



**Broadridge<sup>®</sup>**

## Summary Prospectus

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March 5, 2009

# Agenda

- Introductions
- Review of Final Rule
- Questions & Answers on Final Rule
- Review of Today's Process
- Transition
- Broadridge Vision for Summary Prospectus
- Industry Concerns
- Questions & Answers
- Wrap-Up

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# Introductions

## ■ Stroock & Stroock & Lavan, LLP

- Janna Manes Partner

## ■ Broadridge

- Thomas Bickerton VP Business Owner
- Arnold Gibbs Sr. Director Client Services
- David Olshever Director Ordering
- Glenn Gurgul VP Mutual Fund Systems

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- SEC finalized adoption of the summary prospectus rule in January 2009—effective March 31, 2009
- Two parts:
  - Key information is required to appear in plain English in a standardized order at the front of the mutual fund statutory prospectus
  - Prospectus delivery obligations may be satisfied by delivering a summary prospectus and providing the statutory prospectus and other information on an Internet Web site and sending these materials upon request

# Stroock & Stroock & Lavan, LLP - Final Rule Review

- Summary section of the prospectus must contain seven standardized items (and no additional information):
  - 1) Investment Objectives/Goals
  - 2) Fee Table (and example)
  - 3) Investments, Risks, and Performance
  - 4) Management
  - 5) Purchase and Sale of Fund Shares
  - 6) Tax Information

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- 7) Financial Intermediary Compensation—required to include the following new legend if the fund or its related companies pay financial intermediaries for the sale of fund shares or related services:

***Payments to Broker-Dealers and Other Financial Intermediaries***

*If you purchase the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's Web site for more information.*

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- Required to include the same information as the summary section of the statutory prospectus (listed above)
- Cannot include additional information
- May describe only one fund, but may describe multiple classes of a single fund

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- Cover page must include the following legend:

*Before you invest, you may want to review the Fund's prospectus, which contains more information about the Fund and its risks. You can find the Fund's prospectus and other information about the Fund online at [\_\_\_\_\_]. You can also get this information at no cost by calling [\_\_\_\_\_] or by sending an e-mail request to [\_\_\_\_\_].*

- The Web site and other contact information provided may be the Web site and contact information of a financial intermediary
- Summary prospectus must be filed with the SEC on EDGAR no later than the date it is first used

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- Statutory prospectus must be provided online and sent in paper or by e-mail upon request
  - Must similarly provide online and send upon request: the fund's statement of additional information (SAI) and most recent annual and semi-annual reports to shareholders
- Online posting of required documents is subject to specific requirements, including linking requirements:

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- ***Either*** (a) links between each section of the summary prospectus and any section of the statutory prospectus and SAI that provides additional detail concerning that section of the summary prospectus ***or*** (b) links at the beginning and end of the summary prospectus, or that remain continuously visible to persons accessing the summary prospectus, and tables of contents of both the statutory prospectus and SAI
- Links between each section heading in a table of contents of the statutory prospectus and SAI (which may be outside of the documents) and the section referenced

## Stroock & Stroock & Lavan, LLP - Final Rule Review

- A fund (or financial intermediary through which shares of the fund may be purchased or sold) must send its statutory prospectus, SAI and most recent annual and semi-annual reports to shareholders upon request—either in paper or electronically (as requested)—within three business days of receiving the request
- Funds may not use the summary prospectus to satisfy prospectus delivery obligations until the statutory prospectus has been revised to include the summary section
  - A fund's inclusion of the new summary section must be filed with the SEC under Rule 485(a), which typically requires filing 60 days' prior to effectiveness to provide for SEC staff review

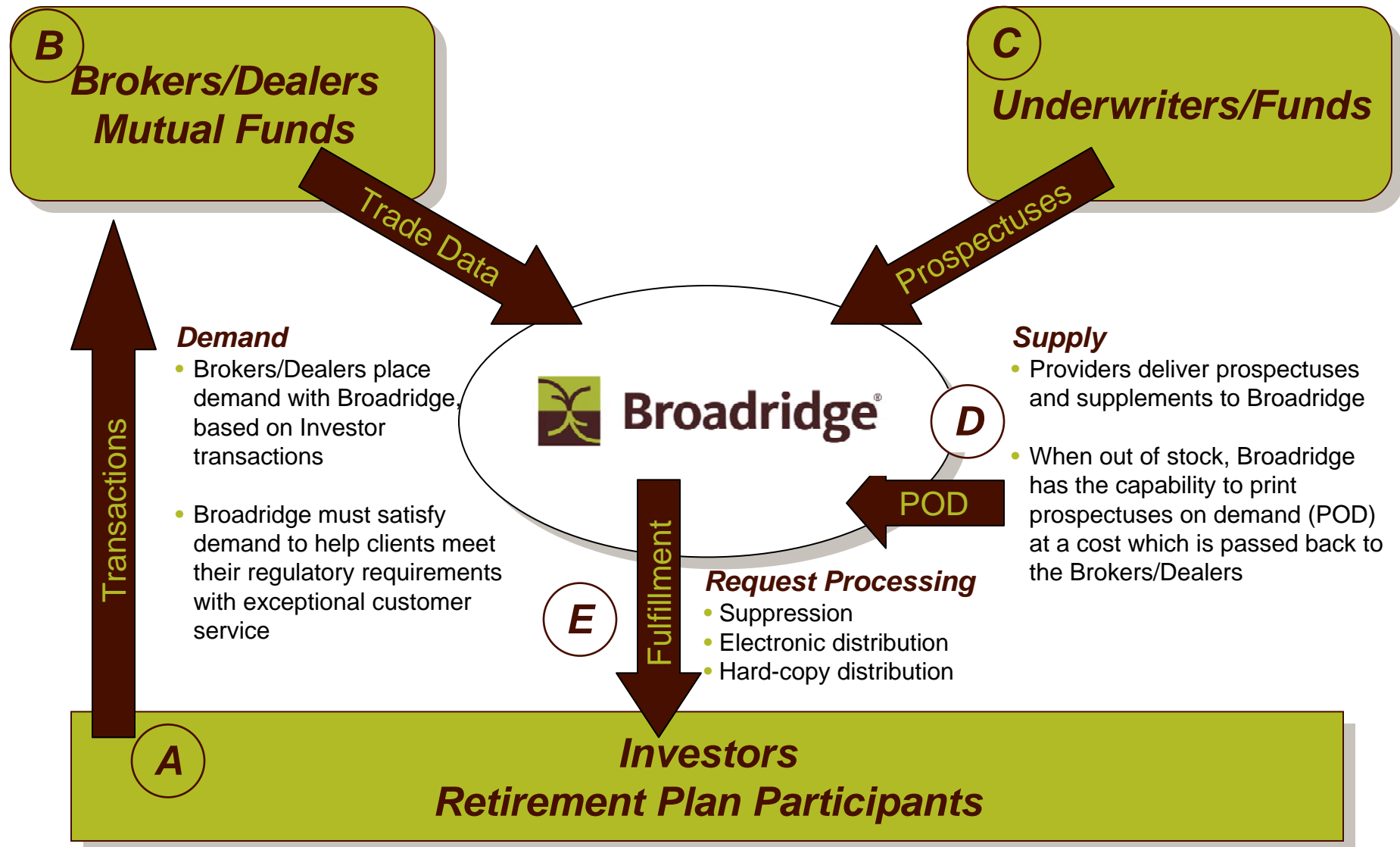
# Final Rule

## Questions & Answers

# Review of Today's Process

- Over 58 million post-sale, mutual fund prospectuses were delivered on behalf of our clients last year
- Postage for those deliveries exceeded \$50 million
- 47 million supplements were included in the statutory prospectuses we mailed on behalf of our clients

# Post-sale Process - Overview



# Transition

- After December 31, 2010, all statutory prospectuses must include a Summary Section for each fund therein. Unless funds separate multi-fund prospectuses, the number of pages in the statutory prospectus will grow
- Adoption of summary prospectus may evolve over time
- Impact → the number of documents will increase as individual funds are separated into their own summary prospectuses

# Transition

- Broadridge will support whatever document the fund provides
- The rate of supplements likely to remain the same. Broadridge sample indicates that 85% to 90% of supplements would affect the summary prospectus
- During an interim period, the process will become more complex
- Postage may increase before it decreases

# Broadridge Vision for Summary Prospectus

- Process Enhancements
  - In-line print of trade confirmation or mailing slip with summary prospectus
  - Fully automated print process
  - Packages will be pre-sorted to maximize USPS postage discounts
- Migrate to print on demand in all cases where possible
- Benefits to the industry:
  - Improves T + 1/ Settlement Date fulfillment rates
  - Reduces postage expense
  - Reduces print expense
  - Removes cost for shipping, administration & storage
  - Gives rise to *customization*

# Summary Prospectus – Customization

- “Directing clients to a fund Web site to access the statutory prospectus raises significant issues for intermediaries. Fundamental issues of privacy and confidentiality are centered on the fact that the vast majority of fund transactions through intermediaries are effectuated on an omnibus basis, with intermediaries providing sub-accounting and communications to their clients. They view the identity of, and information relating to their clients as both proprietary and confidential. Directing such clients to a fund Web site would compromise the dynamics and confidentiality of that relationship.” **SIFMA comment letter to proposed rule, February 28, 2008**

# Summary Prospectus - Customization

- “The legend is also permitted to indicate that the statutory prospectus and other information are available from a financial intermediary (such as a broker-dealer or bank) through which shares of the fund may be purchased or sold...The Web site and other contact information provided may be the Web site and contact information of a financial intermediary.” **Enhanced disclosure and new prospectus delivery option for registered open-end management investment companies –Summary Prospectus Final Rule, SEC**

# Financial Intermediary Customization & Control

- Contact information within legend
  - Web address of documents
  - Toll-free phone number
  - Email request
- Hosting of custom documents
  - Broker-branded
  - White label
- Investor fulfillment
  - Click to download
  - Toll-free phone request
  - E-mail request
  - Control number driven where possible
  - Audit reports

# Financial Intermediary Customization - Legend

## THE XYZ BALANCED FUND

Class A and Class B Shares

## SUMMARY PROSPECTUS

November 1, 2009

Before you invest, you may view the Fund's prospectus, which contains more information about the Fund and its risks. You can find the Fund's prospectus and other information about the Fund, including the statement of additional information and most recent reports to shareholders, online at [XYZFunds.com/Summary](http://XYZFunds.com/Summary). You can also get this information at no cost by calling **1-800-XYZ-FUND** or by sending an email request to [documentrequest@XYZFunds.com](mailto:documentrequest@XYZFunds.com). The Fund's prospectus and statement of additional information, both dated April 27, 2009, and most recent report to shareholders, dated June 30, 2009, are all incorporated by reference into this Summary Prospectus.

## THE XYZ BALANCED FUND

Class A and Class B Shares

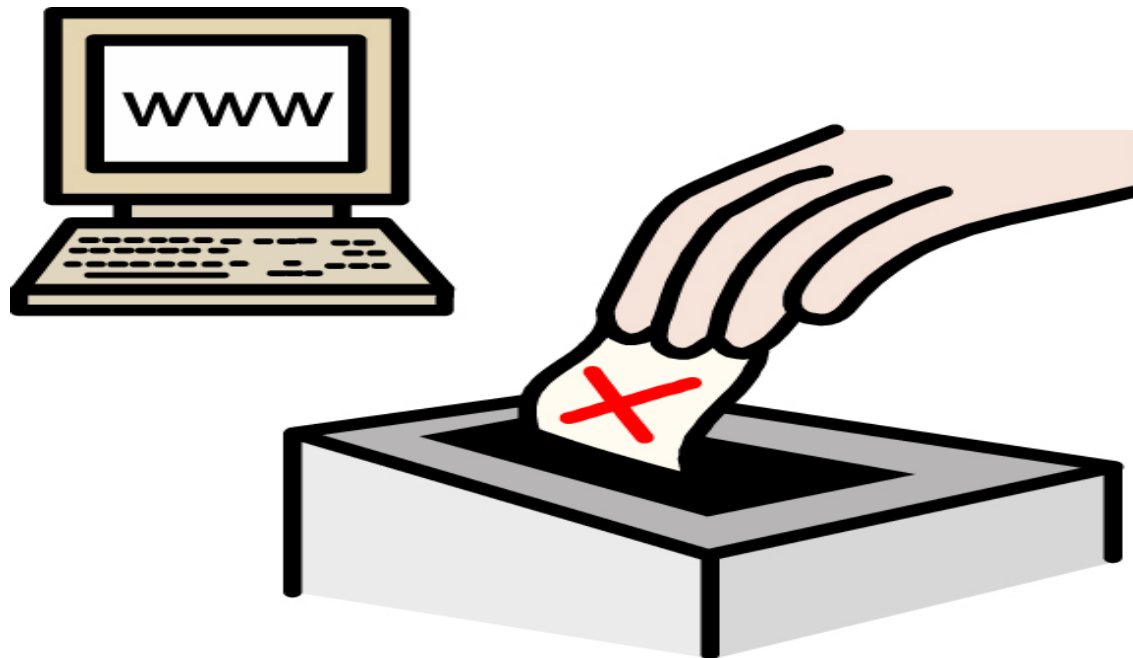
## SUMMARY PROSPECTUS

November 1, 2009

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# Survey

- Would the customization of the legend provide added value for your firm?
  - Yes \_\_\_\_\_ No \_\_\_\_\_



# Industry Concerns

- What is timeline for adoption?
- Do the financial intermediaries need to make any changes to their processes?
- Do the financial intermediaries have a choice in use of the summary?
- How will the supplementing process for summary prospectuses work?
- Who will supply statutory prospectuses to my clients?

# Questions & Answers

# Wrap - Up