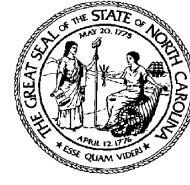




*Comptroller of the  
State of New York*



*Treasurer of the  
State of California*



*Treasurer of the  
State of North Carolina*

## **Mutual Fund Protection Principles**

### **Shareholder Reforms**

**Billing:** Mutual fund shareholders shall receive at least annually a statement of the charges, expressed in dollars, debited from their account for management, 12b-1 and other distribution expenses, and other expenses.

**Fees:** The management fee schedule shall be reasonable and shall contain breakpoints that provide meaningful economies of scale to shareholders. In arriving at the fee schedule, the board of directors will conduct a comparative analysis using other funds, including fees charged to institutional accounts by the advisor. The mutual fund will furnish the board with an itemization of the expenditures associated with investment advisory services, marketing and advertising, operations and administration and general overhead, as well as the pre-tax profit.

- (i) Only the independent directors may vote to approve fees.
- (ii) The rationale and analysis supporting the fee schedule, including the various items of expense covered by the fee, will be published in the mutual fund's annual report.

### **Board Reform**

**Independence:** At least three-quarters of the mutual fund board and the chairman shall be independent directors and shall not have had any material business or employment relationships with the fund company, advisor or any service provider and shall not have had such a relationship for a period of five years prior to the appointment.

**Meetings & Resources:** The independent directors, or an appropriate subcommittee composed of independent directors will meet at least annually with the chief compliance officer of the fund and advisor, as well as the independent auditor without management present. The board shall hire its own staff or retain appropriate advisors.

### **Manager Reform**

**Compensation:** The mutual fund will disclose in the annual report, the compensation of the portfolio manager, as well as the methods and factors used to derive compensation. If a team manages the mutual fund, the compensation of the top three managers on the team and total compensation to the team will be disclosed.

**Ownership:** Each portfolio manager and the senior management of the advisor shall reveal in the annual report, the number of shares owned in the fund together with all purchases and sales in the fund for the 12-month prior period.

**Sale of funds:** A portfolio manager and any other research, marketing or senior executive of a mutual fund company or the advisor who purchases shares in one of its mutual funds will hold those shares, with the exception of money market funds, for at least 12 months.

### **Fund Disclosure**

**Holdings:** (i) A mutual fund will disclose its security holdings on a quarterly basis (with a maximum delay of 45-days). (ii) If a mutual fund company discloses any holdings, fundamental characteristics or other information to consultants, brokers, selected shareholders or other 3<sup>rd</sup> parties, the information shall be simultaneously posted on the fund's web-site or web-cast.

**Trading costs:** A mutual fund will disclose in its annual report information on the trading costs of the fund, including turnover, and a schedule of commissions paid to and shares traded with broker dealers.

**Soft dollars:** A mutual fund will disclose in its annual report, the amount of soft dollars paid by the fund, together with a schedule of the brokers utilized to execute the trades and a list of the soft dollar services purchased through the trades as well as the net credit or debit balance with each such broker.

**Professional Staff:** A mutual fund will disclose in its annual report all investment professionals, in addition to the portfolio manager, who are involved with the management of the mutual fund, any turnover among such personnel in the last 12 months, and all other products or mutual funds managed by the portfolio managers.

January 15, 2004