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Data Communiqué has been a subsidiary of Havas since 1985. Since its founding in 1923, it has evolved to meet the challenges of its clients and their industries through the adoption, deployment and development of innovative and focused technologies. Its clients include many financial service organizations, including 20% of the top 50 mutual fund complexes in 2007.

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February 27, 2008

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

By E-Mail

Re: Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, Release Nos. 33-8861; IC-28064;
File No. S7-28-07

Dear Ms. Morris:

We appreciate the opportunity to respond to the Securities and Exchange Commission's proposed rule *Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies*.

We strongly support the Commission's proposal and have provided our comments and suggestions on the included exhibit.

Most significantly, we view this proposal as a furtherance of the interactive continuum, which started as interactive data and is now extended to interactive documents. We acknowledge the improvements that will result from improved access and ease of comparability of relevant information in a concise format. We have also assessed the significant savings that the industry could achieve, directly through the application of this rulemaking or by using this rulemaking as a catalyst for change, be they direct fund expense or imbedded as a component of management, advisory or distribution fees.

We would be pleased to discuss our comments and to answer any questions the Commission or staff may have. Please do not hesitate to contact me directly at 201.508.6030 regarding our submission.

Sincerely,



Brian C. Essman
President and Chief Executive Officer

Data Communiqué, Inc.
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SUMMARY

Data Communiqué, Inc. ("DCI") is a technology and communications company with roots as a service provider to the financial services industry, including mutual funds, hedge funds, private equity funds and separately managed accounts. The following response does not intend to provide legal commentary and has avoided such, but rather is providing comment based upon our knowledge of the practices and technologies available to the marketplace.

DCI supports the Commission in its efforts to improve the usability and availability of relevant information to investors. With respect to specific matters, which are discussed further, our findings are as follows:

- The current cost of compliance for the industry is over \$400 million.
- The cost savings resulting from the proposed rules, combined with potential changes in practices and technology, amount to \$161 million.
- Changes in process and technologies will significantly reduce the burden on knowledge workers involved in the regulatory process.
- The current voluntary XBRL program should be expanded to include all elements of the summary prospectus.
- The EDGAR system should be expanded to allow for the posting of the interactive documents as posted by the registrants on their web sites.
- This rulemaking should be considered in tandem with the Point of Sale proposal anticipated later this year.
- The Commission should provide for flexibility in:
 - actual format and layout;
 - charts and graphs;
 - allowing additional information to be presented;

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- allowing general adherence rather than strict adherence to an order of information;
 - allowing for the summary prospectus to be combined with other materials, such as the annual report to shareholders;
 - presentation of portfolio holdings or characteristics; and
 - the approach interactive documents are presented on the internet.
- The summary section and the summary prospectus should be limited to single funds and those multiple classes that can be combined.
 - Investors are best informed if the summary prospectus is updated quarterly.
 - The registrant should be allowed to select either the calendar or fiscal quarter to use for purposes of update.
 - Information presented should be up to 60 days, rather than one month prior.
 - The delivery of the summary prospectus should satisfy the delivery requirement.

Attached are our detail comments to specific questions put forth by the Commission.

* * * * *

The following observations have been presented in the order that the Commission requested comment. Questions of the Commission that relate solely to legal matters or that were directed to investors have been omitted.

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II. DISCUSSION

A. Proposed Amendments to Form N-1A

1. General Instructions to Form N-1A

We request comment on the proposed amendments to the General Instructions, and in particular on the following issues:

- Are the proposed revisions to the General Instructions appropriate? Will they be helpful in encouraging prospectus summary sections that address investors' preferences for concise, user-friendly information?

The proposed changes, in general, are a significant improvement in communicating relevant information to investors in a concise format, while allowing investors with more in depth needs access to the statutory prospectus and statement of additional information in both electronic and printed format. Utilization of the summary prospectus as a separate document, while also having it positioned in the front of a statutory prospectus as a summary section, is preferable to allowing the disclosures to be integrated within the context of the statutory prospectus as it allows for easier access and review.

Registrants should also be allowed to provide the same information within the detailed statutory prospectus if they believe that providing such information within the context of the overall information flow enhances the document's usability.

- Should we amend the General Instructions to Form N-1A in other respects? For example, should we impose any formatting requirements on the summary section of the prospectus, such as limitations on page length (e.g., three or four pages) or required font sizes or layouts? Would any such formatting requirements further the goal of making the summary section a user-friendly presentation of information?

While the Commission should proscribe the information that is required in the summary section of the prospectus, as well as the summary prospectus, the actual format and layout (of tables and charts), and the font sizes should be left to the judgment of the registrant. For purposes of standardizing the presentations to assist the investor in comparability, the order of disclosure should

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follow a standard rule of prominence, but not restrict the registrant to a fixed presentation. This is particularly important for registrants that may publish their statutory prospectus in a digest format (5.5 by 8.5 inches) but may wish to publish stand-alone summary prospectuses in a full 8.5 by 11 inch format.

In addition, while the illustrative sample document provided by the Commission utilizes a serial top to bottom design, Registrants should be allowed flexibility in the document's design and layout, as they may find that the use of multiple columns or sidebars improves the readability and flow of the document.

- Is it appropriate to prohibit a fund from including information in the summary section that is not required?

The Commission should provide for flexibility in additional information as to prevent an important fact or factor, which a registrant believes is important to a potential investor or existing shareholder from being excluded from the summary prospectus. Any such information should be provided at the end of the summary prospectus and clearly identified as additional information. Furthermore, the prominence of the additional information should be such as to not provide it more prominence than the required disclosures.

- Are the proposed requirements for the order of information appropriate? Will they contribute to more readable prospectuses and summary information that is easy to evaluate and compare?

While providing for a specified order will improve comparability between the summary section of prospectuses and summary prospectuses, as the sections or documents are shorter in length, the Commission should allow for flexibility in the document's design and layout that improve readability, all the while maintaining general adherence to a proscribed order.

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- Is it helpful for the prospectus to have a separate summary section?

Having the summary section in the front of the statutory prospectus that follows the same rules as a summary prospectus will allow for readers to easily compare funds. This is important for funds that are not included in the same statutory prospectus, as opposed to allowing for the information to be provided solely within the details of the statutory prospectus. Having the summary section in the front of the statutory prospectus also provides a bridge to an investor, who may have received only the summary prospectus, but has requested and received a copy of the statutory prospectus. Within the electronic version of a statutory prospectus, having the summary section located in the front with drill down to details, in addition to the drill down from the table of contents, provides improved accessibility to relevant information.

- Are the requirements with respect to multiple fund and multiple class prospectuses appropriate? Should we prohibit multiple fund or multiple class prospectuses altogether? Should we provide greater or lesser flexibility in the presentation of multiple fund or multiple class prospectuses? If we permit greater flexibility, how can we do so consistent with the goal of achieving concise, readable summaries? For example, if we permit integrated multiple fund summary presentations for some or all funds, should we also impose a maximum page limit on a summary section that integrates the information for multiple funds?

The proposed requirements that prohibit the integration of multiple funds within a summary prospectus are appropriate for purposes of improving the investor's understanding of the fund that they are reviewing. The ability to include multiple classes of shares of a fund is also appropriate, as it provides the reader with concise information relating to the classes of a specific fund that they may be eligible to acquire or hold. Accordingly, we agree that multiple fund summary prospectuses should be prohibited, while multiple classes within a summary prospectus should be allowed.

While many registrants utilize single fund prospectuses, the Commission should not prohibit a registrant from preparing a multiple class, or multiple fund prospectus, as there are a variety of reasons for preparing such, including amongst other reasons, the ability to focus particular investors to options that are available to

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their particular class of investor or to a particular investment objective.

There are two general multiple fund presentations and one variant presentation in use presently.

- The first has been referred to as an integrated prospectus, which presents all required information by topic or section, followed by specific matters applicable to each fund. For an investor interested in a particular fund, the use of an integrated prospectus can increase the level of effort required to gather information they believe is relevant. In addition, integrated prospectuses, with respect to tabular information, have frequently compiled all information of the various funds in one table that may span pages, which some readers may find difficult to manage.
- The second approach is a layered presentation that presents all information relating to a fund in a separate section that is more like a single fund prospectus. These presentations are generally easier to read if an investor is only interested in a particular fund. In some instances, fund complexes utilize a layered approach to producing their prospectuses and will in addition to the layered prospectus, also spin-off single fund prospectuses for other purposes.
- A variation of the layered prospectus is to include standardized information, such as how to buy or sell, which may not vary by fund, as a separate disclosure and only layer the sections that are different.

The commission should allow flexibility in the statutory prospectuses, but should require that summary sections cannot be combined. By not combining summary sections of multiple funds, there is less of a probability that page counts of each fund's summary sections will become large and as such, regulation of page counts would not be required.

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With respect to positioning of the summary section, the Commission should consider three choices:

- Mandate that the summary section be front most in all multiple fund prospectuses.
- Mandate that the summary sections be front most in all multiple fund prospectuses utilizing the integrated approach.
- For multiple fund prospectuses utilizing a layered approach, allow the presentation to be either front most for all funds or alternatively, at the beginning of each individual fund section to which the summary prospectus applies.

2. Information Required in Summary Section

We request comment generally on the information proposed to be included in the summary section of the statutory prospectus, and in particular on the following issues:

- Does the proposed summary section encourage prospectuses that are simpler, clearer, and more useful to investors? Would the proposed summary section help investors to better compare funds?

On a single fund basis, the summary section provides for a simpler and clearer presentation that can be more useful to investors. By bringing the information to the front most section and by requiring what information is provided, an investor will be able to reduce the time that is required to locate information to compare funds that are not otherwise presented together for comparison. If the investor is comparing funds that are not presented together, rather than having to research many pages, they will be able to either compare the smaller separate summary prospectuses or compare the summary section in its front most positioning within a statutory prospectus more efficiently.

Over time, as investors become more technically oriented, the combination of standard tags for the summary section and the summary prospectus, together with greater access to XBRL voluntary data, would provide a vastly improved ability to compare funds. The Commission should consider expanding its rules to

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allow for filing of the summary section and any summary prospectus information under its voluntary XBRL program.

- Should each of the proposed items be included in the summary section? Should any additional disclosure items currently required in Form N-1A be included in the summary section? Should we consider disclosure items that are not currently in Form N-1A? If so, what types of additional disclosures should we consider including in the summary section?

The Commission should provide for flexibility in additional information as to prevent an important fact or factor, which a registrant believes is important to a potential investor or existing shareholder, from being excluded from the summary section. Any such information should be provided at the end of the summary section and clearly identified as additional information. Furthermore, the prominence of the additional information should be such as to not provide it more prominence than the required disclosures.

- How would the required narrative explanations of various items contribute to readability and length of the summary section? Should each of these explanations be required, permitted, or prohibited in the summary section? Should any of these explanations be required to appear in the prospectus, but outside the summary section?

The summary section should contain only a summary explanation of items that are unique to the fund. All more in-depth explanations should be included in the statutory prospectus or statement of additional information.

- Is the proposed order of the information appropriate, or should it be modified? If so, how should it be modified?

While providing for a specified order will improve comparability between alternatives, as the documents are shorter in length than a full statutory prospectus, the Commission should allow for flexibility in the document's design and layout that improve readability, all the while maintaining general adherence to a proscribed order. In addition, while the illustrative sample document provided by the Commission utilizes a serial top to bottom design, Registrants

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should be allowed flexibility in the document's design and layout, as they may find that the use of multiple columns or sidebars improves the readability and flow of the document.

- Should we consider any revisions to the bar chart or table disclosing a fund's returns? For example, should we modify or eliminate the required explanation that this information illustrates the variability of a fund's returns?

The Commission should allow for flexibility in the graphical presentation of all charts and tables to improve readability, while maintaining minimum requirements. With respect to the annual total returns, the minimum periods and the indication of actual amount should be proscribed, but whether the fund uses a mountain, bar or line chart should not be mandated.

- Should we require disclosure regarding portfolio holdings in the summary section? If so, what information should be required, e.g., top five holdings, top 10, top 25? If we require portfolio holdings disclosure, should any funds be exempt from the requirement, e.g., money market funds or exchange-traded funds? Should new funds be exempt from this requirement? Are there circumstances where this disclosure might not be useful to investors or where additional information regarding a fund's investment exposures would be necessary to make the portfolio holdings information useful, for example, where the top 10 holdings represent a relatively small percentage of the fund's total holdings? Should we require funds to disclose additional information such as the percentage of a fund's net assets represented by the combined top 10 holdings? Should we require a fund to disclose its holdings that represent a specified percentage of the fund's holdings?

While the nature of a fund's investments is guided by the fund's objective and by its principal investment strategies, generally an investor is interested in the portfolio. This disclosure is generally presented on much of a fund's marketing literature and, accordingly, should be made a part of the summary section and the summary prospectus.

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With respect to the portfolio disclosure, while a top ten list may be the easiest approach, in many instances; such an approach may not provide the reader with useful information. The Commission should consider a several-step approach that is based upon materiality.

- One approach could be to mandate listing of up to ten securities for any securities that individually exceed 5% of the net assets of a fund.
- Another approach could be to list the top ten securities if combined they exceed 15% of the net assets of a fund.
- If neither of these conditions are met, the Fund could alternatively present a listing summarizing investment types, industries, credit quality, maturities or geographic distribution, as deemed appropriate by the fund.

The fund should be allowed to present this alternative presentation in either tabular or graphic presentation. Additionally, the fund should be allowed, but not mandated to include this presentation, even if the materiality disclosures are applicable and have been met by specific securities.

New funds, to the extent that they have holdings, should not be exempt from this disclosure.

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- Would the proposed exception to the requirement to list the top 10 holdings that would permit a fund to list an amount not exceeding five percent of the total value of the portfolio holdings in one amount as “Miscellaneous securities” adequately guard against the premature release of certain positions that could lead to front-running and other predatory trading practices? If not, what other protections would be necessary? Is the “Miscellaneous securities” exception necessary and appropriate?

As presently proposed, this information is to be provided for the most recent calendar quarter within one month of that calendar quarter end. For purposes of this information, the Commission should consider two changes.

- A registrant should be allowed to elect for purposes of quarters whether they utilize calendar or fiscal quarters for purposes of any updated summary prospectus.
- The reporting interval should be expanded to 60 days to conform to rules regulating N-SAR, N-SARS and N-Q filings.

Given that the statutory prospectus is generally not filed at any time before 60 days following the fund’s year end (for funds that presently co-mail their certified annual report and prospectus together to existing shareholders) the portfolio information is relatively stale at the time of filing and is made public as a result of other regulation; accordingly, if the reporting cycle is increased to 60 days there would be no need to provide for any special protections.

Additionally, many funds post their complete portfolio holdings to their web sites approximately 30 days after a period end and provide for a listing of top securities in marketing literature quarterly, or monthly in some cases, within 30 to 45 days of a period end. If a Registrant elects to utilize calendar quarters and the reporting cycle is 60 days, the portfolio information may already be in the public domain.

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- Should we require funds to present tables, charts, or graphs that depict portfolio holdings by reasonably identifiable categories (e.g., industry sector, geographic region, credit quality, maturity, etc.) either instead of, or in addition to, top 10 portfolio holdings?

As noted previously, the Commission should not prohibit such disclosure.

- Should, as proposed, a fund having three or more sub-advisers be required to identify only those sub-advisers that are (or are reasonably expected to be) responsible for the management of a significant portion of the fund's net assets? Are there situations where this would result in the disclosure of no sub-advisers and, if so, would this be appropriate? Should we, as proposed, provide that a "significant portion" of a fund's net assets generally would be deemed to be 30% or more of a fund's net assets? Should a higher or lower percentage or some other measure or standard be used?

The 30% measurement is an appropriate measure for determining a significant portion, however to avoid a circumstance that could result in no disclosure, for example if a fund uses four sub-advisors, each advising approximately 25% of the portfolio, a fund should be required to disclose in descending order of materiality, all sub-advisors until a majority (50% or more) of the portfolio has been attributed and then be required to disclose the number and nature of the remaining sub-advisors by investment focus, style or otherwise to provide meaningful disclosure to an investor.

- Should we require disclosure regarding the compensation of broker-dealers, banks, and other financial intermediaries in the summary section? Should we permit this disclosure to be omitted or modified in any context? For example, should a fund be permitted to omit this disclosure if the fund is marketed directly to investors or where a transaction is initiated by an investor and not on the basis of a financial intermediary's recommendation? Should funds be permitted to modify this disclosure to reflect the fact that some transactions may be initiated by an investor and not on the basis of a financial intermediary's recommendation?

The disclosure as proposed is appropriate for the summary section and the prospectus. Further details can be obtained from the statutory prospectus and Statement of Additional Information. Further, for specific relationships, the disclosures are best addressed as part of the rulemaking that the Commission's Division

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of Trading and Markets is formulating with respect to point of sale disclosures. We strongly urge the Commission to integrate the disclosures and technologies presented as part of this proposed rulemaking with those to be formulated by the Division of Trading and Markets.

- In addition or as an alternative to directing customers to ask salespersons or visit a financial intermediary's Web site for more information about intermediary compensation, should the summary prospectus direct customers to other sources of information? Do all financial intermediaries that distribute mutual funds have Internet Web sites? Is information typically available on the Web sites of financial intermediaries? Should the Commission require that such information be made available on intermediaries' Web sites?

This question should be addressed as part of the Division of Trading and Markets consideration of rulemaking with respect to point of sale disclosure.

- Should we require or permit a fund to include its ticker symbol in the summary section? Alternatively, should we require or permit a fund to include its ticker symbol on the front or back cover page of the statutory prospectus or SAI or elsewhere in those documents?

The inclusion of the Fund's ticker symbol(s) in the summary section of a prospectus, as well as in any summary prospectuses would be an aid to the investor.

Including the ticker symbol on the front or back cover of the statutory prospectus is only meaningful if the statutory prospectus is for a single fund, but should not be required if included in the summary section. In the case of a multi-fund layered style prospectus, while it is preferable to include the ticker in the summary section, it could be appropriate to include the ticker symbol at the start of the individual fund section. In the case of an integrated multi-fund prospectus, while it is preferable to include the ticker in the summary section, a separate table to ticker symbols could be appropriate.

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B. New Delivery Option for Mutual Funds

1. Use of Summary Prospectus and Satisfaction of Prospectus Delivery Requirements

We request comment generally on the proposed prospectus delivery option for mutual funds and specifically on the following issues:

- Should we permit mutual funds to meet their prospectus delivery obligations in the manner provided in the proposed rule? Does this approach adequately protect investors and provide them with material information about the fund? Does the proposed approach adequately protect investors who have no Internet access or limited Internet access or who prefer not to receive information about mutual fund investments over the Internet? Should we make any other changes with respect to prospectus delivery obligations?

Delivery of the summary prospectus in place of the statutory prospectus should qualify the fund as to having met their delivery requirement.

Inclusion of the predominantly displayed information regarding the availability of the statutory prospectus is adequate to protect investors and to allow for them access to further information on the fund.

As a toll-free telephone number is provided through which an investor can obtain printed materials, limited access to the internet does not place those investors at a disadvantage.

- Are there other approaches that would provide mutual fund investors with key information in a user-friendly format?

Upon further development of the Commission's XBRL reader, the Commission should consider expanding the voluntary filing program for investment companies to include the summary section of the prospectus and the summary prospectus.

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- Should we permit mutual funds to meet their prospectus delivery obligations by filing with the Commission and/or by posting online without giving or sending a Summary Prospectus?

As the fund continues to be required to confirm a trade of shares, the inclusion of a summary prospectus with new shareholder purchases does not place an undue burden on the mutual fund. By not providing a printed summary prospectus, certain investors may be disadvantaged due to their lack of understanding of the availability of documents and lack of access to the internet. In addition, by providing a physical summary prospectus with the trade confirmation, the shareholder is better served in understanding the actual trade completed, as mutual fund confirmations can be more difficult to interpret than a confirmation for direct shares of a listed company due to similarity of names and multiple classes being offered.

- Should mutual fund investors have the ability to opt out of the rule permanently and thereafter receive a paper copy of any statutory prospectus? How could this be implemented in practice? For example, how would a mutual fund that had no prior relationship with an investor be apprised of the investor's decision to opt out? Could such an opt-out provision be implemented on a fund or fund complex basis?

Based upon the wide range of intermediaries initiating trades on behalf of investors for shares of mutual funds, it is presently difficult to provide an opt-out mechanism for newly acquired shares. Once a trade is completed, many funds, through their vendor relationships, have provided shareholders with the option of electronic delivery of documents. While not presently an option established on such systems, the ability to add an additional investor preference field should be considered by the mutual funds and their vendors for purposes of allowing shareholders to opt out of the summary prospectus in favor of a statutory prospectus.

- Should we require that the Summary Prospectus be given greater prominence than other materials that accompany the Summary Prospectus and that the Summary Prospectus not be bound together with any of those materials? Are any clarifications of these requirements needed? Are the requirements workable in all situations? Should we permit a Summary Prospectus to be included within a newspaper or magazine? Should we impose additional requirements to encourage the prominence

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and separateness of a Summary Prospectus, when provided in paper, at an Internet Web site, or by e-mail, such as requiring that the Summary Prospectus be at the top of a list of documents provided electronically or on top of a group of documents provided in paper?

Given the broad range of communications that take place, which may include a Summary Prospectus, the Commission should not mandate that it be given greater prominence and that it not be bound together with other materials. As an example, if a financial advisor is providing a wide range of documentation to their client for purposes of the client's consideration amongst several investment alternatives that may not include only mutual funds, it would be inappropriate to mandate prominence of one document over any other, whether bound or otherwise. This is more so important if the purpose of the communication was to provide alternatives and the investor has not yet chosen a specific investment.

On the regulatory reporting side, a fund that can complete their summary prospectus within the time period provided for certified annual reports should be allowed to combine the summary prospectus in the same publication as their annual report, with appropriate markings and cover page indicating the publication includes a fund's summary prospectus and certified annual report. By allowing this treatment of distribution, the fund's costs are greatly reduced and the fund's investors have an integrated document to review.

The Commission also needs to allow flexibility to promote efficiency within trading operations. As mutual funds develop their graphical designs of the summary prospectus, they may find themselves, as the Commission did with their hypothetical illustrative summary prospectus, that the length is three pages. If that were to be the case, the fund may desire to utilize the blank panel, with appropriate and predominant disclaimer information, for printing their trade confirmation information directly on the physical document to avoid the need to print separate confirmations and to match the correct summary prospectus with each trade confirmation for mailing. Mutual funds could also desire to avoid the need to match separate summary prospectuses with confirmations by digitally printing an integrated summary

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prospectus and trade confirmation.

If the summary prospectus is updated quarterly, some mutual funds may choose to move away from the two-page fact sheets that are typical of the industry and move to utilizing the summary prospectus as a four page wrapper around a marketing document that is more commentary in nature that has been predominantly marked “Not part of the summary prospectus.” While not bound together, the Commission should address the wrap potential in the final rules to avoid confusion in the future.

2. Content of Summary Prospectus

We request comment generally on the proposed content and updating requirements of the Summary Prospectus and specifically on the following issues:

- Should the Summary Prospectus be required to include the same information as the summary section of the statutory prospectus in the same order as required in the statutory prospectus? Should any of the information that we propose to require in the Summary Prospectus not be required? Should any additional information, such as additional information from the statutory prospectus, SAI, or annual or semi-annual report, be required to be included in the Summary Prospectus?

The Summary Prospectus should include the same information as the summary section of the statutory prospectus. The Commission should allow for layout and graphical differences in final document preparation between the statutory prospectus and the Summary Prospectus as a mutual fund may print such in different sizes.

- Should we, as proposed, prohibit the Summary Prospectus from including information that is not explicitly permitted? What effect would this prohibition have on the length, usability, and completeness of a Summary Prospectus? If we include this prohibition, should we make any exceptions to the prohibition?

The Commission should not prohibit the inclusion of additional information or disclosure that the mutual fund concludes is necessary as to avoid the summary prospectus from being misleading. For example, if a fund has a significant concentration in SIV's, while they may be adequately disclosed within the context of the proscribed sections, liquidity and lack of trading, which may

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impact market value may not be adequately addressed, yet material to the fund. At the same time, funds should be prohibited from adding unnecessary disclosures that would detract from the usability of Summary Prospectus.

- Should we restrict the number of funds or share classes that may be included in a Summary Prospectus? Would including multiple funds in a Summary Prospectus make it too long and confusing, and would it decrease the likelihood that investors would use the Summary Prospectus? Or would including multiple funds in a Summary Prospectus contribute to investors' ability to compare those funds? Are there groups of funds that should be permitted to be included in a single Summary Prospectus even if we generally prohibit multiple fund Summary Prospectuses? Instead of, or in addition to, restricting the number of funds in a Summary Prospectus, should we impose page limits on Summary Prospectuses (e.g., three or four pages)? If so, what should the page limits be? How would we address situations in which a fund may conclude that it cannot provide the information required in the Summary Prospectus within a prescribed page limit?

The Commission should restrict the summary prospectus to single funds, as to avoid the confusion that is present with integrated statutory prospectuses. This does not adversely impact the ability to compare funds, as the comparison is between relatively short documents. Many mutual fund companies presently prepare marketing documents that contain much of the information that is required by the summary prospectus in multiple fund formats that could continue to be used by investors researching or comparing funds before they receive and read the summary or statutory prospectus.

Mutual funds should have the option of including multiple classes of a fund on a single summary prospectus, as an individual investor may have several class options available to them. Mutual funds should not be required to present all classes on a single summary prospectus, as some classes may only be available to institutional investors and their inclusion with non-institutional classes may be confusing to investors. Regardless of the number of class specific summary prospectuses created, each should be filed with the Commission.

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Limiting summary prospectuses to one fund and limiting disclosure to primarily the information set forth in the proposal will greatly limit the length of the document. Accordingly, a maximum page count should not be required, although the Commission should understand that mutual funds print on various sizes of paper and therefore a page count maximum without a page size is not meaningful.

- Should we require or permit a fund to include its ticker symbol in the Summary Prospectus? If so, where should such information be included (e.g., at the beginning or on the cover page)?

The inclusion of the Fund's ticker symbol(s) on the Summary Prospectus would be an aid to the investor. As the documents are relatively short, placement should be standardized in general terms as on the first or last page. As noted previously, design groups should be allowed flexibility in design, which while following the general sequence proposed, could allow for alternative treatments. The inclusion of the ticker symbol is an excellent example of information that would best be treated as a sidebar display, if such was chosen by the Registrant.

- Will a one-month lag in reporting top 10 portfolio holdings sufficiently protect against potential dangers to shareholders, such as the dangers of front-running? Would a shorter or longer delay be more appropriate?

As noted previously, we believe that a 60-day lag is more appropriate to protect from the dangers of front-running, as such a period would make the specific positions less meaningful for purposes of other investors taking actions based on such knowledge.

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- Should we require the performance and portfolio holdings information in the Summary Prospectus to be updated quarterly? How would the inclusion of performance and portfolio holdings information that is not updated quarterly affect the usefulness of a Summary Prospectus to investors? How would the inclusion of performance and portfolio holdings information that is not updated quarterly affect investors' perceptions of the Summary Prospectus and investors' interest in reviewing the information in the Summary Prospectus?

Many mutual funds presently provide updated portfolio and performance information on a quarterly basis within their marketing literature. Including such information in updated summary prospectuses would greatly enhance the investing public's perception of the summary prospectus and the information provided. The summary prospectus, if not updated with the most currently available information, will not be well regarded by the investing public and could result in the document being viewed by investors as they do the current prospectus, which is unfavorably. Additionally, as many Registrants post this information on their web sites periodically through the year, an investor without access to the internet is greatly disadvantaged as to the information made available to them.

- Would semi-annual updating of performance and portfolio holdings information in the Summary Prospectus be more appropriate or should we require annual updating only?

The summary prospectus should be updated on a quarterly basis, as much of this information is already in the public domain on a quarterly, if not more frequent basis.

- Would any concerns relating to investor confusion, liability, or other matters arise from requiring quarterly updating of performance and portfolio holdings information in the Summary Prospectus but not in the statutory prospectus? Have any such concerns resulted in practice for funds that currently use the voluntary profile, where performance information is required to be updated on a quarterly basis, but such information is not required to be updated quarterly in the statutory prospectus?

Quarterly updating of the summary prospectus would not result in investor confusion if the summary section included in the statutory prospectus includes appropriate disclosure that the summary

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prospectus is updated quarterly and is available upon request. As the quarterly updated summary prospectuses are not a part of the statutory prospectus, there should not be any confusion as to whether other elements of the statutory prospectus have been updated, as these updates, if any, would continue to fall under the rules applicable to supplementing prospectuses.

- If we require quarterly or semi-annual updating of performance and portfolio holdings information in the Summary Prospectus, should we also require this information to be updated quarterly or semi-annually in the statutory prospectus?

While based on available technology quarterly or semi-annually updating the statutory prospectus is quite feasible, the information contained within the statutory prospectus need not be updated, unless presently required. No statutory prospectus should be distributed without the most recently updated summary prospectus.

- What, if any, burdens would be associated with the requirement for quarterly updating of performance and portfolio holdings information? Would any burdens be reduced due to the availability of “on demand” printing technologies in which copies of documents are printed only as needed? How would any such burdens differ from those associated with quarterly updates to sales materials that include performance information, which funds routinely undertake today? If we require quarterly updating, how can we minimize any associated burdens?

Knowledge Worker Burden:

Some in the industry have commented informally that in addition to the quarterly updates, that the additional information and the reformatting of existing documents would present a significant burden to the mutual fund industry. These burdens are not focused on the print and delivery side of the equation, but rather are primarily targeted toward the increase in workload for knowledge workers associated with the additional disclosures and updates - lawyers (both in-house and external), paralegals, compliance staff, fund performance staff and fund administration staff.

Factually, there is a burden resulting from any additional disclosure. Available technologies and methodologies that some organizations are either deploying or have deployed have acted to reduce the

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overall burden of compliance related reporting. More specifically, organizations have investigated alternative technologies and methodologies relating to:

- Enterprise Content Management ("ECM"),
- Content Management ("CM"),
- Knowledge Management ("KM"),
- Business Process Management ("BPM"),
- Document Management ("DM")
- Document Output Management ("DOM") and;
- Product Lifecycle Management ("PLM").

While each of these can incrementally improve the overall process and can aid in reducing the overall burden, very few have been specifically deployed around the process of compliance reporting.

Unlike trading, portfolio, ledger and other systems of registrants that support transactional books of record, the final stages of reporting have not been as heavily invested in. In a large portion of the population, much of the process has fallen to utilizing available word processing and spreadsheet type tools that are heavily reliant on 100% verification and substantiation of internal draft after draft and then once typeset, proof after proof to ensure accuracy, which is then followed by a conversion of the final document to an EDGAR format file, which likewise requires 100% verification and substantiation to assure its accuracy and completeness. These procedures, that may start with last year's published document to which updates and changes are manually accumulated and applied in a document by document serial manner are very taxing on the knowledge workers and result in significant filing period related fatigue.

Unlike transactional data that is structured and controlled as part of a registrant's overall system of internal controls and procedures, word processing and spreadsheet files generally fall into the category of unstructured data that accounts for 80% of a company's overall data. The amount of this unstructured data is presently doubling in volume every two years.ⁱ

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By adopting appropriate procedures and technologies that view reporting not as the end, but as an element of a larger content lifecycle management process, registrants can greatly reduce the burden on their knowledge workers and change the nature of the underlying data from unstructured to structured. Such procedures and technologies must accumulate data at disparate sources, maintain and manage such data, including what heretofore has been considered unstructured, through the entire reporting process and output, be it print or web ready files of the visual document, XML, HTML and XBRL EDGAR files, or other formats of the underlying data. These procedures and technologies must process and maintain this information in strict compliance with an organization's broader system of overall internal controls and procedures, which include the ability to audit each record.

To better understand how the effective utilization of such systems and procedures can reduce the burden on knowledge workers, we selected a dataset of component histories relating to two separate prospectuses, whose issuing complex is included as a top 50 complexⁱⁱ that has been using our system for several years.

Prospectus I

The first specific fund prospectus that was the base of our data extraction was included in a layered approach integrated prospectus in 2006 and as a single fund prospectus in 2007. The visual document was 56 pages based on a digest size (5.5 x 8.5 inches) layout. The prospectus was completed and filed sixty days following the fund's year end.

The 2007 document included 147 elements or components that included tables, textual and graphics. As data is managed at the component level through either a document or library interface there is a significant amount of shared data across a variety of documents. The following table presents the level of shared content relating to this document.

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	<u>Number</u>	<u>Percentage</u>
Components used in:		
50 or more documents	33	22 %
25 or more documents	11	7
15 or more documents	11	7
5 or more documents	11	7
2 to 4 documents	16	11
1 single document	65	44
<u>Total</u>	<u>147</u>	<u>100 %</u>

With 56% of a document's content shared or managed as part of other documents, the level of burden is significantly reduced by sharing components and by managing them once, rather than in each serial document.

The following table presents this same document's components based upon when a component was initially created, as compared to the publishing date for the selected prospectus.

	<u>Number</u>	<u>Percentage</u>
Greater than one year	125	85 %
Greater than six months	7	5
Less than one month	10	7
Less than one week	5	3
<u>Total</u>	<u>147</u>	<u>100 %</u>

The time period that the document was actively managed in the system was thirty days, ending on its filing date. Based on the information relating to the creation of the document, only ten percent of new components were required to be created during the document's working cycle. Ninety percent were pre-existing.

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The following table presents this same document's components based upon when a component was last edited, as compared to the publishing date.

	<u>Number</u>	<u>Percentage</u>
Greater than one year	22	15 %
Greater than six months	11	7
Less than six months	12	8
Less than one month	75	51
Less than one week	30	20
<u>Total</u>	<u>147</u>	<u>100 %</u>

The table indicates that 71% of the components were edited during the thirty day active document cycle. It should be noted with respect to the subject document that much of the edits were conforming in nature to change from a layered multi-fund prospectus that included over ten funds to a single fund prospectus, accordingly while the active edit rate was high, many edits simultaneously impacted over ten documents.

In order to better understand the dynamic nature of content driven practices, since the document was published, of the 147 elements of content, 44 or 30% have since been updated in the normal course of procedures, although an updated document does not presently exist.

Prospectus II

The second specific fund prospectus that was the base of our data extraction was published as a single fund prospectus in both 2006 and 2007. The visual document was 64 pages based on a digest size (5.5 x 8.5 inches) layout. The prospectus was completed and filed sixty days following the fund's year end.

The 2007 document included 156 elements or components that included tables, textual and graphics. The following table presents the level of shared content relating to this document.

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	<u>Number</u>	<u>Percentage</u>
Components used in:		
50 or more documents	42	27 %
25 or more documents	23	15
15 or more documents	9	6
5 or more documents	14	9
2 to 4 documents	58	37
1 single document	10	6
<u>Total</u>	<u>156</u>	<u>100 %</u>

With 94% of a document's content shared or managed as part of other documents, the level of burden is significantly reduced. For this document each component is shared with an average of 19.6 other documents.

The following table presents this same document's components based upon when a component was initially created, as compared to the publishing date.

	<u>Number</u>	<u>Percentage</u>
Greater than two years	115	74 %
Greater than one year	24	15
Less than six months	9	6
Less than one month	5	3
Less than one week	3	2
<u>Total</u>	<u>156</u>	<u>100 %</u>

The time period that the document was actively managed in the system was thirty days, ending on its filing date. Based on the information relating to the creation of the document, only 5% percent of new components were required to be created during the document's working cycle. Ninety five percent were pre-existing.

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The following table presents this same document's components based upon when a component was last edited, as compared to the publishing date.

	<u>Number</u>	<u>Percentage</u>
Greater than two years	14	9 %
Greater than one year	12	8
Greater than six months	8	5
Less than six months	38	24
Less than one month	57	37
Less than one week	27	17
<u>Total</u>	<u>156</u>	<u>100 %</u>

The table indicates that for a more routine prospectus 54% of the components were edited during the thirty day active document cycle; 37% were edited before the document became active and 9% did not require any change from the prior year. Of the 142 components edited for this document, 41% of all the edits were accomplished before the document became active.

Analysis Summary

While the first prospectus, which was the result of a major recasting of information, required 82% of all edits occurring to happen during the thirty day active window, a high proportion of these edits were applied to several other documents.

In the second example, which was a more traditional update 41% of all edits required occurred outside of the active window. It should be noted that 94% of the second document's components were shared on average with 19.6 other documents, accordingly, if it is assumed that updates are shared between documents during the active period, of the 130 updates, the actual work relating to this document was the update of five components – a savings of 96% over traditional methods.

For knowledge workers, the ability to better manage the complex update process presents a significant reduction in burden. The system deployed at the example registrant also has an integrated rendering system, which allows the knowledge workers to work in

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an environment that automatically generates line and page fidelity proofs that have all of the registrants branding and styling applied. When a document is published from the system, it generates from the same working database without human intervention or manual processes a print ready file with crops and bleeds for their printers, a web optimized PDF, an EDGAR HTML file and later in 2008, will also include an EDGAR XBRL set of files driven by the tagging within the system, as compared to post publishing conversions, which are the current process in use by most registrants participating in the voluntary program.

In addition to prospectuses and other compliance documents, the system is also utilized by fund performance and marketing groups for the production of monthly and quarterly fact sheets and other marketing materials.

Minimizing Update Burden

Combined with changing the reporting period from one month to 60 days, the Commission should consider allowing a fund to elect the quarterly update period as being based on calendar quarters or fiscal quarters of the fund. The information required, if a fund elects to follow fiscal reporting quarters is generally prepared in connection with the preparation of the semi-annual reports to shareholders and in connection with the filing of the funds form N-Q. On a calendar basis, the information required is generally available as this information is generated for marketing purposes.

By making the aforementioned changes, there would not a major increase in administrative burden within the groups that prepare the underlying information. The burden appears to be in the area that prepares the actual documents and filings. This burden can be significantly reduced by the adoption of advancements in technology over content and document management.

Impact of On-Demand Printing

The use of on demand printing technologies has no impact on the quarterly updating process and should not be considered in connection with the need to update Summary Prospectuses on a

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quarterly basis, rather it, as well as other printing technologies should only be considered as an element of the benefits and costs associated with the proposed rules. On demand printing technologies only relate to the output of printed documents and not their creation, which is the burden referred to by informal commenters. The impact of alternative printing methods is discussed under Section VI. C.

- Should the rule require funds to provide quarterly updated performance and portfolio holdings information on an Internet Web site and/or on a toll-free telephone line instead of updating the Summary Prospectus quarterly? If so, should the Summary Prospectus be required to disclose the availability of the updated information? Would the addition of a legend to this effect, and the elimination of the updated information, affect the usefulness and perceived usefulness of the Summary Prospectus to investors, as well as their willingness to read and use the Summary Prospectus?

While mutual funds can make additional information available on their web sites, updates to the Summary Prospectus, which in addition to the performance and portfolio holdings should include all disclosures, therein, should be made available in printed form, as well as on the internet clearly presented as the updated Summary Prospectus, which is a legal document.

3. Provision of Statutory Prospectus, SAI, and Shareholder Reports

We request comment generally on the proposal to require that persons relying on the proposed rule provide the fund's statutory prospectus and other information on the Internet and upon request and specifically on the following issues:

- Should we permit the fund's current statutory prospectus and other information to be provided in the manner specified in the proposed rule? For what period of time should persons relying on the rule be required to retain this information on an Internet Web site?

The requirement that the most recent Summary Prospectus, Statutory Prospectus, Statement of Additional Information and other information be posted on the internet is appropriate. These documents should be accessible while they are effective. The web sites should also have an archive section clearly separated from the effective section to allow for access to prior documents that are

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no longer effective for a reasonable period of time. As these documents are also filed with the Commission and available through the EDGAR site, the public access archive need not require an excessive time period for retention.

- Should we require that the information on the Internet Web site be in a format that is convenient for both reading online and printing on paper?

The information must be in a format that is convenient for both online reading and printing. The most common formats in use today are HTML for web page viewing and PDF for printing, although the Commission should not restrict the information to these forms, as this would limit the application of newer technologies, which will be developed over time, that funds may want to utilize.

HTML provides a significant opportunity for the mutual fund to collect traffic patterns of what visitors are viewing, which in-turn would be useful information for the fund, as well as the Commission, if shared by the Registrants, in determining what information investors find important or useful. Many mutual fund sites presently monitor traffic patterns, therefore the burden required to activate these resources are generally related to the creation of separate HTML pages on the web site from the present one page continuous HTML presently used to file with the Commission. The creation of these additional pages can have the impact of increasing the complexity of the links and may result in the need for more than one click for direct navigation. The creation of these more complex links, while in a manual process can be time consuming, if based on programmatic underlying metadata imbedded in the files, the programming would occur only once and would be processed against additional files and future postings, resulting only in a one time burden.

Linked PDF files, will not provide the same level of traffic pattern analysis, however if the investor is requesting that the information be emailed to them or otherwise electronically delivered, they provide for a more stable usable document that is not impacted by the type of internet viewer an investor may be using. They also retain the look and feel of the published document.

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- Are the proposed requirements regarding the ability to move back and forth within the statutory prospectus and the SAI from the table of contents to relevant sections, and between the Summary Prospectus, statutory prospectus, and SAI appropriate and useful? Would it be difficult or expensive for funds to comply with these requirements? Will these requirements help investors to navigate effectively within and between these documents and contribute to a more useful presentation of information than is possible through paper documents?

All of the Commission's proposals are technologically feasible.

Whether in HTML or PDF, the process of linking between the Summary Prospectus, the Statutory Prospectus and/or the Statement of Additional Information is an easy mechanical process that is not costly. The issue to be addressed is the risk that not all links may be identified and properly created. In a manual tagging process, the risk of error is greater than in an automated process and will result in the need for very close review and testing, which may delay the ability to post the documents at the same time they are released for use in printed form and filed with the Commission.

The use of an integrated content and document management system that provides for straight-through processing of content and document assembly to: print-ready, web-ready, linked web-ready, HTML for EDGAR filing, Linked HTML for web posting and XBRL is critical to reducing both the risk of manual error and the administrative burden of the process. An integrated system will also assure that the files are available to post to the public web site at the same time as the files are released to printing and filing on the EDGAR system.

The combination of linked table of contents and summary section within the prospectus will greatly enhance the reader's experience. Direct linking to other documents may confuse some viewers that are less confident on the internet.

While all technically feasible and preferred, the Commission may also consider the addition of a "Where to Find Additional Information" bridge that would be similar to a "frequently asked question" (FAQ) module that would not answer questions relating to

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a fund or investment, but rather would be directed both in words and with a hyperlink the other document and section that contains the information. This addition is not a replacement to direct linkage, but rather a gateway between documents.

- Are there steps that the Commission should take to enhance the accessibility to the general public of fund Summary Prospectuses, statutory prospectuses, and other information that would be provided on an Internet Web site pursuant to the proposed rule? How can we enhance the availability of this information to investors, intermediaries, analysts, and others who are researching funds?

Enhancements to EDGAR should be considered to allow for the receipt of the linked files, as both a means of public access, as well as a back-up resource in the event that a fund's website is unavailable due to unanticipated reasons. By having these linked files in EDGAR, further point of sale proposals by the Commission may have a greater opportunity for acceptance and success, as there would be consistency in structure that the POS systems developed by intermediaries could map to.

- What steps can the Commission take to enhance electronically provided documents? Should we require funds to tag any of the information in the Summary Prospectus or statutory prospectus using the eXtensible Business Reporting Language ("XBRL") taxonomy that was recently developed by the Investment Company Institute and is being used in the Commission's voluntary data tagging program?¹²⁰ Should the Commission make the submission of tagged risk/return summary information using the XBRL taxonomy mandatory in order for funds to rely upon the proposed rule amendments? If so, should funds be required to tag all of the risk/return summary information or should only certain information be required to be tagged, such as fees and expenses, past performance, and other numerical information? Are there any features, such as the ability to search documents for words and phrases, that we should require in documents that are provided electronically?

The Commission should allow the entirety of the summary prospectus and summary section of the statutory prospectus elements to be tagged and submitted together with the Risk/Return section under the current voluntary XBRL program, although it is premature to require the use of XBRL tagging and filing outside of the voluntary program as it exists.

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Document level portable search technology is at the infancy stage and should not be required under the context of this proposal. Adequate text search features are available under internet and PDF viewers presently available that do not require portable technologies.

- Should we require that persons accessing the Web site at which the required documents are posted must be able to permanently retain, through downloading or otherwise, free of charge, an electronic version of such documents? Should we require that documents downloaded from the Internet Web site must retain links that enable a user to move readily within a single document, as proposed? Would this proposed requirement present any technological difficulties? Should we also require that downloaded documents retain links that enable a user to move readily between related passages of multiple documents? Would it be technologically feasible to meet such a requirement? What would the costs be of complying with requirements that downloaded documents retain links, either within a single document or between related passages of multiple documents?

The ability of users to download a version of the documents viewed must be required. If the files are available in alternative formats, such as HTML and PDF, the downloader should have the opportunity to choose the format. If there are linkage differences and visual differences, a dialogue window should be automatically activated to guide the users to the correct file to fulfill their needs.

Intrafile links (links within one document) can be maintained in download, however, due to local personal computer settings, such links within a HTML file may not be operative. Presently PDF files do not lose their links and are generally operative regardless of the local personal computer settings.

Interfile links (links between separate files) present several technological challenges presently, as once the files are downloaded, users may create their own file names and place documents in different directories, all which would result in non-operative links.

A method that could be utilized to easily preserve the interfile links would be to download a single file that contains all of the documents in one file, however, that will increase the size of the file

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to be downloaded and may confuse investors as they may have viewed the files as separate files, alternatively, the resident files that the viewers access could be a combined file.

Navigationally, the requirement that linkage be limited to a single click could inhibit the user experience, as once a person is navigating within the details of a document, additional navigational options, such as in the case of where there are potentially links to several different destinations that would require more than one click, may improve the experience, rather than requiring the viewer to drill down in a serial manner that the initial linking was established.

- Does the proposed rule appropriately address the possibility of inadvertent technological problems that may arise from time to time when information is provided electronically? Should funds having technological issues be required to disclose on the Web site that the information was not available for a time in the manner required and explain the reasons for the failure to comply? If so, how long should such information be required to be retained on the Web site? Should funds that are not able to comply for a prolonged period, perhaps a week or more, due to technological issues, or that are not able to comply repeatedly over a long period due to such reasons, be required to notify the Commission and/or investors?

As part of the fund's website management, periodically, each document should be reviewed to ensure that they are present, downloadable and that the linkage is operative. The website should also have a quick link for a viewer to send a message to the web master if they are experiencing difficulties.

External web sites of funds should be part of each fund's business continuity environment and as such should have redundant back-up facilities.

Brief interruptions need not be posted to the web site, however, as part of the internal operations of the fund's website, availability should be monitored, recorded and retained, and available to the Commission upon reasonable request.

Extended periods (of 24 hours or more) should be reported to the Commission.

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- Are the requirements for sending the statutory prospectus, SAI, and annual and semi-annual shareholder reports in paper and electronically appropriate? Should funds be required to send a paper or electronic copy of the fund's statutory prospectus, SAI, and most recent annual and semi-annual shareholder report to any person requesting such a copy within three business days after receiving a request for a copy? Would a longer or shorter period be appropriate? Will these requirements, together with the requirements for providing information on the Internet, as well as the proposed Summary Prospectus, enhance investors' ability to access, understand, and use the information that they receive?

The requirements for sending the statutory prospectus, SAI, and annual and semi-annual shareholder reports in paper and electronically are appropriate. In addition to the documents listed the Form N-Q should also be included.

In addition to sending within three days the documents listed to any person requesting such, the list should also include the most recent update (if approved in the final rules) of the Summary Prospectus and Form N-Q.

- Should we require funds or other persons that use the proposed prospectus delivery regime to retain any additional records beyond those required by our current rules? Should we expressly require those persons to retain proof that the statutory prospectus, SAI, and annual and semi-annual reports were available on the Internet as required by the rule and records of the dates that documents were requested, along with the dates such documents were sent?

Current rules require that funds maintain a record of documents sent to shareholders. The proposed rules should modify existing regulation to require that information relative to posting of documents on the internet and accessibility of such be maintained.

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4. Incorporation by Reference
Permissible Incorporation by Reference

We request comment generally on the proposal to permit incorporation by reference into the Summary Prospectus and specifically on the following issues:

- Should we permit a fund to incorporate by reference into the proposed Summary Prospectus any or all of the information contained in its statutory prospectus and SAI and any or all of the information from the fund's most recent shareholder report? Is there any other information that should be permitted to be incorporated by reference into the proposed Summary Prospectus?

The information required in the Summary Prospectus is limited and has been formulated with a view toward providing investors with appropriate information in a useful format. Incorporation by reference should be prohibited.

- Should we permit a fund to incorporate by reference into the proposed Summary Prospectus any of the information that is required to be included in the Summary Prospectus?

The information required in the Summary Prospectus is limited and has been formulated with a view toward providing investors with appropriate information in a useful format. Incorporation by reference should be prohibited.

- Should we require materials that are incorporated by reference into the Summary Prospectus to be available online in the manner described in Section II.B.3 above? Are there any additional conditions that we should impose on the ability to incorporate by reference into the Summary Prospectus? Should satisfaction of the requirement to send a paper or electronic copy of materials incorporated by reference be a condition to the ability to incorporate by reference or should we, as proposed, provide that failure to satisfy this requirement is a rule violation that does not affect the ability to incorporate by reference?

The information required in the Summary Prospectus is limited and has been formulated with a view toward providing investors with appropriate information in a useful format. Incorporation by reference should be prohibited.

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In the event that information is incorporated by reference, the information should be held to the same standard as the Summary Prospectus in that it should be:

- Available on the internet,
- Linked with other documents,
- Downloadable in printable form and retain links, and
- Distributed upon request.

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VI. COST/BENEFIT ANALYSIS

C. Request for Comments

We request comments on all aspects of this cost-benefit analysis, including identification of any additional costs or benefits of, or suggested alternatives to, the proposed amendments. Commenters are requested to provide empirical data and other factual support for their views to the extent possible.

Summary

It is generally agreed by all that it is difficult to ascertain the current cost of regulation. Additionally, due to the wide range of different methodologies utilized by organizations in meeting their regulatory requirements, the impact of the proposed regulation is also difficult to measure.

In an attempt to create a baseline of costs, we have broken the associated costs into the categories of document preparation by: knowledge workers, typesetting and EDGAR conversion, printing, preparation and postage. Based on our analysis, the present cost of regulation in these areas amounts to \$406,352,246, or \$46,568 per fund.

Under the assumptions specified below, which include a continuation of traditional methodologies, we have estimated the incremental costs of the proposed regulation to be \$177,129,247, or \$20,299 per fund, which is more than offset by savings resulting from the proposed regulation of \$220,254,203, or \$25,241 per fund.

Based on the foregoing, the savings resulting from the proposed regulation by registrants utilizing traditional practices would be \$43,124,956 or \$4,942 per fund.

Assuming that organizations optimize their practices and technologies utilized, we have estimated that an additional \$118,450,914, or \$13,574 per fund can be saved, resulting in an overall savings of \$161,575,870, or \$18,517 per fund.

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A summary of our findings, by category of cost is as follows:

	Present Cost	Traditional Impact	Traditional Cost	Optimized Savings	Optimized Cost
	<i>(Dollars in Millions)</i>				
Document Preparation	\$132	\$40	\$172	\$(52)	\$120
Typesetting and EDGAR	31	21	52	-	52
Paper and Print	76	(52)	24	(2)	22
Preparation	28	(10)	18	(10)	8
Postage	138	(42)	96	(54)	42
Total	\$405	\$(43)	\$362	\$(118)	\$244

Basis for Findings

Our assumptions are based on 8,726 fundsⁱⁱⁱ with a combined 289,977,000^{iv} shareholders. While the format of final prospectuses are wide, for purposes of this analysis we have assumed all funds utilize a full size single fund prospectus that has 24 pages, including the cover pages.

Present Costs

Document Preparation

There are several approaches presently utilized by funds for the preparation of their N-1A documents. These include outsourcing to external lawyers, outsourcing to fund administration vendors, internal preparation and a mixture of all of the above. Based on the various approaches, we have obtained informal estimates from people in the industry that indicate that these costs can range from \$10,000 to \$20,000 per fund. Based upon traditional methods, some in the industry have indicated that they spend approximately 60 hours a year per fund. If the hourly rate of \$252.50^v is applied to this 60 hours, the average cost per fund is \$15,150, which is in the mid range of other estimates.

Based on 8,726 funds, the total document preparation cost is \$132,198,900.^{vi}

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Typesetting and EDGAR Conversion

Based on our experience in financial document preparation, the overall average cost per final typeset and EDGARized page, including initial typesetting, proofs, author alterations, black lining, conversion to EDGAR, EDGAR filing, and other related charges range from \$100 to \$200 per page.

Assuming an average of \$150 per page, 8,726 funds generating 24 pages results in a total typesetting and EDGAR cost of \$31,413,600.^{vii}

Printing

The actual number of prospectuses printed annually is not accumulated by the industry. Based on a total of 289,977,000 shareholders, reduced by an average house holding rate of 20%, which is based upon our experience preparing distributions of prospectuses and shareholder reports for mutual funds, the net number of prospectuses distributed to existing shareholders is 231,981,600. Utilizing an average printing and paper cost of \$0.25 per unit (DCI estimate) the cost of printing prospectuses for existing shareholders is \$57,995,400.^{viii}

Based upon our experience, prospectuses printed for future shareholders generally range from 20 to 30% of the gross existing shareholders. Assuming a 25% rate, or 72,494,250 copies, the cost of these prospectuses for future shareholders is \$18,123,562.^{ix}

The total printing costs for all prospectuses amounts to \$76,118,962.^x

Preparation Costs

Preparation costs include list management, addressing and mail preparation, excluding postage.

For distributions to existing shareholders, we are assuming that prospectuses are mailed as a self mailer (not inserted in an envelope or included with other materials) and that they are

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prepared as automated standard mail for presentation to the post office. For full size flats, an average cost is approximately \$75 per one thousand pieces or \$0.075 each.

The preparation costs relating to existing shareholders amounts to \$17,398,620.^{xi}

For distributions to future shareholders, prospectuses are matched to confirmations and mailed first class together with the confirmations. Ignoring the cost of the confirmations and the outer envelope, which does not vary due to whether this regulation is approved or not, the average cost for the matched prospectuses averages \$150 per one thousand pieces, or \$0.15 each.

The preparation costs relating to future shareholders amounts to \$10,874,137.^{xii}

The total preparation costs for all prospectuses amounts to \$28,272,757.^{xiii}

Postage

Postage for flat mail is based upon a minimum per piece rate that allows for up to 3.3 ounces for standard mail and 1.0 ounce for first class mail. Pieces mailed that exceed the weight limits are charged an additional amount. The 24 page average document utilized in this example weighs 1.4 ounces.

Mailing to existing shareholders is classified as standard flat mail. Utilizing a three digit sort of zip codes, as the prospectus does not exceed 3.3 ounces, the rate per piece is \$0.392 or \$90,936,787.^{xiv}

Mailing prospectuses to future shareholders combined with trade confirmations is classified as first class flat mail. Utilizing a three digit sort of zip codes, while the combined postage will be higher than just the prospectus alone, based on weight, a 1.3 ounce prospectus would be charged \$0.654 per piece to mail, or \$47,411,240.^{xv}

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Total postage for existing and future shareholders amounts to \$138,348,027^{xvi}.

Proposal - Incremental Costs

Document Preparation

The Commission staff have estimated that that the knowledge worker incremental costs of the proposal totals \$39,935,148 or \$6,102 or 18.12 hours per fund. We believe that this cost could be factual if registrants continue to employ traditional methods.

Typesetting and EDGAR Conversion

Based on our experience in financial document preparation, the overall average cost per final typeset and EDGARized page, including initial typesetting, proofs, author alterations, black lining, conversion to EDGAR and filing range from \$100 to \$200 per page.

We have assumed that the summary section of the statutory prospectus will not increase the overall page count of the existing prospectus as the information will be relocated from existing disclosures within the document.

Assuming an average of \$150 per page, 8,726 funds generating 4 pages results in a total typesetting and EDGAR cost of \$5,235,600 for the initial summary prospectus incremental pages and \$5,235,600 for each of three quarterly updates for an annual cost of \$20,942,400.^{xvii}

Printing

We believe that the summary section of the statutory prospectus while creating pages in the front of the book, will reduce page counts in the remainder of the document to result in no change in overall pages and accordingly no additional cost.

While it has been mentioned that the summary prospectus may be printed on-demand digitally, we believe that for the volumes involved, traditional offset printing is more cost effective. Assuming

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that existing shareholders receive a summary prospectus rather than the statutory prospectus, we estimate that the printing cost for the 231,981,600 copies of a 2-color 4-page folded unit would be \$0.05 each, or \$11,599,000.^{xviii}

Presently most registrants print all of their copies for future shareholders at the same time as their main printing run to existing shareholders and then warehouse and distribute as needed. Continuing to utilize traditional offset printing of shorter quarterly runs that would add up to the estimated future shareholder needed copies of 72,494,250 would average \$0.07 per unit, resulting in annual printing costs of \$5,074,598.^{xix}

The incremental printing costs would amount to \$16,673,598.^{xx}

Preparation Costs

Preparation costs include list management, addressing and mail preparation, excluding postage.

For distributions to existing shareholders, we are assuming that summary prospectuses are mailed as a self mailer (not inserted in an envelope or included with other materials) and that they are prepared as automated standard mail for presentation to the post office. Unlike the statutory prospectuses, the summary prospectus is assumed to be folded down to a #10 size and as such, an average cost is approximately \$45 per one thousand pieces or \$0.045 each.

The new preparation costs relating to existing shareholders amounts to \$10,439,172.^{xxi}

For distributions to future shareholders, prospectuses are matched to confirmations and mailed first class together with the confirmations. Ignoring the cost of the confirmations and the outer envelope, the average cost for the matched prospectuses averages \$150 per one thousand pieces, or \$0.15 each. While there are opportunities to integrate the summary prospectus with the trade confirmation, which could reduce costs, we have not projected such and accordingly there is no change in the cost of preparation of

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these for mailing.

Postage

Mailing summary prospectuses to 231,981,600 existing shareholders would be classified as standard letter mail. Utilizing a three digit sort of zip codes, the rate per piece is \$0.233 or \$54,051,712.^{xxii}

Mailing summary prospectuses to 72,494,250 future shareholders combined with trade confirmations is classified as first class flat mail. Utilizing a three digit sort of zip codes, while the combined postage will be higher than just the prospectus alone, the 0.8 ounce summary prospectus would be charged \$0.484 per piece to mail, or \$35,087,217.^{xxiii}

Total postage for existing and future shareholders amounts to \$89,138,929.^{xxiv}

Proposal - Costs Saved or Eliminated

Document Preparation

There would be no savings in document preparation, as the statutory prospectus would continue to be required along with other regulatory documents.

Typesetting and EDGAR Conversion

As we have taken the position that there would be no increase in the overall page counts of a statutory prospectus with summary section and have not reclassified the page related costs relating to the summary section, there would be no savings in typesetting and EDGARization.

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Printing

Assuming that all funds utilized the summary prospectus, we have estimated that only 5% of the shareholders, both existing and future, would request hard copies, which at \$0.50 per unit for 15,223,793^{xxv} copies totals \$7,611,897,^{xxvi} or a savings of \$68,507,065.^{xxvii}

Preparation Costs

As the impact of mailing the summary prospectus has been included in the incremental costs, the entire main run preparation costs relating to the existing and future shareholders of \$28,272,757 is eliminated.

The costs associated with ad hoc mailing of the 15,223,793 as requested copies is estimated to be in the \$0.50 per copy range, or \$7,611,897.^{xxviii}

The net savings in preparation costs amounts to \$20,660,860.^{xxix}

Postage

The initial postage costs to existing and future shareholders of \$138,348,027 would be eliminated.

We assume that the 15,223,793 as requested copies would be sent out as standard mixed ADC mail at a rate of \$0.477 each or \$7,261,749.^{xxx}

The net savings in postage costs amounts to \$131,086,278.^{xxxi}

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Impact of the application of new procedures and technologies

As noted earlier in our response, the application of changes in processes and technologies can have a significant impact on the cost of compliance. We have estimated those savings as follows.

Document Preparation

Our estimate of the present document preparation cost of \$132,198,900, plus the \$39,935,148 incremental cost associated with the proposal results in an overall cost of \$172,134,048. Organizations that improve processes and the technologies they utilize can realize savings of 30%, or \$51,640,214.

Typesetting and EDGAR Conversion

While typesetting and EDGAR conversions as a line item can be entirely eliminated with the appropriate systems, we have left these costs as unchanged to allow for the cost of technology.

Printing

By improving processes and allowing for shorter update cycles, funds can target finalization of their summary prospectuses in 60 days, rather than the 120 days presently used. By doing this, funds could integrate the summary prospectus in the annual report to shareholders. By doing this, funds would save \$11,599,080 of costs associated with summary prospectuses printed for existing shareholders. Adding four pages to their annual report to shareholders would result in an increase in costs of \$9,279,264 and thereby save the funds \$2,319,816 in printing costs.

Preparation Costs

The entire preparation cost of \$10,439,172 relating to the existing shareholders would be eliminated due to the separate mailing being eliminated.

Postage

Based on past experience, the majority of single fund annual

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reports to shareholders fall under 3.3 ounces and are not subject to additional postage due to weight. The addition of four pages would not result in additional postage. As such, the entire postage associated with mailing the summary prospectuses, which amounts to \$54,051,712, is eliminated.

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End notes:

- ⁱ The Rising Importance of Enterprise Content Management, Accenture, 2006
- ⁱⁱ Top Fund Groups Ranked by U.S. Sourced Long-term Assets, Investment News, December 17, 2007
- ⁱⁱⁱ 2007 ICI Fact Book
- ^{iv} 2007 ICI Fact Book
- ^v SEC, this proposal RIN 3235-AJ44, Federal Register, Page 67811, footnote 170
- ^{vi} Calc: 8,726 funds, multiplied by \$15,150 cost per fund
- ^{vii} Calc: \$150 average cost per page, times 24 average pages, times 8,726 funds
- ^{viii} Calc: 289,977,000 shareholders, less 57,995,400(20% times 289,977,000), times \$0.25 cost per copy
- ^{ix} Calc: 289,977,000 shareholders, times 25% future shareholder copies, times \$0.25 cost per copy
- ^x Calc: Existing shareholders \$57,995,400, plus future shareholders \$18,123,562
- ^{xi} Calc: 231,981,600 existing shareholder copies, times \$0.075 per copy
- ^{xii} Calc: 72,494,250 future shareholder copies, times \$0.15 per copy
- ^{xiii} Calc: \$17,398,620 cost for existing shareholders, plus \$10,874,137 cost for future shareholders
- ^{xiv} Calc: 231,981,600 copies, times \$0.392 per copy postage
- ^{xv} Calc: 72,494,250 copies, times \$0.654 per copy postage
- ^{xvi} Calc: \$90,936,787 existing shareholder cost, plus \$47,411,240 future shareholder cost
- ^{xvii} Calc: \$150 per page, times 8,726 funds, times 4 pages, times 4 times a year
- ^{xviii} Calc: 231,981,600 existing shareholder copies, times \$0.05 per copy (DCI estimate)
- ^{xix} Calc: 72,494,250 future shareholder copies, times \$0.07 per copy (DCI estimate)
- ^{xx} Calc: \$11,599,000 cost for existing shareholders, plus \$5,074,598 cost for future shareholders
- ^{xxi} Calc: 231,981,600 existing shareholders, times \$0.045 each
- ^{xxii} Calc: 231,981,600 existing shareholders, times \$0.484 per copy
- ^{xxiii} Calc: 72,494,250 future shareholder copies, times \$0.484 per copy
- ^{xxiv} Calc: \$54,051,712 existing shareholder cost, plus \$35,087,217 future shareholder cost
- ^{xxv} Calc: 5% of the sum of 231,981,600 existing shareholders and 72,494,250 future shareholders
- ^{xxvi} Calc: 15,223,793 copies, times \$0.50 per copy (DCI estimate due to shorter print runs)
- ^{xxvii} Calc: Original printing costs of \$76,118,962, less adjusted print cost of \$7,611,897
- ^{xxviii} Calc: 15,223,793 copies, times \$0.50 per copy (DCI estimate)
- ^{xxix} Calc: \$28,272,757 original cost, less \$7,611,897 as requested cost
- ^{xxx} Calc: 15,223,793 as requested copies, times \$0.477 per copy
- ^{xxxi} Calc: \$138,348,027 original cost, less \$7,261,749 as requested cost