

Uniform Application for Investment Adviser Registration

OMB APPROVAL

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Name of Investment Adviser:  
Parnassus Investments

Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
1 Market Street, Suite #1600		San Francisco, CA		94105	(415)	778-0200

This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.

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(Schedules A, B, C, D and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information  
contained in this form are not required to respond unless the form  
displays a currently valid OMB control number.

Applicant:

Parnassus Investments

SEC File Number:

801-22799

Date:

January 20, 2010

## Definitions for Part II

Related person — Any officer, director or partner of applicant or any person directly or indirectly controlling, controlled by, or under common control with the applicant, including any non-clerical, non-ministerial employee.

Investment Supervisory Services — Giving continuous investment advice to a client (or making investments for the client) based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client's personal and family obligations.

1. A. **Advisory Services and Fees.** (check the applicable boxes)

Applicant:

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

- |   |      |
|---|------|
| <input checked="" type="checkbox"/> (1) Provides investment supervisory services.....   | 100% |
| <input type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services.....  | 0%   |
| <input type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above .....   | 0%   |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscription.....   | 0%   |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service described above .....  | 0%   |
| <input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... | 0%   |
| <input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities .....  | 0%   |
| <input type="checkbox"/> (8) Provides a timing service .....  | 0%   |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above .....  | 0%   |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

- B. Does applicant call any of the services it checked above financial planning or some similar term? ..... Yes ☐ No ☒

## C. Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input type="checkbox"/> (6) Other             |

## D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of Clients** — Applicant generally provides investment advice to: (check those that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> A. Individuals                      | <input type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions     | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input checked="" type="checkbox"/> C. Investment companies  | <input type="checkbox"/> G. Other (describe on Schedule F)                                  |
| <input type="checkbox"/> D. Pension and profit sharing plans |   |

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**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity securities                   | <input checked="" type="checkbox"/> H. United States government securities     |
| <input checked="" type="checkbox"/> (1) exchange-listed securities         |  |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> I. Options contracts on:                              |
| <input checked="" type="checkbox"/> (3) foreign issuers                    | <input type="checkbox"/> (1) securities  |
|  | <input type="checkbox"/> (2) commodities                                       |
| <input checked="" type="checkbox"/> B. Warrants                            |  |
| <input checked="" type="checkbox"/> C. Corporate debt securities           | <input type="checkbox"/> J. Futures contracts on:                              |
| (other than commercial paper)  | <input type="checkbox"/> (1) tangibles   |
|  | <input type="checkbox"/> (2) intangibles                                       |
| <input checked="" type="checkbox"/> D. Commercial paper                    |  |
| <input checked="" type="checkbox"/> E. Certificates of deposit             | <input checked="" type="checkbox"/> K. Interests in partnerships investing in: |
| <input type="checkbox"/> F. Municipal securities                           | <input type="checkbox"/> (1) real estate                                       |
|  | <input type="checkbox"/> (2) oil and gas interests                             |
| <input type="checkbox"/> G. Investment company securities:                 | <input type="checkbox"/> (3) other (explain on Schedule F)                     |
| <input type="checkbox"/> (1) variable life insurance                       | <input checked="" type="checkbox"/> L. Other (explain on Schedule F)           |
| <input type="checkbox"/> (2) variable annuities                            |  |
| <input checked="" type="checkbox"/> (3) mutual fund shares                 |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input type="checkbox"/> Charting               | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical              |  |

B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

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5. **Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ..... Yes ☒ No ☐

(If yes, describe these standards on Schedule F.)

6. **Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

7. **Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. **Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> (1) broker-dealer  | <input type="checkbox"/> (7) accounting firm                                       |
| <input checked="" type="checkbox"/> (2) investment company   | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?..... Yes ☐ No ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

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**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells its own securities to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?..... ☐ Yes ☒ No

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Portfolios of investment companies are reviewed on a daily basis by the portfolio managers.

Jerome L. Dodson reviews the portfolios of the Parnassus Fund, the Parnassus Workplace Fund and the Parnassus Small-Cap Fund, and is the portfolio manager of those Funds. He is also the president and chief executive officer of Parnassus Investments.

Todd C. Ahlsten reviews the portfolio of the Parnassus Equity Income Fund and is the portfolio manager for that fund. He is also the chief investment officer of Parnassus Investments.

Benjamin E. Allen, Matthew D. Gershuny and Lori A. Keith review the portfolio of the Parnassus Mid-Cap Fund and are the portfolio managers of that Fund. Mr. Allen is also the director of research, and Mr. Gershuny and Ms. Keith are also senior research analysts.

Minh T. Bui reviews the Parnassus Fixed-Income Fund and is the portfolio manager of that Fund. Mr. Bui is also a senior research analyst.

Portfolios are also subject to a formal compliance review, conducted by the portfolio managers, fund accounting and compliance, on a monthly basis.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

The firm's clients (investment companies) are furnished a preliminary, daily report that summarizes their holdings and net asset values. They are furnished detailed financial statements on a monthly basis.

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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |   | Yes                                 | No                       |
|---|-------------------------------------|--------------------------|
| (1) securities to be bought or sold? .....              | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold?..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used?.....                   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (4) commission rates paid? .....                        | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

B Does applicant or a related person suggest brokers to clients? ..... ☒ Yes ☐ No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non – research services) from a non-client in connection with giving advice to clients?..... ☐ Yes ☒ No
- B. directly or indirectly compensates any person for client referrals?..... ☒ Yes ☐ No

(For each yes, describe the arrangements on Schedule F)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? ..... ☐ Yes ☒ No

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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

I. Full name of applicant exactly as stated in Item IA of Part I of Form ADV: Parnassus Investments	IRS Empl. Ident. No. 94-2943858
Item of Form (identify)	Answer
1. D.	<p>Parnassus Investments ("PI") provides investment advisory services to two investment companies, the Parnassus Funds trust (which contains four funds: the Parnassus Fund, the Parnassus Mid-Cap Fund, the Parnassus Small-Cap Fund and the Parnassus Workplace Fund) and the Parnassus Income Funds trust (which contains two funds: the Parnassus Equity Income Fund and the Parnassus Fixed-Income Fund). These two trusts are collectively known as "The Parnassus Funds" and are also referenced herein as "the Funds." Parnassus Investments may also provide investment advisory services to separate or institutional accounts, but does not presently do so.</p> <p>PI charges advisory fees based on a percentage of net assets, generally ranging from .50% to 1.00%, depending on the amount of assets. The fees are payable monthly for the previous month. The fees are negotiable. The Funds may also invest in money market or other funds which may also charge management fees. Such management fees attributed to investments in money market funds or other investment funds are in addition to the management fees charged by Parnassus Investments. PI also provides additional services to the Parnassus Funds for which it receives compensation, including acting as transfer agent, fund accountant and fund administrator to the Funds. Net annual operating expenses of the Funds range from 0.77% to 1.21%.</p> <p>Clients have a one-year contract, which may be terminated by either party with 60 days notice.</p> <p>3. All funds may invest up to 2% of assets in Community Development loans.</p> <p>5. Those involved in giving advice must have at least a bachelor's degree. They must also have a solid understanding of investments.</p> <p>6. Jerome L. Dodson, b. 1943 Jerome L. Dodson received a BS in political science from the University of California, Berkeley and an MBA from the Harvard Business School. For the past five years, he has been with Parnassus Investments as a portfolio manager and its president and chief executive officer.</p> <p>Todd C. Ahlsten, b. 1972 Todd C. Ahlsten received a BS in business administration from the University of California, Berkeley. For the past five years, he has been with Parnassus Investments as a portfolio manager and chief investment officer.</p> <p>Benjamin E. Allen, b. 1977 Benjamin E. Allen received an AB in government from Georgetown University and an MBA from the University of California at Berkeley. For the past five years, he has been with Parnassus Investments as a portfolio manager and director of research.</p> <p>Matthew D. Gershuny, b. 1973 Matthew D. Gershuny received a BA in philosophy from Cornell University and an MBA from the University of Michigan. He has been with Parnassus Investments since 2006 as a portfolio manager and a senior research analyst. Prior to that, he was a vice president at Cowen and Company.</p>

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I. Full name of applicant exactly as stated in Item IA of Part I of Form ADV: Parnassus Investments	IRS Empl. Ident. No. 94-2943858
Item of Form (identify)	Answer
	<p>Lori A. Keith, b. 1968 Lori A. Keith received a BA in economics from University of California, Los Angeles and an MBA from the Harvard Business School. For the past five years, she has been with Parnassus Investments as a portfolio manager and a senior research analyst.</p> <p>Minh T. Bui, b. 1979 Minh T. Bui received a BA in business administration from the University of Lausanne, Switzerland and an MBA from Golden Gate University. For the past five years, he has been with Parnassus Investments as a portfolio manager and a senior research analyst.</p>
7. A. & B.	<p>Parnassus Funds Distributor, an affiliate of Parnassus Investments, is a registered broker-dealer, and as such, it distributes the shares of the Parnassus Funds and Parnassus Income Funds to investors.</p> <p>Parnassus Investments provides accounting, administration and shareholder services to its investment-company clients. Parnassus Investments receives a fee from its clients for performing such services.</p>
8. C. 2.	<p>Registrant advises the Parnassus Funds and the Parnassus Income Funds, which are both investment companies, and its affiliate, Parnassus Funds Distributor, distributes their shares. PI also serves as sub-adviser to the ESG Managers Aggressive Growth Portfolio, the ESG Managers Growth Portfolio, the ESG Managers Moderate Portfolio and the ESG Managers Conservative Portfolio, each of which is advised by Pax World Management Corp. Additional details regarding arrangements with respect to the sale of mutual funds are set forth in each fund's prospectus in accordance with the U.S. Investment Company Act of 1940.</p>
9. B., D., & E.	<p>The Parnassus Funds, Parnassus Income Funds and Parnassus Investments have adopted a Code of Ethics (this "Code") in compliance with Rule 17j-1 (the "Rule") under the Investment Company Act of 1940 (the "1940 Act") and Rule 204a-1 under the Investment Advisers Act of 1940 (the "IAA"). In their personal investment activities, all Trustees and officers of the Funds and all officers, directors and staff of Parnassus Investments are directed to place the interests of Fund shareholders and clients before their own personal interests. All personal securities transactions must be conducted consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust or responsibility. No one affiliated with the Funds or Parnassus Investments may take inappropriate advantage of his or her position. All persons abiding by the Code must seek to comply with federal securities laws to the best of their ability. A copy of the Code of Ethics is available upon request to any client or prospective client.</p> <p>Generally, Parnassus Investments personnel may not effect transactions in securities for their own account, or for accounts in which they have an interest or control where such securities are simultaneously contemplated for purchase or sale for a client account or are the subject of an unexecuted order for a client account. In addition, Parnassus personnel may not purchase and sell the same security for a gain within any 30-day period.</p> <p>All Parnassus Investments personnel must pre-clear all trades for personal securities accounts with compliance and the portfolio management team except for trades in certain non-reportable securities such as U.S. government securities or open-ended mutual funds for which Parnassus Investments does not act as the investment adviser. Limitations also exist on Parnassus Investments personnel's ability to participate in initial public offerings and private placements. All personnel are required to have duplicate copies of confirmations or statements with respect to every brokerage account they have sent to Parnassus Investments in order to monitor compliance</p>



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<p>Item of Form (identify)</p> <p>9. B., D., &amp; E.</p> <p>12. A. &amp; B.</p> <p>13 B.</p>	<p style="text-align: center;">Answer</p> <p>with Parnassus Investments' personal trading policies and restrictions. Personnel must report all personal securities transactions no less than quarterly. Parnassus Investments' policies and procedures with respect to employee's personal trading in securities in which Parnassus Investments invests are in compliance with Parnassus Investments' Code of Ethics.</p> <p>In its capacity as a broker-dealer, registrant's affiliate, Parnassus Funds Distributor, deals only with mutual fund shares. In executing portfolio trades for its investment company clients, registrant uses other, unrelated broker-dealers. If registrant recommends shares of the Funds to potential investors, registrant discloses that it has a relationship with the Funds. PI typically does not trade for its own account, but if registrant or a related party were to buy or sell securities for itself that it also recommends to clients, it would conduct all purchases for clients before its own trades are executed. On sales, clients' orders would be filled first. As stated above, there is a code of ethics for both the Parnassus Funds and the Parnassus Income Funds that registrant abides by.</p> <p>Without limitation, registrant determines the broker dealer through which client transaction are executed and if commissions are reasonable. Registrant will choose brokers on the basis of "best execution." Best execution means choosing brokers on a number of criteria, the most important of which are research and other services provided, relative cost of a trade, financial strength of the broker, speed and accuracy of execution, and ability to execute the trade without making big changes in the price. The Funds pay a higher commission to brokers that provide research and other services than for execution only because some brokers make a valuable contribution to the investment process. For example, brokers invite us to investment conferences where we have direct access to management of companies where we have an investment or are considering an investment. These conferences are invaluable to us. Brokers also offer us access to their research analysts who provide us with reports and also discuss companies with us. In addition, we have soft-dollar agreements with two brokers: DA Davidson and Westminster Research. DA Davidson provides us with the Bloomberg terminals and Westminster Research provides us with third party research and brokerage. These soft dollar agreements have explicit ratios and explicit costs of the research and qualify under Section 28(e). Certain soft-dollar agreements may be considered "mixed use" and such costs are allocated as either research costs to the Funds or to Parnassus Investments based on a documented and rational methodology. Other factors are also important such as the ability of a broker to execute a trade in a given security. This may mean a deviation from the commission budget. Financial strength and integrity of the broker are also factors we consider. The Parnassus policy of "best execution" then comprises a number of factors including reasonable cost, services provided, financial strength, speed and accuracy of trades, and integrity of the broker. The brokerage services may include trade systems that provide connection with brokers and assist in best execution as well as settlement. Each year at our March meeting of the mutual fund Trustees, we will present the commission budget to the Trustees and discuss our thinking. At each regular meeting, management presents to the Trustees a report showing commissions budgeted for each broker, the amount of commissions received by each broker year-to-date and the variance. At that meeting, management will also report on the quality of execution by each broker including items such as error rate, timeliness of execution, price received and ability to execute block orders. For each regular meeting of the Trustees, management will continue to report how brokerage was allocated among all brokers in the previous quarter, and also how much was spent via soft-dollars and what products or services were purchased as well as the amount and impact of commissions for each fund. The research gained in using brokers is used to service the accounts paying for it.</p> <p>Certain marketing managers may receive commissions based on investment advisory clients.</p>