

MEMORANDUM

October 6, 2008

TO: File No. S7-28-07

FROM: Devin Sullivan
Office of Disclosure Regulation
Division of Investment Management

RE: Telephone Conversations with Representatives of the Investment
Company Institute Concerning Disclosure Reform Proposal

On September 29, 2008, Mark Uyeda, Assistant Director, and staff attorney Devin Sullivan, of the Office of Disclosure Regulation, discussed costs of implementing the above-referenced proposal by telephone with Shelly Antoniewicz and Mara Shreck of the Investment Company Institute. On October 2 and 3, Mr. Sullivan again discussed the costs of the proposal with Dr. Antoniewicz. In connection with these discussions, Dr. Antoniewicz and Ms. Shreck submitted a memorandum to Commission staff, which is attached to this memorandum.

To: Mark Uyeda and Devin Sullivan

From: Shelly Antoniewicz and Mara Shreck

Date: October 3, 2008

Re: Printing Costs of Summary Prospectus in Absence of Quarterly Updating

As we discussed, we have calculated an estimate of the average print cost of a Summary Prospectus in the absence of quarterly updating. Based on an analysis of responses to ICI's member survey regarding the SEC Mutual Fund Disclosure Reform Proposal,¹ we estimate the average print cost of a Summary Prospectus at \$0.08 for annual and post-sale fulfillment.² This estimate is substantially lower than the \$0.26 we estimated it costs, on average, to print a full statutory prospectus. Given that the mutual fund industry prints an estimated 354.5 million prospectuses each year, adopting the Summary Prospectus without quarterly updating could reduce printing costs for mutual fund shareholders of up to \$63.8 million each year.

Both of our average cost-per-prospectus estimates take into consideration print costs for full offset production runs and digital print-on-demand documents. We estimated that, with a quarterly updating requirement, all funds would use print-on-demand technology for the Summary Prospectus to meet their post-sale fulfillment requirements. Absent a quarterly updating requirement, however, some funds could conduct a single annual print run to meet both their post-sale and annual updating needs. We estimate that nearly 90 percent of the funds in our survey would have sufficient volumes to utilize offset printing for their Summary Prospectuses, which at volumes greater than 5,000 units is more economical than digital print-on-demand.

Smaller funds that currently use digital print-on-demand to print their statutory prospectuses would continue to use print-on-demand for their Summary Prospectuses. Nevertheless, these smaller funds would reap significant print savings from the use of the Summary Prospectus. Printing only four pages for the Summary Prospectus using digital print-on-demand technology is far cheaper than printing a full statutory prospectus that has an average of 45 pages.

¹ ICI received information from 42 fund complexes, which together offer 3,122 funds that accounted for nearly 60 percent of total mutual fund industry assets as of December 2007. Our survey responses reflect the views of fund complexes of a range of sizes. Thirty-eight percent of respondents were fund complexes with assets greater than \$100 billion; 29 percent had assets between \$10 billion and \$100 billion; and 33 percent had assets of less than \$10 billion.

² Our estimate of the average print cost for the Summary Prospectus also includes the additional cost for the use of color. Forty-seven percent of funds expect to use color for their Summary Prospectuses.

Some smaller funds that may currently use offset printing for a multi-fund prospectus, but would need fewer than 5,000 units for a single-fund Summary Prospectus, would likely find it necessary to switch to print-on-demand. Based on responses to our survey, funds likely to be in this position currently pay \$0.56, on average, to print a statutory prospectus using offset printing. These funds generally do not have as much volume to spread the fixed costs of offset printing and, as a result, their unit print costs tend to be higher. Nevertheless, we anticipate that these funds would also realize savings in printing costs from adopting the Summary Prospectus as the estimated print-on-demand cost of a four-page Summary Prospectus in black and white is \$0.14 and \$0.40 in color.