

ILLINOIS METROPOLITAN INVESTMENT FUND
INVESTMENT CIRCULAR

Includes: Exhibit A – Declaration of Trust
Exhibit B – Investment Policy

JULY 27, 2000

STRUCTURE AND PURPOSE

The Illinois Metropolitan Investment Fund (hereinafter referred to as “*IMET*” or the “*Fund*”) is an actively managed investment fund for Illinois municipal treasurers and for other official custodians of municipal funds. *IMET* is designed as an investment vehicle for funds not required to be spent in the short term and which are available for investment in securities with average maturities and returns generally greater than those for money market instruments.

AUTHORITY FOR ORGANIZATION

The authority for the creation and continued existence of the Fund comes from the Illinois Municipal Code and the Intergovernmental Cooperation Act of the State of Illinois which provides, *inter alia*, that each official custodian of municipal funds, in addition to municipal treasurers, may jointly invest, with other official custodians of municipal funds, the funds of the respective municipality, intergovernmental risk management entity, self-insurance pool, waste management agency, or other intergovernmental entity composed solely of participating municipalities in accordance with the laws of the State of Illinois.

The Fund was established on September 14, 1995 by the adoption of a Declaration of Trust (the “*Original Declaration*”) by seven Illinois Municipal treasurers, as the initial Participants, and seven officials of Illinois municipalities, as the initial Trustees. The Original Declaration was amended and restated by adoption of that certain First Amended and Restated Declaration of Trust, dated as of July 1, 1996, as subsequently amended and attached hereto as Exhibit A (the Original Declaration, as amended by the Amended and Restated Declaration of Trust and subsequent amendments, hereinafter referred to as the “*Declaration of Trust*”).

Municipal treasurers and the other official custodian of municipal funds who participate in the program of the Fund are referred to herein as “Participants.” The Declaration of Trust allows Participants to open accounts and become Participants as described in this Investment Circular.

The Fund is governed by a Board of Trustees consisting of seven members, selected and with the characteristics described in the Declaration of Trust. The Trustees have full, exclusive and absolute control and authority over the business and affairs of the Fund and the Fund’s assets, subject to the rights of the Participants as provided in the Declaration of Trust.

INVESTMENT OBJECTIVES

The objectives of IMET are to provide a high current yield while maintaining safety and liquidity and to offer participation in a diversified portfolio of high-quality fixed income instruments permitted for investment under the Public Funds Investment Act of the State of Illinois, as amended, (30 ILCS 235/0.01 *et seq.*) (the “*Investment Act*”). In summary, the investment objectives of IMET are:

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| Preservation of Principal: | Preservation of principal is the foremost objective of the Fund. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. |
| Liquidity: | The Fund will seek to remain sufficiently liquid to allow for withdrawals by Participants. (See “Redemptions” below). |
| Return on Investment: | The Fund’s assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. The performance objectives for the Fund are to meet or exceed the Lehman Brothers 1-3 year Government Bond Index, prior to payment of Fund expenses. |

INVESTMENT POLICIES

All investments by the Fund shall be made in compliance with the Investment Act. In seeking to achieve its objective, the Fund intends to invest under normal market conditions at least fifty percent (50%) in (i) obligations issued or secured by the U.S. Government and/or its agencies and/or (ii) money market mutual funds referred to herein under “Investment Policies.” In extraordinary circumstances, such as when the herein defined Investment Advisor believes that market conditions indicate that the Fund should adopt a temporary defensive position, the Fund may invest up to one hundred percent (100%) in cash and/or such money market mutual funds.

The Fund’s portfolio is restricted to a maximum dollar weighted average maturity of five years or less, under normal conditions. The net asset value will fluctuate on a daily basis according to the change in market value of its underlying portfolio obligations.

The Fund is designed specifically for Illinois municipalities. Accordingly, its portfolio at all times consists solely of instruments in which municipal treasurers are permitted to invest. Such instruments include only “*Permitted Investments*” as defined in Section 2.2(b) of the Declaration of Trust. All investments must comply with the Investment Act, and, specifically, the Fund is prohibited from making any of the investments set forth in Section 4.2 of the Declaration of Trust or any of the transactions set forth in Section 9.0 of the Investment Policy attached hereto as Exhibit B.

CHARACTERISTICS OF FIXED INCOME SECURITIES

Fixed income securities in the Fund will have the following characteristics:

(i) United States Treasury, agency and agency mortgage pass-through securities may be used without limitation and under normal market conditions such obligations, along with money market mutual funds referred to hereinabove under “Investment Policies,” will constitute at least 50% of the portfolio;

(ii) Commercial paper investments, pursuant to Illinois law, must mature not later than 180 days from the date of purchase and cannot exceed 10 percent of the corporation’s outstanding commercial paper obligations. Historically, the Fund has not included commercial paper investments, but if the Fund should include such investments in the future, then the Fund will have not more than one-third of its monies invested in commercial paper at any time; and

(iii) At no time may the portfolio own more than 5% of the outstanding amount of any one fixed income issue (other than securities of the United States Government or its agencies), or have more than 7% of its total assets invested in the securities (including cash equivalents) of any permissible fixed income issuer (other than the United States Government or its agencies) without prior notification and approval of the Board of Trustees.

Further descriptions of certain instruments can be found in the Appendix to this Investment Circular.

RISK FACTORS

While the Fund invests in high-quality instruments as described above, investment in the Fund is not without risk. When securities in the Fund are sold or redeemed, their value may be more or less than the initial purchase price paid by the Fund due to changes in value when interest rates rise or fall. The net asset value of Participant shares will correspondingly fluctuate. Participants may experience a gain or loss upon redemption of their Shares. It is also important to note that neither the principal value of the Fund nor its yield are guaranteed by the U.S. Government, the State of Illinois, the Investment Advisor or its affiliates, any municipality of the State of Illinois, or any Participant.

INTERNAL CONTROLS

The Investment Advisor will establish a system of internal controls, which will be documented in writing. The controls will be annually reviewed by the Investment Advisor’s auditor and will be designed to prevent losses in the Fund arising from fraud, employee error, misrepresentation by third parties or imprudent actions by employees and officers of the Investment Advisor. The Investment Advisor is required at all times to have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Fund assets. Such bond or bonds shall be maintained at not less than \$10,000,000.

REDEMPTIONS

Redemptions of a minimum of \$10,000 or more of a collected balance in an account may be made with five business days’ notice to the IMET Operations Desk. Redemptions of all or any part of the collected balance in an account may be made as follows:

By calling 1-800-822-9335, Participants may redeem any amount of their available balance and have it wired in federal funds to any pre-designated bank account. All wire redemption requests must be received before 12:00 noon Central Standard Time five business days preceding the desired date of redemption. The Fund wires the proceeds from the redemption to the Participant's bank on the fifth business day following receipt of redemption instructions.

Participants who wish to bring an account to a zero balance should call Municipal Funds Services at 1-800-822-9335 to receive proper instructions.

For protection of the Participants, funds may be wired only to those bank accounts previously designated in the Fund's files. To designate additional bank accounts, please call Municipal Funds Services at 1-800-822-9335 for the necessary forms. Note that neither the Fund nor the Investment Advisor will be responsible for any losses resulting from unauthorized transactions.

REDEMPTION AUTHORIZATIONS

A Redemption Authorization form should be filed with the Fund when the Treasurer changes. The Fund is authorized to rely on the existing form and card until the proper authorization has been filed. Information and the necessary forms are available by calling 847-296-9200, ext. 38.

BUSINESS DAYS

The Fund is open for business and its net asset value per share is determined as of the business days as set forth below under the subheading "Net Asset Value."

The Fund reserves the right to suspend the right of redemption or to postpone the date of payment or redemption for any period during which an emergency exists (including any day on which trading on the Exchange is suspended or restricted), as a result of which disposal of the portfolio securities owned by the Fund is not reasonably practicable, or it is not reasonably practicable to determine the fair value of its net assets. The Custodian of the Fund, Bank One N.A., shall have the sole authority to determine when suspensions of business shall be made.

CONFIRMATIONS AND STATEMENTS

A confirmation of each Participant transaction will be sent promptly by mail indicating the date, amount, and type of transaction that was processed. A monthly account statement for each Participant listing all transactions by that Participant for the month, the Fund's closing net asset value will be sent after the close of each month, normally within approximately five business days. Participants who wish to receive only monthly statements or require information regarding the current status of any account should call Municipal Funds Services at 1-800- 822-9335.

HOW YIELDS, TOTAL RETURN AND NET ASSET VALUE ARE DETERMINED

The total earnings on an investment in the Fund include two components: income and price appreciation or depreciation. All investment income and capital gains on the Fund are reinvested therein.

Yields: A Participant may receive the annualized yield on the Fund by calling Municipal Funds Services at 1-800-822-9335. Yields for the Fund are computed by dividing the Fund's interest income for a given period, net of expenses, by the Fund's net asset value at the end of the period, and annualizing the result in order to arrive at an annual percentage rate. Capital gains and losses generally are excluded from the calculation.

Total Return Calculations: Total returns quoted reflect all aspects of the Fund's return, including the effect of reinvestment of interest and/or principal and capital gains distributions, and any change in the Fund's net asset value over a stated period. Average annual total returns are calculated by determining the growth or decline in value of a hypothetical historical investment in a fund over a stated period, and then calculating the annually compounded percentage rate that would have produced the same if the rate of growth or decline in value had been constant over the period. While average annual returns are a convenient means of comparing investment alternatives, investors should realize that a fund's performance is not constant over time, but changes from year to year, and that average annual returns represent average figures as opposed to the actual year-to-year performance of a fund.

Net Asset Value: The net asset value per share of the Fund is calculated by adding the value of all portfolio securities and other assets, deducting its actual and accrued liabilities, and dividing by the number of shares outstanding.

The net asset value of the Fund for purposes of pricing purchase and redemption orders is determined by the Investment Advisor as of 5:00 p.m., Eastern time, on each business day ("*Business Day*") except: (i) those holidays which the New York Stock Exchange, the Investment Advisor or its bank affiliates observe (currently New Year's Day, Dr. Martin Luther King, Jr., Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day and Christmas Day); and (ii) those business days on which the New York Stock Exchange closes prior to the close of its regular trading hours (currently, 4:00 p.m. Eastern Time) ("*Early Closing Time*") in which event the net asset value of the Fund will be determined and its shares will be priced as of such Early Closing Time.

EXPENSES OF THE FUND

The total budgeted fees for the Fund have been reduced twice since the Fund's inception and are not expected to exceed 0.32% (32 basis points) of the average daily net assets of the Fund. Fees are broken down as follows:

Fund Management

The Fund pays an all-inclusive management fee for the Investment Advisor, the Custodian and the Administrator. The management fee is calculated each day and paid monthly at an annual percentage rate of .20% (20 basis points) of the average daily net assets of the Fund. The fee is paid to Bank One N.A., the Administrator, pursuant to the Administration Agreement dated as of July 1, 1996.

Consultant

The Fund pays the Consultant an initial one time fee for its services of \$25,000 when the assets of the Fund exceed \$100,000,000 for at least 31 consecutive calendar days in addition to the compensation set forth below. The Fund, subject to the conditions set forth herein, will also pay an annual fee in arrears equal to .02% (two basis points) of the Fund's average daily net assets for each fiscal year, not to exceed \$125,000 in any fiscal year. No annual fee shall be payable for any fiscal year unless the assets of the Fund exceed \$100,000,000 for at least 31 consecutive calendar days during such fiscal year and the total return to Fund Participants for such fiscal year equals or exceeds the average 90-day treasury bill rate during such fiscal year. The fee is paid to the DuPage Mayors and Managers Conference, Northwest Municipal Conference, South Suburban Mayors and Managers Association, West Central Municipal Conference and the Will County Governmental League, who act collectively as the Fund's Consultant pursuant to the Consulting Agreement.

Other Expenses

The Fund also pays a fee for the Executive Director's salary and office expenses, legal services, the Fund audit, required execution costs, fund insurance, and other professional services as required. The Board of Trustees shall annually review the expenses of the Fund.

ANNUAL AUDIT

The financial statement of the Fund will be audited and certification will be issued by KPMG Peat Marwick LLP, an independent accounting firm, following the close of each fiscal year, commencing with the first complete fiscal year after shares of the Fund have first been purchased. The audit will include an accounting of the securities held by the Custodian and a review of the adequacy of the Fund's controls through a systems review and evaluation. An Annual Report including the Auditor's opinion will be issued to each Participant of record as of September 30, the close of the fiscal year. The Fund will pay all costs of conducting the audit and issuing the Annual Report.

LEGAL COUNSEL

Chapman and Cutler of Chicago, Illinois, serves as legal counsel to the Fund.

FUND MANAGEMENT AND ADMINISTRATION

The Investment Advisor. Bank One N.A. (the “*Investment Advisor*”) has been appointed by the Trustees to provide investment advice and, in general, to supervise the investment program of the Fund and the composition of the Fund’s portfolio, to determine what investments shall be purchased or sold by the fund, and to arrange for the purchase and sale of investment instruments by the Fund, all subject to the parameters set forth in the Declaration of Trust and this Investment Circular.

The Investment Advisor has informed the Trustees that it intends to employ its affiliate, Banc One Investment Advisors, to assist in providing investment management for the Fund. Banc One Investment Advisors will be liable and responsible to the Investment Advisor for performance of its services, although the Investment Advisor acknowledges that the employment of Banc One Investment Advisors to perform such services does not relieve the Investment Advisor of its liability and responsibility to the Fund for such services.

The Investment Advisory Agreement dated July 1, 1996 between the Fund and the Investment Advisor is not assignable without the prior written consent of each party thereto and may be terminated without penalty on sixty days’ written notice at the option of the Fund or the Investment Adviser. The Investment Advisory Agreement remains in effect until December 1, 1997 unless sooner terminated and, if approved by a majority of the Trustees or the Participants, thereafter shall continue year to year if so annually approved.

The Administrator. Bank One N.A. (the “*Administrator*”) has been appointed by the Trustees to administer the business of the Fund. The Administrator assists in supervising all of the Fund’s operations other than the Fund’s investment operations, the marketing of the Fund’s shares and those operations that are to be managed by the Custodian of the Fund’s assets. Among other activities, the Administrator services all Participant accounts in the Fund; allocates income of the Fund; provides certain written confirmations of the investment and withdrawal of monies by Participants; provides administrative personnel and office facilities to the Fund; bears certain expenses for the Fund in discharging its responsibilities; and performs all related administrative services for the Fund.

The Administrator will also act as distribution agent for the Fund's shares. The Administrator will prepare and disseminate information with respect to the Fund, furnish personnel to engage in marketing and sales efforts to encourage additional Participants to invest in the Fund, advise the Trustees regarding methods of seeking and obtaining additional participants in the Fund, and assist Participants and potential Participants in completing and submitting forms for registering their participation in the Fund.

The Administrator will also act as the transfer and servicing agent to the Fund and provide such services as maintaining and servicing participant account records.

The Administrator has informed the Trustees that it intends to employ its affiliate, Banc One Investment Advisors, to assist in providing administrative, distributive and transfer agent services for the Fund. Banc One Investment Advisors will be liable and responsible to the Administrator for performance of its services, although the Administrator acknowledges that the employment of Banc One Investment Advisors to perform such services does not relieve the Administrator of its liability and responsibility to the Fund for such services.

The Administration Agreement dated July 1, 1996 between the Fund and the Administrator is not assignable without the written consent of each party thereto and may be terminated without penalty on sixty days' written notice at the option of the Fund or the Administrator. The Administration Agreement remains in effect until December 1, 1997 unless sooner terminated and, if approved by a majority of the Trustees or the Participants, thereafter shall continue from year to year if so annually approved.

The Custodian. Bank One N.A. (the "Custodian") has been appointed to serve as Custodian for the Fund pursuant to an Agreement dated as of July 1, 1996. The Custodian acts as a safekeeping agent for the Fund's investment instruments and monies and serves as the depository in connection with the investment decision-making process, and calculates the daily net asset value of the Fund and its income distributions. The Custodian will maintain portfolio and general accounting records for the Fund. The Custody Agreement is of indefinite term, but may be terminated by either party on sixty days' written notice.

The Consultant. The COGs (collectively, the "Consultant") have agreed to consult with the Fund and with the Administrator regarding the Fund. The Consultant consults with the Fund and the Administrator regarding the nature of the market in Illinois for investments of the type represented by the Fund and the nature of similar investments being offered to Participants and potential Participants. The Consultant consults with the Fund and the Administrator regarding applicable and pending state laws affecting the Fund and local facilities to be used in connection with the operation of the Fund. In addition, the Consultant assists in the preparation and dissemination of information with respect to the Fund.

The Consulting Agreement between the Fund and the Consultant may be terminated without penalty on sixty days' written notice at the option of the Fund or the Consultant. The Consulting Agreement remains in effect until December 1, 1997 unless sooner terminated and, if approved by a

majority of the Trustees or the Participants, thereafter shall continue from year to year if so annually approved.

TAXES

Counsel to the Fund is of the opinion that the Fund is not subject to Federal or Illinois income tax upon the income realized by it and that Participants likewise are not taxable upon distributions to them of such income. Counsel to the Fund is further of the opinion that neither the Fund, nor the Participants, as a result of their investment of municipal monies in the Fund, are subject to taxation.

DECLARATION OF TRUST

Each potential Participant is given a copy of the Declaration of Trust before becoming a Participant. Certain portions of the Declaration of Trust are summarized in this Investment Circular. These summaries are qualified in their entirety by reference to the text of the Declaration of Trust which is attached as Exhibit A of this Investment Circular.

Description of Shares. The Declaration of Trust provides that the beneficial interests of the Participants in the assets of the Fund and the earnings thereon are, for convenience of reference, divided into shares to measure the proportionate allocation of beneficial interest among the Participants. The Declaration of Trust authorizes an unlimited number of shares. The shares have no conversion, exchange, or preemptive rights.

The Trustees may authorize the division of the Fund's shares into two or more series, each series relating to a separate portfolio of investments. Each share of a series represents an equal proportionate interest in the assets, liabilities, income and expenses of the portfolio relating to such series with each other share of such series. In case of a liquidation, subject to the rights of creditors, the Participants of each series being liquidated will be entitled to receive as a series a distribution out of the net assets belonging only to that series. Expenses attributable to any specific series will be borne by that series. Any general expenses of the Fund not readily identifiable as belonging to a particular series are allocated by or under the direction of the Trustees in such manner as the Trustees deem to be fair and equitable. The net asset value of the shares of any series will be computed based only upon the net assets of such series.

Each Participant is entitled to one vote, without regard to the number of shares allocated to it, with respect to amendment of the Declaration of Trust, termination of the Fund, reorganization of the Fund and election of Trustees. It is not necessary for any minimum number of shares to be allocated to a Participant for the Participant to be entitled to vote. Participants are not entitled to vote on a series by series basis, except (a) when required by the Investment Company Act of 1940, as amended, shares shall be voted by individual series and not in the aggregate, and (b) when the Trustees have determined that the matter affects only the interest of one or more series, then only shareholders of such series shall be entitled to vote thereon.

No shares may be transferred to any person other than the Fund itself at the time of withdrawal of monies by a Participant.

Participant Liability. The Declaration of Trust provides that Participants shall not be subject to any individual liability in connection with Fund property or the affairs of the Fund and provides that every written instrument creating an obligation of the Fund (other than instruments or agreements pertaining to the Fund's investment on behalf of the Fund by the Adviser) shall contain a recital to the effect that the obligations thereunder are not binding upon any of the Participants individually. Counsel to the Fund is of the opinion that no individual liability will attach to the Participants under any obligation containing such a provision under the laws of the State of Illinois. With respect to contract claims where the provision referred to above is omitted from the undertaking, a Participant may be held individually liable to the extent that claims are not satisfied by the Fund. However, upon the payment of any such liability, the Participant will be entitled to reimbursement from the general assets of the Fund. The Trustees intend to conduct the operations of the Fund, with advice of counsel, in such a way as to avoid ultimate liability of the Participant for liabilities of the Fund.

Responsibility of Trustees, Officers, Employees and Agents. No Trustee, officer, employee or agent of the Fund designated by the Trustees of the Fund is individually liable to the Fund, a Participant, an officer, an employee, or an agent of the Fund for any action or failure to act unless it is taken or omitted in bad faith or constitutes willful misfeasance, reckless disregard of duty, or negligence. All third parties shall look solely to the Fund property for the satisfaction of claims arising to connection with the affairs of the Fund. The Fund will indemnify each Trustee, officer, employee, or agent of the Fund designated by the Trustees to receive such indemnification, to the extent permitted by law, against all claims and liabilities to which they may become subject by reason of serving in such capacities for the Fund, except in certain circumstances set forth in the Declaration of Trust.

Termination of the Declaration of Trust. The Fund may be terminated by the affirmative vote of a majority of the Participants entitled to vote by an instrument in writing, signed by a majority of the Trustees and consented to by a majority of the Participants entitled to vote. Upon the termination of the Fund and after paying or adequately providing for the payment of all of its liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining Fund property, cash or in kind, or partly in kind, among the Participants according to their respective proportionate beneficial interests.

Amendments of the Declaration of Trust. The Declaration of Trust may be amended by the affirmative vote of a majority of the Participants entitled to vote or by an instrument in writing, signed by a majority of the Trustees and consented to by a majority of the Participants entitled to vote. The Trustees may, from time to time, by a two-thirds vote of the Trustees, and after fifteen days' prior written notice to the Participants, amend the Declaration of Trust without the vote or consent of the Participants, to the extent they deem necessary to conform the Declaration of Trust to the requirements of applicable laws or regulations, or any interpretation thereof by a court or other governmental agency, but the Trustees shall not be liable for failing to do so.

The name "Illinois Metropolitan Investment Fund" is the designation of the Fund under the Declaration of Trust. The Declaration of Trust is recorded and filed in the Office of the Recorder of Sangamon County, Illinois, and provides that the name of the Fund refers to the Trustees collectively in such capacity and not personally or as individuals. All persons dealing with the Fund must look solely to

the Fund property for the enforcement of any claims against the Fund as neither the Trustees, officers, agents, nor Participants assume any personal liability for obligations entered into on behalf of the Fund.

APPENDIX

The following paragraphs provide a brief description of securities in which the Fund may invest and the transactions they may take. The Fund is not limited by this discussion, however, and may purchase other types of securities and enter into other types of transactions if they are consistent with the Fund's investment objectives and policies.

Asset-Backed Securities include pools of mortgages, loans, receivable or other assets. Payment of principal and interest may be largely dependent upon the cash flow generated by the assets backing the securities, and in certain cases, supported by letters of credit, surety bonds, or other credit enhancements. The value of asset-backed securities may also be affected by the creditworthiness of the serving agent for the pool, the originator of the loans or receivable, or the financial institution(s) providing the credit support.

Certificates of Deposit (CDs) are negotiable certificates representing a bank's obligation to repay funds deposited with it, earning specified rates of interest over a given period of time.

Commercial Paper consists of short-term obligations issued by broker-dealers, corporations and other entities for purposes such as financing their current operations.

Debt Securities. Bonds and other debt instruments are used by issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest, and must repay the amount borrowed at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest but are purchased at a discount from their face values. In general, bond prices rise when interest rates fall, and vice versa. Debt securities have varying degrees of quality and varying levels of sensitivity to changes in interest rates. Long-term bonds are generally more sensitive to interest rate changes than short-term bonds.

Repurchase Agreements are transactions by which the Fund purchases a security and simultaneously commits to resell that security at an agreed-upon price on an agreed-upon date. The resale price reflects the purchase price plus an agreed-upon incremental amount which is unrelated to the coupon rate or maturity of the purchased security. While it does not presently appear possible to eliminate all risks from these transactions (particularly the possibility of a decline in the market value of the underlying securities, as well as delays and costs to the Fund in connection with bankruptcy proceedings), it is the policy of the Fund to limit repurchase agreements to parties whose creditworthiness has been reviewed and found satisfactory by the Investment Advisor.

Time Deposits are non-negotiable deposits in a banking institution earning a specified interest rate over a given period of time.

U.S. Government Obligations are debt securities issued by the U. S. Treasury or by an agency or instrumentality of the U. S. Government. Not all U. S. Government securities are backed by the full faith and credit of the United States.

RATINGS

The descriptions that follow are examples of eligible ratings of securities to be purchased by the Fund. The Fund may, however, consider the ratings for other types of investments and the ratings assigned by other rating organizations when determining the eligibility of a particular investment.

Description of Moody's Investors Service, Inc. commercial paper ratings:

Prime-1 -- Issues (or related institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- leading market positions in well established industries;
- high rates of return on funds employed;
- conservative capitalization structure with moderate reliance on debt and ample asset protection;
- broad margins in earnings coverage of fixed financial charges with high internal cash generation; and
- well established access to a range of financial markers and assured sources of alternate liquidity.

Description of Moody's Investors Service, Inc.'s corporate bond ratings:

Aaa -- Bonds which are rated *Aaa* are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issuers.

Aa -- Bonds which are rated *Aa* are judged to be of high quality by all standards. Together with the *Aaa* group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in *Aaa* securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat large than in *Aaa* securities.

A -- Bonds which are rated *A* possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are

considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Description of Standard & Poor's Ratings Group's commercial paper ratings:

A-1 -- This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics will be denoted with a plus (+) sign designation.

Description of Standard & Poor's Ratings Group's corporate bond ratings:

AAA -- Debt rated AAA has the highest rating assigned by Standard & Poor's Ratings Group. Capacity to pay interest and repay principal is extremely strong.

AA -- Debt rated AA has a very strong capacity to pay interest and repay principal and in the majority of instances differs from the highest rated issues only in small degree.

A -- Debt rated A has a strong capacity to pay interest and repay principal, although it is more susceptible to the adverse effect of changes in circumstances and economic conditions than debt rated in higher rated categories.