 8—Redemption or Repurchase*

Item 8 requires a brief description of the procedures for redeeming the registrant's shares or having shares repurchased by the registrant, including any charges or restrictions thereon. In order to illustrate such procedures, the registrant may provide examples in response to Item 10 of the Statement of Additional Information. In addition, Item 8 requires brief discussions of provisions for involuntary redemptions, delays in redemptions, and reinvestment privileges for persons who redeem.

#### *Item 9—Pending Legal Proceedings*

Item 9 is identical to current Item 8 of Form N-1. Accordingly, registrants would not have to discuss pending legal proceedings unless those proceedings were likely to have a materially adverse effect on the registrant or impair the ability of the investment adviser or principal underwriter to perform its contractual obligations.

**2. Part B: Statement of Additional Information.** General speaking Part B of Form N-1A is designed to elicit additional information about the matters discussed in the prospectus (as well as to provide guidance as to what is not required in the prospectus). The specific items are generally identical or closely related to items in Form N-1 and therefore most are not discussed herein. However, certain matters merit separate mention.

#### *Disclosure as to Portfolio Manager*

Some institutional investors have expressed an interest in more disclosure about individuals who have direct responsibility for portfolio management. In light of this interest, Item 5 of Part B

of proposed Form N-1A would require the registrant to identify any individual or committee that manages 25 percent or more of the fund's portfolio and to state the date on which such duties were assumed.

#### *Yield Quotations for Money Market Funds*

Form N-1 provides for prospectus disclosure with respect to seven-day yield quotations of money market funds. The primary purpose of this item is to provide a mechanism to permit money market funds to quote current yield figures in mass media advertisements pursuant to rule 482 under the 1933 Act. Since it does not appear essential to supply this information routinely to all investors, proposed Form N-1A would require that it be in Part B [Item 13]. If the Commission adopts this proposal, corresponding amendments to rule 482 will be necessary. Such amendments are not proposed herein because the Commission is considering proposing other amendments to rule 482 in the future and believes that any such amendments to rule 482 should be proposed at the same time. The Commission does not expect proceeding in this manner to result in any delays in necessary technical amendment of the rule.

#### *Financial Statements*

Under proposed Form N-1A the condensed financial information required by Item 3 of Part A would be the only financial information in the prospectus, and the full financial statements of the fund would be in the Statement of Additional Information. Eliminating the full financial statements would significantly reduce the size of prospectuses, and the Commission believes that the condensed financial information that would continue to be in the prospectus would be sufficiently comprehensive to satisfy the needs of most investors. The full financial statements would, of course, be available free of charge to any prospective investor who desired them. However, the Commission invites specific comment on whether it is appropriate for the prospectus to omit full financial statements and, in particular, the schedule or portfolio securities. Commentators are requested to support their position by supplying dollar figures, if possible, where the reasons relate to costs.

3. *Part C.* Part C of proposed Form N-1A concerns information that is required in the registration statement, but is not required to be in either the prospectus or the Statement of Additional Information. Proposed Part C requires information

that is essentially the same as that now required in Part II of Form N-1.

#### *Proposed Staff Guidelines*

Over the years there have been numerous releases setting forth the views of the Commission and the staff on matters affecting investment company disclosure. In addition, the staff has developed certain policies that have not been formally enunciated. Generally speaking these releases and policies deal with discrete subjects, although the Commission in 1972 issued comprehensive guidelines for the completion of the registration forms then applicable to investment companies (Investment Company Act Release Nos. 7220 and 7221 [June 9, 1972] 37 FR 12790 [June 24, 1972]). In order to assist registrants in preparing Form N-1A, the Commission proposes to issue a set of staff guidelines. The Commission is publishing the proposed guidelines as Appendix B to this release so that the Commission and the staff may have the benefit of public comment. Generally speaking the proposed guidelines adapt existing policies to the proposed new disclosure format; however, in certain areas (e.g., commodities and options), it appears necessary to update past positions. Accordingly, comment is invited on these and other subjects not covered by the proposed guidelines in order to assist the Commission and the staff in developing appropriate guidelines in these areas.

#### *Proposed New Rules*

The disclosure format for the proposed Form N-1A substantially differs from other formats currently in use. Consequently, certain changes would have to be made in a number of rules under the various securities laws that are applicable to investment company prospectuses. The Commission is proposing to implement the necessary changes by adding certain new rules to Regulation C under the 1933 Act and under section 8(b) of the 1940 Act (15 U.S.C. 80a-8(b)) relating to new Form N-1A. The proposed new rules to be added to Regulation C involve technical changes from existing rules and are intended to provide clarification of how certain rules should be applied to the three-part registration format of Form N-1A, as well as to delete inappropriate references to Form N-1. The proposed new rules under section 8(b) also involve minor technical changes from existing rules and are intended to provide clarification of how certain existing rules should be applied to the proposed three-part format of Form N-1A.

#### *Insurance Company Separate Accounts*

Proposed Form N-1A would not be available for insurance company separate accounts registered under the 1940 Act as management investment companies ("management accounts"). These accounts currently use Form N-1 to register under the 1940 Act and use that form to register securities under the 1933 Act. The Commission believes that the characteristics of separate accounts and of the variable products they offer warrant disclosure different from that of the open-end management investment companies, and therefore that there should be separate registration forms designed for such accounts. Until such forms are adopted, Form N-1 will be retained for use by management accounts. However, Form N-1A, as proposed, would be available for use by open-end investment companies that serve as the underlying portfolio companies for separate accounts registered under the 1940 Act as unit investment trusts.

#### *Transition Period*

If the Commission adopts Form N-1A as proposed or modified, that Form will eventually supplant Form N-1. However, in order to permit both the Commission and the industry to adjust to the new form in an orderly way, the Commission would expect to provide for transition period of one year during which all registrants could use either form. Thereafter, until revised registration forms for insurance company separate accounts are adopted, Form N-1 will be retained for use only by such separate accounts.

#### *Legal Considerations*

The Commission proposes to adopt Form N-1A pursuant to section 10 of the 1933 Act, which sets forth the Commission's authority with respect to the content of prospectuses. Section 10(a)(1) generally requires that prospectuses include most of the information referred to in Schedule A under the 1933 Act. However, section 10(a)(4) authorizes the Commission to permit any of that information to be omitted, and section 10(c) authorizes the Commission to require other information in the prospectus, in both cases to the extent that the Commission determines that doing so is "necessary or appropriate in the public interest or for the protection of investors." In addition, sections 10(d) and (e) give the Commission certain authority with respect to prospectus format. Although section 10 does not specifically authorize requiring that a Statement of Additional Information be provided in

addition to the prospectus, the Commission believes that such authority is implicit. Since the Commission could, in light of its broad authority to determine the form and content of prospectuses, require that all of the information in the Statement of Additional Information be included in the prospectus, the Commission believes that it is consistent with its authority under section 10, as well as its general rulemaking authority set forth in section 19(a) of the 1933 Act (15 U.S.C. 77s(a)), to permit such information to be omitted from the prospectus, subject to the condition that it be provided to prospective investors upon request.

Section 19(a) of the 1933 Act provides that no provision of that Act "imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule of the Commission," and, as stated, Form N-1A is intended to provide guidance as to what information the Commission believes should be in the prospectus. Nevertheless, the Commission recognizes that some registrants using Form N-1A may be concerned that omitting information from the prospectus could expose them to liability for the use of a prospectus that fails to state a material fact. Section 11 (15 U.S.C. 77k) of the 1933 Act provides security holders with a civil remedy for false or misleading statements in a registration statement and for material omissions to state facts required to be stated therein. This provision concerns the registration statement as a whole, so presumably there would be no potential liability for the registrant and others in omitting information from Part A (the prospectus) when that information is in Part B. Section 12(2) (15 U.S.C. 77b(2)) of the 1933 Act, however, provides security holders with a civil remedy with respect to the use of a prospectus or oral communication that includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.<sup>4</sup> This provision applies notwithstanding the Commission's authority under Section 10 to prescribe the form and content of prospectuses. Accordingly, while the Commission believes in light of Section

19(a) that, under ordinary circumstances, the registrant's discussion of the various disclosure items of Form N-1A (as designated in Parts A and B) "in good faith in conformity with" the form would not result in liability under Section 12(2), the Commission recognizes that there may be concern that a court could impose liability if it found that certain information in Part B constituted a material fact necessary to make the statements required in the prospectus not misleading.

The Commission requests comments as to whether this concern is valid and, if so, how it should be addressed. One possibility is to permit incorporation by reference of the Statement of Additional Information into the prospectus. The Commission has not heretofore permitted such incorporation in mutual fund prospectuses unless the information so incorporated is actually delivered with the prospectus. Taking this approach to incorporation of Part B would obviously vitiate the Commission's attempt to provide for shorter, simpler prospectuses. On the other hand, based on past experience, the Commission anticipates that some commentators may argue that permitting incorporation by reference of Part B without delivery could adversely affect the legal rights of fund investors, to the extent that they might be deemed to have received information which was not in fact supplied to them. Moreover, this practice might raise, rather than eliminate, questions of issuer liability. Commentators might assert that incorporation by reference of Part B into Part A could be construed as an admission by the issuer that without Part B the prospectus does not contain information sufficient to meet the requirements of section 12(2), and, if the prospectus is delivered without the incorporated material, questions might be raised as to whether an adequate prospectus has been delivered.

In light of the foregoing concerns, the Commission has not provided in Form N-1A for incorporation of Part B into the prospectus by reference. However, the Commission's tentative view is that it would not object if registrants did so.

Because the Commission's action on this matter will depend on its evaluation of the comments received, the instructions to the proposed form relating to incorporation by reference have not been changed from the corresponding instructions to Form N-1, except to update references to various Commission rules on the subject and to reflect the changes in prospectus requirements for financial information.

After the Commission's determination of the policy to be applied with respect to incorporation by reference, appropriate technical amendments will be made to the relevant rules and instructions to the proposed form.

#### Costs and Benefits

The proposed revision of the registration form used by mutual funds released today for public comment is intended to shorten and simplify the prospectus provided to investors, while making more extensive information available. Although implementation of this revised reporting system will initially result in additional costs to both the Commission and the investment company industry, the Commission believes that the potential benefits of such a system to the Commission, the industry and the investor will in time far exceed those additional initial costs. The Commission would, however, like to develop specific data concerning this matter. Therefore, the Commission is seeking specific comment concerning the cost savings or cost burdens to investment companies of all sizes affected by this proposal. In this regard, pursuant to the Regulatory Flexibility Act, the Commission requests specific comment on the effect which this proposal might have on the costs of smaller investment companies.

#### Text of Proposed New Rules

The proposed new rules, discussed above, relating to new Form N-1A are set forth below. The Commission proposes that rules relating to the use of Form N-1A be adopted in addition to existing rules, which also remain in effect as long as current Form N-1 is still in use by some types of management investment companies. In substance, the new rules would be amendments to existing rules and would have corresponding rule numbers; they would be distinguished from their counterpart existing rules by the addition of a capital A to the rule number.

#### List of Subjects

##### 12 CFR Part 239

Reporting requirements, Securities.

##### 12 CFR Part 270

Investment companies, Reporting requirements, Securities.

##### 12 CFR Part 274

Investment companies, Reporting requirements, Securities.

<sup>4</sup>In addition to the specific private rights of action provided in sections 11 and 12 of the 1933 Act, section 17(a) (15 U.S.C. 77g(a)) of the 1933 Act and rule 10b-5 (15 U.S.C. 78j(b)) under the Securities Exchange Act of 1934 may also need to be considered if a person includes in a prospectus an untrue statement of a material fact or omits to state a material fact that is necessary in order to make the information required in the prospectus not misleading.

**Text of Proposed Rules and Form**

The Commission is proposing to amend Chapter II, Title 17 of the Code of Federal Regulations as follows:

**PART 230—GENERAL RULES AND REGULATIONS, SECURITIES ACT OF 1933**

1. By adding § 230.404A to read as follows:

**§ 230.404A Preparation of registration statement.**

(a) A registration statement on Form N-1A shall consist of the facing sheet of the applicable form cross-reference sheet; a prospectus containing the information called for by such form; the information, list of exhibits, undertakings and signatures required to be set forth in such form; financial statements and schedules; exhibits; any other information or documents filed as part of the registration statement; and all documents or information incorporated by reference in the foregoing (whether or not required to be filed).

(b) All general instructions, instructions to items of the form, and instructions as to financial statements, exhibits, or prospectuses are to be omitted from the registration statement in all cases. (c) In the case of a registration statement filed on Form N-1A, Parts A and B shall contain the information called for by all of the items of the applicable form, except that unless otherwise specified, no reference need be made to inapplicable items, and negative answers to any item may be omitted. Copies of Parts A and B may be filed as a part of the registration statement in lieu of furnishing the information in item-and-answer form. Wherever such copies are filed in lieu of information in item-and-answer form, the text of the items of the form is to be omitted from the registration statement, as well as from Parts A and B, except to the extent provided in paragraph (d) of this rule. (d) In the case of a registration statement filed on Form N-1A, where any items of Form N-1A call for information not required to be included in Parts A and B, (generally Part C of such form) the text of such items, including the numbers and captions thereof, together with the answers thereto shall be filed with Parts A and B under cover of the facing sheet of the form as a part of the registration statement. However, the text of such items may be omitted provided the answers are so prepared as to indicate the coverage of the item without the necessity of reference to the text of the item. If any such item is inapplicable or

the answer thereto is in the negative, a statement to that effect shall be made. Any financial statements not required to be included in Parts A or B shall also be filed as a part of the registration proper, unless incorporated by reference to Rule 411 (§ 230.411).

2. By adding § 230.427A to read as follows:

**§ 230.427A Contents of prospectus used after nine months.**

In the case of a registration statement filed on Form N-1A, there may be omitted from any prospectus or Statement of Additional Information, used more than 9 months after the effective date of the registration statement any information previously required to be contained in the prospectus or Statement of Additional Information, insofar as later information covering the same subjects, including the latest certified financial statement, as of a date not more than 16 months prior to the use of the prospectus or Statement of Additional Information, is contained therein.

**PART 270—RULES AND REGULATIONS, INVESTMENT COMPANY ACT OF 1940**

3. By adding § 270.8b-11A to read as follows:

**§ 270.8b-11A Number of copies-signature-binding.**

(a) In the case of a registration statement filed on Form N-1A, three complete copies of each part of the registration statement (including exhibits and all other papers and documents filed as part of Part C of the registration statement) shall be filed with the Commission.

(b) At least one copy of the registration statement or report shall be manually signed in the manner prescribed by the appropriate form. If the registration statement or report is typewritten, one of the signed copies filed with the Commission shall be the original "ribbon" copy. Unsigned copies shall be conformed. If the signature of any person is affixed pursuant to a power of attorney or other similar authority, a copy of such power of attorney or other authority shall also be filed with the registration statement or report.

(c) Each copy of a registration statement or report filed with the Commission shall be bound in one or more parts, without stiff covers. The binding shall be made on the left-hand side and in such manner as to leave the reading matter legible.

4. By adding 270.8b-12A to read as follows:

**§ 270.8b-12A Requirements as to paper, printing and language.**

(a) In the case of a registration statement file on Form N-1A, Part C of the registration statement shall be filed on good quality, unglazed, white paper, no larger than 8½x11 inches in size, insofar as practicable. The prospectus and Statement of Additional Information, however, may be filed on smaller sized paper provided that the size of paper used in each document is uniform.

(b) The registration statement or report and, insofar as practicable, all papers and documents filed as a part thereof, shall be printed, lithographed, mimeographed or typewritten. However, the registration statement or report or any portion thereof may be prepared by any similar process which, in the opinion of the Commission, produces copies suitable for permanent record. Irrespective of the process used, all copies of any such material shall be clear, easily readable and suitable for repeated photocopying. Debits in credit categories and credits in debit categories shall be designated so as to be clearly distinguishable as such on photocopies.

(c) The body of all printed registration statements and reports and all notes to financial statements and other tabular data included therein shall be in roman type at least as large as 10-point modern type. However, to the extent necessary for convenient presentation, financial statements and other statistical or tabular data, including tabular data in notes, may be set in type at least as large and as legible as 8-point modern type. All type shall be leaded at least 2 points.

(d) Registration statements and reports shall be in the English language. If any exhibit or other paper or document filed with a registration statement or report is in a foreign language, it shall be accompanied by a translation into the English language.

**PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933**

5. By adding § 239.15A to read as follows:

**§ 239.15A Form N-1A, registration statement of open-end management investment companies.**

Form N-1A shall be used for the registration under the Securities Act of 1933 of securities of open-end management investment companies other than registered separate accounts of insurance companies registered under the Investment Company Act of 1940 (on form N-1) (§ 274.11 of this chapter). This

form is also to be used for the registration statement of such companies pursuant to Section 8(b) of the Investment Company Act of 1940 (§ 274.11A of this chapter). This form is not applicable for small business investment companies which register pursuant to § 239.24 and § 274.5 of this chapter.

#### PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

6. By adding § 274.11A to read as follows:

##### §274.11A Form N-1A, registration statement of open-end management investment companies.

Form N-1A shall be used as the registration statement to be filed pursuant to Section 8(b) of the Investment Company Act of 1940 by open-end management investment companies other than registered separate accounts of insurance companies or companies which issue periodic payment certificates or which are sponsors or depositors of companies issuing such certificates. This form shall also be used for registration under the Securities Act of 1933 of the securities of all open end management investment companies other than registered separate accounts of insurance companies. This form is not applicable for small business investment companies which register pursuant to § 239.24 and 274.5 of this chapter.

##### Summary of Regulatory Flexibility Analysis

The Commission has prepared an Initial Regulatory Flexibility Analysis in accordance with 5 U.S.C. 603 regarding Form N-1A proposed herein. The Analysis notes that the proposed three-part form will substantially simplify and shorten the present fund prospectus making it more comprehensible to prospective investors while at the same time enabling more sophisticated investors to receive more extensive information upon request.

A copy of the Initial Regulatory Flexibility Analysis may be obtained by contacting Aviva L. Grossman, Office of Disclosure Legal Services, Securities and Exchange Commission, Room 5136, 450 Fifth Street, N.W., Washington, D.C. 20549.

##### Statutory Authority

The Commission hereby publishes for comments proposed Form N-1A and rules 404A and 427A of the Securities Act of 1933 and rules 8b-11A and 8b-12a of the Investment Company Act of 1940, pursuant to the provisions of

sections 7 and 10 of the Securities Act of 1933 (15 U.S.C. 77g and 77j) and sections 8 and 30 of the Investment Company Act of 1940 (15 U.S.C. 80a-8 and 80a-29). By the Commission.

Shirley E. Hollis,

Assistant Secretary.

December 27, 1982.

##### Appendix A

###### Form N-1A

###### SECURITIES AND EXCHANGE COMMISSION, Washington, D.C. 20549

###### Form N-1A

###### REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.

Post-Effective Amendment No.

and/or

###### REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

□

###### CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee

If the Registration Statement or an amendment thereto is being filed under only one of the Acts, reference to the other Act should be omitted from the facing sheet. The "Approximate Date of Proposed Public Offering" and the table showing the calculation of the registration fee under the Securities Act of 1933 should be included only where shares are being registered under the Securities Act of 1933. Registrants that are registering an indefinite number of shares under the Securities Act of 1933 in accordance with the provisions of Rule 24f-2 under the Investment Company Act of 1940 (17 CFR 270.24f-2) should include the declaration required by Rule 24f-2(a)(1) on the facing sheet, in lieu of the table showing the calculation of the registration fee under the Securities Act of 1933 or in combination therewith, as appropriate.

##### Investment Company Act—Forms

###### Contents of Form N-1A

###### General Instructions

- A. Rule as to Use of Form N-1A
- B. Registration Fees
- C. Application of General Rules and Regulations
- D. Amendments
- E. Incorporation by Reference
- F. Documents Comprising the Registration Statement or Amendment
- G. Preparation of the Registration Statement or Amendment

###### Part A—Information Required in a Prospectus

- Item 1. Cover Page
- Item 2. Synopsis
- Item 3. Condensed Financial Information
- Item 4. General Description of Registrant
- Item 5. Management of the Fund
- Item 6. Capital Stock and Other Securities

###### Amendment No.

(Check appropriate box or boxes.)

(Exact Name of Registrant as Specified in Charter)

(Address of Principal Executive Offices)  
(Zip Code)  
Registrant's Telephone Number, including Area Code—

(Name and Address of Agent for Service)  
Approximate Date of Proposed Public Offering—

It is proposed that this filing will become effective (check appropriate box)

- immediately upon filing pursuant to paragraph (b)
- on (date) pursuant to paragraph (b)
- 60 days after filing pursuant to paragraph (a)
- on (date) pursuant to paragraph (a) of rule (485 or 486)

###### Item 7. Purchase of Securities Being Offered

###### Item 8. Redemption or Repurchase Item 9. Legal Proceedings

###### Part B—Information Required in a Statement of Additional Information

###### Item 1. Cover Page

###### Item 2. Table of Contents

###### Item 3. General Information and History

###### Item 4. Investment Objectives and Policies

###### Item 5. Management of the Registrant

###### Item 6. Control Persons and Principal Holders of Securities

###### Item 7. Investment Advisory and Other Services

###### Item 8. Brokerage Allocation

###### Item 9. Capital Stock and Other Securities

###### Item 10. Purchase, Redemption and Pricing of Securities Being Offered

###### Item 11. Tax Status

###### Item 12. Underwriters

###### Item 13. Calculation of Yield Quotations of Money Market Funds

###### Item 14. Financial Statements

###### Part C—Other Information

###### Item 1. Financial Statements and Exhibits

###### Item 2. Persons Controlled by or Under Common Control

###### Item 3. Number of Holders of Securities

###### Item 4. Indemnification

###### Item 5. Business and Other Connections of Investment Adviser

###### Item 6. Principal Underwriters

###### Item 7. Location of Accounts and Records

###### Item 8. Management Services

###### Item 9. Undertakings

###### Signatures

###### Summary Prospectus

**General Instructions****A. Rule as to Use of Form N-1A**

Form N-1A shall be used by all open-end management investment companies except small business investment companies licensed as such by the United States Small Business Administration and insurance company separate accounts as defined in Section 2(a)(3) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(3)) for filing: (1) An initial registration statement required by Section 8(b) (15 U.S.C. 80a-8(b)) of the 1940 Act, (2) an annual amendment thereto, (3) a registration statement required under the Securities Act of 1933 ("1933") and any amendments thereto, or (4) any combination of the above 1940 Act and 1933 Act filings.

**B. Registration Fees**

Section 8(b) of the 1933 Act and Rule 457 (17 CFR 230.457) thereunder set forth the fee requirements under the 1933 Act. Rule 8b-6 (17 CFR 270.8b-6) under the 1940 Act sets forth the fee requirements for filing an initial registration statement under that Act. The 1940 Act fee is in addition to the fee required to be paid under the 1933 Act. Registrants that are registering an indefinite number of their shares are also directed to Rule 24f-2 under the 1940 Act (17 CFR 270.24(f)-2) for purposes of computing the filing fee.

**C. Application of General Rules and Regulations**

If the registration statement is being filed under both Acts or under only the 1933 Act, the General Rules and Regulations under the 1933 Act, particularly those comprising Regulation C (17 CFR 230.400-494), shall apply, and compliance therewith will be deemed compliance with the corresponding Rules pertaining to Registration Statements under the 1940 Act. However, if the registration statement is being filed under only the 1940 Act, the General Rules and Regulations under that Act, particularly those comprising Regulation 8(b) (17 CFR 270.8b-1 to 8b-32), shall apply, except as noted in General Instruction D below.

**D. Amendments**

1. Attention is specifically directed to Rule 8b-16 (17 CFR 270.8b-16) under the 1940 Act which requires annual amendments of Registration Statements filed pursuant to Section 8(b) of the 1940 Act. Where Form N-1A has been used to file a registration statement under both the 1933 and 1940 Acts, any amendment of that registration statement shall be deemed to be filed under both Acts unless otherwise

indicated on the facing sheet.

Irrespective of the purpose for which an amendment is filed, the number of copies of amendments specified in Rule 472 (17 CFR 230.472) under the 1933 Act shall be filed with the Commission.

**E. Incorporation by Reference**

Attention is directed to Rule 411, under the 1933 Act (17 CFR 230.411), and Rules 0-4, 8b-23 and 8b-32 under the 1940 Act (17 CFR 270.0-4, 270.8b-23 and 270.8b-32) for guidelines governing incorporation by reference of information into a registration statement filed on Form N-1A contained in other statements, applications or reports filed with the Commission. In general, a Registrant may incorporate by reference, in answer to any item in a registration statement on Form N-1A not required to be included in a prospectus, any information contained elsewhere in the registration statement or any information contained in other statements, applications or reports filed with the Commission.

Attention is also directed to Rule 24 of the Commission's Rules of Practice (17 CFR 201.24). The above incorporation by reference rules under both the 1933 Act and the 1940 Act are subject to the limitations of rule 24. Since the provisions of Rule 24 may be amended from time to time, Registrants are advised to review the Rule as in effect at the time the Registration Statement is filed prior to incorporating by reference any document as exhibit to such Registration Statement.

Subject to the above rules, a registrant may incorporate by reference, in response to Item 3(a) of Part A of this Form, "Condensed Financial Information", the information contained in any report to shareholders meeting the requirements of Section 30(d) of the 1940 Act (15 U.S.C. 80a-29(d)) and Rule 30d-1 (17 CFR 270.30d-1) thereunder, provided the following additional conditions are satisfied:

1. The material that is incorporated by reference is prepared in accordance with, and covers the periods specified by, this Form;

2. The registrant includes a statement at the place in the prospectus where the information required by Item 3(a) would otherwise appear that the information is incorporated by reference from a report to shareholders. The registrant, at its option, may also specifically describe, in either the prospectus or both the prospectus and Part C of the Registration Statement (in response to Item 1(a)), those portions of the report to shareholders that are not incorporated by reference and are not a part of the Registration Statement; and

3. The material incorporated by reference is provided along with the prospectus to each person to whom the prospectus is sent or given, unless the person to whom such prospectus is provided currently holds securities of the registrant and otherwise has received a copy of the material incorporated by reference, in which case the registrant shall state in the prospectus that it will furnish, without charge, a copy of such report on request, and the name, address and telephone number of the person to whom such a request should be directed.

**F. Documents Comprising Registration Statement or Amendment**

1. A registration statement or an amendment thereto filed under both the 1933 and 1940 Acts shall consist of the facing sheet of the Form, Part A, Part B, Part C, required signatures, and all other documents which are required or which the Registrant may file as a part of the registration statement.

2. Except for an amendment to a 1933 Act registration statement filed only pursuant to the provisions of Sections 24(e) or (f) of the 1940 Act, (15 U.S.C. 80a-24(e), 80a-24(f)) a registration statement or an amendment thereto which is filed under only the 1933 Act shall contain all the information and documents specified in paragraph 1 of this Instruction F.

3. An amendment to a 1933 Act registration statement filed only pursuant to the provisions of Section 24(e) or (f) of the 1940 Act to register additional securities need only consist of the facing sheet of the Form, required signatures, and, if filed pursuant to Section 24(e) of the 1940 Act, an opinion of counsel as to the legality of the securities being registered. Registrants are reminded that an opinion of counsel is required to accompany a Rule 24f-2 notice that must be filed by registrants that have registered an indefinite number of their shares.

4. A registration statement or an amendment thereto which is filed under only the 1940 Act shall consist of the facing sheet of the Form, responses to all Items of Parts A and B except Items 1, 2, and 3 of Part A thereof, responses to all items of Part C except Items 1(b)(6), 1(b)(10), 1(b)(11) and 1(b)(12), required signatures, and all other documents which are required or which the Registrant may file as part of the registration statement.

## General Instruction

### G. Preparation of the Registration Statement or Amendment

Instructions for the completion of Form N-1A are divided into three parts. Part A pertains to information that must be in the prospectus required by Section 10(a) of the Securities Act of 1933. Part B pertains to information that must be in the statement of additional information that must be provided upon request to recipients of the prospectus. Part C pertains to other information that is required to be in the registration statement.

#### Part A: The Prospectus

The purpose of the prospectus is to provide essential information about the Registrant in a way that will assist investors in making informed decisions about whether to purchase the securities being offered. Because investors who rely on the prospectus may not be sophisticated in legal or financial matters, care should be taken that the information in the prospectus is set forth in a clear, concise, and understandable manner. Extensive use of technical or legal terminology or complex language and the inclusion of excessive detail may make the prospectus difficult for many investors to understand and may, therefore, detract from its usefulness. Accordingly, Registrants should adhere to the following guidelines in responding to the items in Part A:

1. Responses to these items, particularly those that call for a brief description, should be as simple and direct as reasonably possible and should include only as much information as is necessary to an understanding of the fundamental characteristics of the Registrant. Brevity is particularly important in describing practices or aspects of the Registrant's operations that do not differ materially from those of other investment companies.

2. Descriptions of practices that are necessitated or otherwise affected by legal requirements should generally not include detailed discussions of such requirements.

3. Responses to those items that use terminology such as "list" or "identify" should include only a minimum or explanation or description of the matters being listed or identified.

#### Part B: Statement of Additional Information

The items in Part B are designed to elicit additional information about Registrants that the Commission has concluded it is not necessary or appropriate in the public interest or for the protection of investors to require in

the prospectus but which may be of material interest to at least some investors. In addition, Part B affords Registrants an opportunity to augment discussions of the matters described in the prospectus by including additional information about such matters that Registrants believe may be of material interest to at least some investors.

In most cases it should not be necessary for Registrants to duplicate in Part B, information that is required to be contained in the prospectus. However, it should be noted that the prospectus and the statement of additional information are independent documents. Therefore, Part B of this Form N-1A, the statement of additional information, should be prepared so as to be comprehensible standing alone.

#### General Instructions for Parts A and B

1. The information contained in the prospectus and the statement of additional information should be organized in such a way as to enhance understanding of the organization and operation of the Registrant. However, the information required by the items need not be set forth in the prospectus or statement of additional information in any particular order, with the following exceptions:

(a) Items 1, 2 and 3 of Part A must be set forth in the prospectus in the same order in which the items appear in this form.

(b) Item 3 of Part A, "Condensed Financial Information," should not be further back in the prospectus than the fifth page thereof and should not be preceded by any other chart or table (except for the table of contents required by Rule 481(c) (17 CFR 230.481(c)) under the 1933 Act).

2. The prospectus or statement of additional information may include information in addition to that called for by the applicable items of this form, provided that such information is not incomplete, inaccurate, or misleading. However, care should be taken that inclusion of such information does not, by virtue of its nature, quantity, or manner of presentation, obscure or impede understanding of the information that is required to be included.

3. Appropriate cross-references should be used within the prospectus or statement of additional information or between the prospectus and statement of additional information whenever necessary or desirable to call attention to information that is included elsewhere that is useful to an understanding of a particular matter being discussed.

4. The statutory provisions relating to the dating of the prospectus apply equally to the dating of the statement of additional information for purposes of Rule 423 under the 1933 Act (17 CFR 230.423). Furthermore, the statement of additional information should be made available to investors as of the same time that the prospectus becomes available for purposes of Rules 430 and 460 under the 1933 Act (17 CFR 230.430, 230.460).

#### Part A Information Required in a Prospectus

##### Item 1. Cover Page

(a) The outside cover page is required to contain the following information:

(i) The registrant's name;

(ii) Identification of the type of fund (e.g., money market fund, bond fund, balanced fund, etc.) or a brief statement of the Registrant's investment objectives;

(iii) A statement or statements that (A) the prospectus sets forth concisely information about the Registrant that a prospective investor ought to know before investing; (B) the prospectus should be retained for future reference; (C) additional information about the Registrant has been filed with the Commission and is available upon request and without charge (This statement should include appropriate instructions about how to obtain such additional information.);

(iv) The date of the prospectus;

(v) The statement required by Rule 481(b)(1) (17 CFR 230.481(b)(1)) under the 1933 Act; and

(vi) Such other items of information as are required by rules of the Commission or of any other governmental authority having jurisdiction over the Registrant for the issuance of its securities.

(b) The cover page may include other information, but care should be taken that such additional information does not, either by its nature, quantity, or manner of presentation, impede understanding of the information required to be presented.

##### Item 2. Synopsis

(a) If the prospectus without a synopsis would be twelve pages or less when printed in the manner in which it was to be delivered to investors, the synopsis may be omitted.

(b) If included in the prospectus, the synopsis should be a clear and concise description of the salient features of the offering and the Registrant, with appropriate cross-references to relevant disclosures elsewhere in the prospectus or in the statement of additional

information required by Part B of the registration statement. The information required to appear in the synopsis need not be set forth in the same order or manner as described herein and it may be presented in question-and-answer format.

(c) The synopsis must include:

(i) A brief description of the Registrant including at least the following:

(A) A brief description of how the Registrant proposes to achieve its investment objectives, including identification of the types of securities in which the Registrant proposes to invest primarily and a statement as to whether the Registrant proposes to operate as a diversified or non-diversified investment company;

(B) A summary of the principal speculative or risk factors associated with investment in Registrant, including factors peculiar to the Registrant as well as those generally attendant to investment in an investment company with objectives and policies similar to Registrant's;

(C) If the Registrant has an operating history of at least one full fiscal year, a statement of the total expenses incurred by the Registrant in the previous fiscal year as a dollar amount and as a percentage of net assets and any statement of any direct charges made by the Registrant to shareholder accounts during such fiscal year. If the Registrant does not have an operating history of one full fiscal year, the maximum investment advisory or other asset based fee that may be charged and a list of the other significant types of expenses the Registrant expects to incur including any direct charges to shareholder accounts;

(D) The nature of the securities being offered;

(ii) The name of the investment adviser; and, if any other person provides services of the type customarily provided by an investment adviser, the identity of such person and the services so provided;

(iii) Provide a cross-reference to the description in the prospectus of how to purchase the securities being offered;

(iv) Provide a cross-reference to the description in the prospectus of how a shareholder may effect redemption and, if applicable, a repurchase transaction.

(d) The synopsis may include other information, but care should be taken that such additional information does not, either by its nature, quantity, or manner of presentation, impede understanding of the information required to be presented.

### Item 3. Condensed Financial Information

(a) Furnish the following information for the Registrant, or for the Registrant and its subsidiaries consolidated as prescribed in Rule 6-02 (17 CFR 210.6-02) of Regulation S-X.

#### PER SHARE INCOME AND CAPITAL CHANGES

(for a share outstanding throughout the year)

1. Investment income;
2. Expenses;
3. Net investment income;
4. Dividends from net investment income;
5. Net realized and unrealized gains (losses) on securities;
6. Distributions from net realized gains on securities;
7. Net increase (decrease) in net asset value;
8. Net asset value at beginning of period;
9. Net asset value at end of period;

#### RATIOS

10. Expenses to average net assets;
11. Net investment income to average net assets;
12. Portfolio turnover rate;
13. Number of shares outstanding at end of period.

#### Instructions

1. The information shall be presented in comparative columnar form for each of the last ten fiscal years of the Registrant (or for the life of the Registrant and its immediate predecessors, if less) but only for periods subsequent to the effective date of Registrant's first 1933 Act Registration Statement. In addition, the information shall be presented for the period between the end of the latest fiscal year and the date of the latest balance sheet or statement of assets and liabilities furnished.

2. Per share amounts shall be given at least to the nearest cent. If the computation of the offering price is extended to tenths of a cent or more, then the amounts on the table shall be given in tenths of a cent.

3. Appropriate adjustments shall be made and indicated in a footnote to reflect any stock split-up or stock dividend during the period.

4. If the investment adviser has been changed during the period covered by this Item, the date(s) of such change(s) should be shown in a footnote.

5. The condensed financial information for not less than the latest five fiscal years shall be audited.

6. The amount to be shown at caption 3 is derived by adding (deducting) the increase (decrease) per share in undistributed net income for the year to dividends from net investment income per share for the year (caption 4). Such increase (decrease) may be derived from a comparison of the per-share figures obtained by dividing the undistributed net income at the beginning and end of the year by the number of shares outstanding on those respective dates. (Any other acceptable method should be explained in a footnote to this table.) The amounts to be shown at captions 1 and 2 are derived by applying to the net investment income on a per-share basis the ratio of such items, as shown in the financial statements prepared under Rule 6-04 (17 CFR 210.6-04) of Regulation S-X, to the net income as shown in such statements.

7. "Expenses," as used in caption 2 above, include the expenses described in captions 2 and 3 of Rule 6-04 of Regulation S-X. If there were income deductions such as those described in captions 4 and 6 of that Rule, compute the per-share amounts thereof and state them separately immediately after caption 2 above.

8. The amount to be shown at caption 5, while mathematically determinable by the summation of amounts computed for as many periods during the year as shares were sold or repurchased (which could be as often as twice daily) is also the balancing figure derived from the other figures in the statement and should be so computed. The amount shown at this caption for a share outstanding throughout the year may not accord with the change in the aggregate gains and losses in the portfolio securities for the year because of the timing of sales and repurchase of Registrant's shares in relation to fluctuating market values for the portfolio.

9. Distributions not exceeding the capital gains computed on the Federal tax basis may be treated as distributions from net realized profits on securities for purposes of the above table, even though they exceed such profits on a book basis.

10. If any distributions were made from capital sources other than net realized profits on securities, state the per share amounts thereof separately immediately below caption 6. In a footnote indicate the nature of such distributions.

11. The "average net assets," as used in captions 10 and 11, shall be computed upon the basis of the value of the net assets determined no less frequently than as of the end of each month.

12. The portfolio turnover rate to be shown at caption 12 shall be calculated in accordance with the following instructions:

a. The rate of portfolio turnover shall be calculated by dividing (A) the lesser of purchases or sales of portfolio securities for the particular fiscal year by (B) the monthly average of the value of the portfolio securities owned by the Registrant during the particular fiscal year. Such monthly average shall be calculated by totaling the values of the portfolio securities as of the beginning and end of the first month of the particular fiscal year and as of the end of each of the succeeding eleven months, and dividing the sum by 13.

b. For the purposes of this Item, there shall be excluded from both the numerator and the denominator all U.S. Government securities (short-term and long-term) and all other securities, including options, whose maturities or expiration dates at the time of acquisition were one year or less. Purchases shall include any cash paid upon the conversion of one portfolio security into another. Purchases shall also include the cost of rights or warrants purchased. Sales shall include the net proceeds of the sale of rights or warrants. Sales shall also include the net proceeds of portfolio securities which have been called, or for which payment has been made through redemption or maturity.

c. If during the fiscal year the Registrant acquired the assets of another investment company or of a personal holding company in exchange for its own shares, it shall exclude from purchases the value of securities so acquired, and from sales all sales of such securities made following a purchase-of-assets transaction to realign the Registrant's portfolio. In such event, the Registrant shall also make appropriate adjustment in the denominator of the portfolio turnover computation. The Registrant shall make appropriate disclosure of such exclusions and adjustments in its answer to this item.

d. Short sales, and put and call options expiring more than one year from date of acquisition, are included in purchases and sales for purposes of this item. A short sale should be treated as an increase in sales and the covering of a short sale should be treated as an increase in purchases.

13. The number of shares outstanding at the end of each period may be shown to the nearest thousand (000 omitted), provided it is indicated that such has been done.

(b) Furnish the following information as of the end of each of the Registrant's

last ten fiscal years with respect to each class of senior securities (including bank loans) of the Registrant. If consolidated

statements were prepared as of any of the dates specified, the information shall be furnished on a consolidated basis:

Year	Amount of Debt outstanding at end of period	Average amount of debt outstanding during the period	Average number of Registrant's shares outstanding during the period	Average amount of debt per share during the period
(1)	(2)	(3)	(4)	(5)

#### Instructions

1. Instructions 1, 2 and 5 to Item 3(a) shall also apply to this sub-item.

2. The method used to determine the averages shown above (e.g., weighted, monthly, daily, etc.) shall be appropriately set forth.

3. Column 5 is derived by dividing the amount shown in column 3 by the number shown in column 4.

#### Item 4. General Description of Registrant

(a) Concisely discuss the organization and operation or proposed operation of the Registrant. Include the following:

(i) Basic identifying information, including:

(A) The date and form of organization of the Registrant and the name of the state or other sovereign power under the laws of which it is organized; and

(B) The classification and subclassification of the Registrant pursuant to Sections 4 and 5 of the 1940 Act (15 U.S.C. 80a-4, 80a-5);

(ii) A concise description of the investment objectives and policies of the Registrant, including:

(A) If those objectives may be changed without a vote of the holders of the majority voting securities, a brief statement to that effect;

(B) A brief discussion of how the Registrant proposes to achieve such objectives including:

(1) A short description of the types of securities in which Registrant invests or will invest principally and, if applicable, any special investment practices or techniques that will be employed in connection with investing in such securities; and

(2) If the Registrant proposes to have a policy of concentrating in a particular industry or group of industries, identification of such industry or industries. (Concentration, for purposes of this item, is deemed to be 25% or more of the value of Registrant's total assets invested or proposed to be invested in a particular industry or group of industries. The policy on concentration should not be inconsistent with Registrant's name.);

(C) Subject to subparagraph (b) of this Item, identification of any other policies

of Registrant that may not be changed without the vote of the majority outstanding voting securities, including those policies which Registrant deems to be fundamental within the meaning of Section 8(b) of the 1940 Act;

(D) Subject to subparagraph (b) of this Item, a concise description of those significant investment policies or techniques (such as risk arbitrage, repurchase agreements, forward delivery contracts, investing in foreign securities or currency, or investing for control or management) that are not described pursuant to subparagraphs (B) or (C) above that Registrant employs or has the current intention of employing in the foreseeable future.

(b) Discussion of types of investments that will not constitute Registrant's principal portfolio emphasis, and of related policies or practices should generally receive less emphasis in the prospectus, and under the circumstances set forth below may be omitted or limited to information necessary to identify the type of investment, policy, or practice. Specifically, and notwithstanding paragraph (a) above:

(i) If the effect of a policy is to prohibit a particular practice, or, if the policy permits a particular practice but the Registrant has not employed that practice within the past year and has no current intention of doing so in the foreseeable future, do not include disclosure as to that policy; and

(ii) If such a policy has the effect of limiting a particular practice in such a way that no more than 5% of Registrant's net assets are at risk, if Registrant has not followed that practice within the last year in such a manner that more than 5% of Registrant's assets were at risk, and does not have a current intention of following such practice in the foreseeable future in such a manner that more than 5% of Registrant's net assets will be at risk, disclosure of information in the prospectus about such practice should be limited to that which is necessary to identify the practice.

(c) Discuss briefly the principal risk factors associated with investment in Registrant, including factors peculiar to the Registrant as well as those generally

attendant to investment in an investment company with investment policies and objectives similar to Registrant's.

#### Item 5. Management of the Fund

Describe concisely how the business of the Registrant is managed, including:

(a) A brief description of the responsibilities of the board of directors with respect to management of the Registrant. (In responding to this item, it is sufficient to state that the directors have overall responsibility, in the absence of special circumstances, for the management of the Registrant and to include cross-references to Part B of the registration statement for the identity of and other information about the directors.)

(b) For each investment adviser of the Registrant:

(i) The name and address of the investment adviser and a brief description of its experience as an investment adviser, and, if the investment adviser is controlled by another person, the name of that person and the general nature of its business (If the investment adviser is subject to more than one level of control, it is sufficient to give the name of the ultimate control person.);

(ii) A brief description of the services provided by the investment adviser. (If in addition to providing investment advice the investment adviser or persons employed by or associated with the investment adviser are, subject to the authority of the board of directors, responsible for overall management of Registrant's business affairs, it is sufficient to state that fact in lieu of listing all services provided.);

(iii) A brief description of the investment adviser's compensation. (If the registrant has been in operation for a full fiscal year, provide the compensation paid to the adviser for the most recent fiscal year as a dollar figure and as a percentage of average net assets. No further information is required in response to this item if the adviser is paid on the basis of a percentage of net assets and if the Registrant has neither changed investment advisers nor changed the basis on which the adviser is compensated during the most recent fiscal year. If the fee is paid in some manner other than on the basis of average net assets, briefly describe the basis of payment. If the registrant has not been in operation for a full fiscal year, state generally what the investment adviser's fee will be as a percentage of average net assets, including any breakpoints, but it is not

necessary to include precise details as to how the fee is computed or paid.)

(c) The identity of any other person who provides significant administrative or business affairs management services (e.g., an "Administrator"), and a brief description of the services provided and the compensation to be paid therefor.

(d) The name and principal business address of the transfer agent and the dividend paying agent.

(e) A statement as to the Registrant's expenses. (If the Registrant has been in existence for a full year, it is sufficient to set forth the Registrant's total expenses for the most recent full fiscal year as a dollar amount and as a percentage of average net assets unless the Registrant expects to incur a material amount of extraordinary expenses in the next year. If the Registrant has not been in operation for a full year, list the types of expenses for which Registrant will be responsible.)

(f) If Registrant engages in any of the following practices, a statement to that effect and a cross-reference to an augmented description in Part B:

(i) Paying brokerage commissions to any broker—

(A) Which is an affiliated person of the Registrant, or

(B) Which is an affiliated person of such person, or

(C) An affiliated person of which is an affiliated person of the Registrant, its investment adviser, or its principal underwriter; and

(ii) Allocating brokerage transactions in a manner that takes into account the sale of investment company securities.

(g) If any affiliated person of the Registrant is or has in the last 10 years been subject to the provisions of Section 9(a) of the 1940 Act (15 U.S.C. 80a-9) or to an order pursuant to Section 9(b) of the 1940 Act, identify such person and provide a brief description of the relevant circumstances.

#### Item 6. Capital Stock and Other Securities.

(a) Describe concisely the nature and most significant attributes of the security being offered, including: (i) A brief discussion of voting rights; (ii) restrictions, if any, on the right freely to retain or dispose of such security; (iii) and any material obligations or potential liability associated with ownership of such security (not including investment risks). If any information is required in response to subparagraphs (ii) and (iii), include a cross-reference to a fuller discussion in Part B.

(b) Identify each person who as of a specified date no more than 30 days prior to the date of filing of this

registration statement, controls the registrant. (For purposes of this Item, the term "control" is defined in the instruction to Item 8(a) of Part B of Form N-1A.)

(c) If the rights of holders of such security may be modified otherwise than by a vote of a majority or more of the shares outstanding, voting as a class, so state and explain briefly.

(d) If Registrant has any other classes of securities outstanding (other than bank borrowings or borrowings that are not senior securities under Section 18(g) of the 1940 Act), (15 U.S.C. 80a-18(g)), identify them; indicate whether they have any preference over the security being offered, and include a cross-reference to Part B.

(e) Describe how shareholder inquiries should be made.

(f) Describe briefly the Registrant's policy with respect to dividends and distributions, including any options shareholders may have as to the receipt of such dividends and distributions.

(g) Describe briefly the tax consequences to investors of an investment in the securities being offered. Such description should not include detailed discussions of applicable law. If the Registrant intends to qualify for treatment under Subchapter M, it is sufficient in the absence of special circumstances to state briefly that in that case the Registrant will not pay taxes; that shareholders will be proportionately liable for taxes on income and gains of the Registrant; and that Registrant will inform shareholders of the amount and nature of such income or gains.

#### Item 7. Purchase of Securities Being Offered

Describe briefly how the securities being offered may be purchased. The description should emphasize the procedures to be followed and should minimize discussion of applicable legal requirements. Include:

(a) The name and principal business address of any principal underwriter for Registrant (if any affiliated person of Registrant is an affiliated person of the principal underwriter, so state and identify such person);

(b) A concise explanation of the way in which the public offering price is determined, including: (i) An explanation that the price is based on net asset value and identification of the method used to value the assets (e.g., market value, good faith determination, amortized cost); (ii) a statement as to when calculations of net asset value are made and that the price at which a purchase is effected is based on the next

calculation of net asset value after the order is placed; (iii) the sales charge, if any, as a percentage of the public offering price and as a percentage of the net amount invested for each breakpoint; (iv) the sales load reallocated to dealers as a percentage of the public offering price (the percentages in (iii) and (iv) should be shown in a tabular presentation); and (v) if any person, such as a broker-dealer or bank, may with Registrant's knowledge impose any charges in connection with purchases, a statement to that effect.

(c) If there are any special purchase plans or methods (e.g., letters of intent, accumulation plans, withdrawal plans, exchange privileges services in connection with retirement plans), list them and state from whom additional information may be obtained;

(d) Any minimum initial or subsequent investment; and

(e) If Registrant pays distribution expenses pursuant to Rule 12b-1 under the 1940 Act (17 CFR 270.12b-1), list the principal types of activities for which payments are or will be made, and: (i) If the plan has been in effect for a full fiscal year, give the total amount spent in the most recent fiscal year as a dollar figure and as a percentage of net assets; or (ii) otherwise briefly describe the basis on which payments will be made (e.g., percentage of net assets, etc.).

#### Item 8. Redemption or Repurchase

(a) Describe briefly all procedures for redeeming the Registrant's shares, any restrictions thereon, and any charges that may be attendant upon redemption. State whether the investor will receive cash or portfolio securities upon redemption.

(b) Describe briefly any procedure whereby a shareholder can sell his shares to the Registrant or its underwriter through a broker-dealer and, if charges may be made for such service, so note.

(c) If the Registrant is permitted to redeem shares involuntarily in accounts below a certain number or value of shares, describe briefly.

(d) If the Registrant may refuse to honor a request for redemption for a certain time after a shareholder's investment, describe briefly.

(e) If, pursuant to Rule 22d-2 under the 1940 Act [17 CFR 270.22d-2], Registrant provides reinvestment privileges for persons who redeem, briefly describe the terms and procedures for exercising such privileges.

#### Item 9. Pending Legal Proceedings

Briefly describe any material pending

legal proceedings, other than ordinary routine litigation incidental to the business, to which the Registrant, any subsidiary of the Registrant, or the investment adviser or principal underwriter of the Registrant is a party. Include the name of the court in which the proceedings are pending, the date instituted, and the principal parties thereto. Include similar information as to any proceedings instituted by a governmental authority or known to be contemplated by governmental authorities.

#### Instruction

Legal proceedings, for purposes of litigation or governmental proceedings to which the investment adviser or principal underwriter of Registrant is a party, are material only to the extent that: (1) They are likely to have a material adverse effect upon the ability of the investment adviser or principal underwriter to perform its contract with the Registrant; or (2) they are likely to have a material adverse effect on the Registrant.

#### Part B—Information Required in a Statement of Additional Information

##### Item 1. Cover Page

(a) The outside cover page is required to contain the following information:

(i) The Registrant's name;

(ii) A statement or statements (A) that the statement of additional information is not a prospectus; (B) that the statement of additional information should be read in conjunction with the prospectus; and (C) from whom a copy of the prospectus may be obtained.

(iii) The date of the prospectus to which the statement of additional information relates and such other identifying information as the registrant deems appropriate.

(iv) The date of the statement of additional information.

(b) The cover page may include other information, but care should be taken that such additional information does not, either by its nature, quantity, or manner of presentation, impede understanding of the information required to be presented.

##### Item 2. Table of Contents

Set forth under appropriate captions (and sub-captions) a list of the contents of the statement of additional information and, where useful, provide cross-references to related disclosure in the prospectus.

##### Item 3. General Information and History

If the Registrant has engaged in a business other than that of an

investment company during the past five years, state the nature of the other business and give the approximate date on which the Registrant commenced business as an investment company. If the Registrant's name was changed during that period, state its former name and the approximate date on which it was changed. If the change in the Registrant's business or name occurred in connection with any bankruptcy, receivership or similar proceeding or any other material reorganization, readjustment or succession, briefly describe the nature and results of the same.

#### Item 4. Investment Objectives and Policies

(a) Describe clearly the investment policies of the Registrant. It is not necessary to repeat information contained in the prospectus, but, in augmenting the disclosure with respect to those types of investments, policies, or practices that are briefly discussed or identified in the prospectus, Registrant should make sufficient reference to the prospectus to clarify the context in which the additional information called for by this Item is being provided.

(b) To the extent that the prospectus does not do so, describe fully any fundamental policy of the Registrant with respect to each of the following activities:

(1) The issuance of senior securities.

(2) Short sales, purchases on margin and the writing of put and call options.

(3) The borrowing of money. Describe the fundamental policy which limits or restricts the extent to which the Registrant may borrow money and state the purpose for which the proceeds will be used.

(4) The underwriting of securities of other issuers. Include any fundamental policy with respect to the acquisition of restricted securities (i.e., securities that must be registered under the 1933 Act before they may be offered or sold to the public).

(5) The concentration of investments in a particular industry or group of industries.

(6) The purchase or sale of real estate and real estate mortgage loans.

(7) Purchase or sale of commodities or commodity contracts including futures contracts.

(8) The making of loans. For purposes of this Item the term "loans" shall not include the purchase of a portion of an issue of publicly distributed bonds, debentures or other securities, whether or not the purchase was made upon the

original issuance of the securities. However, the term "loan" includes the fundamental policy which permits the loaning of cash or portfolios securities to any person.

(9) Any policy not recited above with respect to matters which the Registrant deems matters of fundamental policy.

#### Instructions

1. For purposes of this Item, the term "fundamental policy" is defined as any policy which the Registrant has deemed to be fundamental or any policy which may not be changed without the approval of a majority of the Registrant's outstanding voting securities.

2. The Registrant may reserve freedom of action with respect to any of the foregoing activities, but in such case, shall express definitely, in terms of a reasonable percentage of assets to be devoted to the particular activity or otherwise the maximum extent to which the Registrant intends to engage therein. For purposes of (7) above, attention is directed to the Commodity Exchange Act (7 U.S.C. 1 et seq.).

(c) To the extent that the prospectus does not do so, describe fully any significant investment policies of the Registrant which are not deemed fundamental and which may be changed without shareholder approval (for example, investing for control of management, investing in foreign securities or arbitrage activities).

#### Instruction

In responding to this Item the Registrant should disclose the extent to which it may engage in the above policies and the risks inherent in such policies.

(d) *Portfolio Turnover:* Explain any significant variation in the Registrant's portfolio turnover rates over the last two fiscal years. If the Registrant for any reason anticipates a significant variation in the portfolio turnover rate from that reported for its most recent fiscal year in Item 3(a)(12) of Part A, so state. In the case of a new registration, the Registrant should state its policy with respect to portfolio turnover.

#### Item 5. Management of the Fund

(a) Furnish the information required by the following table as to each director and officer of the Registrant, and if Registrant has an advisory board, as to each member of such board. Also state the nature of any family relationship between persons listed.

Name and address	Position(s) held with registrant	Principal occupation(s) during past 5 years
(1)	(2)	(3)

#### Instructions

1. For purposes of this Item, the term "officer" means the president, vice-president, secretary, treasurer, controller and any other officers who perform policy-making functions for the Registrant. The term "family relationship" means any relationship by blood, marriage or adoption, not more remote than first cousin.

2. The principal business of any corporation or other organization listed under column (3) should be stated unless such principal business is implicit in its name.

(3) If the Registrant has an executive or investment committee, the members should be identified and there should be a concise statement of the duties and functions of such committee.

4. Indicate the directors who are interested persons within the definition set forth in Section 2(a)(19) of the 1940 Act (15 U.S.C. 80a-2(a)(19)) by an asterisk.

(b) In the table required by paragraph (a) of this Item or in separate text following the table, describe any

positions held with affiliated person or principal underwriters of the Registrant by each individual listed in column (1) of the table.

(c) In the table required by paragraph (a) of this item or in separate text following the table, identify each individual who supervises the management of 25% or more of the Registrant's portfolio and state the date on which such duty was assumed or, if the portfolio is managed by committee, identify the four most senior members of such committee and state the date on which each member identified assumed such duty.

(d) Furnish the information required by the following table as to each of the persons specified below who received from the Registrant and its subsidiaries during the Registrant's last fiscal year aggregate remuneration in excess of \$40,000 for services in all capacities:

(i) Each director, each of the highest paid officers, and each advisory board member of the Registrant;

(ii) Each affiliated person of the Registrant not included in subparagraph (i) except investment advisers;

(iii) Each affiliated person of an affiliate or principal underwriter of the Registrant; and

(iv) All directors, officers and members of the advisory board of the Registrant as a group without naming them.

Name of person	Capacities in which remuneration received	Aggregate remuneration	Pension or retirement benefits accrued during registrant's last fiscal year	Estimates annual benefits upon retirement
(1)	(2)	(3)	(4)	(5)

#### Instructions

1. This item applies to any person who was a director, officer or member of the advisory board of the Registrant at any time during the last fiscal year. The information is to be given on an accrual basis if practicable.

2. If the Registrant has not completed its first full fiscal year since its organization, the information shall be given for the current fiscal year, estimating future payments that would be made pursuant to an existing agreement or understanding.

3. Columns (4) and (5) should be answered only for those persons named in response to paragraph (a) of this item and should include all pension or retirement benefits proposed to be paid under any existing plan in the event of retirement at normal retirement date, directly or indirectly, by the Registrant

or any of its subsidiaries to each such person.

4. Column (4) need not be answered with respect to payments computed on an actuarial basis pursuant to any plan which provides for fixed benefits in the event of retirement at a specified age or after a specified number of years of service.

5. The information called for by column (5) may be given in a table showing the annual benefits payable upon retirement to persons in specified salary classifications.

6. In the case of any plan (other than those specified in instruction 3) where the amount set aside each year depends upon the amount of earnings of the issuer or its subsidiaries for such year or a prior year, or where it is otherwise impracticable to state the estimated annual benefits upon retirement, there shall be set forth, in lieu of the

information called for by column (5), the aggregate amount set aside or accrued to date, unless it is impracticable to do so, in which case there shall be stated the method of computing such benefits.

**Item 6. Control Person and Principal Holders of Securities**

Furnish the following information as of a specified date no more than 30 days prior to the date of filing of the instant registration statement or amendment thereto.

(a) State the name and address of each person who controls the Registrant and explain the effect of such control on the voting rights of other security holders. As to each such control person, state the percentage of the Registrant's voting securities owned or any other basis of control. If such control person is a company, give the state or other sovereign power under the laws of which it is organized. List all parents of such control person.

*Instruction*

For purpose of this Item, "control" shall mean (i) the beneficial ownership, either directly or through one or more controlled companies, of more than 25 percent of the voting securities of a company; (ii) the acknowledgement or assertion by either the controlled or controlling party of the existence of control; or (iii) an adjudication under Section 2(a)(9) of the 1940 Act [15 U.S.C. 80a-2(a)(9)], which has become final, that control exists.

(b) State the name, address and percentage of ownership of each person who owns of record or is known by the Registrant to own of record or beneficially 5 percent or more of any class of the Registrant's outstanding equity securities.

*Instructions*

1. The percentages are to be calculated on the basis of the amount of securities outstanding.

2. If securities are being registered in connection with or pursuant to a plan of acquisition, reorganization, readjustment or succession, indicate, as far as practicable, the status to exist upon consummation of the plan on the basis of present holdings and commitments.

3. If to the knowledge of the Registrant or any principal underwriter of its securities, 5 percent or more of any class of voting securities of the Registrant are or will be held subject to any voting trust or other similar agreement, this fact should be disclosed.

4. Indicate whether the securities are owned both of record and beneficially, or of record only, or beneficially only, and

show the respective percentage owned in each manner.

(c) Show all equity securities of the Registrant owned by all officers, directors and members of the advisory board of the Registrant as a group, without naming them. In any case where the amount owned by directors and officers as a group is less than 1 percent of the class, a statement to that effect is sufficient.

**Item 7. Investment Advisory and Other Services**

(a) Furnish the following information with respect to each investment adviser:

(i) The names of all controlling persons of the investment adviser and the basis of such control; and if material, the business history of any organization that controls the adviser;

(ii) The name of any affiliated person of the Registrant who is also an affiliated person of the investment adviser and a list of all capacities in which such person named is affiliated with the Registrant and with the investment adviser; and

*Instruction*

If an affiliated person of the Registrant either alone or together with others is a controlling person of the investment adviser, Registrant must disclose such fact but need not supply the specific amount of percentage of the outstanding voting securities of the investment adviser which is owned by such a controlling person.

(iii) The method of computing the advisory fee payable by the Registrant including:

(A) The total dollar amounts paid to the adviser by the Registrant under the investment advisory contract for the last three fiscal years;

(B) If applicable, any credits which reduced the advisory fee for any of the last three fiscal years; and

(C) Any expense limitation provision.

*Instructions*

1. If the advisory fee payable by the Registrant varies depending on the Registrant's investment performance in relation to some standard, such standard must be set forth along with a fee schedule in tabular form. Registrant may include examples showing the fees the adviser would earn at various levels of performance, but such examples must include calculations showing the maximum and minimum fee percentages which could be earned under the contract.

2. Each type of credit or offset should be stated separately in response to this item.

3. Where a Registrant is subject to more than one expense limitation provision, only the most restrictive of such provisions must be described.

4. If Registrant has more than single class of capital stock or is otherwise organized as a "series" investment company the response to paragraph (a)(3) of this item should describe the methods of allocation and payment of advisory fees for each class or series.

(b) Furnish a description of all services performed for or on behalf of the Registrant, which services are supplied or paid for wholly or in substantial part by the investment adviser in connection with the investment advisory contract.

(c) Furnish a description of all fees, expenses and costs of the Registrant which are to be paid by persons other than the investment adviser or the Registrant, and identify such persons.

(d) Furnish a summary of the substantive provisions of any management-related service contract not otherwise disclosed in connection with an item of the form which may be material to a purchaser of securities of the Registrant, under which services are provided to the Registrant, indicating the parties to the contract, the total dollars paid and by whom, for the past three years.

*Instructions*

1. The term "management-related service contract" includes any agreement whereby another person contracts with the Registrant to keep, prepare, or file such accounts, books, records, or other documents as the Registrant may be required to keep under federal or state law, or to provide any similar services with respect to the daily administration of the Registrant, but does not include the following: (i) Any contract with the Registrant to provide investment advice; (ii) any agreement whereby another person contracts with the Registrant to perform as custodian, transfer agent or dividend-paying agent for the Registrant; and (iii) bona fide contracts with the Registrant for outside legal or auditing services, or bona fide contracts for personal employment entered into with the Registrant in the ordinary course of business.

2. No information need be given in response to this Item with respect to the service of mailing proxies or periodic reports to shareholders of the Registrant.

3. In summarizing the substantive provisions of a management-related service contract, include the following: the name of the person providing the

service; the direct or indirect relationships, if any, of such person with the Registrant, its investment adviser or its principal underwriter; the nature of the services provided, and the basis of the compensation paid for the services for the last three fiscal years.

(e) If any person (other than a bona fide director, officer, member of an advisory board or employee of the Registrant, as such, or a person named as an investment adviser in response to paragraph (a) above), pursuant to any understanding, whether formal or informal, regularly furnishes advice to the Registrant or to the investment adviser of the Registrant with respect to the desirability of the Registrant's investing in, purchasing, or selling securities or other property, or is empowered to determine what securities or other property should be purchased or sold by the Registrant, and receives direct or indirect remuneration, furnish the following information:

(i) The name of such person.

(ii) A description of the nature of the arrangement, and the advice or information furnished.

(iii) Any remuneration (including, for example, participation, directly or indirectly, in commissions or other compensation paid in connection with transactions in portfolio securities of the Registrant) paid for such advice or information, and a statement as to how such remuneration was paid and by whom it was paid for the last three fiscal years.

#### Instruction

Information need not be included in response to this item with respect to any of the following: (i) Persons whose advice was furnished to the investment adviser or the Registrant solely through uniform publications distributed to subscribers thereto; (ii) persons who furnished the investment adviser or the Registrant with only statistical and other factual information, advice regarding economic factors and trends, or advice as to occasional transactions in specific securities, but without generally furnishing advice to them or making recommendations to them regarding the purchase or sale of securities by the Registrant; (iii) a company which is excluded from the definition of "investment adviser" of an investment company by reason of Section 2(a)(20)(iii) of the 1940 Act [15 U.S.C. 80a-2(a)(20)(iii)]; any person the character and amount of whose compensation for such service must be approved by a court; or (v) such other persons as the Commission has by rules and regulations or order determined not

to be an "investment adviser" of an investment company.

(f) Furnish a summary of the material aspects of any plan pursuant to which the Registrant incurs expenses related to the distribution of its shares, and of any agreements related to the implementation of such a plan. The summary should include, among other material information, the following:

(i) The amounts paid by the Registrant under the plan during the last fiscal year, as a total dollar amount and a percentage of Registrant's average net assets during that period;

(ii) The manner in which such amount was spent on:

(A) Advertising,

(B) Printing and mailing of prospectuses to other than current shareholders,

(C) Compensation to underwriters,

(D) Compensation to dealers,

(E) Compensation to sales personnel, and

(F) Other (specify);

(iii) Whether any of the following persons had a direct or indirect financial interest in the operation of the plan or related agreements:

(A) Any interested person of the Registrant; or

(B) Any director of the Registrant who is not an interested person of the Registrant; and

(iv) The benefits, if any, to the Registrant resulting from the plan.

#### Instruction

In responding to this item the Registrant should take note of the requirements of Rule 12b-1 under the 1940 Act.

(g) If the portfolio securities of the Registrant are held by a person other than a commercial bank, trust company or depository registered with the Commission as custodian, state the nature of the business of each such person.

(h) Furnish the name and principal business address of the Registrant's Custodian and independent public accountant and provide a general description of the services performed by each.

(i) If an affiliated person of the Registrant or an affiliated person of such an affiliated person acts as custodian, transfer agent or dividend-paying agent for the Registrant, furnish a description of the services performed by such person and the basis for remuneration.

#### Item 8. Brokerage Allocation

(a) Describe how transactions in portfolio securities are effected including a general statement about brokerage commissions and mark-ups

on principal transactions and the aggregate amount of any brokerage commissions paid by the Registrant during the three most recent fiscal years. If during either of the two years preceding the Registrant's most recent fiscal year, the aggregate dollar amount of brokerage commissions paid by the Registrant differed materially from the amount paid during the most recent fiscal year, state the reason(s) for the difference(s).

(b) (i) State the aggregate dollar amount, if any, of brokerage commissions paid by the Registrant during the three most recent fiscal years to any broker: (A) Which is an affiliated person of the Registrant; (B) which is an affiliated person of such person; or (C) an affiliated person of which is an affiliated person of the Registrant, its investment adviser, or principal underwriter, and the identity of each such broker and the relationships that cause the broker to be identified in this Item.

(ii) State for each broker identified in response to paragraph (b)(i) of this item:

(A) The percentage of Registrant's aggregate brokerage commissions paid to each broker during the most recent fiscal year; and

(B) The percentage of Registrant's aggregate dollar amount of transactions involving the payment of commissions effected through each broker during the most recent fiscal year.

(iii) Where there is a material difference in the percentage of brokerage commission paid to, and the percentage of transactions effected through, any broker identified in response to paragraph (b)(i) of this Item, state the reasons for such difference.

(c) Describe how brokers will be selected to effect securities transactions for Registrant and how evaluations will be made of the overall reasonableness of brokerage commissions paid, including the factors considered in connection with these determinations.

#### Instructions

1. If the receipt of products or services other than brokerage or research services is a factor considered in the selection of brokers, this description should specify such products and services.

2. If the receipt of research services is such a factor in selecting brokers, this description should identify the nature of such research services.

3. State whether persons acting on behalf of Registrant are authorized to pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the

same transaction, in recognition of the value of (a) brokerage or (b) research services provided by the broker.

4. If applicable, this description should explain that research services furnished by brokers through whom Registrant effects securities transactions may be used by Registrant's investment adviser in servicing all of its accounts and that not all such services may be used by the investment adviser in connection with the Registrant; or, if other policies or practices are applicable to Registrant with respect to the allocation of research services provided by brokers such policies and practices should be explained.

(d) If, during the last fiscal year, Registrant or its investment adviser, pursuant to an agreement or understanding with a broker or otherwise through an internal allocation procedure, directed Registrant's brokerage transaction to a broker because of research services provided, state the amount of such transactions and related commissions.

#### Item 9. Capital Stock and Other Securities

To the extent that the prospectus does not do so, provide the following information:

(a) With respect to each class of capital stock of the Registrant,

- (i) The title of each such class; and
- (ii) A full discussion of the following provisions or characteristics of each class of capital stock, if applicable: (A) dividend rights; (B) voting rights; (C) liquidation rights; (D) pre-emptive rights; (E) conversion rights; (F) redemption provisions; (G) sinking fund provisions; and (H) liability to further calls or to assessment by the Registrant.

#### Instruction

1. If any class of securities described in response to this item possesses cumulative voting rights, disclose the existence of such rights and explain the operation of cumulative voting.

2. If the rights evidenced by any class of securities described in response to paragraph (a) or (b) of this item are materially limited or qualified by the rights of any other class of securities, include such information regarding such other securities as will enable investors to understand the rights evidenced by the securities being described.

(b) If the Registrant has any authorized securities other than capital stock, describe the rights evidenced thereby. If the securities are subscription warrants or rights, state the

title and amount of securities called for, the period during which and the prices at which the warrants or rights are exercisable.

#### Item 10. Purchase, Redemption and Pricing of Securities Being Offered

(a) Provide a full description of the manner in which registrants are securities offered to the public. The description should include any special purchase plans or methods not described in the prospectus such as letters of intent, accumulation plans, withdrawal plans, exchange privileges and services in connection with retirement plans.

(b) Describe the method followed or to be followed by the Registrant in determining the total offering price at which its securities may be offered to the public and the method or methods used to value the Registrant's assets.

#### Instructions

1. The valuation procedure used by the Registrant in determining net asset value and public offering price must be described.

2. The response should state how the excess of offering price over the net amount invested is distributed among the Registrant's principal underwriters or others and the basis for determining the total offering price.

3. To the extent this information is not included in the prospectus, state the time (or times) each day when the net asset value is calculated for the purpose of pricing shares.

4. Explain fully any difference in the price at which securities are offered to the public, as individuals and as groups, and to officers, directors or employees of the Registrant, its adviser or underwriter.

5. Furnish a specimen price-make-up sheet showing the computation of the total offering price per unit and using as a basis the value of the Registrant's portfolio securities and other assets and its outstanding securities as of the date of the balance sheet filed by the Registrant.

6. If the Registrant uses either the penny-rounding pricing or the amortized cost valuation methods to calculate its price per share, pursuant to either an order of exemption from the Commission or Rule 2a-7 under the 1940

Act, the response to paragraph (a)(1) of this item should describe fully, the nature, extent and effect of the exemption.

(c) If the Registrant has received an order of exemption from Section 18(f) of the 1940 Act (15 U.S.C. 80a-18(f)), from the Commission or has filed a notice of election pursuant to Rule 18f-1 (17 CFR 270.18f-1), under the Act which has not been withdrawn, the nature, extent and effect of the exemptive relief should be fully described.

#### Item 11. Tax Status

Set forth any information about Registrant's tax status that is not required to be in the prospectus but that Registrant deems material including, but not limited to, an explanation of the legal basis for the Registrant's tax status and any special or unusual tax aspects of the Registrant such as taxation resulting from foreign investment or from status as a personal holding company, or any tax loss carry-forward to which Registrant may be entitled.

#### Instruction:

If Registrant has more than a single class of capital stock or is otherwise organized as a "series" investment company, any special tax consequences resulting therefrom should be described in response to this item.

#### Item 12. Underwriters

(a) With respect to the public distribution of securities of the Registrant state:

(i) For each principal underwriter distributing securities of the Registrant, the nature of the obligation to distribute the Registrant's securities;

(ii) Whether the offering is continuous; and

(iii) The aggregate dollar amount of underwriting commissions and the amount retained by the principal underwriter for each of the last three fiscal years.

(b) Furnish the information required by the following table with respect to all commissions and other compensation received by each principal underwriter, who is an affiliated person of the Registrant or an affiliated person of such an affiliated person, directly or indirectly from the Registrant during the Registrant's last fiscal year:

Name of principal underwriter (1)	Net underwriting discounts and commissions (2)	Compensation on redemption and repurchases (3)	Brokerage commissions (4)	Other compensation (5)

**Instruction**

Indicate in a note, or otherwise, the nature of the services rendered in consideration of the compensation set forth under column (5). Include under this column any compensation received by an underwriter for keeping the Registrant's securities outstanding in the hands of the public.

(c) If during the Registrant's last fiscal year any payments were made by the Registrant to an underwriter or dealer in the Registrant's shares other than: (i) Payments made through deduction from the offering price at the time of sale of securities issued by the Registrant, (ii) payments representing the purchase price of portfolio securities acquired by the Registrant, (iii) commissions on any purchase or sale of portfolio securities by the Registrant, or (iv) payments for investment advisory services pursuant to an investment advisory contract, furnish the following information:

(A) The name and address of the underwriter or dealer;

(B) A description of the circumstances surrounding payments;

(C) The amount paid;

(D) The basis on which the amount of the payment was determined and the consideration received for it.

**Instructions**

1. Do not include in answer to this item any information furnished in answers to Items 7(d) or 12(b) above. Do not include any payment for a service excluded by Instructions 1 and 2 to Item 7(c) above or by Instruction 2 to Item 8 of Part C of this Form.

2. If the payments were made pursuant to an arrangement or policy applicable to dealers generally, it will be sufficient to describe such arrangement or policy.

**Item 13. Calculation of Yield Quotations of Money Market Funds**

(a) Furnish the following information with respect to any yield quotation included in the prospectus to which this statement of additional information relates:

(i) A description of the method by which the yield is computed including:

(A) That the yield quotation is based on the seven days ended on the date of the most recent financial statements included in the prospectus (e.g. the per share table) and state the dates on which the yield quotation is based; and

(B) That the yield is computed by dividing the Registrant's average daily net investment income per share earned during the seven calendar day period described by its average daily price per share for the same period and

multiplying the result by 365 with the resulting yield figure carried to at least the nearest hundredth of one percent; and

(b) For purposes of the calculation described in subsection (a), above, Registrant's average daily net investment income per share shall include its accrued interest income plus or minus amortized purchase discount or premium less accrued expenses, but shall not include realized gains and losses or unrealized appreciation and depreciation. For purposes of this computation fees charged to all shareholder accounts must be included in the accrued expenses of the fund, and the Registrant's average price per share must include any charges in net asset value during the seven day period.

**Instructions**

In connection with the presentation of the yield figure, the prospectus must disclose:

(1) If applicable, that the Registrant follows the practice of reflecting changes in portfolio values in its daily dividend; and

(2) If material, the net amount of any change in the yield figure which would result from:

(a) The inclusion in the determination of net investment income of realized gains or losses and unrealized appreciation or depreciation recognized by the Registrant but excluded from the computation pursuant to Item 17(b).

(b) Any change in net asset value during the period used for computing yield.

**Item 14. Financial Statements****Instructions**

1. Part B of this Form shall contain, in a separate section following the responses to the foregoing items, the financial statements and schedules required by Regulation S-X [17 CFR 210]. The specimen price-make-up sheet required by Item 10(b) of part B of this Form may be furnished as a continuation of the balance sheet or statement of assets and liabilities specified by Regulation S-X (17 CFR 210.6-01).

2. Notwithstanding the requirements of instruction 1, above, the following statements and schedules required by Regulation S-X may be omitted from Part B of the registration statement and included in Part C of such registration statement:

(i) The statements of any subsidiary which is not a majority-owned subsidiary; and

(ii) all schedules in support of the most recent balance sheet or statement

of assets and liabilities, except the following: (a) Schedule I [17 CFR 210.12-12]; (b) columns A, E, and G of Schedule II [17 CFR 210.12-13]; and (c) columns A, B, and D of Schedule III [17 CFR 210.12-14], omitting the information called for by paragraph (c) of footnote 1 to column A.

3. Notwithstanding the requirements of Instruction A above, the following information may be omitted from any Registration Statements:

(i) Column C of Schedule I (17 CFR 210.12-12).

(ii) Column F of Schedule II (17 CFR 210.12-13); and

(iii) Column C of Schedule III (17 CFR 210.12-14).

4. In addition to the requirements of Rule 3-18 of Regulation S-X (17 CFR 210.3-18), any company registered under the 1940 Act which has not previously had an effective Registration Statement under the 1933 Act shall include in its initial Registration Statement under the 1933 Act such additional financial statements and condensed financial information (which need not be audited) as is necessary to make the financial statements and condensed financial information included in the registration statement as of a date within 90 days prior to the date of filing.

5. Every annual report to shareholders required pursuant to Section 30(d) of the 1940 Act and Rule 30d-1 thereunder (17 CFR 270.30d-1) shall contain the following information:

(i) The audited financial statements required by Regulation S-X, as modified by Instructions 2 and 3 above, for the periods specified by Regulation S-X;

(ii) The condensed financial information required by item 3(a) of this Form, for the five most recent fiscal years, with at least the most recent fiscal year audited; and

(iii) Unless shown elsewhere in the report as part of the financial statements required by (i) above, the aggregate remuneration paid by the company during the period covered by the report (A) to all directors and to all members of any advisory board for regular compensation; (B) to each director and to each member of an advisory board for special compensation; (C) to all officers; and (D) to each person of whom any officer or director of the company is an affiliated person.

6. Every report to shareholders required by Section 30(d) of the 1940 Act and Rule 30d-1 thereunder (17 CFR 270.30d-1), except the annual report, shall contain the following information (which need not be audited).

(i) The financial statements required by Regulation S-X, as modified by

Instructions B and C above, for the period commencing either with (A) the beginning of the company's fiscal year (or date of organization, if newly organized) or (B) a date not later than the date after the close of period included in the last report conforming with the requirements of Rule 30d-1 and the most recent preceding fiscal year;

(ii) The condensed financial information required by Item 3(a) of this Form, for the period of the report as specified by (1) above, and the most recent preceding fiscal year; and

(iii) Unless shown elsewhere in the report as part of the financial statements required by (i) above, the aggregate remuneration paid by the company during the period covered by the report (A) to all directors and to all members of any advisory board for regular compensation; (B) to each director and to each member of an advisory board for special compensation; (C) to all officers; and (D) to each person of whom any officer or director of the company is an affiliated person.

7. Reference is made to General Instruction E regarding incorporation by reference.

#### Part C. Other Information

##### Item 1. Financial Statements and Exhibits

List all financial statements and exhibits filed as part of the Registration Statement.

###### (a) Financial statements:

###### Instruction

Designate those financial statements included in Parts A and B of the Registration Statement.

###### (b) Exhibits:

(1) Copies of the charter as now in effect;

(2) Copies of the existing bylaws or instruments corresponding thereto;

(3) Copies of any voting trust agreement with respect to more than 5 percent of any class of equity securities of the Registrant;

(4) Specimens or copies of each security issued by the Registrant, including copies of all constituent instruments, defining the rights of the holders of such securities, and copies of each security being registered;

(5) Copies of all investment advisory contracts relating to the management of the assets of the Registrant;

(6) Copies of each underwriting or distribution contract between the Registrant and a principal underwriter, and specimens or copies of all agreements between principal underwriters and dealers;

(7) Copies of all bonus, profit sharing, pension or other similar contracts or

arrangements wholly or partly for the benefit of directors or officers of the Registrant in their capacity as such; any such plan is not set forth in a formal document, furnish a reasonably detailed description thereof;

(8) Copies of all custodian agreements and depository contracts under Section 17(f) of the 1940 Act (15 U.S.C. 80a-17(f)), with respect to securities and similar investments of the Registrant, including the schedule of remuneration;

(9) Copies of all other material contracts not made in the ordinary course of business which are to be performed in whole or in part at or after the date of filing the Registration Statement;

(10) An opinion and consent of counsel as to the legality of the securities being registered, indicating whether they will be sold legally issued, fully paid and nonassessable;

(11) Copies of any other opinions, appraisals or rulings, and consents to the use thereof relied on in the preparation of this Registration Statement and required by Section 7 of the 1933 Act;

(12) All financial statements omitted from Item 17 of Part I;

(13) Copies of any agreements or understandings made in consideration for providing the initial capital between or among the Registrant, the underwriter, adviser, promoter or initial stockholders and written assurances from promoters or initial stockholders that their purchases were made for investment purposes without any present intention of redeeming or reselling;

(14) Copies of the model plan used in the establishment of any retirement plan in conjunction with which Registrant offers its securities, any instructions thereto and any other documents making up the model plan. Such form(s) should disclose the costs and fees charged in connection therewith.

(15) Copies of any plan entered into by Registrant pursuant to Rule 12b-1 under the 1940 Act, which describes all material aspects of the financing of distribution of Registrant's shares, and any agreements with any person relating to implementation of such plan.

###### Instruction

Subject to the Rules regarding incorporation by reference, the foregoing exhibits shall be filed as a part of the Registration Statement. Exhibits numbered 10-12 above are required to be filed only as part of a 1933 Act Registration Statement. Exhibits shall be appropriately lettered or numbered for convenient reference. Exhibits incorporated by reference may bear the

designation given in a previous filing. Where exhibits are incorporated by reference, the reference shall be made in the list of exhibits required above.

##### Item 2. Persons Controlled by or Under Common Control With Registrant

Furnish a list or diagram of all persons directly or indirectly controlled by or under common control with the Registrant and as to each such person indicate: (1) If a company, the state or other sovereign power under the laws of which it is organized, and (2) the percentage of voting securities owned or other basis of control by the person, if any, immediately controlling it.

###### Instructions

1. The list or diagram shall include the Registrant and shall be so prepared as to show clearly the relationship of each company named to the Registrant and to the other companies named. If the company is controlled by means of the direct ownership of its securities by two or more persons, so indicate by appropriate cross-reference.

2. Designate by appropriate symbols:

(i) Subsidiaries for which separate financial statements are filed; (ii) subsidiaries included in the respective consolidated financial statements; (iii) subsidiaries included in the respective group financial statements filed for unconsolidated subsidiaries; (iv) other subsidiaries, indicating briefly why statements of such subsidiaries are not filed.

##### Item 3. Number of Holders of Securities

State in substantially the tabular form indicated, as of a specified date within 90 days prior to the date of filing, the number of record holders of each class of securities of the Registrant.

Title of class	Number of record holders
(1)	(2)

##### Item 4. Indemnification

State the general effect of any contract, arrangements or statute under which any director, officer, underwriter or affiliated person of the Registrant is insured or indemnified in any manner against any liability which may be incurred in such capacity, other than insurance provided by any director, officer, affiliated person or underwriter for their own protection.

###### Instruction

In responding to this Item the Registrant should take note of the requirements of Rule 460 (17 CFR

230.480] under the 1933 Act and Section 17 of the 1940 Act (15 U.S.C. 80a-17).

**Item 5. Business and Other Connections of Investment Adviser**

Describe any other business, profession, vocation or employment of a substantial nature in which each investment adviser of the Registrant, and each director, officer or partner of any such investment adviser, is or has been, at any time during the past two fiscal years, engaged for his own account or in the capacity of director, officer, employee, partner or trustee.

**Instructions**

1. State the name and principal business address of any company with which any person specified above is connected in the capacity of director, officer, employee, partner or trustee, and the nature of such connection.

2. The names of investment advisory clients need not be given in answering this item.

**Item 6. Principal Underwriters**

(a) Furnish the name of each

investment company (other than the Registrant) for which each principal underwriter currently distributing securities of the Registrant also acts as a principal underwriter, depositor or investment adviser.

(b) Furnish the information required by the following table with respect to each director, officer or partner of each principal underwriter named in the answer to Item 12(a) of Part B:

Name and principal business address	Positions and offices with underwriter	Positions and offices with registrant
(1)	(2)	(3)

(c) Furnish the information required by the following table with respect to all commissions and other compensation received by each principal underwriter who is *not* an affiliated person of the Registrant or an affiliated person of such an affiliated person, directly or indirectly, from the Registrant during the Registrant's last fiscal year:

Name of principal underwriter	Net underwriting discounts and commissions	Compensation on redemption and repurchase	Brokerage commissions	Other compensation
(1)	(2)	(3)	(4)	(5)

**Instructions**

1. Indicate in a note, or otherwise, the nature of the services rendered in consideration of the compensation set forth under column (5). Include under this column any compensation received by an underwriter for keeping the Registrant's securities in the hands of the public.

2. Instruction 1 to Item 12(c) of Part B shall also apply here.

**Item 7. Location of Accounts and Records**

With respect to each account, book or other document required to be maintained by Section 31(a) of the 1940 Act (15 U.S.C. 80a-30(b)) and the Rules (17 CFR 270.31a-1 to 31a-3) promulgated thereunder, furnish the name and address of each person maintaining physical possession of each such account, book or other document.

**Item 8. Management Services**

Furnish a summary of the substantive provisions of any management-related service contract not discussed in Part A or Part B of this Form (because the contract was not believed to be material to a purchaser of securities of the

(b) An undertaking to file a post-effective amendment, using financial statements which need not be certified, within four to six months from the effective date of Registrant's 1933 Act registration statement.

**Instructions**

1. Such amendment may be filed earlier only if at least one-half the dollar amount of securities registered has been raised from a public offering and has been substantially invested pursuant to Registrant's investment objectives.

2. The financial statements included in such post-effective amendment should be as of and for the time period reasonably close or as soon as practicable to the date of the amendment.

**Signatures**

Pursuant to the requirements of the Securities Act of 1933 (and) (or) the Investment Company Act of 1940 the Registrant certifies that it meets all of the requirements for effectiveness of this Registration Statement pursuant to Rule 485(b) or 486(b) under the Securities Act of 1933 and) has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized, in the City of \_\_\_\_\_, and State of \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.  
Registrant \_\_\_\_\_  
By [Signature and Title] \_\_\_\_\_

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

(Signature) \_\_\_\_\_  
(Title) \_\_\_\_\_  
(Date) \_\_\_\_\_

**Instructions as to Summary Prospectuses**

The summary prospectus to be used pursuant to Rule 431 (§ 230.431 of this chapter) for companies whose securities are registered on Form N-1A shall be available only if (1) a registration statement relating to these securities has been filed, (2) the response to Items 3(a) and 3(b) of Part B is "Not Applicable," and (3) if at such time Registrant intends to meet the requirements of Subchapter M, Sections 851-855 of the Internal Revenue Code during the current taxable year. No sales literature may be used unless preceded or accompanied by the full statutory prospectus. The summary prospectus shall at the time of its use contain such of the information specified below as is then included in the Registration Statement. All other information and documents contained in

Registrant] under which services are provided to the Registrant, indicating the parties to the contract, the total dollars paid and by whom, for the last three fiscal years.

**Instructions**

1. The instructions to Item 7(d) of Part B of this Form shall also apply to this Item.

2. No information need be given in response to this item with respect to any service for which aggregate payments of less than \$5,000 were made during each of the last three fiscal years.

**Item 9. Undertakings**

Furnish the following undertakings in substantially the following form in all initial registration statements filed under the 1933 Act:

(a) An undertaking to file an amendment to the registration statement with certified financial statements showing the initial capital received before accepting subscriptions from any persons in excess of 25 if Registrant proposes to raise its initial capital pursuant to Section 14(a)(3) of the 1940 Act (15 U.S.C. 80a-14(a)(3));

the Registration Statement may be omitted.

(a) The information contained in Item 2 of Part A must be included in the summary prospectus.

(b) The information called for by Item 3 of Part A shall be set forth not further back in the summary prospectus than the third page thereof and shall not be preceded by any other chart or table.

(c) The information in Item 4(a)(ii) and 4(b) of Part A must be contained herein.

(d) The summary prospectus must contain the legends required by Rules 481(b)(1) and 431(e) under Securities Act of 1933, and the following legend should be placed on the cover page:

**All Interested Persons Should Send for and Examine the Full Prospectus Before Purchasing Shares of the Fund**

#### Instructions

1. If Registrant chooses to present the information required by Item 13 of Part B, it must be set forth in complete and uncondensed form, except insofar as Item 3 of Part A constitutes such a condensation.

2. The Commission may, upon the request of the Registrant, and where consistent with the protection of investors, permit the omission of any of the information herein required or the furnishing in substitution therefor of appropriate information of comparable character. The Commission may also require the inclusion of other information in addition to, or in substitution for, the information herein required in any case where such information is necessary or appropriate for the protection of investors.

[FR Doc. 83-411 Filed 1-6-83; 8:45 am]

BILLING CODE 8010-01-M

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Food and Drug Administration

#### 21 CFR Parts 182 and 184

[Docket No. 80N-0218]

#### Citric Acid and Certain Citrates; Affirmation of GRAS Status

**AGENCY:** Food and Drug Administration.

**ACTION:** Proposed rule.

**SUMMARY:** The Food and Drug Administration (FDA) is proposing to affirm that citric acid, dibasic ammonium citrate, calcium citrate, potassium citrate, sodium citrate, isopropyl citrate, stearyl citrate, and triethyl citrate are generally recognized as safe (GRAS) as direct human food ingredients. The safety of these

ingredients has been evaluated under the comprehensive safety review conducted by the agency.

**DATE:** Comments by March 8, 1983.

**ADDRESS:** Written comments to the Dockets Management Branch (HFA-305), Food and Drug Administration, Rm. 4-82, 5600 Fishers Lane, Rockville, MD 20857.

**FOR FURTHER INFORMATION CONTACT:** Vivian Prunier, Bureau of Foods (HFF-335), Food and Drug Administration, 200 C St. SW., Washington, DC 20204, 202-428-5487.

**SUPPLEMENTARY INFORMATION:** FDA is conducting a comprehensive review of human food ingredients classified as GRAS or subject to a prior sanction. The agency has issued several notices and proposals (see the *Federal Register* of July 26, 1973 (38 FR 20040)) initiating this review, under which the safety of citric acid, dibasic ammonium citrate, calcium citrate, potassium citrate, sodium citrate, isopropyl citrate, stearyl citrate, and triethyl citrate has been evaluated. In accordance with the provisions of § 170.35 (21 CFR 170.35), the agency proposes to affirm the GRAS status of these ingredients. Among the uses that the agency is affirming for calcium citrate is as a nutrient supplement in conventional food<sup>1</sup> and infant formula.

The GRAS status of the use of calcium citrate in dietary supplements (i.e., over-the-counter vitamin preparations in forms such as capsules, tablets, liquids, wafers, etc.) is not affected by this proposal. The agency did not request consumer exposure data on dietary supplement uses when it initiated this review. Without exposure data, the agency cannot evaluate the safety of using the ingredient in dietary supplements. The use of this ingredient in dietary supplements will continue to be permissible under Subpart F of Part 182 (21 CFR Part 182).

Citric acid (2-hydroxy-1,2,3-propanetricarboxylic acid) and its salts and natural constituents and common metabolites in plants and animals. Citric acid is an intermediate compound in the Krebs cycle in which the metabolites of carbohydrates, proteins, and fats are oxidized in human metabolism of food. The concentration of naturally occurring citrate in fruits, particularly citrus fruits and juices, is higher than that in vegetables or animal tissues. Typical concentrations of citrates are about 1 percent in orange juice and up to 8 percent in unripe lemon juice. Peas,

<sup>1</sup> FDA is using the term "conventional food" to refer to food that would fall within any of the 43 categories listed in § 170.3(n) (21 CFR 170.3(n)).

corn, and cabbage contain less than 1 percent citrate, and human milk contains about 0.1 percent citrate.

Citric acid and its ammonium (dibasic)<sup>2</sup>, calcium, potassium, and sodium salts occur as water-soluble, white or colorless powders or crystals which are odorless and have a tart taste.

The citric acid esters share some of the properties of the citric acid salts and yield citrate upon hydrolysis. Isopropyl citrate and stearyl citrate occur as mixtures of the mono-, di-, and triesters of the acid. Mono-isopropyl citrate is a form of isopropyl citrate. Commercially available isopropyl citrate is composed of 65 to 80 percent monoisopropyl, 15 to 30 percent diisopropyl, and 5 to 10 percent triisopropyl citrate. Searyl citrate is composed of 10 to 15 percent monostearyl, 70 to 80 percent distearyl, and 10 to 15 percent tristearyl citrate. Triethyl citrate is the triethyl ester of citric acid. It occurs naturally in extremely low concentrations in sour cherries and red currants and is an odorless, nearly colorless, oily liquid.

A regulation (formerly § 121.101(d) (21 CFR 121.101(d))) published in the *Federal Register* of November 20, 1959 (24 FR 9368), listed citric acid, citrates, and citrate esters as GRAS for direct use in food as follows: calcium citrate, citric acid, potassium citrate, and sodium citrate as buffers and neutralizing agents; citric acid for miscellaneous use; calcium citrate, citric acid, monoisopropyl citrate, potassium citrate, and sodium citrate as sequestrants; triethyl citrate for use in egg whites at 0.25 percent; and isopropyl citrate and stearyl citrate as sequestrants at 0.02 percent and 0.15 percent, respectively.

In a final rule published in the *Federal Register* of January 31, 1961 (26 FR 938), and subsequently recodified in the *Federal Register* of March 15, 1977 (42 FR 14302), FDA listed certain of these substances as GRAS for direct use in food as miscellaneous or general purpose ingredients and sequestrants, respectively, as follows: citric acid in §§ 182.1033 and 182.6033 (21 CFR 182.1033 and 182.6033), calcium citrate in §§ 182.1195 and 182.6195 (21 CFR 182.1195 and 182.6195), potassium citrate in §§ 182.1625 and 182.6625 (21 CFR 182.1625 and 182.6625), and sodium citrate in §§ 182.1751 and 182.6751 (21 CFR 182.1751 and 182.6751). This final rule also listed triethyl citrate as a miscellaneous or general purpose

<sup>2</sup> This proposal only addresses the GRAS status of dibasic ammonium citrate. The food additive status of other ammonium citrates is not affected by this proposal.

ingredient in egg whites at 0.25 percent in § 182.1911 (21 CFR 182.1911) and listed isopropyl citrate in § 182.6386 (21 CFR 182.6386) at 0.02 percent, and stearyl citrate, in § 182.6851 (21 CFR 182.6851), as sequestrants. Additionally, calcium citrate was listed under GRAS nutrients/dietary supplements.

However, in a final rule published in the *Federal Register* of September 5, 1980 (45 FR 58837), FDA divided the nutrient/dietary supplement category into separate listings for GRAS dietary supplements (21 CFR Part 182, Subpart F) and for GRAS nutrients (21 CFR Part 182, Subpart I). As a consequence, calcium citrate is currently listed in §§ 182.5195 and 182.8195 (21 CFR 182.5195 and 182.8195) for use as a dietary supplement and as a nutrient supplement, respectively.

Prior-sanctioned uses of monoisopropyl citrate, triethyl citrate, and mono-, di-, and tristearyl citrate as plasticizers in food packaging are listed in § 181.27 (21 CFR 181.27). Also, prior-sanctioned uses of ammonium citrate, mono-, di-, and tripotassium citrate, and mono-, di-, and trisodium citrate as stabilizers in food packaging are listed in § 181.29 (21 CFR 181.29).

Citric acid is listed as a component in the production of caramel (21 CFR 73.85) and stearyl monoglyceridyl citrate (21 CFR 172.755) and may also be used as an acidifying agent in wine (27 CFR 240.1051). The U.S. Department of Agriculture permits (9 CFR 318.7) the use of citric acid and stearyl, monoisopropyl, and sodium citrates as follows: citric acid in retort and cooling water, as a flavoring agent in chili con carne, and as a synergist in combination with antioxidants in lard, shortening, dry and fresh sausage, and dried meats; citric acid and stearyl citrate as flavor protectors in oleomargarine; monoisopropyl citrate as a synergist in combination with antioxidants in lard, shortening, oleomargarine, fresh pork sausage, and dried meats; citric acid and sodium citrate as anticoagulants in fresh blood and as curing accelerators in cured pork and beef cuts and comminuted meat products. Citric acid, isopropyl citrate, and stearyl citrate are included in the U.S. Department of Agriculture's standard of identity for oleomargarine (9 CFR 319.700).

FDA's standards of identity permit the use of citric acid or certain citrates as optional ingredients in several foods.

Specific indirect uses of the citrate salts and esters are regulated as follows: ammonium citrate in § 175.105 *Adhesives* (21 CFR 175.105); ammonium citrate, monoisopropyl citrate, mono-, di-, and tristearyl citrate, potassium citrate, sodium citrate, and triethyl

citrate in § 175.300 *Resinous and polymeric coatings* (21 CFR 175.300); triethyl citrate in § 175.320 *Resinous and polymeric coatings for polyolefin films* (21 CFR 175.320); mono-, di-, and tristearyl citrate in § 178.3910 *Surface lubricants used in the manufacture of metallic articles* (21 CFR 178.3910); and sodium citrate in § 179.45 *Packaging materials for use during the irradiation of prepackaged foods* (21 CFR 179.45).

In 1971, the National Academy of Sciences/National Research Council (NAS/NRC) surveyed a representative cross-section of food manufacturers to determine the specific foods in which citric acid and citrates were used and the levels of usage. NAS/NRC combined this manufacturing information with information on consumer consumption of foods to obtain an estimate of consumer exposure to these ingredients. The NAS/NRC survey revealed that citric acid and its salts are most frequently used in foods as pH control agents and as flavoring agents of flavor enhancers. The metal complexing properties of citrates make them useful as sequestrants, antioxidants, and preservatives. FDA estimates from the NAS/NRC survey that in 1970 the approximate poundage of citric acid and citrates used in foods in the United States was: citric acid, 60 million pounds; sodium citrate, 26 million pounds; potassium citrate, 970 thousand pounds; isopropyl citrate, 66 thousand pounds; calcium citrate, 31 thousand pounds; and triethyl citrate, 18 thousand pounds. The NAS/NRC survey did not report any poundage data for stearyl citrate. Dibasic ammonium citrate was not included in the list of GRAS substances surveyed in the 1971 survey.

The NAS/NRC survey reported that calcium citrate and potassium citrate are used in infant formula as nutrients for sources of calcium and potassium, respectively. Section 412(g) of the *Federal Food, Drug, and Cosmetic Act* (the act) lists calcium and potassium as required nutrients in infant formula, subject to level restrictions. FDA is reviewing all nutrient levels in infant formula under a contract with the American Academy of Pediatrics. Any necessary modifications in the nutrient levels of calcium and potassium in infant formula will be proposed in a separate rulemaking under section 412(a)(2) of the act. Calcium and potassium also may be used to fortify foods as described in Part 104 (21 CFR Part 104).

Citric acid and citrates have been the subject of a search of the scientific literature from 1920 to the present. The criteria used in the search were chosen to discover any articles that considered:

(1) Chemical toxicity, (2) occupational hazards, (3) metabolism, (4) reaction products, (5) degradation products, (6) carcinogenicity, teratogenicity, or mutagenicity, (7) dose response, (8) reproductive effects, (9) histology, (10) embryology, (11) behavioral effects, (12) detection, and (13) processing. A total of 2,685 abstracts on citric acid was reviewed, and 85 particularly pertinent reports from the literature survey have been summarized in a scientific literature review. A total of 625 abstracts on citrates also was reviewed, and 77 particularly pertinent reports from the literature survey have been summarized in a scientific literature review.

Information from the scientific literature reviews and other studies has been summarized in a report to FDA by the Select Committee on GRAS Substances (the Select Committee), which is composed of qualified scientists chosen by the Life Sciences Research Office of the Federation of American Societies for Experimental Biology (FASEB). The members of the Select Committee have evaluated all available safety information on citric acid and citrates.<sup>3</sup> In the Select Committee's opinion:

The citrate ion is widely distributed in plants and animals and is a naturally occurring component of the diet. It is a common metabolite in oxidative metabolism and an important component of bone. Exogenous citrate administered to infants and adults as a component of commonly consumed diets is considered completely metabolizable. The addition of citric acid to foods is considered equivalent to adding citrate salts except in foods of very high acidity. The amount of citrate added to foods by food processors is about 500 mg per person per day. This amount occurs naturally in 2 ounces of orange juice and does not constitute a significant addition to the total body load. Although data on acute and chronic effects of orally administered sodium citrate, calcium citrate and potassium citrate are limited, no biological effects of the citrate-containing substances evaluated in this report cause concern about the safety of

<sup>3</sup> "Evaluation of the Health Aspects of Citric Acid, Sodium Citrate, Potassium Citrate, Calcium Citrate, Ammonium Citrate, Triethyl Citrate, Isopropyl Citrate, and Stearyl Citrate as Food Ingredients," Life Sciences Research Office, Federation of American Societies for Experimental Biology, 1977, pp. 7-15. In the past, the agency presented verbatim the Select Committee's discussion of the biological data it reviewed. However, because the Select Committee's report is available at the Dockets Management Branch and from the National Technical Information Service, and because it represents a significant savings to the agency in publication costs, FDA has decided to discontinue presenting the discussion in the preamble to proposals that affirm GRAS status in accordance with the current good manufacturing practice.

these GRAS substances used in reasonable amounts and in accordance with prescribed tolerances and limitations.<sup>4</sup>

The Select Committee concludes that no evidence in the available information on citric acid, sodium citrate, potassium citrate, calcium citrate, dibasic ammonium citrate, isopropyl citrate, stearyl citrate, and triethyl citrate demonstrates, or suggests reasonable grounds to suspect, a hazard to the public when these substances are used at levels that are now current or that might reasonably be expected in the future.<sup>5</sup>

FDA has undertaken its own evaluation of all available information on these ingredients and concurs with the conclusion of the Select Committee. The agency concludes that no change in the current GRAS status of citric acid, calcium citrate, isopropyl citrate, potassium citrate, sodium citrate, stearyl citrate, and triethyl citrate is justified. Therefore, the agency proposes that these ingredients be affirmed as GRAS. FDA is also of the opinion, based on its review of the data, that the use of calcium citrate and potassium citrate as nutrient supplements in infant formula is safe, and the agency is also proposing to affirm these uses. Although most nutrients are also used as dietary supplements, FDA is unaware of any such use of potassium citrate. In addition, because the NAS/NRC survey did not specifically request data on dietary supplement use, FDA does not have adequate data upon which to judge exposure from the use of calcium citrate as a dietary supplement. Without such exposure data, the agency cannot evaluate the safety of the use of this substance in dietary supplements. Therefore, FDA is taking no action on the GRAS status of this use of calcium citrate.

Although dibasic ammonium citrate is not listed as GRAS in Part 182, industry reported that it is used in the manufacture of cheese. This use results in a maximum residual level of 0.005 percent. The Select Committee evaluated information on this ingredient and found that its use in food presents no hazard to human health. Therefore, on the basis of the Select Committee's report and its own review of the data, the agency has tentatively concluded that the reported use of dibasic ammonium citrate should also be affirmed as GRAS.

The agency has also considered the need to establish a separate GRAS affirmation regulation for monoisopropyl citrate. FDA finds no evidence that

monoisopropyl citrate is commercially available in pure form and concludes that any monoisopropyl citrate present in food occurs as part of a mixture of mono-, di-, and triisopropyl citrate. Because proposed § 184.1386 defines isopropyl citrate as the mono-, di-, and triisopropyl esters of citric acid or any mixture of these esters, the use of monoisopropyl citrate in food would be covered by this regulation. Therefore, the agency is not proposing a separate GRAS affirmation regulation for monoisopropyl citrate and is proposing to remove the listing for this ingredient in § 182.6511 (21 CFR 182.6511).

In the *Federal Register* of September 23, 1974 (39 FR 34188) and October 21, 1975 (40 FR 49080), FDA issued food additive regulations (21 CFR 173.165 and 173.280) that describe a microorganism and an extraction method for the manufacture of citric acid. The agency deferred judgment about the GRAS status of citric acid produced in accordance with these regulations until it could evaluate the safety of citric acid under the general GRAS review program. In these *Federal Register* documents, FDA did not state that citric acid produced by these methods and meeting the specifications in the Food Chemicals Codex is the same as any other food grade citric acid. FDA has found that citric acid that meets the Food Chemicals Codex specifications does not present a public health hazard. Therefore, citric acid produced according to the above regulations, or according to 21 CFR 173.160 (see the *Federal Register* of October 15, 1976 (41 FR 45546)), that meets the specifications in the Food Chemicals Codex and its supplements in GRAS.

Because no food-grade specifications exist for ammonium (dibasic), isopropyl, and stearyl citrates at the present time, the agency will work with the Committee on Codex Specifications of the National Academy of Sciences (the NAS Committee) to develop acceptable specifications for these ingredients. In so doing, FDA and the NAS Committee will consider the specifications for isopropyl and stearyl citrates that were developed and issued recently by the Joint FAO/WHO Expert Committee on Food Additives (copies are available from UNIPUB, Inc., Box 433, Murray Hill Station, New York, NY 10016). If acceptable specifications are developed, the agency will incorporate them into these regulations at a later date. Until any such specifications are developed, FDA has determined that the public health will be adequately protected if commercial ammonium (dibasic), isopropyl, and stearyl citrates comply

with the description in the proposed regulation and are of food-grade purity (21 CFR 170.30(h)(1) and 182.1(b)(3)).

FDA is proposing to affirm the GRAS status of these ingredients when they are used under current good manufacturing practice conditions of use in accordance with § 184.1(b)(1) (21 CFR 184.1(b)(1)). The agency is proposing not to include in the GRAS affirmation regulations for these substances the levels of use reported in the 1971 NAS/NRC survey. Both FASEB and the agency have concluded that a large margin of safety exists for the use of these substances, and that a reasonably foreseeable increase in the level of consumption of these substances will not adversely affect human health.

In addition, for isopropyl citrate, stearyl citrate, and triethyl citrate, the agency is proposing not to include in the GRAS affirmation regulations the tolerance levels specified in §§ 182.6386, 182.6851, and 182.1911, respectively. The 1971 NAS/NRC survey indicated that there are several uses of triethyl citrate in addition to its use in egg whites at 0.25 percent that is listed in § 182.1911. Both FASEB and the agency have evaluated the safety of these additional uses of triethyl citrate and concluded that there is no reason to specify that triethyl citrate be used in egg whites only or to establish a use level for this ingredient. The tolerances for stearyl citrate and isopropyl citrate merely are repetitive of the maximum levels listed in § 166.110 (21 CFR 166.110) for optional ingredients in margarine. The maximum levels in the standard of identity were imposed to assure current good manufacturing practice and are not upper limits for safe use of the ingredients. As the proposed regulations state, FASEB and the agency only evaluated this use of these ingredients. The agency is of the opinion that the limits in the standard of identity for margarine prescribed by § 166.110 are adequately enforceable and need not be repeated in the proposed GRAS regulations.

Because the affirmation of the GRAS status of dibasic ammonium citrate, calcium citrate, isopropyl citrate, stearyl citrate, and triethyl citrate is based on the evaluation of limited uses, however, the proposed regulations for these ingredients set forth the technical effects and food categories that FDA evaluated. On the other hand, because citric acid, potassium citrate, and sodium citrate are used in numerous food categories and have a large number of technical effects, FDA has concluded that, in addition to not including levels of use, it is not necessary to include a description

<sup>4</sup> *Ibid.*, p. 18.

<sup>5</sup> *Ibid.*

of technical effects of food categories in the proposed GRAS affirmation regulations for these ingredients.

In the *Federal Register* of September 7, 1982 (47 FR 39199), FDA proposed to adopt a general policy restricting the circumstances in which it will specifically describe conditions of use in regulations affirming substances as GRAS under 21 CFR 184.1(b)(1) or 186.1(b)(1). The agency proposed to amend its regulations to indicate clearly that it will specify one or more of the current good manufacturing practice conditions of use in regulations for substances affirmed as GRAS with no

limitations other than current good manufacturing practices only when the agency determines that it is appropriate to do so.

Copies of the scientific literature reviews on citric acid and citrates, teratologic evaluation of citric acid, mutagenic evaluations of citric acid, potassium citrate, sodium citrate, and triethyl citrate, and the report of the Select Committee are available for review at the Dockets Management Branch (address above), and may be purchased from the National Technical Information Service, 5285 Port Royal Rd., Springfield, VA 22161, as follows:

Title	Order No.	Price code	Price <sup>1</sup>
Citrates (scientific literature review)	PB223-850/AS	A06	\$9.00
Citric acid (scientific literature)	PB241-967/AS	A07	10.00
Citric acid and citrates (Select Committee report)	PB280-654/AS	A03	6.00
Citric acid (teratologic evaluation)	PB223-514/AS	A04	7.00
Citric acid (mutagenic evaluation)	PB245-463/AS	A07	10.00
Potassium citrate (mutagenic evaluation)	PB254-518/AS	A03	6.00
Sodium citrate (mutagenic evaluation)	PB254-510/AS	A03	6.00
Triethyl citrate (mutagenic evaluation)	PB257-866/AS	A03	6.00

<sup>1</sup>Price subject to change.

This proposed action does not affect the current use of citric acid and citrates in pet food or animal feed.

The format of the proposed regulation is different from that in previous GRAS affirmation regulations. FDA has modified paragraph (c) of §§ 184.1033, 184.1140, 184.1195, 184.1386, 184.1625, 184.1751, 184.1851, and 184.1911 to make clear the agency's determination the GRAS affirmation is based upon current good manufacturing practice conditions of use, including, when appropriate, both the technical effects and food categories listed. This change has no substantive effect but is made merely for clarity.

The agency has determined under 21 CFR 25.24(d)(6) (proposed December 11, 1979, 44 FR 71742), that this proposed action is of a type that does not individually or cumulatively have a significant impact on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

FDA, in accordance with the Regulatory Flexibility Act, has considered the effect that this proposal would have on small entities including small businesses and has determined that the effect of this proposal is to maintain current known uses of the substances covered by this proposal by both large and small businesses. Therefore, FDA certifies in accordance with section 805(b) of the Regulatory Flexibility Act that no significant economic impact on a substantial

number of small entities will derive from this action.

In accordance with Executive Order 12291, FDA has carefully analyzed the economic effects of this proposal, and the agency has determined that the final rule, if promulgated, will not be a major rule as defined by the Order.

#### List of Subjects

##### 21 CFR Part 182

Generally recognized as safe (GRAS) food ingredients, Spices and flavorings.

##### 21 CFR Part 184

Direct food ingredients, Food ingredients, Generally recognized as safe (GRAS) food ingredients.

Therefore, under the Federal Food, Drug, and Cosmetic Act (secs. 201(s), 409, 701(a), 52 Stat. 1055, 72 Stat. 1784-1788 as amended (21 U.S.C. 321(s), 348, 371(a))) and under authority delegated to the Commissioner of Food and Drugs (21 CFR 5.10), it is proposed that Parts 182 and 184 be amended as follows:

#### PART 182—SUBSTANCES GENERALLY RECOGNIZED AS SAFE

§§ 182.1033, 182.1195, 182.1625, 182.1751, 182.1911, 182.6033, 182.6195, 182.6388, 182.6511, 182.6625, 182.6751, 182.6851, 182.6951 [Removed]

1. Part 182 is amended by removing § 182.1033 *Citric acid*, § 182.1195 *Calcium citrate*, § 182.1625 *Potassium citrate*, § 182.1751 *Sodium citrate*, § 182.1911 *Triethyl citrate*, § 182.6033 *Citric acid*, § 182.6195 *Calcium citrate*, § 182.6388 *Isopropyl citrate*, § 182.6511

*Monoisopropyl citrate*, § 182.6625 *Potassium citrate*, § 182.6751 *Sodium citrate*, § 182.6851 *Stearyl citrate*, and § 182.8195 *Calcium citrate*.

#### PART 184—DIRECT FOOD SUBSTANCES AFFIRMED AS GENERALLY RECOGNIZED AS SAFE

2. Part 184 is amended:

a. By adding new § 184.1033, to read as follows:

##### § 184.1033 Citric acid.

(a) Citric acid ( $C_6H_8O_7$ , CAS Reg. No. 77-92-9) is the compound 2-hydroxy-1,2,3-propanetricarboxylic acid. It is a naturally occurring metabolite in plant and animal tissues. It occurs as colorless crystals or a white powder and may be anhydrous or contain one molecule of water of hydration. Citric acid may be produced by mycological fermentation using *Candida* spp., described in §§ 173.160 and 173.165 of this chapter, or *Aspergillus niger*. In addition, the solvent extraction process described in § 173.280 of this chapter may be employed for the recovery of citric acid from *Aspergillus niger* fermentation liquor. Citric acid may also be recovered from lemon or pineapple juice.

(b) The ingredient meets the specifications of the Food Chemicals Codex, 3d Ed. (1981), p. 86, which is incorporated by reference. Copies are available from the National Academy Press, 2101 Constitution Ave. NW., Washington, DC 20418, or available for inspection at the Office of the Federal Register, 1100 L St. NW., Washington, DC 20408.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice.

b. By adding new § 184.1140, to read as follows:

##### § 184.1140 Ammonium citrate, dibasic.

(a) Ammonium citrate, dibasic (CAS Reg. No. 3012-65-5) is the diammonium salt of citric acid. It is prepared by neutralizing citric acid with ammonia and occurs as granules or crystals.

(b) The Food and Drug Administration, in cooperation with the National Academy of Sciences, is developing food-grade specifications for isopropyl citrate. In the interim, this ingredient must be of a purity suitable for its intended use.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice. The affirmation of this ingredient as generally recognized as safe (GRAS) as a direct human food ingredient is based upon the

following current good manufacturing practice conditions of use:

(1) The ingredient is used as a pH control agent as defined in § 170.3(o)(23) of this chapter.

(2) The ingredient is used in cheeses as defined in § 170.3(n)(5) of this chapter at levels not to exceed current good manufacturing practice.

c. By adding new § 184.1195, to read as follows:

**§ 184.1195 Calcium citrate.**

(a) Calcium citrate ( $\text{Ca}_3(\text{C}_6\text{H}_5\text{O}_7)_2 \cdot 4\text{H}_2\text{O}$ , CAS Reg. No. 813-94-5) is the calcium salt of citric acid. It is prepared by neutralizing citric acid with calcium hydroxide. It occurs as a fine, white, odorless powder and usually contains four molecules of water.

(b) The ingredient meets the specifications of the Food Chemicals Codex, 3d Ed. (1981), p. 49, which is incorporated by reference. Copies are available from the National Academy Press, 2101 Constitution Ave. NW., Washington, DC 20418, or available for inspection at the Office of the Federal Register, 1100 L St. NW., Washington, DC 20408.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice. The affirmation of this ingredient as generally recognized as safe (GRAS) as a direct human food ingredient is based upon the following current good manufacturing practice conditions of use:

(1) The ingredient is used as an emulsifier as defined in § 170.3(o)(8) of this chapter; firming agent as defined in § 170.3(o)(10) of this chapter; and nutrient supplement as defined in § 170.3(o)(20) of this chapter.

(2) The ingredient is used in the following foods at levels not to exceed current good manufacturing practice: cheeses as defined in § 170.3(n)(5) of this chapter; fats and oils as defined in § 170.3(n)(12) of this chapter; gelatins and puddings as defined in § 170.3(n)(22) of this chapter; jams and jellies as defined in § 170.3(n)(28) of this chapter; and processed vegetables and vegetable juices as defined in § 170.3(n)(36) of this chapter. Calcium citrate may also be used in infant formula in accordance with section 412(g) of the Federal Food, Drug, and Cosmetic Act (the act) or with regulations promulgated under section 412(a)(2) of the act.

d. By adding new § 184.1386, to read as follows:

**§ 184.1386 Isopropyl citrate.**

(a) Isopropyl citrate is the mono-, di-,

and triisopropyl esters of citric acid or any mixture of these esters. It is prepared by esterifying citric acid with isopropanol.

(b) **The Food and Drug**

Administration, in cooperation with the National Academy of Sciences, is developing food-grade specifications for isopropyl citrate. In the interim, this ingredient must be of a purity suitable for its intended use.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice. The affirmation of this ingredient as generally recognized as safe (GRAS) as a direct human food ingredient is based upon the following current good manufacturing practice conditions of use:

(1) The ingredient is used as a sequestrant as defined in § 170.3(o)(26) of this chapter.

(2) The ingredient is used in margarine at levels not to exceed current good manufacturing practice.

e. By adding new § 184.1625, to read as follows:

**§ 184.1625 Potassium citrate.**

(a) Potassium citrate ( $\text{C}_6\text{H}_5\text{K}_2\text{O}_7 \cdot \text{H}_2\text{O}$ , CAS Reg. No. 866-84-2) is the potassium salt of citric acid. It is prepared by neutralizing citric acid with potassium hydroxide. It occurs as transparent crystals or a white granular powder, is odorless and deliquescent, and contains a molecule of water.

(b) The ingredient meets the specifications of the Food Chemicals Codex, 3d Ed. (1981), p. 242, which is incorporated by reference. Copies are available from the National Academy Press, 2101 Constitution Ave. NW., Washington, DC 20418, or available for inspection at the Office of the Federal Register, 1100 L St. NW., Washington, DC 20408.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice. Potassium citrate may also be used in infant formula in accordance with section 412(g) of the Federal Food, Drug, and Cosmetic Act (the act) or with regulations promulgated under section 412(a)(2) of the act.

f. By adding new § 184.1751, to read as follows:

**§ 184.1751 Sodium citrate.**

(a) Sodium citrate ( $\text{C}_6\text{H}_5\text{Na}_2\text{O}_7 \cdot 2\text{H}_2\text{O}$ , CAS Reg. No. 68-04-2) is the sodium salt of citric acid. It is prepared by neutralizing citric acid with sodium

hydroxide. The product occurs as colorless crystals or a white crystalline powder. It is anhydrous or contains two molecules of water.

(b) The ingredient meets the specifications of the Food Chemicals Codex, 3d Ed. (1981), p. 283, which is incorporated by reference. Copies are available from the National Academy Press, 2101 Constitution Ave. NW., Washington, DC 20418, or available for inspection at the Office of the Federal Register, 1100 L St. NW., Washington, DC 20408.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice.

g. By adding new § 184.1851, to read as follows:

**§ 184.1851 Stearyl citrate.**

(a) Stearyl citrate is the mono-, di-, and tristearyl esters of citric acid or any mixture of these esters. It is prepared by esterifying citric acid with stearyl alcohol.

(b) The Food and Drug Administration, in cooperation with the National Academy of Sciences, is developing food-grade specifications for stearyl citrate. In the interim, this ingredient must be of a purity suitable for its intended use.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice. The affirmation of this ingredient as generally recognized as safe (GRAS) as a direct human food ingredient is based upon the following current good manufacturing practice conditions of use:

(1) The ingredient is used as an antioxidant as defined in § 170.3(o)(3) of this chapter.

(2) The ingredient is used in margarine at levels not to exceed current good manufacturing practice.

h. By adding new § 184.1911 to read as follows:

**§ 184.1911 Triethyl citrate.**

(a) Triethyl citrate ( $\text{C}_{12}\text{H}_{20}\text{O}_7$ , CAS Reg. No. 77-93-0) is the triethyl ester of citric acid. It is prepared by esterifying citric acid with ethyl alcohol and occurs as an odorless, practically colorless, oily liquid.

(b) The ingredient meets the specifications of the Food Chemicals Codex, 3d Ed. (1981), p. 339, which is incorporated by reference. Copies are available from the National Academy Press, 2101 Constitution Ave. NW., Washington, DC 20418, or available for

inspection at the Office of the Federal Register, 1100 L St. NW., Washington, DC 20408.

(c) In accordance with § 184.1(b)(1), the ingredient is used in food with no limitation other than current good manufacturing practice. The affirmation of this ingredient as generally recognized as safe (GRAS) as a direct human food ingredient is based upon the following current good manufacturing practice conditions of use:

(1) The ingredient is used as a flavoring agent as defined in § 170.3(o)(12) of this chapter; solvent and vehicle as defined in § 170.3(o)(27) of this chapter; and surface-active agent as defined in § 170.3(o)(29) of this chapter.

(2) The ingredient is used in the following foods at levels not to exceed current good manufacturing practice: baked goods as defined in § 170.3(n)(1) of this chapter; alcoholic beverages as defined in § 170.3(n)(2) of this chapter; nonalcoholic beverages as defined in § 170.3(n)(3) of this chapter; chewing gum as defined in § 170.3(n)(6) of this chapter; frozen dairy desserts as defined in § 170.3(n)(20) of this chapter; gelatins and puddings as defined in § 170.3(n)(22) of this chapter; hard candy as defined in § 170.3(n)(25) of this chapter; and soft candy as defined in § 170.3(n)(38) of this chapter.

The agency is unaware of any prior sanction for the use of these ingredients in foods under conditions different from those identified in this document. Any person who intends to assert or rely on such a sanction shall submit proof of its existence in response to this proposal. The action proposed above will constitute a determination that excluded uses would result in adulteration of the food in violation of section 402 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 342), and the failure of any person to come forward with proof of an applicable prior sanction in response to this proposal constitutes a waiver of the right to assert or rely on it later. Should any person submit proof of the existence of a prior sanction, the agency hereby proposes to recognize such use by issuing an appropriate final rule under Part 181 (21 CFR Part 181) or affirming it as GRAS under Part 184 or 186 (21 CFR Part 184 or 186), as appropriate.

Interested persons may, on or before March 8, 1983 submit to the Dockets Management Branch (address above), written comments regarding this proposal. Two copies of any comments are to be submitted, except that individuals may submit one copy.

Comments are to be identified with the docket number found in brackets in the heading of this document. Received comments may be seen in the office above between 9 a.m. and 4 p.m., Monday through Friday.

Dated: December 15, 1982.

William F. Randolph,

*Acting Associate Commissioner for Regulatory Affairs.*

[FR Doc. 83-202 Filed 1-6-83; 8:45 am]

BILLING CODE 4160-01-M

## 21 CFR Part 886

[Docket No. 82N-0180]

### Proposed Reclassification of Daily Wear Spherical Contact Lenses Consisting of Rigid Gas Permeable Plastic Materials

#### Correction

In FR Doc. 82-32332 beginning on page 53402 in the issue of Friday, November 26, 1982, make the following correction:

On page 53409, third column, in the first complete paragraph, in the third line from the bottom, "increase of 0.2" should have read "increase of -0.2".

BILLING CODE 1505-01-M

## 21 CFR Part 886

[Docket No. 82N-0179]

### Proposed Reclassification of Daily Wear Optically Spherical Hydrogel (Soft) Contact Lenses

#### Correction

In FR Doc. 82-32333 beginning on page 53411 in the issue of Friday, November 26, 1982, make the following corrections:

(1) On page 53412, middle column in the ninth line of the first full paragraph, "amendments because" should have read "amendments became"

(2) On page 53417, middle column, eleven lines from the bottom of the page, "107 patients (39 females)" should have read "107 patients (39 males, 68 females)".

(3) On page 53418, first column, in the eighth line from the bottom of the page, "90 percent 100 preselected patients" should have read "90 percent of 100 preselected patients".

BILLING CODE 1505-01-M

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 55

[A-3-FRL 2280-3]

### State and Federal Administrative Enforcement of Implementation Plan Requirements After Statutory Deadlines; Proposed Delayed Compliance Order for the Department of the Navy, Naval Ordnance Station, Indian Head, Goddard Power Plant

**AGENCY:** Environmental Protection Agency.

**ACTION:** Proposed rule.

**SUMMARY:** The Environmental Protection agency proposes to modify the administrative Order issued to the Department of the Navy's Naval Ordnance Station, Goddard Power Plant on October 28, 1981. This Order will require Boilers Nos. 1, 2, and 3, in Indian Head, Maryland to achieve compliance with air pollution requirements under the Maryland State Implementation Plan by March 1, 1985.

**DATE:** Written comments and request for a public hearing (and reasons therefore) must be received no later than February 7, 1983.

**ADDRESS:** All comments and request for a public hearing should be submitted to: U.S. Environmental Protection Agency, Region III, Sixth & Walnut Streets, Philadelphia, Pennsylvania 19106, Attn: Director, Air & Waste Management Division (3AW00).

**FOR FURTHER INFORMATION CONTACT:** Copies of the Order and additional information can be obtained from Denis M. Zielinski, Environmental Scientist, Environmental Protection Agency, Sixth & Walnut Streets, Philadelphia, Pennsylvania 19106, telephone number (215) 597-0804.

**SUPPLEMENTARY INFORMATION:** The original proposed Order was published in the Federal Register on July 30, 1981 (42 FR 39039). During the 30-day public comment period that ended August 30, 1981 no comments were received by EPA and an Order, Numbered R-III-CC-007 was promulgated on October 28, 1981.

In December, 1981, as required by the Order the Naval Ordnance Station, Indian Head ("NOSIH") conducted particulate emission tests at its boilers. The results of these tests indicated emissions far in excess of what was allowed by the ORDER and indicated that the NOSIH would have to perform major unforeseen maintenance on the boilers and multiclone collection system