

investment companies may acquire, in addition to Government securities and short-term paper:

(1) Securities issued by an investment company, when the acquisition is in reliance on section 12(d)(1)(A) or 12(d)(1)(F) of the Act (15 U.S.C. 80a-12(d)(1)(A) or 80a-12(d)(1)(F));

(2) Securities (other than securities issued by an investment company); and

(3) Securities issued by a Money Market Fund, when the acquisition is in reliance on § 270.12d1-1.

(b) *Definitions.* For purposes of this section, *Money Market Fund* has the same meaning as in § 270.12d1-1(c)(3).

§ 270.12d1-3 Exemptions for investment companies relying on section 12(d)(1)(F) of the Act.

(a) *Exemption from sales charge limits.* A registered investment company ("Acquiring Company") that relies on section 12(d)(1)(F) of the Act (15 U.S.C. 80a-12(d)(1)(F)) to acquire securities issued by an investment company ("Acquired Company") may offer or sell any security it issues through a principal underwriter or otherwise at a public offering price that includes a sales load of more than 1½ percent if any sales charges and service fees charged with respect to the Acquiring Company's securities, when aggregated with the sales charges and service fees charged with respect to the Acquired Company's securities, do not exceed the limits set forth in rule 2830 of the Conduct Rules of the National

Association of Securities Dealers, Inc. applicable to a fund of funds.

(b) *Definitions.* For purposes of this section, the terms *fund of funds*, *sales charge*, and *service fee* have the same meanings as is attributed to those terms in rule 2830(b) of the National Association of Securities Dealers, Inc. Rules.

PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

3. The authority citation for Part 239 continues to read, in part, as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 77z-2, 77sss, 78c, 78l, 78m, 78n, 78o(d), 78u-5, 78w(a), 78ll(d), 79e, 79f, 79g, 79j, 79l, 79m, 79n, 79q, 79t, 80a-8, 80a-24, 80a-26, 80a-29, 80a-30, and 80a-37, unless otherwise noted.

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4. The authority citation for part 274 continues to read in part as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 78c(b), 78l, 78m, 78n, 78o(d), 80a-8, 80a-24, 80a-26, and 80a-29, unless otherwise noted.

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5. Item 3 of Form N-1A (referenced in §§ 239.15A and 274.11A) is amended by adding paragraph (f) to Instruction 3 to read as follows:

Note: The text of Form N-1A does not, and this amendment will not, appear in the Code of Federal Regulations.

Form N-1A

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Item 3. Risk/Return Summary: Fee Table

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Instructions.

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3. Annual Fund Operating Expenses.

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(f)(i) If the Fund (unless it is a Feeder Fund) invests in shares of one or more "Acquired Funds," add a subcaption to the "Annual Fund Operating Expenses" portion of the table directly above the subcaption titled "Total Annual Fund Operating Expenses." Title the additional subcaption: "[Acquired Fund] Fees and Expenses." Disclose in the subcaption fees and expenses incurred indirectly by the Fund as a result of investment in shares of one or more "Acquired Funds." For purposes of this item, an "Acquired Fund" means any company in which the Fund invests that (A) is an investment company or (B) would be an investment company under section 3(a) of the Investment Company Act (15 U.S.C. 80a-3(a)) but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the Investment Company Act (15 U.S.C. 80a-3(c)(1) and 80a-3(c)(7)).

(ii) Determine the "[Acquired Fund] Fees and Expenses" according to the following formula:

$$AFFE = \frac{[(F_1/365) * AI_1 * D_1] + [(F_2/365) * AI_2 * D_2] + [(F_3/365) * AI_3 * D_3] + \text{Transaction Fees}}{\text{Average Net Assets of the Fund}}$$

Where:

AFFE = Acquired Fund fee expense;
F₁, F₂, F₃, . . . = Total annual fund operating expense ratio (gross) for each Acquired Fund;

AI₁, AI₂, AI₃, . . . = Average invested balance in each Acquired Fund;

D₁, D₂, D₃, . . . = Number of days invested in each Acquired Fund; and

"Transaction Fees" = The total amount of sales loads, redemption fees, or other transaction fees paid by the Fund in connection with acquiring shares in any Acquired Funds during the most recent fiscal year.

(iii) Calculate the average net assets of the Fund for the most recent fiscal year, as provided in Item 9(a) (see Instruction 4 to Item 9(a)).

(iv) If the Acquired Fund and the Fund are part of the same "group of

investment companies" (as defined in section 12(d)(1)(G)(ii) of the Investment Company Act (15 U.S.C. 80a-12(d)(1)(G)(ii))), the total annual expense ratio used for purposes of this calculation (F₁) is the actual total annual expense ratio of the Acquired Fund for the Acquiring Fund's most recent fiscal year. If the Acquired Fund and the Fund are not part of the same "group of investment companies," the total annual expense ratio used for purposes of this calculation (F₁) is: (A) the gross total annual fund operating expense ratio for the Acquired Fund's most recent fiscal year disclosed in the financial highlights table of the Acquired Fund's most recent semi-annual report filed with the Commission; or (B) in the case of an Acquired Fund that does not provide a gross total annual expense ratio in its semi-annual report or does

not file semi-annual reports with the Commission, the ratio of total annual operating expenses of the Acquired Fund to average total annual net assets of the Acquired Fund for its most recent fiscal year, as disclosed in the most recent communication from the Acquired Fund to the Fund. In each case, the total annual expense ratio used should not include the effect of waivers or reimbursements by the Acquired Funds' investment advisers or sponsors. The Fund may disclose the AF FE determined based on the net expenses of the Acquired Funds in a footnote to the fee table.

(v) To determine the average invested balance (AI₁), the numerator is the sum of the amount initially invested in an Acquired Fund during the most recent fiscal year (if the investment was held at the end of the previous fiscal year,