

SUPPORTING STATEMENT FOR SCHEDULE 14A

This submission, pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq., consists of this supporting statement and Release 33-9128; 34-62544; IC-29367 (July 21, 2010).

A. JUSTIFICATION

1. NECESSITY FOR THE INFORMATION COLLECTION

Funds must comply with the requirements of Schedule 14A when they solicit proxies from their shareholders.

On July 21, 2010, the Commission issued a release proposing to replace rule 12b-1 under the Investment Company Act with new rule 12b-2.¹ The release also proposed technical and conforming amendments to certain rules and forms, including Schedule 14A. The proposed amendments to Schedule 14A would amend the required disclosures under Schedule 14A when a fund seeks approvals from its shareholders to institute or increase the rate of a marketing and service fee after shares have been offered to the public. The proposed amendments would eliminate: (i) the disclosure requirements in Item 22(d) regarding director involvement in approving asset-based distribution fees; and (ii) the current requirement that funds disclose in Item 22(d) the aggregate dollar amount of distribution fees paid by the fund in the previous year.

2. PURPOSE OF, AND CONSEQUENCES OF NOT REQUIRING, THE INFORMATION COLLECTION

Because the proposed amendments would not require any special action by the board of directors in approving asset-based distribution fees, we do not believe that information regarding the board of directors' consideration of asset-based distribution fees would be relevant to the shareholder voting decision. Therefore, we propose to eliminate the disclosure requirements in Item 22(d) regarding director involvement in approving asset-based distribution fees.

We also propose to eliminate the current requirement that funds disclose in Item 22(d) the aggregate dollar amount of distribution fees paid by the fund in the previous year. When we initially discussed such disclosure in 1979, we envisioned that the disclosure of aggregate dollar amounts could be useful for shareholders who were being asked to renew a 12b-1 plan.² This information may have been useful for shareholders who were evaluating whether the expenditure of dollar amounts was helpful to address

¹ See Mutual Fund Distribution Fees; Confirmations, 33-9128; 34-62544; IC-29367 (July 21, 2010).

² See Bearing of Distribution Expenses by Mutual Funds, Investment Company Act Release No. 10862 (Sept. 7, 1979) [44 FR 54014 (Sept. 17, 1979)], at text accompanying n.37 ("If shareholders were being asked to vote on the renewal of a plan, it would appear appropriate to include as well the amount spent by the fund in the previous fiscal year, as a total dollar amount and as a percentage of average net assets during that period, and the benefits to the fund from such expenditures.").

certain problems or circumstances that the 12b-1 plan addressed. In light of our current proposal to eliminate 12b-1 plans, however, and the fact that the aggregate dollar amount of marketing and service fees primarily reflects the rate of the fee and the size of the fund (information that is readily available elsewhere), we believe this information is unlikely to affect a shareholder's decision to approve an increase in an asset-based distribution fee. Thus, we propose to eliminate those disclosure requirements in Item 22(d).³

3. USE OF ELECTRONIC MEDIA

Schedule 14A⁴ is filed electronically with the Commission using the Commission's Electronic Data Gathering and Retrieval ("EDGAR") system.

4. EFFORTS TO IDENTIFY DUPLICATION

The required disclosure would not duplicate, overlap or conflict with other federal rules.

5. METHODS USED TO MINIMIZE BURDEN ON SMALL BUSINESSES

With respect to the proposed amendments, the Commission considered special requirements for small entities. The Commission believes, however, that special compliance or reporting requirements, or different timetables, for small entities, or an exemption from coverage for small entities, would not be appropriate or consistent with investor protection. Finally, with respect to the proposed amendments, the Commission does not consider using performance rather than design standards to be consistent with the statutory requirement that we adopt rules for the protection of investors.

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. DESCRIPTION OF CONSEQUENCES OF LESS FREQUENT COLLECTION

Schedule 14A is filed by U.S. issuers to help shareholders make informed voting decisions. Less frequent collection would deprive investors of access to information that is important to voting decisions.

³ See Item 22(d)(2)(iii) of Schedule 14A. This information will continue to be available to investors in the financial statements that are included in annual and semi-annual shareholder reports. See Item 27 of Form N-1A (requiring the inclusion of financial statements required by Regulation S-X); 17 CFR 210.6-07 (Regulation S-X requirement that the statement of operations separately state management and service fees); proposed amendment to 17 CFR 210.6-07 (proposed requirement that Regulation S-X require the separate statement of "all fees deducted from fund assets to finance distribution activities" pursuant to rules 12b-2(b), (d) or 6c-10(b) under the Investment Company Act). In addition, directors will continue to review the amounts charged to funds in the course of their oversight of fund expenses.

⁴ 17 CFR 240.14a-101.

With the proposed amendments, the frequency with which information from Schedule 14A is collected would not change.

7. EXPLANATION OF SPECIAL CIRCUMSTANCES

Not applicable.

8. CONSULTATION OUTSIDE THE AGENCY

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry and through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection of information requirements in Schedule 14A before it submitted this request for revision and approval to the Office of Management and Budget. We received no comments in response to our request.

9. PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY

Not applicable.

11. SENSITIVE QUESTIONS

Not applicable.

12 and 13. ESTIMATE OF HOUR AND COST BURDENS

Based on conversations with fund representatives and the most recent PRA update to Schedule 14A, the staff estimates that 75% of the burden of preparing Schedule 14A filings is undertaken by the fund internally and that 25% of the burden is undertaken by outside counsel retained by the fund at an average cost of \$400 per hour.⁵ The staff estimates that 3 funds would solicit proxies each year for the purposes of seeking approval to implement or increase a fee as required under the proposed amendments (the same number that the staff has estimated would solicit proxies under rule 12b-1) because the staff believes the proposed amendments are unlikely to affect the number of funds that seek proxy approval from their shareholders. For each of these 3 funds, the staff estimates that our proposed amendments to Schedule 14A would create an incremental reduction in burden of 3 hours of fund personnel time (at an internal time cost equivalent rate of \$316 per hour)⁶ and reduced costs of \$400 for the services of outside counsel, as a result of the proposed amended disclosures relating to marketing and service fees on Schedule 14A. The staff therefore estimates that these amendments would reduce the

⁵ This cost estimate is based on consultations with several registrants and law firms and other persons who regularly assist registrants in preparing and filing proxies with the Commission.

total annual paperwork burden of Schedule 14A by approximately 9 hours of fund personnel time (3 funds x 3 hours) at an internal time cost equivalent of \$2844,⁷ and by approximately \$1200 (3 funds x \$400) for the services of outside counsel.

In our most recent PRA submission for Regulation 14A (which includes Schedule 14A), the staff estimated that there are a total of 7300 respondents who use Schedule 14A, each of whom responds once a year, for a total of 7300 responses annually. The staff estimates that this number of respondents would remain the same under the proposed amendments because the staff does not expect our proposed amendments to affect the number of funds that seek approval from their shareholders to institute or increase marketing and service fees. The current approved aggregate time burden for these respondents is 703,636 hours and the cost burden is \$84,204,277. The staff estimates that the proposed amendments would reduce this time burden by a total of 9 hours (3 hours times the 3 respondents affected by our proposed amendments) for a new total of 703,627 hours, and would reduce the cost burden by a total of \$1200, for a new aggregate total of \$84,203,077.⁸ This would represent an average per respondent time burden of 96 hours, and a cost burden of \$11,535.⁹

14. ESTIMATE OF COST TO FEDERAL GOVERNMENT

The estimated cost of preparing the proposed amendments was approximately \$50,000.

⁶ The staff estimates that the internal time cost equivalent for time spent by internal counsel is \$316 per hour. This estimate, as well as all other internal time cost estimates made in this analysis (unless otherwise noted) is derived from SIFMA's Management & Professional Earnings in the Securities Industry 2009, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead or from SIFMA's Office Salaries in the Securities Industry 2009, modified by Commission staff to account for an 1800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

⁷ This estimate is based on the following calculation: (9 hours × \$316 per hour = \$2844).

⁸ These estimates are based on the following calculations: (703,636 hours – 9 hours = 703,627 hours); (\$84,204,277 - \$1200 = \$84,203,077).

⁹ These estimates are based on the following calculations: (703,627 hours ÷ 7300 respondents = 96 hours); (\$84,203,077 ÷ 7300 respondents = \$11,535).

15. EXPLANATION OF CHANGES IN BURDEN

Schedule 14A has a current annual burden hour inventory of 703,636 hours. As a result of the proposed amendments, the total hour burden for preparing and filing Schedule 14A would decrease by 9 hours to a new annual burden of 703,627 hours.

The current approved aggregate annual cost burden for Schedule 14A is \$84,204,277. The proposed amendments would reduce the cost burden by a total of \$1200, for a new aggregate annual total of \$84,203,077.

16. INFORMATION COLLECTIONS PLANNED FOR STATISTICAL PURPOSES

Not applicable.

17. EXPLANATION AS TO WHY EXPIRATION DATE WILL NOT BE DISPLAYED

Not applicable.

18. EXCEPTIONS TO CERTIFICATION

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.