fiduciary with investment discretion for a Client Plan arises out of its relationship as a trustee or investment manager, but not from the rendering of any investment advice to a third party that has investment discretion under the Plan. Mellon, in its capacity as a fiduciary of the Client Plans, may exercise investment discretion for all or a portion of the assets of such Client Plans. As a custodian or directed trustee of a Client Plan, Mellon has custody of Plan assets, collects all income, performs bookkeeping and accounting services, generates periodic statements of account activity and other reports, and makes payments or distributions from the account as directed. However, Mellon has no duty as a custodian or directed trustee to review investments or make recommendations, acting only as directed by an authorized Second Fiduciary.

Mellon is in the process of making a series of mutual fund portfolios within the Laurel Funds, Inc. [a/k/a Dreyfus Funds or Premier Funds] (i.e. the Funds) available to some of the Client Plans as alternatives to or in place of some of its collective funds (i.e. the CIFs). Mellon requests an exemption for investments in a Fund which occur through an in-kind transfer of a Client Plan's pro rata share of assets from either a terminating or partially terminating CIF to a corresponding Fund in exchange for shares of such Fund. Mellon also requests an exemption for the receipt of fees from the Funds in connection with the investment of assets of a Client Plan (including any assets of a Client Plan which were held in a terminating or partially terminating CIF) for which it acts as a trustee, directed trustee, investment manager, or custodian, in shares of the Funds in instances where Mellon is an investment adviser for the Funds as well as a custodian, dividend disbursing agent, shareholder servicing agent, transfer agent, and/or Fund accountant, or provides some other secondary service to the Funds. Finally, Mellon seeks exemptive relief to be able to transfer securities in-kind, rather than in cash, from a Client Plan's individual investment portfolio (which is not a CIF) to a Fund in exchange for shares of the Fund to avoid the additional transaction costs involved in disposing of and re-acquiring the securities on the open market.

To avoid charging existing Client Plans any additional fees in connection with investments in the Funds, primarily as a result of the in-kind transfers of CIF assets, Mellon has implemented a fee structure under which the Client Plans do not bear any

part of the fees charged by Mellon to the Funds (as discussed further below). Under this arrangement, Mellon charges its negotiated fees to the Client Plans and also charges the Funds for investment advisory services as well as secondary services. Mellon then credits as cash to each Client Plan its proportionate share of all fees paid by the Funds to Mellon, no later than the same day as the payment of the fees to Mellon. Therefore, Mellon retains only the Plan-level fees for services to the Client Plans. However, as noted in Paragraph 11 below, a Client Plan may have an alternative fee structure for investments made into a Fund through an in-kind transfer of securities from an individual portfolio. Under these arrangements, Mellon would retain fees received from the Fund for secondary services and would either credit to each Client Plan the fees received from the Funds for investment advisory services or would not charge the Client Plan a Plan-level investment management fee for those assets invested in the Fund. In such instances, the Second Fiduciary's choice of whether to obtain either a full or partial credit of Fund fees paid by the Funds to Mellon shall be made in writing prior to any in-kind transfer of securities into a Fund following full disclosure of all relevant information concerning the various fee structures.

3. The Funds are a Maryland corporation organized as open-end investment companies registered under the 1940 Act. The Funds consist of a series of investment portfolios (each a "Fund") representing distinct investment vehicles, which have their own prospectuses or joint prospectuses with one or more other Funds. The shares of each Fund represent a proportionate interest in the assets of that Fund.

The Funds involved in the initial transfer transactions were: (i) The Laurel Intermediate Income Portfolio; (ii) The Laurel Stock Portfolio; (iii) The Laurel Prime Money Market I Portfolio; and (iv) The Laurel Short-Term Bond Portfolio. Additional Funds that were available for investment in connection with the transactions described herein following the initial transfer transactions included: (i) The Laurel Midcap Stock Portfolio; (ii) The Laurel Bond Market Index Portfolio; and (iii) The Laurel S&P 500 Index Portfolio.

The applicant states that Mellon subsequently acquired The Dreyfus Corporation (Dreyfus), the sponsor of the Dreyfus family of mutual funds, in August 1994. Thus, Dreyfus is now an affiliate of Mellon. As a result of this acquisition, changes have been made to the names of the Laurel Funds and the

parties providing services to the Funds. Effective October 1994, the Laurel Funds have changed their names to include "Dreyfus" or "Premier" (another name used by Dreyfus). Some of the Funds retain "Laurel" as part of their names so as not to confuse them with existing Dreyfus Funds.

Shares of all Funds are offered to trust account customers of Mellon, including the Client Plans, as a means of acquiring an interest in a diversified portfolio of investments. Mellon states that each series of Fund shares are offered to the Client Plans under terms and conditions which are at least as favorable to the Plans as the terms and conditions available to other shareholders of the Fund. Mellon states further that additional Funds may be created in the future that will receive assets from CIFs or otherwise be used for investment by Client Plans.

4. Mellon served as the investment adviser to each Fund until the acquisition of Dreyfus. Dreyfus, as Mellon's affiliate, is now the investment adviser to the Funds and receives investment advisory fees from each Fund that may vary between 0.20% and 1.50% of the Fund's average net assets on an annual basis, depending on the particular Fund. As noted above, Mellon also previously served as the custodian, dividend disbursing agent, shareholder servicing agent, transfer agent, and fund accountant, for which it was entitled to receive fees from the Funds.³ Mellon continues to provide such "secondary services" to the Funds. However, since the acquisition of Dreyfus, the new transfer agent is The Shareholder Services Group, Inc., an independent party.

Until Mellon's acquisition of Dreyfus, the Funds' administrator and distributor were Frank Russell Investment
Management Company and Russell
Fund Distributors, Inc. (collectively, the Russell Companies). The applicant states that the Russell Companies were independent of and unaffiliated with Mellon. The new administrator and distributor is Premier Mutual Fund Services, Inc. (Premier Services). Mellon represents that Premier Services is also independent of Mellon and its affiliates.

³ The Funds may use broker-dealers that are affiliates of Mellon to provide brokerage services to the Funds. The applicant states that such brokerage services would be provided in accordance with section 17(e) of the 1940 Act, as amended, and Rule 17e-1 thereunder. Rule 17e-1 requires, among other things, that the commissions, fees or other remuneration for any brokerage services provided by an affiliate of an investment company's investment advisor must be reasonable and fair compared to what other brokers receive for comparable transactions involving similar securities.