

prior to the commencement of operations.

3. State Street will serve as the investment adviser, custodian, transfer agent, and administrator of the Trust with respect to each Investment Fund, and will be entitled to receive a fee for its services.

4. State Street proposes to enter into a securities lending agreement ("Lending Agreement") with each Lending Fund.² The Lending Agreement will authorize State Street to enter into a master borrowing agreement ("Borrowing Agreement") with each person designated by the Lending Fund as eligible to borrow securities ("Borrower"). State Street will maintain a list of Borrowers that it believes to be creditworthy and that are eligible to participate in the Program. Each Lending Fund will be responsible for independently evaluating and monitoring the creditworthiness of each Borrower it selects from the pre-approved list and will have the right to add Borrowers to the list, subject to State Street's approval.

5. State Street will invest cash collateral received in the Program on behalf of a Lending Fund in shares of one or more Investment Funds to the extent permitted by the terms of the Lending Agreement. The Lending Agreement will authorize and instruct State Street to invest the cash collateral in accordance with specific guidelines provided by the Lending Fund. Such guidelines will identify the particular Investment Funds and other investment vehicles, instruments, and accounts, if any, in which cash collateral may be invested, and the maximum and minimum amounts of cash or percentages of collateral that may be invested in each Investment Fund and other authorized investments.³ Each Lending Fund will reserve at all times the right to rescind authorization to invest in an Investment Fund. State Street will not purchase shares of any Investment Fund unless the Lending Fund has represented to State Street that (a) Its policies generally permit the Lending Fund to engage in securities lending transactions; (b) such transactions will be conducted in

accordance with the securities lending guidelines established in a series of no-action letters issued by the SEC's Division of Investment Management; (c) its policies permit the Lending Fund to purchase shares of the Investment Funds with cash collateral; and (d) its securities lending activities will be conducted in accordance with all applicable representation and conditions of the application.

6. The Lending Agreement and the Borrowing Agreement will establish, with respect to each transaction, the initial and ongoing collateralization requirements, the types of collateral that may be accepted, and the manner in which the portion of the income earned on the investment of cash collateral during the term of the loan to be repaid to the Borrower ("Borrower's Rebate") will be established. The Lending Agreement will fix the percentage of the difference between the Borrower's Rebate and the actual return on the investment of cash collateral ("Net Income") to be retained by the Lending Fund and the percentage to be paid by the Lending Fund to State Street. The Lending Agreement also will authorize State Street to negotiate the Borrower's Rebate for each transaction.

7. During the term of each loan, the Lending Fund will retain the economic rights of an owner of the securities that are the subject of a loan, and will have the power to terminate a loan at any time and recall loaned portfolio securities in time to exercise voting rights. The Borrowing Agreement will provide that, within three trading days (or such other time period as is the customary settlement period for the loaned securities) of the Lending Fund giving notice of the termination of any loan, the Borrower is required to transfer the loaned securities (or certificates for identical securities) to State Street or the Lending Fund's custodian, and pay to State Street or the Lending Fund's custodian the amount of all dividends and distributions that would have been payable to the Lending Fund on or with respect to such securities if they had not been loaned, to the extent not previously paid.

8. Applicants represent that participation in the Program will provide the Lending Funds with economies of scale that will maximize investment opportunities, minimize investment risk, facilitate management of liquidity, and minimize administrative costs, thereby increasing their net income. In addition, applicants state that participation in the Program will permit the Lending Funds to minimize credit risk and interest-rate risk through diversification, while

receiving the procedural and substantive protections of the Act.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) prohibits an investment company from acquiring shares of another investment company if, immediately after such acquisition, the acquiring company would own more than three percent of the total outstanding voting stock of the acquired company, securities of the acquired company with an aggregate value in excess of five percent of the value of the total assets of the acquiring company, or securities of any investment companies (including the acquired company) with an aggregate value in excess of ten percent of the value of the total assets of the acquiring company. Section 12(d)(1)(B) prohibits an investment company from selling its shares to another investment company if after such sale more than three percent of the outstanding voting stock of the acquired company would be owned by the acquiring company, or more than ten percent of the voting stock of the acquired company would be owned by investment companies.

2. Section 6(c) permits the SEC to exempt any person or transaction from any provision of the Act, or any rule or regulation thereunder, if the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants submit that the investment of cash collateral in shares of the Investment Funds will permit the Lending Funds to maximize returns with less investment risk than would be present with other means of investment. Applicants also believe that the administrative burdens associated with compliance with section 12(d)(1), such as daily monitoring of total assets and other investments of the Lending Funds, could impair State Street's ability to provide securities lending services to Lending Funds in an economical and administratively efficient manner, and therefore could create competitive disadvantages for the Lending Funds relative to other institutional investors that seek to engage in securities lending activities. In addition, applicants submit that the investment of cash collateral in shares of the Investment Funds do not give rise to the policy concerns of section 12(d)(1), which include unnecessary duplication of costs (such as sales loads, advisory fees, and administrative costs) and undue influence by the fund holding company over its underlying funds arising from the threat of large scale redemptions of the securities of

²The Lending Funds will include, but will not be limited to, investment companies for which State Street or an affiliated person thereof also serves as custodian, transfer agent, and/or administrator.

³Applicants anticipate that one or more of the Lending Funds participating in the Program may be investment companies that hold themselves out as money market funds and comply with the requirements of rule 2a-7 ("Money Market Lending Funds"). Cash collateral in which the lender is a Money Market Lending Fund will not be used to acquire shares of any Investment Fund that does not comply with the requirements of rule 2a-7.