to continue to permit additions and withdrawals from the Fund at \$1.00 per share and investments in the Fund after December 6, 1994 were not affected by the Notes.

Boston Safe determined that, as a result of the trading losses incurred by the Orange County Pool and the subsequent bankruptcy filing by the Issuer, the security for the Notes had become inadequate and that full repayment of the Notes was questionable. Boston Safe also determined that the purchase of the Notes by Boston Safe would be permissible under the regulations of the Office of the Comptroller of Currency relating to common trust funds. Therefore, in order to protect the Fund and the participating investors (including the employee benefit plans) having an interest in the Liquidating Account from potential investment losses, Boston Safe decided to purchase the Notes from the Fund. Notice of this resolution was given to the appropriate representative of each of the participating investors having an interest in the Liquidating Account by telephone prior to the date of the transaction.

6. The purchase of the Notes was consummated on January 12, 1995 when Boston Safe purchased the Notes from the Fund for a lump sum cash payment of \$25,031,269. This sum represented the amortized cost of the Notes (i.e. \$24,993,915) plus the accrued interest owing on the Notes (i.e. \$37,354) as of January 12, 1995, the date of the transaction. Therefore, Boston Safe states that the amount received by the Fund for the Notes represented the book value of the Notes on the date of the sale. This amount reflected the discounts received by the Fund when it purchased the Notes at a price that was slightly less than the par value of the Notes. The amortized cost of the Notes was determined by Boston Safe using the standard accounting methods employed by the Fund.

In this regard, Boston Safe used the straight-line method of amortization in calculating the amortized cost of the Notes as of January 12, 1995, the date of sale. The amortized cost of the Notes was determined using a series of computations.

First, the discount on the Notes at purchase was calculated as the difference between the par value of the Notes (i.e., the principal amount which the Issuer is obligated to repay upon the maturity of the Notes) and the price at which the Fund originally purchased the Notes on August 1, 1994. Thus, \$25,000,000 (par value) —\$24,988,375 (purchase price) = \$11,625 (discount).

Second, in order to accrete the discount equally over the life of the Notes, Boston Safe computed the amount of the discount to be accreted on a daily basis by dividing the discount by the number of days the Fund anticipated holding the Notes (i.e., from August 1, 1994, the date of purchase, until maturity on July 10, 1995). Thus, \$11,625 (discount) divided by 342 (number of days) $^2 = 33.99123 (daily accretion factor).

Third, the accreted discount on the Notes as of January 12, 1995, the date of sale, was calculated by multiplying the daily accretion factor by the number of days the Fund had actually held the Notes on such date. Thus, \$33.99123 (daily accretion factor) \times 163 (number of days) = \$5,540 (accreted discount).

Finally, the accreted discount was then added to the purchase price paid by the Fund for the Notes, with the final figure being the amortized cost of the Notes as of January 12, 1995. Thus, \$5,540 (accreted discount) + \$24,988,375 (purchase price) = \$24,993,915 (amortized cost).

7. Prior to the consummation of the transaction, Boston Safe obtained valuations of the Notes as of the date of the sale from two independent pricing services, Kenny S&P Evaluation Services, Inc., and Muller Data Corporation. Boston Safe states that these pricing services are the industry standards with respect to the pricing of municipal bonds. The valuations of the Notes obtained from these independent pricing services were 85.50 percent of par value and 86.40 percent of par value, respectively. On the basis of these valuations, Boston Safe determined that the purchase price paid by Boston Safe to the Fund exceeded the aggregate fair market value of the Notes as of the date of the transaction. The purchase price was paid to the Liquidating Account and then distributed to participating investors holding interests in the Liquidating Account.

Boston Safe represents that the purchase price paid for the Notes was distributed to each of the participating investors in the Liquidating Account, including the employee benefit plans, based on their respective interests in that account. Such interests were determined based solely upon the relative values, including accrued interest on the Notes, of the investors' interests in the Fund on December 6, 1994. The value of an investor's interest in the Fund on December 6, 1994 was

equal to the amounts deposited by or on behalf of the investor as of such date, plus its allocable share of the income of the Fund, less any withdrawals or distributions.

8. Boston Safe, as trustee of the Fund, believed that the sale of the Notes to Boston Safe was in the best interests of the Fund, and the employee benefit plans invested in the Fund, at the time of the transaction. Boston Safe states that any sale of the Notes on the open market would have produced significant losses for the Fund and for the individual employee benefit plan investors involved. Boston Safe represents that the sale of the Notes by the Fund to Boston Safe benefitted the participating investors in the Fund having an interest in the Liquidating Account by placing such investors, including the employee benefit plans, in the same economic position they would have occupied absent the insolvency of the Issuer. The participating investors in the Fund benefitted further because the purchase price paid by Boston Safe for the Notes substantially exceeded the aggregate fair market value of the Notes, as determined by the two independent pricing services from whom valuations were obtained. In addition, Boston Safe states that the transaction was a onetime sale for cash in connection with which the Fund did not bear any brokerage commissions, fees, or other expenses.

9. Boston Safe represents that it took all appropriate actions necessary to safeguard the interests of the Fund investors, including the employee benefit plans, in connection with the sale of the Notes. Boston Safe ensured that each Fund investor with interests in the Liquidating Account received the appropriate amount of cash from Boston Safe representing its respective interest in the Liquidating Account.

10. Boston Safe states that the sale of the Notes by the Fund to Boston Safe resulted in an assignment of all of the Fund's rights, claims, and causes of action against the Issuer or any third party arising in connection with or out of the issuance of the Notes or the purchase of the Notes by the Fund. Boston Safe states further that if the exercise of any of the foregoing rights, claims or causes of action results in Boston Safe recovering from the Issuer or any third party an aggregate amount that is more than the sum of: (a) the purchase price paid for the Notes by Boston Safe (i.e. \$25,031,269); (b) the original issue discount on the Notes which remained unamortized as of the date Boston Safe acquired the Notes

² For this purpose, Boston Safe represents that it is standard practice to determine the number of days by excluding the date of purchase and the date of maturity on the Notes.