

NASAA Statement of Policy

Dishonest or Unethical Business Practices by Broker-Dealers and Agents in Connection with Investment Company Shares

NASAA Broker-Dealer Sales Practices Committee Adopted 4/27/97

Any broker dealer or agent who engages in one or more of the following practices shall be deemed to have engaged in “dishonest or unethical practices in the securities business” as used in Section 204 of the Uniform Securities Act and such conduct may constitute grounds for denial, suspension or revocation of registration or such other action authorized by statute.

A. Sales Load Communications:

1. In connection with the solicitation of investment company shares, failing to adequately disclose to a customer all sales charges, including asset based and contingent deferred sales charges, which may be imposed with respect to the purchase, retention or redemption of such shares.
2. In connection with the solicitation of investment company shares, stating or implying to a customer that the shares are sold without a commission, are "no load" or have "no sales charge" if there is associated with the purchase of the shares: (i) a front-end load; (ii) a contingent deferred sales load; (iii) a SEC Rule 12b-1 fee or a service fee if such fees in total exceeds .25% of average net fund assets per year; or (iv) in the case of closed-end investment company shares, underwriting fees, commissions or other offering expenses.
3. In connection with the solicitation of investment company shares, failing to disclose to any customer any relevant: (i) sales charge discount on the purchase of shares in dollar amounts at or above a breakpoint; or (ii) letter of intent feature, if available, which will reduce the sales charges.
4. In connection with the solicitation of investment company shares, recommending to a customer the purchase of a specific class of investment company shares in connection with a multi-class sales charge or fee arrangement without reasonable grounds to believe that the sales charge or fee arrangement associated with such class of shares is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings, and the associated transaction or other fees.

B. Recommendations:

1. In connection with the solicitation of investment company shares, recommending to a customer the purchase of investment company shares which results in the customer simultaneously holding shares in different investment company portfolios having similar investment objectives and policies without reasonable grounds to believe that such recommendation is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings, and any associated transaction charges or other fees.
2. In connection with the solicitation of investment company shares, recommending to a customer the liquidation or redemption of investment company shares for the purpose of purchasing shares in a different investment company portfolio having similar investment objectives and policies without reasonable grounds to believe that such recommendation is suitable and appropriate based on the customer's investment objectives, financial situation and other securities holdings and any associated transaction charges or other fees.

C. Disclosure::

1. In connection with the solicitation of investment company shares, stating or implying to a customer the fund's current yield or income without disclosing the fund's most recent average annual return, calculated in a manner prescribed in SEC Form N-1A, for one, five and ten year periods and fully explaining the difference between current yield and total return; provided, however, that if the fund's registration statement under the Securities Act of 1933 has been in effect for less than one, five, or ten years, the time during which the registration statement was in effect shall be substituted for the periods otherwise prescribed.
2. In connection with the solicitation of investment company shares, stating or implying to a customer that the investment performance of an investment company portfolio is comparable to that of a savings account, certificate of deposit or other bank deposit account without disclosing to the customer that the shares are not insured or otherwise guaranteed by the FDIC or any other government agency and the relevant differences regarding risk, guarantees, fluctuation of principal and/or return, and any other factors which are necessary to ensure that such comparisons are fair, complete and not misleading.
3. In connection with the solicitation of investment company shares, stating or implying to a customer the existence of insurance, credit quality, guarantees or similar features regarding securities held, or proposed to be held, in the investment company's portfolio without disclosing to the customer other kinds of relevant investment risks, including but not limited to, interest rate, market, political, liquidity, or currency exchange risks, which may adversely affect investment performance and result in loss and/or fluctuation of

principal notwithstanding the creditworthiness of such portfolio securities.

4. In connection with the solicitation of investment company shares, stating or implying to a customer: (i) that the purchase of such shares shortly before an ex-dividend date is advantageous to such customer unless there are specific, clearly described tax or other advantages to the customer; or (ii) that a distribution of long-term capital gains by an investment company is part of the income yield from an investment in such shares.
5. In connection with the solicitation of investment company shares, making: (i) projections of future performance; (ii) statements not warranted under existing circumstances; or (iii) statements based upon non-public information.

D. Prospectus:

In connection with the solicitation of investment company shares, the delivery of a prospectus, in and of itself, shall not be dispositive that the broker dealer or agent provided the customer full and fair disclosure.

E. Definitions:

For the purpose of this rule the following terms shall mean:

1. “Recommend”: any affirmative act or statement that endorses, solicits, requests, or commends a securities transaction to a customer or any affirmative act or statement that solicits, requests, commands, importunes or intentionally aids such person to engage in such conduct.
2. “Solicitation”: any oral, written or other communication used to offer or sell investment company shares excluding any proxy statement, report to shareholders, or other disclosure document relating to a security covered under Section 18(b)(2) of the Securities Act of 1933 that is required to be and is filed with the Commission or any national securities organization registered under Section 15A of the Securities Exchange Act of 1934.

(Note: This Statement of Policy is intended to supplement, not supplant, the NASAA Statement of Policy Regarding the Dishonest or Unethical Business Practices.)