information provided the affected Client Plans with written confirmation of the number of CIF units held by the Client Plan immediately before the transfer, the related per unit value and the total dollar amount of such CIF units as well as the number of shares of the Funds held by the Client Plan following the transfer, the related per share net asset value, and the total dollar amount of such shares.

For all subsequent in-kind transfers of CIF assets to a Fund following publication of this proposed exemption in the **Federal Register**, Mellon will send by regular mail to each affected Client Plan a written confirmation, not later than 30 days after completion of the transaction, containing the following information:

- (1) The identity of each security that was valued for purposes of the transaction in accordance with Rule 17a–7(b)(4);
- (2) The price of each such security involved in the transaction; and
- (3) The identity of each pricing service or market maker consulted in determining the value of such securities. Securities which are valued in accordance with Rule 17a-7(b)(4) are securities for which the current market price cannot be obtained by reference to the last sale price for transactions reported on a recognized securities exchange or the NASDAQ system. Mellon states that such securities are valued based on an average of the highest current independent bid and lowest current independent offer, as of the close of business on the Friday preceding the weekend of the CIF transfers, determined on the basis of reasonable inquiry from at least three sources that are broker-dealers or pricing services independent of Mellon.

In addition, for all in-kind transfers of CIF assets to a Fund that occur after the date this proposed exemption is published in the **Federal Register**, Mellon will send by regular mail to the Second Fiduciary no later than 90 days after completion of each transfer a written confirmation that contains the following information:

- (1) The number of CIF units held by the Client Plan immediately before the transfer, the related per unit value, and the total dollar amount of such CIF units; and
- (2) The number of shares in the Funds that are held by the Client Plan immediately following the transfer, the related per share net asset value, and the total dollar amount of such shares.

Mellon anticipates that additional CIFs will be converted or "partially converted" to the Funds so that the Client Plan investors in those CIFs will be given the opportunity to transfer their investments in-kind from the CIFs to corresponding Funds, or alternatively to continue investing in the CIFs until such CIFs are terminated. Mellon states that such transfers will follow the same procedures as the initial transfers, including valuations in accordance with Rule 17a-7(b), and will comply with the conditions of this proposed exemption. In the case of partial CIF terminations, the transfers will involve a smaller amount of assets and may occur on a weekday rather than a weekend. In all cases, such transfers will use the closing market prices for that particular day in valuing the Client Plan assets to be transferred and the net asset value of the Fund.

8. Mellon or an affiliate (i.e. Dreyfus) charges investment advisory fees to the Funds in accordance with the investment advisory agreements between Mellon and the Funds. These agreements have been approved by the independent members of the Board of Directors of the Funds (the Directors), in accordance with the applicable provisions of the 1940 Act. Any future changes in the fees paid to Mellon must be approved by the Directors. These fees are payable monthly by the Funds.

Mellon uses a fee structure that is designed to preserve the negotiated fee rates of the Client Plans that transfer investments from the CIFs to the Funds, so as to minimize the impact of the change to the Funds on a Client Plan's fees. At the beginning of each month, and in no event later than the same day as the payment of the investment advisory and other fees by the Funds to Mellon for the previous month, Mellon credits to each Client Plan in cash its proportionate share of all investment advisory fees charged by Mellon to the Funds for the previous month.

To assure that Client Plans pay no additional fees as a result of investing in the Funds rather than the CIFs, and to otherwise preserve the negotiated fee rates of the Client Plans, Mellon also credits to the Client Plans participating in the transfers their pro rata shares of any fees paid by the Funds to Mellon for services other than investment advisory services. However, Mellon does retain amounts necessary to account for its direct expenses in providing such secondary services. These credits are made at the same time and in the same manner as the advisory fee credits.

In addition, Mellon has credited to the Client Plans participating in the transfers from the CIFs to the Funds

their pro rata shares of fees paid by the Funds or Mellon to Fund service providers other than Mellon, so that the Client Plans effectively receive a credit of all charges assessed upon their investments in the Funds. Mellon retains the flexibility to cease crediting these third-party fees and, in such instances, provides further disclosure to and obtains express approval from any Client Plan before terminating the credit of the third-party fees for the Client Plan. However, Mellon states that all investment advisory fees charged to the Funds by third party sub-advisers, or paid by Mellon to such third party subadvisers, will continue to be credited to the Client Plans.

9. Mellon maintains a system of internal accounting controls for the crediting of all fees to the Client Plans. In addition, Mellon retains the services of KPMG Peat Marwick (the Auditor), an independent accounting firm, to audit annually the crediting of fees to the Client Plans under this program. Such audits provide independent verification of the proper crediting to the Client Plans.

In its annual audit of the credit program, the Auditor will: (i) Review and test compliance with the specific operational controls and procedures established by Mellon for making the credits; (ii) verify on a test basis the monthly credit factors transmitted to Mellon by the Funds; (iii) verify on a test basis the proper assignment of identification fields to the Client Plans; (iv) verify on a test basis the credits paid in total to the sum of all credits paid to each Client Plan; (v) recompute, on a test basis, the amount of the credit determined for selected Client Plans and verify that the credit was made to the proper Client Plan account.

In the event either the internal audit by Mellon or the independent audit by the Auditor identifies an error made in the crediting of fees to the Client Plans, Mellon will correct the error. With respect to any shortfall in credited fees to a Client Plan, Mellon will make a cash payment to the Client Plan equal to the amount of the error plus interest paid at money market rates offered by Mellon for the period involved. Any excess credits made to a Client Plan will be corrected by an appropriate deduction from the Client Plan account or reallocation of cash during the next payment period after discovery of the error to reflect accurately the amount of total credits due to the Client Plan for the period involved.

10. Mellon also uses the credit procedure described above (referred to hereafter as "the Alternative Credit Method") for investments by Client

the disposition from the Mellon Employee Benefit Stock Fund.