

SUPPORTING STATEMENT RULE 498

A. JUSTIFICATION

1. Necessity for the Information Collection

Millions of individual Americans invest in shares of open-end management investment companies (“mutual funds”),¹ relying on mutual funds for their retirements, their children’s educations, and their other basic financial needs.² These investors face a difficult task in choosing among the more than 8,000 available mutual funds.³ Fund prospectuses, which have been criticized by investor advocates, representatives of the fund industry, and others as long and complicated, often prove difficult for investors to

¹ An open-end management investment company is an investment company, other than a unit investment trust or face-amount certificate company, that offers for sale or has outstanding any redeemable security of which it is the issuer. See Sections 4 and 5(a)(1) of the Investment Company Act [15 U.S.C. 80a-4 and 80a-5(a)(1)].

² Investment Company Institute, 2007 Investment Company Fact Book, at 57 (2007), available at: http://www.icifactbook.org/pdf/2007_factbook.pdf (96 million individuals own mutual funds).

³ *Id.* at 10 (as of year-end 2006, there were 8,726 mutual funds).

use efficiently in comparing their many choices.⁴ Current Commission rules require mutual fund prospectuses to contain key information about investment objectives, risks, and expenses that, while important to investors, can be difficult for investors to extract. Prospectuses are often long, both because they contain a wealth of detailed information and because prospectuses for multiple funds are often combined in a single document. Too frequently, the language of prospectuses is complex and legalistic, and the presentation formats make little use of graphic design techniques that would contribute to readability.

In recent years, numerous commentators have suggested that investment information that is key to an investment decision should be provided in a streamlined document with other more detailed information provided elsewhere.⁵ Furthermore,

⁴ See William D. Lutz, Ph.D., Professor of English, Rutgers University, Transcript of U.S. Securities and Exchange Commission Interactive Data Roundtable, at 69 (June 12, 2006), available at: <http://www.sec.gov/spotlight/xbrl/xbrlofficialtranscript0606.pdf> (“June 12 Roundtable Transcript”) (stating that current mutual fund prospectus is “unreadable”); Don Phillips, Managing Director, Morningstar, Inc., *id.* at 26 (stating that current prospectus is “bombarding investors with way more information than they can handle and that they can intelligently assimilate”). A Webcast archive of the June 12 Interactive Data Roundtable is available at: <http://www.connectlive.com/events/secxbrl/>. See also Investment Company Institute, Understanding Preferences for Mutual Fund Information, at 8 (Aug. 2006), available at: http://ici.org/pdf/rpt_06_inv_prefs_summary.pdf (“ICI Investor Preferences Study”) (noting that sixty percent of recent fund investors describe mutual fund prospectuses as very or somewhat difficult to understand, and two-thirds say prospectuses contain too much information); Associated Press Online, Experts: Investors Face Excess Information (May 25, 2005) (“There is broad agreement . . . that prospectuses have too much information . . . to be useful.” (quoting Mercer Bullard, President, Fund Democracy, Inc.)); Thomas P. Lemke and Gerald T. Lins, The “Gift” of Disclosure: A Suggested Approach for Managed Investments, *The Investment Lawyer*, at 19 (Jan. 2001) (stating that the fund prospectus “typically contains more information than the average investor needs”).

⁵ See Charles A. Jaffe, Improving Disclosure of Funds Can Be Done, *The Fort Worth Star-Telegram* (May 7, 2006) (“Bring back the profile prospectus, and make its use mandatory. . . . A two page-summary of [the] key points [in the profile] – at the front of the prospectus – would give investors the bare minimum of what they should know out of the paperwork.”); Experts: Investors Face Excess Information, *supra* note Error: Reference source not found (stating “a possible middle ground in the disclosure debate is to rely more heavily on so-called profile documents which provide a two-page synopsis

recent investor surveys indicate that investors prefer to receive information in concise, user-friendly formats.⁶

Similar opinions were voiced at a roundtable held by the Commission in June 2006, at which representatives from investor groups, the mutual fund industry, analysts, and others discussed how the Commission could change the mutual fund disclosure framework so that investors would be provided with better information. Significant discussion at the roundtable concerned the importance of providing mutual fund investors with access to key fund data in a shorter, more easily understandable format.⁷ The

of a fund" (attributing statement to Mercer Bullard, President, Fund Democracy, Inc.)); Mutual Funds: A Review of the Regulatory Landscape, Hearing Before the Subcomm. on Capital Markets, Insurance and Government Sponsored Enterprises of the Comm. on Financial Services, U.S. House of Representatives, 109th Cong. (May 10, 2005), at 24 ("To my mind, a new and enhanced mutual fund prospectus should have two core components. It should be short, addressing only the most important factors about which typical fund investors care in making investment decisions, and it should be supplemented by additional information available electronically, specifically through the Internet, unless an investor chooses to receive additional information through other means." (Testimony of Barry P. Barbash, then Partner, Shearman & Sterling LLP)); Thomas P. Lemke and Gerald T. Lins, The "Gift" of Disclosure: A Suggested Approach for Managed Investments, *supra* note Error: Reference source not found, at 19 (information that is important to investors includes goals and investment policies, risks, costs, performance, and the identity and background of the manager).

In addition, a mutual fund task force organized by the National Association of Securities Dealers, Inc. ("NASD") supported the use of a "profile plus" document, on the Internet, that would include, among other things, basic information about a fund's investment strategies, risks, and total costs, with hyperlinks to additional information in the prospectus. See NASD Mutual Fund Task Force, Report of the Mutual Fund Task Force: Mutual Fund Distribution (Mar. 2005), available at: http://www.finra.org/web/groups/rules_regs/documents/rules_regs/p013690.pdf.

⁶ See ICI Investor Preferences Study, *supra* note Error: Reference source not found, at 29 ("Nearly nine in 10 recent fund investors say they prefer a summary of the information they want to know before buying fund shares, either alone or along with a detailed document Just 13 percent prefer to receive only a detailed document."); Barbara Roper and Stephen Brobeck, Consumer Federation of America, Mutual Fund Purchase Practices, at 13-14 (June 2006), available at: http://www.consumerfed.org/pdfs/mutual_fund_survey_report.pdf (survey respondents more likely to consult a fund summary document rather than a prospectus or other written materials).

⁷ See, e.g., Henry H. Hopkins, Vice President and Chief Legal Counsel, T. Rowe Price Group, Inc., June 12 Roundtable Transcript, *supra* note Error: Reference source not

participants focused on the importance of providing mutual fund investors with shorter disclosure documents, containing key information, with more detailed disclosure documents available to investors and others who choose to review additional information.⁸ There was consensus among the roundtable participants that the key information that investors need to make an investment decision includes information

about a mutual fund's investment objectives and strategies, risks, cost, and performance.⁹

found, at 31 (“[S]hareholders prefer receiving a concise summary of fund information before buying.”); William D. Lutz, Ph.D., Professor of English, Rutgers University, *id.* at 88 (stating that “investors [should] be able to find quickly and easily the information they want”).

⁸ See Don Phillips, Managing Director, Morningstar, Inc., *id.* at 27 (stating that mutual fund investors need two different documents, including a simplified print document and a tagged electronic document); Paul Schott Stevens, President and Chief Executive Officer, Investment Company Institute, *id.* at 72-73 (urging the Commission to consider permitting mutual funds to “deliver a clear concise disclosure document . . . much like the profile prospectus” with a statement that additional disclosure is available on the funds’ website or upon request in paper); Elissee B. Walter, Senior Executive Vice President, NASD, *id.* at 41 (noting that the industry-recommended disclosure document, the “profile plus,” would include hyperlinks to the statutory prospectus, which would enable investors to “choose for themselves the level of detail they want”).

⁹ See Barbara Roper, Director of Investor Protection, Consumer Federation of America, June 12 Roundtable Transcript, *supra* note Error: Reference source not found, at 20 (noting that there is “agreement to the point of near unanimity about the basic factors that investors should consider when selecting a mutual fund. These closely track the content of the original fund profile with highest priority given to investment objectives and strategies, risks, costs, and past performance particularly as it relates to the volatility of past returns.”). See also Paul G. Haaga, Jr., Executive Vice President,

The roundtable participants also discussed the potential benefits of increased Internet availability of fund disclosure documents, which include, among other things, facilitating comparisons among funds and replacing “one-size-fits-all” disclosure with disclosure that each investor can tailor to his or her own needs.¹⁰ In recent years, access

Capital Research and Management Company, id. at 90 (stating that the Commission should “specify some minimum amounts of information” to provide investors with “something along the lines of the [fund] profile”); Henry H. Hopkins, Vice President and Chief Legal Counsel, T. Rowe Price Group, Inc., id. at 31 (“The profile is an excellent well organized disclosure document whose content requirements were substantiated by SEC-sponsored focus groups and an industry pilot program.”); William D. Lutz, Ph.D., Professor of English, Rutgers University, id. at 88 (noting that the information that mutual fund investors want has not changed substantially since the adoption of the profile); Elisse B. Walter, Senior Executive Vice President, NASD, id. at 40-41 (noting that NASD’s “profile plus” builds on the profile and includes key information about a fund’s objectives, risks, fees, and performance, as well as information about dealer fees and conflicts of interest).

¹⁰ See Paul Schott Stevens, President and Chief Executive Officer, Investment Company Institute, id. at 70-71 (stating that the Internet can serve as “far more than a stand-in for paper documents It can . . . put investors in control when it comes to information about their investments.”); Don Phillips, Managing Director, Morningstar, Inc., id. at 49 (discussing “the ability to use the Internet as a tool for comparative shopping”); Elisse B. Walter, Senior Executive Vice President, NASD, id. at 41 (noting that the Internet “doesn’t force disclosure into one size fits all”).

to the Internet has greatly expanded,¹¹ and significant strides have been made in the speed and quality of Internet connections.¹² As suggested by the participants at the roundtable, advances in technology also offer a promising means to address the length and complexity of mutual fund prospectuses by streamlining the key information that is provided to investors, ensuring that access to the full wealth of information about a fund is immediately and easily accessible, and providing the means to present all information about a fund online in an interactive format that facilitates comparisons of key information, such as expenses, across different funds and different share classes of the same fund.¹³ Technology has the potential to replace the current one-size-fits-all mutual fund prospectus with an approach that allows investors, their financial intermediaries,

¹¹ Recent surveys show that Internet use among adults is at an all time high with approximately three quarters of Americans having access to the Internet. See *A Typology of Information and Technology Users*, Pew Internet & American Life Project, at 2 (May 2007), available at: http://www.pewinternet.org/pdfs/PIP_ICT_Typology.pdf; *Internet Penetration and Impact*, Pew Internet & American Life Project, at 3 (Apr. 2006), available at: http://www.pewinternet.org/pdfs/PIP_Internet_Impact.pdf. Further, while some have noted a “digital divide” for certain groups, see, e.g., Susannah Fox, *Digital Divisions*, Pew Internet & American Life Project, at 1 (Oct. 5, 2005) (noting that certain groups lag behind in Internet usage, including Americans age 65 and older, African-Americans, and those with less education), others have noted that this divide may be diminishing for those groups. See, e.g., *Mutual Fund Shareholders’ Use of the Internet*, 2006, Investment Company Institute, Research Fundamentals, at 7 (Oct. 2006), available at: <http://www.ici.org/stats/res/1fm-v15n6.pdf> (“Recent increases in Internet access among older shareholders . . . have narrowed the generational gap considerably. Today, shareholders age 65 or older are more than twice as likely to have Internet access than in 2000.”); Michel Marriott, *Blacks Turn to Internet Highway, And Digital Divide Starts to Close*, THE NEW YORK TIMES (Mar. 31, 2006), available at: <http://www.nytimes.com/2006/03/31/us/31divide.html?ex=1301461200&en=6fd4e942aaaa04ad&ei=5088> (“African-Americans are steadily gaining access to and ease with the Internet, signaling a remarkable closing of the ‘digital divide’ that many experts had worried would be a crippling disadvantage in achieving success.”).

¹² See John B. Horrigan, *Home Broadband Adoption 2007*, Pew Internet & American Life Project, at 1 (June 2007), available at: http://www.pewinternet.org/pdfs/PIP_Broadband%202007.pdf (47% of all adult Americans had a broadband connection at home as of early 2007).

¹³ A mutual fund may issue more than one class of shares that represent interests in the same portfolio of securities with each class, among other things, having a different arrangement for shareholder services or the distribution of securities, or both. See rule 18f-3 under the Investment Company Act [17 CFR 270.18f-3].

third party analysts, and others to tailor the wealth of available information to their particular needs and circumstances.

We are proposing an improved mutual fund disclosure framework that is intended to provide investors with information that is easier to use and more readily accessible, while retaining the comprehensive quality of the information that is available today. The foundation of the proposal is the provision to all investors of streamlined and user-friendly information that is key to an investment decision. More detailed information would be provided both on the Internet and, upon an investor's request, in paper or by e-mail.

To implement this improved disclosure framework, we are proposing a new option for satisfying prospectus delivery obligations with respect to mutual fund securities under the Securities Act of 1933. Under the proposed option, key information would be sent or given to investors in the form of a summary prospectus ("Summary Prospectus"), and the statutory prospectus would be provided on an Internet Web site.¹⁴ Upon an investor's request, funds would also be required to send the statutory prospectus to the investor. Our intent in proposing this option is that funds take full advantage of the potential of the Internet for facilitating the search, retrieval, and comparison of information to enhance both the Summary Prospectus and the more detailed information that is too often buried in a dense, paper prospectus.

2. Purpose of the Information Collection

The purpose of proposed rule 498 is to enable funds to provide investors with a Summary Prospectus containing key information necessary to evaluate an investment in

¹⁴ A "statutory prospectus" is a prospectus that meets the requirements of Section 10(a) of the Securities Act [15 U.S.C. 77j(a)].

the fund.¹⁵ Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is primarily for the use and benefit of investors. The information filed with the Commission also permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

3. Role of Improved Information Technology

The Commission’s electronic filing system (Electronic Data Gathering, Analysis and Retrieval or “EDGAR”) is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies to transmit filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Forms N-1A and Pursuant to proposed rule 498, Summary Prospectuses would be required to be filed with the Commission electronically on EDGAR. Rule 482 advertisements and investment The public may access filings on EDGAR through the Commission’s Internet website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission’s public reference rooms. Summary Prospectuses would be permitted to be sent to investors by electronic means so long as the fund meets certain requirements.¹⁶ The Commission currently has no information concerning the percentage of such documents that may be sent electronically if proposed rule 498 is adopted.

4. Efforts to Identify Duplication

¹⁵ If proposed rule 498 is adopted, the Commission would ask that the collection of information for current rule 498 be eliminated and that a new collection of information be established.

¹⁶ See Securities Act Release No. 7233 (Oct. 6, 1995) [[60 FR 53458 \(Oct. 13, 1995\)](http://www.sec.gov/edgar/data/500000/0001193125/950413/53458.txt)]; Securities Act Release No. 7856 (Apr. 28, 2000) [[65 FR 25843 \(May 4, 2000\)](http://www.sec.gov/edgar/data/500000/0001193125/0050000125/0050000125/25843.txt)].

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. Proposed rule 498 would replace current rule 498 and a new collection of information would be established.

5. Effect on Small Entities

The proposed disclosure requirements for Summary Prospectuses that comply with proposed rule 498 would not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file Summary Prospectuses may be greater than for larger funds. This burden includes the cost of producing, printing, filing, and disseminating the Summary Prospectuses. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the Summary Prospectus.

With respect to the proposed amendments, the Commission considered special requirements for small entities. Different disclosure requirements for small entities may create the risk that investors in these funds would be less able to evaluate funds and less able to compare different funds, thereby lessening the ability of investors to make informed choices among funds. We believe it is important for the disclosure that would be required by proposed rule 498 to be provided to investors in all funds, not just funds that are not considered small entities.

We review all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

6. Consequences of Less Frequent Collection

Sections 5(b)(1) and 2(a)(10) of the Securities Act require that communications in writing, by radio or television offering securities for sale constitute a prospectus that meet the requirements of section 10. This legal requirement prevents the Commission from specifying less frequent distribution of the Summary Prospectus, which is deemed a prospectus, to investors when offering securities for sale. Certain information would be required to be updated quarterly which would contribute significantly to the usefulness of a concise, summary document to investors and their financial intermediaries.

The requirement that funds that use a Summary Prospectus must respond to an investor's request for additional information within three business days ensures that investors who wish to review additional information before making an investment decision will be able to do so.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Not Applicable.

8. Consultation Outside the Agency

Comments are generally received from registrants, trade associations, the legal and accounting professions, and other interested parties. In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. The Commission has solicited and will consider comment on proposed rule 498 to enhance the disclosures that are provided to mutual fund investors, and on the collection of information that would be imposed by the proposed rule.

9. Payment of Gift to Respondents

Not Applicable.

10. Assurance of Confidentiality

Not Applicable.

11. Sensitive Questions

Not Applicable.

12. Estimate of Hour Burden

Proposed rule 498 would contain collection of information requirements. The likely respondents to this information collection are open-end management investment companies registered or registering with the Commission. Under proposed rule 498, use of the Summary Prospectus would be voluntary, but the rule's requirements regarding provision of the statutory prospectus would be mandatory for funds that elect to send or give a Summary Prospectus in reliance upon proposed rule 498. The information provided under proposed rule 498 would not be kept confidential.

Proposed rule 498 would permit the obligation under the Securities Act to deliver a statutory prospectus with respect to mutual fund securities to be satisfied by sending or giving a Summary Prospectus and providing the statutory prospectus online. In addition, the new rule would require a fund to send the statutory prospectus in paper or by e-mail upon request.

Our preliminary estimate is that proposed rule 498 would not impose any substantial new information collection requirements with respect to the initial preparation of a Summary Prospectus beyond those in connection with the collection of information for Form N-1A. It, however, would impose a minimal ½ hour burden annually associated

with the compilation of the additional information required on a cover page or at the beginning of the Summary Prospectus. Proposed rule 498 also would impose hour burdens associated with the quarterly updating of the Summary Prospectus, as well as hour burdens associated with the posting of a fund's Summary Prospectus, statutory prospectus, SAI, and most recent report to shareholders on an Internet Web site. The Commission estimates the average hour burden for one fund to comply with the proposed quarterly updating requirements to be approximately 3 hours per quarter, or 9 hours annually for each of the three subsequent quarters.¹⁷ The Commission also estimates that the average hour burden for one fund to comply with the proposed Internet Web site posting requirements would be 1 hour per quarter, or 4 hours annually. The Summary Prospectus is voluntary, so the percentage of funds that will choose to provide it is uncertain. Given this uncertainty, we have assumed that 75% of all funds would choose to send or give a Summary Prospectus.¹⁸ We received 2,397 initial registration statements and post-effective amendments on Form N-1A during our 2006 fiscal year covering approximately 8,726 funds.¹⁹ Assuming 75% of all funds file a Summary

¹⁷ In addition to the annual filing of a registration statement on Form N-1A, quantified above, a fund that chooses to provide Summary Prospectuses would have to update those Summary Prospectuses for each of the subsequent 3 quarters of the year.

¹⁸ We believe our estimate of 75% is reasonable given the potential benefits of our proposed amendments to funds. One study of industry participants found that 64% of respondents are very likely to consider sending or giving a Summary Prospectus and that 31% are somewhat likely to consider sending or giving a Summary Prospectus. See Forrester Consulting on behalf of NewRiver, The Short-Form Prospectus: Industry Poised For Savings, Transparency, And Innovative Ways To Communicate With Investors at 5 (Oct. 2007), available at http://www1.newriver.com/news_events/news/new_research_finds_mutual_fund_providers_overwhelmingly_support_the_securities_and_exchange_commissions_proposed_short_form_prospectus_rule.php. Study respondents included brokerage firms, banks, insurance companies, mutual fund families, and money management and financial advisory firms. *Id.* at 4.

¹⁹ Fund means an open-end management investment company, or any series of shares of such a company that represent undivided interests in a portfolio of investments and that are preferred over all other series of shares for assets specifically allocated to that series in accordance with rule 18f-2 under the Investment Company Act (17 CFR

Prospectus, the total annual hour burden for filing and updating Summary Prospectuses and posting the required disclosure documents to an Internet Web site pursuant to proposed rule 498 would be 88,351 hours $((1/2 \text{ hour} + 9 \text{ hours} + 4 \text{ hours}) \times (.75 \times 8,726 \text{ funds}))$.

Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with proposed rule 498 would be approximately \$22.3 million.²⁰

13. Estimate of Total Annualized Cost Burden

Cost burden is the cost of goods and services purchased to prepare and update Summary Prospectuses pursuant to proposed rule 498, such as for printing and mailing costs and the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of registration forms.

270.18f-2).

²⁰ This estimate is calculated by multiplying the total annual hour burden (88,351 hours) by the estimated hourly wage rate of \$252.50. The estimated wage figure is based on published rates for compliance attorneys and senior programmers, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$261 and \$244, respectively. See Securities Industry Association, Report on Management & Professional Earnings in the Securities Industry 2006 (Sept. 2006). The estimated wage rate is further based on the estimate that attorneys and programmers would divide time equally, resulting in a weighted wage rate of \$252.50 $((\$261 \times .50) + (\$244 \times .50))$.

We estimate that the external costs for printing and mailing of the Summary Prospectus would be \$104,542,500²¹ or approximately \$15,974 per fund.²² There may also be external costs connected with the review of the required disclosure by outside counsel; however, we expect those costs to be minimal given that most of the information required in the Summary Prospectus is already required in a fund's prospectus.

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing new registration statements, and post-effective amendments of investment companies amounted to approximately \$16.8 million in fiscal year 2006, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

We will be asking that the collection of information for current rule 498 be eliminated and a new collection of information for proposed rule 498 be created. Therefore, there is no change in burden. As a result of proposed rule 498, the hour burden for preparing and filing Summary Prospectuses would be 88,351 hours.

16. Information Collection Planned for Statistical Purposes

²¹ Our estimates are based on information provided by Broadridge Financial Solutions ("Broadridge"). We evaluated the information provided and believe the data likely represent relevant information and costs. Broadridge estimates that the average cost to print a Summary Prospectus on demand is \$0.11. We note that some funds may receive reduced bulk printing rates; however Broadridge informed us that it believes that the majority of funds will print the Summary Prospectus on demand. With respect to mailing costs for a Summary Prospectus, Broadridge estimates that Summary Prospectuses sent out annually will be mailed at the bulk rate of \$0.255 and that Summary Prospectuses sent out in connection with fund purchases will be mailed first class at a rate of \$0.41. Our estimate, therefore, was derived as follows: $((\$0.11 \text{ for printing a Summary Prospectus on demand} + \$0.255 \text{ for bulk mail}) \times 290,000,000 \text{ Summary Prospectuses estimated to be sent out annually} \times 75\% \text{ of funds}) + ((\$0.11 \text{ for printing a Summary Prospectus on demand} + \$0.41 \text{ for first class mail}) \times 64,500,000 \text{ prospectuses estimated to be sent out in response to a fund purchase} \times 75\% \text{ of funds})$.

²² $\$104,542,500 \div (8,726 \text{ funds} \times 75\%)$.

Not Applicable.

17. Approval to Not Display Expiration Date

Not Applicable.

18. Exceptions to Certification Statement

Not Applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable.