

MEMO# 2561

February 22, 1991

WISCONSIN DISCLOSURE REQUIREMENTS FOR A FUND CHANGING A NON-FUNDAMENTAL INVESTMENT OBJECTIVE

February 22, 1991 TO: STATE SECURITIES MEMBERS NO. 8-91 SEC RULES COMMITTEE NO. 13-91 RE: WISCONSIN DISCLOSURE REQUIREMENTS FOR A FUND CHANGING A NON-FUNDAMENTAL INVESTMENT OBJECTIVE

The Institute is pleased to inform you that we have finally reached an agreement with the Wisconsin Securities Commission regarding the disclosure required for a mutual fund that wishes to change a non-fundamental investment objective. As we previously informed you, the Wisconsin Commission had taken the position that a mutual fund must obtain shareholder approval any time a fund wished to change its "basic objectives and policies" to non-fundamental notwithstanding the requirements of the Investment Company Act of 1940. (See Memoranda to State Securities Members Nos. 34-90 and 5-91 and SEC Rules Committee Nos. 66-90 and 6-91, dated December 18, 1990 and January 22, 1991.) According to the Commissioner of Securities, the prospectus of a fund which does not identify its investment objective as a fundamental investment policy must disclose that fact to investors. The prospectus must also disclose that a change in the investment objective of the fund may result in the fund having an investment objective that is different from that which the shareholder deemed appropriate at the time of his or her investment. In addition, an undertaking must be submitted to the Wisconsin Securities Commission that provides in the event that a fund changes its investment objective without a shareholder vote, the following conditions will be satisfied: 1. the fund must provide at least thirty days advance written notice to all Wisconsin shareholders of the fund's change in its investment objective; 2. the fund must discuss the new investment objective and the differences between that investment objective and the former investment objective; 3. the fund must outline the shareholder's options for switching to different funds within the same fund group, redeeming or holding the shares, or other options; 4. the fund must explain the financial consequences of exercising each option; and 5. the fund must keep a record of the mailing of such notice by means of an Affidavit of Mailing which must be filed with the Wisconsin Securities Commission prior to the change. The required notice to Wisconsin shareholders may be mailed by first class mail. * * * Attached is a copy of the Institute's local counsel's letter to the Wisconsin Securities Commission and the Wisconsin Securities Commission's response. Patricia Louie Assistant General Counsel Attachments

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