



**A Public Assessment of the Proposed
Mutual Fund Disclosure Forms:**

**A Report on Investor and Non-Investor
Views of Form Content and Presentation**

**Report written by Curt Davies
with assistance from Soheyla Taie and Anne Stewart**

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Knowledge Management

601 E Street, NW

Washington, DC 20049

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Table of Contents

SUMMARY OF HIGHLIGHTS	9
<i>Methodology.....</i>	<i>9</i>
<i>Findings on the Proposed Point of Sale Disclosure Form for Class “A” Shares</i>	<i>10</i>
Sales Loads and Fees	10
Broker Commissions and Other Payments	11
Form Rating	12
<i>Findings on the Proposed Confirmation Form for Class “A” Shares</i>	<i>13</i>
Share Information	13
Form Rating	14
<i>Findings on the Proposed Point of Sale Disclosure Form for Class “B” Shares</i>	<i>14</i>
Sales Loads and Fees	14
Broker Commissions and Other Payments	15
Form Rating	15
<i>Findings on the Proposed Confirmation Form for Class “B” Shares</i>	<i>16</i>
Share Information	16
Form Rating	17
MAIN REPORT.....	18
<i>Introduction.....</i>	<i>19</i>
<i>Definitions of Mutual Fund Class “A” Shares and Class “B” Shares</i>	<i>20</i>
<i>Methodology.....</i>	<i>20</i>
<i>Demographic Characteristics of Respondents Who Reviewed the Proposed Disclosure Forms for Class “A” Shares.....</i>	<i>21</i>
<i>Investment Knowledge and Experience</i>	<i>22</i>
Question 1. Do you own any of the following?.....	22
Question 2. In order of importance, what 3 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?	23
Question 3. How long have you been investing (in any type of investment)?	23
Question 4. How many times per month do you look for investment information (e.g., in magazines, websites, newspapers, TV, etc)?.....	24
Question 4a. Assuming you had to make some decisions concerning the following types of financial affairs, how competent would you feel to deal with them?.....	24
Question 5. On a scale of 1 to 10, where 1 is <i>not at all knowledgeable</i> , and 10 is <i>very knowledgeable</i> , please rate how knowledgeable you think you are about investing.....	24

Questions 6-9: Investment Terms and Definitions	25
Question 6. Which of these statements is the correct definition of Net Asset Value (NAV)?	26
Question 7. What is a front-end sales load?.....	26
Question 7a. What is a back-end sales load?	26
Question 8. What is revenue sharing?.....	26
Question 9. Which of the following statements regarding “A” shares and “B” shares of a mutual fund is correct?.....	27
Findings on the Disclosure Forms for Class “A” Shares.....	28
<i>Definition of Class "A" Shares:.....</i>	<i>28</i>
The Proposed Point of Sale Form for Class "A" Shares	29
<i>The Proposed Point of Sale Form for Class "A" Shares as it was Viewed by the Respondents ...</i>	<i>30-31</i>
<i>Findings.....</i>	<i>32</i>
<i>Sales Loads and Fees.....</i>	<i>32</i>
Question 10_1. Is there a front-end sales load?	32
Question 10_2. Is there a back-end sales load?	32
Question 11_1. How much is the front-end sales load?.....	34
Question 12. Will the broker receive any sales fees from the fund for this sale?.....	34
Question 12A. How much will the broker receive in sales fees?	35
<i>Broker Commissions and Other Payments</i>	<i>36</i>
Question 13. Does the broker receive commissions for buying or selling fund assets, such as stocks or bonds?	36
Question 14. Is the broker paid additional payments from the fund's affiliates (i.e., revenue sharing)?	36
Question 15. Will you pay any asset-based distribution or service fees in the first year?.....	37
Question 15A. How much will you pay?.....	39
Question 15B. Will there be any fees deducted annually from your account?.....	39
Question 16. Does the broker receive a higher payment for service if he/she sells a proprietary security issued by an affiliate?	40
Question 17. What is the total cost for the "A" shares purchased?.....	41
<i>Form Rating</i>	<i>42</i>
Question 18. Please rate how difficult the following sections of the form are to understand.....	42

Question 18A_1. Please rank each section according to how important the information found in that section is to you. From the items below, please select the section you believe to be the most important.	43
Question 19. Do you think more terms or definitions should be added the second page of this form labeled "Explanations and Definitions"?.....	45
Question 19A. Which terms/definitions would you add?.....	46
Question 20. Overall, how difficult are the explanations of the terms to understand?.....	46
Question 20A. If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares?.....	48
Question 20B. Would you prefer to receive the information found in this form (point-of-sale disclosure) orally, receive it in written form, or be given the choice at the time of a transaction?	49
Question 20B_3. Overall, how difficult was it for you to find the information in the Point-of-Sale Form?.....	50
Question 20C. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.	51

The Proposed Confirmation Form for Class “A” Shares..... 52

The Proposed Confirmation Form for Class "A" Shares as it was Viewed by the Respondents ..53-54

Findings55

Share Information.....55

Question 21. What is the total price of each share?.....	55
Question 22. How much money was invested?	56
Question 23. Are fund affiliates sharing revenue with the broker in connection with your purchase?.....	57
Question 23A. How much revenue is being shared?	58
Question 24. Does the broker receive portfolio brokerage commissions from the fund or its affiliates?.....	59
Question 25. How much will the broker receive in portfolio brokerage commissions for this purchase of shares?	59
Question 26A. What is the maximum amount charged for the front-end sales load?	60
Question 27. How many shares were purchased?.....	61
Question 28. What is the name of the fund from which the shares were purchased?	62

Form Rating63

Question 29A_1. Please rank each section according to how important the information found in that section is to you. From the sections listed below, please select the section you believe to be the most important?	63
--	----

Question 30. How helpful were the explanations and definitions in helping you understand the form?.....	63
Question 30B. Do you think more terms or definitions should be added to the second page of this form labeled "Explanations and Definitions"?	64
Question 30_1. Which terms/definitions would you add?.....	65
Question 30_2. Overall, how difficult are the explanations of the terms to understand?.....	65

***Important Information Needed*66**

Question 30_3. In order of importance, what 4 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?	66
Question 31. How important is it for you to know that a broker will be paid more depending on which fund he/she sells you?.....	67
Question 31A. Would you change your mind about purchasing mutual fund shares if you knew that a broker may be paid more for selling you those shares?	68
Question 31B. Would you ask more questions of your broker if you knew that he/she may be paid more for selling you those shares?	69
Question 31C. What does it mean when a broker faces a conflict of interest?.....	70
Question 31D. What do you think such a conflict would mean for the cost of the transaction that you made?.....	70
Question 32. How important is it to know that a broker may receive more compensation (money) if the broker sells you shares of a fund that includes a back-end sales load?	71
Question 32A. Overall, how difficult was it for you to find the information in the Confirmation Form?.....	72
Question 33. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.	73

Findings on the Proposed Disclosure Forms for Class "B" Shares..... 74

***Definition of Class "B" Shares*74**

***Demographic Characteristics of Respondents Who Reviewed the Proposed Disclosure Forms for Class "B" Shares)*75**

***Investment Knowledge and Experience*76**

Question 1. Do you own any of the following?	76
Question 2. In order of importance, what 3 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?	77
Question 3. How long have you been investing (in any type of investment)?	77
Question 4. How many times per month do you look for investment information (e.g., in magazines, websites, newspapers, TV, etc.)?	78
Question 4a. Assuming you had to make some decisions concerning the following types of financial affairs, how competent would you feel to deal with them?.....	78

Question 5. On a scale of 1 to 10, where 1 is not at all knowledgeable, and 10 is very knowledgeable, please rate how knowledgeable you think you are about investing.....	78
Questions 6 – 9 Investment Terms and Definitions.....	79
Question 6. Which of these statements is the correct definition of Net Asset Value (NAV)?	80
Question 7. What is a front-end sales load?.....	80
Question 7a. What is a back-end sales load?	80
Question 8. What is revenue sharing? Please select the one option that best describes revenue sharing?	80
Question 9. Which of the following statements regarding "A" shares and "B" shares of a mutual fund is correct?.....	81

The Proposed Point of Sale Form for Class "B" Shares 82

<i>The Proposed Point of Sale Disclosure Form for Class "B" Shares as it was Viewed by the Respondents</i>	83-84
<i>Findings</i>	85
<i>Sales Loads and Fees</i>	85
Question 10_1. Is there a front-end sales load?	85
Question 10_2. Is there a back-end sales load?	85
Question 11_2. How much is the back-end sales load?.....	87
Question 12. Will the broker receive any sales fees from the fund for this sale?.....	87
Question 12A. How much will the broker receive in sales fees?	88
<i>Broker Commissions and Other Payments</i>	89
Question 13. Does the broker receive commissions for buying or selling fund assets, such as stocks or bonds?	89
Question 14. Is the broker paid additional payments from the fund's affiliates (i.e. revenue sharing)?	89
Question 15. Will you pay any asset-based distribution or service fees in the first year?.....	90
Question 15A. How much will you pay?.....	91
Question 15B. Will there be any fees deducted annually from your account?.....	92
Question 16. Does the broker receive a higher payment for service if he/she sells a proprietary security issued by an affiliate?	93
Question 17. What is the total cost for the "B" shares purchased?.....	93
<i>Form Rating</i>	94
Question 18. Please rate how difficult the following sections of the form are to understand.	95

Question 18A_1. Please rank each section according to how important the information found in that section is to you. From the items below, please select the section you believe to be the most important.	95
Question 19. Do you think more terms or definitions should be added to the second page of this form labeled "Explanations and Definitions"?	97
Question 19A. Which terms/definitions would you add?	98
Question 20. Overall, how difficult are the explanations of the terms to understand?	98
Question 20A. If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares?	99
Question 20B. Would you prefer to receive the information found in this form (point-of-sale disclosure) orally, receive it in written form, or be given the choice at the time of a transaction?	101
Question 20B_3. Overall, how difficult was it for you to find the information in the Point-of-Sales Form?	102
Question 20C. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.	103

The Proposed Confirmation Form for Class "B" Shares..... 104

The Proposed Confirmation Form for Class "B" Shares as it was Viewed by the Respondents..105-106

Findings107

Share Information.....107

Question 21. What is the total price of each share?	107
Question 22. How much money was invested?	108
Question 23. Are fund affiliates sharing revenue with the broker in connection with your purchase?.....	109
Question 23A. How much revenue is being shared?	110
Question 24. Does the broker receive portfolio brokerage commissions from the fund or its affiliates?	111
Question 25. How much will the broker receive in portfolio brokerage commissions for this purchase of shares?	112
Question 26A. What is the total amount for the back-end sales load if the shares are sold in 3 years?	113
Question 27. How many shares were purchased?.....	114
Question 28. What is the name of the fund from which the shares were purchased?	115

Form Rating116

Question 29A_1. Please rank each section according to how important the information found in that section is to you. From the sections listed below, please select the section you believe to be the most important?	116
--	-----

Question 30. How helpful were the explanations and definitions in helping you understand the form?.....	116
Question 30B. Do you think more terms or definitions should be added to the second page of this form labeled "Explanations and Definitions"?	117
Question 30_1. Which terms/definitions would you add?.....	117
Question 30_2. Overall, how difficult are the explanations of the terms to understand?.....	118
<i>Important Information Needed</i>	119
Question 30_3. In order of importance, what 4 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?	119
Question 31. How important is it for you to know that a broker will be paid more depending on which fund he/she sells you?.....	120
Question 31A. Would you change your mind about purchasing mutual fund shares if you knew that a broker may be paid more for selling you those shares?	121
Question 31B. Would you ask more questions of your broker if you knew that he/she may be paid more for selling you those shares?	122
Question 31C. What does it mean when a broker faces a conflict of interest?.....	123
Question 31D. What do you think such a conflict would mean for the cost of the transaction that you made?.....	123
Question 32. How important is it to know that a broker may receive more compensation (money) if the broker sells you shares of a fund that includes a back-end sales load?	124
Question 32A. Overall, how difficult was it for you to find the information in the Confirmation Form?.....	125
Question 33. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.	126

CONCLUSIONS **127**

APPENDICES **129**

<i>Appendix A: Methodology</i>	130
<i>Appendix B: Survey Instrument</i>	137
<i>Appendix C: Forms for Mutual Fund Class "A" Shares</i>	149
<i>Appendix D: Forms for Mutual Fund Class "B" Shares</i>	154

SUMMARY OF HIGHLIGHTS

The U.S. Securities Exchange Commission (SEC) has proposed two new investment disclosure forms. These forms are intended to provide investors with access to material information about investments in mutual funds, unit investment trusts, interest and municipal fund securities, and education savings plans. The proposed rules mandate that brokers and dealers provide enhanced information on cost and possible conflicts of interest¹ to consumers¹ and that information be made available at the point of sale (i.e., made available to the customer prior to a sale as an aid to decision making) and as part of a post-transaction confirmation (received in writing by the investor and validating the provisions and costs of the sale). Whether the point of sale disclosure is made available in writing, orally, or both, is an issue on which the Commission seeks comment.

Two separate sets of forms are presented for comment and evaluation by the SEC, based on the timing of the sales loads (fees). Point of Sale and Confirmation Forms for Class “A” shares are for mutual fund investments in which the sales fees are to be paid at the time of purchase. Point of Sale and Confirmation Forms for Class “B” shares are for mutual fund investments in which the sales fees typically are paid when the mutual fund shares are sold, or at least deferred from the date of sale.

In March 2004, AARP conducted a study to evaluate these two sets of disclosure forms. The study was undertaken to assess the clarity and efficacy of the forms from the ordinary investor’s point of view. That is, the Point of Sale Form and the Confirmation Form were evaluated by our survey respondents just as these forms would be used to disclose purchase fees and associated possible conflicts of interest.

Methodology

The data for this study were collected from two separate national samples of adults age 35 and older.² The two surveys were fielded simultaneously in March 2004 via Web TV.³ In total, 2,034 respondents completed questionnaires for the study. Of the 2,034 surveys completed, 1,011 were reviewers for the disclosures based on purchase of mutual fund Class “A” shares and 1,023 were reviewers for the disclosures based on the purchase of mutual fund Class “B” shares. The respondents were selected to review the proposed SEC disclosure forms (Point of Sale Form and Confirmation Form) related to either mutual fund Class “A” Shares or Class “B” Shares, and to answer survey questions online concerning the information presented in the forms.

¹ A conflict of interest may occur in a variety of ways. For example, when a broker receives more in fees or payments for promoting or selling one investment over another that is not necessarily in the best interest of the investor. Regardless of the way it occurs, these payments from a fund to a broker may give the broker a greater incentive to sell the shares of that fund. Such practices typically result in more costs and higher fees for the investor. Again, the purpose of the forms is to provide an investor with information regarding possible conflicts of interest a broker or firm might have in making particular recommendations to a buyer.

² Mutual fund ownership is most prevalent among heads of households age 35-64. *Fundamentals*, Investment Company Institute, Vol. 12/ No. 4, October 2003.

³ See Appendix A for an extensive explanation of the WebTV methodology used to survey study participants.

Respondents were able to view the SEC disclosure forms in their original design. (All forms used in this study were downloaded directly from the Commission’s website without change.) The sample disclosure forms were filled in by the SEC with mock fund names, figures, and information. We used these sample forms to simulate a real purchase of shares in a mutual fund. Respondents were encouraged to review the forms as often as they wished during the time they were completing our questionnaire. There was no overlap between those selected to respond to the Class “A” shares survey and those selected to respond to the Class “B” shares survey.

For this study, a confidence interval of 95% was used. The sampling error is ± 3 , which means that values presented in the report may be within a range of ± 3 .⁴

Findings on the Proposed Point of Sale Disclosure Form for Class “A” Shares

Sales Loads and Fees

Respondents were allowed to review the first SEC disclosure form (Point of Sale Form for Class “A” Shares) and answer questions about information provided in the form. The first of these questions asked about any front-end or back-end sales load listed on the form as well as sales fees.

- Slightly more than 8 in 10 respondents (84%) were able to correctly ascertain that there was a front-end sales load listed on the Point of Sale Form for Class “A” Shares, and 81% of these respondents were able to correctly identify the exact dollar amount of the front-end sales load [**\$321.18**].
- A total of 69% of respondents correctly reported that there was no back-end sales load listed on the Point of Sale Form for Class “A” Shares. More than 1 in 4 respondents (28%) could not locate the correct dollar amount of the back-end sales load listed on the form.
- Slightly more than 8 in 10 respondents (82%) answered correctly that the broker would receive a fee from the fund for this sale presented in the Point of Sale Form for Class “A” Shares. Of these respondents, 72% correctly identified the exact dollar amount of the broker sales fee [**\$300.00**].

⁴ The values presented can be expected to be correct 95% of the time. For presentation purposes, percentage points have been rounded off to the nearest whole number. As a result, percentages in a given table column may total slightly higher or lower than 100%. For questions that permit multiple responses, columns may total to significantly more than 100%, depending on the number of different responses offered by each respondent. Similarly, when only selected responses are shown, percentages may total to less than 100%.

Broker Commissions and Other Payments

Respondents were asked to continue reviewing the Point of Sale Form for Class “A” Shares while answering the following questions concerning commissions and payments made to the broker for the buying or selling of fund assets. Some of the questions that follow relate to a practice termed *revenue sharing*. Basically, revenue sharing occurs when brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds. As questions solicited more in-depth examination of the Point of Sale Form for Class “A” Shares, the percentage of respondents who answered correctly decreased.

- Nearly 8 in 10 (79%) respondents correctly reported that the broker would receive commissions for buying or selling fund assets, such as stocks or bonds. Seventy-three percent of respondents answered correctly that the broker would be paid additional payments from the funds affiliates.
- Less than two-thirds of respondents (65%) correctly answered that, according to the information presented in the Point of Sale Form for Class “A” Shares sample form, they would pay asset-based distribution or service fees in the first year. One-third (33%) answered incorrectly (24%) or that they did not know (9%).
- Slightly more than half (52%) were able to correctly determine that fees would be deducted from the account annually from the mock account presented in the Point of Sale Form for Class A Shares.
- More than half of all respondents (55%) reported correctly that the broker of the mock purchase of shares presented in the Point of Sale Form for Class “A” Shares would not receive a higher payment for service if he or she were to sell a proprietary security issued by an affiliate. A full one-third (33%) of respondents reported incorrectly, and another 9% reported they did not know.
- A total of 37% of the respondents were able to correctly locate on the form the total cost of “A” shares purchased [**\$8000.00**]. Almost two-thirds (63%) were *unable* to locate or correctly report the total purchase price of the “A” shares.

Form Rating

Respondents were given the opportunity to rate the Point of Sale Form for Class “A” Shares overall as well as its various sections. Questions were asked about the level of difficulty in understanding the form and the importance of the information listed in it. Suggestions as to how to improve the Point of Sale Form for Class “A” Shares were also solicited.

- Nearly two-thirds of respondents (65%) found the three sections of the Point of Sale Form for Class A Shares on the first page at least somewhat difficult to understand.
- Almost 6 in 10 respondents (59%) reported that the definitions and explanations presented on the second page of the Point of Sale Form for Class “A” Shares were *somewhat difficult* (37%) or *very difficult* (22%) to understand.
- Slightly less than half of all respondents reported they would feel *somewhat confident* (42%) or *very confident* (7%) in making a decision to purchase or not to purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “A” Shares.
- Half of all respondents reported they would prefer to receive the information found in this form (Point of Sale Form for Class “A” Shares) in written form. More than one-third of respondents (36%) would like to have the option to choose to receive the information orally or in written form at the time of the transaction, and 8% prefer to receive the information orally.
- When considering the entire Point of Sale Form for Class “A” Shares, almost 6 in 10 respondents (57%) reported that the form was *not too difficult* (46%) or *not at all difficult* (10%). Approximately one-quarter of all respondents (24%) reported that the Point of Sale Form for Class “A” Shares was *somewhat difficult* to understand, and 15% reported it was *very difficult* to understand.

Findings on the Proposed Confirmation Form for Class “A” Shares

Share Information

Once respondents had completed a questionnaire evaluating the Point of Sale Form for Class “A” Shares, they were then asked to answer questions evaluating the Confirmation Form for Class “A” Shares. Only respondents who had answered questions concerning the Point of Sale Form for Class “A” Shares were allowed to answer questions about the Confirmation Form for Class “A” Shares. The first set of questions on the Confirmation Form for Class “A” Shares asked about the price of the share listed on the form and the amount of money invested.

- Two-thirds of respondents (66%) were able to locate the correct total price of each share [**\$18.93**]. Approximately one-fifth (20%) reported an incorrect dollar amount, and 13% did not know the answer.
- A total of 36% of respondents were able to locate the correct amount of money reported to be invested on the mock Confirmation Form for Class “A” Shares [**\$7682.00**].
- More than 6 in 10 respondents (67%) reported correctly that fund affiliates were sharing revenue with the broker in connection with the purchase presented on the Confirmation Form. Of these respondents, 33% reported an incorrect amount (29%) or simply did not know the amount of revenue being shared (4%).
- Nearly 7 in 10 respondents (68%) correctly reported that the broker does receive portfolio brokerage commissions from the fund or its affiliates.
- Slightly more than 6 in 10 respondents (62%) reported the correct amount for the front-end sales load listed on the Confirmation Form for Class “A” Shares [**\$321.18**].
- One-third of respondents (33%) were unable to locate or correctly report the amount of shares purchased on the mock Confirmation Form.

Form Rating

Similar to the Point of Sale Form for Class “A” Shares, the Confirmation Form for Class “A” Shares also included a list of explanations and definitions, found on Page 2 of the form. When asked how helpful the explanations and definitions were in helping respondents understand the Confirmation Form for Class “A” Shares, 67% reported the form was *somewhat helpful* (45%) or *very helpful* (22%).

- More than half of all respondents (55%) reported they had some difficulty understanding the explanations of the terms.
- Approximately 8 in 10 respondents (79%) reported that it was *very important* (48%) or *somewhat important* (31%) to know that a broker may be paid more depending on which fund he/she were to sell to them. A total of 62% of respondents reported that they would change their mind about the purchase if they knew this information.
- A total of 81% of respondents reported that it was *very important* (47%) or *somewhat important* (34%) to know that a broker may receive more compensation (money) if he or she sells you shares of a fund that includes a back-end sales load.
- Approximately 43% of respondents reported they had at least some difficulty finding information in the Confirmation Form for Class “A” Shares.

Findings on the Proposed Point of Sale Disclosure Form for Class “B” Shares

Sales Loads and Fees

Respondents were allowed to review the first SEC disclosure form (Point of Sale Form for Class “B” Shares) and answer questions about information provided in the form. The first of these questions asked about any front-end or back-end sales load listed on the form as well as sales fees.

- More than 6 in 10 respondents (65%) were able to correctly determine that there was not a front-end sales load listed on the Point of Sale Form for Class “B” Shares. Twenty-seven percent of respondents incorrectly reported there was a front-end sales load listed on the form, and another 6% reported that they did not know.
- A total of 79% of respondents correctly reported that there was a back-end sales load listed on the Point of Sale Form for Class “B” Shares. Of these respondents, 84% were able to correctly identify the exact dollar amount of the back-end sales load [**\$400.00**].
- More than 8 in 10 respondents (85%) answered correctly that the broker would receive a fee from the fund for this mock purchase presented in the Point of Sale Form for Class “B” Shares. However, thirty-eight percent of respondents either reported the wrong dollar amount of the sales fee paid to the broker (31%) or reported that they did not know the correct dollar amount (7%) [**\$320.00**].

Broker Commissions and Other Payments

Respondents were asked to continue reviewing the Point of Sale Form for Class “B” Shares while answering the following questions concerning commissions and payments made to the broker for the buying of fund assets. Some of the questions that follow relate to a practice termed *revenue sharing*.

- Slightly more than 8 in 10 (83%) respondents answered correctly that the broker would receive commissions for buying or selling fund assets, such as stocks or bonds.
- More than two-thirds of respondents (69%) correctly answered that, according to the information presented in the Point of Sale Form for Class “B” Shares, they would pay asset-based distribution or service fees in the first year. Of these respondents, 75% were able to locate and correctly identify from the form, the amount of the asset-based distribution or service fees in the first year.
- More than half (57%) were able to correctly determine that fees would be deducted annually from the account. A total of 41% either reported an incorrect response (35%) or that they did not know (6%).
- Less than one-quarter of all respondents (22%) reported correctly that the broker of the mock purchase of shares presented in the Point of Sale Form for Class “B” Shares would not receive a higher payment for service if he or she were to sell a proprietary security issued by an affiliate.
- A total of 36% of the respondents were able to correctly locate from the sample form the total cost of “B” shares purchased [**\$8000.00**]. Almost two-thirds (64%) were *unable* to locate or correctly report the total purchase price of the “B” shares.

Form Rating

Respondents were given the opportunity to rate the Point of Sale Form for Class “B” Shares overall as well as various sections of the form. Questions were asked about the level of difficulty in understanding the form and the importance of the information listed in it. Suggestions as to how to improve the Point of Sale Form for Class “B” Shares were also solicited.

- More than two-thirds of respondents (69%) found the three sections of the Point of Sale Form for Class “B” Shares on the first page at least somewhat difficult to understand. Approximately, one-third of respondents (32%) reported these sections were very difficult to understand, and 37% considered them somewhat difficult to understand.
- More than 6 in 10 respondents (63%) reported that the definitions and explanations presented on the second page of the Point of Sale Form for Class “B” Shares were *somewhat difficult* (37%) or *very difficult* (26%) to understand.

- Approximately 51% of respondents reported they would not feel too confident in making a decision to purchase or not purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “B” Shares. Twenty-five percent of respondents reported they would feel *not too confident*, and 26% reported they would feel *not at all confident*.
- Almost half of all respondents (48%) reported they would prefer to receive the information found in this form (Point of Sale Form for Class “B” Shares) in written form. More than one-third of respondents (36%) would like to have the option to choose to receive the information orally or in written form at the time of the transaction, and 10% would prefer to receive the information orally.
- When considering the entire Point of Sale Form for Class “B” Shares, approximately half of all respondents (52%) reported that the form was *not too difficult* (44%) or *not at all difficult* (7%). Slightly more than one-quarter of all respondents (27%) reported that the Point of Sale Form for Class “B” Shares was *somewhat difficult* to understand, and 18% reported it was *very difficult* to understand.

Findings on the Proposed Confirmation Form for Class “B” Shares

Share Information

Once respondents had completed a the questionnaire evaluating the Point of Sale Form for Class “B” Shares, they were then asked to answer questions evaluating the Confirmation Form for Class “B” Shares. Only respondents who had answered questions concerning the Point of Sale Form for Class “B” Shares were allowed to answer questions about the Confirmation Form for Class “B” Shares. The first set of questions on the Confirmation Form for Class “B” Shares asked about the price of the share listed on the form and the amount of money invested.

- Almost two-thirds of respondents (64%) were able to locate the correct total price of each share [**\$18.17**]. Approximately one-quarter (24%) reported an incorrect dollar amount, and 12% did not know the answer.
- A total of 72% of respondents were able to locate the correct amount of money reported to be invested on the mock Confirmation Form for Class “B” Shares [**\$8000.00**].
- A total of 31% of respondents incorrectly reported that fund affiliates were not sharing revenue with the broker in connection of the purchase (22%) or did not know (9%).
- Four in 10 respondents (40%) who correctly determined that fund affiliates were sharing revenue with the broker in connection with the purchase were unable to report or locate the correct dollar amount of revenue being shared.

- Nearly 7 in 10 respondents (68%) correctly reported that the broker does receive portfolio brokerage commissions from the fund or its affiliates. A total of 20% of respondents reported incorrectly that this information was not listed on the Confirmation Form for Class “B” Shares, and 8% did not know.
- Slightly more than two-thirds of respondents (67%) reported the correct amount of the back-end sales load listed on the Confirmation Form for Class “B” Shares [**\$240.00**]. One-third of respondents (21%) incorrectly reported the amount of the back-end sales load, and 12% indicated that they did not know.
- Approximately one-third of respondents (34%) were unable to locate or correctly report the amount of shares purchased on the mock Confirmation Form for Class “B” Shares.

Form Rating

Similar to the Point of Sale Form for Class “B” Shares, the Confirmation Form for Class “B” Shares also included a list of explanations and definitions, found on Page 2 of the form. Nearly two-thirds of respondents (65%) reported the explanations and definitions found on the form were either *somewhat helpful* (46%) or *very helpful* (19%), while, more than half of all respondents (56%) reported they had some difficulty understanding the explanations of the terms.

- Approximately 8 in 10 respondents (80%) reported that it was *very important* (50%) or *somewhat important* (30%) to know that a broker may be paid more depending on which fund he/she were to sell to them. A total of 63% of respondents reported that they would change their mind if they knew this information.
- Most respondents reported it was important to know that a broker may receive more compensation if he or she sells them shares of a fund that includes a back-end sales load. A total of 80% of respondents reported that it was *very important* (44%) or *somewhat important* (36%) to know that a broker may receive more compensation if he or she were to sell them shares of a fund that includes a back-end sales load.
- A total of 47% of respondents reported little difficulty finding information in the Confirmation Form for Class “B” Shares. Approximately 4 in 10 respondents (41%) reported that it was *not too difficult* to find information on the form, and 6% reported it was *not at all difficult*. A similar percentage of respondents (45%) reported they had at least some difficulty finding information in the Confirmation Form for Class “B” Shares. Twenty-six percent of respondents reported it was *somewhat difficult*, and 19% reported it was *very difficult* to find information in the form.

MAIN REPORT

Introduction

The U.S. Securities Exchange Commission (SEC) has proposed two new investment disclosure forms. These forms are intended to provide investors with access to material information about investments in mutual funds, unit investment trusts, interest and municipal fund securities, and education savings plans. The proposed rules mandate that brokers and dealers provide enhanced information on cost and possible conflicts of interest to consumers,⁵ and that information be made available at the point of sale (i.e., made available to the customer prior to a sale as an aid to decision making) and as part of a post-transaction confirmation (received in writing by the investor and validating the provisions and costs of the sale). Whether the point of sale disclosure is made available in writing, orally, or both, is an issue on which the Commission seeks comment..

Two separate sets of forms are presented for comment and evaluation by the SEC, based on the timing of the sales loads (fees). Point of Sale and Confirmation forms for Class “A” shares are for mutual fund investments in which the sales fees are to be paid at the time of purchase. Point of Sale and Confirmation forms for Class “B” shares are for mutual fund investments in which the sales fees typically are paid when the mutual fund shares are sold, or at least deferred from the date of sale.⁶

In March 2004, AARP conducted a study to evaluate these two sets of disclosure forms. The study was undertaken to assess the clarity and efficacy of the forms from the ordinary investor’s point of view. That is, the Point of Sale Form and the Confirmation Form were evaluated by our survey respondents just as they would be used to disclose purchase fees and associated possible conflicts of interest. One sample of adults was asked to assess the mutual fund disclosure forms for the purchase of Class “A” shares. A second and separate sample of adults was asked to assess a similar set of disclosure forms designed for the purchase of Class “B” shares.⁷ In this section of the report, we examine the application of the Point of Sale and Confirmation forms to the purchase of Class “B” mutual fund shares.

⁵ A conflict of interest may occur in a variety of ways. For example, when a broker receives more in fees or payments for promoting or selling one investment over another that is not necessarily in the best interest of the investor. Regardless of the way it occurs, these payments from a fund to a broker may give the broker a greater incentive to sell the shares of that fund. Such practices typically result in more costs and higher fees for the investor. Again, the purpose of the forms is to provide an investor with information regarding possible conflicts of interest a broker or firm might have in making particular recommendations to a buyer.

⁶ *Class B shares* might not have any front-end sales load but might have a contingent deferred sales load (CDSL; a type of fee that investors pay only when they redeem fund shares, and that typically decreases to zero if the investors hold their shares long enough) and a 12b-1 fee (an annual fee paid by the fund for distribution and/or shareholder services). Class B shares also might convert automatically to a class of shares with a lower 12b-1 fee if held by investors long enough.

⁷ See Appendix C and D for both sets of forms.

Definitions of Mutual Fund Class “A” Shares and Class “B” Shares

Class A shares might have a front-end sales load (a type of fee that investors pay when they purchase fund shares).

Class B shares might not have any front-end sales load but might have a contingent deferred sales load (CDSL; a type of fee that investors pay only when they redeem fund shares, and that typically decreases to zero if the investors hold their shares long enough) and a 12b-1 fee (an annual fee paid by the fund for distribution and/or shareholder services). Class B shares also might convert automatically to a class of shares with a lower 12b-1 fee if held by investors long enough.

Both class “A” and “B” share versions of the Point of Sale Form and the Confirmation Form were evaluated.

Methodology

The data for this study were collected from two separate national samples of adults age 35 and older.⁸ The two surveys were fielded simultaneously in March 2004 via Web TV.⁹ In total, 2,034 respondents completed questionnaires for the study. Of the 2,034 surveys completed, 1,011 were reviewers for the disclosures based on purchase of mutual fund class “A” shares and 1,023 were reviewers for the disclosures based on the purchase of mutual fund class “B” shares. The respondents were selected to review the proposed SEC disclosure forms (Point of Sale Form and Confirmation Form) related to either mutual fund Class “A” Shares or to Class “B” Shares, and to answer survey questions online concerning the information presented in the forms.

Respondents were able to view the SEC disclosure forms in their original design (all forms used in this study were downloaded directly from the Commission’s website without change). The sample disclosure forms were filled in by the SEC with mock fund names, figures, and information. We used these sample forms to simulate a real purchase of shares in a mutual fund. Respondents were encouraged to review the forms as often as they wished during the time they were completing our questionnaire. There was no overlap between those selected to respond to the Class “A” share survey and those selected to respond to the Class “B” share survey. For this study, a confidence interval of 95% was used. The sampling error is ± 3 , which means that values presented in the report may be within a range of ± 3 .¹⁰

⁸ Mutual fund ownership is most prevalent among heads of households age 35-64. *Fundamentals*, Investment Company Institute, Vol. 12/ No. 4, October 2003.

⁹ See Appendix A for an extensive explanation of the WebTV methodology used to survey study participants.

¹⁰ The values presented can be expected to be correct 95% of the time. For presentation purposes, percentage points have been rounded off to the nearest whole number. As a result, percentages in a given table column may total slightly higher or lower than 100%. For questions that permit multiple responses, columns may total to significantly more than 100%, depending on the number of different responses offered by each respondent. Similarly, when only selected responses are shown, percentages may total to less than 100%.

***Demographic Characteristics of Respondents
Who Reviewed the Proposed Disclosure Forms for Class “A” Shares***

A slight majority of the respondents (52%) were female and 48% were male. A total of 61% were married; almost 4 in 10 (39%) were either single (never married 12%), divorced (16%), widowed (8%), or separated (2%). Approximately three-quarters (76%) of respondents were White, 11% were Black/African American, another 9% were Hispanic, and 4% were categorized as “Other” race.

Slightly less than half of respondents (47%) were ages 35-49, almost one-third (30%) were ages 50-64, and just under one-quarter (24%) were 65 or older. There was almost an even split between respondents who had some college or more (51%) and those who had a high school diploma or less (49%). Forty-eight percent of respondents worked full-time, 9% worked part-time, and another 43% were not working. Of these, 27% were retired and 6% were unemployed, temporarily laid-off, or looking for work. None of the respondents were “homemakers.” Slightly more than half of all respondents (52%) had a household income of less than \$40,000, less than one-quarter (22%) had a household income between \$40,000 and just under \$60,000, and one-quarter (25%) had a household income of \$60,000 or greater.

Table 1

Demographic Characteristics of the Respondents Who Reviewed the Proposed Disclosure Forms for Class “A” Shares (n = 1,011)

Marital Status		Employment Status	
Single	12%	Retired	26%
Currently Married	61%	Employed	55%
Divorced/Widowed/Separated	26%	Unemployed	20%
Refused	---		
Age		Education Level	
35-49	47%	Less than High School	4%
50-64	30%	High School	34%
65+	24%	Some College	25%
		College Graduate or Higher	26%
Gender		Annual Household Income	
Male	48%	Under \$20,000	22%
Female	52%	\$20,000 - \$39,999	30%
Race/ Ethnicity		\$40,000 – \$59,999	22%
White	76%	\$60,000 - <\$75,000	8%
Black	11%	\$75,000- <\$85,000	5%
Hispanic	9%	\$85,000+	12%
Some Other Race	4%		

Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

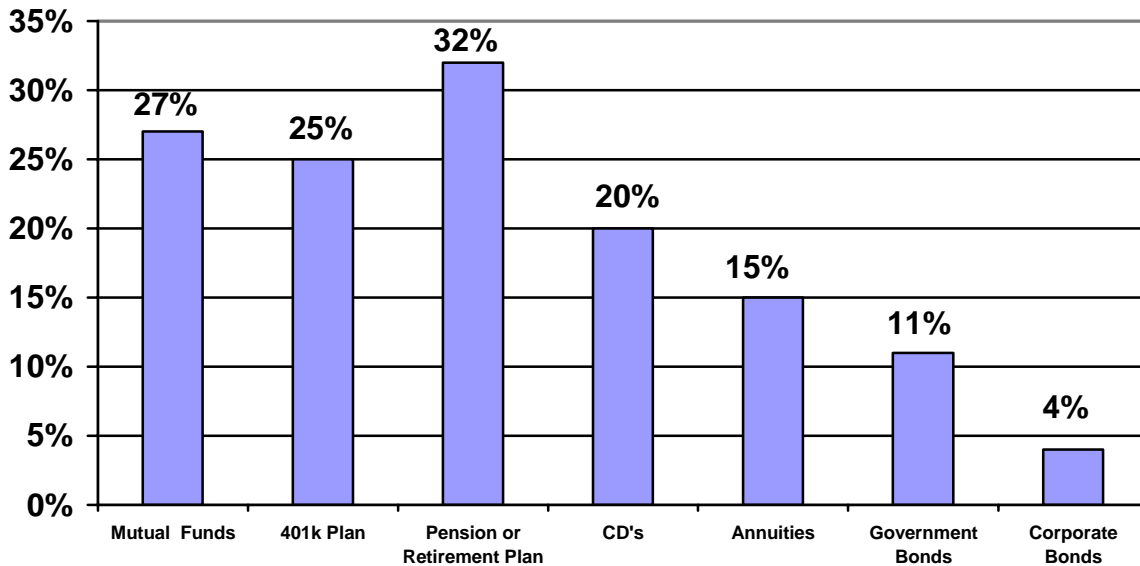
Investment Knowledge and Experience

Before respondents were allowed to review completed examples of the SEC's mutual fund disclosure forms, they were asked a series of questions intended to gauge their knowledge of and experience with a variety of investment vehicles. Respondents were asked about the types of investment shares they owned and about their levels of confidence and knowledge concerning investment decisions. Additionally, a few questions were asked specifically about investment and finance terms.

Question 1. Do you own any of the following?

Approximately 63% of all respondents owned some form of investment, and 37% did not own any investment. More than 4 in 10 respondents (44%) who owned any financial investments owned mutual funds. Almost one-third of the respondents (32%) were invested in a pension or retirement plan. One-fifth of those who owned investments owned certificates of deposit (CDs; 20%). A lower percentage of respondents owned annuities (15%) or bonds--either government bonds (11%) or corporate bonds (4%).

Figure 1
Question 1. Do you own any of the following? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

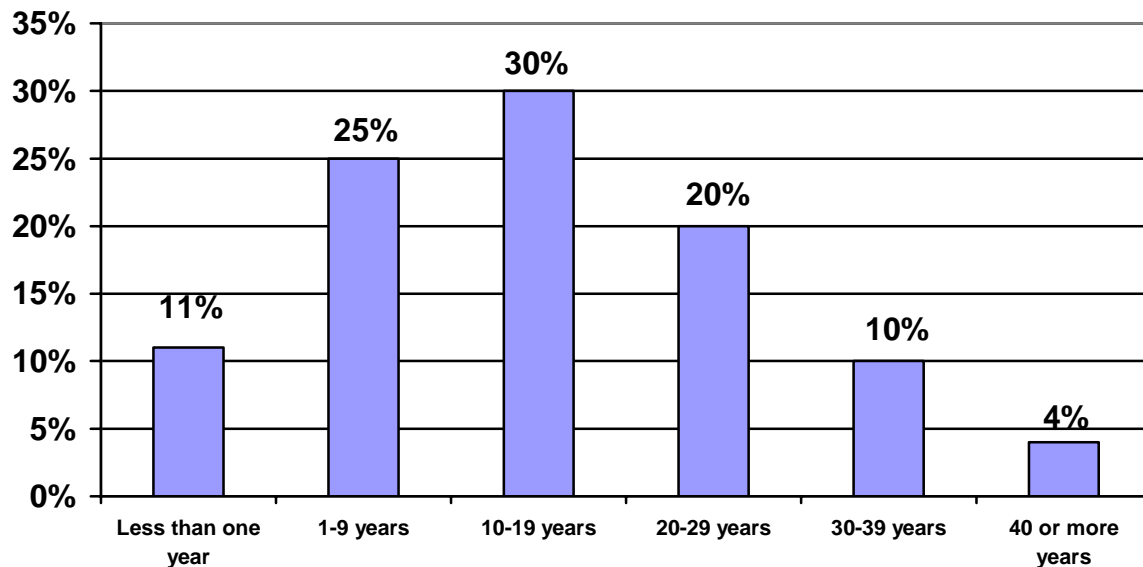
Question 2. In order of importance, what 3 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?

All respondents, whether they owned any investments or not, were asked the question above. A majority of respondents (19%) reported that *price* was the most important piece of information they needed to know before making such a decision. More than 1 in 10 (14%) reported that *return* was the most important piece of information, followed by *performance* (12%). Other responses included *safety* (6%), *company* (6%), *fund image* (4%), and *fund features* (4%).

Question 3. How long have you been investing (in any type of investment)?

Respondents who currently owned investments were more likely to have owned their investments 10-19 years (30%). One-quarter (25%) had owned their investments 1-9 years, and one-fifth (20%) had owned their investments 20-29 years. Fewer respondents had owned their investments for 30 years or more (14%), and fewer still had owned their investments for less than 1 year (11%).

Figure 2
Question 3. How long have you been investing (in any type of investment)? (n = 666)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Question 4. How many times per month do you look for investment information (e.g., in magazines, websites, newspapers, TV, etc.)?

More than half of all respondents (58%) did not search for investment information within a month’s time. One-quarter (25%) looked for investment information 1 to 5 times per month, 5% looked 6 to 10 times per month, and 3% looked 11 to 15 times per month. Less than 1 in 10 respondents (8%) looked for investment information between 16 and 31 or more times per month.

Question 4a. Assuming you had to make some decisions concerning the following types of financial affairs, how competent would you feel to deal with them? Please indicate on a scale of 1 to 4 whether you feel quite competent (1), somewhat competent (2), not very competent (3), or totally at a loss (4) in handling each of the items.

	<i>Quite competent</i>	<i>Somewhat competent</i>	<i>Not very competent</i>	<i>Totally at a loss</i>
Competence scale	1	2	3	4

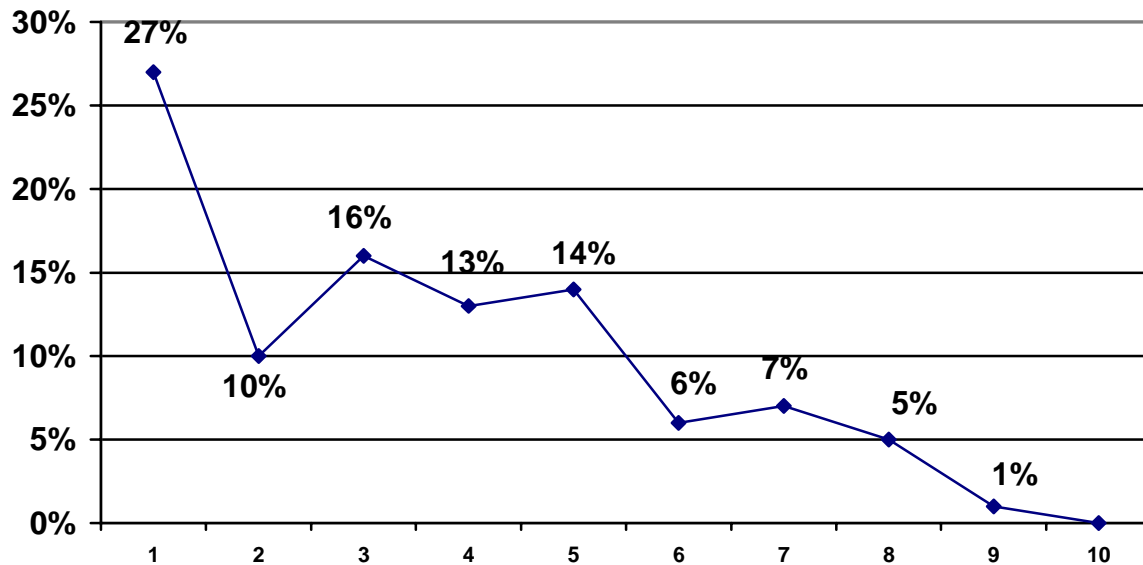
Although a majority of respondents owned some type of investment and had held onto their current investments for a number of years, they were still more likely to report greater competency in deciding how to save money, managing their debt, and planning for retirement than investing in stocks and mutual funds. Responses for *somewhat competent* and *quite competent* are presented here. Eight in 10 respondents (81%) reported that they felt *somewhat competent* (47%) or *quite competent* (24%) about managing their debt. Seventy-one percent felt they were *somewhat competent* (47%) or *quite competent* (24%) in deciding how to save money. More than half of all respondents (58%) felt they were *somewhat competent* (43%) or *quite competent* (15%) in planning for retirement. Again, respondents felt less competent about investing. Less than one-quarter (23%) of respondents felt *somewhat competent* (19%) or *quite competent* (4%) in deciding on stocks to buy or sell, and 20% felt *somewhat competent* (17%) or *quite competent* (3%) in deciding on which mutual funds to buy.

Question 5. On a scale of 1 to 10, where 1 is not at all knowledgeable, and 10 is very knowledgeable, please rate how knowledgeable you think you are about investing.

Not at all knowledgeable			Somewhat knowledgeable				Very knowledgeable		
1	2	3	4	5	6	7	8	9	10
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

It was not a surprise that respondents’ level of competence was reflected in their self-evaluated level of knowledge. A majority of respondents (53%) rated their investment knowledge as between 1 and 3, 33% rated it as between 4 and 6, and 13% of respondents rated it as between 7 and 10. The average respondents’ rating of investment knowledge was 4.

Figure 3
Question 5. Please rate how knowledgeable you think you are about investing, on a scale of 1 to 10 (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Questions 6 – 9: Investment Terms and Definitions

A series of multiple-choice questions were asked of the respondents concerning the meaning of certain investment terms. Unlike the self- assessment questions asked previously, the multiple-choice questions had only one correct response. Respondents were asked to select the correct definition for the following investment terms (term definitions are provided below):

Investment Terms and Definitions

- Net asset value (NAV). *The approximate value of one share.*
- Front-end sales load. *A fee you pay for an investment at the time of initial purchase.*
- Back-end sales load. *A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity.*
- Revenue sharing. *Brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds.*
- “A” shares and “B” shares of a mutual fund. *The “A” shares generally have a front load charge and B shares have a back load charge.*

A greater percentage of respondents seemed to be more knowledgeable about front-end and back-end sales loads and the difference between “A” shares and “B” shares than about revenue sharing or the net asset value (NAV). A total of 63% selected the correct definition for the front-end sales load, 67% for the back-end sales load, and 48% for the difference between “A” shares and “B” shares. Respondents were far less likely to select the correct response when asked the definition of revenue sharing (21%) or the NAV (13%).

Listed below are Questions 6-9. Each question is presented here exactly as it appeared on the questionnaire. Also included are the frequencies for responses selected by respondents. Note that the correct responses are marked accordingly.

Question 6. Which of these statements is the correct definition of Net Asset Value (NAV)?

- The total or net value of all assets owned by a particular fund. (52%)
- **The approximate value of one share. [Correct] (13%)**
- The value of all net shares combined. (19%)
- The approximate value of a fund’s taxable income. (7%)

Question 7. What is a front-end sales load?

- A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity. (10%)
- A fee you pay for an investment at time of initial purchase and final sale. (15%)
- **A fee you pay for an investment at the time of initial purchase. [Correct] (63%)**

Question 7a. What is a back-end sales load?

- **A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity. [Correct] (67%)**
- A fee you pay for an investment at time of initial purchase and final sale. (15%)
- A fee you pay for an investment at the time of initial purchase. (6%)

Question 8. What is revenue sharing? Please select the one option that best describes revenue sharing.

- **Brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds. [Correct] (21%)**
- Brokers pay a fee to various mutual fund companies in return for advising their customers to buy those companies' funds. (6%)
- Brokers reimburse a mutual fund owner with a percentage of the shares purchased at the point of sale. (23%)

- A fund pays an annual fee of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. (34%)

Question 9. *Which of the following statements regarding “A” shares and “B” shares of a mutual fund is correct?*

- **The “A” shares generally have a front-load charge, and B shares have a back-load charge. [Correct] (48%)**
- The “A” shares generally have both a front-load and a back-load charge. (12%)
- The “B” shares generally have a front-load charge. (4%)
- The “B” shares generally have both a front- load and a back-load charge. (15%)

Findings on the Proposed Disclosure Forms for Class “A” Shares

Definition of Class “A” Shares: Class A shares might have a *front-end sales load* (a type of fee that investors pay when they purchase fund shares).

**The Proposed Point of Sale Form for
Class “A” Shares**

Proposed Point of Sale Form for Class "A" Shares as it was Viewed by the Respondents (Page 1 of 2)

Attachment 4 - Point of sale example for hypothetical class A share purchase

AAA Introducing, Inc.	
Name	John Doe
Account number	1234-5678
Date	1/1/05
Security under consideration	BBB Equity Fund
Class	A
Amount of contemplated transaction	\$8,000.00

Sales load and what we will be paid up front	
Front-end sales load	\$321.18
Back-end sales load - maximum first year	NA
Amount of sales fee we will receive from the fund	\$300.00
Estimated first year asset-based distribution or service fees that we will receive from the fund	\$19.20

Potential conflicts of interest	
Do the fund or its affiliates pay us brokerage commissions for buying or selling fund assets, such as stocks and bonds?	Yes
Do the fund's affiliates make additional payments to us, such as revenue sharing?	Yes

Special compensation for our personnel - potential conflicts of interest	
If this is a "proprietary" security issued by an affiliate, would we pay more to our personnel for selling it to you?	No
If this security carries a back-end sales load, would we pay more to our personnel for selling it to you?	NA

ASK BEFORE YOU BUY! This document contains information that your broker-dealer is required to provide you about potential transactions in certain investments, such as mutual funds, variable annuities or "529 plans." It tells you about the investment's sales-related costs, and about the incentives your broker-dealer and its personnel have to sell you this investment. **YOU HAVE A RIGHT TO CONSIDER THE COSTS OF THE INVESTMENT AND YOUR BROKER-DEALER'S INCENTIVES BEFORE YOU DECIDE WHETHER TO MAKE THE INVESTMENT.**

SOME THINGS TO KNOW ABOUT LOADS: Sometimes shares that do not have a front-end load have high fees -- which makes them more expensive for the long-term investor. Also, many mutual fund companies offer sales load discounts to investors over a certain level. Sometimes family or household holdings can count toward these discounts. To find out more, talk with your broker or financial adviser, or check the fund's prospectus or website.

**Proposed Point of Sale Form for
Class “A” Shares as it was Viewed by the Respondents
(Page 2 of 2)**

Explanations and Definitions

- Net asset value (NAV) - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- Price and NAV - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- Timing of sales loads - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If the shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- Asset-based fees - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that would otherwise be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees generally is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- What is revenue sharing? - Revenue sharing occurs when the investment adviser to a fund, or another affiliate of a fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments -- regardless if they are labeled as reimbursements -- may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- What are portfolio brokerage commissions? - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a higher incentive to sell the shares of that fund or affiliated funds.
- Special compensation - This document states whether your broker-dealer would pay its salespersons or other associated persons higher compensation if you decide to buy the security you are considering. Some broker-dealers pay their personnel higher compensation, as a percentage of the broker-dealers' own compensation, for selling their affiliates' securities. In addition, some broker-dealers pay their personnel higher compensation, in actual dollars, for selling a security that has a back-end sales load, because broker-dealers themselves may earn more when they sell those share classes.

FINDINGS

Sales Loads and Fees

After answering questions about their investment knowledge and/or level of competence, survey respondents were allowed to review the first SEC disclosure form (Point of Sale Form for Class “A” Shares) and answer questions about information provided in the form. The first of these questions asked about any front-end or back-end sales load listed on the form as well as sales fees.

Question 10_1. Is there a front-end sales load?

Slightly more than 8 in 10 respondents (84%) were able to correctly ascertain that there was a front-end sales load listed on the Point of Sale Form for Class “A” Shares. Equal percentages of respondents either incorrectly reported that there was no front-end sales load listed on the form (6%) or reported that they did not know (6%).

Table 2
Question 10_1. Correct Response by Demographic Differences (n = 1,011)

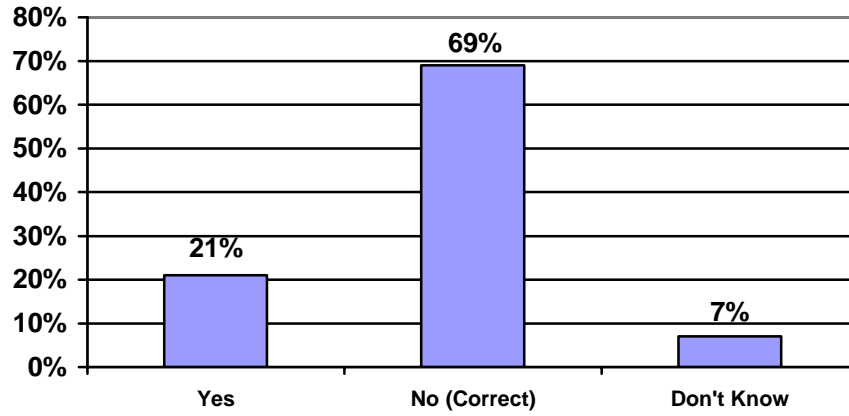
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
88%	90%	80%	87%	88%	83%	90%	92%	82%	92%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
92%	78%	94%	84%

Question 10_2. Is there a back-end sales load?

A total of 69% of respondents correctly reported that there was no back-end sales load listed on the Point of Sale Form for Class “A” Shares. One in 5 respondents (21%) incorrectly reported that there was a back-end sales load listed on the form. Another 7% reported that they did not know. All in all, almost 30% of respondents did not know if there was a back-end sales load or they incorrectly reported seeing one on the Point of Sale Form for Class “A” Shares.

Figure 4
Question 10_2. Is there a back-end sales load? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 3
Question 10_2. Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
77%	74%	58%	73%	69%	65%	75%	81%	63%	80%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
78%	63%	82%	68%

Question 11_1. How much is the front-end sales load?

Of the respondents who reported there was a front-end sales load listed on the Point of Sale Form for Class “A” Shares, 81% were able to correctly identify the exact dollar amount of the front-end sales load [§321.18]. Approximately 16% of respondents who correctly reported that there was a front-end sales load listed on the Point of Sale Form for Class A Shares were unable to locate or correctly report the amount of the front-end sales load listed on the form.

Table 4
Question 11_1. Correct Response by Demographic Differences (n = 854)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
85%	79%	77%	83%	77%	78%	82%	88%	75%	87%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
85%	74%	87%	79%

Question 12. Will the broker receive any sales fees from the fund for this sale?

Respondents were asked if there was a sales fee that the broker would receive listed on the Point of Sale Form for Class “A” Shares. Slightly more than 8 in 10 respondents (82%) answered correctly that the broker would receive a fee from the fund for this purchase presented in the Point of Sale Form for Class “A” Shares. Another 8% of respondents reported incorrectly that the broker would not receive a fee from the fund for this purchase, and 7% reported that they did not know.

Table 5
Question 12. Correct Response by Demographic Differences (n = 1,011)

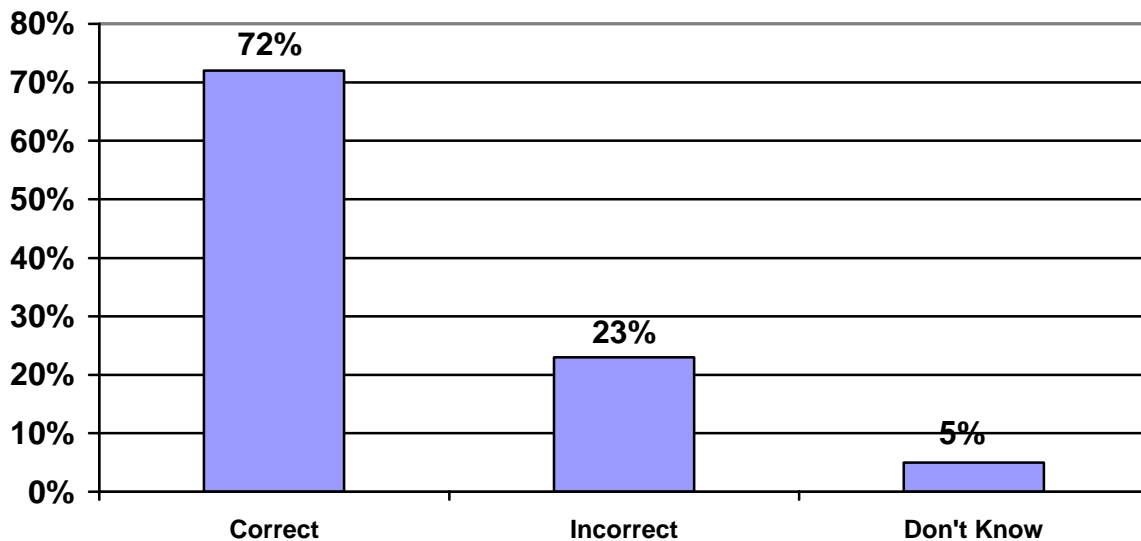
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
87%	86%	80%	86%	80%	81%	86%	92%	80%	90%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
90%	75%	96%	81%

Question 12A. How much will the broker receive in sales fees?

Of the respondents who correctly reported that the broker would receive a fee from the fund for this purchase presented in the Point of Sale Form for Class “A” Shares, 72% also correctly identified the exact dollar amount of the broker sales fee [**\$300.00**]. Twenty-eight percent of respondents either reported the wrong dollar amount of the sales fee paid to the broker (23%) or reported that they did not know the correct dollar amount (5%).

Figure 5
Question 12A. How much will the broker receive in sales fees? (n = 852)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 6
Question 12A: Correct Response by Demographic Differences (n = 852)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
66%	63%	58%	67%	51%	57%	68%	70%	54%	71%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
72%	50%	74%	59%

Broker Commissions and Other Payments

Respondents were asked to continue reviewing the Point of Sale Form for Class “A” Shares while answering the following questions concerning commissions and payments made to the broker for the buying or selling of fund assets. Some of the questions that follow relate to a practice termed *revenue sharing*. Basically, revenue sharing occurs when brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds. As questions solicited more in-depth examination of the Point of Sale Form for Class “A” Shares, the percentage of respondents who answered correctly decreased.

Question 13. Does the broker receive commissions for buying or selling fund assets, such as stocks or bonds?

Nearly 8 in 10 (79%) respondents answered correctly, that the broker would receive commissions for buying or selling fund assets, such as stocks or bonds. A total of 10% reported incorrectly that the broker would not receive commissions for buying or selling fund assets, and 8% reported that they did not know.

Table 7
Question 13: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
81%	83%	79%	82%	78%	78%	81%	88%	77%	86%

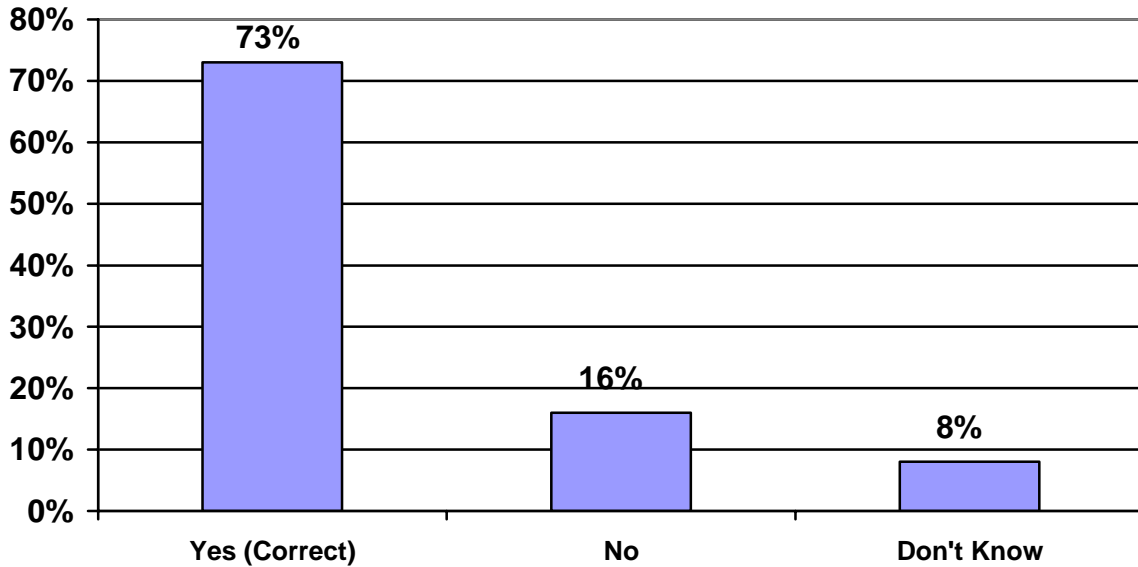
Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
87%	71%	91%	78%

Question 14. Is the broker paid additional payments from the fund’s affiliates (i.e, revenue sharing)?

Seventy-three percent of respondents answered correctly, that the broker would be paid additional payments from the funds affiliates. Almost one-quarter of them (24%) either incorrectly reported that the broker would not be paid additional payments from the fund’s affiliates (16%) or that they did not know (8%).

Figure 6

Question 14. Is the broker paid additional payments from the fund's affiliates? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 8

Question 14: Correct Response by Demographic Differences (n = 1,011)

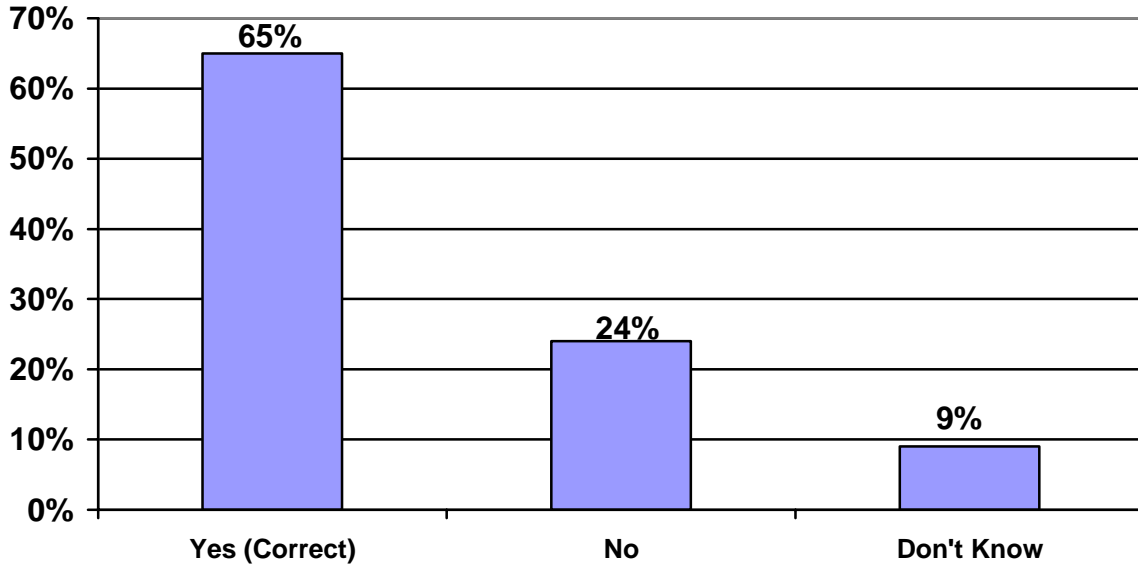
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
77%	77%	69%	76%	71%	67%	81%	85%	66%	83%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
82%	63%	87%	70%

Question 15. Will you pay any asset-based distribution or service fees in the first year?

A greater decrease of correct responses occurred in the question listed above. Less than two-thirds of respondents (65%) correctly answered that, according to the information presented in the Point of Sale Form for Class "A" Shares, they would pay asset-based distribution or service fees in the first year. One-third (33%) answered incorrectly (24%) or that they did not know (9%).

Figure 7
Question 15. Will you pay any asset-based distribution or service fees in the first year? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 9
Question 15: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
69%	71%	53%	68%	61%	60%	74%	72%	60%	72%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
71%	58%	74%	63%

Question 15A. How much will you pay? [This question is a follow-up question for Question 15. *Will you pay any asset-based distribution or service fees in the first year?*]

Of the 65% of respondents who correctly determined that, according to the information presented in the Point of Sale Form for Class “A” Shares, they would have to pay asset-based distribution or service fees in the first year, 80% were able to locate and correctly report the amount of the asset-based distribution or service fees in the first year. Approximately 2 in 10 respondents (20%) reported the incorrect amount of the asset-based distribution or service fees in the first year (15%) or reported that they did not know the correct answer (5%).

Table 10
Question 15A: Correct Response by Demographic Differences (n = 657)

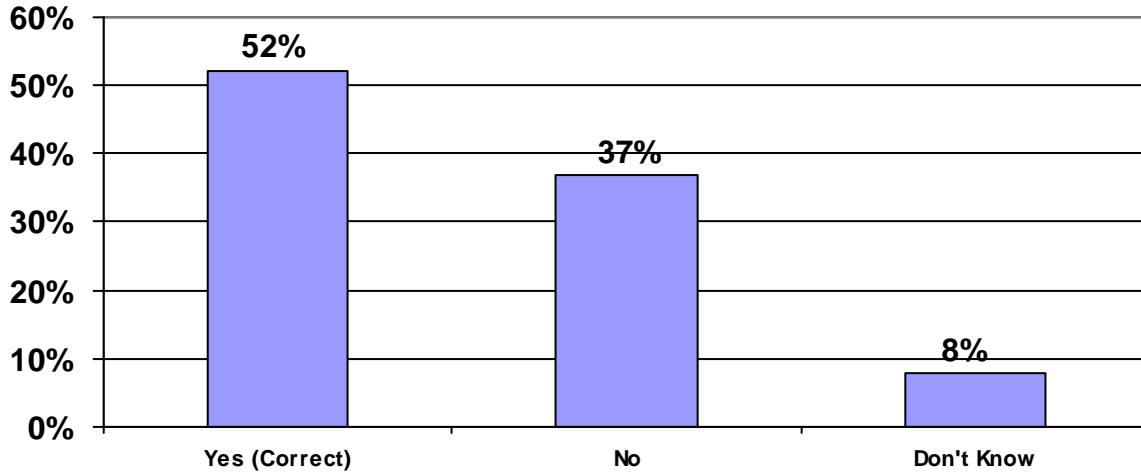
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
82%	79%	79%	80%	82%	76%	82%	88%	75%	85%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
86%	69%	86%	78%

Question 15B. Will there be any fees deducted annually from your account?

Respondents were asked if any fees would be deducted annually from the mock account presented in the Point of Sale Form for Class A Shares. Slightly more than half (52%) were able to correctly determine that fees would be deducted from the account. A total of 45% either reported an incorrect response (37%) or that they did not know (8%).

Figure 8
Question 15B. Will there be any fees deducted annually from your account? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 11
Question 15B: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
50%	56%	54%	55%	48%	52%	54%	55%	50%	56%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
56%	47%	54%	53%

Question 16. Does the broker receive a higher payment for service if he/she sells a proprietary security issued by an affiliate?

More than half of all respondents (55%) reported correctly that the broker of the mock sale of shares presented in the Point of Sale Form for Class “A” Shares would not receive a higher payment for service if he or she were to sell a proprietary security issued by an affiliate. A full one-third (33%) of respondents reported incorrectly that the broker presented in the Point of Sale Form for Class “A” Shares would receive a higher payment for service if he or she were to sell a proprietary security issued by an affiliate. Another 9% reported that they did not know the answer.

Table 12
Question 16. Correct Response by Demographic Differences (n = 1,011)

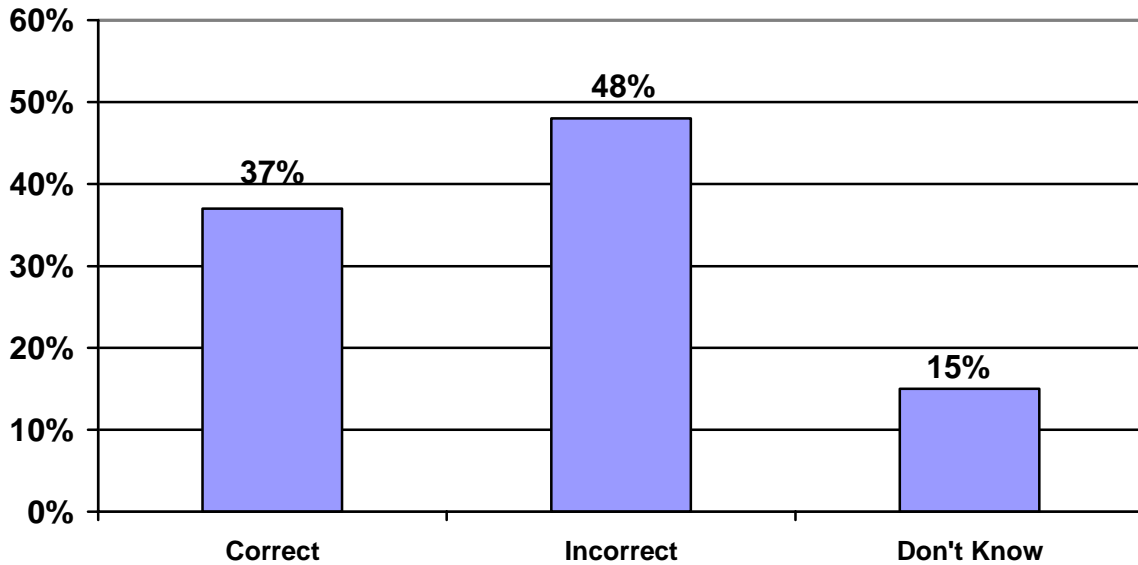
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
32%	40%	31%	33%	37%	35%	40%	27%	34%	34%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
33%	36%	34%	34%

Question 17. What is the total cost for the “A” shares purchased?

A total of 37% of the respondents were able to correctly locate the total cost of “A” shares purchased [**\$8000.00**]. Almost two-thirds were *unable* to locate or correctly report the total purchase price of the “A” shares: 48% answered incorrectly and 15% did not know.

Figure 9
Question 17. What is the total cost for “A” shares purchased? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 13
Question 17: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
42%	36%	33%	39%	35%	36%	38%	43%	34%	42%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
43%	31%	43%	36%

Form Rating

Respondents were given the opportunity to rate the Point of Sale Form for Class “A” Shares overall as well as various sections of the form. Questions were asked about the level of difficulty in understanding the form and the importance of the information listed in it. Suggestions as to how to improve the Point of Sale Form for Class “A” Shares were also solicited.

Question 18. Please rate how difficult the following sections of the form are to understand.

Three sections of the Point of Sale Form for Class A Shares found on the first page.

- “Sales load and what will be paid up front”
- “Potential conflicts of interest”
- “Special compensation”

Almost two-thirds of respondents (65%) found the three sections of the Point of Sale Form for Class “A” Shares on the first page at least somewhat difficult to understand. More than one-quarter of respondents (27%) reported that these sections were *very difficult* to understand, and 38% considered them *somewhat difficult* to understand. Slightly less than one-third of respondents (31%) reported that the three sections of the Point of Sale Form for Class “A” Shares found on the first page were *not too difficult* (25%) or *not at all difficult* (6%).

Table 14
Question 18: “Very Difficult” or “Somewhat Difficult” Response by
Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
62%	69%	74%	65%	73%	72%	73%	53%	75%	61%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
61%	78%	53%	73%

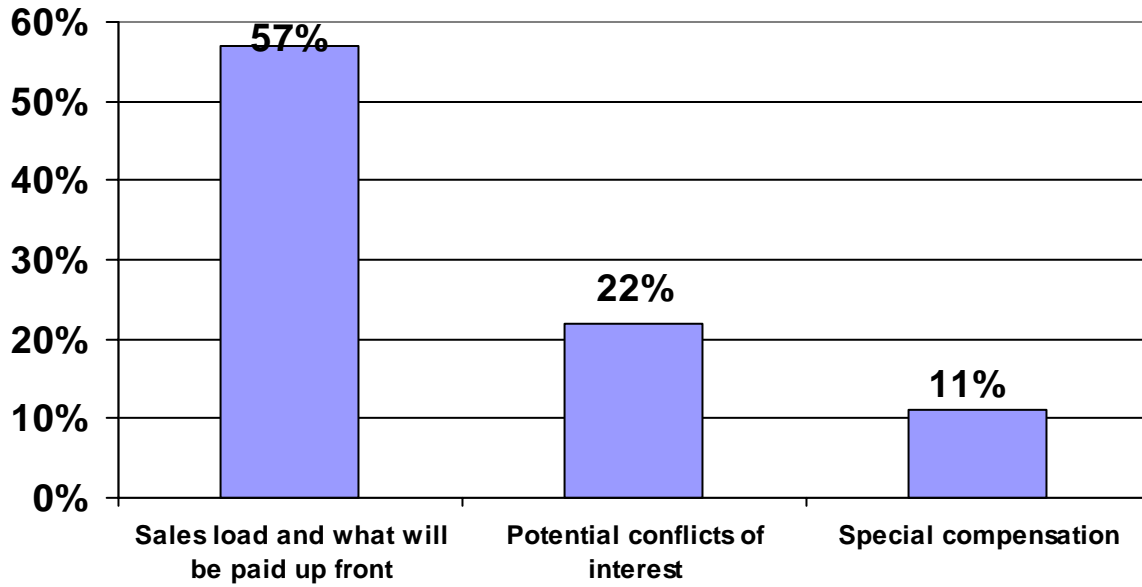
Question 18A_1. Please rank each section according to how important the information found in that section is to you. From the items below, please select the section you believe to be the most important.

Three sections of the Point of Sale Form for Class “A” Shares found on the first page

- “Sales load and what will be paid up front”
 - “Potential conflicts of interest”
 - “Special compensation”
-

Respondents were asked to select which section of the form they considered to be most important. Almost 6 in 10 (57%) reported the section labeled “*sales load and what will be paid up front*” as the most important section of the Point of Sale Form for Class “A” Shares. Approximately 22% of respondents selected the section labeled “*potential conflicts of interest*” as most important, and 11% selected the section labeled “*special compensation*” as most important.

Figure 10
Question 18A_1. Most important section found on the first page of
the Point of Sale Form for Class “A” Shares? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 15
Question 18 A_1: Most important section= “Sales Load and What is Paid up Front”
by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
64%	60%	65%	62%	67%	64%	60%	62%	64%	62%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
63%	61%	61%	63%

Table 16
Question 18A_1. Most important section= “Potential Conflicts of Interest”
by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
24%	27%	22%	26%	20%	22%	26%	28%	25%	25%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
25%	24%	27%	23%

Table 17
Question 18A_1: Most important section= “Special Compensation”
by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
13%	13%	13%	13%	13%	13%	14%	11%	12%	14%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
12%	15%	12%	13%

Question 19. Do you think more terms or definitions should be added to the second page of this form labeled “Explanations and Definitions”?

When asked further to rate the Point of Sale Form for Class “A” Shares, 34% of respondents reported that more definitions and explanations of terms should be added to the second page of the form; 57% reported that no further definitions and explanations of terms should be added.

Table 18
Question 19: Respondents who reported that more definitions and explanations of terms should be added to the second page of the Point of Sale Form for Class “A” Shares by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
37%	38%	37%	35%	46%	38%	41%	34%	40%	35%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
34%	42%	33%	39%

Question 19A. Which terms/definitions would you add?

Respondents welcomed the opportunity to suggest financial terms and definitions to be added to the Point of Sale Form for Class “A” shares. Respondents also took the opportunity to make suggestions other than financial terms and definitions. One suggestion was to make the terms easier to understand. Additionally, other comments were made about the clarity of the form in general. Such comments have been included in the analyses of responses for Question 20C, which solicits general comments and suggestions for the Point of Sale Form for Class “A” shares.

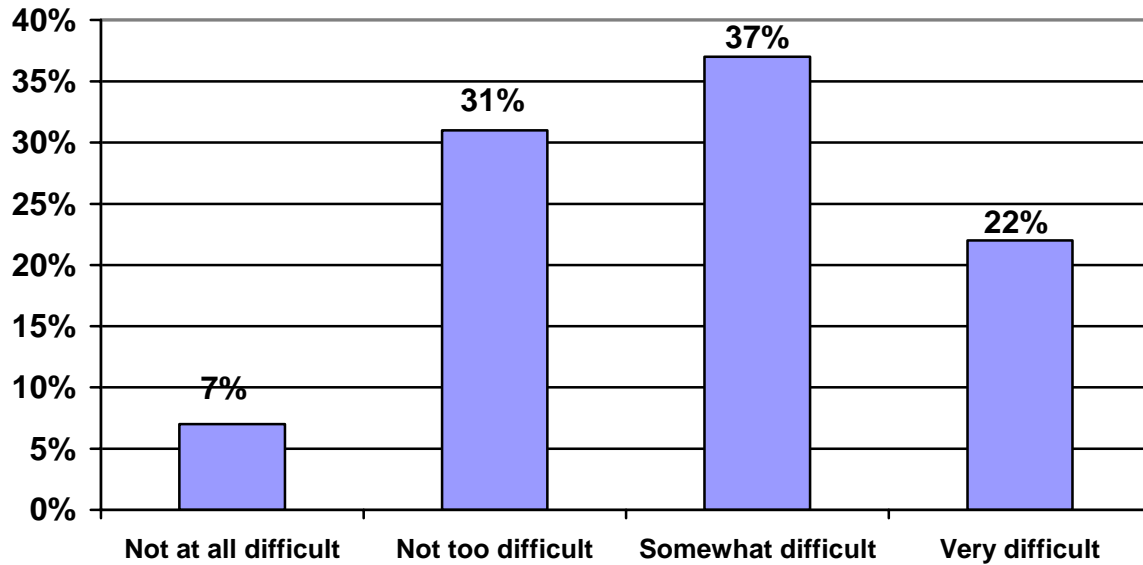
Terms listed below were frequently suggested by respondents to be included in the section of the Point of Sale Form for Class “A” shares marked “Explanations and Definitions.”

- Annuities
- Asset-based fees
- Back-end load
- Broker commissions
- Broker incentives
- Class “A” shares
- Class “B” shares
- Conflict of interest (detailed)
- Front-end load
- Gross value per share
- Mutual fund
- NAV
- Portfolio brokerage commission
- Proprietary sales
- Proprietary security
- Revenue sharing
- Special payments
- 12b-1 fees

Question 20. Overall, how difficult are the explanations of the terms to understand?

Almost 6 in 10 respondents (59%) reported that the definitions and explanations presented on the second page of the Point of Sale Form for Class “A” Shares were *somewhat difficult* (37%) or *very difficult* (22%) to understand. Another 38% of all respondents reported that, overall, the explanations of the terms were *not too difficult* (31%) or *not at all difficult* (7%) to understand.

Figure 11
Question 20. Overall, how difficult are the explanations of the terms to understand? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 19
Question 20: “Very Difficult” or “Somewhat Difficult” Response by Demographic Differences (n = 1,011)

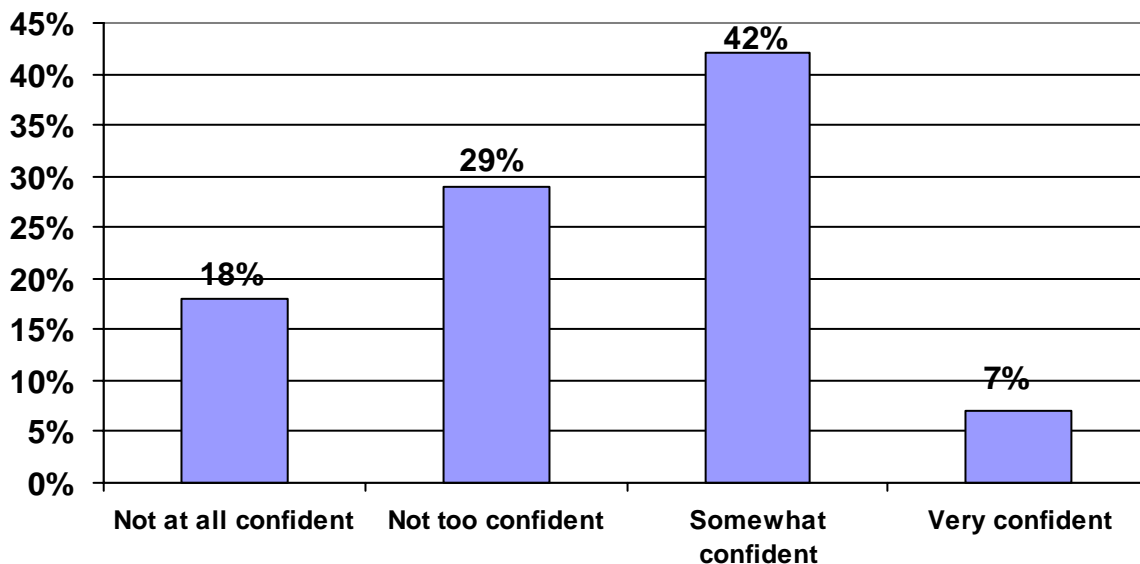
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
55%	61%	70%	59%	64%	65%	60%	51%	69%	53%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
55%	70%	50%	64%

Question 20A. If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares?

Almost as many respondents reported they would feel confident as did respondents who reported they would not feel confident in making a decision to purchase or not purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “A” Shares. Approximately half of all respondents reported they would feel *somewhat confident* (42%) or *very confident* (7%) in making a decision to purchase or not to purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “A” Shares. Approximately 47% of respondents reported they would not feel as confident. Twenty-nine percent of respondents reported they would feel *not too confident*, and 18% reported they would feel *not at all confident* in making a decision to purchase or not purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “A” Shares.

Figure 12
Question 20A. If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 20
Question 20A: “Not at all Confident” or “Not Too Confident” Response
by Demographic Differences (n = 1,011)

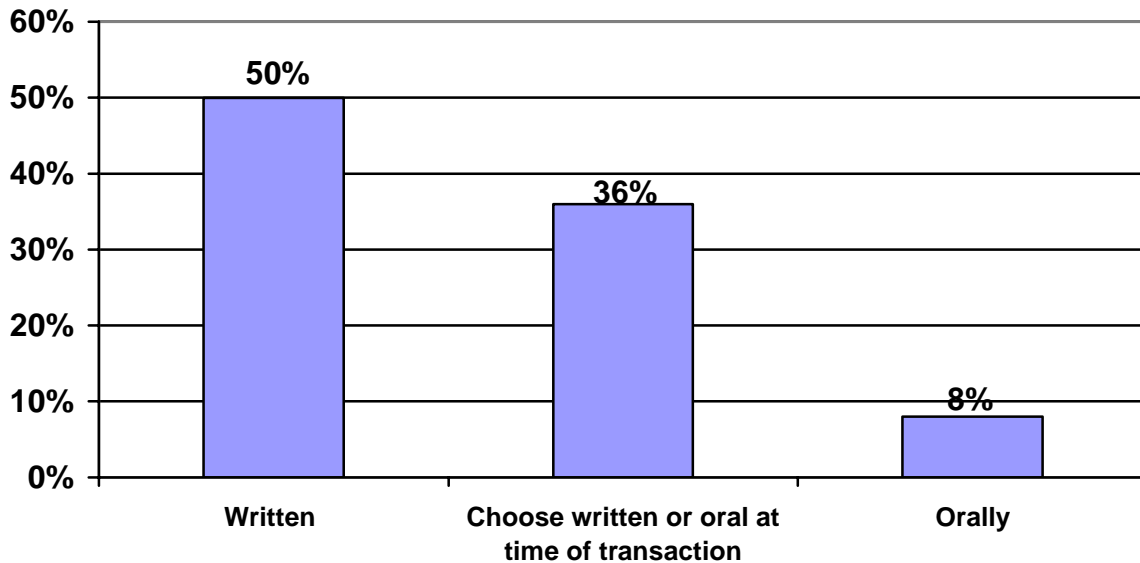
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
46%	45%	58%	48%	50%	52%	52%	40%	58%	40%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
43%	59%	32%	55%

Questions 20B. Would you prefer to receive the information found in this form (point-of-sale disclosure) orally, receive it in written form, or be given the choice at the time of a transaction?

Half of all respondents (50%) reported they would prefer to receive the information found in this form (Point of Sale Form for Class “A” Shares) in written form. More than one-third of respondents (36%) would like to have the option to choose to receive the information orally or in written form at the time of the transaction. Eight percent of respondents would prefer to receive the information found in the Point of Sale Form for Class “A” Shares orally.

Figure 13
Questions 20B. Would you prefer to receive the information found in this form (the Point of Sale disclosure form) orally, receive it in written form, or be given the choice at the time of a transaction? (n = 1,011)

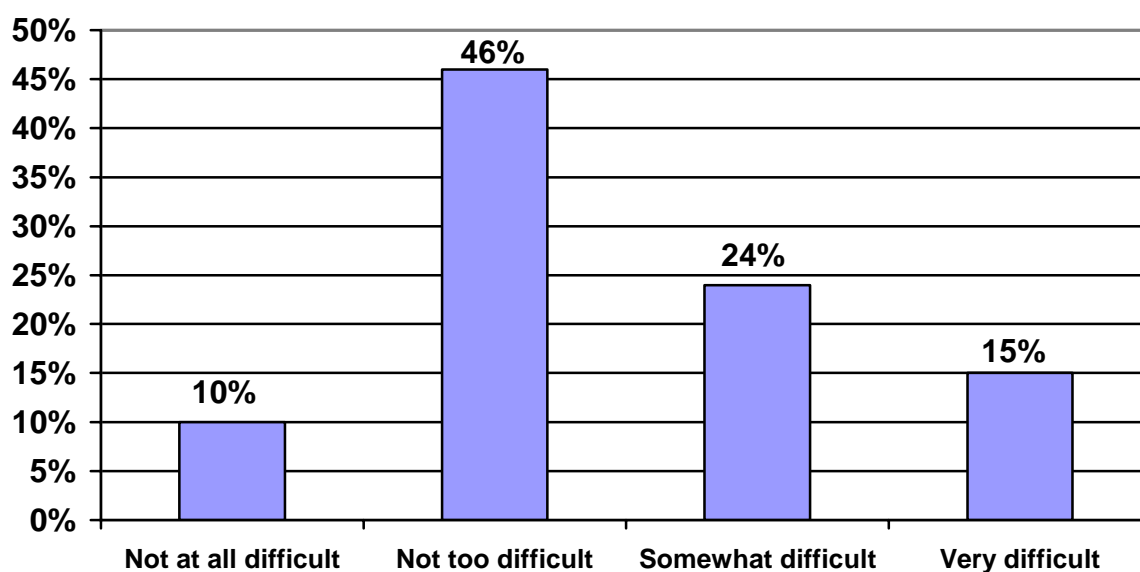


Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Question 20B_3. Overall, how difficult was it for you to find the information in the Point of Sale Form? (n = 1,011)

When considering the entire Point of Sale Form for Class “A” Shares, nearly 6 in 10 respondents (57%) reported that the form was *not too difficult* (46%) or *not at all difficult* (10%). Approximately one-quarter of all respondents (24%) reported that the Point of Sale Form for Class “A” Shares was *somewhat difficult* to understand, and 15% reported it was *very difficult* to understand.

Figure 13a.
Question 20B_3. Overall, how difficult was it for you to find the information in the Point of Sale Form? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 21

Question 20B_3: “Very Difficult” or “Somewhat Difficult” Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
35%	43%	49%	39%	46%	44%	47%	29%	50%	32%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
36%	49%	32%	44%

Question 20C. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.

Respondents were offered the opportunity to give their impressions and suggestions regarding the Point of Sale Form for Class “A” shares. There was a general and consistent suggestion for the form itself and the language within to be simplified. “Use plain English” was a suggestion made frequently. Respondents also requested more information about the differences between classes of shares. For example, what makes mutual fund class “A” shares different from mutual fund class “B” shares. Respondents were not clear about which fees they would have to pay and which fees the broker, brokerage firm, or the fund would have to pay. It was suggested by several respondents that charts and tables be used to simplify the calculation of costs and fees incurred by the investor. Respondents suggested that numeric examples could be given to illustrate the various costs associated with the purchase of mutual fund shares.

It was suggested that a more in-depth clarification of financial terms be provided, such as *front-end load*, *back-end load*, *conflict of interest*, and *proprietary*. Some respondents suggested that a glossary would be helpful. Others suggested that the definitions of financial terms be placed next to the term or on the same page as the term appears.

There was also a concern that the Point of Sale Form be easier to read. One comment made frequently was that the font size of the text is too small. Larger font size was suggested often. One suggestion that was not made often was to add a 1-800 phone number to call for assistance.

**The Proposed Confirmation Form
for Class “A” Shares**

Proposed Confirmation Form for Class “A” Shares Viewed by Respondents (Page 1 of 2)

Attachment 1 - Confirmation example for hypothetical class A share purchase

Acme Clearing, Inc.			
Fees and Payments Associated with Your Investment			
A. General information			
Customer:	John Doe	Symbol:	
Account Number:	1234-5678	CUSIP number:	
Date of transaction:	1/1/05	Type of security:	Mutual fund
Type of transaction:	You bought	Net Asset Value (NAV):	\$18.17
No. shares bought/sold:	422.610	Price (NAV plus load):	\$18.93
Security issuer:	BBB Equity Fund	Amount paid/received:	\$8,000.00
Class (if applicable):	A	Amount of your investment/sale:	\$7,678.82
Commission/other compensation:	\$0.00	<i>Note: even if there is no commission or other charge, you may be paying for distribution through loads or asset-based fees, as described below.</i>	
Other charges:	\$0.00		
B. What you pay (directly and indirectly) for purchases			
Front-end sales load	\$321.18	<i>which is equivalent to 4.18% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Back-end sales load	NA		
Estimated first-year asset-based sales charges	NA		
Estimated first-year asset-based service fees	\$19.20	<i>which is equivalent to 0.25% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
C. Amounts that your broker, AAA Introducing, Inc., will receive from the fund or its affiliates			
Sales fee AAA Introducing received for your purchase:	\$300.00	<i>which is equivalent to 3.91% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Revenue sharing AAA Introducing may receive in connection with your purchase:	\$30.72	<i>which is equivalent to 0.40% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Portfolio brokerage commissions AAA Introducing may receive in connection with your purchase:	\$15.36	<i>which is equivalent to 0.20% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Additional disclosures:			
D. Payment of special compensation to personnel of your broker, AAA Introducing, Inc.			
If you bought a security of a fund affiliated with AAA Introducing: Does AAA Introducing pay its personnel more to sell securities of affiliated funds?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	NA <input type="checkbox"/>
If you bought a share class with a back-end sales load: Does AAA Introducing pay its personnel more to sell this class than to sell front-end sales load share classes of the same fund?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
E. Breakpoint discount information			
<p>Many mutual fund companies offer sales load discounts to customers that have invested over a certain dollar amount. These discounts may be calculated based on your current purchase or on your aggregate holdings, and may also include the holdings of your family or household members. To ensure that you are obtaining all available discounts, you should talk with your broker or financial advisor, or check the fund's prospectus or website. According to the fund's prospectus, the amount you invested (together with any holdings of which we are aware) entitles you to a sales load of 4.17%. You were charged a sales load of 4.18%, which may vary from the sales load disclosed in the prospectus due to rounding to the nearest penny in the transaction.</p>			

Proposed Confirmation Form for Mutual Fund Class “A” Shares Viewed by Respondents (Page 2 of 2)

F. Explanations and definitions

- Net asset value (NAV) - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- Price and NAV - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- Amount of your investment - When you buy a share class that has a front-end sales load, the “net amount invested” equals what you paid for the shares minus the sales load. That is the value of the shares.
- Dollar and percentage values - This document provides information about what you pay and what your broker-dealer will receive. Some of that information is set forth in dollar amounts and as percentages of “your investment.” In general, those percentages are based on the net amount of your investment (which is the current value of the shares you are purchasing). Information about back-end sales loads and first year sales charges and service fees may be based on the value of your investment at some point in the future.
- Timing of sales loads - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If these shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- Asset-based fees - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that otherwise would be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often will have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- Disclosure of revenue sharing and portfolio brokerage commissions - This document provides information about revenue sharing that the broker-dealer has received from affiliates of the fund, and portfolio brokerage commissions that the broker-dealer has received from the fund or its affiliates. Those amounts are stated as a percentage of the broker-dealer's sales on behalf of the fund complex - consisting of the fund or its affiliates - over a recent 12 month period. For example, if a broker-dealer received \$1 million in revenue sharing from a fund complex over that period, and the broker-dealer sold \$50 million worth of shares for the fund complex over that period, then revenue sharing represents 2 percent of total sales. Based on that percentage, this confirmation also states the amount of that compensation that may be associated with this transaction. These are estimates only, and your broker-dealer can provide you with more specific information.
- What is revenue sharing? - Revenue sharing occurs when the investment adviser to the fund, or another affiliate of the fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments - regardless if they are labeled as reimbursements - may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- What are portfolio brokerage commissions? - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- Special compensation for proprietary sales - This document states whether your broker-dealer pays its salespersons or other associated persons a higher compensation rate for selling securities of affiliated funds (proprietary sales) than the rate that the broker-dealer pays for selling securities of non-affiliated funds. In some cases, a broker-dealer pays its personnel a higher percentage of the broker-dealer's own compensation for the sale of securities of affiliated funds than it pays for the sale of securities of non-affiliated funds. This may give your broker a greater incentive to sell the shares of affiliated funds than non-affiliated funds.
- Special compensation for shares with a back-end sales load - This document states whether your broker-dealer pays its salespersons or other associated persons higher compensation, in actual dollars, for selling a security with a back-end sales load than your broker-dealer pays its personnel for the sale of the same dollar amount of shares in a share class with a front-end sales load. Some share classes without front-end sales loads (such as class B shares) may require you to pay higher asset-based fees than share classes with front-end sales loads (typically class A shares). Broker-dealer personnel may earn more when they sell classes with a back-end sales load, and therefore your broker may have a greater incentive to sell shares with a back-end sales load.
- Comparison ranges - The “comparison ranges” provide additional information about your purchase. These are expressed as a percentage of NAV. In the case of sales loads, asset-based fees and sales fees received by the broker-dealer, those comparison ranges represent the range of charges and fees associated with 95 percent of comparable securities. For example, a comparison range of “0-4%” means that 95 percent of comparable securities would charge between zero and 4 percent of NAV for a sale of that size. In the case of revenue sharing and portfolio brokerage commissions earned by the broker-dealer, the comparison range represents the range associated with the activity of 95 percent of other firms that distribute comparable securities.

FINDINGS

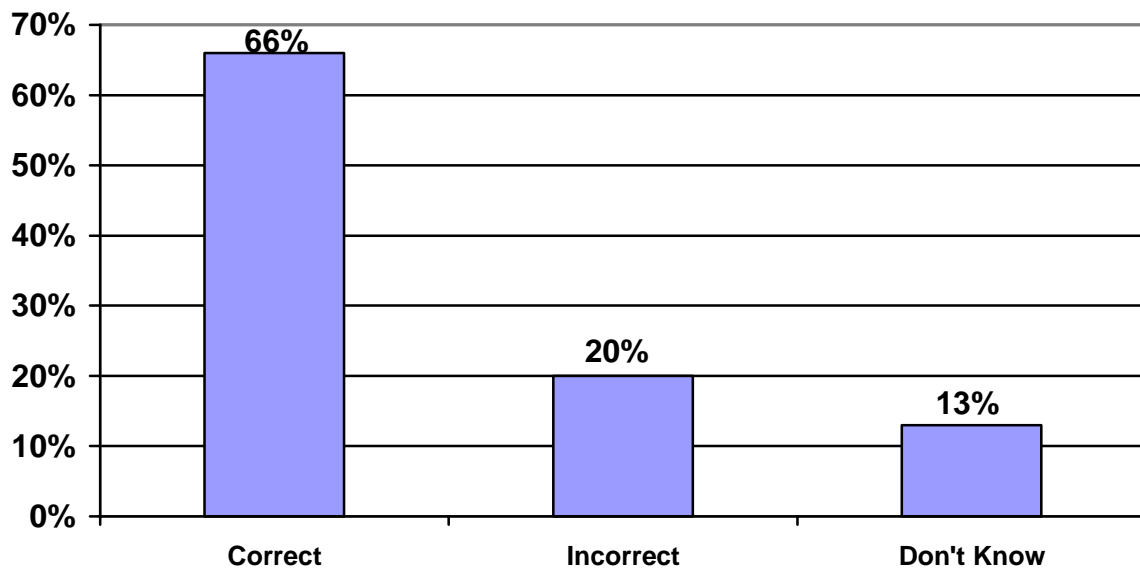
Share Information

Once respondents had completed a questionnaire evaluating the Point of Sale Form for Class “A” Shares, they were then asked to answer questions evaluating the Confirmation Form for Class “A” Shares. Only respondents who had answered questions concerning the Point of Sale Form for Class “A” Shares were allowed to answer questions about the Confirmation Form for Class “A” Shares. The first set of questions on the Confirmation Form for Class “A” Shares asked about the price of the share listed on the form and the amount of money invested.

Question 21. *What is the total price of each share?*

Respondents were asked to identify the total price of each share listed on the Confirmation Form. Two-thirds of respondents (66%) were able to locate the correct total price of each share [**\$18.93**]. Approximately one-fifth (20%) reported an incorrect dollar amount, and 13% did not know the answer.

Figure 14
Question 21. *What is the total price of each share?* (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 22

Question 21: Correct Response by Demographic Differences (n = 1,011)

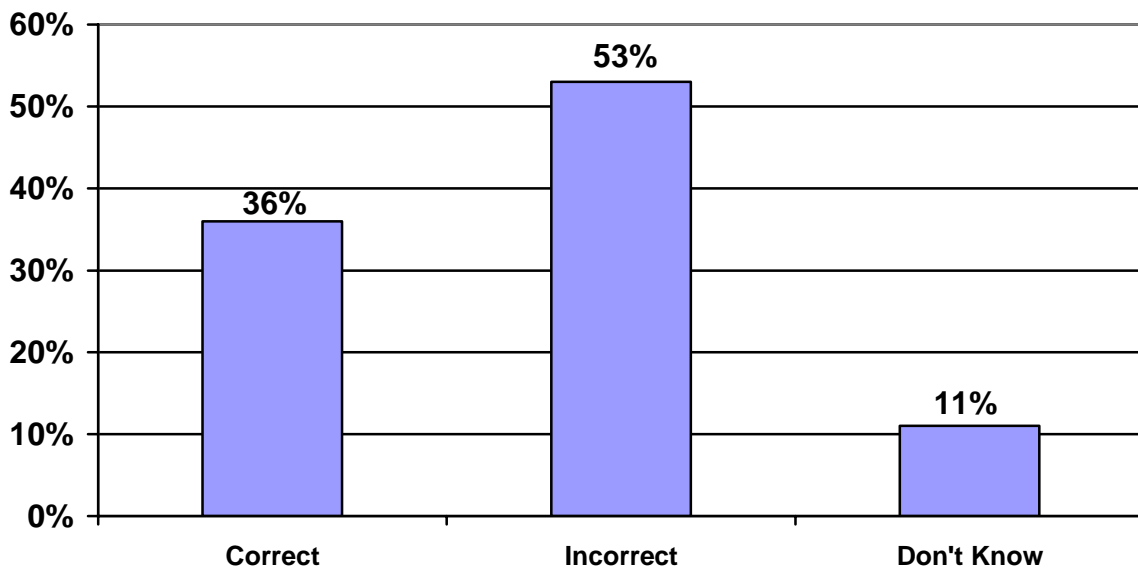
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
75%	71%	61%	73%	63%	61%	81%	80%	60%	80%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
80%	54%	85%	65%

Question 22. How much money was invested?

A total of 36% of respondents were able to locate the correct amount of money reported to be invested on the mock Confirmation Form for Class “A” Shares [\$7682.00]. More than half of all respondents (53%) were not able to locate on the Confirmation Form for Class “A” Shares the correct amount of money invested or were otherwise unable to report it. Another 11% of respondents did not know the amount of money invested.

Figure 15
Question 22. How much money was invested? (n =1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 23
Question 22: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
45%	37%	26%	40%	34%	32%	39%	52%	29%	47%

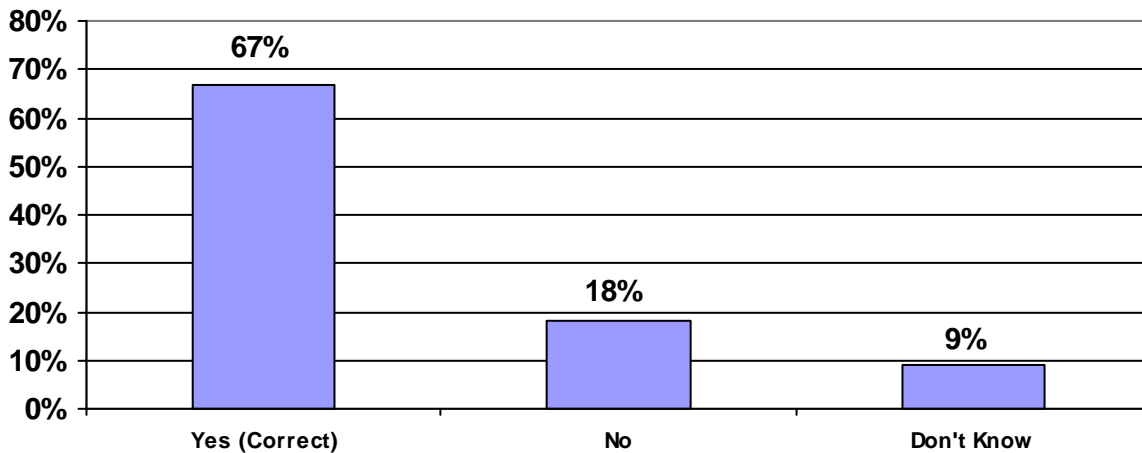
Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
44%	29%	46%	36%

Question 23. Are fund affiliates sharing revenue with the broker in connection with your purchase?

On the previous questionnaire evaluating the Point of Sale Form for Class “A” Shares, the term *revenue sharing* was raised. (Basically, revenue sharing occurs when brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds.) In this particular questionnaire (Confirmation Form for Class “A” Shares), the question of revenue sharing was asked more overtly.

When asked if fund affiliates were sharing revenue with the broker in connection with the mock purchase of Class “A” shares listed on the Confirmation Form for Class “A” Shares, more than 6 in 10 respondents (67%) reported correctly that fund affiliates were sharing revenue with the broker in connection with the purchase presented on the Confirmation Form. A total of 27% of respondents reported incorrectly that fund affiliates were not sharing revenue with the broker in connection with the purchase (18%) or did not know (9%).

Figure 16
Question 23. Are fund affiliates sharing revenue with the broker in connection with your purchase? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 24
Question 23: Correct Response by Demographic Differences (n = 1,011)

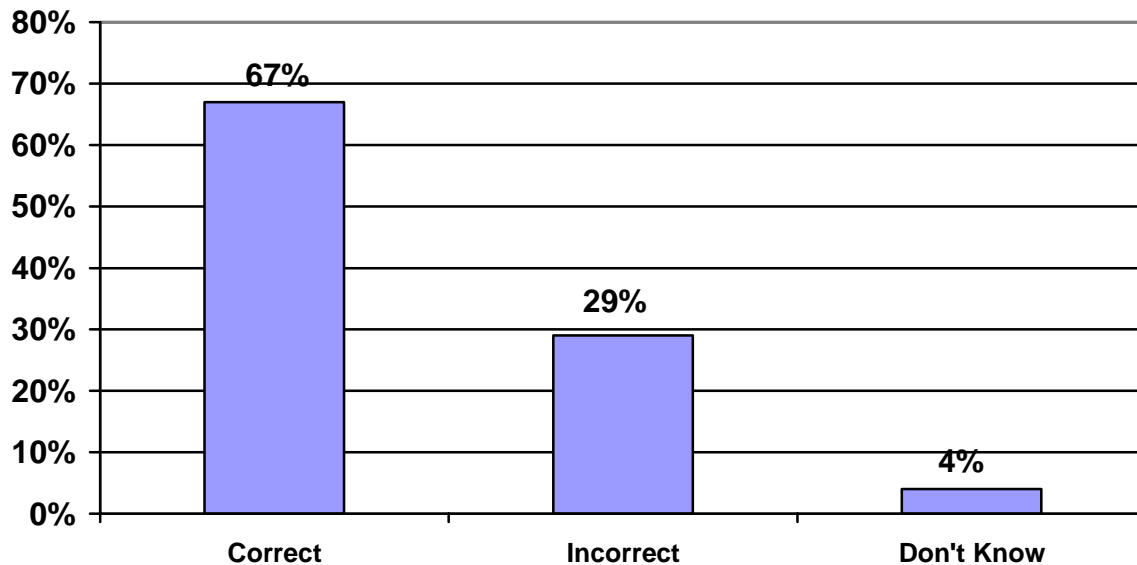
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
72%	75%	63%	73%	64%	66%	75%	76%	66%	75%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
77%	61%	80%	67%

Question 23A. How much revenue is being shared?

Slightly more than two-thirds of respondents (67%) were able to locate the correct amount of revenue being shared [**\$30.72**]. The other one-third of respondents (33%) reported an incorrect amount (29%) or simply did not know the amount of revenue being shared (4%).

Figure 17
Question 23A. How much revenue is being shared? (n = 692)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 25**Question 23A: Correct Response by Demographic Differences (n = 692)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
73%	68%	57%	69%	66%	61%	71%	77%	59%	75%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
72%	60%	73%	66%

Question 24. Does the broker receive portfolio brokerage commissions from the fund or its affiliates?

The mock Confirmation Form for Class “A” Shares lists portfolio brokerage commissions received from the fund or its affiliates. Almost 7 in 10 respondents (68%) correctly reported that the broker does receive portfolio brokerage commissions from the fund or its affiliates. A total of 17% of respondents reported incorrectly that this information was not listed on the Confirmation Form for Class “A” Shares, and 9% did not know.

Table 26**Question 24: Correct Response by Demographic Differences (n = 1,011)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
73%	75%	66%	74%	66%	65%	80%	81%	65%	79%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
81%	58%	85%	68%

Question 25. How much will the broker receive in portfolio brokerage commissions for this purchase of shares?

Of the respondents who reported correctly that the Confirmation Form for Class “A” Shares listed portfolio brokerage commissions that the broker would receive from the fund or its affiliates, 70% were able to locate and report the correct amount of the portfolio brokerage commissions. Almost 3 in 10 respondents were unable to correctly locate and report the correct amount of the portfolio brokerage commissions listed on the Confirmation Form for Class “A” Shares, and 2% reported that they did not know.

Table 27
Question 25: Correct Response by Demographic Differences (n = 703)

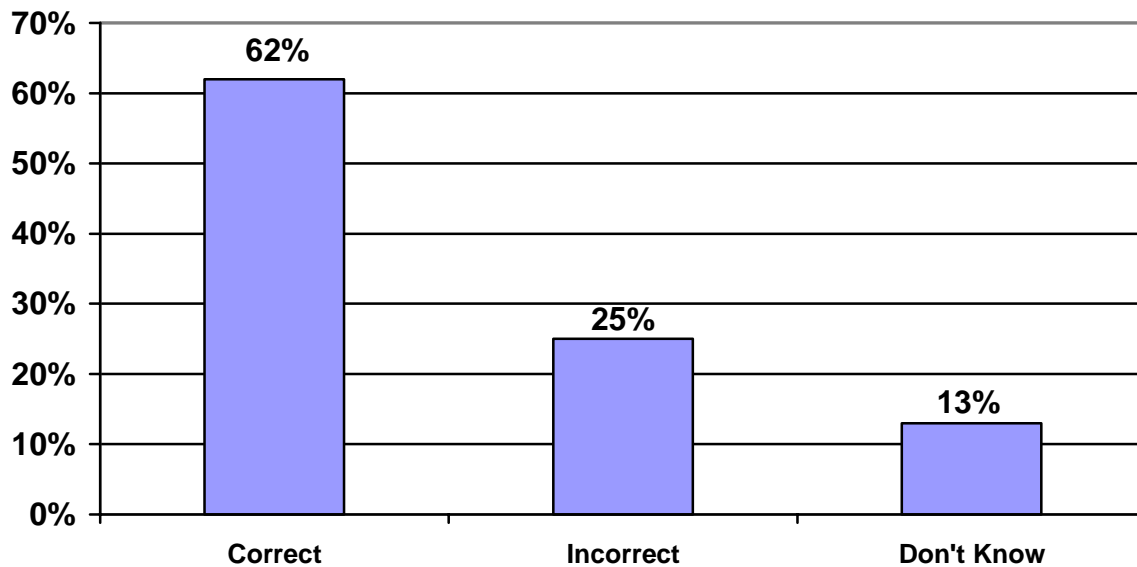
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
81%	63%	62%	72%	71%	67%	71%	77%	61%	79%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
74%	65%	73%	70%

Question 26A. What is the maximum amount charged for the front-end sales load?

One of the primary differences between mutual fund “A” shares and “B” shares is that “A” shares generally have a front-load charge and B shares have a back-load charge. Since this particular form is used for the confirmation of purchase of “A” shares, a front-end sales load was listed on the Confirmation Form for Class “A” Shares. Slightly more than 6 in 10 respondents (62%) reported the correct amount of the front-end sales load listed on the Confirmation Form for Class “A” Shares [\$321.18]. One-quarter of respondents (25%) incorrectly reported the amount of the front-end sales load, and 13% indicated that they did not know.

Figure 18
Question 26A. What is the maximum amount charged for the front-end sales load? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 28
Question 26A: Correct Response by Demographic Differences (n = 1,011)

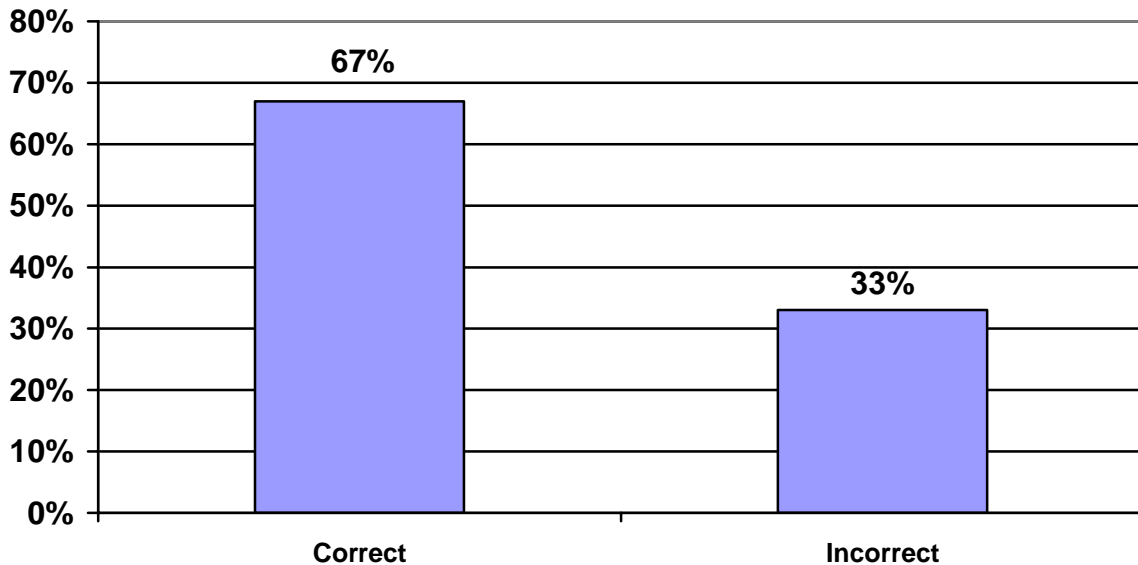
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
74%	65%	55%	67%	67%	61%	70%	77%	60%	74%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
72%	58%	75%	64%

Question 27. How many shares were purchased?

A total of **422,610** mutual fund “A” shares were listed as purchased on the Confirmation Form for Class “A” Shares. Respondents were asked to report how many shares were purchased. Approximately two-thirds of respondents (67%) reported the correct number of mutual fund shares shown as purchased on the Confirmation Form for Class “A” Shares. One-third of respondents (33%) were unable to locate or correctly report the amount of shares purchased on the mock Confirmation Form.

Figure 19
Question 27. How many shares were purchased? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 29
Question 27: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
84%	85%	84%	86%	79%	78%	89%	91%	79%	89%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
90%	74%	89%	82%

Question 28. What is the name of the fund from which the shares were purchased?

A mock name of a mutual fund appears on the Confirmation Form for Class “A” Shares [**BBB Equity Fund**]. One-quarter of all respondents reported the correct name of the mutual fund that appears on the Confirmation Form for Class “A” Shares. A total of 36% of respondents reported an incorrect mutual fund name for the mutual fund shares listed as purchased on the form, 9% reported that they did not know, and 28% gave no answer.

Table 30
Responses Given for Fund Name (n = 1,011)

Responses	%
Correct (BBB Equity Fund)	25%
Incorrect (ACME)	16%
Incorrect (AAA)	11%
Incorrect (Other)	9%
Don't Know	9%
No Answer	28%

Table 31
Question 28: Correct Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
27%	27%	21%	28%	17%	19%	33%	34%	17%	34%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
33%	14%	41%	20%

Form Rating

Question 29A_1. *Please rank each section according to how important the information found in that section is to you. From the sections listed below, please select the section you believe to be the most important*

The section labels of the Confirmation Form for Class “A” Shares listed below identify the sections of the form located on the first page. Respondents were asked to select the section of the form they believe is most important.

Sections of the Confirmation Form for Class “A” Shares

- A. General information
- B. What you pay (directly and indirectly) for purchases
- C. Amounts that your broker will receive from the fund or its affiliates
- D. Payment of special compensation to personnel of your broker
- E. Breakpoint discount information

More than half of respondents (57%) reported section “A” (*General information*) as the most important section on the Confirmation Form for Class “A” Shares. Twelve percent of respondents selected section “B” (*What you pay [directly and indirectly] for purchases*) as the most important section, and less than 1 in 10 respondents (8%) selected section “C” (*Amounts that your broker will receive from the fund or its affiliates*). A lesser percentage of respondents selected sections “D” (*Payment of special compensation to personnel of your broker*) (3%) or “E” (*Breakpoint discount information*) (4%)

Question 30. *How helpful were the explanations and definitions in helping you understand the form?*

Similar to the Point of Sale Form for Class “A” Shares, the Confirmation Form for Class “A” Shares also included a list of explanations and definitions found on Page 2 of the form. When asked how helpful the explanations and definitions were in helping respondents understand the Confirmation Form for Class “A” Shares, 67% reported the form was *somewhat helpful* (45%) or *very helpful* (22%). An almost equal percentage of respondents reported the explanations and definitions found on Page 2 of the Confirmation Form for Class “A” Shares were *not at all helpful* (14%) or *not too helpful* (13%).

Table 32
Question 30: “Very Helpful” or “Somewhat Helpful” Response (n = 1,011)
by Demographic Differences

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
57%	71%	61%	72%	68%	66%	73%	80%	64%	78%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
77%	62%	81%	68%

Question 30B. *Do you think more terms or definitions should be added to the second page of this form labeled “Explanation and Definitions”?*

A majority of respondents—slightly more than 7 in 10 (72%) did not think that more terms or definitions should be added to the second page of the Confirmation Form for Class “A” Shares. Eighteen percent of respondents reported *Yes*, more terms or definitions should be added to the second page of the Confirmation Form for Class “A” Shares.

Table 33
Question 30B: “Yes” Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
20%	19%	21%	19%	23%	23%	16%	17%	22%	18%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
19%	22%	16%	22%

Question 30_1. Which terms/definitions would you add?

Many of the financial terms found on the Point of Sale Form for Class “A” shares are also found on the Confirmation Form for Class “A” shares. Hence, respondents’ suggestions for terms to be added to the *Explanations and Definitions* section of the Confirmation Form were very similar. Respondents continued to request more in-depth definitions of all of the financial terms.

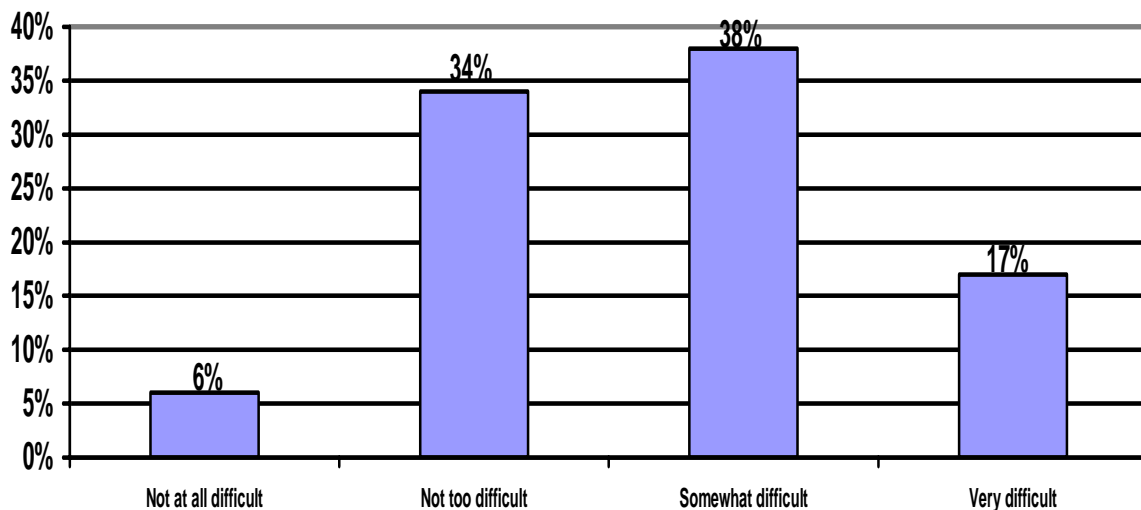
Two terms that respondents requested be added to the Confirmation Form for Class “A” shares that were not mentioned earlier by respondents are as follows:

- Affiliated funds
- Non-Affiliated funds

Question 30_2. Overall, how difficult are the explanations of the terms to understand?

More than half of all respondents (55%) reported they had some difficulty understanding the explanations of the terms. Almost 4 in 10 respondents (38%) reported that the explanations of the terms were *somewhat difficult* to understand, and 17% reported they were *very difficult* to understand. Approximately one-third of respondents (34%) reported that the explanations were *not too difficult*, and 6% reported they were *not at all difficult* to understand.

Figure 20
Question 30_2. Overall, how difficult are the explanations of the terms to understand?(n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 34

**Question 30_2: “Very Difficult” or “Somewhat Difficult” Response
by Demographic Differences (n = 1,011)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
53%	62%	60%	57%	58%	63%	54%	50%	65%	50%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
53%	65%	38%	61%

Important Information Needed

Question 30_3. In order of importance, what 4 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?

Question 30_3 is similar to Question 2 (which asks about the 3 pieces of information respondents would need to know before they could make a decision to purchase shares in a mutual fund). However, by the time respondents had read Question 30_3, they had had an opportunity, simply by reviewing both the Point of Sale Form for Class “A” Shares and the Confirmation Form for Class “A” Shares, to get better acquainted with some investment terminology, practices, and concepts. Still, the responses offered for the most important pieces of information changed little.

The pieces of information respondents reported most often as being most important are presented here. A majority of respondents (29%) reported that *price* was the most important piece of information they needed to know before making such a decision. Other responses were far less frequently mentioned. Less than 1 in 10 respondents (7%) reported that *performance* was the most important piece of information, followed by *front-end fees* (5%). Other responses included *features* (4%), *company* (4%), *returns* (3%), and *safety* (2%).

While *front-end fee* was not reported as frequently as *price*, the frequency with which front-end fee was mentioned increased substantially between Question 2 and Question 30_3. The same is true of the term *back-end fees*. *Back-end fees* were marginally mentioned when respondents answered Question 2. Yet it too was mentioned more frequently as a response to Question 30_3. Below a table lists the percentage of respondents for Question 2 and Question 30_3 who reported various pieces of information as the most important they needed to know before making a decision to purchase shares in a mutual fund (See Table 36 below). Notice the change in frequency of responses.

Table 35

Comparison of Responses to Question 2 and Question 30_3 Concerning Information Respondents Considered Most Important in Buying Shares of a Mutual Fund

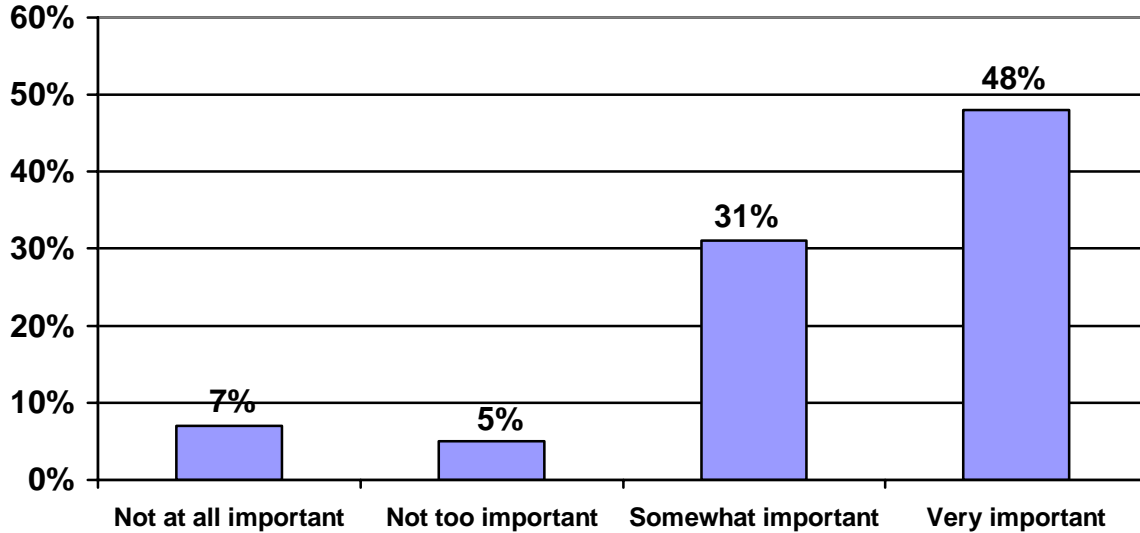
Most important piece of information	Question 2 response %	Question 30_3 response %
Price	19%	29%
Returns	14%	7%
Performance	12%	7%
Company	6%	4%
Safety	6%	2%
Fund Image	4%	0
Features	4%	4%
Front-End Fees	0.3%	5%
Back-End Fees	0	1%

Question 31. How important is it for you to know that a broker will be paid more depending on which fund he/she sells you?

Respondents seemed to be concerned that a broker may be paid more depending on which fund he or she were to sell them. Approximately 8 in 10 respondents (79%) reported that it was *very important* (48%) or *somewhat important* (31%) to know that a broker may be paid more depending on which fund he/she were to sell to them. Seven percent of respondents reported that it was *not at all important*, and 5% reported it was *not too important*.

Figure 21

Question 31. How important is it for you to know that a broker will be paid more depending on which fund he/she sells you? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 36

Question 31. “Very Important” or “Somewhat Important” Response by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
89%	86%	83%	88%	82%	84%	87%	92%	82%	91%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
91%	79%	92%	85%

Question 31A. Would you change your mind about purchasing mutual fund shares if you knew that a broker may be paid more for selling you those shares?

A majority of respondents reported they would change their mind about purchasing mutual fund shares if they knew that a broker may be paid more for selling those shares.

A total of 62% of respondents reported that they would change their mind; 28% reported that knowing this information would not change their mind about the purchase.

Table 37**Question 31A: “Yes” Responses by Demographic Differences (n = 1,011)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
71%	68%	68%	71%	64%	69%	67%	72%	68%	71%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
71%	67%	69%	70%

Question 31B. Would you ask more questions of your broker if you knew that he/she may be paid more for selling you those shares?

While 62% of respondents reported they would change their mind about purchasing mutual fund shares if they knew that a broker may be paid more for selling those shares, a greater percentage of respondents (82%) admitted they would ask more questions if they knew the broker might receive more money for selling those mutual fund shares. Ten percent of respondents reported they would not ask more questions.

Table 38**Question 31B: “Yes” Responses by Demographic Differences (n = 1,011)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
89%	89%	92%	90%	86%	86%	92%	94%	88%	91%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
93%	83%	94%	88%

**Question 31C. What does it mean when a broker faces a conflict of interest?
(Check all that apply)**

Respondents were asked to select a response that best explained how they might be affected if their broker were faced with a conflict of interest. Below is a list of responses and the percentage of respondents who selected that particular response. Respondents were instructed to select all of the responses they deemed appropriate.

- a) Your broker may recommend to you one fund over another because the broker receives more money for your investment in that fund. **(64%)**

 - b) Your broker may have an incentive to limit the range of mutual fund choices presented to you. **(30%)**

 - c) You may purchase a different mutual fund than you would have purchased in the absence of the conflict. **(23%)**

 - d.) None of the above **(10%)**
-

Question 31D. What do you think such a conflict would mean for the cost of the transaction that you made?

Respondents were further asked how a conflict of interest might affect the transaction or purchase of mutual fund shares presented in the Confirmation Form for Class “A” Shares.

Almost 7 in 10 respondents (69%) reported that the cost for the transaction would likely increase. Fifteen percent of respondents reported they would not be affected by the conflict of interest, and 4% reported that the cost of the transaction would likely decrease. Below is a list of responses and the percentage of respondents who selected that particular response. Respondents were instructed to select all of the responses they deemed appropriate.

Responses

- a.) The cost to you would not be affected **(15%)**

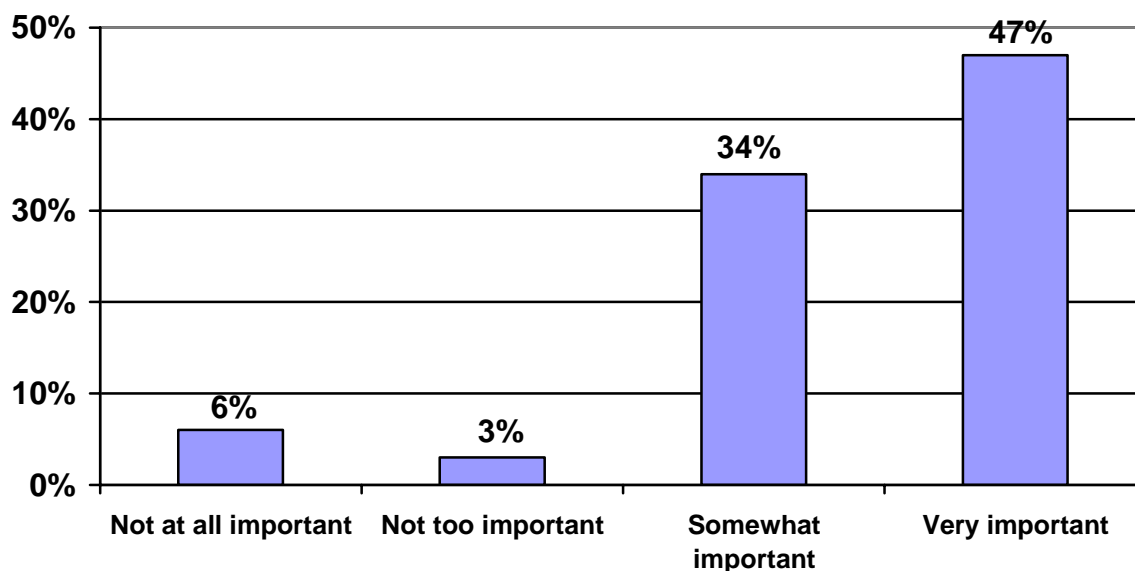
- b.) The cost to you would likely increase **(69%)**

- c.) The cost to you would likely decrease **(4%)**

Question 32. How important is it to know that a broker may receive more compensation (money) if the broker sells you shares of a fund that includes a back-end sales load?

Most respondents reported it was important to know that a broker may receive more compensation if he or she sells them shares of a fund that includes a back-end sales load. A total of 81% of respondents reported that it was *very important* (47%) or *somewhat important* (34%) to know that a broker may receive more compensation if he or she sells shares of a fund that includes a back-end sales load. A lower percentage of respondents reported that it was *not all important* (6%) or *not too important* (3%).

Figure 22
Question 32. How important is it to know that a broker may receive more compensation (money) if he or she sells you shares of a fund that includes a back-end sales load? (n = 1,011)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 39
Question 32: “Very Important” or “Somewhat Important” Responses by
Demographic Differences (n = 1,011)

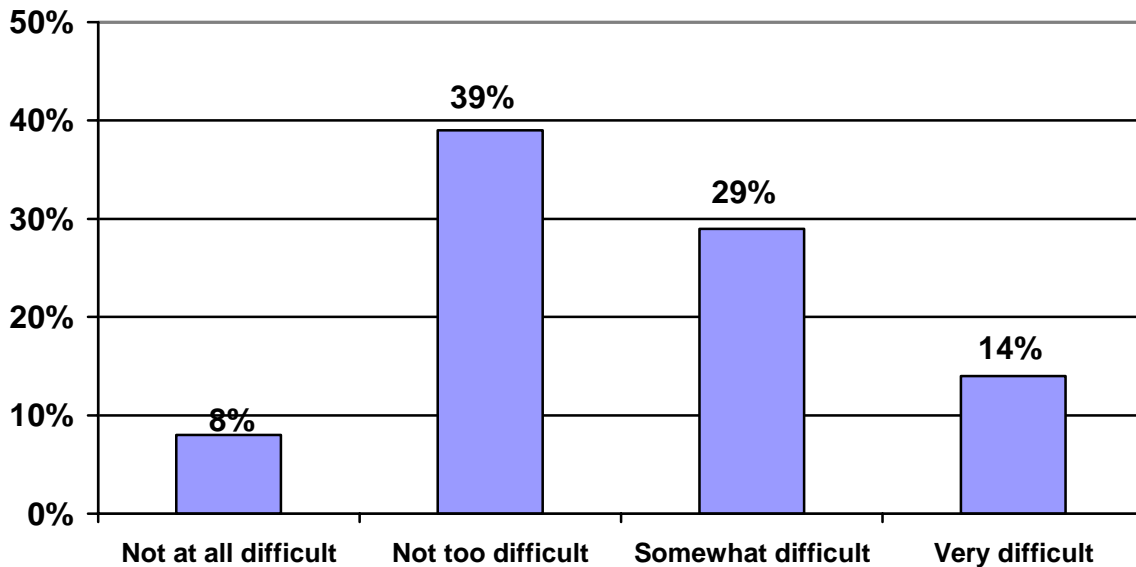
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
90%	90%	93%	92%	86%	88%	94%	93%	89%	92%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
95%	83%	95%	89%

Question 32A. Overall, how difficult was it for you to find the information in the Confirmation Form?

A total of 47% of respondents reported little difficulty finding information in the Confirmation Form for Class “A” Shares. Almost 4 in 10 respondents (39%) reported that it was *not too difficult* to find information on the form, and 8% reported it was *not at all difficult*. A similar percentage of respondents 3% reported they had some difficulty finding information in the Confirmation Form for Class “A” Shares. Twenty-nine percent of respondents reported it was *somewhat difficult*, and 14% reported it was *very difficult* to find information in the form.

Figure 23
Question 32A. Overall, how difficult was it for you to find
the information in the Confirmation Form? (n = 1,011)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 40
Question 32A. “Very Difficult” or “Somewhat Difficult” Responses
by Demographic Differences (n = 1,011)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
42%	52%	55%	46%	52%	53%	48%	37%	60%	36%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
48%	56%	38%	51%

Question 33. *Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.*

Many of the comments and suggestions respondents offered for the Point of Sale for Class “A” Shares were very similar to the comments and suggestions made here for the Confirmation Form for Class “A” Shares. Respondents continued to suggest that simple language be used and that the “legalese” be deleted. It was also suggested that too much information was grouped into too little space. Respondents wanted to see more space between sections to demarcate fees and charges they would pay for the sale or purchase of mutual fund shares and those fees paid to the broker or brokerage firm for the transaction. One respondent suggested color-coding sections of the form to differentiate fees and costs to the investor and other involved parties.

Respondents wanted to know what fees they may incur regarding the transaction (i.e., sale or purchase of mutual funds). They suggested that these fees be made clear and concise and in plain English. The phrase “laymen’s terms” was used often to describe how respondents wanted the disclosure forms to read.

Respondents also suggested using examples to illustrate who pays what to whom for the transaction. One respondent suggested that all costs and fees associated with the sale or purchase of mutual fund shares be set up like a math problem. This suggestion is similar to suggestions made by many respondents. Very simply, respondents wanted to know the total of all the costs and fees associated with the transaction.

Findings for Proposed Disclosure Forms for Class “B” Shares

Definition of Class “B” Shares: Class B shares might not have any front-end sales load but might have a *contingent deferred sales load* (CDSL; a type of fee that investors pay only when they redeem fund shares, and that typically decreases to zero if the investors hold their shares long enough) and a *12b-1 fee* (an annual fee paid by the fund for distribution and/or shareholder services). Class B shares also might convert automatically to a class of shares with a lower 12b-1 fee if held by investors long enough.

Demographic Characteristics of Respondents Who Reviewed the Proposed Disclosure Forms for Class “B” Shares

A majority of the respondents (54%) were female and 46% were male. A total of 62% were married; almost 4 in 10 (37%) were single: never married, 12%; divorced, 14%; widowed, 8%; or separated, 3%. Approximately, three-quarters (76%) of respondents were White, 11% were Black/African American, another 9% were Hispanic, and 4% were categorized as “Other” race.

Slightly less than half of respondents (43%) were ages 35-49, slightly more than one-third (34%) were ages 50-64, and just under one-quarter (23%) were 65 or older. There was almost an even split between respondents who had some college or more (51%) and those who had a high school diploma or less (50%). Forty-eight percent of respondents worked full-time, 9% worked part-time, and another 46% were not working. Of these, 26% were retired and 20% were unemployed, temporarily laid-off, or looking for work. None of the respondents were “homemakers.” Slightly more than half of all respondents (51%) had a household income of less than \$40,000, less than one-quarter (24%) had a household income between \$40,000 and \$60,000, and approximately one-quarter (26%) had a household income of \$60,000 or greater.

Table 41
Demographic Characteristics of the Respondents Who Reviewed the Proposed Disclosure Forms for Class “B” Shares (n = 1,023)

Marital Status		Employment Status	
Single	12%	Retired	23%
Currently Married	62%	Employed	56%
Divorced/Widowed/Separated	25%	Unemployed	20%
Refused	---		
Age		Education Level	
35-49	43%	Some High School or Less	16%
50-64	34%	High School	34%
65+	23%	Some College	25%
		College Graduate or Higher	26%
Gender		Annual Household Income	
Male	46%	Under \$20,000	23%
Female	54%	\$20,000 - \$39,999	28%
Race/ Ethnicity		\$40,000 – \$59,999	24%
White	76%	\$60,000 - <\$75,000	9%
Black	11%	\$75,000- <\$85,000	5%
Hispanic	9%	\$85,000+	12%
Some Other Race	4%		

Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

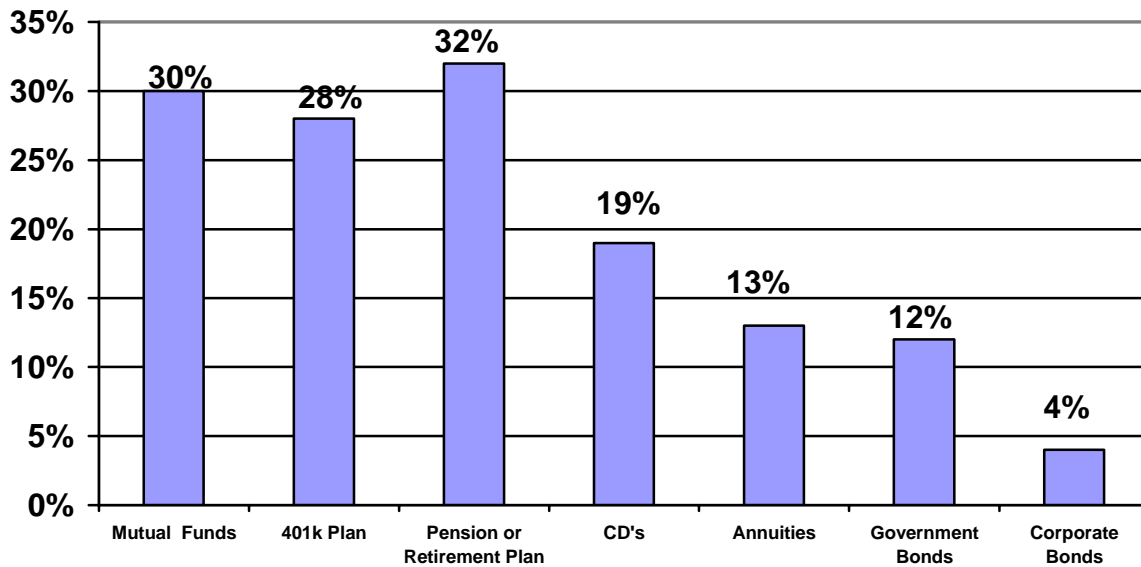
Investment Knowledge and Experience

Before respondents were allowed to review completed examples of the SEC’s mutual fund disclosure forms, they were asked a series of questions intended to gauge their knowledge of and experience with a variety of investment vehicles. Respondents were asked about the types of investment shares they owned and about their levels of confidence and knowledge concerning investment decisions. Additionally, a few questions were asked specifically about investment and finance terms.

Question 1. Do you own any of the following?

Approximately 63% of all respondents owned some form of investment in securities; 37% reported not owning any. Almost half of all respondents (46%) who owned any financial investments owned mutual funds. Almost one-third of the respondents (32%) were invested in a pension or retirement plan. Nearly one-fifth owned certificates of deposit (CDs; 19%). A lower percentage of respondents owned annuities (15%) or bonds--either government bonds (11%) or corporate bonds (4%).

Figure 24
Question 1. Do you own any of the following? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

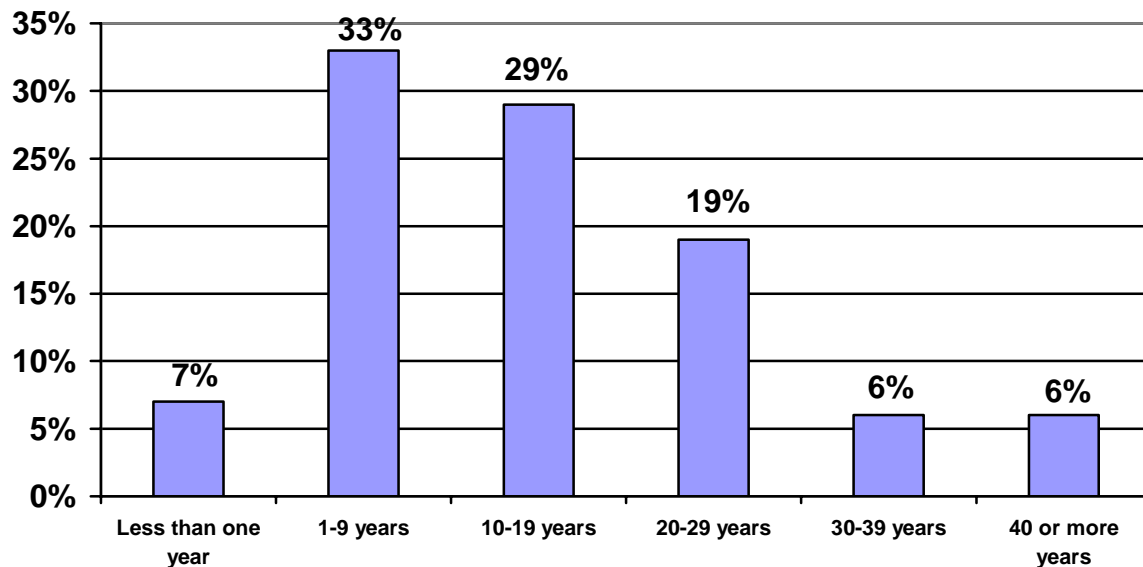
Question 2. In order of importance, what 3 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?

All respondents, whether they owned any investments or not, were asked the question above. A majority of respondents (21%) reported that *price* was the most important piece of information they needed to know before making such a decision. More than 1 in 10 (12%) reported that *return* was the most important piece of information, followed by *performance* (12%). Other responses included *safety* (5%), *company* (7%), *fund image* (3%), and *fund features* (5%).

Question 3. How long have you been investing (in any type of investment)?

Respondents who currently owned investments were more likely to have owned their investments 10-19 years (29%). One-third (33%) had owned their investments 1-9 years, and approximately one-fifth (19%) had owned their investments 20-29 years. Fewer respondents had owned their investments for 30 years or more (12%), and fewer still had owned their investments for less than 1 year (7%).

Figure 25
Question 3. How long have you been investing
(in any type of investment)? (n = 695)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Question 4. How many times per month do you look for investment information (e.g., in magazines, websites, newspapers, TV, etc.)?

More than half of all respondents (56%) did not search for investment information within a month's time. More than one-quarter (29%) looked for investment information 1 to 5 times per month, 5% looked 6 to 10 times per month, and 3% looked 11 to 15 times per month. Less than 1 in 10 respondents (9%) looked for investment information between 16 and 31 or more times per month.

Question 4a. Assuming you had to make some decisions concerning the following types of financial affairs, how competent would you feel to deal with them? Please indicate on a scale of 1 to 4 whether you feel quite competent (1), somewhat competent (2), not very competent (3), or totally at a loss (4) in handling each of the items.

	<i>Quite competent</i>	<i>Somewhat competent</i>	<i>Not very competent</i>	<i>Totally at a loss</i>
Competence scale	1	2	3	4

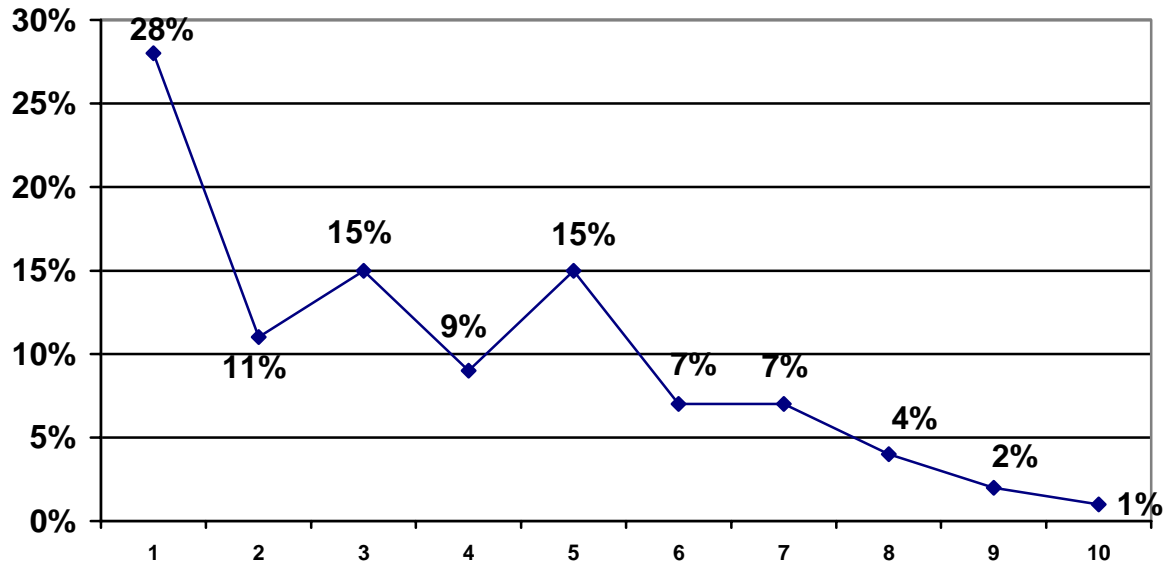
Although a majority of respondents owned some type of investment and had held onto their current investments for a number of years, they were still more likely to report greater competency in deciding how to save money, managing their debt, and planning for retirement than investing in stocks and mutual funds. Responses for *somewhat competent* and *quite competent* are presented here. Eight in 10 respondents (81%) reported that they felt *somewhat competent* (45%) or *quite competent* (36%) about managing their debt. Seventy-two percent felt they were *somewhat competent* (47%) or *quite competent* (25%) in deciding how to save money. More than half of all respondents (59%) felt they were *somewhat competent* (44%) or *quite competent* (15%) in planning for retirement. Again, respondents felt less competent about investing. Less than one-quarter (24%) of respondents felt *somewhat competent* (17%) or *quite competent* (6%) in deciding on stocks to buy or sell, and 23% felt *somewhat competent* (18%) or *quite competent* (5%) in deciding on which mutual funds to buy.

Question 5. On a scale of 1 to 10, where 1 is not at all knowledgeable, and 10 is very knowledgeable, please rate how knowledgeable you think you are about investing.

Not at all knowledgeable			Somewhat knowledgeable				Very knowledgeable		
1	2	3	4	5	6	7	8	9	10
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

It was not a surprise that respondents' level of competence was reflected in their self-evaluated level of knowledge. A majority of respondents (54%) rated their investment knowledge as between 1 and 3, 31% rated it as between 4 and 6, and 14% of respondents rated it as between 7 and 10. The average respondents' rating of investment knowledge was 4.

Figure 26
Question 5. Please rate how knowledgeable you think you are about investing, on a scale of 1 to 10 (n =1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Questions 6 – 9: Investment Terms and Definitions

A series of multiple-choice questions were asked of the respondents concerning investment terms and their meanings. Unlike the self-assessment questions asked previously, the multiple-choice questions had only one correct response. Respondents were asked to select the correct definition for the following investment terms (term definitions are provided below):

Investment Terms and Definitions

- Net asset value (NAV). The approximate value of one share.
- Front-end sales load. A fee you pay for an investment at the time of initial purchase.
- Back-end sales load. A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity.
- Revenue sharing. Brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds.
- “A” shares and “B” shares of a mutual fund. The “A” shares generally have a front- load charge and B shares have a back-load charge.

A greater percentage of respondents seemed to be more knowledgeable about front-end and back-end sales loads and the difference between A shares and B shares than about revenue sharing or the net asset value (NAV). A total of 64% selected the correct definition for the front-end sales load, 68% for the back-end sales load, and 49% for the difference between A shares and B shares. Respondents were far less likely to select the correct response when asked the definition of revenue sharing (20%) or the NAV (14%).

Listed below are Questions 6-9. Each question is presented here exactly as it appeared on the questionnaire. Also included are the frequencies for responses selected by respondents. Note that the correct responses are marked accordingly.

Question 6. Which of these statements is the correct definition of Net Asset Value (NAV)?

- The total or net value of all assets owned by a particular fund. (51%)
- **The approximate value of one share. [Correct] (14%)**
- The value of all net shares combined. (20%)
- The approximate value of a fund's taxable income. (8%)

Question 7. What is a front-end sales load?

- A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity. (11%)
- A fee you pay for an investment at time of initial purchase and final sale. (16%)
- **A fee you pay for an investment at the time of initial purchase. [Correct] (64%)**

Question 7a. What is a back-end sales load?

- **A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity. [Correct] (68%)**
- A fee you pay for an investment at time of initial purchase and final sale. (18%)
- A fee you pay for an investment at the time of initial purchase. (6%)

Question 8. What is revenue sharing? Please select the one option that best describes revenue sharing.

- **Brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds. [Correct] (21%)**
- Brokers pay a fee to various mutual fund companies in return for advising their customers to buy those companies' funds. (8%)
- Brokers reimburse a mutual fund owner with a percentage of the shares purchased at the point of sale. (22%)
- A fund pays an annual fee of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. (35%)

Question 9. Which of the following statements regarding “A” shares and “B” shares of a mutual fund is correct?

- **The “A” shares generally have a front-load charge, and B shares have a back-load charge. [Correct] (49%)**
- The “A” shares generally have both a front-load and a back-load charge. (12%)
- The “B” shares generally have a front-load charge. (6%)
- The “B” shares generally have both a front- load and a back-load charge. (15%)

**Findings on the Proposed
Point of Sale Disclosure Form
for Class “B” Shares**

**Proposed Point of Sale Disclosure Form for Class “B” Shares
as it was Viewed by the Respondents
(Page 1 of 2)**

Attachment 5 - Point of sale example for hypothetical class B share purchase

AAA Introducing, Inc.

Name	John Doe
Account number	1234-5678
Date	1/1/05
Security under consideration	BBB Equity Fund
Class	B
Amount of contemplated transaction	\$8,000.00

Sales load and what we will be paid up front

Front-end sales load	NA
Back-end sales load - maximum first year <i>- back-end sales loads terminate after six years</i>	\$400.00
Amount of sales fee we will receive from the fund	\$320.00
Estimated first year asset-based distribution or service fees that we will receive from the fund	\$80.00

Potential conflicts of interest

Do the fund or its affiliates pay us brokerage commissions for buying or selling fund assets, such as stocks and bonds?	Yes
Do the fund's affiliates make additional payments to us, such as revenue sharing?	Yes

Special compensation for our personnel - potential conflicts of interest

If this is a "proprietary" security issued by an affiliate, would we pay more to our personnel for selling it to you?	No
If this security carries a back-end sales load, would we pay more to our personnel for selling it to you?	Yes

ASK BEFORE YOU BUY! This document contains information that your broker-dealer is required to provide you about potential transactions in certain investments, such as mutual funds, variable annuities or "529 plans." It tells you about the investment's sales-related costs, and about the incentives your broker-dealer and its personnel have to sell you this investment. **YOU HAVE A RIGHT TO CONSIDER THE COSTS OF THE INVESTMENT AND YOUR BROKER-DEALER'S INCENTIVES BEFORE YOU DECIDE WHETHER TO MAKE THE INVESTMENT.**

SOME THINGS TO KNOW ABOUT LOADS: Sometimes shares that do not have a front-end load have high fees -- which makes them more expensive for the long-term investor. Also, many mutual fund companies offer sales load discounts to investors over a certain level. Sometimes family or household holdings can count toward these discounts. To find out more, talk with your broker or financial adviser, or check the fund's prospectus or website.

Proposed Point of Sale Disclosure Form for Class “B” Shares as it was Viewed by the Respondents (Page 2 of 2)

Explanations and Definitions

- Net asset value (NAV) - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- Price and NAV - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- Timing of sales loads - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If the shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- Asset-based fees - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that would otherwise be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees generally is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- What is revenue sharing? - Revenue sharing occurs when the investment adviser to a fund, or another affiliate of a fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments -- regardless if they are labeled as reimbursements -- may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- What are portfolio brokerage commissions? - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a higher incentive to sell the shares of that fund or affiliated funds.
- Special compensation - This document states whether your broker-dealer would pay its salespersons or other associated persons higher compensation if you decide to buy the security you are considering. Some broker-dealers pay their personnel higher compensation, as a percentage of the broker-dealers' own compensation, for selling their affiliates' securities. In addition, some broker-dealers pay their personnel higher compensation, in actual dollars, for selling a security that has a back-end sales load, because broker-dealers themselves may earn more when they sell those share classes.

FINDINGS

Sales Loads and Fees

After answering questions about their investment knowledge and level of competence, survey respondents were allowed to review the first SEC disclosure form (Point of Sale Form for Class “B” Shares) and answer questions about information provided in the form. The first of these questions asked about any front-end or back-end sales load listed on the form as well as sales fees.

Question 10_1. Is there a front-end sales load?

More than 6 in 10 respondents (65%) were able to correctly ascertain that there was not a front-end sales load listed on the Point of Sale Form for Class “B” Shares. Twenty-seven percent of respondents incorrectly reported there was a front-end sales load listed on the form, and another 6% reported that they did not know.

Table 42
Question 10_1. Correct Response by Demographic Differences (n = 1,023)

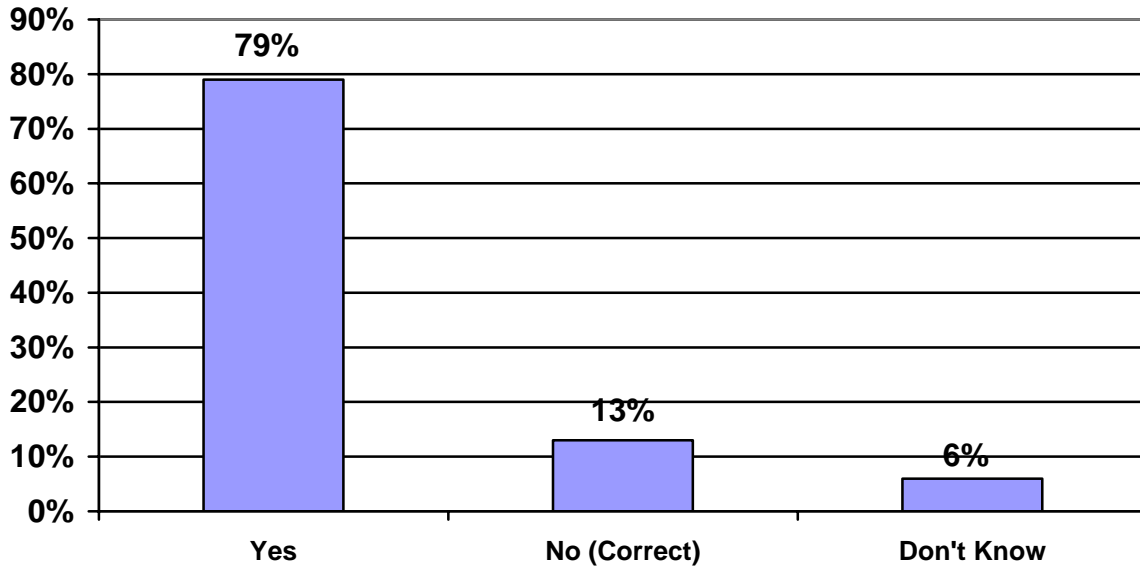
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
74%	68%	49%	66%	66%	60%	70%	74%	55%	77%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
71%	57%	75%	62%

Question 10_2. Is there a back-end sales load?

A total of 79% of respondents correctly reported that there was a back-end sales load listed on the Point of Sale Form for Class “B” Shares. Slightly more than 1 in 10 respondents (13%) incorrectly reported that there was not a back-end sales load listed on the form. Another 6% reported that they did not know. All in all, almost 20% of respondents did not know if there was a back-end sales load or they incorrectly reported that there was not one on the Point of Sale Form for Class “B” Shares.

Figure 27
Question 10_2. Is there a back-end sales load? (n = 1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 43
Question 10_2. Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
86%	84%	67%	82%	78%	77%	82%	87%	73%	89%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
86%	72%	89%	78%

Question 11_2. How much is the back-end sales load?

Of the respondents who reported there was a back-end sales load listed on the Point of Sale Form for Class “B” Shares, 84% were able to correctly identify the exact dollar amount of the back-end sales load [\$400.00]. Approximately 13% of respondents who correctly reported that there was a back-end sales load listed on the Point of Sale Form for Class “B” Shares were unable to locate or correctly report the amount of the back-end sales load listed on the form.

Table 44
Question 11_1. Correct Response by Demographic Differences (n = 820)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
89%	86%	87%	88%	85%	86%	89%	89%	86%	89%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
88%	86%	90%	86%

Question 12. Will the broker receive any sales fees from the fund for this sale?

Respondents were asked if there was a sales fee that the broker would receive listed on the Point of Sale Form for Class “B” Shares. More than 8 in 10 respondents (85%) answered correctly that the broker would receive a fee from the fund for this purchase presented in the Point of Sale Form for Class “B” Shares. Another 7% of respondents reported incorrectly that the broker would not receive a fee from the fund for this purchase, and 6% reported that they did not know.

Table 45
Question 12. Correct Response by Demographic Differences (n = 1,023)

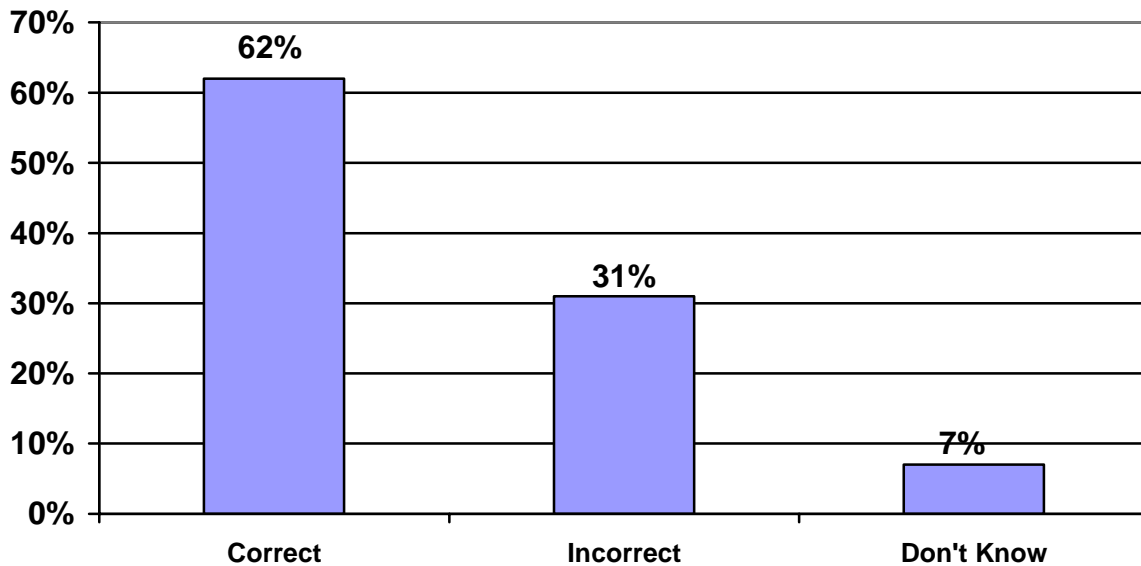
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
90%	88%	81%	89%	82%	85%	90%	90%	82%	92%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
91%	79%	90%	86%

Question 12A. How much will the broker receive in sales fees?

Of the respondents who correctly reported that the broker would receive a fee from the fund for this purchase presented in the Point of Sale Form for Class “B” Shares, 62% also correctly identified the exact dollar amount of the broker sales fee [\$320.00]. Thirty-eight percent of respondents either reported the wrong dollar amount of the sales fee paid to the broker (31%) or reported that they did not know the correct dollar amount (7%).

Figure 28
Question 12A. How much will the broker receive in sales fees? (n = 879)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 46
Question 12A: Correct Response by Demographic Differences (n = 879)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
82%	80%	59%	78%	72%	69%	81%	85%	67%	84%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
81%	67%	83%	73%

Broker Commissions and Other Payments

Respondents were asked to continue reviewing the Point of Sale Form for Class “B” Shares while answering the following questions concerning commissions and payments made to the broker for the buying of fund assets. Some of the questions that follow relate to a practice termed *revenue sharing*. Basically, revenue sharing occurs when brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds. As questions solicited more in-depth examination of the Point of Sale Form for Class “B” Shares, the percentage of respondents who answered correctly decreased.

Question 13. Does the broker receive commissions for buying or selling fund assets, such as stocks or bonds?

Slightly more than 8 in 10 (83%) respondents answered correctly, that the broker would receive commissions for buying or selling fund assets, such as stocks or bonds. A total of 9% reported incorrectly that the broker would not receive commissions for buying or selling fund assets, and 6% reported that they did not know.

Table 47
Question 13: Correct Response by Demographic Differences (n = 1,023)

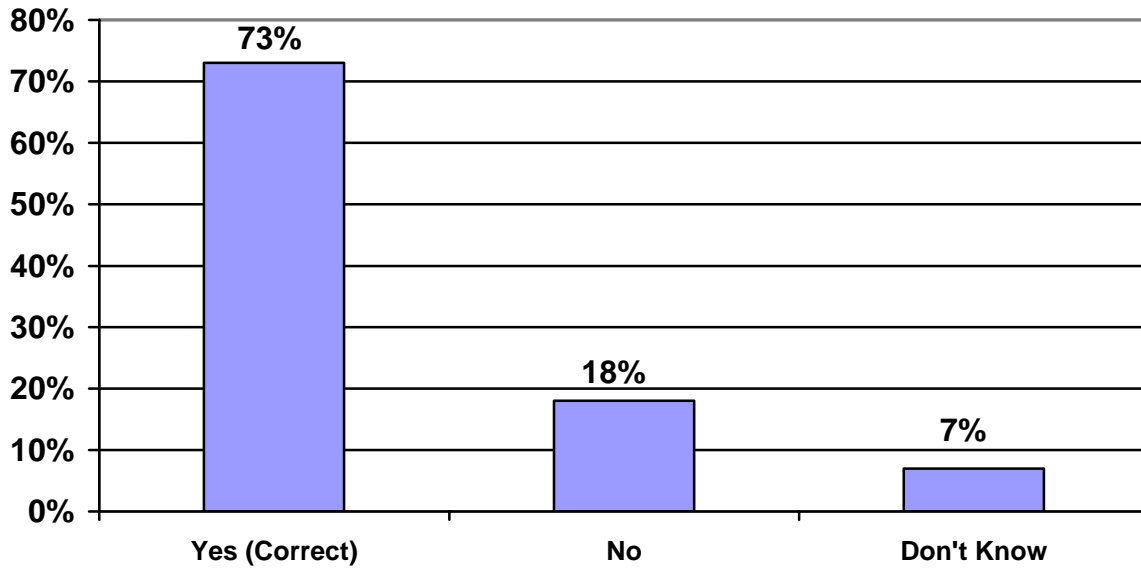
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
86%	86%	85%	86%	85%	84%	88%	87%	83%	88%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
90%	78%	90%	84%

Question 14. Is the broker paid additional payments from the fund’s affiliates (i.e., revenue sharing)?

Seventy-three percent of respondents answered correctly, that the broker would be paid additional payments from the fund’s affiliates. One-quarter of them (25%) either incorrectly reported that the broker would not be paid additional payments from the fund’s affiliates (18%) or that they did not know (7%).

Figure 29
Question 14. Is the broker paid additional payments from the fund's affiliates? (n = 1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 48
Question 14: Correct Response by Demographic Differences (n = 1,023)

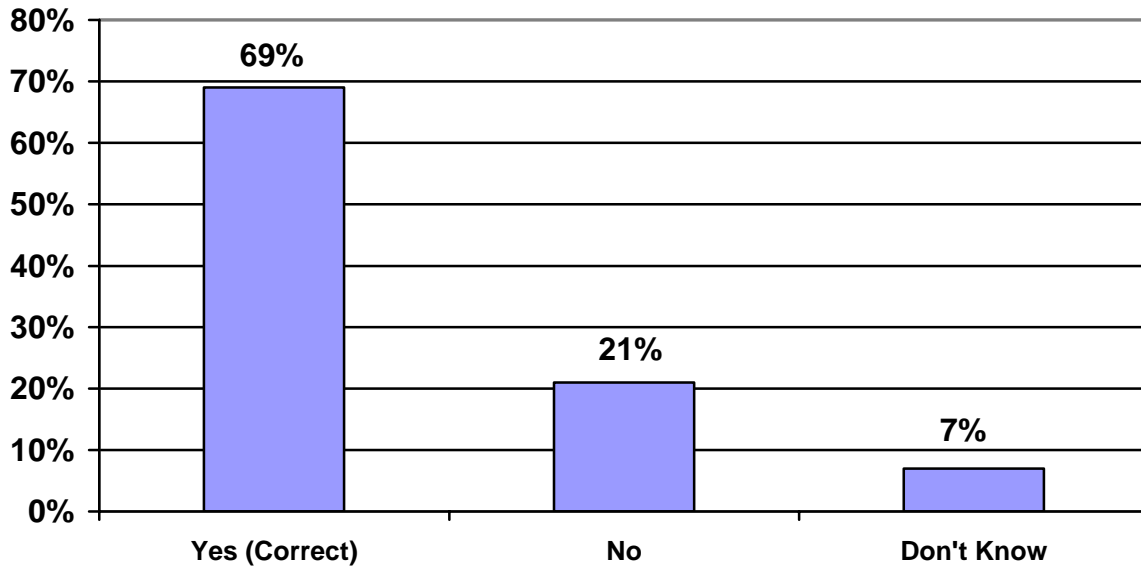
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
76%	77%	69%	76%	73%	73%	75%	79%	66%	84%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
79%	68%	81%	73%

Question 15. Will you pay any asset-based distribution or service fees in the first year?

A greater decrease of correct responses occurred in the question listed above. More than two-thirds of respondents (69%) correctly answered that, according to the information presented in the Point of Sale Form for Class “B” Shares, they would pay asset-based distribution or service fees in the first year. More than one-quarter (28%) answered incorrectly (21%) or that they did not know (7%).

Figure 30
Question 15. Will you pay any asset-based distribution or service fees in the first year? (n = 1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 49
Question 15: Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
74%	72%	66%	71%	72%	69%	75%	72%	67%	76%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
76%	63%	78%	69%

Question 15A. How much will you pay? [This question is a follow-up question for Question 15. *Will you pay any asset-based distribution or service fees in the first year?*]

Of the 69% of respondents who correctly determined that, according to the information presented in the Point of Sale Form for Class “B” Shares, they would have to pay asset-based distribution or service fees in the first year, 75% were able to locate and correctly report the amount of the asset-based distribution or service fees in the first year. Approximately one-quarter of respondents (26%) reported the incorrect amount of the asset-based distribution or service fees in the first year (20%) or reported that they did not know the correct answer (6%).

Table 50
Question 15A: Correct Response by Demographic Differences (n = 706)

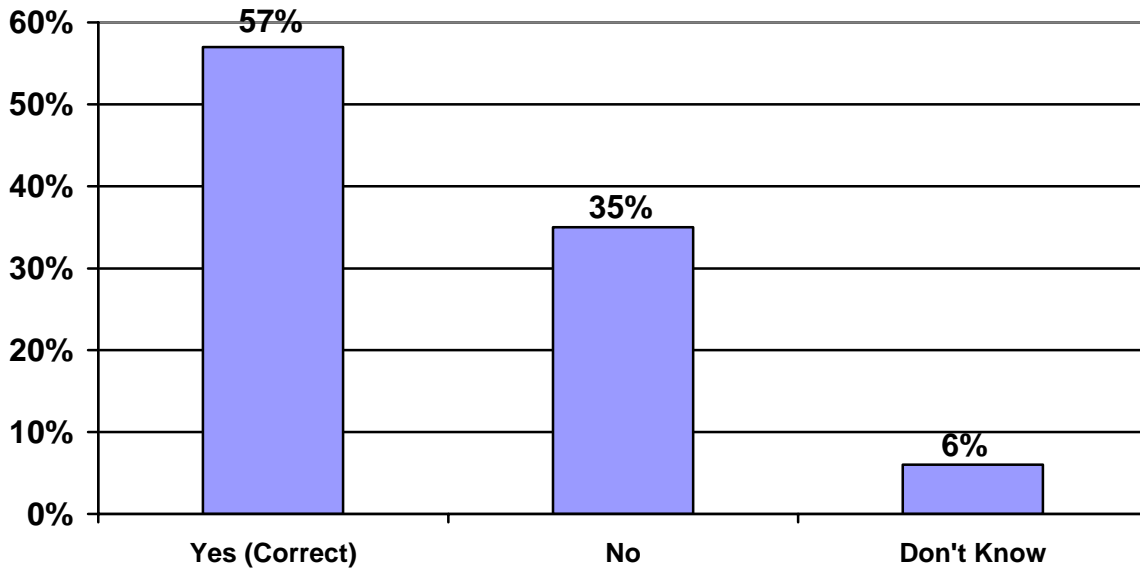
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
94%	94%	87%	92%	97%	90%	93%	96%	91%	94%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
93%	92%	95%	92%

Question 15B. Will there be any fees deducted annually from your account?

Respondents were asked if any fees would be deducted annually from the mock account information presented in the Point of Sale Form for Class “B” Shares. More than half (57%) were able to correctly determine that fees would be deducted from the account. A total of 41% either reported an incorrect response (35%) or that they did not know (6%).

Figure 31
Question 15B. Will there be any fees deducted annually from your account? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 51**Question 15B: Correct Response by Demographic Differences (n = 1,023)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
56%	60%	59%	59%	54%	58%	59%	57%	58%	58%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
62%	50%	64%	55%

Question 16. Does the broker receive a higher payment for service if he/she sells a proprietary security issued by an affiliate?

Less than one-quarter of all respondents (22%) reported correctly that the broker of the mock purchase of shares presented in the Point of Sale Form for Class “B” Shares would not receive a higher payment for service if he or she were to sell a proprietary security issued by an affiliate. More than two-thirds (68%) of respondents reported incorrectly that the broker presented in the Point of Sale Form for Class “B” Shares would receive a higher payment for service if he or she were to sell a proprietary security issued by an affiliate. Another 8% reported that they did not know the answer.

Table 52**Question 16. Correct Response by Demographic Differences (n = 1,023)**

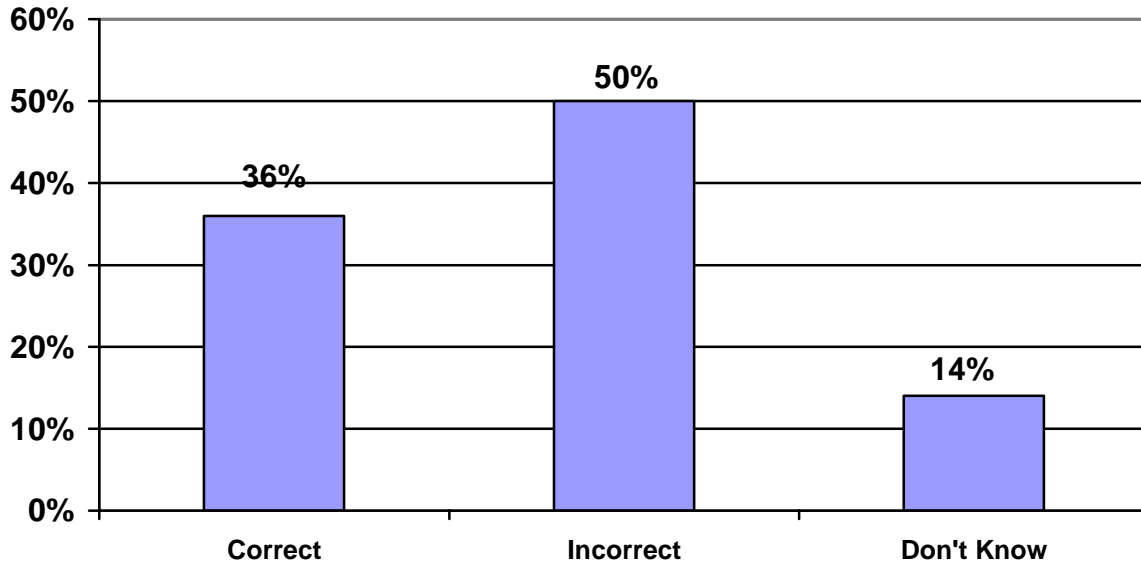
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
72%	71%	66%	69%	73%	68%	71%	75%	64%	76%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
75%	61%	78%	67%

Question 17. What is the total cost for the “B” shares purchased?

A total of 36% of the respondents were able to correctly locate from the sample form the total cost of “B” shares purchased [**\$8000.00**]. Almost two-thirds were *unable* to locate or correctly report the total purchase price of the “B” shares: 50% answered incorrectly and 14% did not know.

Figure 32
Question 17. What is the total cost for “B” shares purchased ? (n = 1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 53
Question 17: Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
81%	76%	55%	72%	76%	69%	79%	76%	64%	82%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
77%	65%	81%	70%

Form Rating

Respondents were given the opportunity to rate the Point of Sale Form for Class “B” Shares overall as well as various sections of the form. Questions were asked about the level of difficulty in understanding the form and the importance of the information listed in it. Suggestions as to how to improve the Point of Sale Form for Class “B” Shares were also solicited.

Question 18. Please rate how difficult the following sections of the form are to understand.

Three sections of the Point of Sale Form for Class “B” Shares found on the first page

- “Sales load and what will be paid up front”
 - “Potential conflicts of interest”
 - “Special compensation”
-

More than two-thirds of respondents (69%) found the three sections of the Point of Sale Form for Class “B” Shares on the first page at least somewhat difficult to understand. Approximately one-third of respondents (32%) reported that these sections were *very difficult* to understand, and 37% considered them *somewhat difficult* to understand. Less than one-third of respondents (28%) reported that the three sections of the Point of Sale Form for Class “B” Shares found on the first page were *not too difficult* (23%) or *not at all difficult* (5%).

Table 54
Question 18: “Very Difficult” or “Somewhat Difficult” Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
67%	67%	82%	71%	69%	47%	68%	60%	79%	61%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
47%	77%	60%	75%

Question 18A_1. Please rank each section according to how important the information found in that section is to you. From the items below, please select the section you believe to be the most important.

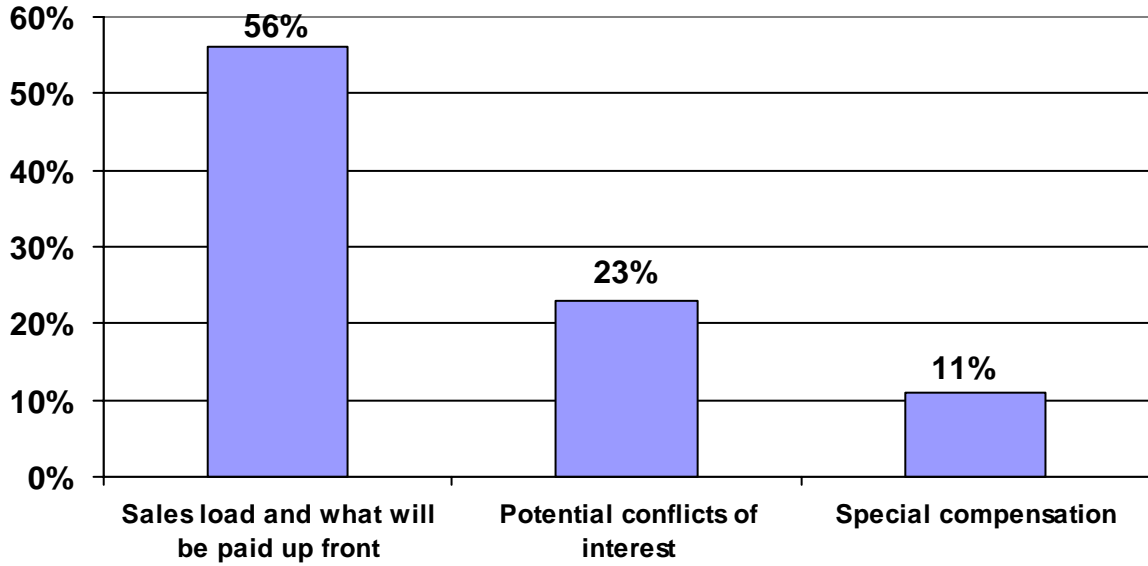
Three sections of the Point of Sale Form for Class “B” Shares found on the first page

- “Sales load and what will be paid up front”
 - “Potential conflicts of interest”
 - “Special compensation”
-

Respondents were asked to select which section of the form they considered to be most important. Almost 6 in 10 (56%) reported the section labeled “*sales load and what will be paid up front*” as the most important section of the Point of Sale Form for Class “B” Shares. Approximately 23% of respondents selected the section labeled “*potential conflicts of interest*” as most important, and 11% selected the section labeled “*special compensation*” as most important.

Figure 33

Question 18A_1. Please select the section you believe to be the most important on the Point of Sale Form for Class “B” Shares (n = 1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 55

Question 18 A_1: Most important section= “Sales Load and What is Paid up Front” by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
62%	59%	68%	63%	60%	64%	62%	59%	63%	61%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
64%	59%	65%	61%

Table 56

**Question 18A_1. : Most important section= “Potential Conflicts of Interest”
by Demographic Differences (n = 1,023)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
27%	27%	22%	27%	24%	24%	26%	30%	23%	29%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
26%	25%	24%	27%

Table 57

**Question 18A_1. : Most important section= “Special Compensation”
by Demographic Differences (n = 1,023)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
11%	14%	11%	11%	16%	12%	12%	11%	14%	10%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
10%	16%	11%	12%

Question 19. Do you think more terms or definitions should be added to the second page of this form labeled “Explanations and Definitions”?

When asked further to rate the Point of Sale Form for Class “B” Shares, 32% of respondents reported that more definitions and explanations of terms should be added to the second page of the form; 61% reported that no further definitions and explanations of terms should be added.

Table 58

Question 19: Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
33%	35%	37%	34%	37%	37%	32%	32%	41%	29%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
30%	44%	30%	37%

Question 19A. Which terms/definitions would you add?

Respondents welcomed the opportunity to suggest financial terms and definitions to be added to the Point of Sale Form for Class “B” Shares. Respondents who viewed the Class “B” share forms made suggestions very similar to suggestions made by respondents who viewed the Class “A” share forms. Respondents also took the opportunity to make suggestions other than financial terms and definitions. One suggestion was to make the terms easier to understand. Other comments were made about the clarity of the form in general. Such comments have been included in the analyses of responses for Question 20C, which solicits general comments and suggestions for the Point of Sale Form for Class “B” Shares.

Terms listed below were frequently suggested by respondents to be included in the section of the Point of Sale form for Class “B” Shares marked “Explanations and Definitions.”

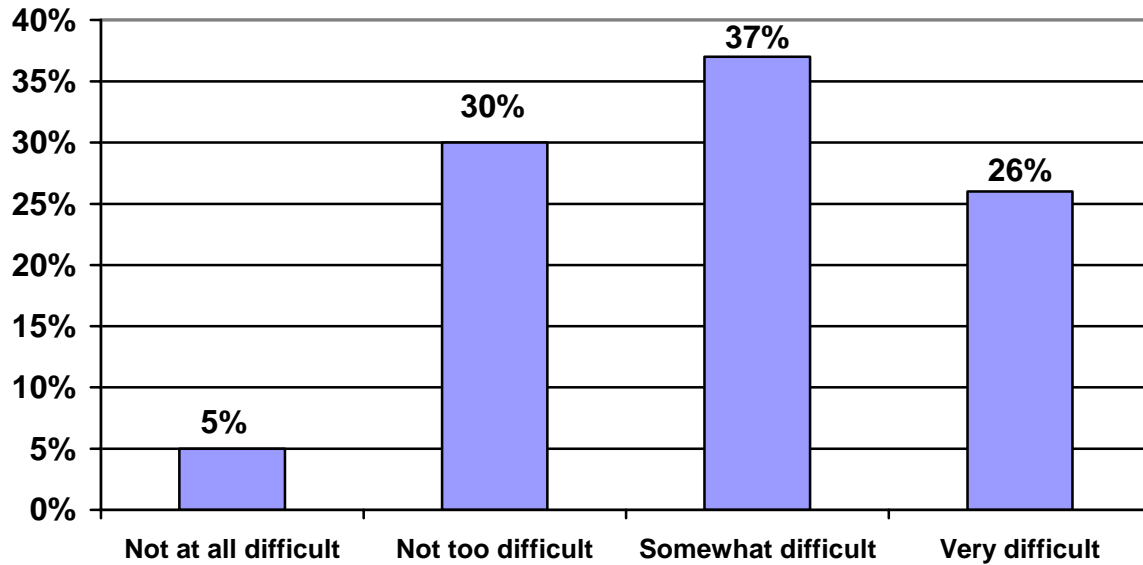
- Annuities
- Asset-based fees
- Back-end load
- Broker commissions
- Broker incentives
- Class “A” shares
- Class “B” shares
- Conflict of interest (detailed)
- Front-end load
- Gross value per share
- Minimum investment**
- Mutual fund
- NAV
- No load**
- Portfolio brokerage commission
- Proprietary sales
- Proprietary security
- Revenue sharing
- Special payments
- Special compensation**
- 12b-1 fees

**Terms not mentioned by respondents who viewed the Point of Sale Form for Class “A” Shares.

Question 20. Overall, how difficult are the explanations of the terms to understand?

More than 6 in 10 respondents (63%) reported that the definitions and explanations presented on the second page of the Point of Sale Form for Class “B” Shares were *somewhat difficult* (37%) or *very difficult* (26%) to understand. Another 35% of all respondents reported that the explanations of the terms were *not too difficult* (30%) or *not at all difficult* (5%) to understand.

Figure 34
Question 20. Overall, how difficult are the explanations of the terms to understand? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 59
Question 20: “Very Difficult” or “Somewhat Difficult” Response by Demographic Differences (n = 1,023)

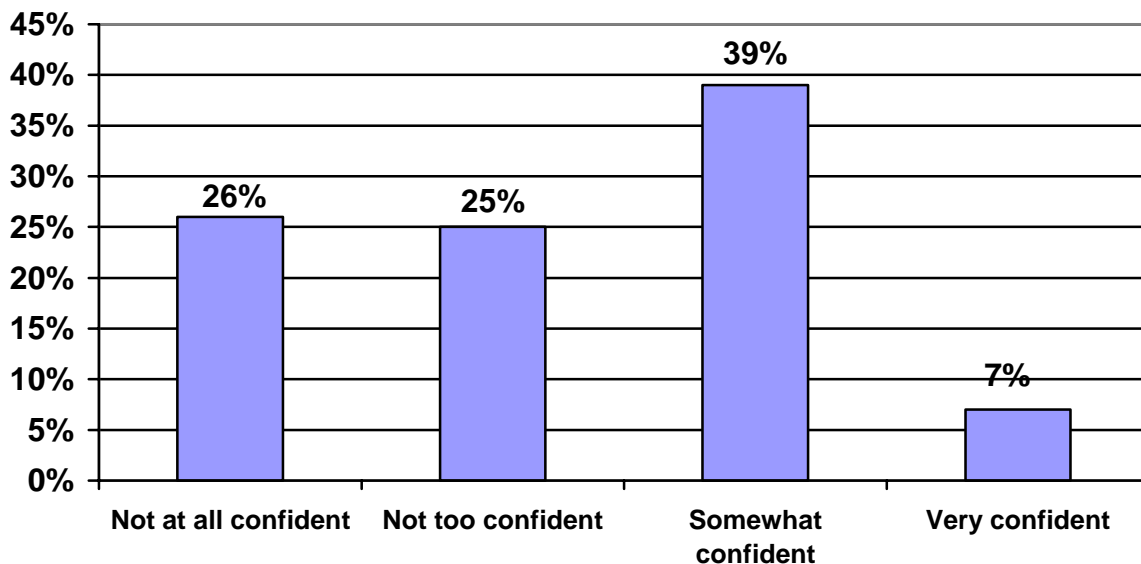
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
41%	60%	77%	64%	63%	69%	65%	53%	73%	55%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
59%	73%	54%	68%

Question 20A. If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares?

Almost as many respondents reported they would feel confident as did respondents who reported they would not feel confident in making a decision to purchase or not purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “B” Shares. Almost half of all respondents (46%) reported they would feel *somewhat confident* (39%) or *very confident* (7%) in making a decision to purchase or not to purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “B” Shares. Approximately 51% of respondents reported they would not feel as confident. Twenty-five percent of respondents reported they would feel *not too confident*, and 26% reported they would feel *not at all confident* in making a decision to purchase or not purchase mutual fund shares if they had all of the information found in the Point of Sale Form for Class “B” Shares.

Figure 35
Question 20A. If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 60
Question 20A: “Not at all Confident” or “Not Too Confident” Response
by Demographic Differences (n = 1,023)

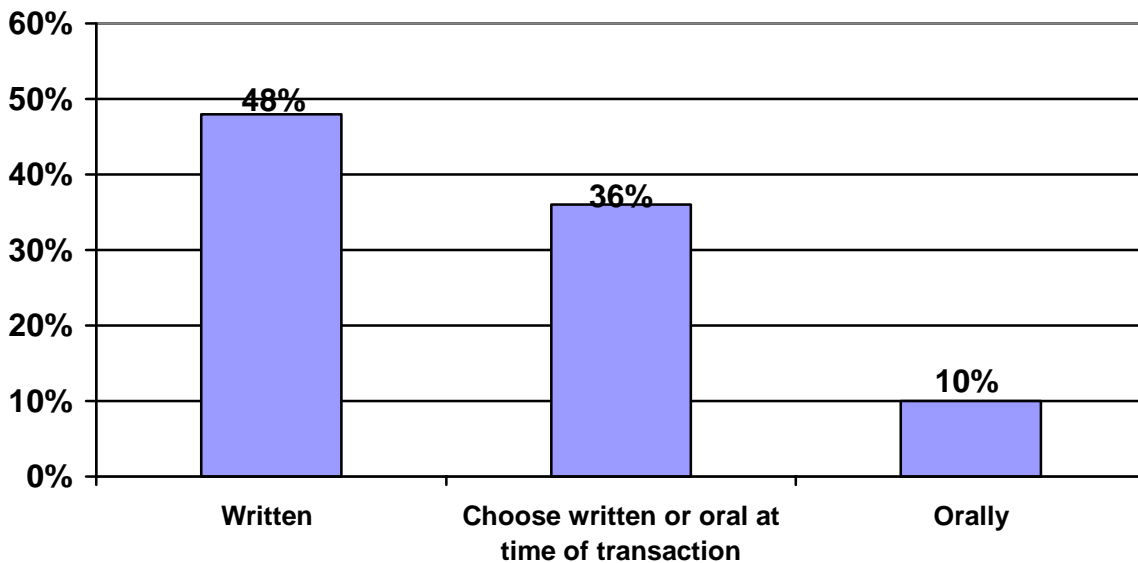
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
52%	51%	55%	53%	51%	58%	54%	39%	60%	44%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
44%	67%	34%	60%

Question 20B. Would you prefer to receive the information found in this form (point-of-sale disclosure) orally, receive it in written form, or be given the choice at the time of a transaction?

Almost half of all respondents (48%) reported they would prefer to receive the information found in this form (Point of Sale Form for Class “B” Shares) in written form. More than one-third of respondents (36%) would like to have the option to choose to receive the information orally or in written form at the time of the transaction. Ten percent of respondents would prefer to receive the information found in the Point of Sale Form for Class “B” Shares orally.

Figure 36
Question 20B. Would you prefer to receive the information found in this form (the point of sale disclosure form) orally, receive it in written form, or be given the choice at the time of a transaction? (n = 1,023)

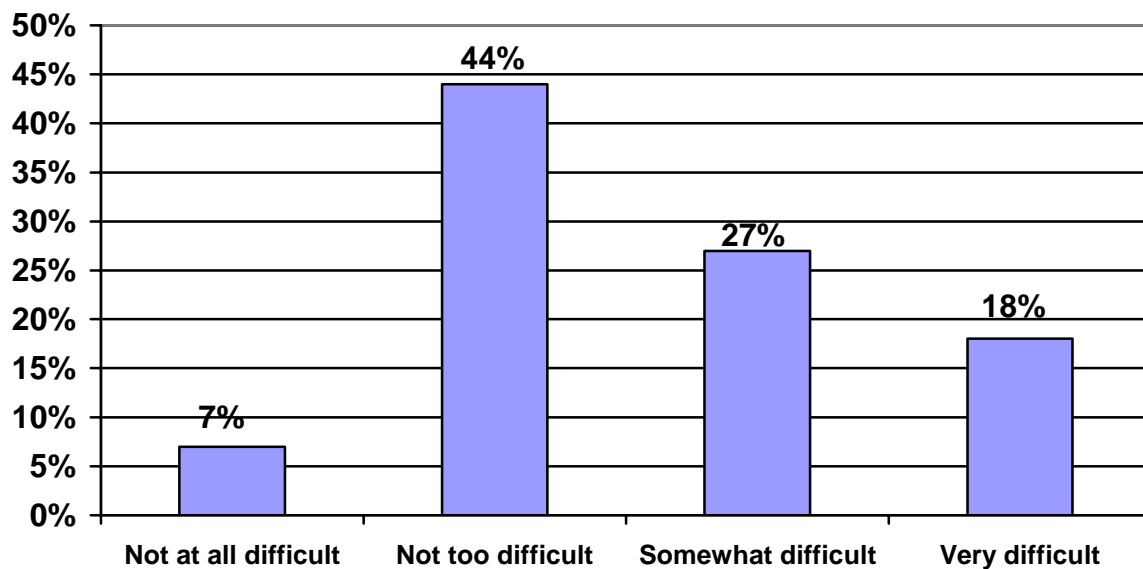


Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Question 20B_3. Overall, how difficult was it for you to find the information in the Point of Sale Form?

When considering the entire Point of Sale Form for Class “B” Shares, approximately half of all respondents (52%) reported that the form was *not too difficult* (44%) or *not at all difficult* (7%). Slightly more than one-quarter of all respondents (27%) reported that the Point of Sale Form for Class “B” Shares was *somewhat difficult* to understand, and 18% reported it was *very difficult* to understand.

Figure 36a.
Question 20B_3. Overall, how difficult was it for you to find the information in the Point of Sale Form? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 61
Question 20B_3: “Very Difficult” or “Somewhat Difficult” Response
by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
42%	45%	58%	47%	46%	53%	42%	37%	57%	36%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
40%	57%	37%	50%

Question 20C. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.

Respondents were offered the opportunity to give their impressions and suggestions regarding the Point of Sale Form for Class “B” shares. There was a general and consistent suggestion that the form itself and the language within be simplified. “Use plain English” was a suggestion made frequently. Respondents also requested more information about the differences between classes of shares. For example, what makes mutual fund class “A” shares different from mutual fund class “B” shares.

Respondents were not clear about which fees they would have to pay and which fees the broker, brokerage firm, or the fund would have to pay. They also wanted to see what the fees would total for a full year. It was suggested by several respondents that charts and tables be used to simplify the calculation of costs and fees incurred by the investor. Respondents suggested that numeric examples could be given to illustrate the various costs associated with the purchase of mutual fund shares. Respondents were especially interested in how much money brokers might receive as an incentive. An illustration that includes who is paid what for which service or purchase might help investors answer such questions.

It was suggested that a more in-depth clarification of financial terms be provided, such as *front-end load*, *back-end load*, *conflict of interest*, and *proprietary*. Some respondents suggested that a glossary would be helpful. Others suggested that the definitions of financial terms be placed next to the term or on the same page as the term appears.

There was also a concern that the Point of Sale Form be easier to read. One suggestion made frequently was that the font size of the text is too small. Larger font size was suggested often. One suggestion that was not made often was to add a 1-800 phone number to call for assistance.

**Findings on the Proposed
Confirmation Form
for Class “B” Shares**

Proposed Confirmation Form for Class “B” Shares as it was Viewed by the Respondents

(Page 1 of 2)

Attachment 2 - Confirmation example for hypothetical class B share purchase (back-end load as minimum of present or future NAV)

Acme Clearing, Inc.			
Fees and Payments Associated with Your Investment			
A. General information			
Customer:	John Doe	Symbol:	
Account Number:	1234-5678	CUSIP number:	
Date of transaction:	1/1/05	Type of security:	Mutual fund
Type of transaction:	You bought	Net Asset Value (NAV):	\$18.17
No. shares bought/sold:	440.286	Price (NAV plus load):	\$18.17
Security issuer:	BBB Equity Fund	Amount paid/received:	\$8,000.00
Class (if applicable):	B	Amount of your investment/sale:	\$8,000.00
Commission/other compensation:	\$0.00	<i>Note: even if there is no commission or other charge, you may be paying for distribution through loads or asset-based fees, as described below.</i>	
Other charges:	\$0.00		
B. What you pay (directly and indirectly) for purchases			
Front-end sales load	NA		
Back-end sales load			
<i>If you sell these shares in one year, you will pay</i>	\$400.00	<i>or 5% of your investment, whichever is less</i>	
<i>If you sell these shares in two years, you will pay</i>	\$320.00	<i>Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in three years, you will pay</i>	\$240.00	<i>or 4% of your investment, whichever is less</i>	
<i>If you sell these shares in four years, you will pay</i>	\$240.00	<i>Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in five years, you will pay</i>	\$160.00	<i>or 3% of your investment, whichever is less</i>	
<i>If you sell these shares in six years, you will pay</i>	\$80.00	<i>Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Estimated first-year asset-based sales charges	\$60.00	<i>which is equivalent to 0.75% of your investment</i>	
Estimated first-year asset-based service fees	\$20.00	<i>Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
C. Amounts that your broker, AAA Introducing, Inc., will receive from the fund or its affiliates			
Sales fee AAA Introducing received for your purchase:	\$320.00	<i>which is equivalent to 4.00% of your investment</i>	
Revenue sharing AAA Introducing may receive in connection with your purchase:	\$32.00	<i>Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Portfolio brokerage commissions AAA Introducing may receive in connection with your purchase:	\$16.00	<i>which is equivalent to 0.40% of your investment</i>	
Additional disclosures:	<i>Industry norms: Range x.xx - x.xx%; median x.xx%.</i>		
D. Payment of special compensation to personnel of your broker, AAA Introducing, Inc.			
If you bought a security of a fund affiliated with AAA Introducing: Does AAA Introducing pay its personnel more to sell securities of affiliated funds?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	NA <input type="checkbox"/>
If you bought a share class with a back-end sales load: Does AAA Introducing pay its personnel more to sell this class than to sell front-end sales load share classes of the same fund?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
E. Breakpoint discount information			
Many mutual fund companies offer sales load discounts to customers that have invested over a certain dollar amount. These discounts may be calculated based on your current purchase or on your aggregate holdings, and may also include the holdings of your family or household members. To ensure that you are obtaining all available discounts, you should talk with your broker or financial advisor, or check the fund's prospectus or website. According to the fund's prospectus, the amount you invested (together with any holdings of which we are aware) would have entitled you to a sales load of 4.17% of NAV had you bought a share class that is subject to a front-end sales load. Instead, you bought a share class that is not subject to a front-end sales load, but is subject to annual asset-based sales charges of 0.75% of net asset value for a period of 6 years.			

Proposed Confirmation Form for Class “B” Shares as it was Viewed by the Respondents (Page 2 of 2)

F. Explanations and definitions

- **Net asset value (NAV)** - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- **Price and NAV** - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- **Amount of your investment** - When you buy a share class that has a front-end sales load, the "net amount invested" equals what you paid for the shares minus the sales load. That is the value of the shares.
- **Dollar and percentage values** - This document provides information about what you pay and what your broker-dealer will receive. Some of that information is set forth in dollar amounts and as percentages of "your investment." In general, those percentages are based on the net amount of your investment (which is the current value of the shares you are purchasing). Information about back-end sales loads and first year sales charges and service fees may be based on the value of your investment at some point in the future.
- **Timing of sales loads** - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If these shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- **Asset-based fees** - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that otherwise would be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often will have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- **Disclosure of revenue sharing and portfolio brokerage commissions** - This document provides information about revenue sharing that the broker-dealer has received from affiliates of the fund, and portfolio brokerage commissions that the broker-dealer has received from the fund or its affiliates. Those amounts are stated as a percentage of the broker-dealer's sales on behalf of the fund complex - consisting of the fund or its affiliates - over a recent 12 month period. For example, if a broker-dealer received \$1 million in revenue sharing from a fund complex over that period, and the broker-dealer sold \$50 million worth of shares for the fund complex over that period, then revenue sharing represents 2 percent of total sales. Based on that percentage, this confirmation also states the amount of that compensation that may be associated with this transaction. These are estimates only, and your broker-dealer can provide you with more specific information.
- **What is revenue sharing?** - Revenue sharing occurs when the investment adviser to the fund, or another affiliate of the fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments - regardless if they are labeled as reimbursements - may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- **What are portfolio brokerage commissions?** - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- **Special compensation for proprietary sales** - This document states whether your broker-dealer pays its salespersons or other associated persons a higher compensation rate for selling securities of affiliated funds (proprietary sales) than the rate that the broker-dealer pays for selling securities of non-affiliated funds. In some cases, a broker-dealer pays its personnel a higher percentage of the broker-dealer's own compensation for the sale of securities of affiliated funds than it pays for the sale of securities of non-affiliated funds. This may give your broker a greater incentive to sell the shares of affiliated funds than non-affiliated funds.
- **Special compensation for shares with a back-end sales load** - This document states whether your broker-dealer pays its salespersons or other associated persons higher compensation, in actual dollars, for selling a security with a back-end sales load than your broker-dealer pays its personnel for the sale of the same dollar amount of shares in a share class with a front-end sales load. Some share classes without front-end sales loads (such as class B shares) may require you to pay higher asset-based fees than share classes with front-end sales loads (typically class A shares). Broker-dealer personnel may earn more when they sell classes with a back-end sales load, and therefore your broker may have a greater incentive to sell shares with a back-end sales load.
- **Comparison ranges** - The "comparison ranges" provide additional information about your purchase. These are expressed as a percentage of NAV. In the case of sales loads, asset-based fees and sales fees received by the broker-dealer, those comparison ranges represent the range of charges and fees associated with 95 percent of comparable securities. For example, a comparison range of "0-4%" means that 95 percent of comparable securities would charge between zero and 4 percent of NAV for a sale of that size. In the case of revenue sharing and portfolio brokerage commissions earned by the broker-dealer, the comparison range represents the range associated with the activity of 95 percent of other firms that distribute comparable securities.

FINDINGS

(Second form viewed by respondents)

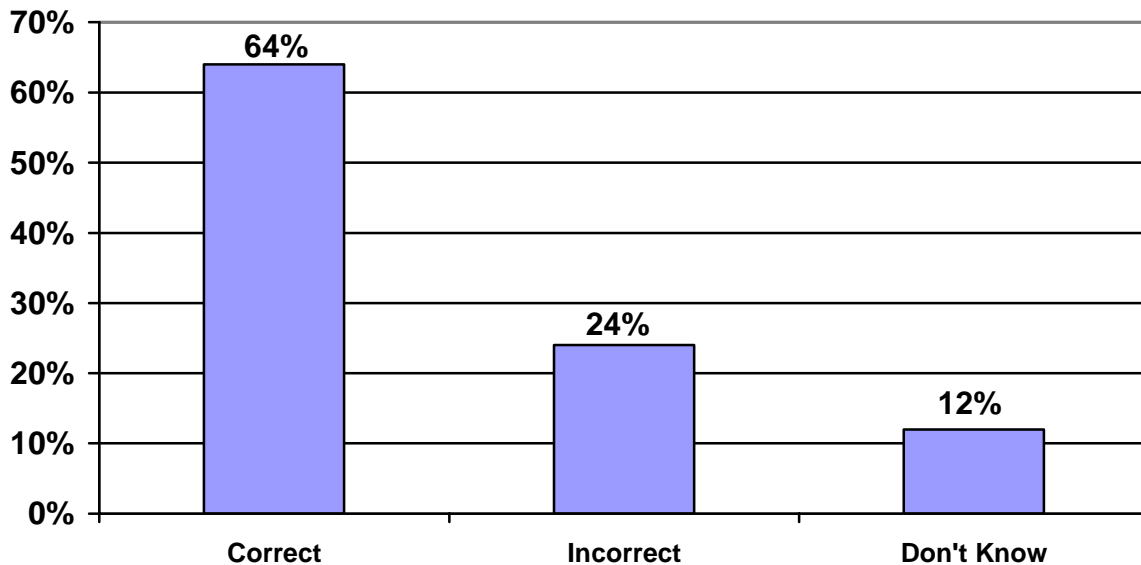
Share Information

Once respondents had completed a questionnaire evaluating the Point of Sale Form for Class “B” Shares, they were then asked to answer questions evaluating the Confirmation Form for Class “B” Shares. Only respondents who had answered questions concerning the Point of Sale Form for Class “B” Shares were allowed to answer questions about the Confirmation Form for Class “B” Shares. The first set of questions on the Confirmation Form for Class “B” Shares asked about the price of the share listed on the form and the amount of money invested.

Question 21. *What is the total price of each share?*

Respondents were asked to identify the total price of each share listed on the Confirmation Form. Almost two-thirds of respondents (64%) were able to locate the correct total price of each share [**\$18.17**]. Approximately one-quarter (24%) reported an incorrect dollar amount, and 12% did not know the answer.

Figure 37
Question 21. *What is the total price of each share?* (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 62

Question 21: Correct Response by Demographic Differences (n = 1,023)

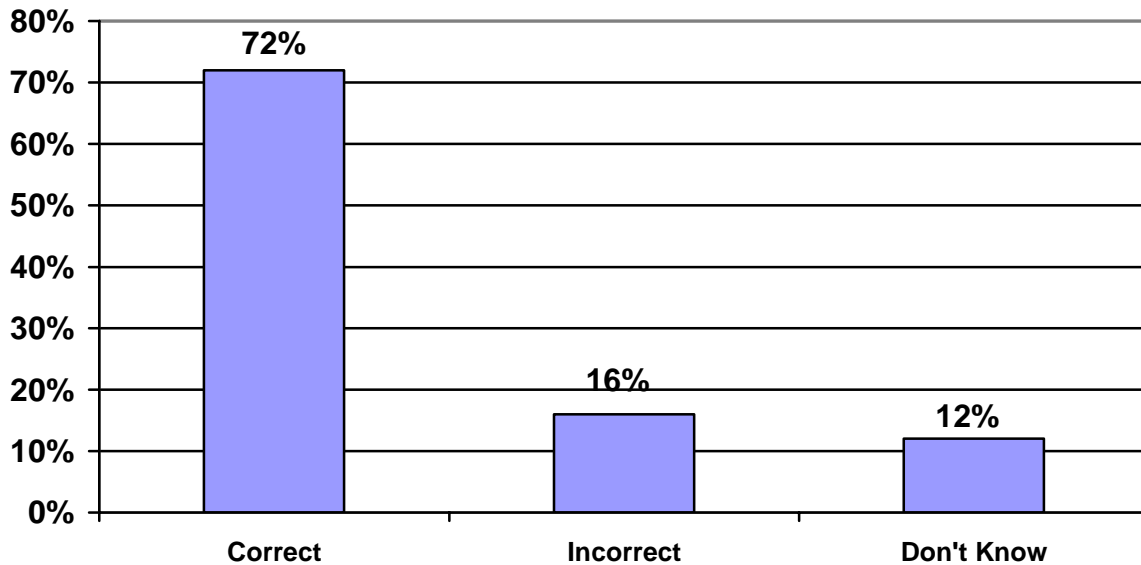
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
89%	86%	71%	84%	84%	80%	85%	90%	75%	92%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
74%	88%	91%	80%

Question 22. How much money was invested?

A total of 72% of respondents were able to locate the correct amount of money reported to be invested on the mock Confirmation Form for Class “B” Shares [\$8000.00]. Less than one-fifth of all respondents (16%) were not able to locate on the Confirmation Form for Class “B” Shares the correct amount of money invested or were otherwise unable to report it. Another 12% of respondents did not know the amount of money invested.

Figure 38
Question 22. How much money was invested? (n =1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 63

Question 22: Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
92%	86%	75%	86%	87%	82%	90%	91%	80%	92%

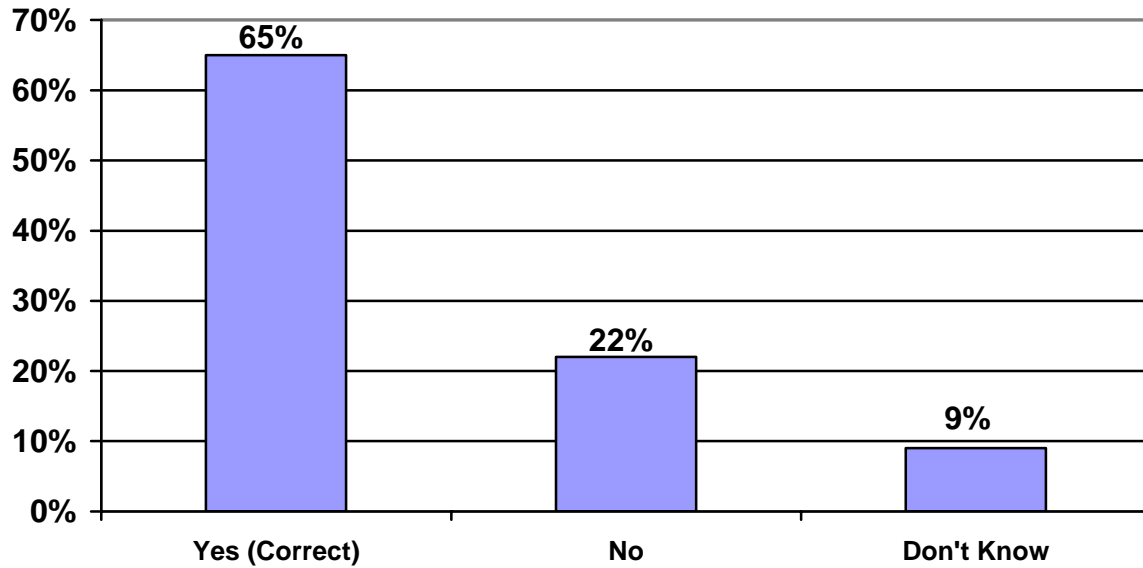
Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
89%	80%	91%	84%

Question 23. Are fund affiliates sharing revenue with the broker in connection with your purchase?

On the previous questionnaire evaluating the Point of Sale Form for Class “B” Shares, the term *revenue sharing* was raised (basically, revenue sharing occurs when brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds). In this particular questionnaire (Confirmation Form for Class “B” Shares), the question of revenue sharing was asked more overtly.

When asked if fund affiliates were sharing revenue with the broker in connection with the mock purchase of Class “B” shares listed on the Confirmation Form for Class “B” Shares, more than 6 in 10 respondents (65%) reported correctly that fund affiliates were sharing revenue with the broker in connection with the purchase presented on the Confirmation Form. A total of 31% of respondents reported incorrectly that fund affiliates were not sharing revenue with the broker in connection with the purchase (22%) or did not know (9%).

Figure 39
Question 23. Are fund affiliates sharing revenue with the broker in connection with your purchase? (n = 1,023)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 64
Question 23: Correct Response by Demographic Differences (n = 1,023)

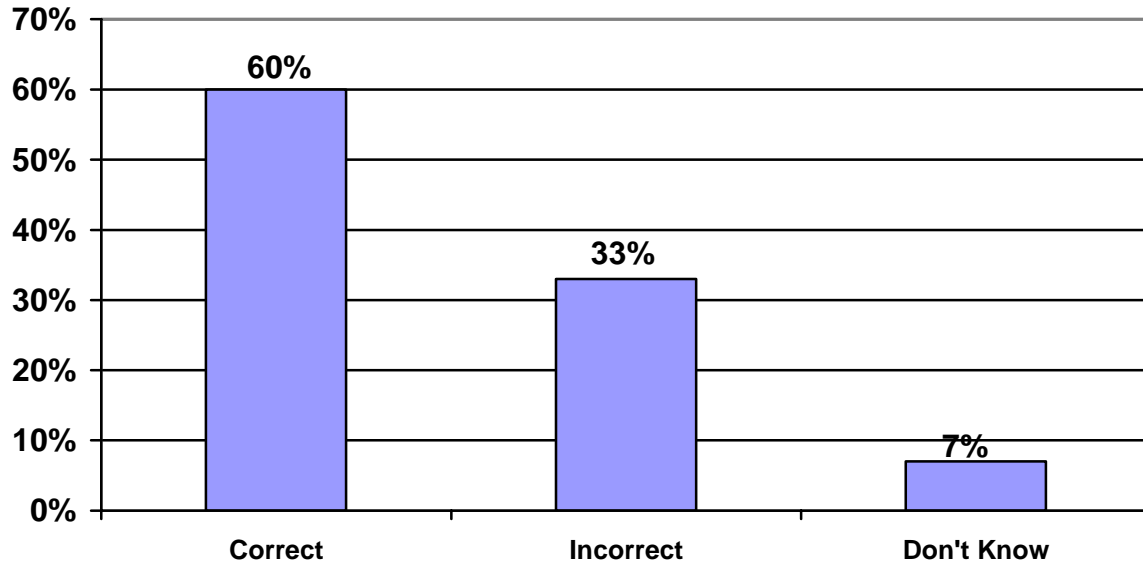
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
69%	69%	66%	69%	66%	65%	67%	77%	64%	73%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
74%	59%	80%	64%

Question 23A. How much revenue is being shared?

Six in ten respondents (60%) were able to locate the correct amount of revenue being shared [**\$32.00**]. The other 4 in 10 respondents (40%) reported an incorrect amount (33%) or simply did not know the amount of revenue being shared (7%).

Figure 40
Question 23A. How much revenue is being shared? (n = 662)



Source: *A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004*

Table 65
Question 23A: Correct Response by Demographic Differences (n = 662)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
96%	89%	74%	90%	87%	82%	91%	98%	79%	97%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
91%	86%	95%	86%

Question 24. Does the broker receive portfolio brokerage commissions from the fund or its affiliates?

The mock Confirmation Form for Class “B” Shares lists portfolio brokerage commissions received from the fund or its affiliates. Almost 7 in 10 respondents (68%) correctly reported that the broker does receive portfolio brokerage commissions from the fund or its affiliates. A total of 20% of respondents reported incorrectly that this information was not listed on the Confirmation Form for Class “B” Shares, and 8% did not know.

Table 66**Question 24: Correct Response by Demographic Differences (n = 1,023)**

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
74%	68%	69%	70%	72%	67%	70%	80%	65%	77%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
77%	60%	81%	67%

Question 25. How much will the broker receive in portfolio brokerage commissions for this purchase of shares?

Of the respondents who reported correctly that the Confirmation Form for Class “B” Shares listed portfolio brokerage commissions that the broker would receive from the fund or its affiliates, 63% were able to locate and report the correct amount of the portfolio brokerage commissions. Approximately 3 in 10 respondents (31%) were unable to correctly locate and report the correct amount of the portfolio brokerage commissions listed on the Confirmation Form for Class “B” Shares, and 6% reported that they did not know.

Table 67**Question 25: Correct Response by Demographic Differences (n = 692)**

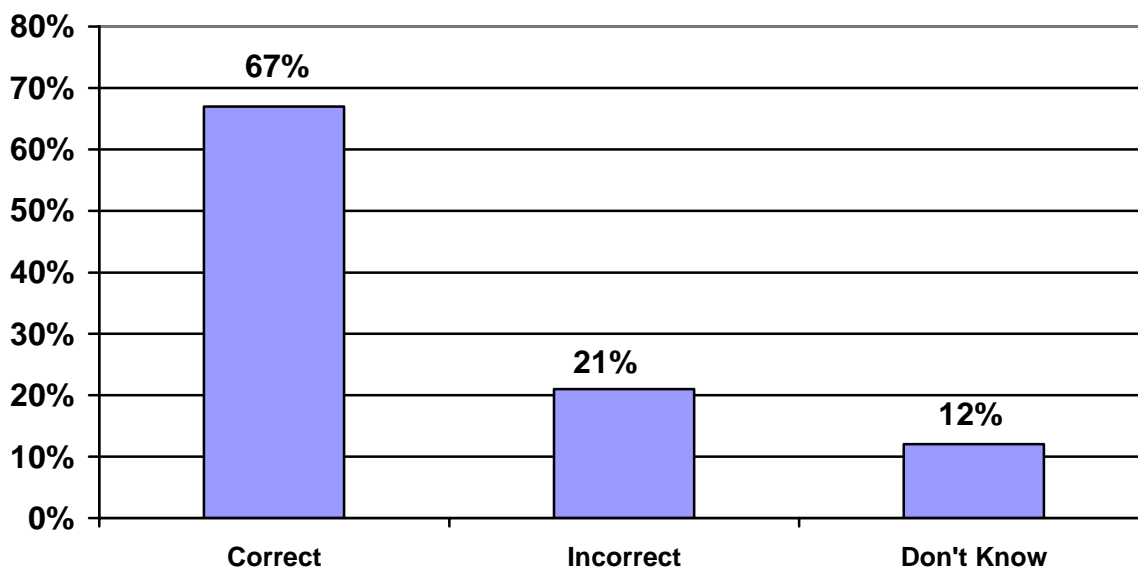
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
97%	93%	74%	90%	95%	85%	95%	97%	83%	97%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
91%	92%	91%	91%

Question 26A. What is the total amount for the back-end sales load if the shares are sold in 3 years?

One of the primary differences between mutual fund “A” shares and “B” shares is that “A” shares generally have a front-load charge and B shares have a back-load charge. Since this particular form is used for the confirmation of purchase of “B” shares, a back-end sales load was listed on the Confirmation Form for Class “B” Shares. Slightly more than two-thirds of respondents (67%) reported the correct amount of the back-end sales load listed on the Confirmation Form for Class “B” Shares [\$240.00]. One-third of respondents (21%) incorrectly reported the amount of the back-end sales load and 12% indicated that they did not know.

Figure 41
Question 26A. What is the total amount for the back-end sales load if the shares are sold in 3 years? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 68
Question 26A: Correct Response by Demographic Differences (n = 1,023)

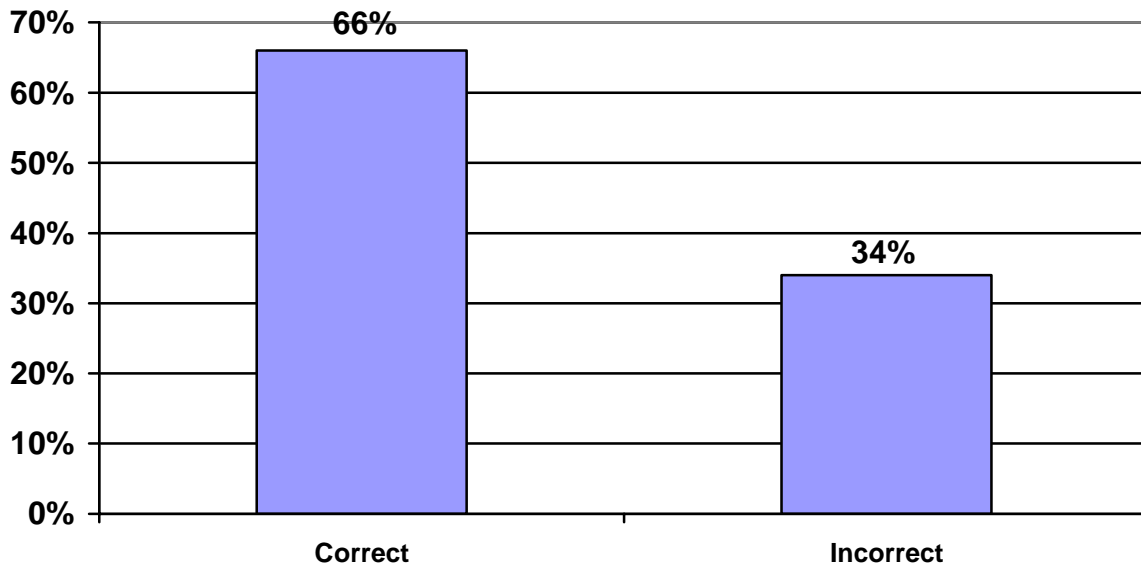
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
89%	85%	75%	86%	84%	82%	85%	90%	78%	91%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
89%	76%	92%	82%

Question 27. How many shares were purchased?

A total of **440.286** mutual fund “B” shares were listed as purchased on the Confirmation Form for Class “B” Shares. Respondents were asked to report how many shares were purchased. Two-thirds of respondents (66%) reported the correct number of mutual fund shares shown as purchased on the Confirmation Form for Class “B” Shares. Approximately one-third of respondents (34%) were unable to locate or correctly report the amount of shares purchased on the mock Confirmation Form.

Figure 42
Question 27. How many shares were purchased? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 69
Question 27: Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
48%	34%	18%	76%	24%	44%	26%	30%	42%	58%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
72%	28%	64%	36%

Question 28. What is the name of the fund from which the shares were purchased?

A mock name of a mutual fund appears on the Confirmation Form for Class “B” Shares [**BBB Equity Fund**]. Less than one-quarter of all respondents (22%) reported the correct name of the mutual fund that appears on the Confirmation Form for Class “B” Shares. A total of 38% of respondents reported an incorrect mutual fund name for the mutual fund shares listed as purchased on the form, 11% reported that they did not know, and 26% gave no answer.

Table 70
Responses Given for Fund Name (n = 1,023)

Response	%
Correct (BBB Equity Fund)	22%
Incorrect (ACME)	15%
Incorrect (AAA)	13%
Incorrect (Other)	10%
Don't Know	11%
No Answer	26%

Table 71
Question 28: Correct Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
23%	21%	20%	24%	14%	18%	23%	29%	15%	28%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
24%	18%	27%	19%

Form Rating

Question 29A_1. *Please rank each section according to how important the information found in that section is to you. From the sections listed below, please select the section you believe to be the most important*

The section labels of the Confirmation Form for Class “B” Shares listed below identify the sections of the form located on the first page. Respondents were asked to select the section of the form they believe is most important.

Sections of the Confirmation Form for Class “B” Shares

- A. General information
- B. What you pay (directly and indirectly) for purchases
- C. Amounts that your broker will receive from the fund or its affiliates
- D. Payment of special compensation to personnel of your broker
- E. Breakpoint discount information

Almost half of all respondents (46%) reported section “A” (*General information*) as the most important section on the Confirmation Form for Class “B” Shares. Twenty percent of respondents selected section “B” (*What you pay [directly and indirectly] for purchases*) as the most important section, and less than 1 in 10 respondents (9%) selected section “C” (*Amounts that your broker will receive from the fund or its affiliates*). A lesser percentage of respondents selected sections “D” (*Payment of special compensation to personnel of your broker*) (4%) or “E” (*Breakpoint discount information*) (4%)

Question 30. *How helpful were the explanations and definitions in helping you understand the form?*

Similar to the Point of Sale Form for Class “B” Shares, the Confirmation Form for Class “B” Shares also included a list of explanations and definitions found on Page 2 of the form. When asked how helpful the explanations and definitions were in helping respondents understand the Confirmation Form for Class “B” Shares, 65% reported the form was either *somewhat helpful* (46%) or *very helpful* (19%). An almost equal percentage of respondents reported the explanations and definitions found on Page 2 of the Confirmation Form for Class “B” Shares were *not at all helpful* (16%) or *not too helpful* (13%).

Table 72
Question 30: “Very Helpful” or “Somewhat Helpful” Response
by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
72%	73%	60%	70%	70%	62%	75%	81%	59%	80%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
75%	61%	79%	66%

Question 30B. Do you think more terms or definitions should be added to the second page of this form labeled “Explanation and Definitions”?

A majority of respondents—slightly more than 7 in 10 (71%) did not think that more terms or definitions should be added to the second page of the Confirmation Form for Class “B” Shares. Nineteen percent of respondents reported *Yes*, more terms or definitions should be added to the second page of the Confirmation Form for Class “B” Shares.

Table 73
Question 30B: “Yes” Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
19%	20%	28%	20%	27%	26%	18%	16%	27%	17%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
20%	25%	17%	24%

Question 30_1. Which terms/definitions would you add?

Many of the financial terms found on the Point of Sale Form for Class “B” shares are also found on the Confirmation Form for Class “B” Shares. Hence, respondents’ suggestions for terms to be added to the *Explanations and Definitions* section of the Confirmation Form were very similar. Respondents continued to request more in-depth definitions of all of the financial terms.

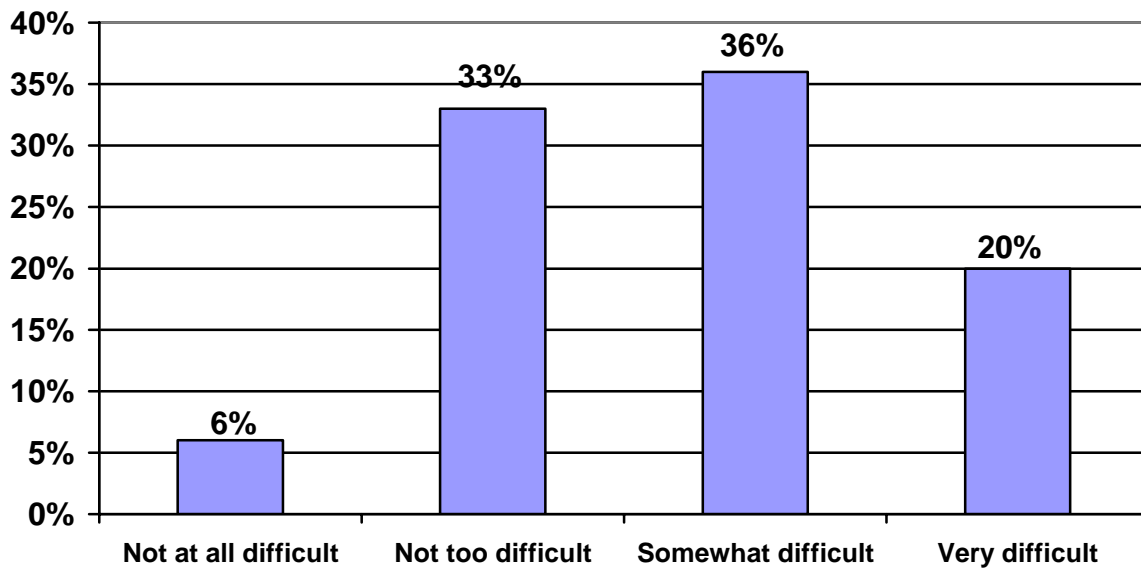
Two terms that respondents requested be added to the Confirmation Form for Class “B” Shares that were not mentioned earlier by respondents are as follows:

- Affiliated funds
- Non-Affiliated funds

Question 30_2. Overall, how difficult are the explanations of the terms to understand?

More than half of all respondents (56%) reported they had some difficulty understanding the explanations of the terms. Almost 4 in 10 respondents (36%) reported that the explanations of the terms were *somewhat difficult* to understand, and 20% reported they were *very difficult* to understand. Approximately one-third of respondents (33%) reported that the explanations were *not too difficult*, and 6% reported they were *not at all difficult* to understand.

Figure 43
Question 30_2. Overall, how difficult are the explanations of the terms to understand? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 74
Question 30_2: “Very Difficult” or “Somewhat Difficult” Response
by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
51%	57%	76%	61%	53%	68%	56%	43%	69%	49%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
54%	68%	52%	62%

Important Information Needed

Question 30_3. *In order of importance, what 4 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?*

Question 30_3 is similar to Question 2 (which asks about the 3 pieces of information respondents would need to know before they could make a decision to purchase shares in a mutual fund). However, by the time respondents had read Question 30_3, they had had an opportunity, simply by reviewing both the Point of Sale Form for Class “B” Shares and the Confirmation Form for Class “B” Shares, to get better acquainted with some investment terminology, practices, and concepts. Still, the responses offered for the most important pieces of information changed little.

The pieces of information respondents reported most often as being most important are presented here. A majority of respondents (30%) reported that *price* was the most important piece of information they needed to know before making such a decision. Other responses were far less frequently mentioned. Less than 1 in 10 respondents (7%) reported that *performance* was the most important piece of information, followed by *company* (6%). Other responses included *features* (5%), *front-end fee* (4%), *broker* (4%), *returns* (3%), and *safety* (2%).

While *front-end fee* was not reported as frequently as *price*, the frequency with which front-end fee was mentioned increased substantially between Question 2 and Question 30_3. The same is true of the term *back-end fees*. *Back-end fees* were marginally mentioned when respondents answered Question 2. Yet it too was mentioned more frequently as a response to Question 30_3. Below a table lists the percentage of respondents for Question 2 and Question 30_3 who reported various pieces of information as the most important they needed to know before making a decision to purchase shares in a mutual fund (See Table 76). Notice the change in frequency of responses.

Table 75
Comparison of Responses to Question 2 and Question 30_3 Concerning Information Respondents Considered Most Important in Buying Shares of a Mutual Fund

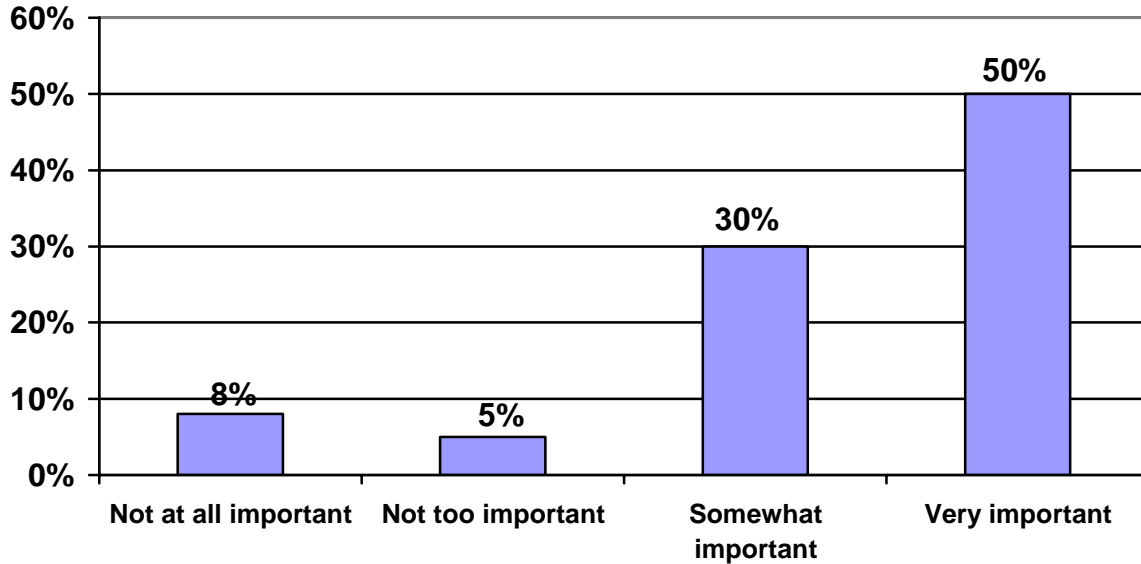
Most important piece of information	Question 2 response %	Question 30_3 response %
Price	21%	30%
Returns	12%	3%
Performance	12%	7%
Company	7%	6%
Safety	5%	2%
Features	5%	5%
Fund Image	3%	3%
Broker	2%	4%
Front-End Fees	0.2%	5%
Back-End Fees	0.1%	2%

Question 31. *How important is it for you to know that a broker will be paid more depending on which fund he/she sells you?*

Respondents seemed to be concerned that a broker may be paid more depending on which fund he or she were to sell them. Approximately 8 in 10 respondents (80%) reported that it was *very important* (50%) or *somewhat important* (30%) to know that a broker may be paid more depending on which fund he/she were to sell to them. Eight percent of respondents reported that it was *not at all important*, and 5% reported it was *not too important*.

Figure 44

Question 31. How important is it for you to know that a broker will be paid more depending on which fund he/she sells you? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 76

Question 31. “Very Important” or “Somewhat Important” Response by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
87%	85%	87%	88%	83%	83%	90%	90%	81%	91%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
91%	78%	91%	84%

Question 31A. Would you change your mind about purchasing mutual fund shares if you knew that a broker may be paid more for selling you those shares?

A majority of respondents reported they would change their mind about purchasing mutual fund shares if they knew that a broker may be paid more for selling those shares.

A total of 63% of respondents reported that they would change their mind; 28% reported that knowing this information would not change their mind about the purchase.

Table 77
Question 31A: “Yes” Responses by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
71%	68%	71%	69%	71%	72%	70%	66%	66%	73%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
71%	67%	69%	70%

Question 31B. Would you ask more questions of your broker if you knew that he/she may be paid more for selling you those shares?

While 63% of respondents reported they would change their mind about purchasing mutual fund shares if they knew that a broker may be paid more for selling those shares, a greater percentage of respondents (83%) admitted they would ask more questions if they knew the broker might receive more money for selling those mutual fund shares. Ten percent of respondents reported they would not ask more questions.

Table 78
Question 31B: “Yes” Responses by Demographic Differences (n = 1,023)

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
89%	92%	88%	90%	90%	88%	90%	92%	87%	92%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
93%	83%	94%	88%

**Question 31C. What does it mean when a broker faces a conflict of interest?
(Check all that apply)**

Respondents were asked to select a response that best explained how they might be affected if their broker were faced with a conflict of interest. Below is a list of responses and the percentage of respondents who selected that particular response. Respondents were instructed to select all of the responses they deemed appropriate.

- a) Your broker may recommend to you one fund over another because the broker receives more money for your investment in that fund. **(65%)**

 - b) Your broker may have an incentive to limit the range of mutual fund choices presented to you. **(28%)**

 - c) You may purchase a different mutual fund than you would have purchased in the absence of the conflict. **(23%)**

 - d.) None of the above **(13%)**
-

Question 31D. What do you think such a conflict would mean for the cost of the transaction that you made?

Respondents were further asked how a conflict of interest might affect the transaction or purchase of mutual fund shares presented in the Confirmation Form for Class “B” Shares. Almost 7 in 10 respondents (69%) reported that the cost for the transaction would likely increase. Fifteen percent of respondents reported they would not be affected by the conflict of interest, and 5% reported that the cost of the transaction would likely decrease. Below is a list of responses and the percentage of respondents who selected that particular response. Respondents were instructed to select all of the responses they deemed appropriate.

Responses

- a.) The cost to you would not be affected **(15%)**

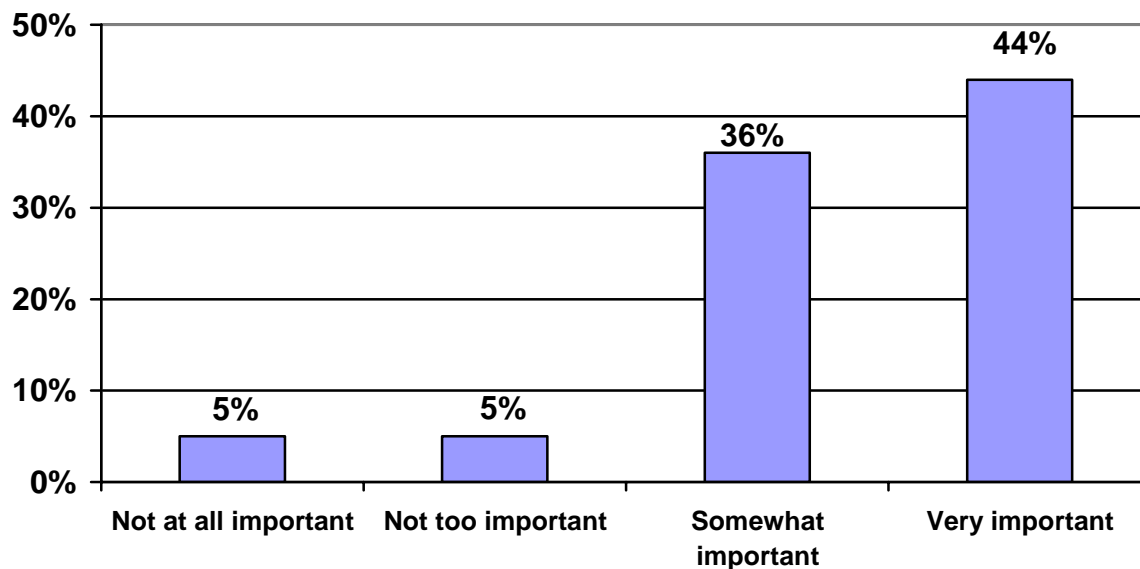
- b.) The cost to you would likely increase **(69%)**

- c.) The cost to you would likely decrease **(5%)**

Question 32. How important is it to know that a broker may receive more compensation (money) if the broker sells you shares of a fund that includes a back-end sales load?

Most respondents reported it was important to know that a broker may receive more compensation if he or she sells them shares of a fund that includes a back-end sales load. A total of 80% of respondents reported that it was *very important* (44%) or *somewhat important* (36%) to know that a broker may receive more compensation if he or she sells you shares of a fund that includes a back-end sales load. A lower percentage of respondents reported that it was *not all important* (5%) or *not too important* (5%).

Figure 45
Question 32. How important is it to know that a broker may receive more compensation (money) if he or she sells you shares of a fund that includes a back-end sales load?(n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 79
Question 32: “Very Important” or “Somewhat Important” Responses by Demographic Differences (n = 1,023)

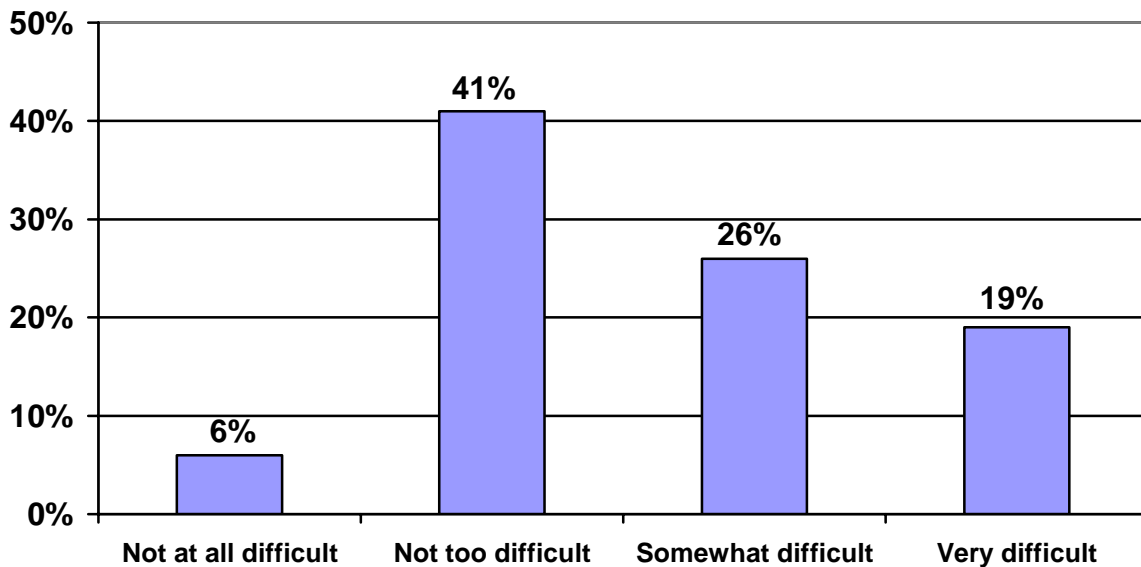
Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
90%	89%	86%	89%	88%	87%	89%	93%	86%	92%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
92%	84%	92%	88%

Question 32A. Overall, how difficult was it for you to find the information in the Confirmation Form?

A total of 47% of respondents reported little difficulty finding information in the Confirmation Form for Class “B” Shares. Approximately 4 in 10 respondents (41%) reported that it was *not too difficult* to find information on the form, and 6% reported it was *not at all difficult*. A similar percentage of respondents (45%) reported they had at least some difficulty finding information in the Confirmation Form for Class “B” Shares. Twenty-six percent of respondents reported it was *somewhat difficult*, and 19% reported it was *very difficult* to find information in the form.

Figure 46
Question 32A. Overall, how difficult was it for you to find the information in the Confirmation Form? (n = 1,023)



Source: A Public Assessment of the Proposed Mutual Fund Disclosure Forms, 2004

Table 80

***Question 32A. “Very Difficult” or “Somewhat Difficult” Responses
by Demographic Differences (n = 1,023)***

Age			Race		Income			Education	
35-49	50-64	65+	White	Non-White	<\$40K	\$40K-\$60K	\$60K+	HS or less	Some College+
44%	44%	65%	49%	48%	58%	45%	32%	59%	38%

Investor Status		Mutual Fund Investor	
Investor	Non-Investor	Yes	No
42%	61%	38%	53%

Question 33. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.

Many of the comments and suggestions respondents offered for the Point of Sale Form for Class “B” Shares are very similar to the comments and suggestions made here for the Confirmation Form Class “B” shares. Respondents continued to suggest that simple language be used and that the “legalese” be deleted. It was also suggested that there was too much information grouped into too little space. Respondents would like to see more space between sections to demarcate fees and charges they would pay for the sale or purchase of mutual fund shares and those fees paid to the broker or brokerage firm for the transaction.

One respondent suggested color-coding sections of the form to differentiate fees and costs to the investor and other involved parties. There was also a suggestion to use a computer print-out rather than a standard form.

Respondents wanted to know what fees they may incur regarding the transaction (i.e., sale or purchase of mutual funds). They suggested that these fees be made clear and concise and in plain English. The phrase “laymen’s terms” was used often to describe how respondents wanted the disclosure forms to read.

Respondents also suggested using examples to illustrate who pays what to whom for the transaction. One respondent suggested that all costs and fees associated with the sale or purchase of mutual fund shares be set-up like a math problem. This suggestion alludes to a suggestion made by many respondents. Very simply, respondents wanted to know the total of all the costs and fees associated with the transaction.

CONCLUSIONS

At a time when the confidence of mutual fund investors has been shaken by a number of investment scandals and record financial losses, the proposed mutual fund disclosure forms evaluated in this study might be well received by mutual fund investors. The intent of the Point of Sale Form and the Confirmation Form is to provide enhanced information to consumers about costs and possible conflicts of interest prior to the purchase of mutual fund shares as well as after the purchase. This kind of information has never before been provided to mutual fund investors in this format.

However, in order for such information to be used by a diverse population of consumers, the information should be easy to comprehend and in a format that is inviting to them. This evaluative study asked respondents to rate the proposed mutual fund disclosure forms on the basis of how easily they could interpret information presented on the mock forms. Respondents were also asked to offer suggestions to improve the utility of the forms. The findings from this study suggest that there are obvious variations in respondent comprehension of the mutual fund disclosure forms.

Some of the variation in respondent comprehension may be attributed to demographic differences. Respondents who were less educated, earned less income, were non-white, or were older were more likely than their counterparts to respond incorrectly to questions throughout the survey. Respondents who had more experience investing in mutual funds and in other forms of financial investments were more likely to answer the form content questions correctly.

Generally, respondents were able to correctly identify key features of both the Point of Sale Form and Confirmation Form. Yet a majority of respondents could not correctly identify the mock name of the mutual fund listed on both the Point of Sale Form and Confirmation Form. Also, respondents were less likely to correctly report the total amount of shares purchased, as well as the total price of those shares, than other pieces of information about the mutual fund shares. This is ironic given that respondents reported that “price” was the most important piece of information they needed to know prior to making a decision about purchasing mutual fund shares.

A suggestion consistently offered by respondents included a rather broad request that the forms be simplified and that more “plain” English be used to replace the “legalese” and sophisticated financial terminology. Even with a list of explanations and definitions included on both the Point of Sale Form and Confirmation Form, respondents still suggested that a glossary of financial terms be included on the forms. Basically, respondents were looking for more clarification of terms. For example, the term *back-end sales load* appears on the Point of Sale Form and the Confirmation Form, yet there is no complete definition of this term found on either form.

Additionally, when respondents were asked to locate specific information that would have typically required more of their time and concentration (e.g., a specific dollar amount or the name of the mutual fund from which shares were purchased), respondents were less likely to respond correctly. It was suggested by respondents that examples be listed on the mutual fund disclosure forms to illustrate who pays what to whom for the transaction. One respondent suggested that all costs and fees associated with the sale or purchase of mutual fund shares be set-up like a math problem. This suggestion alludes to a need for simplicity. Respondents want to know, very simply, the “total” of all the costs and fees associated with the transaction.

While the suggestions and data collected for this particular study are rich and robust, further research is certainly needed, especially since there are no baseline measurements with which to compare the findings of this study. Further research should include a comparative analysis of other mutual fund disclosure forms and content designs in which respondents could compare other mutual fund disclosure forms to those currently being proposed.¹¹ This comparison would help to determine the best features and formats for the forms.

Further research should also employ a methodology that would allow researchers to analyze the time it takes a respondent to search for information within a mutual fund disclosure form and then answer a survey question about that particular piece of information. This would allow researchers to compare the amount of time it takes respondents to search for information in a mutual fund disclosure form and answer a given question or set of questions. Understanding the amount of time it takes for respondents to search for information listed on a mutual fund disclosure form would be useful in form construction. It would also be useful in developing form content.

Finally, further research should certainly be conducted using a sample size large enough to allow for demographic segmentation. As the findings in this particular study suggest, there may be important differences between various demographically categorized groups that help to explain variations in form comprehension.

¹¹ The authors are aware that the U. S. Securities Exchange Commission is limited by legal constraints in the kinds of research it can conduct.

APPENDICES

APPENDIX A

Methodology

The data for this study were collected from two separate national samples of adults age 35 and older in two surveys that were fielded simultaneously in March 2004 via Web TV. In total, 2,034 respondents completed questionnaires for the study. Of the 2,034 surveys completed, 1,011 were reviewers for the disclosures based on purchase of mutual fund class “A” shares and 1,023 were reviewers for the disclosures based on the purchase of mutual fund class “B” shares. The respondents were selected to review the proposed SEC disclosure forms (Point of Sale Form and Confirmation Form) related to either mutual fund Class “A” Shares or to Class “B” Shares, and to answer survey questions online concerning the information presented in the forms.

Respondents were able to view the SEC disclosure forms in their original design (all forms used in this study were downloaded directly from the Commission’s website without change). The sample disclosure forms were filled in by the SEC with mock fund names, figures, and information. We used these sample forms to simulate a real purchase of shares in a mutual fund. Respondents were encouraged to review the forms as often as they wished before and during the time they were completing our questionnaire. There was no overlap between those selected to respond to the Class A share survey and those selected to respond to the Class B share survey.

For this study, a confidence interval of 95% was used. The sampling error is ± 3 , which means that values presented in the report may be within a range of ± 3 .

Knowledge Networks Methodology and the WebTV Panel

Knowledge Networks has recruited the first online research panel that is designed to be representative of the entire U.S. population. The panel is representative because it was recruited using high-quality probability sampling techniques and was not limited to current Web users or computer owners. Knowledge Networks selects households using random digit dialing (RDD) and provides selected households with free hardware and Internet access. This method allows surveys to be administered using a Web browser and enables the inclusion of multimedia content.

Panel Recruitment Methodology

Knowledge Networks’ panel recruitment methodology uses the high-quality standards established by the best random digit dialing (RDD) surveys conducted for the Federal Government.

Knowledge Networks utilizes list-assisted RDD sampling techniques on the sample frame consisting of the entire U. S. telephone population. The sample frame is updated quarterly. Knowledge Networks excludes only those banks of telephone numbers (consisting of 100 telephone numbers) that have zero directory-listed phone numbers. Knowledge Networks’ telephone numbers are selected from the 1+ banks with equal probability of selection for each number. Note that the sampling is done without replacement to ensure that numbers already fielded by Knowledge Networks do not get fielded again.

Having generated the initial list of telephone numbers, the sample preparation system excludes confirmed disconnected and nonresidential telephone numbers. Next, the sample is screened to exclude numbers that are not in the WebTV Internet Service Provider network. This process results in the exclusion of approximately 6% to 8% of the U. S. population. This percentage is diminishing steadily, and as of July 2001, Knowledge Networks began to include a small sample from the out-of-WebTV Internet Service Provider network in the panel to represent these areas and reduce coverage error.

Telephone numbers for which Knowledge Networks is able to recover a valid postal address (about 50%) are sent an advance mailing informing them that they have been selected to participate in the Knowledge Networks Panel. In addition to information about the Knowledge Networks Panel, the advance mailing also contains a monetary incentive to encourage cooperation when the interviewer calls.

Following the mailing, the telephone recruitment process begins. The numbers called by interviewers consist of all numbers sent an advance mailing, as well as 50% of the numbers not sent an advance mailing. The resulting cost efficiency more than offsets the decrease in precision caused by the need for sample weights. Cases sent to telephone interviewers are dialed for up to 90 days, with at least 15 dial attempts on cases where no one answers the phone and 25 dial attempts on phone numbers known to be associated with households. Extensive refusal conversion is also performed.

Experienced interviewers conduct all recruitment interviews. An interview, which typically requires about 10 minutes, begins with the interviewer informing the household member that they have been selected to join the Knowledge Networks Panel. They are told that in return for completing a short survey weekly, the household will be given a WebTV set-top box and free monthly Internet access. All members in the household are then enumerated, and some initial demographic variables and background information of prior computer and Internet usage are collected.

To ensure consistent delivery of survey content, each household is provided with identical hardware, even if they currently own a computer or have Internet access. Microsoft's WebTV is the hardware platform currently used by the Knowledge Networks panel. The device consists of a set-top box that connects to a TV and the telephone. It also includes a remote keyboard and pointing device. WebTV has a built-in 56K modem that provides the household with a connection to the Internet. The base unit also has a small hard drive to accommodate large file downloads, including video files. File downloads do not require any user intervention and usually occur during off hours.

Prior to shipment, each unit is custom configured with individual email accounts, so that it is ready for immediate use by the household. Most households are able to install the hardware without additional assistance, though Knowledge Networks maintains a telephone technical support line and will, when needed, provide on-site installation. The Knowledge Networks Call Center also contacts household members who do not respond to e-mail and attempts to restore contact and cooperation.

All new panel members are sent an initial survey to confirm equipment installation and familiarize them with the WebTV unit. Demographics such as gender, age, race, income, and education are collected for each participant to create a member profile. This information can be used to determine eligibility for specific studies and need not be gathered with each survey.

Survey Administration

For client-based surveys, a sample is drawn at random from active panel members who meet the screening criteria (if any) for the client's study. The typical sample size is between 200 and 2000 persons, depending on the purpose of the study. Once selected, members can be sent an advance letter by mail several days prior to receiving the questionnaire through their WebTV appliance to notify them of an important upcoming survey.

Once assigned to a survey, members receive a notification email on their WebTV letting them know there is a new survey available for them to take. The email notification contains a button to start the survey. No login name or password is required. The field period depends on the client's needs, and can range anywhere from a few minutes to 2 weeks.

Email reminders are sent to uncooperative panel members. If email does not generate a response, a phone reminder is initiated. The usual protocol is to wait at least 3 days and to permit a weekend to pass before calling. Knowledge Networks also operates an ongoing incentive program to encourage participation and create member loyalty. To assist panel members with their survey taking, each individual has a personalized "home page" that lists all the surveys that were assigned to that member and have yet to be completed.

Survey Sampling from Panel

Once panel members are recruited and profiled, they become eligible for selection for specific surveys. In most cases, the specific survey sample represents a simple random sample from the panel. The sample is drawn from eligible members using an implicitly stratified systematic sample design. Customized stratified random sampling based on profile data is also conducted, as required by specific studies.

The primary sampling rule is not to assign more than one survey per week to members. In certain cases, a survey sample calls for prescreening, that is, members are drawn from a subsample of the panel (e.g., females, Republicans). In such cases, care is taken to ensure that all subsequent survey samples drawn that week are selected in such a way as to result in a sample that is representative of the panel distributions. Furthermore, panel members are not assigned surveys on the same topic in a given 3-month period.

Quality Assurance

Quality control is no substitute for quality assurance--identifying problems during quality control is a requisite of good survey practice, but it is much preferable to employ quality assurance processes that correct any potential problems before a survey is implemented.

Quality assurance in terms of survey implementation begins with a stable, well-understood data-capture system that, with extremely low-error rates, writes response data safely and accurately to disk. The proprietary Internet data collection system employed by Knowledge Networks writes response data to a centralized server with redundant backup systems after each question is administered; this is the safest method for data storage. The data collection system itself fully supports logic and inter-item and intra-item range checks.

A second consideration is the error-free implementation of the questionnaire itself. After a questionnaire has been programmed, the Quality Assurance team ascertains whether there is 100% agreement between the programmed instrument and two key documents: the text version of the questionnaire and a flow-chart documenting all skip patterns. Each skip pattern and question and response wording are verified to be in agreement with these key project documents.

Within 24 hours of a survey being fielded to the web-enabled panel, a research analyst examines the data collected to verify that all data are within the valid ranges and to confirm that all skip pattern logic is working correctly.

Item nonresponse is a trivial problem at Knowledge Networks; panel members rarely breakoff from surveys, and item nonresponse for attitudinal questions is typically about half that observed in telephone surveys, with which there are potential interviewer effects. We have not found this to be a problem justifying any special follow-up procedures, except for allowing panel members to resume self-administration of broken-off surveys at their convenience.

After all the survey data are collected, supplemental data are added to the survey data set. These supplemental data, called *profile data*, constitute pre-banked information collected previously on panel members' demographics and relevant background information. This information is provided at no extra charge, and includes the following variables:

- Gender
- Age (in 7 categories)
- Race
- Hispanic Ethnicity
- Marital Status
- Education (highest obtained level)
- Current Employment Status
- Head of household Indicator
- Language Primarily Spoken in the Home
- Ownership Status of Living Quarters
- Housing Type
- Household Income in Last Calendar Year
- Number of Household Member's Age 0-1, 2-5, 6-12, 13 to 17, and 18 or older
- Household Size
- Use of Internet Indicator for Use Prior to Receiving the WebTV
- Number of Computers or Laptops in the Household
- Number of Computers in the Household Connected to the Internet
- Census Region (9 Regions)
- Metropolitan Status

Finally, data quality control checks are made to assure that the analysis file is clean. The following checks are performed:

- Profile data attached
- No duplicate records
- Valid value range/missing data codes
- Analysis of item nonresponse
- Demographic sample balance (sample versus completed cases)
- Skip logic performance
- Clear variable and value labeling
- Confidentiality check
- Interviews where one-third or more of the responses are missing are flagged as invalid.

Interview records are inspected to determine whether any completed cases should be discarded. Since the data set includes only those records in which the respondent completed the last question of the survey, the raw data set generally contains only fully completed interviews. **However, there are situations where certain questions are regarded as “critical items,” and records are discarded that have missing data for these items or are flagged as invalid if one-third or more or more of the response are missing for the close-ended questions.**

Validation of a random percentage of cases is an optional service provided by Knowledge Networks. Validation may be performed by telephone or by a second administration of critical items from the questionnaire. This is not a standard service, however, because past analysis has demonstrated a high level of reliability in survey response data.

Another aspect of data file cleaning are measures to assure respondent confidentiality and privacy. Knowledge Networks is well aware that respect for respondent confidentiality is a requirement for survey research. In the current era of the Federal Belmont Report, Human Subjects Committees, Institutional Review Boards, and an active news media, survey organizations are well reminded of the requirement to assure that respondent information is handled with absolute care for privacy.

Knowledge Networks maintains a strict confidentiality policy for all of its employees. Parts of this policy are described below.

Member IDs, Names, and Telephone Numbers. As a general principle, panel members and panel household IDs, names (first or last), and telephone numbers will not be released to individuals and organizations outside Knowledge Networks. If there is a need to link data back to the original database, a separate set of IDs should be used and the map linking the true with the fictitious numbers should be kept in a restricted-access folder. Names and telephone numbers will be made available within Knowledge Networks on a restricted basis, only to those Knowledge Networks employees or consultants who have a need for this information and only for the duration of the project. Files containing names or telephone numbers must be deleted as soon as the files have served their purpose, or the files may be stored but only after deletion of these identifiers.

Geographical Identifiers. Knowledge Networks will strip all geographical identifiers from any file released for external use. This includes but is not limited to state, Congressional District, CMSA, PMSA, MSA, DMA, zip code, city, Census place, Census MCD, county name, FIPS code, tract, block-group, and address (consisting of any combination of street name, street number, and additional data such as apartment number). For certain studies, geographical boundaries will be outlined for the study, or specific geographical entities such as state and MSA will be specified. In these cases, care must be taken to release only the required geographical data and to be sensitive to how this could influence identifiability. As a general rule, Knowledge Networks will not release information for a geographical unit containing fewer than 500 sampled panel members (though this can vary and will depend somewhat on the number of variables and codes included in the file). Please consult with the statistics department if you find the limit excessively restrictive.

Geographical identifiers will be made available within Knowledge Networks on a restricted basis, only to those analysts who have a legitimate need for this information and only for the duration of the project. Files containing geographical information must be deleted as soon as the files have served their purpose, or the files may be stored but only after deletion of these identifiers.

Outliers. We need to ensure that we do not release data that identifies outliers (e.g., age=120 or income=\$5 million). We must recode outliers to make them indistinguishable from the remaining values in the data file. Analysts should as a matter of course review the distributions of the data and suppress units that are clearly far out in either of the tail regions of the distribution. Outliers need not be limited to univariate distributions. Analysts must also review selected multivariate cross-tabulations to ensure that no panel member is an obvious outlier in the sample and, by possible extension, in the population.

Tabulations. In addition to micro-level data (i.e., individual data at the panel member level), we must be vigilant when releasing data in tabulated form. Geographical information is removed unless explicitly required for the study in question and with Vice President or higher approval. Again, as a general rule, Knowledge Networks will not release information for a geographical unit containing fewer than 500 sampled panel members.

In addition, we must identify and suppress sparse cells, rows, or columns in a table to reduce the risk of disclosure. The general rule is that each cell should be based on at least three unweighted sample panel members. If necessary, cells will be suppressed or collapsed with adjacent cells in order to reduce the risk of identifiability.

Non-Dissemination of panel member's Identifying Information. Under no circumstances will information be shared with clients that will enable the identification of research participants. All survey data are reported in aggregate format. Panel members' identifying information is never sold or distributed for any purpose.

APPENDIX-B

Survey Instrument

Intro Screen 1

The U.S. Securities and Exchange Commission (SEC) has made a special request for comments from people like you regarding two proposed that will assist individuals purchase mutual funds. The two new forms require brokers to tell you how much you must pay when you buy a particular fund and how much your broker and the firm will receive for selling the fund. We are interested in your opinion on how clearly information is presented and in ideas you have on how the forms can be improved.

These two forms are designed to provide you with information at two points in time--either orally or in writing immediately before your broker places the order (which is also called the point of sale) and in a written confirmation statement after the transaction occurs. The purpose of the forms is to give you enough information so that you can understand what conflicts your broker and the firm have. That way, when a broker recommends a particular fund, you can assess with full knowledge whether the investment is better for you or for your broker.

Intro Screen 2

The first form you will view is the **Point of Sale Form**. This form includes information that should be given to you prior to purchasing mutual fund shares and shares of other investment vehicles.

The second form you will view is the **Confirmation Form**. This form outlines information regarding the shares you purchased (e.g., the number of shares purchased, the price of the shares, and other pertinent information). (The Confirmation Form is given to you after the shares are purchased.)

Intro Screen 3

As you go through this survey, please keep the following points in mind while you are reviewing the forms.

The SEC wants to know:

- 1 – Whether the forms clearly communicate the information you need to make your investment decisions. If not, why not?
- 2 – Whether the forms will provide you with information you need at the time you need to receive it. If not, when would you want to receive the information?
- 3 – What improvements, if any, you would make to the forms?

Before we show you the first form we would like you to take some time and answer the following questions. **This is not a test.** We simply want to know your experience with investing and how familiar you are with some investment terms.

1. Do you own any of the following?
 - a. Corporate bonds
 - b. Government bonds
 - c. Mutual funds
 - d. Stocks
 - e. A pension or retirement plan
 - f. 401k
 - g. Certificates of deposit (CDs)
 - h. Money market accounts
 - i. Annuities
 - j. Other. Please specify: [TEXT BOX]
 - k. I do not currently own any investments

[IF Q1=11]

Intro Screen 4

The next section of this survey will ask you about your experiences with investing. While you currently do not own any investments, we are interested in your opinions on the matter.

[3 SINGLE LINE TEXT BOXES]

2. In order of importance, what 3 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund?

[IF Q1<>11]

[NUMBER BOXES]

[RANGE ON MONTH 0..11]

[RANGE ON YEAR 0..99]

SUM OF MONTH + YEAR>0

3. How long have you been investing (in any type of investments)?

_____months _____years

4. How many times per month do you look for investment information? (i.e.: magazines, websites, newspapers, TV, etc.)

- a. 0
- b. 1-5
- c. 6-10
- d. 11-15
- e. 16-20
- f. 21-25
- g. 26-30
- h. 31+

[GRID]

[RANDOMIZE ROW HEADERS]

4a. Assuming you had to make some decisions concerning the following types of financial affairs, how competent would you feel to deal with them? Please indicate whether you feel quite competent, somewhat competent, not very competent, or totally at a loss in handling each of the items listed below.

	<i>Quite competent</i>	<i>Somewhat competent</i>	<i>Not very competent</i>	<i>Totally at a loss</i>
	1	2	3	4
Deciding on how to save your money				
Managing your debts				
Deciding on stocks to buy and sell				
Knowing which mutual funds to invest in				
Planning for retirement				

1-10 (ONLY 1,5,10 ANCHORED)
HORIZONTAL SCALE

5. On a scale of 1 to 10 where 1 is not at all knowledgeable, and 10 is very knowledgeable, please rate how knowledgeable you think you are about investing. (Make “?” a “.”)

Not at all Knowledgeable			Somewhat Knowledgeable				Very Knowledgeable			
1	2	3	4	5	6	7	8	9	10	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

6. Which of these statements is the correct definition of Net Asset Value (NAV)?

The total or net value of all assets owned by a particular fund.

[The approximate value of one share.]

The value of all net shares combined.

The approximate value of a fund’s taxable income.

[RANDOMIZE RESPONSE CHOICES]

7. What is a front-end sales load?

A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity.

A fee you pay for an investment at time of initial purchase and final sale.

[A fee you pay for an investment at the time of initial purchase.]

[RANDOMIZE RESPONSE CHOICES]

7a. What is a back-end sales load?

[A sales charge or commission paid when an individual sells an investment, such as a mutual fund or an annuity.]

A fee you pay for an investment at time of initial purchase and final sale.

A fee you pay for an investment at the time of initial purchase.

[RANDOMIZE RESPONSE CHOICES]

8. What is revenue sharing?

Please select the one option that best describes revenue sharing.

[Brokers accept payments from various mutual fund companies in return for advising their customers to buy those companies' funds.]

Brokers pay a fee to various mutual fund companies in return for advising their customers to buy those companies' funds.

Brokers reimburse a mutual fund owner with a percentage of the shares purchased at the point of sale.

A fund pays an annual fee of its assets to market its shares to potential investor or to compensate brokers for maintaining the accounts of current shareholders

9. Which of the following statements regarding “A” shares and “B” shares of a mutual fund is correct?

[The “A” shares generally have a front-load charge and B shares have a back-load charge.]

The “A” shares generally have both a front load and a back load charge.

The “B” shares generally have a front load charge.

The “B” shares generally have both a front load and a back load charge.

*****POINT OF SALE: CLASS “A/B” SHARES***
(First Form)**

Point of Sale Form

Please take some time to review a completed example of the **Point of Sale Form** on the next screen and then answer the questions that appear on the following screens. Feel free to refer to the form as often as you like when answering the questions that follow.

10_1. Is there a front-end sales load?

Yes

No

A form answer: [YES]

B form answer: [NO]

10_2. Is there a back-end sales load?

Yes

No

A form answer: [NO]

B form answer: [YES]

[NUMBER BOX –ALLOW DECIMALS]

[0 to 9999]

Q11_1. [Only A form and if Q10_1=YES]

11_1. How much is the front-end sales load? [\$321.18]

[NUMBER BOX –ALLOW DECIMALS]
[0 to 9999]

Q11_2. [Only B form and if Q10_2=YES]

11_2. How much is the back-end sales load maximum for the first year?

B form answer: [\$400.00]

12. Will the broker receive any sales fees from the fund for this sale?

Yes

No

Both form answers [YES]

[IF Q12=YES]

[NUMBER BOX –ALLOW DECIMALS]

[0 to 9999]

12a. How much will the broker receive in sales fees?

A form answer: [\$300.00]

B form answer: [\$320.00]

13. Does the broker receive commissions for buying or selling fund assets, such as stocks or bonds?

Yes

No

Both form answers [YES]

14. Is the broker paid additional payments from the fund's affiliates (i.e. revenue sharing)?

Yes

No

Both form answers [YES]

15. Will you pay any asset-based distribution or service fees in the first year?

Yes

No

Both form answers [YES]

[IF Q15=YES]

[NUMBER BOX –ALLOW DECIMALS]

[0 to 9999]

15a. How much will you pay?

A form answer: [\$19.20]

B form answer: [\$80.00]

15b. Will there be any fees deducted annually from your account?

Yes

No

Don't know

16. Does the broker receive a higher payment for service if he/she sells a proprietary security issued by an affiliate?

Yes

No

Both from answer: [NO]

[NUMBER BOX]

[0 to 99999]

Note to Programmer: 'A' or 'B' varies according to which group respondent is a member (A=1 , B=2)

17. What is the total cost for the "A/B" shares purchased?

Both form answer [\$8000.00]

18. Please rate how difficult the following sections of the form are to understand.

1=Not at all difficult

2= Not too difficult

3= Somewhat difficult

4= Very difficult

[RANKING QUESTION]

Q18a_1. Please rank each section according to how important the information found in that section is to you. From the items below, please select the section you believe to be the **most** important

"Sales load and what we will be paid up front"

"Potential conflicts of interest"

"Special compensation"

[RANKING QUESTION]

Q18a_2. Please rank each section according to how important the information found in that section is to you. From the items below, please select the section you believe to be the **second most** important

Note to programmer: Show all response choices except for the one that was chosen in Q18a_1.

"Sales load and what we will be paid up front"

"Potential conflicts of interest"

"Special compensation"

19. Do you think more terms or definitions should be added the second page of this form labeled, "*Explanations and Definitions*"?

Yes

No

[IF Q19=Yes]

[TEXT BOX]

19a. Which terms/definitions would you add?

Click here to review this page [Programmer: Insert a Hyperlink to this page.]

20. Overall, how difficult are the explanations of the terms to understand?

1=Not at all difficult

2= Not too difficult

3= Somewhat difficult

4= Very difficult

Q20A.-If you had all of the information found in this form, how confident would you feel in making a decision to purchase or not to purchase mutual fund shares?

1=Not at all confident

2= Not too confident

3= Somewhat confident

4= Very confident

Q20B. Would you prefer to receive the information found in this form (point-of-sale disclosure) orally, in written form, or given the choice at the time of a transaction?

Orally

In written form

I'd like to have the option to choose at the time of a transaction

20b_3.

Question: Overall, how difficult was it for you to find the information in the Point-of-Sale form?

1=Very difficult

2=Somewhat difficult

3=Not very difficult

4=Not at all difficult

Q20C. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.

*****CONFIRMATION FOR CLASS "A OR B" SHARES DEPENDING ON FORM***
(Second Form)**

Note to Programmer: The form shown, 'A' or 'B' varies according to which group respondent is a member (xgroup: A=1 , B=2)

[Intro Screen for CLASS A OR B SHARE form]

Confirmation Form

Please take some time to review a completed example of the **Confirmation Form** on the next screen and then answer the questions that appear on the following screens. Feel free to refer to the form as often as you like when answering the questions that follow.

[NUMBER BOX]

[Allow Decimals]

[0 to 9999]

21. What is the total price of each share?

A form answer: [\$18.93]

B form answer: [\$18.17]

[NUMBER BOX]

[Allow Decimals]

[0 to 99999]

22. How much money was invested?

A form answer: [\$7682.00]

B form answer: [\$8000.00]

23. Are fund affiliates sharing revenue with the broker in connection with your purchase?

Yes

No

Answer on both forms: [YES]

[IF Q23=YES]

[NUMBER BOX]

[Allow Decimals]

[0 to 99999]

23a. How much revenue is being shared?

A form answer: [\$30.72]

B form answer: [\$32.00]

24. Does the broker receive portfolio brokerage commissions from the fund or its affiliates?

Yes

No

Answer on both form [YES]

[IF Q24=YES]

[NUMBER BOX]

[Allow Decimals]

[0 to 9999]

25. How much will the broker receive in portfolio brokerage commissions for this purchase of shares?

A form answer: [\$15.36]

B form answer: [\$16.00]

[NUMBER BOX –ALLOW DECIMALS]

[0 to 9999]

[IF XGROUP=A]

26_1. What is the maximum amount charged for the front-end sales load?

Form A answer: \$321.18

[NUMBER BOX –ALLOW DECIMALS]

[IF XGROUP=B]

[0 to 9999]

26_2. What is the total amount charged for the back-end sales load if the shares are sold in 3 years?

Form B answer: [*\$240.00*]

[NUMBER BOX – ALLOW DECIMALS]

[0 to 99999]

27. How many shares were purchased?

A form answer: [*422.610*]

B form answer: [*440.286*]

[TEXT BOX]

28. What is the name of the fund from which the shares were purchased?

Answer for both forms: [*BBB Equity Fund*]

29. Please rate how difficult the following sections of the form were to understand.

1=Not at all difficult

2= Not too difficult

3= Somewhat difficult

4= Very difficult

[RANKING QUESTION]

Q29a_1. Please rank each section according to how important the information found in that section is to you. From the sections listed below, please select the section you believe to be the **most** important

A

B

C

D

E

[RANKING QUESTION]

Q29a_2-4. Please rank each section according to how important the information found in that section is to you. From the sections listed below, please select the section you believe to be the second/third/fourth **most** important.

30. How helpful were the explanations and definitions in helping you understanding the form?

- 1=Not at all helpful
- 2= Not too helpful
- 3= Somewhat helpful
- 4= Very helpful

30. Do you think more terms or definitions should be added the second page of this form labeled, “*Explanation and Definitions*”?

- Yes
- No

Click here to review this page [Programmer: Insert a Hyperlink to this page.]

[IF Q30=YES]

[LARGE TEXT BOX]

Q30_1. Which terms/definitions would you add?

Q30_2. Overall, how difficult are the explanations of the terms to understand?

- 1=Not at all difficult
- 2= Not too difficult
- 3= Somewhat difficult
- 4= Very difficult

[4 SINGLE LINE TEXT BOXES]

30_3. In order of importance, what 4 pieces of information would you need to know before you could make a decision to purchase shares in a mutual fund? _____

31. How important is it for you to know that a broker be paid more depending on which fund he/she sells you?

- 1=Not at all important
- 2= Not too important
- 3= Somewhat important
- 4= Very important

31a. Would you change your mind about purchasing mutual fund shares if you knew that a broker may be paid more for selling you those shares?

- Yes, I would change my mind.
- No, I would not change my mind.

31b. Would you ask more questions of your broker if you know that it may be paid more for selling you those shares?

- Yes
- No

- 31c. What does it mean when a broker faces a conflict of interest? [**Check all the apply**]
- a.) Your broker may recommend to you one fund over another because the broker receives more money for your investment in that fund.
 - b.) Your broker may have an incentive to limit the range of mutual fund choices presented to you.
 - c.) You may purchase a different mutual fund than you would have purchased in the absence of the conflict.
 - d.) None of the above
- 31d. What do you think such a conflict would mean for the cost of the transaction that you have made?
- a.) The cost to you will not be affected
 - b.) The cost to you will likely increase
 - c.) The cost to you will likely decrease
32. How important is it to know that a broker may receive more compensation (money) if the broker sells you shares of a fund that includes a back-end sales load?
- 1=Not at all important
 - 2= Not too important
 - 3= Somewhat important
 - 4= Very important
- 32a.Question: Overall, how difficult was it for you to find the information in the **Confirmation Form**?
- 1=Very difficult
 - 2=Somewhat difficult
 - 3=Not very difficult
 - 4=Not at all difficult
- Q33. Please tell us any suggestions you may have that would help to clarify this form and make it easier to understand and more useful.

End of Survey Instrument

APPENDIX-C

Proposed Mutual Fund Disclosure Forms For Class “A” Shares

Proposed Point of Sale Disclosure Form for Mutual Fund Class "A" Shares (Page 1 of 2)

Attachment 4 - Point of sale example for hypothetical class A share purchase

AAA Introducing, Inc.	
Name	John Doe
Account number	1234-5678
Date	1/1/05
Security under consideration	BBB Equity Fund
Class	A
Amount of contemplated transaction	\$8,000.00

Sales load and what we will be paid up front	
Front-end sales load	\$321.18
Back-end sales load - maximum first year	NA
Amount of sales fee we will receive from the fund	\$300.00
Estimated first year asset-based distribution or service fees that we will receive from the fund	\$19.20

Potential conflicts of interest	
Do the fund or its affiliates pay us brokerage commissions for buying or selling fund assets, such as stocks and bonds?	Yes
Do the fund's affiliates make additional payments to us, such as revenue sharing?	Yes

Special compensation for our personnel - potential conflicts of interest	
If this is a "proprietary" security issued by an affiliate, would we pay more to our personnel for selling it to you?	No
If this security carries a back-end sales load, would we pay more to our personnel for selling it to you?	NA

ASK BEFORE YOU BUY! This document contains information that your broker-dealer is required to provide you about potential transactions in certain investments, such as mutual funds, variable annuities or "529 plans." It tells you about the investment's sales-related costs, and about the incentives your broker-dealer and its personnel have to sell you this investment. **YOU HAVE A RIGHT TO CONSIDER THE COSTS OF THE INVESTMENT AND YOUR BROKER-DEALER'S INCENTIVES BEFORE YOU DECIDE WHETHER TO MAKE THE INVESTMENT.**

SOME THINGS TO KNOW ABOUT LOADS: Sometimes shares that do not have a front-end load have high fees -- which makes them more expensive for the long-term investor. Also, many mutual fund companies offer sales load discounts to investors over a certain level. Sometimes family or household holdings can count toward these discounts. To find out more, talk with your broker or financial adviser, or check the fund's prospectus or website.

**Proposed Point of Sale Disclosure Form
for Mutual Fund Class “A” Shares
(Page 2 of 2)**

Explanations and Definitions

- Net asset value (NAV) - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- Price and NAV - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- Timing of sales loads - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If the shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- Asset-based fees - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that would otherwise be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees generally is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- What is revenue sharing? - Revenue sharing occurs when the investment adviser to a fund, or another affiliate of a fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments -- regardless if they are labeled as reimbursements -- may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- What are portfolio brokerage commissions? - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a higher incentive to sell the shares of that fund or affiliated funds.
- Special compensation - This document states whether your broker-dealer would pay its salespersons or other associated persons higher compensation if you decide to buy the security you are considering. Some broker-dealers pay their personnel higher compensation, as a percentage of the broker-dealers' own compensation, for selling their affiliates' securities. In addition, some broker-dealers pay their personnel higher compensation, in actual dollars, for selling a security that has a back-end sales load, because broker-dealers themselves may earn more when they sell those share classes.

Proposed Confirmation Form for Mutual Fund Class "A" Shares (Page 1 of 2)

Attachment 1 - Confirmation example for hypothetical class A share purchase

Acme Clearing, Inc.			
Fees and Payments Associated with Your Investment			
A. General information			
Customer:	John Doe	Symbol:	
Account Number:	1234-5678	CUSIP number:	
Date of transaction:	1/1/05	Type of security:	Mutual fund
Type of transaction:	You bought	Net Asset Value (NAV):	\$18.17
No. shares bought/sold:	422.610	Price (NAV plus load):	\$18.93
Security issuer:	BBB Equity Fund	Amount paid/received:	\$8,000.00
Class (if applicable):	A	Amount of your investment/sale:	\$7,678.82
Commission/other compensation:	\$0.00	<i>Note: even if there is no commission or other charge, you may be paying for distribution through loads or asset-based fees, as described below.</i>	
Other charges:	\$0.00		
B. What you pay (directly and indirectly) for purchases			
Front-end sales load	\$321.18	<i>which is equivalent to 4.18% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Back-end sales load	NA		
Estimated first-year asset-based sales charges	NA		
Estimated first-year asset-based service fees	\$19.20	<i>which is equivalent to 0.25% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
C. Amounts that your broker, AAA Introducing, Inc., will receive from the fund or its affiliates			
Sales fee AAA Introducing received for your purchase:	\$300.00	<i>which is equivalent to 3.91% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Revenue sharing AAA Introducing may receive in connection with your purchase:	\$30.72	<i>which is equivalent to 0.40% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Portfolio brokerage commissions AAA Introducing may receive in connection with your purchase:	\$15.36	<i>which is equivalent to 0.20% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Additional disclosures:			
D. Payment of special compensation to personnel of your broker, AAA Introducing, Inc.			
If you bought a security of a fund affiliated with AAA Introducing: Does AAA Introducing pay its personnel more to sell securities of affiliated funds?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	NA <input type="checkbox"/>
If you bought a share class with a back-end sales load: Does AAA Introducing pay its personnel more to sell this class than to sell front-end sales load share classes of the same fund?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	NA <input checked="" type="checkbox"/>
E. Breakpoint discount information			
Many mutual fund companies offer sales load discounts to customers that have invested over a certain dollar amount. These discounts may be calculated based on your current purchase or on your aggregate holdings, and may also include the holdings of your family or household members. To ensure that you are obtaining all available discounts, you should talk with your broker or financial advisor, or check the fund's prospectus or website. According to the fund's prospectus, the amount you invested (together with any holdings of which we are aware) entitles you to a sales load of 4.17%. You were charged a sales load of 4.18%, which may vary from the sales load disclosed in the prospectus due to rounding to the nearest penny in the transaction.			

Proposed Confirmation Form for Mutual Fund Class “A” Shares (Page 2 of 2)

F. Explanations and definitions

- **Net asset value (NAV)** - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- **Price and NAV** - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- **Amount of your investment** - When you buy a share class that has a front-end sales load, the “net amount invested” equals what you paid for the shares minus the sales load. That is the value of the shares.
- **Dollar and percentage values** - This document provides information about what you pay and what your broker-dealer will receive. Some of that information is set forth in dollar amounts and as percentages of “your investment.” In general, those percentages are based on the net amount of your investment (which is the current value of the shares you are purchasing). Information about back-end sales loads and first year sales charges and service fees may be based on the value of your investment at some point in the future.
- **Timing of sales loads** - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If these shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- **Asset-based fees** - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that otherwise would be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often will have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- **Disclosure of revenue sharing and portfolio brokerage commissions** - This document provides information about revenue sharing that the broker-dealer has received from affiliates of the fund, and portfolio brokerage commissions that the broker-dealer has received from the fund or its affiliates. Those amounts are stated as a percentage of the broker-dealer's sales on behalf of the fund complex - consisting of the fund or its affiliates - over a recent 12 month period. For example, if a broker-dealer received \$1 million in revenue sharing from a fund complex over that period, and the broker-dealer sold \$50 million worth of shares for the fund complex over that period, then revenue sharing represents 2 percent of total sales. Based on that percentage, this confirmation also states the amount of that compensation that may be associated with this transaction. These are estimates only, and your broker-dealer can provide you with more specific information.
- **What is revenue sharing?** - Revenue sharing occurs when the investment adviser to the fund, or another affiliate of the fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments - regardless if they are labeled as reimbursements - may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- **What are portfolio brokerage commissions?** - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- **Special compensation for proprietary sales** - This document states whether your broker-dealer pays its salespersons or other associated persons a higher compensation rate for selling securities of affiliated funds (proprietary sales) than the rate that the broker-dealer pays for selling securities of non-affiliated funds. In some cases, a broker-dealer pays its personnel a higher percentage of the broker-dealer's own compensation for the sale of securities of affiliated funds than it pays for the sale of securities of non-affiliated funds. This may give your broker a greater incentive to sell the shares of affiliated funds than non-affiliated funds.
- **Special compensation for shares with a back-end sales load** - This document states whether your broker-dealer pays its salespersons or other associated persons higher compensation, in actual dollars, for selling a security with a back-end sales load than your broker-dealer pays its personnel for the sale of the same dollar amount of shares in a share class with a front-end sales load. Some share classes without front-end sales loads (such as class B shares) may require you to pay higher asset-based fees than share classes with front-end sales loads (typically class A shares). Broker-dealer personnel may earn more when they sell classes with a back-end sales load, and therefore your broker may have a greater incentive to sell shares with a back-end sales load.
- **Comparison ranges** - The “comparison ranges” provide additional information about your purchase. These are expressed as a percentage of NAV. In the case of sales loads, asset-based fees and sales fees received by the broker-dealer, those comparison ranges represent the range of charges and fees associated with 95 percent of comparable securities. For example, a comparison range of “0-4%” means that 95 percent of comparable securities would charge between zero and 4 percent of NAV for a sale of that size. In the case of revenue sharing and portfolio brokerage commissions earned by the broker-dealer, the comparison range represents the range associated with the activity of 95 percent of other firms that distribute comparable securities.

APPENDIX-D

Proposed Mutual Fund Disclosure Forms For Class “B” Shares

**Proposed Point of Sale Disclosure Form
for Mutual Fund Class "B" Shares
(Page 1 of 2)**

Attachment 5 - Point of sale example for hypothetical class B share purchase

AAA Introducing, Inc.

Name	John Doe
Account number	1234-5678
Date	1/1/05
Security under consideration	BBB Equity Fund
Class	B
Amount of contemplated transaction	\$8,000.00

Sales load and what we will be paid up front

Front-end sales load	NA
Back-end sales load - maximum first year <i>- back-end sales loads terminate after six years</i>	\$400.00
Amount of sales fee we will receive from the fund	\$320.00
Estimated first year asset-based distribution or service fees that we will receive from the fund	\$80.00

Potential conflicts of interest

Do the fund or its affiliates pay us brokerage commissions for buying or selling fund assets, such as stocks and bonds?	Yes
Do the fund's affiliates make additional payments to us, such as revenue sharing?	Yes

Special compensation for our personnel - potential conflicts of interest

If this is a "proprietary" security issued by an affiliate, would we pay more to our personnel for selling it to you?	No
If this security carries a back-end sales load, would we pay more to our personnel for selling it to you?	Yes

ASK BEFORE YOU BUY! This document contains information that your broker-dealer is required to provide you about potential transactions in certain investments, such as mutual funds, variable annuities or "529 plans." It tells you about the investment's sales-related costs, and about the incentives your broker-dealer and its personnel have to sell you this investment. **YOU HAVE A RIGHT TO CONSIDER THE COSTS OF THE INVESTMENT AND YOUR BROKER-DEALER'S INCENTIVES BEFORE YOU DECIDE WHETHER TO MAKE THE INVESTMENT.**

SOME THINGS TO KNOW ABOUT LOADS: Sometimes shares that do not have a front-end load have high fees -- which makes them more expensive for the long-term investor. Also, many mutual fund companies offer sales load discounts to investors over a certain level. Sometimes family or household holdings can count toward these discounts. To find out more, talk with your broker or financial adviser, or check the fund's prospectus or website.

**Proposed Point of Sale Disclosure Form
for Mutual Fund Class “B” Shares
(Page 2 of 2)**

Explanations and Definitions

- Net asset value (NAV) - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- Price and NAV - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- Timing of sales loads - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If the shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- Asset-based fees - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that would otherwise be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees generally is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- What is revenue sharing? - Revenue sharing occurs when the investment adviser to a fund, or another affiliate of a fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments -- regardless if they are labeled as reimbursements -- may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- What are portfolio brokerage commissions? - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a higher incentive to sell the shares of that fund or affiliated funds.
- Special compensation - This document states whether your broker-dealer would pay its salespersons or other associated persons higher compensation if you decide to buy the security you are considering. Some broker-dealers pay their personnel higher compensation, as a percentage of the broker-dealers' own compensation, for selling their affiliates' securities. In addition, some broker-dealers pay their personnel higher compensation, in actual dollars, for selling a security that has a back-end sales load, because broker-dealers themselves may earn more when they sell those share classes.

Proposed Confirmation Form for Mutual Fund Class "B" Shares (Page 1 of 2)

Attachment 2 - Confirmation example for hypothetical class B share purchase (back-end load as minimum of present or future NAV)

Acme Clearing, Inc.			
Fees and Payments Associated with Your Investment			
A. General information			
Customer:	John Doe	Symbol:	
Account Number:	1234-5678	CUSIP number:	
Date of transaction:	1/1/05	Type of security:	Mutual fund
Type of transaction:	You bought	Net Asset Value (NAV):	\$18.17
No. shares bought/sold:	440.286	Price (NAV plus load):	\$18.17
Security issuer:	BBB Equity Fund	Amount paid/received:	\$8,000.00
Class (if applicable):	B	Amount of your investment/sale:	\$8,000.00
Commission/other compensation:	\$0.00	<i>Note: even if there is no commission or other charge, you may be paying for distribution through loads or asset-based fees, as described below.</i>	
Other charges:	\$0.00		
B. What you pay (directly and indirectly) for purchases			
Front-end sales load	NA		
Back-end sales load			
<i>If you sell these shares in one year, you will pay</i>	\$400.00	<i>or 5% of your investment, whichever is less Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in two years, you will pay</i>	\$320.00	<i>or 4% of your investment, whichever is less Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in three years, you will pay</i>	\$240.00	<i>or 3% of your investment, whichever is less Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in four years, you will pay</i>	\$240.00	<i>or 3% of your investment, whichever is less Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in five years, you will pay</i>	\$160.00	<i>or 2% of your investment, whichever is less Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
<i>If you sell these shares in six years, you will pay</i>	\$80.00	<i>or 1% of your investment, whichever is less Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Estimated first-year asset-based sales charges	\$60.00	<i>which is equivalent to 0.75% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Estimated first-year asset-based service fees	\$20.00	<i>which is equivalent to 0.25% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
C. Amounts that your broker, AAA Introducing, Inc., will receive from the fund or its affiliates			
Sales fee AAA Introducing received for your purchase:	\$320.00	<i>which is equivalent to 4.00% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Revenue sharing AAA Introducing may receive in connection with your purchase:	\$32.00	<i>which is equivalent to 0.40% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Portfolio brokerage commissions AAA Introducing may receive in connection with your purchase:	\$16.00	<i>which is equivalent to 0.20% of your investment Industry norms: Range x.xx - x.xx%; median x.xx%.</i>	
Additional disclosures:			
D. Payment of special compensation to personnel of your broker, AAA Introducing, Inc.			
If you bought a security of a fund affiliated with AAA Introducing: Does AAA Introducing pay its personnel more to sell securities of affiliated funds?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	NA <input type="checkbox"/>
If you bought a share class with a back-end sales load: Does AAA Introducing pay its personnel more to sell this class than to sell front-end sales load share classes of the same fund?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	NA <input type="checkbox"/>
E. Breakpoint discount information			
Many mutual fund companies offer sales load discounts to customers that have invested over a certain dollar amount. These discounts may be calculated based on your current purchase or on your aggregate holdings, and may also include the holdings of your family or household members. To ensure that you are obtaining all available discounts, you should talk with your broker or financial advisor, or check the fund's prospectus or website. According to the fund's prospectus, the amount you invested (together with any holdings of which we are aware) would have entitled you to a sales load of 4.17% of NAV had you bought a share class that is subject to a front-end sales load. Instead, you bought a share class that is not subject to a front-end sales load, but is subject to annual asset-based sales charges of 0.75% of net asset value for a period of 6 years.			

Proposed Confirmation Form for Mutual Fund Class “B” Shares (Page 2 of 2)

F. Explanations and definitions

- **Net asset value (NAV)** - Net asset value is the approximate value of one share of a fund, and is determined by dividing the fund's net assets by the number of shares outstanding. When you sell your shares, their NAV may differ from the price you paid for the shares.
- **Price and NAV** - Securities that have front-end sales loads are sold at the public offering price. That price includes the sales load and therefore is higher than the NAV.
- **Amount of your investment** - When you buy a share class that has a front-end sales load, the "net amount invested" equals what you paid for the shares minus the sales load. That is the value of the shares.
- **Dollar and percentage values** - This document provides information about what you pay and what your broker-dealer will receive. Some of that information is set forth in dollar amounts and as percentages of "your investment." In general, those percentages are based on the net amount of your investment (which is the current value of the shares you are purchasing). Information about back-end sales loads and first year sales charges and service fees may be based on the value of your investment at some point in the future.
- **Timing of sales loads** - If you buy shares with a front-end sales load, you pay a fee at the time of purchase. If you buy shares with a back-end sales load (sometimes called a deferred sales load), you may pay a fee when you sell your shares, depending on how long you hold them. If these shares have a back-end sales load, the amount of the fee you pay will depend on when you sell the shares and their NAV at the time.
- **Asset-based fees** - Asset-based sales charges and service fees (such as 12b-1 fees) are annual fees that the fund pays out of its assets to market its shares to potential investors or to compensate brokers for maintaining the accounts of current shareholders. By reducing the amount of a fund's assets (that otherwise would be available for investment), the fees may reduce the return on your investment. The amount of future asset-based fees is not predictable because these fees are a percentage of NAV, which can fluctuate over time. Share classes that have a back-end sales load often will have higher asset-based fees than comparable share classes with a front-end sales load. However, share classes with a back-end sales load may, in some later year, convert to a share class with lower asset-based fees.
- **Disclosure of revenue sharing and portfolio brokerage commissions** - This document provides information about revenue sharing that the broker-dealer has received from affiliates of the fund, and portfolio brokerage commissions that the broker-dealer has received from the fund or its affiliates. Those amounts are stated as a percentage of the broker-dealer's sales on behalf of the fund complex - consisting of the fund or its affiliates - over a recent 12 month period. For example, if a broker-dealer received \$1 million in revenue sharing from a fund complex over that period, and the broker-dealer sold \$50 million worth of shares for the fund complex over that period, then revenue sharing represents 2 percent of total sales. Based on that percentage, this confirmation also states the amount of that compensation that may be associated with this transaction. These are estimates only, and your broker-dealer can provide you with more specific information.
- **What is revenue sharing?** - Revenue sharing occurs when the investment adviser to the fund, or another affiliate of the fund, makes payments to a broker-dealer. In some cases, the investment adviser may describe those payments as reimbursing the broker-dealer for expenses it incurs in selling the shares. Those payments - regardless if they are labeled as reimbursements - may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- **What are portfolio brokerage commissions?** - Portfolio brokerage commissions are payments that a fund makes to broker-dealers for helping the fund buy or sell securities in the fund's portfolio. Portfolio brokerage commissions may give the broker-dealer a greater incentive to sell the shares of that fund or affiliated funds.
- **Special compensation for proprietary sales** - This document states whether your broker-dealer pays its salespersons or other associated persons a higher compensation rate for selling securities of affiliated funds (proprietary sales) than the rate that the broker-dealer pays for selling securities of non-affiliated funds. In some cases, a broker-dealer pays its personnel a higher percentage of the broker-dealer's own compensation for the sale of securities of affiliated funds than it pays for the sale of securities of non-affiliated funds. This may give your broker a greater incentive to sell the shares of affiliated funds than non-affiliated funds.
- **Special compensation for shares with a back-end sales load** - This document states whether your broker-dealer pays its salespersons or other associated persons higher compensation, in actual dollars, for selling a security with a back-end sales load than your broker-dealer pays its personnel for the sale of the same dollar amount of shares in a share class with a front-end sales load. Some share classes without front-end sales loads (such as class B shares) may require you to pay higher asset-based fees than share classes with front-end sales loads (typically class A shares). Broker-dealer personnel may earn more when they sell classes with a back-end sales load, and therefore your broker may have a greater incentive to sell shares with a back-end sales load.
- **Comparison ranges** - The "comparison ranges" provide additional information about your purchase. These are expressed as a percentage of NAV. In the case of sales loads, asset-based fees and sales fees received by the broker-dealer, those comparison ranges represent the range of charges and fees associated with 95 percent of comparable securities. For example, a comparison range of "0-4%" means that 95 percent of comparable securities would charge between zero and 4 percent of NAV for a sale of that size. In the case of revenue sharing and portfolio brokerage commissions earned by the broker-dealer, the comparison range represents the range associated with the activity of 95 percent of other firms that distribute comparable securities.