The Fund administrator receives annual fees of \$500,000 plus an assetbased component, which is 0.01% of the aggregate assets of the Funds up to \$10 billion and 0.005% of assets over \$10 billion. The asset-based fee is payable monthly, charged pro rata to each Fund on its average daily net assets for the month. The administrator is also entitled to receive reimbursement from the Funds for the start-up costs of certain new Funds. Under the current arrangement, the Fund distributor is reimbursed for certain of its Fund distribution fees and expenses by Mellon. The Client Plans are not charged sales commissions, redemption fees, or distribution expenses on their transactions or investments in Fund shares.4

In-Kind Transfers of CIF Assets

5. Mellon is offering the Funds as alternatives or replacements for a number of the CIFs currently used by Client Plans. In connection with making these Funds available to a Client Plan, Mellon is transferring in-kind the Plan's assets currently invested in a particular CIF to a corresponding Fund with substantially similar investment objectives, if a Second Fiduciary for the Client Plan provides prior written authorization for the transfer following receipt of full and detailed written disclosures regarding the particular Fund and related fees.

Mellon represents that a principal reason for offering Client Plans the opportunity to transfer their CIF investments to the Funds is that in many cases the interests of such Plans would be better served by the use of mutual funds and Mellon's customers have expressed an interest in having mutual funds available as investment vehicles. In this regard, mutual funds are valued on a daily basis, whereas most of the CIFs are valued weekly or monthly. The daily valuation permits (i) immediate investment of Plan contributions in varied types of investments; (ii) greater flexibility in transferring assets from one type of investment to another; and (iii) daily redemption of investments for purposes

of making distributions. In addition, information concerning the investment performance of mutual funds will be available on a daily basis in newspapers of general circulation, which will allow Client Plan sponsors and participants to monitor the performance of their investments on a daily basis. Furthermore, unlike CIF units, mutual fund shares can be given to participants in plan distributions, thus avoiding the expense and delay of liquidating plan investments and facilitating roll-overs into IRAs.

6. Prior to investing any Client Plan's assets in a Fund, Mellon obtains written approval from the Second Fiduciary for the Client Plan, who generally is either the Client Plan's named fiduciary, trustee (if other than Mellon), or the sponsoring employer. Mellon provides the Second Fiduciary with a current prospectus for that Fund and a written statement giving full disclosure of the structure under which Mellon's investment advisory and other fees will be credited back to the Client Plan. The disclosure statement describes why Mellon believes the investment of assets of the Client Plan in the Funds may be appropriate. The disclosure statement also describes any limitations on Mellon regarding which plan assets may be invested in shares of the Funds and the nature of such limitations.

On the basis of such information, the Second Fiduciary authorizes Mellon to invest the Client Plan's assets in the Fund(s) and to receive fees from the Fund(s). In connection with the asset transfers from the CIFs, if the Second Fiduciary has not provided Mellon with its approval of investment in a corresponding Fund by the deadline established for approvals of transfers from a CIF, the Client Plan continues to be invested in that CIF. However, if the CIF is terminated, the Client Plan receives a distribution from the CIF which is then invested in an appropriate investment vehicle other than the Funds, in accordance with the terms of the Client Plan.

Any authorization for investment by a Client Plan in shares of a Fund and the fees paid to Mellon is terminable at will by the Second Fiduciary, without penalty to the Client Plan, upon receipt by Mellon of written notice of termination. A Termination Form expressly providing an election to terminate the authorization with instructions on the use of the form is supplied to the Second Fiduciary no less than annually. The Termination Form instructs the Second Fiduciary that the authorization is terminable at will by the Client Plan, without penalty to the Client Plan, upon receipt by

Mellon of written notice from the Second Fiduciary (through the return of such form), and that failure to return the Termination Form results in continued authorization of Mellon to engage in the subject transactions on behalf of the Client Plan.

Mellon states that the Termination Form may be used to notify Mellon in writing to effect a termination by selling the shares of the Funds held by the Client Plan requesting such termination within one business day following receipt by Mellon of the form; provided that if, due to circumstances beyond the control of Mellon, the sale cannot be executed within one business day, Mellon shall have one additional business day to complete such sale.

The Second Fiduciary will receive notice of any increases in the rates of fees charged by Mellon to the Funds for investment advisory services as well as for secondary services, through an updated prospectus or otherwise. However, such notice will not be accompanied by an additional Termination Form since all increases in investment advisory fees and secondary fees will be credited by Mellon to the Client Plans and will be subject to an annual reauthorization as described above.

Mellon states that the Second Fiduciary receives an updated prospectus for each Fund at least annually and either annual or semi-annual reports for each Fund. Mellon also provides monthly or quarterly reports to the Second Fiduciary of all transactions engaged in by the Client Plans, including purchases and sales of the Fund shares.

The Funds may use broker-dealers that are affiliates of Mellon to provide brokerage services to the Funds. As noted in Footnote 2 above, such brokerage services would be provided in accordance with section 17(e) of the 1940 Act and Rule 17e-1 thereunder. Mellon represents that it will provide at least annually to the Second Fiduciary of any Client Plan that invests in the Funds written disclosures indicating the following: (i) The total, expressed in dollars, brokerage commissions of each Fund's portfolio that are paid to Mellon or an affiliate by such Fund; (ii) the total, expressed in dollars, of brokerage commissions of each Fund's portfolio that are paid by such Fund to brokerage firms unrelated to Mellon; (iii) the average brokerage commissions per share, expressed as cents per share, paid to Mellon or an affiliate by each Fund portfolio; and (iv) the average brokerage commissions per share, expressed as cents per share, paid by each Fund

⁴ Mellon represents that all Funds have adopted a Distribution and Service Plan pursuant to Rule 12b-1 under the 1940 Act. Prior to July 28, 1992, the Funds paid the fees and expenses payable to the distributor under such plan. However, since that date, the distributor has waived its rights to these fees and expenses in exchange for Mellon paying them, as described in the prospectus for each Fund. Mellon states that these fees may be charged to the Funds again in the future, but will not be charged to a class of Fund shares in which the Client Plans have invested. In addition, Mellon does not and will not receive fees payable pursuant to Rule 12b-1 in connection with transactions involving any shares of the Funds.