



MUTUAL FUND DIRECTORS FORUM

The FORUM for FUND INDEPENDENT DIRECTORS

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Mutual Fund Directors Forum Releases Best Practices for Rule 12b-1; notes that changed circumstances create the need for “significant reform”

Washington, D.C., (May 8, 2007) — The Mutual Fund Directors Forum announced today that it has released a new report on best practices for mutual fund directors regarding Rule 12b-1. The document, titled “Best Practices and Practical Guidance for Directors under Rule 12b-1,” is now available on the Forum’s website: www.mfdf.com.

As the Forum makes clear, there is a strong need for a comprehensive reexamination of this rule – a comprehensive reexamination that the SEC has recently committed to undertake -- since, as the report notes, due to changes in the fund industry and the manner in which funds are distributed, the rule “simply does not reflect the current marketplace.” The Forum intends to continue to participate in this important debate by continuing to study “potential avenues for reforming the regulatory structure that governs distribution payments.”

But as the Forum also notes, until the Securities and Exchange Commission undertakes serious regulatory reforms, fund boards have to abide by the existing rule. With that in mind the Forum sets out a number of proposed guidelines, including:

- Directors should seek to identify a set of factors relevant to the plan they are evaluating, and use those factors to determine what action they should take, rather than carefully analyzing factors that are not relevant to how their funds are distributed.
- Directors should carefully consider the ways in which the use of fund assets to pay for distribution may benefit shareholders by providing greater stability of fund assets, minimizing portfolio disruption in the wake of redemptions, and spurring asset growth.
- As part of their analysis of a fund’s 12b-1 plan, directors may consider the need of a fund to penetrate particular distribution channels and address competitive conditions.

“All directors are focused on taking all necessary steps to ensure that the best interests of their shareholders are being represented when fund assets are used to pay for distribution of shares,” said Susan Ferris Wyderko, Executive Director of the Mutual Fund Directors Forum. “But as we state in our best practices, it is clear that Rule 12b-1, as it is currently structured, simply does not reflect the current marketplace and cries out for serious review and significant reform.”

The Mutual Fund Directors Forum is a non-profit organization for investment company independent directors dedicated to benefiting fund investors by improving mutual fund governance through the development of concerned and well-informed independent directors.

About the Mutual Fund Directors Forum

Formally organized in 2002, the Mutual Fund Directors Forum is an independent, nonprofit organization that serves the independent directors of U.S. mutual funds by providing educational and outreach programs as well as the opportunity for directors to exchange views with one another, other industry participants, and with industry regulators. The Forum, located in Washington, D.C., is chaired by David. S. Ruder, who served as Chairman of the Securities and Exchange Commission from 1987 to 1989. For more information, please visit www.mfdf.com.

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