**List of Subjects in 14 CFR Part 71**

Aviation safety, Control zones, Transition areas.

**Adoption of the Amendment**

Accordingly, pursuant to the authority delegated to me, the Federal Aviation Administration amends § 71.171 and § 71.181 of the Federal Aviation Regulations (14 CFR Part 71) as follows:

1. Amend § 71.171 of Part 71 of the Federal Aviation Regulations by amending the description of the Montpelier, Vermont Control Zone to read as follows:

**Montpelier, Vermont Control Zone**

Within a 6-mile radius of the center, lat. 44°12'15"N., long. 72°33'45"W., of Edward F. Knapp (Barre-Montpelier) State Airport, Barre-Montpelier, VT; within 1.5 miles each side of the Montpelier VOR, lat. 44°05'08"N., long. 72°26'59"W., 324° radial extending from the 6-mile radius zone to 1.5 miles northwest of the VOR; within 3.5 miles each side of the 158° bearing from Williams NDB, lat. 44°07'14"N., long. 72°31'08"W., extending from the 6-mile radius zone to 14 miles southeast of the NDB; within 2 miles each side of the center line of Runway 23 extending from the 6-mile radius zone to 8 miles southwest of the end of Runway 23; excluding the airspace within a 1-mile radius of Washington (Carriers) Airport, lat. 44°07'00"N., long. 72°27'00"W.

2. Amend § 71.181 of Part 71 of the Federal Aviation Regulations by amending the description of the Montpelier, Vermont Transition Area to read as follows:

**Montpelier, Vermont 700-Foot Transition Area**

That airspace extending upward from 700 feet above the surface within a 10-mile radius of the center, lat. 44°12'15"N., long. 72°33'45"W., of Edward F. Knapp (Barre-Montpelier) State Airport, Barre-Montpelier, VT; within 5 miles each side of the Montpelier VOR, lat. 44°05'08"N., long. 72°26'59"W., 144° radial extending from the 10-mile radius area to 11.5 miles southeast of the VOR; within 4 miles each side of the 158° bearing from Williams NDB, lat. 44°07'14"N., long. 72°31'08"W., extending from the 10-mile radius area to 11 miles southeast of the NDB; within 4.5 miles each side of the Mount Mansfield NDB, lat. 44°23'11.8"N., long. 72°41'38.3"W., 331° and 151° bearings from the NDB extending from the 10-mile radius area to 10.5 miles northwest of the NDB, excluding that portion within the Morrisville, VT, transition area.

(Sec. 307(a) and 313(a), Federal Aviation Act of 1958 (49 U.S.C. 1348(a) and 1354(a); 49 U.S.C. 106(g) (Revised Pub. L. 97-449, January 12, 1983); and 14 CFR 11.69))

Note.—The FAA has determined that this regulation involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. Therefore, it is certified that this (1) Is not a "major rule" under Executive Order 12291; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal; (4) and will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Issued in Burlington, Massachusetts, on August 10, 1983.

Robert E. Whittington,

*Director, New England Region.*

[FR Doc. 83-22672 Filed 8-19-83; 8:45 am]

BILLING CODE 4910-13-M

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**14 CFR Part 97**

**[Docket No. 23726; Amdt. No. 1249]**

## Standard Instrument Approach Procedures; Miscellaneous Amendments

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Final rule.

**SUMMARY:** This amendment establishes, amends, suspends, or revokes Standard Instrument Approach Procedures (SIAPs) for operations at certain airports. These regulatory actions are needed because of the adoption of new or revised criteria, or because of changes occurring in the National Airspace System, such as the commissioning of new navigational facilities, addition of new obstacles, or changes in air traffic requirements. These changes are designed to provide safe and efficient use of the navigable airspace and to promote safe flight operations under instrument flight rules at the affected airports.

**DATES:** An effective date for each SIAP is specified in the amendatory provisions.

**ADDRESSES:** Availability of matters incorporated by reference in the amendment is as follows:

*For Examination—*

1. FAA Rules Docket, FAA Headquarters Building, 800 Independence Avenue, SW., Washington, D.C. 20591;
2. The FAA Regional Office of the region in which the affected airport is located; or
3. The Flight Inspection Field Office which originated the SIAP.

*For Purchase—*

Individual SIAP copies may be obtained from:

1. FAA Public Information Center (APA-430), FAA Headquarters Building, 800 Independence Avenue, SW., Washington, D.C. 20591; or
2. The FAA Regional Office of the region in which the affected airport is located.

*By Subscription—*

Copies of all SIAPs, mailed once every 2 weeks, are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

**FOR FURTHER INFORMATION CONTACT:** Donald K. Funai, Flight Procedures and Airspace Branch (AFO-730), Aircraft Programs Division, Office of Flight Operations, Federal Aviation Administration, 800 Independence Avenue, SW., Washington, D.C. 20591; telephone (202) 426-8277.

**SUPPLEMENTARY INFORMATION:** This amendment to Part 97 of the Federal Aviation Regulations (14 CFR Part 97) prescribes new, amended, suspended, or revoked Standard Instrument Approach Procedures (SIAPs). The complete regulatory description of each SIAP is contained in official FAA form documents which are incorporated by reference in this amendment under 5 U.S.C. 552(a), 1 CFR Part 51, and § 97.20 of the Federal Aviation Regulations (FARs). The applicable FAA Forms are identified as FAA Forms 8260-3, 8260-4 and 8260-5. Materials incorporated by reference are available for examination or purchase as stated above.

The large number of SIAPs, their complex nature, and the need for a special format make their verbatim publication in the **Federal Register** expensive and impractical. Further, airmen do not use the regulatory text of the SIAPs, but refer to their graphic depiction on charts printed by publishers of aeronautical materials. Thus, the advantages of incorporation by reference are realized and publication of the complete description of each SIAP contained in FAA form document is unnecessary. The provisions of this amendment state the affected CFR (and FAR) sections, with the types and effective dates of the SIAPs. This amendment also identifies the airport, its location, the procedure identification and the amendment number.

This amendment to Part 97 is effective on the date of publication and contains separate SIAPs which have compliance dates stated as effective dates based on related changes in the National Airspace System or the application of new or revised criteria. Some SIAP amendments may have been previously issued by the FAA in a National Flight Data Center (FDC) Notice to Airmen (NOTAM) as an emergency action of immediate flight safety relating directly

to published aeronautical charts. The circumstances which created the need for some SIAP amendments may require making them effective in less than 30 days. For the remaining SIAPs, an effective date at least 30 days after publication is provided.

Further, the SIAPs contained in this amendment are based on the criteria contained in the U.S. Standard for Terminal Instrument Approach Procedures (TERPs). In developing these SIAPs, the TERPS criteria were applied to the conditions existing or anticipated at the affected airports. Because of the close and immediate relationship between these SIAPs and safety in air commerce, I find that notice and public procedure before adopting these SIAPs is unnecessary, impracticable, and contrary to the public interest and, where applicable, that good cause exists for making some SIAPs effective in less than 30 days.

**List of Subjects in 14 CFR Part 97**

Approaches, Standard instrument, Aviation safety.

**Adoption of the Amendment**

Accordingly, pursuant to the authority delegated to me, Part 97 of the Federal Aviation Regulations (14 CFR Part 97) is amended by establishing, amending, suspending, or revoking Standard Instrument Approach Procedures, effective at 0901 G.m.t. on the dates specified, as follows:

1. By amending Part 97.23 VOR, VOR/DME, VOR or TACAN, and VOR/DME or TACAN SIAPS identified as follows:

* * * *Effective September 29, 1983*

Scottsdale, AZ—Scottsdale Muni, VOR-A, Amdt. 4
San Jose, CA—San Jose Muni, VOR RWY 12L/R, Amdt. 17
Douglas, GA—Douglas Muni, VOR-A, Amdt. 4
DeKalb, IL—DeKalb Muni, VOR/DME RWY 27, Amdt. 2
Dixon, IL—Dixon Muni-Charles R. Walgreen Field, VOR-A, Amdt. 7
Indianapolis, IN—Mt. Comfort, VOR-A, Amdt. 1, Cancelled
Indianapolis, IN—Mt. Comfort, VOR RWY 34, Amdt. Orig.
Albia, IA—Albia Muni, VOR/DME-A, Amdt. 2
Fort Madison, IA—Fort Madison Muni, VOR/DME-A, Amdt. 4
Grand Haven, MI—Grand Haven Memi Airpark, VOR-A, Amdt. 11
Holland, MI—Park Township, VOR-C, Amdt. 6
Linden, MI—Prices, VOR-A, Amdt. 3
Petersburg, MI—Lada, VOR-A, Amdt. 4
Lake Winnebago, MO—Lake Winnebago Muni, VOR/DME-A, Amdt. Orig.
Stockton, MO—Stockton Muni, VOR/DME-A, Amdt. Orig.
Jackson, OH—James A. Rhodes, VOR/DME-A, Amdt. 1
Newark, OH—Newark-Heath, VOR-A, Amdt. 8
Woodsfield, OH—Monroe County, VOR/DME RWY 25, Amdt. 3
Xenia, OH—Greene County, VOR-A, Amdt. Orig.
Youngstown, OH—Youngstown Elser Metro, VOR-C, Amdt. 1
Youngstown, OH—Youngstown Muni, VOR RWY 18, Amdt. 15
Tulsa, OK—Richard Lloyd Jones Jr., VOR/DME-A, Amdt. 3
Clearfield, PA—Clearfield-Lawrence, VOR RWY 30, Amdt. 3
Philipsburg, PA—Mid-State, VOR RWY 24, Amdt. 14
Selinsgrove, PA—Penn Valley, VOR-A, Amdt. 3
State College, PA—University Park, VOR-B Amdt. 8
Pelion, SC—Corporate, VOR-A, Amdt. Orig.
Sioux Falls, SD—Joe Foss Field, VOR or TACAN RWY 15, Amdt. 14
Sioux Falls, SD—Joe Foss Field, VOR/DME or TACAN RWY 33, Amdt. 5
Dublin, VA—New River Valley, VOR-A, Amdt. 7
Dublin, VA—New River Valley, VOR/DME RWY 6, Amdt. 6
Galax-Hillsville, VA—Twin County, VOR/DME RWY 18, Amdt. 2
Wausau, WI—Wausau Muni, VOR-A, Amdt. 14
Wausau, WI—Wausau Muni, VOR/DME RWY 12, Amdt. Orig

* * * *Effective September 1, 1983*

Vandalia, IL—Vandalia Muni, VOR RWY 18, Amdt. 10

* * * *Effective August 4, 1983*

Crookston, MN—Crookston Muni-Kirkwood Fld, VOR RWY 31, Amdt. 3

2. By amending Part 97.25 LOC, LOC/DME, LDA, LDA/DME, SDF, and SDF/DME SIAPS identified as follows:

* * * *Effective September 29, 1983*

San Jose, CA—San Jose Muni, LOC/DME RWY 30L, Amdt. 5
Douglas, GA—Douglas Muni, LOC RWY 4, Amdt. Orig.
Sterling Rockfalls, IL—Whiteside Co Arpt Jos H. Bittorf Fld, LOC BC RWY 7, Amdt. 3
Newark, OH—Newark-Heath, SDF RWY 9, Amdt. 1
Roanoke, VA—Roanoke Muni/Woodrum LDA RWY 5, Amdt. 4

3. By amending Part 97.27 NDB and NDB/DME SIAPS identified as follows:

* * * *Effective September 29, 1983*

Scottsdale, AZ—Scottsdale Muni, NDB-B, Amdt. 1
San Jose CA—San Jose Muni, NDB/DME RWY 30L, Amdt. Orig.
Douglas, GA—Douglas Muni, NDB RWY 4, Amdt. Orig.
Chicago, IL—Chicago-O'Hare Intl, NDB RWY 9R, Amdt. 13
Chicago, IL—Chicago-O'Hare Intl, NDB RWY 27R, Amdt. 19
Chicago, IL—Chicago-O'Hare Intl, NDB RWY 32L, Amdt. 18
Chicago, IL—Chicago-O'Hare Intl, NDB RWY 32R, Amdt. 18
DeKalb, IL—DeKalb Muni, NDB RWY 27, Amdt. 6
Kewanee, IL—Kewanee Muni, NDB RWY 1, Amdt. 4
Kewanee, IL—Kewanee Muni, NDB RWY 9, Amdt. 4
Sterling Rockfalls, IL—Whiteside Co Arpt Jos H. Bittorf Fld, NDB RWY 7, Amdt. 3
Bloomfield, IA—Bloomfield Muni, NDB RWY 36, Amdt. 2
Charles City, IA—Charles City Muni, NDB RWY 12, Amdt. 8
Charles City, IA—Charles City Muni, NDB RWY 30, Amdt. Orig.
Clarion, IA—Clarion Muni, NDB RWY 14, Amdt. 2
Fairfield, IA—Fairfield Muni, NDB RWY 35, Amdt. 5
Mt. Pleasant, IA—Mt. Pleasant Muni, NDB RWY 33, Amdt. 4
Sioux Center, IA—Sioux Center Muni, NDB RWY 17, Amdt. 2
Holland, MI—Park Township, NDB RWY 5, Amdt. 1
Holland, MI—Park Township, NDB RWY 23, Amdt. 1
Marysville, OH—Union County, NDB RWY 27, Amdt. 4
Newark, OH—Newark-Heath, NDB RWY 9, Amdt. 2
Versailles, OH—Darke County, NDB RWY 9, Amdt. 5
Youngstown, OH—Youngstown Muni, NDB RWY 32, Amdt. 16
Philipsburg, PA—Mid-State, NDB RWY 16, Amdt. 5
Sioux Falls, SD—Joe Foss Field, NDB RWY 3, Amdt. 21
Blacksburg, VA—VPI, NDB RWY 8, Amdt. 5
Galax-Hillsville, VA—Twin County, NDB-A, Amdt. 4

* * * *Effective August 9, 1983*

Sylacauga, AL—Lee Merkle Fld, NDB-A, Amdt. 2

* * * *Effective August 4, 1983*

Crookston, MN—Crookston Muni-Kirkwood Fld, NDB RWY 13, Amdt. 5

4. By amending Part 97.29 ILS, ILS/DME, ISMLS, MLS, MLS/DME and MLS/RNAV SIAPS identified as follows:

* * * *Effective September 29, 1983*

San Jose, CA—San Jose Muni, ILS RWY 12R, Amdt. 2
San Jose, CA—San Jose Muni, ILS RWY 30L, Amdt. 15
Chicago, IL—Chicago-O'Hare Intl, ILS RWY 9R, Amdt. 11
Chicago, IL—Chicago-O'Hare Intl, ILS RWY 27R, Amdt. 21
Chicago, IL—Chicago-O'Hare Intl, ILS RWY 32L, Amdt. 21
Chicago, IL—Chicago-O'Hare Intl, ILS RWY 32R, Amdt. 18
Sterling Rockfalls, IL—Whiteside Co Arpt Jos H. Bittorf Fld, ILS RWY 25, Amdt. 8
Boston, MA—General Edward Lawrence Logan Intl, ILS/DME RWY 15R, Amdt. 7
Youngstown, OH—Youngstown Muni, ILS RWY 14, Amdt. 2

Youngstown, OH—Youngstown Muni, ILS RWY 32, Amdt. 21
Philipsburg, PA—Mid-State, ILS RWY 16, Amdt. 5
State College, PA—University Park, ILS RWY 24, Amdt. 4
Sioux Falls, SD—Joe Foss Field, ILS RWY 3, Amdt. 23
Sioux Falls, SD—Joe Foss Field, ILS RWY 21, Amdt. 4
Dublin, VA—New River Valley, ILS RWY 6, Amdt. 3
Charleston, WV—Kanawha, ILS RWY 5, Amdt. Orig.

The FAA published an Amendment in Docket No. 23719, Amdt. No. 1248 to Part 97 of the Federal Aviation Regulations (Vol 48 FR No. 153 Page 35877; dated August 8, 1983, under Section 97.29 effective September 15, 1983, which is hereby amended as follows:

Bethel, AK—Bethel, ILS/DME RWY 18, Amdt. 2

Change effective date to September 29, 1983.

5. By amending Part 97.31 RADAR SIAPS identified as follows:

** * * Effective September 29, 1983*

Chicago, IL—Chicago-O'Hare Intl, RADAR-1, Amdt. 36
Youngstown, OH—Youngstown Muni, RADAR-1, Amdt. 8
Sioux Falls, SD—Joe Foss Field, RADAR-1, Amdt. 5

6. By amending Part 97.33 RNAV SIAPS identified as follows:

** * * Effective September 29, 1983*

South Lake Tahoe, CA—Lake Tahoe, RNAV RWY 18, Amdt. Orig., Cancelled
Clarion, IA—Clarion Muni, RNAV RWY 14, Amdt. Orig.
Fort Madison, IA—Fort Madison Muni, RNAV RWY 16, Amdt. 2
Fort Madison, IA—Fort Madison Muni, RNAV RWY 34, Amdt. 2
Grand Haven, MI—Grand Haven Meml Airpark, RNAV RWY 27, Amdt. 1
Newark, OH—Newark-Heath, RNAV RWY 9, Amdt. 1, Cancelled
State College, PA—University Park, RNVA RWY 6, Amdt. 5
Wausau, WI—Wausau Muni, RNAV RWY 12, Amdt. Orig., Cancelled

(Secs. 307, 313(a), 601, and 1110, Federal Aviation Act of 1958 (49 U.S.C. 1348, 1354(a), 1421, and 1510); 49 U.S.C. 106(g) (Revised, Pub. L. 97-449, January 12, 1983); and 14 CFR 11.49(b)(3))

**Note.**—The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. It, therefore—(1) is not a "major rule" under Executive Order 12291; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. For the same reason, the FAA certifies that this amendment will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Issued in Washington, D.C. on August 19, 1983.

**Note.**—The incorporation by reference in the preceding document was approved by the Director of the Federal Register on December 31, 1980, and reapproved as of January 1, 1982.

**Kenneth S. Hunt,**

*Director of Flight Operations.*

[FR Doc. 83-22842 Filed 8-19-83; 8:45 am]

BILLING CODE 4910-13-M

## CIVIL AERONAUTICS BOARD

### 14 CFR Part 223

### Free and Reduced Rate Transportation; Approval of Extension of Reporting Requirements by the Office of Management and Budget

**AGENCY:** Civil Aeronautics Board.

**ACTION:** Notice of approval of extension of reporting requirements by the Office of Management and Budget.

**SUMMARY:** The Civil Aeronautics Board has extended the reporting requirements and the application requirement contained in Part 223 of the Board's Economic Regulations governing free and reduced rate transportation. The Office of Management and Budget approved the extension of these requirements through August 31, 1986, under OMB No. 3024-0002. OMB approval is required under the Paperwork Reduction Act of 1980.

**DATES:**

Effective: August 1, 1983.

Adopted: August 16, 1983.

**FOR FURTHER INFORMATION CONTACT:** Linda K. Koman, Data Requirements Section, Information Management Division, Office of Comptroller, Civil Aeronautics Board, 1825 Connecticut Avenue, NW., Washington, D.C. 20428, (202) 673-6042.

**SUPPLEMENTARY INFORMATION:**

**List of Subjects in 14 CFR Part 223**

Air rates and fares, Government employees, Handicapped, Reporting and recordkeeping requirements, Travel agents.

**Phyllis T. Kaylor,**

*Secretary.*

[FR Doc. 83-23007 Filed 8-19-83; 8:45 am]

BILLING CODE 6320-01-M

## SECURITIES AND EXCHANGE COMMISSION

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

**[Release Nos. 33-6479; IC-13436 (S7-957)]**

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

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Adoption of form and rules; publication of guidelines.

**SUMMARY:** The Commission is adopting: (1) Form N-1A, a new form for registration of certain open-end management investment companies ("mutual funds") under the Investment Company Act of 1940 and the Securities Act of 1933; and (2) certain related rules and rule amendments. The Commission is also publishing staff guidelines for the preparation of Form N-1A. Form N-1A will establish a two-part format for disclosure to prospective investors consisting of: (1) a relatively short prospectus that can be used to satisfy the prospectus delivery requirements of the Securities Act of 1933; and (2) a Statement of Additional Information that will be available to prospective investors upon request and without charge. The Commission is adopting the foregoing in order to shorten and simplify the prospectus provided to investors while providing more extensive information to those who desire it. The existing mutual fund registration form will continue to be available to such funds during a transition period of approximately one year.

**DATE:** The new and amended rules will be effective September 21, 1983. The Form and Guidelines will be available for mutual funds registering September 21, 1983 and for mutual funds filing post-effective amendments September 21, 1983.

**FOR FURTHER INFORMATION CONTACT:** Jane A. Kanter, Special Counsel (202) 272-2115 or Gregory K. Todd, Esq. (202) 272-7317, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W. Washington, D.C. 20549.

**SUPPLEMENTARY INFORMATION:** The Commission is today adopting:

(1) Form N-1A, a registration form that will replace Form N-1 [17 CFR 239.15, 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. Registration Form N-1A is divided into three parts: (i) Part A contains instructions for the simplified prospectus, which consists of information that meets the requirements of section 10(a) of the 1933 Act [15 U.S.C. 77j(a)]; (ii) Part B contains instructions for the "Statement of Additional Information," which provides additional and more detailed information and will be available to prospective investors upon request; and (iii) Part C contains instructions as to other information that is required to be in the registration statement. The text of Form N-1A is published herewith as Appendix A to this release;

(2) New rules 495 [17 CFR 230.495], 496 [17 CFR 230.496] and 497 [17 CFR 230.497] which are added to Regulation C under the 1933 Act [17 CFR 230.400 *et seq.*]. Rule 495 (formerly rule 404A, as proposed) is adapted from current rule 404 [17 CFR 230.404], rule 496 (formerly rule 427A, as proposed) is adapted from current rule 427 [17 CFR 230.427] and rule 497 is adapted from current rule 424 [17 CFR 230.424] under the 1933 Act. Rule 495 concerns the preparation of registration statements on Form N-1A. Rule 496 concerns the contents of a prospectus or Statement of Additional Information used more than 9 months after the effective date of a registration statement filed on Form N-1A. Rule 497 concerns the filing of copies of the prospectus as well as the Statement of Additional Information.

(3) Amendments to rules 18f-1 [17 CFR 270.18f-1], 22d-1 [17 CFR 270.22d-1], 22d-2 [17 CFR 270.22d-2] and 30d-1 [17 CFR 270.30d-1] under the 1940 Act. Rules 18f-1, 22d-1, and 22d-2 are amended to permit registrants filing on Form N-1A to provide the disclosure required by those rules, at their discretion, in either the prospectus or Statement of Additional Information. Rule 30d-1 is amended to permit a registrant filing on Form N-1A to transmit to shareholders a copy of its currently effective prospectus or Statement of Additional Information, or both, as the equivalent of the annual and semi-annual reports required by the rule, provided those documents contain the information specified in rule 30d-1;

(4) Amendments to rule 485 [17 CFR 270.485] of Regulation C under the 1933 Act. Rule 485 is amended to reflect the new three-part format under Form N-1A; and

(5) New rules 8b-11A [17 CFR 270.8b-11A] and 8b-12A [17 CFR 270.8b-12A] under the 1940 Act. These rules are adapted from current rules 8b-11 and 8b-12 under the 1940 Act. Rule 8b-11A concerns the number of copies of the registration statement filed on Form N-1A that must be filed with the Commission, signature requirments, and requirements for binding the registration statement; and Rule 8b-12A concerns the quality of paper, printing and language requirements for the registration statement filed on Form N-1A. These rules are being added to reflect the new disclosure format.

Concurrent with the adoption of Form N-1A, the Commission is publishing staff guidelines for the preparation of Form N-1A, which are published herewith as Appendix B to this release.

### Background and Purpose

On December 21, 1982, the Commission proposed for comment a revised registration form for mutual funds (Form N-1A), as well as certain related rules and staff guidelines. In the proposing release [1] the Commission expressed the belief that, under present requirements, mutual fund prospectuses are not effective disclosure documents for most investors because they are too long and complex. To address this problem without depriving the public of information that may be important to some investors, the Commission proposed a two-part disclosure format under which funds would provide investors with a simplified prospectus and would make available upon request and without charge, a Statement of Additional Information.

The commentators supported this concept, although they suggested changes and sought clarification on certain points. With modifications in response to the comments, the Commission is adopting Form N-1A and certain related rules and rule amendments, and is publishing related staff guidelines.

### Form N-1A—An Overview

New Form N-1A establishes a three part registration statement: Part A relates to the simplified prospectus; Part B relates to the Statement of Additional Information; and Part C relates to other information required by the registration statement.

The simplified prospectus called for by Part A is intended to provide a concise presentation of certain information now in Part I of current Form N-1. This simplified prospectus meets the requirements of section 10(a) under the 1933 Act, and, therefore, can be used to satisfy the prospectus delivery requirements of section 5(b)(2) of the 1933 Act [15 U.S.C. 77e(b)(2)]. The Form seeks to achieve the goal of prospectus simplification in several ways. First, many specific items of disclosure that are now required to be in the prospectus under Form N-1 have been transferred to the Statement of Additional Information. Second, with respect to general matters that will be disclosed 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 terms. In addition, the instructions emphasize brevity in the presentation of information in the prospectus, giving greater prominence to more significant information, and minimizing technical and legal detail. At the same time, in order to preserve registrants' flexibility, registrants are not for the most part required to present information in any particular order or format, and are generally free to include in the prospectus information in addition to that required by the specific items of the Form.

Part B of Form N-1A, the Statement of Additional Information, consists primarily of information that is currently required in Form N-1. In Part B, registrants would have the opportunity to provide more detailed discussions of matters required to be 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 are required to disclose on the cover page of the simplified prospectus that the Statement of Additional Information is available free of charge to any potential investor.

Part C of 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 similar to that currently required in Part II of Form N-1.

### Discussion of Comments Received

In response to the release proposing Form N-1A, the Guidelines and associated rules, the Commission

[1] Investment Company Act Release No. 12927 [48 FR 813 [January 7, 1983]].

received 25 letters of comment.[2] The commentators were overwhelmingly in favor of the Commission's goals of: (i) simplifying the disclosure provided to investors so that fund prospectuses will clearly disclose the fundamental characteristics of the particular investment company in question, and (ii) shortening investment company prospectuses, thereby reducing the costs and burdens imposed by registration under the 1940 Act and the 1933 Act. The commentators generally expressed the view that proposed Form N–1A was a significant step toward accomplishing those goals and urged the Commission to adopt the new Form promptly.[3] A substantial number of helpful specific comments and suggestions were offered in connection with the proposed Form, many of which are reflected in changes made in the Form and rules as adopted, and the Guidelines as they are published in Appendix B to this release. These specific comments, as well as others not directly reflected in the text of the Form, rules and Guidelines are discussed below. The first portion of this discussion will focus on the major issues raised by the commentators. The remainder of the discussion will deal with the specific items of the Form or instructions to the Form about which comments and suggestions were offered. Specific comments relating solely to the Guidelines are discussed in Appendix B to this release.

### Incorporation by Reference

The release proposing Form N–1A set forth the Commission's authority to adopt Form N–1A and observed that section 19(a) of the 1933 Act states 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." The Commission further pointed out that proposed Form N–1A provided detailed guidance as to what information the Commission believed should be in the prospectus in order to assist registrants in acting "in good faith in conformity" with Form N–1A.

Nevertheless, the Commission recognized that some registrants using Form N–1A may be concerned that omitting information from the simplified prospectus could expose them to liability. The Commission requested comments as to whether this concern was a valid one and, if so, how it should be addressed. The tentative view of the Commission was to permit incorporation by reference of the Statement of Additional Information into the prospectus at the fund's discretion, without requiring that the Statement of Additional Information be delivered with the prospectus.

Of the sixteen commentators who responded, thirteen generally supported the concept of incorporation by reference while three commentators specifically disagreed with the Commission's proposal to permit incorporation by reference. Eight commentators concluded that the Commission should permit incorporation by reference, and five took the position that such incorporation should be made mandatory. In light of the comments, the Commission is revising Form N–1A to permit registrants to incorporate the Statement of Additional Information into the prospectus by reference, provided that that fact is disclosed on the cover page of the prospectus.

The Commission has determined that it is not appropriate to require incorporation in the context of the simplified mutual fund prospectus. The prospectus called for by Part A of Form N–1A, standing alone, will meet the standard of section 10(a) of the 1933 Act. That is, the simplified prospectus will contain the information that is "necessary or appropriate in the public interest or for the protection of investors." Requiring additional information that is not physically in the prospectus to be legally part of the prospectus would not be consistent with this concept. Moreover, registrants would not gain any additional protection against liability if incorporation by reference were mandated rather than permitted. In either case, if a mutual fund incorporates the Statement of Additional Information by reference, the Statement would be part of the prospectus as a matter of law.

### Synopsis

Form N–1A, as proposed, required a synopsis of the salient features of the offering only if the printed prospectus would be longer than twelve pages. The Commission also expressed the view that under Form N–1A, fund prospectuses would normally not exceed twelve pages and would, accordingly, be brief enough that a synopsis would not be necessary. The Commission requested comments on this issue and on whether estimating the length of the prospectus would involve undue costs or other burdens.

Fourteen commentators made specific comments concerning whether the synopsis requirement would involve undue costs or excessive burdens for registrants. Eight of the commentators suggested that the synopsis requirement should either be eliminated or made optional, at the discretion of the registrant, consistent with the Commission's approach in Item 503 of Regulation S-K under the 1933 Act [17 CFR 229.503].[4] Generally, the commentators argued that the synoposis requirement would merely add another unnecessary layer of information to the information that was condensed in the simpified prospectus. They further asserted that a synopsis would discourage investors from reading the already shortened prospectus. Several of the commentators also requested that if the Commission did not eliminate the synopsis requirement, then the threshold number of pages should be increased to 14, 15, or 16 pages and should not include applications, full financial statements or lists of portfolio securities, if the issuer included such materials in the prospectus.

Six commentators were in favor of a "bright-line" test for determining whether a synopsis was necessary. They generally concluded that the synopsis requirement would not be unnecessarily costly or burdensome to the funds.

The Commission has considered the comments and has determined that the synopsis requirement as proposed should be modified to permit issuers to decide whether or not to provide a synopsis in the prospectus of the salient features of the offering. Although there are advantages to the objective test that was proposed, the commentators have pointed out that registrants may voluntarily include information beyond

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[2] The commentators can be divided into the six following categories: (i) eight commentators from the securities bar, (ii) eight commentators who are investment advisers and fund managers, (iii) four commentators who represent trade associations, (iv) two commentators who represent investment companies, (v) one commentator from the insurance industry, and (vi) two individual investors. In addition to these commentators, six individual investors wrote the Commission expressing their general support for prospectus simplification in response to an article that appeared in the *San Francisco Examiner* on May 15, 1983.

[3] Representatives of the insurance company industry, especially those of counsel to separate accounts, expressed the view that the concepts embodied in Form N–1A would be beneficial for insurance products. Moreover, they asserted that adoption of the Form N–1A for open-end companies, other than insurance company separate accounts, was prejudicial to the interests of the insurance company industry. Although the Commission is not prepared to include insurance company separate accounts with other open-end management companies on Form N–1A at the present time, the Division of Investment Management is currently completing a proposal for integrated forms providing prospectus simplification for insurance products.

[4] Item 503 requires inclusion of a prospectus summary "where the length or complexity of the prospectus makes such a summary appropriate.

what is required in their prospectuses but that whether or not a synopsis is appropriate in such cases will depend on the nature and manner of presentation of such additional information. The Commission still believes, however, that a prospectus no longer than twelve printed pages would not normally need a synopsis. Prospectuses longer than twelve printed pages should include a synopsis where the length or complexity of the prospectus makes a synopsis appropriate.[5] Since it will be up to the registrant to decide whether to include a synopsis, it follows that the precise content of the synopsis should not be prescribed in the Form. Such a synopsis should, of course, accurately summarize the salient features of the offering.

**Omitting the Full Financial Statements and the List of Portfolio Securities From Part A**

Under Form N–1A as proposed, the condensed financial information required by Item 3 of Part A was intended to be the only financial information in the prospectus, and the full financial statements of the investment company were to be placed in the Statement of Additional Information. The Commission stated in the proposing release its belief that the condensed financial information that would continue to be in the prospectus was sufficiently comprehensive to satisfy the needs of most mutual fund investors. Nevertheless, the Commission requested specific comments on the appropriateness of omitting from the prospectus full financial statements and, in particular, the schedule of portfolio securities.

In considering the issues raised by the Commission, all of the seven commentators agreed that full financial statements were unnecessary in the prospectus. These commentators generally agreed that condensed financial statements were sufficient for most mutual fund investors' decision-making process, expecially in light of the fact that full financial statements would be available to the investor upon request and at no charge. Two commentators, however, suggested that the placement of the full financial statements should be left to the discretion of the registrant.

Of the five commentators who expressed an opinion on the question whether the list of portfolio securities should be deleted from the prospectus and included only in the Statement of Additional Information, only one commentator opposed the proposal. That commentator stated the belief that many non-professional as well as professional investors are interested in information concerning the portfolio composition of the fund. Two other commentators observed that, if investment companies were frequently asked to send the Statement of Additional Information to investors in order to provide investors with portfolio information, then the elimination of portfolio information from the prospectus would negate the intended benefits of the new disclosure format. The remainder of the commentators on this issue, however, either supported the proposal to move the list from the prospectus to the Statement of Additional Information or argued that its placement should be at the discretion of the issuer.

The Commission has considered the comments received and continues to believe that most mutual fund investors do not need the full financial statements or the list of portfolio securities to make an informed investment decision. Those investors who want this financial information may, or course, acquire it from the issuer by requesting the Statement of Additional Information, and registrants are free to include any information, in the prospectus, including additional financial information, that does not impede understanding of the required information. Consequently, these provisions of Form N–1A are being adopted by the Commission in the same form as they appeared in the proposal.

**Form N–1A**

The following portion of this release discusses the comments received on the various instructions to and items of the Form and the changes the Commission is making in response thereto. Readers are referred to Investment Company Release No. 12927 for a fuller explanation of the proposed Form.

**General Instructions to the Form**

The Commission received several comments on the General Instructions to Form N–1A. As proposed, General Instruction E permitted a registrant to incorporate the condensed financial information contained in their annual reports to shareholders into the prospectus if certain conditions in the instruction were met. The instruction, however, did not permit registrants to incorporate the financial statements contained in their annual reports to shareholders into the Statement of Additional Information. As certain commentators noted, General Instruction E to Form N–1 currently permits registrants to incorporate the financial statements contained in their annual reports to shareholders into the prospectus. Six commentators suggested that the language of General Instruction E should be expanded to permit incorporation by reference of the full financial statements contained in the annual report to shareholders into the Statement of Additional Information, if the annual report to shareholders is delivered to the investor simultaneously with Part B. The commentators suggested this revision so that funds might avoid additional typesetting and printing costs. This comment is consistent with the intent of the proposal and the Commission has accordingly revised General Instruction E to permit registrants to incorporate the financial statements in the annual report to shareholders into the Statement of Additional Information.[6]

Another commentator noted that instructions currently found in Form N–1 relating to item numbers, captions, charts, graphs, and sales literature has been omitted from Form N–1A. The Commentator suggested that these instructions should be inserted into Instruction G. Finally, a commentator from the securities bar suggested that the items in Parts A, B, and C of Form N–1A should be numbered consecutively to eliminate confusion. The Commission agrees with these comments and, accordingly, has made appropriate revisions in General Instruction G and the numeration of the items in Form N–1A.

**General Instructions for Parts A and B**

The General Instructions for Parts A and B of Form N–1A, as proposed, required that appropriate cross-references should be used between the prospectus and the Statement of Additional Information whenever necessary or desirable, to call attention to information included in either document that would be useful to an understanding of a particular matter being discussed in the other document. Two commentators raised the question of whether an issuer *must* provide cross-references in the prospectus to the information in Part B. These commentators argued that the requirement to cross-reference information would make the prospectus very confusing for a typical investor and

[5] Nevertheless, all prospectuses should include a table of contents pursuant to rule 481 of Regulation C under the 1933 Act [17 CFR 230.481]

[6] The Commission is also making a technical amendment to rule 30d–1 under the 1940 Act [17 CFR 270.30d–1] to permit the registrant to use the prospectus or the Statement of Additional Information, or both, to satisfy the registrant's requirement to provide its shareholders with a semi-annual or annual report.

could lead an investor to believe that not all material information concerning the registrant was in the prospectus. Upon reconsideration the Commission has concluded that requiring cross-references is not consistent with the concept of the simplified prospectus and that the requirement that the availability of the Statement of Additional Information be disclosed on the cover page will suffice to make investors aware that they may obtain additional disclosure.

**Items of Form N–1A**

*I. Part A: Prospectus*

*Item 1—Cover Page*

Item 1 of the Form requires that certain information concerning the registrant appear on the cover page of the prospectus. With regard to this item, the Commission received two comments suggesting that Item 1 should be amended to permit logos and other attention-getting devices to be placed on the cover page of the prospectus. One of the commentators also suggested that the cover page and the synopsis, if applicable, should state whether or not the fund charges a sales load. In response to these comments, the Commission notes that Item 1(b) of Form N–1A permits registrants to include on the cover page of the prospectus information other than that required by the item so long as such information does not interfere with an investor's understanding of the information required to be on the cover page. This provision of Item 1 permits registrants to include on the cover page of the prospectus logos or other attention-getting devices. Regarding the recommendation to require sales load information on the cover page of the prospectus, such information is not presently required by Form N–1 and the Commission does not think it appropriate to make such a change at this point.

The Commission is modifying Item 1(a)(iv) to require that the cover page of the prospectus include the date of the current Statement of Additional Information as well as the date of the prospectus. The purpose of this revision is to identify for investors the date of the most current version of the Statement of Additional Information.[7]

*Item 3—Condensed Financial Information*

Item 3(a), as proposed, was identical to current Item 3 of Form N–1 and required 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. Two commentators questioned whether the auditor's report pertaining to the required condensed financial information would have to be included in the prospectus, even though such auditor's report was not required by the item. The Commission has considered the comment but does not believe that it is necessary to require inclusion of the auditor's report for the condensed financial information in a simplified mutual fund prospectus. Instead, the Commission believes that registrants should include the auditor's report for the condensed financial information in Part B along with the fund's full financial statements. However, the registrant should disclose in the prospectus if the condensed financials are based on anything other than an unqualified report by the auditors. Therefore, the Commission is adopting this portion of the item with a modification of instruction 5 to this item to clarify this position.

Several commentators also expressed concern that if yield quotation information were provided only in the Statement of Additional Information, such yield information would not be part of the prospectus, unless incorporated by reference. Further, these commentators suggested that if yield quotations were not part of the prospectus, registrants would be unable to include such figures in a rule 482 [17 CFR 230.482] advertisement.[8] In response to these commentators' concerns, the Commission is adding Item 3(c) to Form N–1A, which will require money market funds to include in their prospectuses standardized yield quotations. If the registrant chooses, it may also include in the prospectus an effective yield quotation computed in accordance with the method specified in the instructions to Item 3(c) of the Form. In either case the description of the method of calculating the yield quotations should not be included in the prospectus, but instead should be included in the Statement of Additional Information pursuant to Item 22. Thus the yield quotation would be available for use in a rule 482 advertisement.

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

Item 4, as proposed, required a concise discussion of the organization and operation of the registrant. To encourage brevity in discussing activities that would not be central to the registrant's operation, Item 4, as proposed, provided that an investment policy or practice that the registrant intended to follow need be identified only if such policy or practice would place no more than five percent of the registrant's net assets at risk. In addition, the proposal stated that so-called "negative policies" prohibiting the registrant from engaging in certain activities or policies not followed by the registrant in the past year need not be disclosed in the prospectus.

The Commission received four comments objecting to the use of a five percent threshold test. Three of these commentators suggested that the threshold should be increased to at least ten percent, and should apply only to initial investments by the fund and not to the effects of changes in the portfolio by market actions. The fourth commentator urged that a subjective test of materiality would more flexibly respond to particular situations than the proposed five percent test. In the Commission's judgment it is appropriate to provide an objective test of the type proposed for relatively insignificant investment policies and that investment policies likely to affect no more than five percent of a fund's assets need only be identified. Recognizing that reasonable people may differ as to the proper threshold, the Commission nevertheless believes that policies that could affect as much as 10 percent of a fund's assets require more disclosure than mere identification. However, to the extent any such policy is not a principal investment policy, it should be given relatively less prominence in the prospectus.

The Commission received four comments concerning the Commission's decision to delete information from the prospectus concerning negative investment policies. All of these commentators supported this approach by the Commission.

With regard to Item 4(a)(i)(B) requiring disclosure of the classification and subclassification of the registrant, two commentators asserted that the item was unnecessary since only open-end management investment companies can use Form N–1A. These commentators argued that in responding to Item 4(a)(i)(B) all that should be necessary for the fund to disclose is whether the registrant is a diversified or non-diversified fund. However, the prospectus provided to investors will not state that the registrant has filed on Form N–1A with the Commission, nor would we expect a typical investor to infer the classification of a registrant

[7] For a fuller discussion of the comments concerning this modification, see the discussion in the text of the release at footnote 13.

[8] A rule 482 advertisement is an omitting prospectus the substance of which must be contained in a full statutory prospectus.

from such a disclosure even if it were made. Consequently, the Commission is of the opinion that registrants should continue to state in the prospectus their classification and subclassification.

*Item 5—Management of the Fund*

Item 5(a) of the prospectus, as proposed, required a brief description of the responsibilities of the board of directors with respect to the management of the registrant. Three commentators expressed the view that the parenthetical expression in Item 5(a)* could be construed as indirectly establishing a standard of corporate governance. These commentators suggested that the item be revised to eliminate this inference, and proposed language which could be used to make this modification. The Commission did not intend for this provision to imply a standard of conduct for directors, and Item 5(a) has been revised accordingly. Specifically, the Commission has amended Item 5(a) to provide that "(In responding to this item, it is sufficient to include a general statement as to the responsibilities of the board of directors under the applicable laws of the Registrant's jurisdiction of organization * * *]".

Item 5(b)(iii) of the Form, as proposed, required a description of the investment adviser's compensation, including disclosure of the total dollar amount of the investment adviser's compensation; Item 5(e) required a statement as to the registrant's expenses for the most recent fiscal year as a dollar amount and as a percentage of average net assets. With regard to Item 5(b)(iii), two commentators suggested that disclosure of the total dollar amount of the investment adviser's compensation should be deleted from the prospectus because the amount is always directly related to the amount of aggregate assets of the fund. One of these commentators further asserted that the ratio of the amount of the adviser's compensation to the amount of total assets is of significant importance to investors and should not be "rendered confusing" by the disclosure of the total dollar amount of the adviser's compensation. The other commentator suggested that the inclusion of information on "how advisory fees are calculated in all cases" would be of more use to investors. With regard to Item 5(e), five of the commentators argued that the requirement to disclose the total dollar amount of the fund's expenses is repetitive of the material in the condensed financial statements, and three of the commentators again argued that total dollar figures are confusing in light of the fact that such numbers do not take into account the asset size of the fund. These commentators argued that total dollar figures for the fund's expenses should not be required, and that instead the fund's expenses should be expressed as a percentage of net assets, as already required in Item 3.[16] The Commission agrees with these commentators and, consequently, has revised Items 5(b) and 5(e) to remove the requirement that the registrant disclose the total dollar amount of its expenses and the total dollar amount of its investment adviser's compensation. However, the Commission believes that some disclosure concerning the registrant's expenses and the investment adviser's compensation may be important to investors and potential investors, and, therefore, the requirement of Item 5 for information concerning the ratio of these expenses to the fund's total assets is being retained.

Item 5(f), as proposed, required that, if the registrant engages in certain brokerage allocation practices, a statement to that effect should be included in the prospectus. Three commentators argued that information concerning brokerage allocation practices is not of fundamental importance to investors and should be deleted from the prospectus. One commentator suggested that registrants should not be required to disclose allocation practices unless they involve affiliated persons. However, a fund's brokerage allocation practices can raise a number of issues of importance to investors, including possible conflicts of interest. Therefore, the Commission believes concise prospectus disclosure is appropriate at least where brokerage is allocated to affiliated persons or based on the sale of fund securities by the broker. For these reasons the Commission has determined to retain the disclosure required by Item 5(f) as it was proposed.

Item 5(g), as proposed required that the registrant provide information concerning any affiliated person of the registrant who is, or has been within the last ten years, subject to the provisions of sections 9(a) or 9(b) of the 1940 Act [15 U.S.C. 80a-9], regarding the disqualification of certain persons from acting in certain capacities for investment companies. Nine commentators addressd this item. Four of the commentators recommended that Item 5(g) be either deleted entirely or, alternatively, moved to Part B or Part C of the Form. Another commentator recommended that item should simply be deleted. Three commentators suggested that the information required by this item should be disclosed only where material. The commentators variously advanced the following rationales for their suggestions: (i) since there is presently no specific requirement to disclose this information in Form N-1, there should be no need to include this information in Form N-1A; (ii) as a practical matter it would be difficult for funds to identify all persons who may be subject to disclosure under this item (i.e., a person owning more than five percent of the Registrant's securities but not controlling the fund); (iii) disclosure under this item would place a "stigma" on a person who has received an exemptive order pursuant to section 9(c), even though the purpose of the order is to qualify that person and remove any stigma associated with him; (iv) the disclosure required by Item 5(g) would place undue emphasis on this particular information regarding officers and directors when other information concerning such persons has been omitted from the prospectus; and (v) if a person has received an exemptive order pursuant to section 9(c) of the 1940 Act enabling him to serve the fund the informaion required by this item should not be of fundamental importance to investors. In light of these comments, particularly the latter one, Item 5(g) has been deleted from Form N-1A.

*Item 6—Capital Stock and other Securities*

Item 6, as proposed, required a brief description of the capital stock and other securities which are being offered by the registrant, the identity of persons controlling the registrant, and certain of the rights and responsibilities of shareholders in the fund.

In considering the various provisions under Item 6, one commentator questioned whether registrants organized as Massachusetts business trusts ("MBTs") would have to make special disclosure under Item 6(a)(iii) solely because their form of organization carries with it contingent liability for shareholders. The Commission has concluded that disclosure in the

* Item 5(a), as proposed, stated:

[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 * * *].

[16] Three commentators also raised this concern with respect to the requirement in Item 2(c)(i)(C) of the synopsis, as proposed, which required the registrant to disclose the total dollar amount of its expenses in the synopsis. As previously discussed in this release, the requirement to include specific information in the synopsis has been eliminated. *But see* Guide 33 for staff guidance as to the contents of a synopsis.

prospectus of this possibility should not be required where the registrants believe that, because of arrangements designed to protect shareholders against such liability, there is not a material likelihood of loss or expense to investors.

Another commentator suggested that, since voting rights are implied, registrants should not be required to discuss in the prospectus voting rights in response to Item 6(a)(i). Discussion of many of the incidents of being a shareholder may be omitted from the simplified prospectus, but the Commission believes that shareholders' voting rights are of sufficient importance to merit a brief description in the prospectus.

Item 6(g), as proposed, required a brief description in the prospectus of the tax consequences to investors of an investment in the securities being offered. For a registrant intending to qualify for treatment under Subchapter M of the Internal Revenue Code [26 U.S.C. 851 to 860], the item required that certain information should be provided in the fund's prospectus. Two commentators noted that the disclosure suggested in the item is not a correct statement of the tax consequences to investors of a fund qualified under Subchapter M. They recommended that the item be modified to provide that it would be suifficient, in the absence of special circumstances, to disclose that: (i) the fund will distribute all of its net income and gains to its shareholders and that such distributions are taxable income or capital gains; and (ii) shareholders not subject to tax on their income will not be required to pay tax on amounts distributed to them. The Commission has amended Item 6(g) accordingly.

*Item 7—Purchase of Securities Being Offered*

Item 7, a proposed, required the registrant to provide certain information concerning the securities being offered by the registrant. Item 7(b) required "identification of the method of valuing the assets" of the fund. Two commentators questioned the meaning of the word "identification" as used in Item 7(b). One of them asserted that unless "identification" meant reciting the name of the method of valuation, this requirement should be moved to the Statement of Additional Information. The other commentator asserted that identification of valuation procedures is not useful to most investors and that this item should be revised to state that the fund's portfolio securities will be valued in accordance with applicable rules and regulations and will be "monitored" by the fund's board of directors. General Instruction G(3) defines the word "identify" in Form N–1A to mean that the registrant need provide only a minimum of explanation or description of the matters being identified. The Commission believes identification of the method of valuation will be more meaningful to investors than the suggested alternatives.

One commentator also expressed concern about the requirement of Item 7(b) that registrants disclose any situation in which a broker-dealer or bank may include a charge in connection with the sale of fund shares. That commentator argued that this information is unnecessary if the fund has reason to believe that there is disclosure concerning such charges in a "wrapper" to the prospectus. The Commission agrees with this comment and has modified Item 7(b) to provide that, if the registrant reasonably believes that charges by a broker-dealer or bank are disclosed in a wrapper or otherwise, the registrant does not need to include information concerning such charges in the prospectus.

Item 7(e), as proposed, required that the registrant disclose certain details concerning payments made pursuant to a rule 12b–1 [17 CFR 270.12b–1] distribution plan. One commentator urged that the information concerning rule 12b–1 plans required by this item be moved to Part C of the Form. This commentator contended that the prospectus would not identify any other particular fund expenses and argued that singling out rule 12b–1 plan expenses would place undue emphasis on these expenses. However, Form N–1A requires disclosure of various types of fund expenses, and the Commission believes that registrants should disclose distribution expenses pursuant to Item 7(e), especially since the amount of distribution expenses for many funds is significant and in some cases may exceed one percent of the registrant's assets. Two other commentators suggested that distribution expenses pursuant to rule 12b–1 should be described in the prospectus as a percentage of net assets and not as a total dollar figure. The Commission agrees with this comment and has modified Item 7(e) accordingly.

Two other commentators suggested that disclosure of rule 12b–1 plan expenses should be required only for plans that provide for actual payments to be made from fund assets and not in cases where the rule 12b–1 plan is, for example, for defensive purposes only. If a fund has adopted a rule 12b–1 plan but takes the position that it is not incurring any expenses thereunder directly or indirectly, disclosure in the prospectus as to that plan would not appear to serve any useful purpose. Form N–1A has been amended accordingly. However, the registrant still will be required to respond to Item 16(f)(i) (formerly 7(f)(i) of Part B, as proposed). The Commission is adopting Item 7(e) with the modification discussed herein.

*Item 8—Redemption or Repurchase*

Item 8, as proposed, required the registrant to disclose the various procedures for the redemption or repurchase of its shares. Concerning this item, five commentators suggested that disclosure of information about extraordinary methods of redemption should be moved to Part B. Certain of these commentators further suggested that, if Form N–1A were to permit information concerning extraordinary methods of redemption to be described in Part B, the Commission would need to modify the various rules that presently require such information to be presented in the prospectus. The Commission has considered the comments, and believes that registrants should have discretion to decide where they want to provide information concerning extraordinary methods of redemption. Therefore, this item has been amended, as well as rule 18f–1 [17 CFR 270.18f–1], rule 22d–1 [17 CFR 270.22d–1] and rule 22d–2 [17 CFR 270.22d–2] under the 1940 Act, to permit information concerning extraordinary methods of redemption to be described in either the prospectus or Part B.

*Item 9—Pending Legal Proceedings*

With regard to the requirements of Item 9 to describe briefly in the prospectus any proceedings instituted by a government authority or known to be contemplated by government authorities, one commentator questioned the meaning of the phrase "known to be contemplated." The commentator asserted that the phrase is ambiguous and should be deleted. Another commentator suggested that the information required by Item 9 should be moved to the Statement of Additional Information. The Commission has considered the comments and has determined to retain the information required by Item 9 in the prospectus, but has determined to delete the requirement that the registrant disclose any proceeding "known to be contemplated" by governmental authorities from Item 9 in order to avoid ambiguity.

*II. Part B: Statement of Additional Information*

*Item 14—Management of the Fund*

Item 14 (formerly Item 5 of Part B), as proposed, [11] required the registrant to provide information in the Statement of Additional Information concerning various characteristics of the management of fund. The Commission in its proposal included in this item a new requirement that the registrant identify any person who supervises the management of more than 25% of the fund's portfolio assets. The proposed release indicated that the reason for this new requirement was to satisfy institutional investors who expressed an interest in obtaining this information.

Nine commentators disagreed with this requirement. Several of the commentators argued that institutional investors have sufficient access to fund advisers to permit such investors to obtain whatever information they desire about the identities or duties of the individuals involved in the fund's portfolio management. In addition, the commentators argued that this requirement may: (i) interfere with the contractual responsibilities of the investment adviser; (ii) cause a problem with keeping Part B current; (iii) make it difficult for the registrant to identify particular individuals, depending on the particular organizational method used by the adviser; (iv) cause organizations to misstate the complex nature of the investment decision-making process and be misleading if a discussion of the full range of participation by all those who play a significant role in managing a fund's assets is not included; (v) encourage the development of a "star system" within some advisory organizations; and (vi) not provide useful or necessary information for the majority of individual investors. However, two commentators (an investment adviser and an individual investor) expressed the view that identification of the fund's portfolio manager is fundmental information concerning the registrant. The investor-commentator asserted that when the person primarily responsible for the fund's investment decisions is changed, "the fund becomes, for all practical purposes, a new entity." The adviser echoed this opinion by stating that "identification of the portfolio manager, or the management committee, if that is the structure, is of prime importance."

Notwithstanding the comments favoring adoption of this requirement, the Commission finds the arguments of the majority of the commentators persuasive. Therefore, Item 14 has been revised to delete the requirement to disclose the identity of the portfolio manager.

Item 14(c) (Formerly Item 5(d) of Part B), as proposed, required the registrant to disclose all remuneration paid to the various members of the fund's management if the remuneration exceeded $40,000. The Commission is adopting the suggestion of one commentator that the $40,000 disclosure threshold for remuneration required by Item 14(c) should be increased to $60,000 in order to be consistent with the requirements of Regulation S-K.

*Item 16—Investment Advisory and other Services*

Item 16 (formerly Item 7 of Part B), as proposed, required that the registrant provide in the Statement of Additional Information certain disclosure concerning the investment adviser and its background not already described in the prospectus. Item 16(a)(i) of the Form required that the business history of an investment adviser's controlling organization be discussed in Part B, if material. With regard to that item, one commentator argued that the business history of the adviser's controlling person would be material to an investor only if the controlling person were involved in securities laws violations. However, the controlling person's business history could be important to an investor for a number of reasons. Information concerning the length of time such controlling person has been engaged in business as an investment adviser or about other businesses of the controlling person related or unrelated to rendering investment advise may be significant depending on the particular circumstances. Accordingly, Item 16(a)(i) is being adopted as it was proposed.

Another commentator asserted that Item 16(f)(i), concerning amounts paid pursuant to a rule 12b–1 plan during the last fiscal year, duplicates material found in Item 7(e) in the prospectus, and should, therefore, be deleted from Part B. In response to this commentator, the Commission has revised Item 16(f)(i) to remove any disclosure requirements that duplicate information already requested by Item 7(e). The commentator also suggested that the requirement of Item 16(f)(iv) to discuss the benefits to the registrant resulting from a rule 12b–1 distribution plan is too judgmental and subjective and, therefore, should be deleted. The Commission disagrees with this comment. Rule 12b–1(e) under the 1940 Act requires that, before the board of directors of a fund implements or continues a distribution plan pursuant to rule 12b–1, the board must conclude that "there is a reasonable likelihood that the plan will benefit the company and its shareholders." In view of this rule requirement, the Commission believes that it is appropriate for the registrant to respond to this item. Item 16(f)(iv) will be adopted as proposed.

With regard to Item 16(h), concerning disclosure of the services provided by the fund's custodian and accountants, two commentators noted that such information is unnecessary since these services are routine and standardized throughout the mutual fund industry. Because of the importance of these functions, the Commission believes some disclosure is appropriate. Where the fund's custodian and accountants provide no more than the customary services, such disclosure may be brief.

*Item 17—Brokerage Allocation*

Item 17 (formerly Item 8 of Part B), as proposed, required disclosure by the registrant of information concerning its payment of brokerage commissions for transactions in portifolio securities. The four commentators on this item generally asserted that the information was either unnecessary and should be deleted, or should be moved to Part C of the Form.

As proposed, Item 17(a) (formerly Item 8(a) of Part B) stated that, 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 markedly from the amount paid in the most recent year, the reasons for the differences should be provided. One of the commentators asserted that, in general, the only reasons for increased brokerage commissions are: (i) a general industry increase in commission fees charged by brokers, or (ii) an increase in the portfolio activity of the fund in question. That commentator asserted that, if either of these were the reasons for increased brokerage commissions, a discussion of the reasons would be of little consequence to investors. Another commentator also suggested that, if a material change in the amount of brokerage commissions resulted simply from a substantial increase or decrease in the size of the fund, a discussion of the reasons for the differences in brokerage commissions should not be necessary. Rather, the commentator urged that, if this requirement is kept, disclosure should be dependent upon

[11] The Commission has revised the numbering of the Items in Form N–1A in response to the views of the commentators and will indicate parenthetically the item number as proposed throughout the remainder of this release.

material differences in the portfolio turnover rate.

With regard to Item 17 as a whole, one commentator argued that the information required by Item 17 should be limited to instances in which the fund is using an affiliated broker-dealer. Another commentator suggested that information concerning brokerage allocation practices not be required for money market funds and other registrants that generally acquire portfolio securities in principal transactions, without payment of brokerage commissions.

After considering these comments, the Commission still believes that the disclosure of brokerage allocation practices in Item 17 is significant information that should be included in the Statement of Additional Information. An investor who requests the Statement of Additional Information may be interested in knowing more about significant increases or decreases in the dollar amounts of the fund's brokerage commissions. Further, the Commission believes that information concerning brokerage directed to brokers who are affiliated persons or affiliated persons of affiliated persons of the fund could be of interest to investors, and would be of particular interest to those investors who seek more information concerning brokerage allocation practices. Therefore, the Commission believes that, although many investors may not find this information important, those investors who desire more information concerning brokerage allocation practices should have access to this information in the Statement of Additional Information. Item 17 is, therefore, being promulgated in the same form as it was proposed.

*Item 18—Capital Stock and Other Securities*

Item 18 (formerly Item 9 of Part B), as proposed, required disclosure of the basic characteristics of the registrant's capital stock and any other securities authorized or issued by the registrant. Item 18(b), as proposed, required that the registrant provide information in the Statement of Additional Information concerning any authorized securities other than capital stock and any rights evidenced thereby. One commentator suggested that registrants who have securities outstanding other than capital stock should disclose that fact together with the rights evidenced thereby in the *prospectus*. Item 6(d) requires some information about other classes of securities in the prospectus, and the Commission believes that a fuller discussion concerning this subject should be provided in the Statement of Additional Information.

*Item 20—Tax Status*

Item 20 (formerly Item 11 of Part B), as proposed, required that the registrant disclose any material information concerning its tax status that is not contained in the prospectus. With regard to this Item, one commentator suggested that if a fund is qualified or intends to qualify under Subchapter M of the Internal Revenue Code, disclosure of that fact in the Statement of Additional Information should be sufficient for purposes of this item. The Commission agrees, and has modified Item 20 accordingly.

*Item 22—Calculation of Yield Quotations of Money Market Funds*

Item 22 (formerly Item 13 of Part B), as proposed, required that those investment companies that are, or hold themselves out to be, money market funds must provide an annual yield figure and may, at their discretion, provide an effective yield figure reflecting a compounding effect on a shareholder's investment. Two commentators suggested that the yield quotation requirement be amended to eliminate the condition that the yield be based on the last 7 days of the period covered by the most recent financial statements, urging that, by the time a prospectus is distributed, the yield figure may well be obsolete. One commentator suggested that a yield quotation based on the most recent financial statements should be included in the prospectus, as well as a quotation based on a more recent 7-day period not related to the financial statements. This commentator suggested, however, that the description of the computation should remain in the Statement of Additional Information as proposed. Another commentator suggested that rule 482 could be amended and promulgated instead under section 2(10)(b) of the 1933 Act [15 U.S.C. 77b(10)(b)], so that the rule 482 advertisement would not be an omitting prospectus.

As discussed earlier, the Commission has determined to include in the prospectus the annual yield quotation required under this item pursuant to Item 3(c). Registrants, at their discretion, may also provide an effective yield figure reflecting a compounding effect on a shareholder's investment. The disclosure concerning the formulas used should be included in Part B pursuant to this item. Both Part A and this item have been revised accordingly. The Commission will consider the issue of whether the yield quotation should be based on a more recent 7-day period not related to the fund's most recent financial statements in connection with the adoption of the final amendments to rule 482. (At the same time, the Commission will also consider whether to make technical modifications to the methods of yield computation.) For a fuller discussion of the temporary amendments to rule 482, readers are directed to Investment Company Act Release No. 13049 (February 28, 1983).[12]

*Item 23—Financial Statements*

Item 23 (formerly Item 14 of Part B), as proposed, required that registrants provide, as modified by the instructions to that item, the financial statements and schedules required by Regulation S-X [17 CFR 210]. Regulation S-X, however, was amended on December 6, 1982,[13] and is applicable to filings that include financial statements for a fiscal year ending after June 15, 1983. Therefore, the Commission has made certain technical modifications to Item 23 to conform that item with the amendments to Regulation S-X. The revisions to Item 23 either: (i) conform the references in that item to the new location of material in regulation S-X; (ii) delete references to Regulation S-X where the material no longer exists; or (iii) add references for Regulation S-X requirements that were adopted to recognize current industry practices.

*Miscellaneous Questions Concerning Part B*

In addition to the comments received concerning specific items of the Form, the Commission received comments regarding the requirements for updating Part B and the status of Part B as an independent document.

One commentator questioned whether, after updating Part B, a registrant must provide an updated Part B to every investor who had requested and received a prior version of Part B. The Commission does not believe that such further delivery is necessary. Since the prospectus will identify the date of the most current version of Part B,[14] the Commission is of the opinion that investors who received an updated prospectus could easily determine whether copies of Part B were current, and would be free to request an updated version if they desired.

Two commentators raised a question concerning whether the Statement of Additional Information would be considered a prospectus, which might

[12] 48 FR 10297 (March 11, 1983).

[13] Securities Act Release No. 6442, December 6, 1982 [47 FR 56835 (December 21, 1982)].

[14] *See* the discussion of Item 1 *supra*.

not contain the information required by section 10(a) of the 1933 Act, if the Statement of Additional Information was delivered alone and without prior delivery of the prospectus. The Commission believes that, if the issuer delivers the Statement of Additional Information prior to delivery of the statutory prospectus, the Statement of Additional Information might be considered a prospectus not complying with the requirements of section 5 of the 1933 Act. It should be noted that the Statement of Additional Information is not an omitting or summary prospectus pursuant to section 10(b) of the 1933 Act [15 U.S.C. 77j(b)].

*III. Part C*

*Item 28—Business and Other Connections of Investment Adviser*

One commentator questioned the usefulness of the disclosure required by Item 28 (formerly Item 5 of proposed Part C) concerning the business and professional connections of the registrant's investment adviser. The commentator concluded that this item should be deleted. However, this information is useful to the Commission and staff in connection with the review of registration statements. Item 28 will be adopted in the same form as it appeared in the release proposing Form N-1A.

**Summary Prospectus**

The final part of Form N-1A provides general instructions for a summary prospectus pursuant to rule 431 [17 CFR 230.431]. Several commentators questioned the value of continuing to provide for a summary prospectus in light of prospectus simplification. In the Commission's view it should be left to the discretion of the registrant whether or not to have a summary prospectus. In light of the fact that a synopsis need only be included at the discretion of the registrant, instruction (a) in the summary prospectus is modified to require a synopsis of the salient features of the registrant and the offering. Therefore, the provision concerning the summary prospectus is being adopted with the modification discussed herein.

**New and Amended Rules**

The disclosure format for Form N-1A substantially differs from other formats currently in use. The Commission observed in the proposing release that, as a result of this unique format, a number of rules under the various federal securities laws that are applicable to investment company prospectuses required revision, and the Commission proposed certain new rules to implement the necessary changes. The Commission received one general comment concerning these proposed rules. The commentator suggested that the Commission should not promulgate new rules that are exclusively applicable to Form N-1A, but instead should amend the existing rules and adopt these amended rules to accommodate both Form N-1 and Form N-1A. The Commission has considered this comment, but has concluded that because of the unique format of Form N-1A, the proposed new rules for Form N-1A should for the present be adopted in addition to the rules applicable to Form N-1. The existing rules will continue to apply to Form N-1, which, at least temporarily, will remain the registration form used by insurance company separate accounts that register as open-end management investment companies and will continue to be in effect for mutual funds during the transition period.

The Commission intends to implement the rule changes necessitated by the new form by adopting today certain rules that will be added under section 8(b) of the 1940 Act [15 U.S.C. 80a-8(b)] and to Regulation C under the 1933 Act. The new rules for Form N-1A to be added to Regulation C will be placed in the section of Regulation C concerning investment companies and involve technical changes from the existing rules and are intended to provide clarification of how certain rules should be applied the the three-part registration format of Form N-1A, as well as to delete inappropriate references to Form N-1. The 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 three-part registration format. With regard to these proposed new rules, the Commission received only one specific comment, concerning proposed rule 8b-11A. Rules 8b-11A, as proposed, concerned the number of copies of the registration statement required to be filed with the Commission, signature requirements pertaining to the registration statement, and requirements for the binding of the registration statements. One commentator suggested that the requirement in the rule that "ribbon" copies of typed documents be filed with the Commission is no longer appropriate in light of current reproduction methods. The Commission agrees and has revised the rule accordingly. The Commission is adopting the other new rules as proposed.

In addition to the comments received concerning the proposed rules applicable to Form N-1A, the Commission received certain other comments regarding suggested rule amendments. One suggested rule amendment concerned the process to be followed in updating the Statement of Additional Information. Five commentators expressed the view that the Commission should make some provision for updating the Statement of Additional Information similar to that currently available for updating the prospectus. These commentators argued that without such relief a registrant would be able to update the Statement of Additional Information *only* by filing a post-effective amendment to the registration statement. These commentators further argued that requiring the fund to file a post-effective amendment every time the registrant wanted to make a change in the Statement of Additional Information was unnecessarily burdersome. One of these commentators suggested that the Commission should amend Instruction E to permit the registrant to "sticker" the Statement of Additional Information. Three other commentators suggested that the Commission amend rule 424 of Regulation C under the 1933 Act [17 CFR 230.424] to include within its provisions the Statement of Additional Information as well as the statutory prospectus. In light of these comments, the Commission has added new rule 497 which is adapted from current rule 424 by adding two new paragraphs specifically for registrants filing on Form N-1A.

Two commentators also suggested that rule 485 [17 CFR 230.485] be amended to reflect the two-part disclosure format of Form N-1A. Rule 485 permits post-effective amendments to registration statements filed by registered open-end management investment companies or unit investment trusts other than registered separate accounts to become effective immediately if the conditions of the rule are followed. The Commission has revised rule 485 to reflect the format of Form N-1A.

**Guidelines for Registration Statements**

Consistent with the Commission's practice of publishing the views of the staff to assist registrants, their counsel and others concerned with complying with applicable provisions of the federal securities laws, the Commission published for comment proposed Guidelines prepared by the Division of Investment Management (the "staff") for use in the preparation and filing of registration statements on Form N-1A

for open-end, management investment companies.

The Commission received six comments concerning the appropriateness of the proposed staff Guidelines. These and other commentators also provided more specific comments concerning particular Guidelines. Two of the commentators were generally in favor of the proposed guides. However, one of those commentators expressed concern that the codification of staff views in the new Guidelines would cause difficulty in modifying such Guidelines, even when the Guidelines became outmoded. Nevertheless, the commentators noted that adherence to staff Guidelines would expedite the examination of registration statements. Another commentator from the securities bar suggested that the Commission adopt Form N–1A without the Guides, but recommended that the Commission repropose the Guidelines for comment. Four commentators generally opposed the publication of the staff Guidelines and asserted that: (i) the staff would give the Guidelines the status of formal rules, even though they have not been formally adopted as such by the Commission, and (ii) such Guidelines result in regulation by disclosure. Another commentator stated that the Guidelines should not be used to resolve disclosure issues currently under dispute.

The Commission has carefully considered the foregoing comments and has determined to publish the Guidelines to Form N–1A with certain modifications, as described in Appendix B to this release. In response to comments received, the staff has also withdrawn Guides 4, 19 and 28. These changes should alleviate many of the commentators' concerns. A discussion of the comments received on the Guidelines and the specific changes made to the Guidelines pursuant to these comments are presented in Appendix B to this release together with the Guidelines themselves.

As discussed in the proposal, the Guidelines are a compilation of what the staff believes are applicable Commission releases and staff positions and interpretations, and their publication will assist registrants in expediting the registration process. However, publication of the views of the staff does not afford those views any legal status they would not otherwise have. Nor does such publication prevent the staff from applying the positions set forth in the Guidelines flexibly in light of particular circumstances or from changing those positions if appropriate.

**Transition Period**

Form N–1A, as adopted today, 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 is providing for a transition period of one year during which registrants may use either form. The Commission expects to propose revised registration forms for insurance company separate accounts in the near future. However, Form N–1 will be retained for use by such separate accounts after the one-year transition period discussed herein, if appropriate.

**Conclusion**

Based on the foregoing, the Commission has determined to adopt Form N–1A and various rules and amendements to rules in order to provide open-end management investment companies with a short, concise prospectus by which they can offer their securities for sale to the public.

**List of Subjects**

*17 CFR Parts 230 and 239*

Reporting Requirements and Securities

*17 CFR Parts 270 and 274*

Investment companies, Reporting and recordkeeping requirements, and Securities.

**Text of Rules and Form**

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

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

1. By revising the introductory text of paragraph (b)(2) of § 230.485 as follows:

**§ 230.485 Effective date of post-effective amendments filed by certain registered investment companies.**

* * * * *

(b)* * *

(2) Any prospectus or Statement of Additional Information filed as a part of such amendment does not include disclosure relating to any of the following events to the extent that such events have occurred since the effective date of the registrant's registration statement or the effective date of its most recent post-effective amendment thereto which included a prospectus or Statement of Additional Information, whichever is later, unless such events are disclosed in a post-effective amendment filed pursuant to paragraph (a) of this section which has not yet become effective:

* * * * *

2. By adding § 230.495 to read as follows:

**§ 230.495 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 each of the items of the applicable Part, 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 ommitted 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 item of Form N–1A calls 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 pursuant to Rule 411 § 230.411 of this chapter).

3. By adding § 230.496 to read as follows:

**§ 230.496 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 the Statement of Additional Information insofar as later information covering the same subjects, including the latest available certified financial statements, as of a date not more than 16 months prior to the use of the prospectus or the Statement of Additional Information is contained therein.

4. By adding § 230.497 to read as follows:

**§ 230.497 Filing of prospectuses—number of copies.**

(a) Five copies of every form of prospectus sent or given to any person prior to the effective date of the registration statement which varies from the form or forms of prospectus included in the registration statement as filed pursuant to § 230.402(a) of this chapter shall be filed as a part of the registration statement not later than the date such form of prospectus is first sent or given to any person: *Provided, however,* that an investment company advertisement which is deemed to be a prospectus pursuant to § 230.434d of this chapter and which is required to be filed pursuant to this paragraph shall not be filed as part of the registration statement.

(b) Within 5 days after the effective date of a registration statement or the commencement of a public offering after the effective date of a registration statement, whichever occurs later, 10 copies of each form of prospectus used after the effective date in connection with such offering shall be filed with the Commission in the exact form in which it was used.

(c) For open-end management investment companies filing on Form N–1A [§ 239.12A and § 274.11A of this chapter], within 5 days after the effective date of a registration statement or the commencement of a public offering after the effective date of a registration statement, whichever occurs later, 10 copies of each form of prospectus and Statement of Additional Information used after the effective date in connection with such offering shall be filed with the Commission in the exact form in which it was used.

(d) After the effective date of a registration statement no prospectus which purports to comply with section 10 of the Act and which varies from any form of prospectus filed pursuant to paragraph (b) or (c) of this rule shall be used until 10 copies thereof have been filed with, or mailed for filing to, the Commission, together with 5 copies of a cross reference sheet similar to that previously filed, if changed.

(e) For open-end management investment companies filing on Form N–1A, after the effective date of a registration statement no prospectus which purports to comply with section 10 of the Act or Statement of Additional Information which varies from any form of prospectus or Statement of Additional Information filed pursuant to paragraph (b) of this rule shall be used until copies thereof have been filed with, or mailed for filing to, the Commission, together with 5 copies of a cross reference sheet similar to that previously filed, if changed.

(f) Every prospectus consisting of a radio or television broadcast shall be reduced in writing. Five copies of every such prospectus shall be filed with the Commission at least 5 days before it is broadcast or otherwise issued to the public.

(g) Each copy of a prospectus filed under this rule shall contain in the upper right corner of the cover page the paragraph of this rule under which the filing is made and the file number of the registration statement to which the prospectus relates. The information required by this paragraph may be set forth in longhand, provided it is legible.

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

5. By adding § 270.8b–11A to read as follows:

**§ 270.8b–11A Number of copies-signatures-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. 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.

6. 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 filed on Form N–1A, Part C of the registration statement shall be filed on good quality, unglazed, white paper, no larger than 8½ by 11 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.

7. By revising paragraph (b)(1) of § 270.18f–1 as follows:

**§ 270.18f–1 Exemption from certain requirements of section 18(f)(1) for registered open-end investment companies which have the right to redeem in kind.**

* * * * *

(b) * * *

(1) shall be described in either the prospectus or the Statement of Additonal Information, at the discretion of the investment company, and

* * * * *

8. By revising paragraphs (a)(2), (b)(2) and (c)(2)(i) of § 270.22d–1 as follows:

**§ 270.22d–1 Variations in sales load permitted for certain sales of redeemable securities.**

* * * * *

(a) * * *

(2) The scale of reducing sales load and the method of computation utilized shall be specifically described in the prospectus or the Statement of Additional Information, at the discretion of the investment company, and shall be applicable to sales to all persons.

* * * * *

(b) * * *

(2) The scale of reducing sales load and the method of computation utilized shall be specifically described in the prospectus or the Statement of Additional Information, at the discretion of the investment company, and shall be applicable to all purchasers.

* * * * *

(c) * * *

(2) * * *

(i) The plan is described in the prospectus or Statement of Additional Information, at the discretion of the investment company;

* * * * *

9. By revising paragraph (a) of § 270.22d–2 as follows:

**§ 270.22d–2 Sales of redeemable securities without a sale load following redemption.**

(a) A registered investment company which is the issuer of redeemable securities, a principal underwriter of such securities or a dealer therein shall be exempted from the provisions of Section 22(d) to the extent necessary to permit the sale of such securities by such persons at prices which reflect the elimination of the sales load pursuant to a uniform offer described, at the company's discretion, in either the prospectus or the Statement of Additional Information, to any person who has redeemed shares in such company and, with the proceeds of the redemption, purchases shares of such company, or of another investment company which offers shareholders in such company a no-load exchange privilege: Provide, however, (1) that such sale does not exceed the amount of the redemption proceeds (or that nearest full share if fractional shares are not purchased); (2) that no such sale may be made to any shareholder who has exercised the reinvestment privilege previously with respect to any redeemable security issued by such company; (3) that such redemption did not involve a refund of sales charges pursuant to Section 27(d) or 27(f) of the Act; (4) that such sale is effected within 30 days after such redemption, or within such lesser time as is described in either the prospectus or the Statement of Additional Information; and (5) that sales personnel and dealers receive no compensation of any kind based on the reinvestment.

* * * * *

10. By revising paragraph (a) and (c) of § 270.30d–1 as follows:

**§ 270.30d–1 Reports to stockholders of management companies.**

(a) Every registered management company shall transmit to each stockholder of record, at least semiannually, a report containing the financial statements required to be included in such reports by the company's registration statement form under the 1940 Act (instructions E and F of Item 18 of Form N–1, instructions 5 and 6 of Item 23 of Form N–1A, or Item 20 of Form N–2) except that the initial report of a newly registered company shall be made as of a date not later than the close of the fiscal year or half-year occurring on or after the date of which the company's notification of registration under the 1940 Act is filed with the Commission.

* * * * *

(c) As the equivalent of any report required to be transmitted to shareholders by this rule, an open-end company may transmit a copy of its currently effective prospectus or Statement of Additional Information, or both, under the Securities Act, provided such prospectus or Statement of Additional Information, or both, include the following additional information: (1) in the case of the prospectus or Statement of Additonal Information, or both, serving as an annual or semiannual report, the remuneration disclosure required by section 30(d)(5) of the 1940 Act for the period for which the prospectus or Statement of Additional Information, or both, are serving as a report; (2) in the case of the prospectus or Statement of Additonal Information, or both, serving as a semiannual report, financial statements and condensed financial information for the fiscal half-year period of the report. Such prospectus or Statement of Additional Information, or both, shall be mailed within 60 days after the close of the period for which the report is being made.

* * * * *

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

11. 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 separate accounts of insurance companies registered under the Investment Company Act of 1940 (on form N–1) (§ 270.11 of this chapter). This form is also to be used for the registration statement of such companies pursuant to Section 8(b) of the Inventment Company Act of 1940 (§ 270.11A of this chapter). This form is not applicable for small business investment companies which register pursuant to § 349.24 and § 374.5 of this chapter.

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

12. 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 separate accounts of insurance companies or companies which issue periodic payment plan certificates or which are sponsors or depositors of companies issuing such certificates. This form shall 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 § 293.24 and § 274.5 of this chapter.

### Summary of the Final Regulatory Flexibility Analysis

The Commission has prepared a Final Regulatory Flexibility Analysis in accordance with 5 U.S.C. 603 regarding Form N-1A promulgated herein. The Analysis notes that the 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 Final Regulatory Flexibility Analysis may be obtained by contacting Gregory K. Todd, Esq., Office of Disclosure Legal Services, Securities and Exchange Commission, Room 5128, 450 Fifth Street, N.W., Washington, D.C. 20549.

### Statutory Authority

The Commission hereby adopts Form N-1A and rules 495, 496 and 497 and amends rule 485 under the Securities Act of 1933 and adopts rules 8b-11A and 8b-12A and amends rules 18f-1, 22d-1, 22d-2 and 30d-1 under the Investment Company Act of 1940, pursuant to the provisions of sections 7, 10, and 19 of the Securities Act of 1933 [15 U.S.C. 77g, 77j, and 77s] and sections 8, 30 and 38 of the Investment Company Act of 1940 [15 U.S.C. 80a-8, 80a-29 and 80a-37].

By the Commission.

**George A. Fitzsimmons,**

*Secretary.*

August 12, 1983.

Note.—This Appendix will not appear in the CFR.

**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 ☐
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

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 Securites 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*

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)(37) of the Investment Company Act of 1940 [15 U.S.C. 80a-2(a)(37)] for filing: (1) an initial registration statement required by Section 8(b) of the 1940 Act. [15 U.S.C. 80a-8(b)], (2) an annual amendment thereto, (3) a registration statement required under the Securities Act of 1933 ("1933 Act") and any amendments thereto, or (4) any combination of the above 1940 Act and 1933 Act filings.

*B. Registration Fees*

Section 6(b) of the 1933 Act [15 U.S.C. 77f(b)] and Rule 457 [17 CFR 230.457] thereunder set forth the fee requirements under the 1933 Act. Rule 8b-6 under the 1940 Act [17 CFR 270.8b-6] 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 increasing the number or amount of securities registered or registering an indefinite number of their shares are also directed to Rule 24e-2 and 24f-2, respectively, under the 1940 Act [17 CFR 270.24e-2 and 270.24f-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 270.8b–32], shall apply, except as noted in General Instruction D below.

*D. Amendments*

1. Attention is specifically directed to Rule 8b–16 under the 1940 Act [17 CFR 270.8b–16] which requires the annual amendment 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 under the 1933 Act [17 CFR 230.472] shall be filed with the Commission.

*E. Incorporation by Reference*

A Registrant may, at its discretion, incorporate any or all of the Statement of Additional Information (the "Statement") into the prospectus delivered to potential and other investors, without physically delivering the Statement with the prospectus, so long as the Statement is available to the investor upon request at no charge and any information or documents incorporated by reference into the Statement are provided along with the Statement to each person to whom the Statement is sent or given.

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 into a registration statement filed on Form N–1A of information 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 filed on Form N–1A not required to be included in a prospectus, any information contained elsewhere in the registration statement of any information contained in other statements, applications or reports filed with the Commission.

Attention is also directed to Rule 24 of the Commission's Rule 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 it is in effect at the time the Registration Statement is filed prior to incorporating by reference any document as an exhibit to such Registration Statement.

Subject to the above rules, a Registrant may incorporate by reference into the prospectus or the Statement of Additional Information in response to Items 3(a) or 23 of the Form or both 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, the covers the periods specified by, this Form;

2. The Registrant includes a statement at the place in the prospectus or the Statement of Additional Information where the information required by Items 3(a) or 23 of the Form, respectively, 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, the Statement of Information or Part C of the Registration Statement (in response to Item 24(a)), of any combination thereof, 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 into the prospectus or the Statement of Additional Information is provided along with the prospectus or the Statement of Additional Information to each person to whom the prospectus or the Statement of Additional Information is sent or given, unless the person to whom such prospectus or the Statement of Additional Information 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 or the Statement of Additional Information 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 24(b)(6), 24(b)(10), 24(b)(11) and 24(b)(12), required signatures, and all other documents which are required or which the Registrant may file as part of the registration statement.

*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 of 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 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 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 interest to 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 the Statement of Additional Information in any particular order, 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 the 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. The prospectus 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].

4. Instructions for charts, graphs, tables and sales literature:

(a) A Registration Statement on this Form may include any chart, graph or table that is not misleading; however, no chart, graph or table should precede the condensed financial information specified in Item 3.

(b) If "sales literature" is included in the prospectus, the issuer should be aware of the following: (1) sales literature should not be of such quantity as to lengthen the prospectus, and it should not be so placed as to obscure essential disclosure and (2) members of the National Association of Securities Dealers, Inc. (NASD) are not relieved of the filing and other requirements of the NASD with respect to investment company sales literature (See Securities Act Release No. 5359, January 26, 1973 [38 FR 7220 (March 19, 1973)].

**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 the information about the Registrant that a prospective investor ought to know before investing; (B) the prospectus should be retained for future reference; and (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 and whether any of the Statement of Additional Information has been incorporated by reference into the prospectus.);

(iv) the date of the prospectus, and the date of the Statement of Additional Information;

(v) the statement required by Rule 48(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) The Registrant should include a synopsis of the information contained in the prospectus where the length or complexity of the prospectus makes such a synopsis appropriate. (If the prospectus without a synopsis would be twelve pages or less when printed in the manner in which it is to be delivered to investors, a synopsis should not normally be necessary).

(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.

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 6-03 [17 CFR 210.6-03] 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;
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 and shall so state. The auditor's statement pertaining to the condensed financial information need not be included in the prospectus.

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 caption 2 of Rule 6-07 of Regulation S-X. If there were income deductions such as those described in captions 3 and 5 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 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:

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

*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.

(c) For a registrant which holds itself out to be a "money market" fund or has an investment policy calling for investment of at least 80% of its assets in debt securities maturing in thirteen months or less, furnish: (1) a yield quotation based on the seven days ended on the date of the most recent financial statements of the Registrant

included in the prospectus or Statement of Additional Information, computed by determining the new change exclusive of capital changes in the value of a hypothetical preexisting account having a balance of one share at the beginning of the period, dividing the net change in account value by the value of the account at the beginning of the base period to obtain the base period return, and multiplying the base period return by (365/7) with the resulting yield figure carried to at least the nearest hundredth of one percent; and (2) the length of and the base period used in computing that quotation.

*Instructions*

1. For purposes of calculating the yield quotation required in subsection (c) above, the determination of net change in account value must reflect:

(a) The value of additional shares purchased with dividends from the original share and dividends declared on both the original share and any such additional shares; and

(b) All fees that are charged to all shareholder accounts, in proportion to the length of the base period and the fund's average account size.

2. The capital changes to be excluded from the calculation of yield required by this item are realized gains and losses from the sale of securities and unrealized appreciation and depreciation.

3. In connection with the presentation of the yield quotation, the prospectus must disclose any material net change in the yield figure that would result from the inclusion of capital changes that are excluded in the computation pursuant to this Item.

4. In addition to the yield quotation required by this Item, the registrant may also include a quotation of effective yield, carried to at least the nearest hundredth of one percent, computed by compounding the unannualized base period return by dividing the base period return by 7, adding 1 to the quotient, raising the sum to the 365th power, and subtracting one from the result, according to the following formula.

$$\text{Effective yield} = (\text{base period return}/7 + 1)^{365} - 1.$$

5. The registrant need not include in the prospectus the method of calculating the yield quotation described in Item 3(c), above. Nevertheless, the Registrant should include the method of calculating this yield figure in the Statement of Additional Information in response to Item 22.

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 of the 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 the Registrant that may not be changed without the vote of the majority of the outstanding voting securities, including those policies which the 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 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, or, if Registrant has not followed that practice within the last year in such a manner that more than 5% of Registrant's net 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 include a general statement as to the responsibilities of the board of directors under the applicable laws of the Registrant's jurisdiction of organization with respect to management of the Registrant.)

(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 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 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:

(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.

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).

(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 15(a) for 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 and state whether they have any preference over the security being offered.

(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: (i) the Registrant will distribute all of its net income and gains to shareholders and that such distributions are taxable income or capital gains; (ii) shareholders may be proportionately liable for taxes on income and gains of the Registrant but that shareholders not subject to tax on their income will not be required to pay tax on amounts distributed to them; and that (iii) the 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 the 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 reallowed 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, unless the Registrant reasonably believes that those charges are adequately disclosed to investors by the use of a "wrapper" to the prospectus or otherwise.

(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 directly or indirectly 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 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 in the prospectus all procedures for redeeming the Registrant's shares, any restrictions thereon, and any charges that may be attendant upon redemption, except redemptions made pursuant to Rules 18f-1 [17 CFR 270.18f-1], 22d-1 [17 CFR 270.22d-1] and 22d-2 [17 CFR 270.22d-2]. Information concerning methods of redemption pursuant to those rules may be provided by the Registrant, at its discretion, in either the prospectus or the Statement of Additional Information. If Registrant, under normal circumstances, intends to redeem in kind, that fact should be disclosed.

(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. The specific fees for such service that may be charged by the broker-dealer selected by the shareholder need not be disclosed.

(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.

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 governmental authorities.

*Instruction*

Legal proceedings, for purposes of litigation or governmental proceedings to which the investment adviser or principal underwriter of the 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 10. *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 11. *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 12. *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 13. *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 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 portfolio 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), so state. In the case of a new registration, the Registrant should state its policy with respect to portfolio turnover.

Item 14. *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.

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

*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 persons or principal underwriters of the Registrant by each individual listed in column (1) of the table.

(c) 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 $60,000 for services in all capacities:

(i) each director, each of the three 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.

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

*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 furture 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 othewise 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 15. *Control Persons 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 purposes 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 16. *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 or 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 a 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 of interest 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: (1) 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 bone 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 emloyee 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, reguarly 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 purhase 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)] (iv) 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 information,the following:

(i) The manner in which amounts paid by the Registrant under the plan during the last fiscal year were 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);

(ii) 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

(iii) 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 17. *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 such 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 such broker during the most recent fiscal year.

(iii) Where there is a material difference in the percentage of brokerage commissions 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 transactions to a broker because of research services provided, state the amount of such transactions and related commissions.

Item 18. *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 19. *Purchase, Redemption and Pricing of Securities Being Offered*

(a) Provide a description of the manner in which registrant's securities are 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 [17 CFR 270.2a-7], the response to paragraph (a)(1) of this item should describe 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 in the Statement of Additional Information to the extent such information has not been provided by the Registrant, at its discretion, in the prospectus.

(d) If, pursuant to Rule 22d-2 under the 1940 Act [17 CFR 270.22d-2], the Registrant provides reinvestment privileges for persons who redeem, describe in the Statement of Additional Information the terms and procedures

for exercising such privileges, if not described, at the Registrant's discretion, in the prospectus.

Item 20. *Tax Status*

Set forth any information about Registrant's tax status that is not required to be in the prospectus but that Registrant believes is of interest to investors including, but not limited to, an explanation of the legal basis for the Registrant's tax status. If the Registrant is qualified or intends to qualify under Subchapter M of the Internal Revenue Code [26 U.S.C. 851–856] and has not disclosed that fact in the prospectus, then disclosure of that fact will be sufficient. The Registrant should also disclose 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, having more than one portfolio, any special tax consequences resulting therefrom should be described in response to this Item.

Item 21. *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:

(1) Name of Principal Underwriter; (2) Net Underwriting Discounts and Commissions; (3) Compensation on Redemption and Repurchases; (4) Brokerage Commissions; and (5) Other Compensation.

*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(e) or 21(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 31 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 22. *Calculations of Yield Quotations of Money Market Funds*

For a Registrant which holds itself out to be a "money market" fund or has an investment policy calling for investment of at least 80% of its assets in debt securities maturing in thirteen months or less, furnish a description of the method by which the yield quotation provided in the prospectus pursuant to Item 3(c) is computed.

*Instructions:*

1. For purposes of the description of the method by which the yield quotation required in the prospectus is computed the determination of net change in account value must reflect:

(i) the value of additional shares purchased with dividends from the original share, and dividends declared on both the original share and any such additional shares; and

(ii) all fees that are charged to all shareholder accounts, in proportion to the length of the base period and the fund's average account size.

2. The capital changes to be excluded from the calculation of yield required by this Item are realized gains and losses from the sale of securities and unrealized appreciation and depreciation.

Item 23. *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 19(b) of this Form may be furnished as a continuation of the balance sheet specified by Regulation S–X.

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) the following schedules in support of the most recent balance sheet (a) columns C and D of Schedule III [17 CFR 210.12–03]; and (b) Schedule VI [17 CFR 210.12–04].

3. 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.

4. 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 Instruction 2 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 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 offices; and (D) to each person of whom any officer or director of the company is an affiliated person.

5. 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 Instruction 2 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.

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

*Part C. Other Information*

Item 24. *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 Registrants;

(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 offices of the Registrant in their capacity as such; any such plan that 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 when sold be legally issued, fully paid and non-assessable;

(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 [15 U.S.C. 77g];

(12) all financial statements omitted from Item 23;

(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 25. *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 26. *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 27. *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 Rules 461 [17 CFR 230.461] and 484 [17 CFR 230.484] under the 1933 Act and Section 17 of the 1940 Act [15 U.S.C. 80a–17].

Item 28. *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 29. *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 21:

| 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 21(c) shall also apply here.

Item 30. *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(a)] 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 31. *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 of interest 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 last three fiscal years.

*Instructions:*

1. The instructions to Item 16 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 32. *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)];

(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) 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) 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 12(a) and 12(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 the Registration Statement may be omitted.

(a) A synopsis that is a clear and concise description of the salient features of the offering and the Registrant. The information provided in the synopsis need not be set forth in the order or the manner described herein. Further, the information may be presented in a question-and-answer format.

The synopsis must include: (i) 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; (ii) a summary of the principal speculative or risk factors associated with investment in the 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; (iii) a statement of the total expenses

incurred by the Registrant in the previous fiscal year as a percentage of net assets and a statement of any direct charges made by the Registrant to shareholder accounts during such fiscal year, if the Registrant has had an operating history of at least one full fiscal year. If the Registrant does not have an operating history of one full fiscal year, the Registrant must include 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; and (iv) the nature of the securities being offered.

The synopsis must also: (i) provide 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; (ii) provide a cross-reference to the description in the prospectus of how to purchase the securities being offered; and (iii) provide a cross-reference to the description in the prospectus of how a shareholder may effect redemption and, if applicable, a repurchase transaction.

Finally, 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 in the summary prospectus.

(b) The information called for by Item 3 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) must be contained herein.

(d) The summary prospectus must contain the legends required by Rules 481(b)(1) and 431(e) under the 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 Items 3(c) and 22 of the Form, it must be set forth in complete and uncondensed form, except insofar as Item 3(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.

[Note: This Appendix will not appear in the CFR.]

## Appendix B

The Commission received numerous comments concerning the Guidelines published with the release proposing Form N–1A. The following is a brief synopsis of the Guidelines about which comments were received, a summary of comments received concerning each guide, and the response of the Division of Investment Management (the "staff") to these comments.

*Guide 1. Name of Registrant*

Guide 1, as proposed, summarized the staff's position regarding a fund's use of a name or title which may be deceptive or misleading, pursuant to section 35(d) of the 1940 Act [15 U.S.C. 80a-34(d)]. The guide, as proposed, also articulated the longstanding staff position that, if a fund's name implies that it invests primarily in a particular security or type of security, that fund must, under normal circumstances, have 80% of its assets invested in that security or type of security. Three commentators argued that, if a fund holds itself out as primarily invested in a particular type of security or industry, the percentage of assets invested in that particular type of security or industry need only be 50% of gross assets. One of these commentators also argued that the percentage figure should be based on net assets only, not total assets.

The staff has considered these comments, and has concluded that (except in the case of money market and tax-exempt funds for which the 80% standard should be retained) the present percentage figure is too high in light of the need of funds to respond flexibly to changing circumstances. However, the staff believes that, when a fund's name implies a certain type of investment policy, investors should be entitled to expect substantially more than half of the fund's assets to be invested consistently with that policy. In light of the foregoing considerations, Guide 1, as published, provides that a fund's name may imply that the fund is primarily invested in a particular security or type of security if, under normal circumstances, 65% of its total assets are invested in that particular security or type of security.

Another commentator suggested that the percentage of assets should be exclusive of cash, government securities and short-term money market instruments. Although Guide 1 to Form N–8B–1 (Investment Company Release No. 7221), one of the predecessor forms to the present Form N–1, permitted the 80% test to be exclusive of cash, government securities and short-term money market instruments, at that time there were few, if any, money market or government securities funds. In view of the emergence of these types of funds, the staff does not believe that such a condition is now appropriate. Nevertheless, the staff believes that the intent of that original guide is encompassed within the phrase "under normal circumstances" in the present guide.

Finally, a commentator from the securities bar suggested that enforcement of section 35(d) of the 1940 Act, which prohibits the use of deceptive or misleading names by investment companies, should be handled on a case-by-case basis unless the percentage of gross assets criterion is embodied in a regulation by the Commission. The staff believes that a specific standard is appropriate in a guideline but not in a rule. The purpose of these guidelines is to assist registrants by providing general standards concerning issues which frequently arise, while preserving the flexibility to resolve specific issues concerning possibly deceptive or misleading names on a case by case basis. The provision of Guide 1 concerning section 35(d) will be published with appropriate modifications as discussed herein.

*Guide 3. Investment Objectives and Policies*

Guide 3, as proposed, discussed the general disclosure requirements of Items 4 and 13 (formerly Item 4 of proposed Part B) of Form N–1A pertaining to the presentation of information concerning the types of investments and limitations on investments made by the fund. The last paragraph of the guide concerns the disclosure that the staff has suggested should be included in the Statement of Additional Information regarding investment activities that the fund's charter or by-laws permit, but for which the fund has no specific policy. One commentator suggested that this part of the guide appeared to contemplate that, in practice, fund charters and by-laws actually deal specifically with the types of investment activities in which the fund might engage. The commentator asserted that in its experience this is not the case, but rather that investment company charters and by-laws are typically drafted in a very broad and all inclusive manner, so that they permit almost any type of investment activity. That commentator asserted that in such

a case attempts to deal with the provisions of the guide would require a "hopelessly confused and useless discussion." The staff agrees with this comment and has revised the guide accordingly.

*Guide 4. Special Considerations Relating to Suitability* [1]

Guide 4, as proposed, suggested that certain funds whose sucurities are made available through a bank or broker-dealer that provides cash management services should make certain disclosures concerning the limited suitability of such an investment, if the investor does not intend to use the cash management services available. There were five comments concerning this guide, none of which were in favor of the requested disclosure. One commentator asserted that registrants should have to disclose only that the fund may not be a suitable investment if the investor does not intend to use the cash management services available through the fund and that it should not be necessary, as the guide indicates, to state that other funds may be more suitable investments. Another commentator argued that other factors such as yield, total management fees, safety, minimum required investment and redemption privileges may affect an investor's decision. Further, a third commentator argued that to the extent that providing cash management services increases expenses and reduces yield, that information "is readily available and obvious to shareholders without special disclosure." Another commentator suggested that it should be necessary to provide information concerning the suitability of investing in a fund offering cash management services only if the cash management fee or charge is subtracted from the fund's assets. That commentator further asserted that no such disclosure should be required where the fee is deducted from the customer's account since in that situation the fund's yield is not affected. Finally, a commentator from the securities bar argued that it is the responsibility of brokers recommending investments to their clients and not of mutual funds to recommend suitable investments to potential investors. Registrants, in that commentator's opinion, have no duty to contrast their features and merits with competing products. In light of the suitability requirements applicable to broker-dealers, the staff believes it is not necessary for funds to provide disclosure concerning the suitability of investing in a fund offering cash management services. The staff has withdrawn Guide 4 to reflect this change in position.

*Guide 5. Portfolio Turnover*

Guide 5 (formerly Guide 6, as proposed) concerned disclosure of the fund's portfolio turnover rate and, where applicable, significant tax or brokerage consequences which might result from that turnover rate. One commentator suggested that the word "identified" should be substituted in this guide for the word "discussed." That commentator asserted that otherwise the guide would appear to require excessive disclosure in the prospectus of the consequences of portfolio turnover, which information should more properly be in the Statement of Additional Information. The staff agrees with the commentator that there should generally not be lengthy disclosure of this information in the prospectus but believes that the term "identify" does not really fit in this particular situation. Therefore, the staff has modified the guide to provide instead for a "brief" discussion of the consequences of the fund's portfolio turnover rate in the fund's prospectus.

Another commentator expressed concern that the guide's request that funds estimate their maximum portfolio turnover rates presents difficulties for funds. It is the commentator's belief that it is generally impossible for funds to predict accurately their maximum portfolio turnover rates and that a request for such information leads to predictions which are very high and may unrealistically reflect the expected operation of the fund. The stafff disagrees with this comment and believes that where historical information is not available, it is reasonable to expect a fund to predict its maximum turnover rate based on its concept of the consequences of the implementation of its investment policies. (This figure will of course be an estimate and not an absolute limit.) This portion of Guide 5 will be published as proposed.

Finally, one commentator suggested that a discussion of the tax consequences and the amount of brokerage commissions relating to the fund's portfolio turnover rate should not be included in the prospectus in every case, but only where they are significant. That commentator cited money market funds as an example of investment companies which generally would not need to discuss such consequences. That commentator also recommended that any extended discussion of the tax or brokerage consequences of a high portfolio turnover rate should be provided in Part B. It appears to the staff that the guide as proposed is consistent with this comment.

*Guide 12. Purchase and Sale of Real Estate*

Guide 12 (formerly Guide 13, as proposed) suggested certain disclosure for funds investing in real estate. The guide included in its definition of real estate the securities of companies whose assets consist substantially of real estate and interests in real estate. With regard to the staff's definition of real estate, two commentators argued that this guide is inaccurate because, in the commentators' opinions, investing in *marketable* securities of companies that invest primarily in real estate is not considered investing in interests in real estate. One of the commentators suggested that the guide should be revised. The staff agrees and has revised the guide to reflect that where funds invest in securities of entities that invest primarily in real estate, and those securities have a ready market, then those securities need not be treated as investments in real estate.

*Guide 14. Other Policies Which Are Changeable Only if Authorized by Shareholder Vote or Which the Registrant Deems a Matter of Fundamental Policy*

Guide 14 (formerly Guide 15, as proposed) delineated the appropriate levels of prospectus disclosure with respect to investment policies which are changeable only if authorized by shareholder vote or which the registrant elects to treat as "fundamental." One commentator suggested that although he agreed that negative investment policies need not be included in the prospectus, he believed that the guide should clarify that such negative investment policies *may* be disclosed in the prospectus at the option of the registrant. The General Instructions to Form N-1A make it clear that registrants may include more information in the prospectus than is required, provided that such information is not incomplete, inaccurate, or misleading, and 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. Accordingly, registrants may include disclosure as to negative investment policies in the prospectus if they deem doing so to be appropriate, although disclosure as to such policies would not normally appear to be of fundamental importance.

[1] This guide has been withdrawn by the staff. Current Guide 4 is entitled: *Type of Securities.*

*Guide 15. Qualification for Treatment Under Subchapter M of the Internal Revenue Code*

Guide 15 (formerly Guide 16, as proposed) [3] suggested that a nondiversified company intending to qualify under Subchapter M of the Internal Revenue Code should disclose in the Statement of Additional Information the percentage of assets which may be invested in any one issuer and the percentage of the outstanding voting securities of any one issuer which the company may acquire. Concerning this requested disclosure, one commentator suggested that, if a fund intends to qualify under Subchapter M, the registrant need only disclose that fact without describing the requirements of Subchapter M. As discussed in the release concerning Item 13 of Form N–1A, the Commission believes this disclosure would suffice. The staff has revised the guide accordingly.

*Guide 18. Diversification* [3]

Guide 18 (formerly Guide 19, as proposed) stated that, for purposes of determining whether an issuer has met the 1940 Act's diversification requirements, certificates of deposit should be treated as securities. One commentator asserted that certificates of deposit should not be treated as securities. One commentator asserted that certificates of deposit should not be treated as securities, but rather should be treated as cash items consistent with Regulation S–X and the Internal Revenue Service's position concerning Subchapter M. That commentator further asserted that the Guidelines are not the appropriate vehicle in which to resolve the issue of whether a certificate of deposit should be treated as a security or a cash item for purposes of diversification. After considering this comment, the staff has determined to withdraw this proposed guideline for further consideration. The staff may, however, publish a revised version of this guide at some later date.

*Guide 19. Concentration of Investments in Particular Industries*

Guide 19 (formerly Guide 21, as proposed) suggested that, if the registrant intends to concentrate its investments in a particular industry, it should specify the industry or group of industries in which it will concentrate. This guide further noted that the staff will rely on the *Directory of Companies Filing Annual Reports With the SEC* (the "Directory") in determining industry classifications. In addition, the guide stated that a registrant having a policy of concentration may select its own industry classifications, but such classifications should not be so broad that the primary economic characteristics of the companies in a single class are materially different. One commentator suggested that a registrant that has a policy of *not* concentrating also should be free to select its own industry classification, so long as the primary economic characteristics of the companies in the particular industry classifications selected by the registrant are not materially different. It appears very unlikely, given the particularity of the industry classifications used in the Directory that any registrant electing to have a policy of non-concentration would be disadvantaged by their use. However, the guide does not limit the freedom to select classifications to only those registrants having policies to concentrate, and the staff has revised the guide to clarify this point.

Another commentator asserted that, since the staff relies exclusively on the Directory, a registrant has no choice but to follow the classifications in the Directory, even though the guide appears to give the registrant a choice. That commentator recommended that the guide be revised to state that registrants may wish to use the Directory for guidance, but are not bound by it. The staff does not take the position that a registrant *must* use the Directory when determining a particular industrial classification, and, as the commentator noted, the staff framed the guide to indicate the choice available to the registrant. However, the guide has been modified to reduce the likelihood of the misunderstanding reflected by this comment.

The guide, as proposed, stated that money market funds may declare an investment policy on industry concentration reserving freedom of action to concentrate their investments in government securities and certain bank instruments issued by domestic banks. The guide noted, however, that foreign branches of domestic banks are not registered in the United States are not considered "domestic banks." Three commentators disagreed with the position that money market funds may not reserve freedom of action to concentrate their investments in instruments issued by foreign branches of domestic banks. These commentators argued that foreign subsidiaries of domestic banks should be treated the same as domestic banks and that money market funds should be permitted to reserve freedom of action to concentrate their investments in instruments issued by foreign subsidiaries, if, as one commentator suggested, the domestic parent of the subsidiary is liable for the instruments issued by its foreign branches.

After considering the comments, the staff is of the opinion that, if a registrant could disclose that the investment risk associated with investing in instruments issued by the foreign subsidiary of a domestic bank is the same as that of investing in instruments issued by the domestic parent in that the domestic parent would be liable, unconditionally, in the event that the foreign branch failed to pay on its instruments for any reason, then the registrant may treat the foreign branch as a domestic bank for purposes of concentration. Otherwise, the registrant may not reserve freedom of action to concentrate its investments in instruments issued by foreign branches of domestic banks. The guide has been revised to reflect this position.

*Guide 20. Investment Companies Investing in Other Than High-Grade Bonds*

Guide 20 (formerly 22, as proposed) [4] suggested that if the registrant invests in lower-rated bonds, then it should concisely but clearly disclose in the prospectus the risks involved in such investments. One commentator argued that the definition of lower-rated bonds provided in a footnote to the guide was incorrect because it included bonds rated BBB or Baa, which are medium grade obligations that fall within the category of investment grade securities. The staff agrees with the commentator that BBB or Baa securities are investment grade securities. Nevertheless, the staff believes that investments in less than high-grade bonds involve certain recongnized risks and that disclosure in the registrant's prospectus of these risks would be of fundamental importance to investors. Therefore, the staff has revised the guide to provide that registrants seeking high income by investing in other than high-grade bonds should concisely disclose the risk's involved in such investments.

*Guide 21. Disclosure of Risk Factors*

Guide 21 (formerly Guide 23, as proposed) provided that, if the registrant intends to invest as much as 10% of its assets in foreign securities which are not publicly traded in the United States,

[3] The prior title of this guide was: *The Percentage of Assets Which May be Invested in the Securities of Any One Issuer.*

[3] This guide has been withdrawn by the staff. Current Guide 18 is entitled: *Municipal Bonds.*

[4] The prior title of this guide was: *Investment Companies Investing In Lower-Rated Bonds.*

such intention must be stated in the registrant's prospectus. One commentator suggested that for many foreign securities, there are dollar-denominated American Depository Receipts ("ADRs"), which are receipts issued against securities of foreign issuers deposited in an American depository. Such ADRs are traded in the United States on exchanges or over-the-counter, are issued by domestic banks, and do not involve the same currency risk as a foreign security. That commentator concluded that ADRs should not be considered foreign securities for purposes of the 10% test. Since ADRs, even if they were viewed as foreign securities, are publicly traded in the United States, the guide as proposed does not require the type of disclosure as to ADRs that would be required as to foreign securities not traded domestically. Nevertheless, the Guide has been clarified on this point.

*Guide 22. Government Securities*

Guide 22 (formerly Guide 24, as proposed) suggested that a registrant that invests to a significant extent in U.S. government securities should provide information concerning the types of government securities that it will invest in and the extent to which these securities are protected by the full faith and credit of the United States. Two commentators from the securities bar argued that the prospectus disclosure suggested by Guide 22 is excessive and runs counter to the concept of prospectus simplification. These commentators further argued that since most money market funds, from time to time, have varying amounts of their assets in U.S. goverment securities, most or all money market funds would feel the need to include this disclosure in their prospectuses. One of the commentators suggested that at a minimum this disclosure should be required only for "U.S. Government only" money market funds. The information called for by the guide can be disclosed concisely and, in fact, most funds that invest in U.S. Government securities discuss their policies in that regard relatively briefly in their current prospectus. Accordingly, the staff did not contemplate that this guide would result in lengthy prospectus disclosure concerning this subject, even in the case of funds that invest primarily in U.S. Government securities, and, of course, the level of disclosure that should be provided pursuant to this guide will directly depend on the level of investment by the fund in U.S. government securities (see Guide 3). The staff, however, has revised the language of this guide to clarify this position.

*Guide 24. Management of the Fund*

Guide 24 (formerly Guide 26, as proposed) suggested disclosure concerning Items 5 and 14 (formerly Item 5 of Part B, as proposed) of Form N–1A, including a discussion of management remuneration as required by Item 14. Concerning the disclosure of management remuneration discussed in Guide 25, one commentator suggested that the remuneration disclosure threshold of $40,000 should be changed to $60,000 in order to correspond with Item 404 of Regulation S–K [17 CFR 229.404]. As discussed in the release with regard to Item 14(d), the Commission has modified this Item to raise the threshold amount to $60,000. The staff has revised this guide accordingly.

*Guide 25. Investment Advisory and Other Services*

Guide 25 (formerly Guide 27, as proposed) concerned the disclosure of investment advisory services and fees. One commentator suggested that the prospectus should contain a brief description of the advisory fee, but that the prospectus should not contain disclosure of all the breakpoints in the adviser's fee, if the current fee is disclosed along with the high and low breakpoint limits. The staff agrees with this comment, but believes that such disclosure is all that is suggested by the guide. Another commentator suggested that certain material in Guide 25 and Guide 28, as proposed, is repetitious of material already in Form N–1A and should be deleted. Guide 25 has been revised and Guide 28, as proposed, has been withdrawn to eliminate redundancy.

*Guide 26. Brokerage Allocation*

Guide 26 (formerly Guide 29, as proposed) concerned disclosure of brokerage allocation practices. One commentator suggested that all disclosure regarding brokerage allocation practices should be moved to Part C of the Form. Another commentator suggested that no disclosure concerning allocation practices should be necessary if the registrant is not required to respond to Item 17. As discussed in the release, the Commission has decided not to move all discussion of brokerage allocation to Part C, since at least some investors may be interested in this information. However, the guide has been modified to clarify that no disclosure concerning brokerage allocation practices would be necessary if the registrant is not required to respond to Item 17 of the Form.

*Guide 27. Redemption or Repurchase*

Guide 27 (formerly Guide 30, as proposed) stated that Item 8 of the Form requires the registrant to include in the prospectus a brief description of the procedures for redeeming shares or having shares repurchased by the registrant. In addition, the guide provided that any charges or restrictions applying to such procedures should be disclosed in the prospectus. Concerning this suggested disclosure, one commentator stated that he believed that it was inappropriate to require funds to disclose fees or charges imposed by an entity other than the fund for redemption of the fund's shares. That commentator asserted that fees charged by a broker are its responsibility and should be disclosed by the brokers, not the fund. The commentator concluded that this suggested disclosure should be deleted from the guide.

The staff has considered these comments and believes that, when a distributor or principal underwriter charges a fee for repurchase or redemption services, such charges should be disclosed in the prospectus. In addition, the staff believes that the registrant should disclose in the prospectus the fact that, if a shareholder used the services of a broker for the repurchase or redemption of the registrant's securities, there also might be charges imposed for such services by the broker-dealer selected by the shareholder. Nevertheless, the staff agrees with the commentator that the specific fees charged by the broker-dealer need not be disclosed in the prospectus, but should be disclosed by the broker dealer.

*Guide 28. Valuation of Securities Being Offered*

Guide 28 (formerly Guide 31, as proposed) stated that Item 7 required a registrant to set forth a concise identification of the method used to value its assets.[5] The guide suggested that for portfolio securities traded on a national securities exchange, valuation should be based on market value when readily available. Two commentators asserted that, although the discussion in Guide 28 concerning the valuation of the underlying assets of the fund appears to be directed only at equity securities, it could apply to debt securities as well.

One commentator suggested that the guide should be amended to deal

[5] As discussed in the release adopting Form N–1A, the Commission believes that with regard to the method of valuation of the securities being offered, identification of the method in the prospectus is sufficient disclosure. The staff has modified the guide to reflect the position.

separately with the valuation of debt securities. That commentator suggested that a problem arises with the language of the guide in that although certain bonds are traded on national securities exchanges, these bonds should be valued instead on their principal market, *i.e.*, over-the-counter market or by use of a pricing matrix. Another commentator noted that the valuation requirement in the guide as applied to bonds does not recognize that prices for bonds listed on a national securities exchange are not representative of prices obtained in institutional trading. The guide has been revised to clarify its applicability to the valuation of both debt and equity securities.

Another commentator suggested that discussions of the specific details concerning distribution plans pursuant to rule 12b–1 should be eliminated from the prospectus. He suggested moving this discussion to Part C. However, as discussed in the release with regard to Items 7(e) and 16, the Commission believes that the disclosure of this information is appropriate. Therefore, the staff has retained the content of this guide concerning the disclosure of distribution expenses pursuant to rule 12b–1, but has created a separate guide for this matter.

*Guide 30. Tax Consequences*

Guide 30 (formerly Guide 32, as proposed) stated that Item 6 requires registrants to describe briefly the tax consequences to an investor of investing in the securities being offered. One commentator asserted that disclosure of the tax consequences of series funds should be unnecessary for an issuer organized as a series fund but presently having only one portfolio and "no current intention" of adding another portfolio. That commentator noted that certain funds organized as series funds do so with no present intention of issuing a second series, but rather to provide the fund with the ability to respond quickly to future political or economic developments. He contended that disclosure of the potential tax implications for such a series fund would "bewilder" a typical investor. The staff has revised the guide in accordance with this comment.

**Guidelines for Form N–1A**

Consistent with the Commission's practice of publishing the views of the staff to assist issuers, their counsel, accountants, and others concerned with complying with applicable provisions of the federal securities laws, this release sets forth Guidelines prepared by the Division of Investment Management for use in the preparation and filing of registration statements for open-end management investment companies on Form N–1A.

The Guidelines consist of a compilation and adaptation of applicable Commission releases and staff positions and interpretations. It is anticipated that adherence to these Guidelines will substantially expedite the examination by the Division's staff of registration statements on Form N–1A. The policies embodied in these Guidelines will be changed as experience or altered factual situations require, or should the Form itself be changed.

Registrants should be aware that these Guidelines are not rules of the Commission and, except as noted herein, represent the views of the staff of the Division of Investment Management rather than an official position of the Commission. The Guidelines should be read in conjunction with the Investment company Act Releases cited herein.

**Table of Contents**



*Guide 1. Name of Registrant*

The registrant's name, as set forth in Item 1 and Item 10, must be consistent with the provisions of section 35 of the Investment Company Act of 1940 ("1940 Act"). Section 35(d) provides in effect that a registered investment company may not use a name or title which may be deceptive or misleading. If the registrant's name suggests a certain type of investment policy, its name should be consistent with its statement of investment policy.

If the registrant has a name indicating that it is a money market fund, it should have investment policies requiring investment of at least 80% of its assets in debt securities maturing in thirteen months or less.

If a fund has a name that implies that its distributions will be exempt from federal income taxation it should have a fundamental policy requiring that during periods or normal market conditions either (1) the fund's assets will be invested so that at least 80 percent of the income will be tax-exempt or (2) the fund will have at least 80 percent of its net assets invested in tax-exempt securities.[1]

If the registrant's name implies that it will invest primarily in a particular type of security, other than money market instruments or tax-exempt bonds, or in a certain industry or industries, the registrant should have an investment policy that requires that, under normal circumstances, at least 65 percent of the value of its total assets will be invested in the indicated type of security or industry.[2]

Further, the registrant's name may not be so similar to the name of an existing investment company as to cause confusion in identifying the investment company.

For guidance in responding to Items 1 and 10, the registrant should refer to Investment Company Act Release No. 5510 (October 8, 1968), which *inter alia*, concerns the proprietary rights of an investment company and its adviser in the company's name.

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[1] Investment Company Act Release No. 9785 (May 31, 1977) [42 FR 29130 (June 7, 1977)].

[2] *See* Guide 19, *Concentration of Investments in Particular Industries.*

*Guide 2. Dating the Prospectus and Statement of Additional Information*

The date of the prospectus required by rules 423 and 482 should be set forth on the cover page of the prospectus in response to Item 1. For purposes of Form N-1A, the date of the prospectus should be the approximate date of its effectiveness. In response to Item 10, the date of the prospectus to which Part B relates should be included on the cover page of Part B.

*Guide 3. Investment Objective and Policies*

In the response to Item 4, the registrant's investment objective and policies (including the types of securities in which it will invest) should be clearly and concisely stated in the prospectus so that they may be readily understood by the investor. Because the circumstances of each registrant will vary, it is not possible to define precisely what level of investment would make a particular type of investment one in which the registrant invests "principally," as that term is used in Item 4. As a general matter, however, the level of disclosure as to a particular type of investment should be consistent with the prominence of that type of investment in the registrant's portfolio. The prospectus should emphasize the main types of investments the registrant proposes to make and the basic risks inherent in such investments. Accordingly, discussions of types of investments that will not constitute the registrant's principal portfolio emphasis should be as brief as possible and, in many cases, may be limited to identifying the particular type of investments. (As discussed below, the instructions delineate certain circumstances in which disclosure may be so limited.) Similar treatment should be accorded to other types of practices, such as borrowing money. In order to achieve the objective of clear and concise disclosure, registrants should avoid extensive legal and technical detail and need not discuss every possible contingency, such as remote risks.[3]

Pursuant to Item 4(b)(i), registrant should omit from the prospectus disclosure about so-called negative investment policies, that is, policies that prohibit a particular type of investment or practice. This item may have particular applicability to those types of activities for which section 8(b) of the 1940 Act specifically requires that there be information in the registration statement. Although Item 4 generally does not attempt to define what or how much disclosure should be made about particular practices, Item 4(b)(ii) calls for minimal disclosure of policies registrant will not follow to a significant extent. Specifically, if not more than 5 percent of the registrant's net assets will be at risk, the prospectus should merely identify the policy or practice. For example, if a registrant planned to invest no more than 5 percent of its net assets in speculative growth stocks, it would be sufficient to state that policy in the prospectus without elaboration.

The response to Item 13 should include a fuller discussion in the Statement Additional Information of those investment policies of the registrant with respect to which an abbreviated or no narrative description is included in the prospectus. Fuller descriptions of the registrant's principal types of investments may also be appropriate, depending on the circumstances. The non-use of a policy in the past, as well as the registrant's intention with respect to that policy in the coming year, should also be disclosed in the Statement of Additional Information in responding to Item 13.

*Guide 4. Types of Securities*

Item 4 requires the registrant to discuss in the prospectus the types of securities in which it will invest to attain its investment objective. If the name of the registrant implies investment in a particular type of security (*e.g.*, Common Stock Fund), its policy should be consistent with its name (see Guide 1). The relative proportions of the registrant's assets to be invested in debt or equity securities need not be stated in terms of a percentage of total assets. However, a company which purports to be a "balanced" fund should maintain at least 25 percent of the value of its assets in fixed income senior securities. In such case, if convertible senior securities are included in the required 25 percent, only that portion of their value attributable to their fixed income characteristics can be used in calculating the 25 percent figure.

If the registrant intends to invest in foreign securities, real estate or make loans, reference should be made to Guides 21, 12, or 13, respectively.

Generally, the board purpose clauses of corporate charters are not pertinent insofar as a response to Item 4 is concerned; however, if a charter limits the registrant to a particular type of security, such limitation should be set forth.

*Guide 5. Portfolio Turnover*

In discussing investment techniques in response to Item 4, the registrant should briefly discuss in the prospectus the probable effect of such techniques on the registrant's rate of total portfolio turnover, if such effects will be significant and if portfolio turnover will have brokerage, tax or other significant consequences. If the registrant has had a portfolio turnover rate of approximately 100 percent or more, or, if the registrant anticipates it will have such a portfolio turnover rate, the brief discussion should include any tax and brokerge consequences which will result from the higher portfolio turnover rate. Appropriate cross-references to the sections of the prospectus which discuss income taxes and brokerage practices should follow such discussion. In responding to Item 13, the registrant should include in the Statement of Additional Information a discussion of portfolio turnover if no disclosure has been included in the prospectus or to supplement the disclosure in the prospectus. New companies, other than money market funds, should estimate what rate of portfolio turnover will, generally, not be exceeded (*e.g.*, 50 percent, 100 percent, 150 percent etc.). A company already in existence should disclose the rate of portfolio turnover for each of the past two years (but not including the period prior to the date the company's first registration statement under the Securities Act of 1933 become effective).

A "balanced fund," or other fund which invests substantial portions of its assets in both common stock and debt securities or preferred stock, should describe its portfolio turnover policy with respect to the common stock portion of its portfolio separately from the discussion of its portfolio turnover policy with respect to the other portion of its portfolio.[4]

*Guide 6. Business History*

The registrant should list in the Statement of Additonal Information all prior names for the past five years in response to Item 12. In the case of newly organized companies, the response should state that the registrant has no prior history.

*Guide 7. The Borrowing of Money*

If the registrant intends to borrow from a bank or to offer debt securities privately as a part of its investment policy, its intention should be stated in the prospects in response to Item 4. If such borrowing will be limited to no

[3] *See* individual subject headings of these Guidelines concerning disclosure for specific investment techniques or policies.

[4] *See* Guide 4, *Types of Securities.*

more than 5 percent of net assets, a simple statement to that effect will suffice. If registrant will engage in a higher level of borrowing, the purposes and consequences of such borrowing should be concisely discussed. Additional disclosure should be included in the Statement of Additional Information in response to Item 13.

Open-end companies are permitted to borrow from banks pursuant to the provisions of section 18(f) of the Act. Under section 18(g) of the Act, certain borrowings for temporary purposes are also permitted. A registrant may not borrow amounts in excess of 5 percent of the value of its total assets for any reason without first obtaining shareholder approval, unless the registrant has so provided in the prospectus in response to Item 4. Generally, the prospectus need not restate provisions of law limiting borrowing by the registrant.

Because borrowings involve the creation of a senior security, Guide 8 should also be consulted.

*Guide 8. Senior Securities, Reverse Repurchase Agreements, Firm Commitment Agreements and Standby Commitment Agreements*

Section 18(f) of the 1940 Act prohibits the issuance of senior securities by open-end companies, except that borrowings from banks are permitted so long as the requisite asset coverage has been provided. Policies with respect to such borrowing should be set forth in the prospectus in response to Item 4, or in the Statement of Additional Information in response to Item 13 depending upon the significance of such policies (see Guide 7).

The registration statement should provide concise but clear disclosure of all pertinent information regarding the nature and consequences of the investment company's participation in securities trading practices such as reverse repurchase agreements, firm commitment agreements, and standby commitment agreements.[5] The extent to which such disclosure should be included in the prospectus will depend on the level of registrant's involvement in such practices. (see Guide 3). The registration statement should address the potential risk of loss presented to an investment company and its investors by those transactions; the identification of the securities trading practices as separate and distinct from the underlying securities; the differing investment goals inherent in participating in the securities trading practices as compared to those of investing in the underlying securities; (*i.e.*, securities used as collateral for the trading practices); and any other material information relating to such practices and the investment company's participation therein. In addition, in response to Item 1, the registrant should ensure that its name is not misleading in light of its securities trading practices.

*Guide 9. Short Sales*

The staff is of the opinion that a short sale involves the creation of a senior security and is, therefore, subject to the limitations of section 18 of the 1940 Act. The staff has taken the position that in order to comply with the provisions of section 18, the selling registrant must put in a segregated account (not with the broker) an amount of cash or United States government securities equal to the difference between (a) the market value of the securities sold short at the time they were sold short and (b) any cash or United States government securities required to be deposited as collateral with the broker in connection with the short sale (not including the proceeds from the short sale). In addition, until the registrant replaces the borrowed security, it must daily maintain the segregated account at such a level that (1) the amount deposited in it plus the amount deposited with the broker as collateral will equal the current market value of the securities sold short, and (2) the amount deposited in it plus the amount deposited with the broker as collateral will not be less than the market value of the securities at the time they were sold short.[6]

The practice of effecting a short sale is distinguishable from the practice of selling short "against the box." While a short sale is made by selling a security the company does not own, a short sale is "against the box" to the extent that the company contemporaneously owns or has the right to obain at no added cost securities identical to those sold short. Accordingly, the procedures described above concerning short sales that are subject to the limitations of section 18 of the 1940 Act need not be applied to short sales to the extend that they are "against the box."

If the registrant expects to engage in short sales, and short sales "against the box," its policy and the effect of such policy should be described in the registration statement. The extent to which such description should be included in the prospectus will depend upon the level of the registrant's involvement in short sales (see Guide 3). The registration statement should include:

1. An explanation of the requirement of collateral and a segregated account;
2. The maximum percentage of the value of the registrant's net assets that will be, when added together: (a) deposited as collateral for the obligation to replace securities borrowed to effect short sales, and (b) allocated to segregated accounts in connection with short sales;
3. The impact that short sales may have on income taxes.[7]

*Guide 10. Purchases on Margin*

In view of the prohibition contained in section 18 of the 1940 Act against the issuance of senior securities by open-end companies, except in connection with a borrowing from a bank, the staff's current interpretation is that open-end companies may not establish or use a margin account with a broker for the purpose of effecting securities transactions on margin.[8]

*Guide 11. Underwriting Securities of Other Issuers*

Although the acquisition of restricted securities (securities that must be registered under the Securities Act of 1933 before they may be offered or sold to the public) might not be deemed to be an underwriting commitment within the meaning of section 12(c) of the 1940 [15 U.S.C. 80a-12(c)], Act, a registrant having a policy permitting the purchase of such securities should describe that policy in the prospectus in response to Item 4 if such restricted securities constitute ten percent of the registrant's portfolio securities. Otherwise, registrant's policy with respect to restricted securities should be described in response to Item 13.

Note.—If an open-end company holds a material percentage of its assets in restricted securities, such holdings may raise questions concerning valuation and the ability of the company to make payment within seven days of the date its shares are tendered for redemption. See also Guides 13 and 27.

*Guide 12. Purchase and Sale of Real Estate*

It is the staff's position that an interest in real estate includes securities (other than marketable securities) of companies whose assets consist substantially of real property and interests therein, including mortgages

[5] For a more complete discussion of reverse repurchase agreements, firm commitment agreements, and standby commitment agreements, see Investment Company Act Release No. 10666 (April 18, 1979) [45 FR 25128 (April 27, 1979)].

[6] Investment Company Act Release No. 7221 (June 9, 1972) [37 FR 12790 (June 24, 1972)].

[7] Investment Company Act Release No. 7220 (June 9, 1972) [37 FR 12790 (June 24, 1972)].

[8] Investment Company Act Release No. 7221, *supra*.

and other liens, but does not include securities of companies whose investments in real estate are incidental to another business which is primary, *e.g.*, banks.[9]

Registrant should indicate the type of real estate investments which it proposes to make, if any, in response to Item 4 and Item 13, as appropriate in light of the level of any such investments (see Guide 3). The usual limit on aggregate holding by open-end companies of illiquid assets, including real estate for which there is no established market, is 10 percent of the value of its net assets.

*Guide 13. The Making of Loans to Other Persons*

In response to Item 13, and, if appropriate, in Item 4, the registrant should state its policy with respect to the purchase of non-publicly offered debt securities (including convertible securities) of any issuer. For the purposes of responding to these items, the making of a loan by the registrant will 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. The registrant should indicate whether it will make loans which are short term (nine months or less), long term, or both. If an open-end company holds a material percentage of its assets in debt securities for which there is no established market, there may be a question concerning the ability of the company to make payment within seven days of the date its shares are tendered for redemption. The usual limit on aggregate holdings by open-end companies of illiquid assets, including debt securities for which there is no established market, is 10 percent of the value of its net assets.[10]

*Guide 14. Other Policies Which Are Changeable Only if Authorized by Shareholder Vote or Which the Registrant Deems a Matter of Fundamental Policy*

Item 4 delineates the appropriate levels of prospectus disclosure with respect to investment policies which are changeable only if authorized by shareholder vote and any other policy (whether or not an *investment policy*) which the registrant elects to treat as "fundamental." Generally, there need be no discussion in the prospectus of policies that prohibit certain practices or of practices that the registrant does not intend to follow. Information concerning negative investment policies or practices is, however, required to be included in the Statement of Additional Information in response to Item 13.[11]

When the requisite vote required by the registrant's charter or by-laws is stricter than that required by the 1940 Act to change a policy (*see* section 2(a)(42) and section 13), the response in the Statement of Additional Information to Item 13 should so indicate.

Charter, by-laws or other basic organizational documents submitted as exhibits to the registration statement should be carefully reviewed to make certain a particular policy stated in response to Item 4 is not contrary to the registrant's organizational documents. For example, if a charter provision prohibits the issuance of debt or preferred stock, the registrant should not state as a policy that it intends to issue senior securities. The registrant's corporate documents should not contain any provision which appears to preclude compliance with any provision of the 1940 Act or the rules promulgated thereunder. The organizational documents also should provide the registrant's board of directors with appropriate authority to take whatever corporate action may be necessary in order to comply with any applicable federal statute or rule.

*Guide 15. Qualification for Treatment Under Subchapter M of the Internal Revenue Code*

The registrant should be aware that the percentage limitations necessary for qualification under Subchapter M of the Internal Revenue Code are not the same as the percentage limitations in section 5(b)(1) of the 1940 Act.

*Guide 16. Investment in Companies for the Purpose of Exercising Control or Management*

If one of the registrant's significant investment policies is to invest in companies for the purpose of exercising control, as defined in section 2(a)(9) of the 1940 Act, the registrant should explain in the prospectus in response to Item 4 the extent to which, and the circumstances under which, such investments will be made. A statement that the registrant is a diversified company or that it has a policy of not acquiring more than 10 percent of the outstanding voting securities of any one issuer is not an adequate response to this item, since even such registrants could invest for the purpose of exercising control or management.[12]

*Guide 17. Investment in Securities of Other Investment Companies*

If the registrant intends to invest to a significant degree in the securities of other investment companies, the registrant should state in the prospectus, in response to Item 4, the percentage of its assets which may be invested in such securities. If the registrant does not intend to follow such a policy to a significant degree, the registrant should state in the Statement of Additional Information in response to Item 13, the percentage of its assets which may be invested in securities of other investment companies. Registrants should be aware that section 12(d)(1) of the 1940 Act limits the percentage of voting securities which the registrant may acquire of any other investment company. That section also limits the percentage of the value of the registrant's assets which may be invested in securities of all other investment companies, subject to certain exceptions.

*Guide 18. Tax-free Bonds—Issuer Diversification*

The identification of the issuer of a tax-exempt security for purposes of section 5(b)(1) of the 1940 Act depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer for purposes of section 5(b)(1).[13] Similarly, in the case of an industrial development bond, if that bond is backed only by the assets and revenues of the non-governmental user, then such non-governmental user would be deemed to be the sole issuer for purposes of section 5(b)(1). If, however, in either case, the creating government or some other entity guarantees a security, such a guarantee would be considered a separate security which must be valued and included in the 5 percent limitation computation of section 5(b)(1) subject to the limited exclusion allowed under rule 5b-2 of the Act.[14]

[9] However, interests in companies which invest in real estate would not be considered to be interests in real estate for purposes of section 3(c)(5)(C) of the Act. *See* Investment Company Act Release No. 3140 (November 18, 1960) [25 FR 12177 (November 29, 1960)].

[10] Investment Company Act Release No. 7221, *supra*.

[11] *Id.*

[12] Investment Company Act Release No. 7221, *supra*.

[13] Investment Company Act Release No. 9785 (May 31, 1977) [42 FR 29130 (June 7, 1977)].

[14] *Id.*

*Guide 19. Concentration of Investments in Particular Industries*

Section 8(b)(1) of the 1940 Act requires every registered investment company to include in its registration statement a recital of its policies with respect to concentration. It is the position of the staff that investment (including holdings of debts securities) of more than 25 percent of the value of the registrant's assets in any one industry represents concentration. If the registrant intends to concentrate in a particular industry or group of industries it should, in responding to Item 4, specify in the prospectus the industry or group of industries in which it will concentrate. It it desires to change a policy of concentration, section 13(a)(3) of the 1940 Act requires that shareholder approval of a new policy must be obtained.

If the registrant does not intend to concentrate, no further investment may be made in any given industry if, upon making the proposed investment, 25 percent or more of the value of the registrant's assets would be invested in such industry. However, when securities of a given industry come to constitute more than 25 percent of the value of the registrant's assets by reason of changes in value of either the concentrated securities or the other securities, the excess need not be sold.

If the registrant has employed a policy of concentration in the past but does not intend to follow that policy in the future, its intention and it estimate of the time required to implement such intention should be specifically disclosed in the Statement of Additional Information in response to Item 13. Shareholder approval is necessary to change to a policy of not concentrating. (*See* section 13(a)(3) of the 1940 Act regarding changes in concentration policy).

Freedom of action to concentrate pursuant to management's investment discretion, without shareholder approval, has been considered by the staff to be prohibited by sections 8(b)(1) and 13(a)(3) of the 1940 Act, unless the statement of investment policy clearly indicates when and under what specific conditions any changes between concentration and non-concentration would be made. Statements of concentration policy pursuant to which registrants reserve the right to concentrate in particular industries "without limitation if deemed advisable and in the best interests of the shareholders" are viewed as failing to comply with section 8(b)(1).[15]

Money market funds may declare an investment policy on industry concentration reserving freedom of action to concentrate their investments in government securities, as defined in the 1940 Act, and certain bank instruments issued by domestic banks [16] provided that, with respect to the latter, in response to Item 13, additional disclosure is made in the Statement of Additional Information concerning the type and nature of the various instruments in which the registrant intends to invest and the criteria used by the registrant in evaluating and selecting such investments. Section 8(b)(1), however, does not permit money market funds to reserve freedom of action in their declaration of investment policy insofar as it relates to concentration of investments in the commerical paper of issuers in any one industry.[17]

Further, the statement of policy required by section 8(b)(1) as to concentration is not applicable to investments in tax-exempt securities issued by governments or political subdivisions of governments since such issuers are not members of any industry. However, this exclusion does not eliminate the requirement for each tax-exempt bond fund to disclose its policy with respect to concentration in the Statement of Additional Information. Such a policy would apply to tax-exempt bonds issued by non-governmental users as well as to other securities (*i.e.*, taxable securities) to which such policies normally apply.[18]

When a substantial amount of the assets of a tax-exempt bond fund are invested in securities which are related in such a way that an economic, business, or political development or change affecting one such security would likewise affect the other securities, appropriate disclosure in the fund's prospectus in response to Item 4 is necessary. For example, each investment company investing in tax-exempt bonds should, if 25 percent or more of its assets are or may be invested in securities whose issuers are located in the same state, indicate which states. In addition, if a company invests or may invest 25 percent or more of its assets in securities the interest upon which is paid from revenues of similar type projects, it should disclose this fact, identify the type or types of projects and briefly discuss any economic, business, or political developments or changes which would most likely affect all projects of that type or types. Such disclosure might include, for example, proposed federal or state legislation involving the financing of the projects; pending court decisions relating to the validity of the projects or the means of financing them; predicted or foreseeable shortages or price increases of materials needed for the projects; and declining markets or needs for the projects. Also, if a company invests or may invest 25 percent or more of its assets in industrial development bonds, it should disclose this fact.[19]

*Note:* In determining industry classifications, the staff will ordinarily use the current *Directory of Companies Filing Annual Reports with the Securities and Exchange Commission*, (the *"Directory"*) published by the Commission. A registrant may refer to the *Directory*, or may select its own industry classifications, but such classifications must be reasonable and should not be so broad that the primary economic characteristics of the companies in a single class are materially different. Registrants selecting their own industry classifications must be reasonable and should disclose them (a) in the prospectus in the case of policy to concentrate, or (b) in the Statement of Additional Information in the case of a policy not to concentrate.

*Guide 20. Investment Companies Investing In Other Than High-Grade Bonds*

If the registrant seeks high income by investing in other than high-grade bonds,[20] it should concisely but clearly disclose in the prospectus the risks involved in such investments either in response to Item 4 or in response to Item 1 (on the cover page). Where the registrant chooses to use certain rating

[15] Investment Company Act Release No. 9011 (October 30, 1975) [40 FR 54241 (November 21, 1975)].

[16] United States branches of foreign banks may be considered domestic banks if it can be demonstrated that they are subject to the same regulation as United States banks. Foreign branches of domestic banks, however, are not registered in the United States and are not considered "domestic banks." Nevertheless, if a registrant can disclose that the investment risk associated with investing in instruments issued by the foreign branch of a domestic bank is the same as that of investing in instruments issued by the domestic parent, in that the domestic parent would be unconditionally liable in the event that the foreign branch failed to pay on its instruments for any reason, then the staff believes that the registrant may treat that foreign branch as a domestic bank for purposes of concentration. Otherwise, the staff is of the opinion that the registrant may not reserve freedom of action to concentrate its investments in instruments issued by foreign branches of domestic banks.

[17] Investment Company Act Release No. 9011, *supra*.

[18] Investment Company Act Release No. 9785, *supra*.

[19] *Id.*

[20] Other than high-grade bonds would include, for example, bonds receiving a Standard & Poor's rating of BBB or lower or a Moody's rating of Baa or lower.

criteria in its prospectus disclosure, the registrant should also disclose what would be the minimal rating which that fund would find acceptable according to the rating criteria it has chosen.

*Guide 21. Disclosure of Risk Factors*

In response to Item 4, principal speculative or risk factors associated with an investment in the registrant must be disclosed in the prospectus. These factors may be due to such matters as an absence of an operating history of the registrant or the nature of the business in which the registrant engages or proposes to engage.

If the registrant intends to invest as much as 10 percent of its assets in foreign securities which are not publicly traded in the United States, such intention must be stated in the prospectus. For many foreign securities, however, there are dollar-denominated American Depository Receipts ("ADRs"), which are traded in the United States on exchanges or over-the-counter, are issued by domestic banks and do not involve the same currency risk as a foreign security. The staff is of the opinion that ADRs need not be treated as foreign securities for purposes of the risk disclosure suggested by this guide.

*Guide 22. Government Securities*

If the registrant is investing in United States Government securities, the prospectus should reflect under what conditions, and to what extent the registrant intends to invest its assets in United States Government securities. If the registrant is investing to a significant extent in United States Government securities on a routine basis, the prospectus should include the following information: (i) the types of Government securities in which the fund will invest; (ii) examples of Government agencies and instrumentalities in whose securities the fund will invest; and (iii) whether the securities of such agency or instrumentality are: (a) supported by full faith and credit of the United States, (b) supported by the ability to borrow from the Treasury, (c) supported only by the credit of the agency or instrumentality, or (d) supported by the United States in some other way.

*Guide 23. Foreign Currency Transactions*

If the registrant proposes to invest in securities denominated in foreign currencies and engage in currency conversion transactions, disclosure of these policies should be made in the prospectus in response to Item 4 and, if appropriate, in the Statement of Additional Information in response to Item 13 (see Guide 3). If the registrant plans to use foreign currency forward contracts to cover activities which are essentially speculative, such forward contracts should be deemed "senior securities" as defined in section 18(f)(1) of the 1940 Act and thus subject to the staff's position limiting the amount of such activities as expressed in Investment Company Act Release No. 10666 (April 18, 1979) [45 FR 25128 (April 27, 1979)].

*Guide 24. Management of the Fund*

Item 5 calls for a description in the prospectus of how the registrant's business is managed. This item specifies that disclosure in the prospectus regarding the role of the board of directors may be limited to a general statement as to the responsibilities of the board of directors under the applicable laws of registrant's jurisdiction of organization for the management of the registrant.

Item 14 requires the registrant to disclose in the Statement of Additional Information the name and address, position with registrant, and principal occupation during the past five years of each director and officer of the registrant performing a "policy-making function" for the registrant. Any position held with affiliated persons or principal underwriters of the registrant by each of these individuals must be described. To to extent specified, family relationships among these individuals must also be disclosed. Executive, investment and advisory committee members must be identified and their function briefly discussed. In addition, the registrant must indicate which of its directors are "interested persons" as that term is defined by section 2(a)(19) of the 1940 Act.

The composition of the registrant's board of directors must satisfy section 10 of the 1940 Act. It is the staff's understanding that the Federal Reserve Board takes the position that, under section 32 of the Banking Act of 1933, an officer or director of a bank which is a member of the federal reserve system may not serve as an officer, director or employee of an open-end investment company that is currently offering its shares.[21]

An "advisory board," as that term is defined in section 2(a)(1) of the 1940 Act is a body composed of persons who serve the registrant in no other capacity. The staff interprets this provision to bar not only officer and directors but also the investment adviser for an counsel to the registrant from serving on any such board.[22] Pursuant to section 10(g) of the 1940 Act, the composition of the advisory board, if a fund chooses to have one, is also subject to the requirements of section 10 of that Act.

Registrants should note that, for the purposes of disclosure concerning registrant's officers and directors, the term "family relationship" is broader than the definition of a "member of the immediate family" contained in section 2(a)(19) of the 1940 Act.[23]

Item 14 requires the registrant to disclose in the Statement of Additional Information the aggregate remuneration received by certain officers, directors, members of the advisory board, and certain categories of such persons from the registrant and its subsidiaries, during the registrant's last fiscal year, and all retirement and pension benefits to be received by those individuals from the registrant pursuant to an existing plan. This requirement applies to any individual who was a director, officer or member of the advisory board of registrant during the last fiscal year and received aggregate remuneration in excess of $60,000.

It is the Commission's view that the registrant must disclose all forms of remuneration received by specified officers and directors.[24] "Remuneration" is intended to include cash and non-cash items, *i.e.*, not only all salaries, fees and bonuses but also personal benefits, commonly known as 'perquisites."[25] It is the Commission's view that management is in the best position to determine whether or not a benefit should be considered remuneration, depending on the facts and circumstances of each situation.

*Guide 25. Investment Advisory and Other Services*

Item 5 requires the registrant to identify in the prospectus its investment adviser and to state that the adviser is responsible for portfolio management. If the registrant's adviser has no previous experience in advising a mutual fund, this fact should be disclosed as a risk factor in the prospectus.

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[21] Investment Company Act Release No. 7221, *supra*.

[22] *Id.*

[23] This use of the term "family relationship" is consistent with the staff position enunciated in Investment Company Act Release No. 7220, *supra*.

[24] As stated in Investment Company Act Release No. 9900 (August 18, 1977) [42 FR 43058 (August 26, 1977)].

[25] For a detailed discussion of those personal benefits which the staff has interpreted to be remuneration requiring disclosure, *see* Investment Company Act Release Nos. 9900, *supra*; 10112 (February 6, 1978) [43 FR 6060 (February 13, 1978)]; 11439 (November 14, 1980) [45 FR 76974 (November 21, 1980)]; 12070 (December 3, 1981) [46 FR 60421 (December 10, 1981)].

Item 16 calls for additional information in the Statement of Additional Information about the background and function of each person providing the registrant with advisory services. Particular emphasis is placed on disclosure of the identities of all controlling persons of each investment adviser and the basis for their control. The registrant must identify any affiliations between such persons and the registrant. If any affiliated person of the registrant is also an affiliated person of an adviser, the identity of that person and all bases of affiliation must be disclosed. Item 16 calls for a detailed discussion in the Statement of Additional Information concerning the method used to compute the advisory fee paid by the registrant. In addition, the registrant must describe in Part B all services performed for it, or on its behalf, pursuant to any investment advisory or management-related service contract,[26] and in each case must identify the persons paying for such services. The registrant must also summarize the substantive portions of any management-related service contract, which may be of material interest to a purchaser of the registrant's securities. Any person providing investment advice on a more informal basis must also be identified, and the nature of the arrangement and remuneration should be discussed. Registrants should be aware that all investment advisory services must be provided pursuant to a written contract which complies with the provisions of section 15 of the 1940 Act.[27]

Item 5 requires the registrant to provide in the prospectus the name and address of the transfer agent and dividend-paying agent for the investment company. Item 16 calls for identifying information concerning the custodian and independent public accountant. Custodial arrangements must be in conformity with section 17(f) of the 1940 Act and the rules promulgated thereunder. It the registrant's portfolio securities are held by any person other than a commercial bank, trust company or registered depository, the registrant must, in response to Item 16, state in the Statement of Additional Information the nature of the business of each such person. Item 16 also requires the disclosure of any services performed by, and the basis of remuneration received by, any affiliated person of registrant or of any affiliate of such affiliate which acts as custodian, transfer agent, or dividend-paying agent for registrant. If a custodian is affiliated with the investment company, the investment company is considered a self-custodian for purposes of section 17(f) of the 1940 Act and is, therefore, subject to regulatory requirements different from those applicable to other custodians.

*Guide 26. Brokerage Allocation*

If the registrant uses affiliated brokers or takes the sale of its shares into account when allocating brokerage,[28] a statement to that effect must be included in the prospectus in response to Item 5. Responses in the prospectus to Item 5 should be concise and should not include lengthy descriptions of practices that are standard in the investment company industry nor of technical or legal requirements. Item 17 requires registrants to provide in the Statement of Additional Information a fuller explanation of the brokerage allocation practices that they engage in. In addition, Item 17 requires the registrant to describe how transactions in portfolio securities are effected, including a statement about mark-ups on principal transactions and brokerage commissions paid during the most recent fiscal year. Further, Item 17 requires registrant to describe in the Statement of Additional Information the process it undergoes in selecting brokers and evaluating the commissions to be paid, including a discussion of the factors used in this determination process, such as the research services provided by that broker. If the research services furnished by brokers used by the registrant to effect transactions for the registrant may be used by the registrant's investment adviser in servicing all of its managed accounts, and if all such services may not be used by the investment adviser exclusively in connection with the registrant, such practices must be described and explained. If the registrant is not required to respond to Item 17 of the Form, then no disclosure suggested by this guide concerning brokerage allocation practices would be considered necessary.

*Guide 27. Redemption or Repurchase*

Section 22(e) of the 1940 Act prohibits the suspension of the right of redemption or the postponement of payment upon redemption of any mutual fund share for more than seven days after the proper tender of the security for redemption, except under certain specified conditions. The staff has taken the position that, under certain circumstances, redemption payments can be withheld beyond the period specified in section 22(e) to prevent the financial losses or dilution of net asset value that can occur when purchase payment checks are returned dishonored after the redemption payments have been made.[29]

The procedures for implementing payment for redemption soon after purchase must be disclosed in the prospectus, as should any procedures an investor can follow to avoid any delay in payment upon redemption, such as submission of a certified check along with purchase order.

Item 8 requires the registrant to include in the prospectus a brief description of the procedures for redeeming shares or having shares repurchased by the registrant. Any charges or restrictions applying to such procedures imposed by the distributor or principal underwriter must be disclosed in the prospectus. In addition, the prospectus should disclose the fact that if a shareholder uses the services of a broker-dealer for the repurchase of registrant's shares there may be a charge to the shareholder for such services. The specific fees charged by the broker-dealer for such services, however, do not need to be disclosed.

Item 19 permits the registrant to provide a fuller description in the Statement of Additional Information of matters relating to these redemption or repurchase procedures. Item 8 requires brief discussions in either the prospectus or Statement of Additional Information, at the discretion of the registrant, of any provisions for involuntary redemptions, delays in redemptions, reinvestment privileges for those who redeem, and in kind redemptions. If the registrant has made an election for redemption pursuant to rule 18f-1 under the 1940 Act, such policy must be described in the

[26] *See* instructions to Item 16(d) of Form N-1A for the definition of the term "management-related service contract".

[27] Registrants should note that the disclosure requirements of both Part A and Part B apply to sub-advisers as well, *see* Investment Company Act Release 7220, *supra*.

[28] On March 4, 1981, the Commission approved an NASD proposal to amend portions of Article III, Section 26 of the NASD Rules of Fair Practice and related interpretations of the "Anti-Reciprocal Rule," Investment Company Act Release No. 11662 (March 4, 1981) [46 FR 16012 (March 10, 1981)]. The rule as amended no longer prohibits NASD members from seeking or granting brokerage commissions in connection with the sale of investment company shares, and permits NASD members to sell shares of investment companies that follow a disclosed policy of considering sales of their shares as a factor in the selection of broker-dealers to execute portfolio transactions, subject to specified conditions.

[29] For a discussion of the conditions under which an investment company can delay redemption or repurchase for more than seven days pending clearance of share purchase checks, *see* Investment Company Institute (Pub. avail. May 3, 1975).

Statement of Additional Information in response to Item 19 to the extent such information has not been provided by the registrant, at its discretion, in the prospectus.

If the registrant includes a synopsis in the prospectus, the synopsis should indicate where in the prospectus investors can find a description of the redemption and repurchase procedures available.[30]

In the staff's experience, redemption procedures are a frequent source of confusion for investors. Therefore, the following areas of disclosure deserve special attention: (a) differences, if any, in methods for redeeming certificated fund shares that are in the shareholder's possession, as opposed to uncertificated shares held by the fund for the shareholder; and (b) when signature guarantees are necessary, and who is an appropriate person to make such a guarantee.[31]

*Guide 28. Valuation of Securities Being Offered*

Item 7 requires a registrant to identify in the prospectus the method used to value the assets. In some circumstances, value can be determined fairly in more than one way. For any asset traded on a national exchange, valuation normally should be based on market value when readily available.[32] If a security was traded on the valuation date, the last quoted sale price generally is used. In the case of securities listed on more than one national securities exchange, the last quoted sale, up to the time of valuation, on the exchange on which the security is principally traded should be used or, if there were no sales on that exchange on the valuation date, the last quoted sale, up to the time of valuation, on the other exchanges should be used.

If there was no sale on the valuation date but published closing bid and asked prices are available, the valuation in such circumstances should be within the range of these quoted prices. Some companies as a matter of general policy use the bid price, others use the mean of the bid and asked prices, and still others use a valuation within the range of bid and asked prices considered best to represent value in that circumstance; each of these policies is acceptable if consistently applied. Normally, the use of the asked price alone is not appropriate. Where, on the valuation date, only a bid price or an asked price is quoted or the spread between bid and asked prices is substantial, quotations for several days should be reviewed. If sales have been infrequent or there is a thin market in the security, or the size of the reported trades is considered not representative of the fund's holding (as in the case of certain debt securities), further consideration should be given as to whether "market quotations are readily available." If it is decided that they are not readily available, the alternative method of valuation prescribed by section 2(a)(41)—"fair value as determined in good faith by the board of directors"—should be used.

For debt or equity securities traded over-the-counter where closing prices are not readily available, quotations for a security should be obtained from more than one broker-dealer, particularly if quotations are available only from broker-dealers not known to be established market-makers for that security. A company may adopt a policy of using a mean of the bid prices, or of the bid and asked prices, or of the prices of a representative selection of broker-dealers quoted on a particular security; or it may use a valuation within the range of bid and asked prices considered best to represent value in that circumstance. The staff will consider any of these policies appropriate if consistently applied.

If the validity of the quotations appears to be questionable, or if the number of quotations is such as to indicate that there is a thin market in the security, further consideration should be given to whether "market quotations are readily available." If it is decided that they are not readily available, the security should be considered one required to be valued at "fair value as determined in good faith by the board of directors."

To comply with section 2(a)(41) of the Act and rule 2a-4 under the Act, the directors must satisfy themselves that all appropriate factors relevant to the value of securities for which market quotations are not readily available have been considered and determine the method of arriving at the fair value of each such security. No single standard for determining "fair value in good faith" can be established, since fair value depends upon the circumstances of each individual case. As a general principle, the current "fair value" of an issue of securities being valued by the board of directors would be the amount which the owner might reasonably expect to receive for them upon their current sale.[33]

Securities held under circumstances where the sale of such securities to the public would not be permissible without an effective registration statement under the Securities Act are considered securities for which market quotations are not readily available. They must, therefore, be valued in good faith by the board of directors.[34] It would be improper for the board of directors to value these securities at the market quotation for unrestricted securities of the same class without considering other relevant factors, although this may be a factor considered in structuring the final valuation.[35] The existence of a shelf registration for the restricted securities may be properly considered by the board of directors as another factor in the determination of the value of such securities, but there may not be an automatic valuation at market price based on this factor alone.[36]

The valuation of short sales of securities, which are not traded on a national exchange, can be at the asked price, that being the most conservative value, or the mean average of bid and asked prices. The use of bid price alone to value short positions is not appropriate.

Certain securities trading practices such as reverse repurchase agreements, firm commitment agreements and standby commitment agreements required the consideration of special factors in connection with valuation. For example, changes in the value of a firm commitment agreement will affect the price at which shares of an investment company may be sold, redeemed or repurchased. Accordingly, directors, in determining fair value, must take care that no inaccuracies exist with regard to the valuation of such trading practices.[37] In valuing standby commitments (puts), registrants using the amortized cost method of valuation should indicate that the acquisition of a standby commitment will not affect the valuation of the

[30] See Guide 33, *The Synopsis*.

[31] See Investment Company Act Release No. 7221, *supra*.

[32] Investment Company Act Release No. 7221, *supra*. For debt securities, the staff is aware that registrants often value portfolio securities by reference to other securities which are considered comparable in rating, interest rate, due date, etc. (often called "matrix pricing") or rely on pricing services which use matrix pricing for valuation of these instruments. (Of course, a pricing service does not need to rely on a matrix to develop the prices it supplies to registrants.) Although the staff does not object to the use of matrix pricing or a pricing service by funds, registrants should be aware that it is their responsibility to ascertain that these methods are relying on the proper criteria in their valuation process.

[33] For a general discussion of the factors to be considered in this determination, *see* Investment Company Act Release No. 6295 (December 23, 1970) [35 FR 19986 (December 31, 1970)].

[34] Investment Company Act Release No. 7221, *supra*.

[35] Investment Company Act Release No. 5847 (October 21, 1969) [35 FR 253 (December 31, 1970)].

[36] Investment Company Act Release No. 6121 (July 20, 1970).

[37] Investment Company Act Release No. 10666, *supra*.

underlying security which will continue to be valued in accordance with the amortized cost method. The actual standby commitment will be valued at zero in determining net asset value. In such event, where the fund pays directly or indirectly for a standby commitment, its cost will be reflected as an unrealized loss for the period during which the commitment is held by the fund and will be reflected in realized gain or loss when the commitment is exercised or expires.[38]

The maturity of a municipal obligation purchased by the fund will not be considered shortened by any standby commitment to which such obligation is subject. Therefore, standby commitments will not affect the dollar weighted average maturity of the fund's portfolio. [However, where a money market fund acquires a variable rate or floating rate municipal obligation having a demand feature which allows the fund unconditionally to obtain the amount due from the issuer upon notice of seven days or less, the maturity of the instrument will normally be the longer of the notice period for the commitment or the time remaining to the next rate adjustment.]

Money market funds with portfolio securities that mature in one year or less may use the amortized cost or penny rounding method to value their securities pursuant to the conditions of rule 2a–7.[39] If the portfolio of a money market fund is to be valued at amortized cost, there must be disclosue in the Statement of Additional Information in response to Item 19 concerning the effect of this method of valuation on the fund's net asset value and yield as interest rates change and the corresponding dilution of shareholders' interest.

Item 7 requires a statement in the prospectus as to when calculations of net asset value are generally made. The current net asset value of redeemable securities should be computed at least once daily on each day in which there is a sufficient degree of trading in the investment company's portfolio securities that the current net asset value of the investment company's redeemable securities might be materially affected by changes in the value of these portfolio securities and on which an order for purchase, redemption, or repurchase of its securities is received. The calculations of net asset values should be made at such specific time or times during the day as determining no less frequently than annually by a majority of the board of directors of the investment company. An investment company need not compute net asset value on a day when no security was tendered for redemption and no order to purchase or sell such security was received or was on hand, having been received since the last previous computation of net asset value.[40]

The prospectus disclosure regarding sales charges should make it clear that the term "offering price" as used throughout the prospectus includes the sales charge, if any.

*Guide 29. Distribution Expenses*

Item 7 requires that funds which bear distribution expenses in accordance with rule 12b–1 disclose this fact to shareholders in the prospectus.[41] It is also required that the registrant state clearly in the prospectus, if applicable, that banks may be paid for their services by the investment company pursuant to its 12b–1 plan. The prospectus should discuss the possible applicability of the Glass-Steagall Act whenever special arrangements will be made to sell shares of the fund to customers of depository institutions. This disclosure should include identification of the legal issues presented by such payments to depository institutions and the consequences for the fund if these issues are ultimately resolved adversely.

*Guide 30. Tax Consequences*

Item 6 requires the registrant to describe briefly in the prospectus the tax consequences to investors of an investment in the securities offered. Thus, a series company having more than one portfolio, which is treated as a single entity in computing net profits, must disclose the possibility of an advantage accruing to the shareholders of one series by offsetting the gains in that series against the losses in another, or a concomitant disadvantage, if the gains realized by one series must be described as taxable long-term gains, because earlier losses of that series which might have offset those gains had been used already to offset gains in another series.[42] A series fund having only a single portfolio need not disclose the tax consequences appurtenant to being organized as a series fund, if the fund has no current intention of adding another portfolio to the series.

It is the position of the Division that it is misleading for tax-exempt bond funds to discuss the federal income tax-exempt status of their distributions in their prospectuses, advertisements and supplemental sales literature unless, to the extent applicable, such a discussion is accompanied by disclosure indicating that some or all of the distributions may be subject to federal, state, and local income taxation; that distributions which are exempt from federal taxes may be subject to state and local taxation; and that capital gains realized by the fund generally will be subject to taxation at each level.

Investment companies that intend to qualify under section 852(b)(5) of the Internal Revenue Code, which allows tax-exempt status for certain interest distributions, should disclose in the Statement of Additional Information in response to Item 20 the basis that will be used for determining the designated percentage of each distribution to be exempt and the approximate time at which such designation will be made. If the "actual earned" method is used, the disclosure should indicate that the percentage of the distribution that is tax-exempt may vary from distribution to distribution. If the "average annual" method is used, the disclosure should make clear that the percentage of income designated as tax-exempt for any particular distribution may be substantially different from the percentage of the company's income that was tax-exempt during the period covered by the distribution.

Registrant must disclose in the prospectus in response to Item 6 that there is a possibility that shareholders may lose the tax-exempt status on the accrued income of a municipal bond if they redeem their shares before a dividend has been declared. Thus, the dates on which dividends will be declared should be disclosed in the prospectus so shareholders know when a redemption can be effected with the least possible adverse tax consequences. The Division believes that section 36 of the 1940 Act may require that directors and management of such funds consider the dates of redemptions under any automatic withdrawal programs which the fund may have when setting dividend declaration dates in order to maximize, consistent with the tax-exempt income objective of the fund, the amount of

[38] There may be alternative methods of valuation of standby commitments, but in any event the value of the standby commitment together with the underlying security should not exceed the amount received by the fund upon disposal of the underlying security.

[39] Investment Company Act Release No. 13380 (July 11, 1983) [48 FR 32555 (July 18, 1983)].

[40] Investment Company Act Release No. 10827 (August 13, 1979) [44 FR 48660 (August 20, 1979)].

[41] For a more detailed discussion of the contents of the rule see Investment Company Act Release No. 11414 (November 5, 1980) [45 FR 73896 (November 7, 1980)].

[42] Investment Company Act Release No. 9786 *supra*.

income or gain which is tax-exempt for shareholders under these programs.[43]

In determining mutual fund dividends which qualify for the dividend exclusion, registrant should note Revenue Ruling 80-345 (December 29, 1980).

In regard to the Subchapter M disclosure required in the prospectus by Item 6, if more than 50 percent of registrant's stock is owned by five or fewer persons, the registrant may be a "personal holding company" under the Internal Revenue Code and unable to meet the requirements of Subchapter M so long as that ownership continues. Appropriate disclosure of any adverse tax consequences to the investors as a result of this status is required in the prospectus. The response should summarize registrant's tax status at the time of filing as well as its future intention with respect to qualification under the Code.[44]

If there are any special or unusual tax aspects of the registrant that exist the registrant must describe these fully in response to Item 20.

*Guide 31. Financial Statements*

The form, content, and presentation of financial statements is discussed in Regulation S-X [17 CFR Part 210].

*Guide 32. Yield Quotations of Money Market Funds*

For guidance in responding to Item 3(c) and Item 22, the registrant should refer to Investment Company Act Release No. 13049 (February 28, 1983) [48 FR 10297 (March 11, 1983)]; Investment Company Act Release No. 11028 (January 28, 1980) [45 FR 7578 (February 4, 1980)]; and Investment Company Act Release No. 11379 (September 30, 1980) [45 FR 67079 (October 9, 1980)].

*Guide 33. The Synopsis*

If the registrant determines that inclusion of a synopsis is appropriate because of the length or complexity of the prospectus, that synopsis should be a clear and concise description of the salient features of the offering and the registrant. The information provided in the synopsis need not be set forth in the order or the manner described in this Guide. Further, the information may be presented in a question-and-answer format.

A synopsis provided pursuant to Item 2 of Form N-1A should, in the staff's opinion, include: (i) 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; (ii) a summary of the principal speculative or risk factors associated with investment in the 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; (iii) a statement of the total expenses incurred by the registrant in the previous fiscal year as a percentage of net assets and a statement of any direct charges made by the registrant to shareholder accounts during such fiscal year, if the registrant has had an operating history of at least one full fiscal year. If the registrant does not have an operating history of one full fiscal year, the registrant should include 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; and (iv) the nature of the securities being offered.

The synopsis should also: (i) provide 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; (ii) provide a cross-reference to the description in the prospectus of how to purchase the securities being offered; and (iii) provide a cross-reference to the description in the prospectus of how a shareholder may effect redemption and, if applicable, a repurchase transaction.

Finally, 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 in the prospectus.

[FR Doc. 83-22864 Filed 8-19-83; 8:45 am]

BILLING CODE 8010-0-M

[43] *Id.*

[44] Investment Company Act Release No. 7221, *supra*.

## DEPARTMENT OF THE INTERIOR

## Minerals Management Service

## 30 CFR Part 251

## Geological and Geophysical Explorations on the Outer Continental Shelf

**AGENCY:** Minerals Management Service, Interior.

**ACTION:** Final rule.

**SUMMARY:** This final rule provides for monthly, rather than weekly, status reports to be submitted to the Minerals Management Service (MMS) with respect to activities conducted under a permit for geological and geophysical (G&G) exploration for mineral resources or G&G scientific research offshore. The Department of the Interior (DOI) has determined that the submission of these reports on a monthly basis will be adequate to meet the purposes of the OCS Lands Act (OCSLA) and will significantly reduce the burden imposed on those permittees required to submit the reports.

**EFFECTIVE DATE:** September 21, 1983.

**FOR FURTHER INFORMATION CONTACT:** David A. Schuenke; Chief, Branch of Rules, Orders, and Standards; Offshore Rules and Operations Division; Minerals Management Service; 12203 Sunrise Valley Drive; Mail Stop 646; Reston, Virginia 22091; Telephone: (703) 860-7916, (FTS) 928-7916.

**SUPPLEMENTARY INFORMATION:** Executive Order (E.O.) 12291 (issued February 17, 1981) directed all executive branch Agencies to "initiate reviews of currently effective rules in accordance with the purposes" of that Order (E.O. 12291, § 3(i)). One stated purpose of that Order is "to reduce the burdens of existing . . . regulations" (E.O. 12291, preamble).

The MMS identified 30 CFR 251.7-2 as a regulation which warrants revision under the criteria of E.O. 12291. That section required the weekly submission of status reports with respect to all activities conducted under a permit for G&G exploration offshore.

On January 10, 1983 (48 FR 1083), MMS published a rulemaking document that proposed to reduce from weekly to monthly the frequency of the reports required by 30 CFR 251.7-2. The public comment period on the proposal expired on February 9, 1983.