than the comparable investment rate for the duration of Note #5. Therefore, Bankers Trust determined that it was appropriate to sell the security.

Note #6 was an IAN issued by Rabobank, which was purchased by the Funds on November 9, 1993 from Lehman Brothers for \$14 million, with initial maturity on November 17, 1994. Note #6 paid interest quarterly at a rate equal to three-month LIBOR plus 50 basis points until November 17, 1994 and paid 4.33% thereafter. Bankers Trust states that Note #6 was subject to the risk of a maturity extension if shortterm rates rose above a certain level on a specified date. Under the terms of Note #6, if three-month LIBOR was less than 4.9% on November 15, 1994, the note would mature and the principal would be repaid in full on November 17, 1994. However, if three-month LIBOR was above 4.9% on November 15, 1994, the term of Note #6 would be extended for three years with a fixed coupon rate of 4.33% and principal would be repaid according to a pre-set amortization schedule. On October 28, 1994, three-month LIBOR was 5.69%, approximately 79 basis points above Note #6's trigger rate of 4.9%. Thus, it appeared highly probable that the note's maturity would be extended until November 1997. Bankers Trust considered the fixed coupon rate of 4.33% on Note #6 to be significantly below the comparable investment rate for the duration of the note, which was calculated to be 7.14%. Therefore, Bankers Trust determined that the security should be sold.

Note #7 was an IAN issued by Prudential Funding, which was purchased by the Funds on September 24, 1993 from Lehman Brothers for \$34 million, with initial maturity on October 18, 1994. Note #7 paid interest quarterly

at a fixed rate of 4.75% until October 18, 1994. Like Note #6 described above. Bankers Trust states that Note #7 was subject to the risk of a maturity extension if short-term rates rose above a certain level on a specified date. Under the terms of Note #7, if threemonth LIBOR was above 5.04% on October 16, 1994, the maturity of the note extended for three years at a 0% coupon rate with quarterly payments of principal in amounts based on a pre-set amortization schedule. If three-month LIBOR was below 5.04% on October 16, 1994, Note #7 would mature in full on that date. However, Bankers Trust states that three-month LIBOR was above 5.04% on October 16, 1994. At the time of sale, Note #7 was scheduled to pay a 0% coupon and its maturity had been extended. Thus, Bankers Trust determined that the security should be

Note #8 was an IAN issued by E.I. du Pont, which was purchased by the BT Super Cash Fund on September 24, 1993 from Morgan Stanley for \$1.3 million, with initial maturity on October 14, 1994. Note #8 paid interest quarterly at a fixed rate of 4.75%. Like Note #7 described above, Bankers Trust states that Note #8 was subject to the risk of a maturity extension if short-term rates rose above a certain level on a specified date. Under the terms of Note #8, if three-month LIBOR was above 5.04% on October 12, 1994, the maturity of the note extended for three years at a 0% coupon rate with quarterly payments of principal in amounts based on a pre-set amortization schedule. If three-month LIBOR was below 5.04% on October 12, 1994, Note #8 would mature in full on October 14, 1994. Since three-month LIBOR was above 5.04% on October 12, 1994, the maturity of Note #8 extended

for three years paying a 0% coupon. Thus, Bankers Trust determined that the security should be sold.

6. Bankers Trust had the Funds sell their respective interests in the Notes to BTNY on October 28, 1994, for the par value of the Notes, which in each case was greater than the fair market value of the Notes owned by the Fund (see table below). At the time of the transaction, the par value of the Notes was equal in each case to the outstanding principal balance of the Notes because no principal payments had been made on any of the Notes (see charts in Paragraph 7 below). In addition, Bankers Trust states that the par value of the Notes was either greater than or equal to the initial purchase price paid by the Fund for its interest in the Notes.

Bankers Trust obtained bids from independent broker-dealers to establish the fair market value of the Notes at the time of the transaction. The most recent bids obtained by Bankers Trust prior to the sale of the Notes were as of October 21, 1994. Bankers Trust states that bids for the Notes obtained on October 31, 1994 showed no significant change had occurred over the ten-day period, thereby confirming that the fair market value of the Notes was significantly less than the par value of the Notes on the transaction date of October 28, 1994. Bankers Trust represents that on both October 21, 1994 and October 31, 1994, the bids for Note #1 through Note #5 were quoted by Nikko Securities, for Note #6 and Note #7 by Lehman Brothers, and for Note #8 by Morgan Stanley. The bids for the Notes were quoted by the broker-dealers as a percentage of the outstanding principal balance of each Note. These bids, in comparison with the par value of the Notes, were as follows:

Note	Price quoted		Price received (par
	10/21/94	10/31/94	value) "
#1	11 96.06	96.00	100 (\$95,000,000)
#2	96.10	96.05	100 (27,000,000)
#3	91.15	91.08	100 (95,000,000)
#4	94.08	94.00	100 (71,000,000)
#5	96.00	95.27	100 (95,000,000)
#6	90.29	90.25	100 (14,000,000)
#7	79.25	80.21	100 (34,000,000)
#8	80.38	80.50	100 (1,300,000)

¹¹ Bankers Trust states that the prices quoted are per \$100 of principal. To determine the total price quoted, the face value of each Note is multiplied by the quote, expressed as a percentage of 100. Thus, for example, since the par value of Note #1 is \$95,000,000, the quoted price on October 21, 1994 would have been \$91,257,000 since \$95,000,000 × .9606 = \$91,257,000.