advance of any investment by the Client Plan in the Fund. On the basis of such information, the Independent Fiduciary authorizes in writing the investment of assets of the Client Plan in the Fund and the fees to be paid by the Fund to the Bank. In addition, the Bank represents that the Independent Fiduciary of each Client Plan invested in a particular Fund will receive full written disclosure, in a statement separate from the Fund prospectus, of any proposed increases in the rates of fees charged by the Bank to the Funds for investment advisory services which is above the rate reflected in the prospectus for the Fund, at least 30 days prior to the effective date of such increase.22

Any authorizations by the Independent Fiduciary regarding the investment of a Client Plan's assets in a Fund and the fees to be paid to the Bank, including any future increases in rates of such fees, are or will be terminable at will by the Independent Fiduciary, without penalty to the Client Plan, upon receipt by the Bank 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 Independent Fiduciary no less than annually. The instructions for the Termination Form include the following information:

(a) The authorization is terminable at will by the Client Plan, without penalty to the Client Plan, upon receipt by the Bank of written notice from the Independent Fiduciary; and

(b) Failure to return the Termination Form will result in continued authorization of the Bank to engage in the subject transactions on behalf of the Client Plan.

The Bank states that the Termination Form may be used to notify the Bank 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 the Bank of the form. The Bank states further that if, due to circumstances beyond the control of the Bank, the sale cannot be executed within one business day, the Bank will complete the sale within the next business day.

Any disclosure of information regarding a proposed increase in the rate of fees for investment advisory services will be accompanied by a Termination Form. However, if the Termination Form has been provided to the Independent Fiduciary for the authorization of a fee increase, then a Termination Form for an annual reauthorization will not be provided by the Bank for that year unless at least six months has elapsed since the Termination Form was provided for the fee increase.

Each Independent Fiduciary receives from the Bank a current prospectus for the Funds and a written statement giving full disclosure of the Fee Structure prior to any investment by the Client Plan in shares of the Fund. The disclosure statement explains why the Bank believes that the investment of assets of the Client Plan in the Funds is appropriate. The disclosure statement also describes whether there are any limitations on the Bank with respect to which Client Plan assets may be invested in shares of the Funds and, if so, the nature of such limitations.²³ The Bank states that Client Plan fiduciaries will also receive from Federated, the Funds' distributor, an updated prospectus and periodic reports for each Fund. In addition to information provided to Fund shareholders by Federated, the Bank will provide each Independent Fiduciary with a quarterly performance review for the Peachtree Equity and Bond Funds. This report will include updated information regarding the particular Fund's investment strategy, performance, and diversification of assets as well as a description of the securities held by the Fund. The Bank states further that Fund shareholders may also request a copy of the Statement of Additional Information for any Fund free of charge, obtain other information, or make inquiries about a Fund by writing or calling the Bank.

9. No sales commissions are paid by the Client Plans in connection with the purchase or sale of shares of the Funds. In addition, no redemption fees are paid in connection with the sale of shares by the Client Plans to the Funds. The applicant states that all other dealings between the Client Plans, the Funds, and the Bank or any affiliate, are on a basis no less favorable to the Client Plans than such dealings are with the other shareholders of the Funds.

10. In summary, the Bank represents that the transactions described herein satisfy the statutory criteria of section 408(a) of the Act because: (a) The Funds provide the Client Plans with a more effective investment vehicle than the CIFs maintained by the Bank without any increase in investment management, advisory or similar fees paid to the Bank; (b) with respect to the transfer of a Client Plan's CIF assets into a Fund in exchange for Fund shares, an Independent Fiduciary authorizes in writing such transfer prior to the transaction only after full written disclosure of information concerning the Fund; (c) each Client Plan receives shares of a Fund in connection with the transfer of assets of a terminating CIF which have a net asset value that is equal to the value of the Client Plan's pro rata share of the CIF assets on the date of the transfer, based on the current market value of such assets as determined in a single valuation at the close of the same business day using independent sources in accordance with procedures established by the Fund which comply with Rule 17a-7 of the 1940 Act; (d) with respect to any investments in a Fund by the Client Plans and the payment of any fees by the Fund to the Bank, an Independent Fiduciary receives full written disclosure of information concerning the Fund, including a current prospectus and a statement describing the fee structure, and authorizes in writing the investment of the Client Plan's assets in the particular Fund and the fees paid by such Fund to the Bank; (e) any authorizations made by a Client Plan regarding investments in a Fund and fees paid to the Bank, or any increases in the rates of fees for such services, are or will be terminable at will by the Client Plan, without penalty to the Client Plan, upon receipt by the Bank of written notice of termination from the Independent Fiduciary; (f) no commissions or redemption fees are paid by the Client Plan in connection with either the acquisition of Fund shares, through either a direct purchase of the shares or a transfer of CIF assets in exchange for the shares, or the sale of Fund shares; and (g) all dealings between the Client Plans, the Funds and

²² The Department notes that an increase in the amount of a fee for an existing investment advisory service (other than through an increase in the value of the underlying assets in the Funds) or the imposition of a fee for a newly-established investment advisory service shall be considered an increase in the rate of such investment advisory fee. However, in the event an investment advisory fee has already been described in writing to the Independent Fiduciary and the Independent Fiduciary has provided authorization for the investment advisory fee, and such fee is waived, no further action by the Bank would be required in order for the Bank to receive such fee at a later time. Thus, for example, no further disclosure would be necessary if the Bank had received authorization for a fee for investment advisory services from Client Plan investors and subsequently determined to waive the fee for a period of time in order to attract new investors but later charged the fee.

²³ See section II(d) of PTE 77–4 which requires, in pertinent part, that an independent plan fiduciary receive a current prospectus issued by the investment company and a full and detailed written disclosure of the investment advisory and other fees charged to or paid by the plan and the investment company, including a discussion of whether there are any limitations on the fiduciary/investment adviser with respect to which plan assets may be invested in shares of the investment company and, if so, the nature of such limitations.