This Statement of Additional Information (SAI), which is not a prospectus, supplements and should be read in conjunction with the current prospectus of each fund listed below, as such prospectuses may be revised from time to time. To obtain a copy of a fund’s prospectus, please call your financial adviser, or write to the fund at 144 Glenn Curtiss Boulevard, Uniondale, New York 11556-0144, visit www.bnymellonim.com/us or, for the money market funds, www.dreyfus.com, or call 1-800-373-9387 (inside the U.S. only).

The most recent annual report and semi-annual report to shareholders for each fund are separate documents supplied with this SAI, and the financial statements, accompanying notes and report of the independent registered public accounting firm appearing in the annual report are incorporated by reference into this SAI. All classes of a fund have the same fiscal year end and prospectus date, except if otherwise indicated. Capitalized but undefined terms used in this SAI are defined in the Glossary at the end of this SAI.

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* Certain information provided in this SAI is indicated to be as of the end of a fund's last fiscal year or during a fund's last fiscal year. The term "last fiscal year" means the most recently completed fiscal year except that, for funds with fiscal years ended December 31st or February 28th/29th, "last fiscal year" means the fiscal year immediately preceding the most recently completed fiscal year.
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PART I

BOARD INFORMATION

Information About Each Board Member's Experience, Qualifications, Attributes or Skills

Board members for the funds, together with information as to their positions with the funds, principal occupations and other board memberships during the past five years, are shown below. The address of each board member is 240 Greenwich Street, New York, New York 10286.

All of the board members are Independent Board Members.

<table>
<thead>
<tr>
<th>Name</th>
<th>Year of Birth</th>
<th>Position</th>
<th>Principal Occupation During Past 5 Years</th>
<th>Other Public Company Board Members During Past 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph S. DiMartino</td>
<td>1943</td>
<td>Chairman of the Board</td>
<td>Corporate Director and Trustee (1995 – Present)</td>
<td>CBIZ, Inc., a public company providing professional business services, products and solutions, Director (1997 – Present)</td>
</tr>
<tr>
<td>Peggy C. Davis</td>
<td>1943</td>
<td>Board Member</td>
<td>Shad Professor of Law, New York University School of Law (1983 – Present)</td>
<td>N/A</td>
</tr>
<tr>
<td>Nathan Leventhal</td>
<td>1943</td>
<td>Board Member</td>
<td>President Emeritus Lincoln Center for the Performing Arts (2001 – Present)</td>
<td>Movado Group, Inc., a public company that designs, sources, markets and distributes watches, Director (2003 – Present)</td>
</tr>
<tr>
<td>Robin A. Melvin</td>
<td>1963</td>
<td>Board Member</td>
<td>Co-Chair, Mentor Illinois, a non-profit organization dedicated to increasing the quantity and quality of mentoring services in Illinois (2014 – Present); Board member (2013 – Present)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1 Each of the board members serves on the board's audit, nominating, compensation, litigation and pricing committees, except that Mr. DiMartino does not serve on the compensation committee.

The following table shows the year each board member joined each fund's board.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Joseph S. DiMartino</th>
<th>Francine J. Bovich</th>
<th>Peggy C. Davis</th>
<th>Nathan Leventhal</th>
<th>Robin A. Melvin</th>
</tr>
</thead>
</table>
Each board member, with the exception of Ms. Bovich, has been a BNY Mellon Family of Funds board member for over 20 years. Ms. Bovich has been in the asset management business for 40 years. Additional information about each board member follows (supplementing the information provided in the table above) that describes some of the specific experiences, qualifications, attributes or skills that each board member possesses which the boards believe has prepared them to be effective board members. The boards believe that the significance of each board member's experience, qualifications, attributes or skills is an individual matter (meaning that experience that is important for one board member may not have the same value for another) and that these factors are best evaluated at the board level, with no single board member, or particular factor, being indicative of board effectiveness. However, the boards believe that board members need to have the ability to critically review, evaluate, question and discuss information provided to them, and to interact effectively with fund management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties; each board believes that its members satisfy this standard. Experience relevant to having this ability may be achieved through a board member's educational background; business, professional training or practice (e.g., medicine, accounting or law), public service or academic positions; experience from service as a board member (including the boards for the funds) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and/or other life experiences. The charter for the boards' nominating committees contains certain other factors considered by the committees in identifying and evaluating potential board member nominees. To assist them in evaluating matters under federal and state law, the board members are counseled by their independent legal counsel, who participates in board meetings and interacts with the Manager, and also may benefit from information provided by the Manager's counsel; counsel to the funds and to the boards have significant experience advising funds and fund board members. The boards and their committees have the ability to engage other experts as appropriate. The boards evaluate their performance on an annual basis.

- **Joseph S. DiMartino** – Mr. DiMartino has been the Chairman of the Board of the funds in the BNY Mellon Family of Funds for over 20 years. From 1971 through 1994, Mr. DiMartino served in various roles as an employee of Dreyfus (prior to its acquisition by a predecessor of BNY Mellon in August 1994 and related management changes), including portfolio manager, President, Chief Operating Officer and a director. He ceased being an employee or director of Dreyfus by the end of 1994. From July 1995 to November 1997, Mr. DiMartino served as Chairman of the Board of The Noel Group, a public buyout firm; in that capacity, he helped manage, acquire, take public and liquidate a number of operating companies. From 1986 to 2010, Mr. DiMartino served as a Director of the Muscular Dystrophy Association.

- **Francine J. Bovich** – Ms. Bovich serves as a Trustee for The Bradley Trusts, private trust funds, and as a Director of Annaly Capital Management, Inc. She is an Emeritus Trustee of Connecticut College, where she served as Trustee from 1986 to 1997, and currently serves as Chair of the Investment Sub-Committee for Connecticut College's endowment fund. From April 1993 until September 2010, Ms. Bovich was a Managing Director at Morgan Stanley Investment Management, holding various positions including Co-Head of Global Tactical Asset Allocation Group, Operations Officer, and Head of the U.S. Institutional Equity Group. Prior to joining Morgan Stanley Investment Management, Ms. Bovich was Principal, Executive Vice President and Senior Portfolio Manager at Westwood Management Corporation, where she worked from 1986 until 1993. From 1980 to 1986, she worked at CitiCorp Investment Management, Inc. as Managing Director and Senior Portfolio Manager. From 1973 to 1980, Ms. Bovich was an Assistant Vice President and Equity Portfolio Manager at Bankers Trust Company. From 1991 to 2005, she served as U.S. Representative to the United Nations Investments Committee, advising a global portfolio of approximately $30 billion.

- **Peggy C. Davis** – Ms. Davis currently serves as the John S. R. Shad Professor of Lawyering and Ethics at New York University School of Law as a writer and teacher in the fields of evidence, constitutional theory, family law, social sciences and the law, legal process and professional methodology and training. Prior to joining the
university's faculty in 1983, Ms. Davis served as a Judge of the Family Court of the State of New York. Before her appointment to the bench, she practiced law for ten years in both the commercial and public interest sectors. Ms. Davis also has served as Chair of the Board of the Russell Sage Foundation.

- **Nathan Leventhal** – Mr. Leventhal was previously a Commissioner of the New York City Planning Commission. Previously, Mr. Leventhal served in a number of senior positions in New York City Government, including Fiscal Director of the Human Resources Administration and Chief of Staff to Mayor John V. Lindsay, Deputy Mayor to Mayor Ed Koch and Transition Chairman for both Mayors David Dinkins and Michael Bloomberg. Mr. Leventhal is a former partner in the law firm Poletti Freidin Prashker Feldman & Gartner. In the not-for-profit sector, Mr. Leventhal served for 17 years as President of Lincoln Center for the Performing Arts, where he is now President Emeritus.

- **Robin A. Melvin** – Since 2014, Ms. Melvin has served as Co-Chair of Mentor Illinois, a non-profit organization dedicated to increasing the quantity and quality of mentoring services in Illinois, and has served as a board member since 2013. Ms. Melvin served as Director of the Boisi Family Foundation, a private family foundation that supports organizations serving the needs of youth from disadvantaged circumstances, from 1995 to 2012. In that role she also managed the Boisi Family Office, providing the primary interface with all investment managers, legal advisors and other service providers to the family. She has also served in various roles with MENTOR, a national non-profit youth mentoring advocacy organization, including Executive Director of the New York City affiliate, Vice President of the national affiliate network, Vice President of Development, and, immediately prior to her departure, Senior Vice President in charge of strategy. Prior to that, Ms. Melvin was an investment banker with Goldman Sachs Group, Inc.

**Committee Meetings**

The boards' audit, nominating, compensation, litigation and pricing committees met during the funds' last fiscal years as indicated below:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Audit</th>
<th>Nominating</th>
<th>Compensation</th>
<th>Litigation</th>
<th>Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>DBMMF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BNYMSMBF</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GCMMMF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GGSMF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GMMF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GMF</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GNYAFMMM</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Board Members' Fund Share Ownership**

The table below indicates the dollar range of each board member's ownership of fund shares and shares of other funds in the BNY Mellon Family of Funds, in each case as of December 31, 2019.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Joseph S. DiMartino</th>
<th>Francine J. Bovich</th>
<th>Peggy C. Davis</th>
<th>Nathan Leventhal</th>
<th>Robin A. Melvin</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$10,001-$50,000</td>
</tr>
<tr>
<td>DBMMF</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>BNYMSMBF</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
See "Share Ownership" below for information on the shareholdings of each fund by board members and officers as a group.

As of December 31, 2019, none of the board members or their immediate family members owned securities of the Manager, any Sub-Advisers, the Distributor or any person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with the Manager, any Sub-Advisers or the Distributor.

**Board Members' Compensation**

Annual retainer fees and meeting attendance fees are allocated among the funds on the basis of net assets, with the Chairman of the Board, Joseph S. DiMartino, receiving an additional 25% of such compensation. The funds reimburse board members for their expenses. The funds do not have a bonus, pension, profit-sharing or retirement plan. Each emeritus board member is entitled to receive an annual retainer of one-half the amount paid as a retainer at the time the board member became emeritus and a per meeting attended fee of one-half the amount paid to board members.

The aggregate amount of fees received from the funds by each current board member for the funds' last fiscal years, and by all funds in the BNY Mellon Family of Funds for which such person was a board member during 2019, were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Joseph S. DiMartino</th>
<th>Francine J. Bovich</th>
<th>Peggy C. Davis</th>
<th>Nathan Leventhal</th>
<th>Robin A. Melvin</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>$21,813</td>
<td>$17,713</td>
<td>$18,170</td>
<td>$17,733</td>
<td>$17,692</td>
</tr>
<tr>
<td>DBMMF</td>
<td>$1,415</td>
<td>$1,134</td>
<td>$1,166</td>
<td>$1,136</td>
<td>$1,133</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>$4,604</td>
<td>$3,691</td>
<td>$3,652</td>
<td>$3,695</td>
<td>$3,695</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>$4,124</td>
<td>$3,307</td>
<td>$3,407</td>
<td>$3,311</td>
<td>$3,302</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>$8,788</td>
<td>$7,048</td>
<td>$7,279</td>
<td>$7,058</td>
<td>$7,055</td>
</tr>
<tr>
<td>BNYMSMBF</td>
<td>$6,320</td>
<td>$5,065</td>
<td>$5,014</td>
<td>$5,071</td>
<td>$5,071</td>
</tr>
<tr>
<td>GCMMMF</td>
<td>$1,013</td>
<td>$813</td>
<td>$839</td>
<td>$814</td>
<td>$811</td>
</tr>
<tr>
<td>GGSMMF1</td>
<td>$50,786</td>
<td>$40,720</td>
<td>$41,945</td>
<td>$40,773</td>
<td>$40,666</td>
</tr>
<tr>
<td>GMMF</td>
<td>$94,627</td>
<td>$75,880</td>
<td>$78,182</td>
<td>$75,985</td>
<td>$75,774</td>
</tr>
<tr>
<td>GMMMF1</td>
<td>$7,422</td>
<td>$5,951</td>
<td>$5,612</td>
<td>$5,959</td>
<td>$5,943</td>
</tr>
<tr>
<td>GNYAFMMMF</td>
<td>$1,857</td>
<td>$1,489</td>
<td>$1,533</td>
<td>$1,491</td>
<td>$1,487</td>
</tr>
</tbody>
</table>

Total compensation from the funds and fund complex† (**)  
$1,252,625 (128)  $658,500 (74)  $389,000 (46)  $441,000 (48)  $812,000 (102)
<table>
<thead>
<tr>
<th>Fund</th>
<th>Clifford L. Alexander</th>
<th>Ernest Kafka</th>
<th>Diane Dunst***</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>$8,110</td>
<td>$8,110</td>
<td>$19,136</td>
</tr>
<tr>
<td>DBMMF</td>
<td>$522</td>
<td>$522</td>
<td>$1,231</td>
</tr>
<tr>
<td>BNYMOMSOF</td>
<td>$1,721</td>
<td>$1,563</td>
<td>$3,973</td>
</tr>
<tr>
<td>BNYMNAYAFMBF</td>
<td>$1,586</td>
<td>$1,243</td>
<td>$3,363</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>$3,388</td>
<td>$2,620</td>
<td>$7,193</td>
</tr>
<tr>
<td>BNYMSMBF</td>
<td>$2,364</td>
<td>$2,154</td>
<td>$5,438</td>
</tr>
<tr>
<td>GCMMMF</td>
<td>$388</td>
<td>$306</td>
<td>$831</td>
</tr>
<tr>
<td>GGSMMFI</td>
<td>$19,763</td>
<td>$15,365</td>
<td>$41,353</td>
</tr>
<tr>
<td>GMMF</td>
<td>$33,458</td>
<td>$27,613</td>
<td>$78,216</td>
</tr>
<tr>
<td>GMMMFI</td>
<td>$2,821</td>
<td>$2,229</td>
<td>$6,056</td>
</tr>
<tr>
<td>GNYAFMMMF</td>
<td>$717</td>
<td>$558</td>
<td>$1,516</td>
</tr>
<tr>
<td><strong>Total compensation from the funds and fund complex† (</strong>)**</td>
<td>$170,000 (48)</td>
<td>$60,000 (14)</td>
<td>$155,370 (14)</td>
</tr>
</tbody>
</table>

† Amounts shown do not include expenses reimbursed to board members for attending board meetings.
* Amounts shown do not include the costs of office space and related parking, office supplies and secretarial services and health benefits for the Chairman of the Board and for the Chairman’s spouse, which also are paid by the funds (also allocated based on net assets). The amount paid by each fund in 2019 ranged from $86 to $8,321 ($18,707 for all funds).
** Represents the number of separate portfolios comprising the investment companies in the fund complex, including the funds, for which the board member served in 2019.
*** Ms. Dunst became an Emeritus Board member in September 2019. The amounts in the table reflect the fees she received from the funds as a board member during each fund’s last fiscal year.
## OFFICERS

<table>
<thead>
<tr>
<th>Name</th>
<th>Year of Birth</th>
<th>Position</th>
<th>Year</th>
<th>Principal Occupation During Past 5 Years</th>
<th>Number of Investment Companies (Portfolios) for which serves as an Officer (all managed by the Manager)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renee LaRoche-Morris</td>
<td>1971</td>
<td>President</td>
<td>2019</td>
<td>President and Director of BNYM Investment Adviser since January 2018; Chairman and Director of the Distributor since June 2018 and Executive Vice President of the Distributor since March 2018; Chief Financial Officer of BNY Mellon Wealth Management from May 2014 to December 2017</td>
<td>62 (118)</td>
</tr>
<tr>
<td>James Windels</td>
<td>1958</td>
<td>Treasurer</td>
<td>2001</td>
<td>Director – BNY Mellon Fund Administration</td>
<td>63 (141)</td>
</tr>
<tr>
<td>Bennett A. MacDougall</td>
<td>1971</td>
<td>Chief Legal Officer</td>
<td>2015</td>
<td>Chief Legal Officer of BNYM Investment Adviser and Associate General Counsel and Managing Director of BNY Mellon since June 2015; Director and Associate General Counsel of Deutsche Bank – Asset &amp; Wealth Management Division from June 2005 to June 2015; and Chief Legal Officer of Deutsche Investment Management Americas Inc. from June 2012 to May 2015</td>
<td>63 (141)</td>
</tr>
<tr>
<td>James Bitetto</td>
<td>1966</td>
<td>Vice President and Secretary</td>
<td>2005</td>
<td>Senior Managing Counsel of BNY Mellon since December 2019; Managing Counsel of BNY Mellon from April 2014 to December 2019; Secretary of BNYM Investment Adviser</td>
<td>63 (141)</td>
</tr>
<tr>
<td>Name</td>
<td>Year of Birth</td>
<td>Position</td>
<td>Principal Occupation During Past 5 Years</td>
<td>Number of Investment Companies (Portfolios) for which serves as an Officer (all managed by the Manager)</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------</td>
<td>-------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Sonalee Cross</td>
<td>1987</td>
<td>Vice President and Assistant Secretary 2018</td>
<td>Counsel of BNY Mellon since October 2016; Associate at Proskauer Rose LLP from April 2016 to September 2016; Attorney at EnTrust Capital from August 2015 to February 2016; Associate at Sidley Austin LLP from September 2013 to August 2015</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Deirdre Cunnane</td>
<td>1990</td>
<td>Vice President and Assistant Secretary 2019</td>
<td>Counsel of BNY Mellon since August 2018; Senior Regulatory Specialist at BNY Mellon Investment Management Services from February 2016 to August 2018; Trustee Associate at BNY Mellon Trust Company (Ireland) Limited from August 2013 to February 2016</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Sarah S. Kelleher</td>
<td>1975</td>
<td>Vice President and Assistant Secretary 2014</td>
<td>Managing Counsel of BNY Mellon since December 2017; Senior Counsel of BNY Mellon from March 2013 to December 2017</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Jeff S. Prusnofsky</td>
<td>1965</td>
<td>Vice President and Assistant Secretary 2005</td>
<td>Senior Managing Counsel of BNY Mellon</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Amanda Quinn</td>
<td>1985</td>
<td>Vice President and Assistant Secretary</td>
<td>Counsel of BNY Mellon since June 2019; Regulatory Administration Manager at BNY Mellon Investment Management Services from September 2018 to May 2019; Senior Regulatory Specialist at BNY Mellon Investment Management Services from April 2015 to August 2018</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Peter M. Sullivan</td>
<td>1968</td>
<td>Vice President and Assistant Secretary 2019</td>
<td>Managing Counsel of BNY Mellon</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Year of Birth</td>
<td>Position</td>
<td>Principal Occupation During Past 5 Years</td>
<td>Number of Investment Companies (Portfolios) for which serves as an Officer (all managed by the Manager)</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------</td>
<td>---------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Natalya Zelensky</td>
<td>1985</td>
<td>Vice President and Assistant Secretary 2017</td>
<td>Managing Counsel of BNY Mellon since December 2019; Counsel of BNY Mellon from May 2016 to December 2019; Attorney at Wildermuth Endowment Strategy Fund/Wildermuth Advisory, LLC from November 2015 to May 2016; Assistant General Counsel at RCS Advisory Services from July 2014 to November 2015</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Gavin C. Reilly</td>
<td>1968</td>
<td>Assistant Treasurer 2005</td>
<td>Tax Manager - BNY Mellon Fund Administration</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Robert S. Robol</td>
<td>1964</td>
<td>Assistant Treasurer 2002 2</td>
<td>Senior Accounting Manager – BNY Mellon Fund Administration</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Robert Salviolo</td>
<td>1967</td>
<td>Assistant Treasurer 2007</td>
<td>Senior Accounting Manager – BNY Mellon Fund Administration</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Robert Svagna</td>
<td>1967</td>
<td>Assistant Treasurer 2002 2</td>
<td>Senior Accounting Manager – BNY Mellon Fund Administration</td>
<td>63 (141)</td>
<td></td>
</tr>
<tr>
<td>Joseph W. Connolly</td>
<td>1957</td>
<td>CCO 2004</td>
<td>CCO of BNYM Investment Adviser, the BNY Mellon Family of Funds and BNY Mellon Funds Trust</td>
<td>63 (141)</td>
<td></td>
</tr>
</tbody>
</table>

1. Vice President and Secretary since 2018; previously, Vice President and Assistant Secretary.
2. For BNYMAF only. For DBMMF, GCMMMF, GGSMMF, GMMF and GNYAFMMMF, since 2003, and for the other funds, since 2005.
3. For BNYMAF, BNYMNYAFMBF and BNYMWGF only. For DBMMF, since 2003, and for the other funds, since 2005.

The address of each officer is 240 Greenwich Street, New York, New York 10286.
CERTAIN PORTFOLIO MANAGER INFORMATION
(not applicable to money market funds)

The following table lists the funds' portfolio managers, if any, who are in addition to the primary portfolio managers listed in the prospectus. See the prospectus for a list of, and certain other information regarding, the primary portfolio manager(s) for your fund.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Additional Portfolio Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>Jeffrey Burger</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMMAAF</td>
<td>Jeffrey Burger</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>N/A</td>
</tr>
</tbody>
</table>
The following table lists the number and types of accounts (including the funds) advised by each fund's primary portfolio manager(s) and assets under management in those accounts as of the end of the last fiscal year of the funds they manage. If a portfolio manager is a primary portfolio manager for multiple funds with different fiscal year ends, information is provided as of the most recent last fiscal year end of the relevant funds, except if otherwise indicated.

<table>
<thead>
<tr>
<th>Primary Portfolio Manager</th>
<th>Registered Investment Companies</th>
<th>Total Assets Managed</th>
<th>Other Pooled Investment Vehicles</th>
<th>Total Assets Managed</th>
<th>Other Accounts</th>
<th>Total Assets Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Barton</td>
<td>5</td>
<td>$1.2B</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Jeffrey Burger</td>
<td>3</td>
<td>$1.5B</td>
<td>1</td>
<td>$413M</td>
<td>455</td>
<td>$2.1B</td>
</tr>
<tr>
<td>Thomas Casey</td>
<td>3</td>
<td>$877M</td>
<td>N/A</td>
<td>N/A</td>
<td>465</td>
<td>$3.6B</td>
</tr>
<tr>
<td>Alan R. Christensen†</td>
<td>1</td>
<td>$99.5M</td>
<td>None</td>
<td>N/A</td>
<td>54</td>
<td>$3.2B</td>
</tr>
<tr>
<td>Catherine Crain</td>
<td>4</td>
<td>$3.0B</td>
<td>N/A</td>
<td>N/A</td>
<td>104</td>
<td>$5.4B</td>
</tr>
<tr>
<td>Gentry Lee</td>
<td>5</td>
<td>$3.1B</td>
<td>9</td>
<td>$1.3B</td>
<td>85</td>
<td>$7.6B</td>
</tr>
<tr>
<td>Daniel Rabasco</td>
<td>14</td>
<td>$7.5B</td>
<td>N/A</td>
<td>N/A</td>
<td>57</td>
<td>$3.0B</td>
</tr>
<tr>
<td>Fayez Sarofim</td>
<td>5</td>
<td>$3.1B</td>
<td>9</td>
<td>$1.3B</td>
<td>283</td>
<td>$13.5B</td>
</tr>
<tr>
<td>Christopher Sarofim</td>
<td>4</td>
<td>$3.0B</td>
<td>N/A</td>
<td>N/A</td>
<td>8</td>
<td>$1.4B</td>
</tr>
<tr>
<td>Charles Sheedy</td>
<td>4</td>
<td>$3.0B</td>
<td>9</td>
<td>$1.3B</td>
<td>42</td>
<td>$1.5B</td>
</tr>
</tbody>
</table>

1. Because Mr. Christensen became a primary portfolio manager of BNYMAF and BNYMWGF as of March 4, 2020, his information is as of February 29, 2020.

The following table provides information on accounts managed (included within the table above) by each primary portfolio manager that are subject to performance-based advisory fees.

<table>
<thead>
<tr>
<th>Primary Portfolio Manager</th>
<th>Type of Account</th>
<th>Number of Accounts Subject to Performance Fees</th>
<th>Total Assets of Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Barton</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Jeffrey Burger</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Thomas Casey</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Alan R. Christensen</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Catherine Crain</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Gentry Lee</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Daniel Rabasco</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Fayez Sarofim</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Christopher Sarofim</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Charles Sheedy</td>
<td>None</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The following table lists the dollar range of fund shares beneficially owned by the primary portfolio manager(s) as of the end of the fund's last fiscal year, except if otherwise indicated.

<table>
<thead>
<tr>
<th>Primary Portfolio Manager</th>
<th>Fund</th>
<th>Dollar Range of Fund Shares Beneficially Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel Barton</td>
<td>BNYMCTF</td>
<td>None</td>
</tr>
<tr>
<td>Jeffrey Burger</td>
<td>BNYMCTF</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>BNYMOMSF</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>BNYMNYAFMBF</td>
<td>None</td>
</tr>
<tr>
<td>Thomas Casey</td>
<td>BNYMMMAF</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>BNYMNYAFMBF</td>
<td>None</td>
</tr>
</tbody>
</table>
### Primary Portfolio Manager Fund Dollar Range of Fund Shares Beneficially Owned

<table>
<thead>
<tr>
<th>Primary Portfolio Manager</th>
<th>Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan R. Christensen</td>
<td>BNYMAF(^1)</td>
<td>$10,001 - $50,000</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF(^1)</td>
<td>$10,001 - $50,000</td>
</tr>
<tr>
<td>Catherine Crain</td>
<td>BNYMAF</td>
<td>$10,001 - $50,000</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF</td>
<td>$10,001 - $50,000</td>
</tr>
<tr>
<td>Gentry Lee</td>
<td>BNYMAF</td>
<td>$50,001 - $100,000</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF</td>
<td>$10,001 - $50,000</td>
</tr>
<tr>
<td>Daniel Rabasco</td>
<td>BNYMMMAF</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>BNYMOMSF</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>BNYMPAF</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF</td>
<td>None</td>
</tr>
<tr>
<td>Fayezy Sarofim</td>
<td>BNYMAF</td>
<td>Over $1,000,000</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF</td>
<td>Over $1,000,000</td>
</tr>
<tr>
<td>Christopher Sarofim</td>
<td>BNYMAF</td>
<td>$50,001 - $100,000</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF</td>
<td>$50,001 - $100,000</td>
</tr>
<tr>
<td>Charles Sheedy</td>
<td>BNYMAF</td>
<td>$100,001 - $1,000,000</td>
</tr>
<tr>
<td></td>
<td>BNYMWGF</td>
<td>$100,001 - $500,000</td>
</tr>
</tbody>
</table>

1. Because Mr. Christensen became a primary portfolio manager of BNYMAF and BNYMWGF as of March 4, 2020, his information is as of February 29, 2020.

### MANAGER'S AND SUB-ADVISERS' COMPENSATION; COMPLIANCE SERVICES

**Manager's and Sub-Advisers' Compensation**

For each fund's last three fiscal years, the management fees payable by the fund, the reduction, if any, in the amount of the fee paid due to fee waivers and/or expense reimbursements by the Manager and the net fees paid by the fund were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2019 Fiscal Year</th>
<th>2018 Fiscal Year</th>
<th>2017 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fee payable</td>
<td>Reduction in fee</td>
<td>Net fee paid</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>$1,159,551</td>
<td>$0</td>
<td>$1,159,551</td>
</tr>
<tr>
<td>BNYMMMAF</td>
<td>$764,166</td>
<td>$0</td>
<td>$764,166</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>$1,742,139</td>
<td>$81,447</td>
<td>$1,660,692</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>$694,916</td>
<td>$0</td>
<td>$694,916</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>$1,676,362</td>
<td>$0</td>
<td>$1,676,362</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>$5,099,225</td>
<td>$0</td>
<td>$5,099,225</td>
</tr>
<tr>
<td>DBMMF</td>
<td>$671,261</td>
<td>$462,568</td>
<td>$208,693</td>
</tr>
<tr>
<td>GCMMMF</td>
<td>$389,175</td>
<td>$0</td>
<td>$389,175</td>
</tr>
<tr>
<td>GGSMMF</td>
<td>$10,313,948</td>
<td>$0</td>
<td>$10,313,948</td>
</tr>
<tr>
<td>GTSMMF</td>
<td>$9,758,747</td>
<td>$0</td>
<td>$9,758,747</td>
</tr>
<tr>
<td>GMMF</td>
<td>$34,480,104</td>
<td>$0</td>
<td>$34,480,104</td>
</tr>
<tr>
<td>GMMMF</td>
<td>$2,916,932</td>
<td>$0</td>
<td>$2,916,932</td>
</tr>
<tr>
<td>GNYAFMMMF</td>
<td>$723,225</td>
<td>$0</td>
<td>$723,225</td>
</tr>
</tbody>
</table>

#### Fee payable

<table>
<thead>
<tr>
<th>Fund</th>
<th>2018 Fiscal Year</th>
<th>2017 Fiscal Year</th>
<th>2016 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fee payable</td>
<td>Reduction in fee</td>
<td>Net fee paid</td>
</tr>
<tr>
<td>BNYMAF</td>
<td>$6,044,253</td>
<td>$0</td>
<td>$6,044,253</td>
</tr>
</tbody>
</table>
The contractual fee rates paid by the Manager or a fund to a fund's Sub-Adviser, if any, and the effective rate paid in the last fiscal year, are as follows (expressed as an annual rate as a percentage of the fund's average daily net assets):

<table>
<thead>
<tr>
<th>Fund</th>
<th>Sub-Adviser</th>
<th>Fee Rate</th>
<th>Effective Fee Rate for the Last Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>Sarofim &amp; Co.</td>
<td>0.2175%</td>
<td>0.2175%</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>Sarofim &amp; Co.</td>
<td>0.2175%</td>
<td>0.2175%</td>
</tr>
</tbody>
</table>

For a fund's last three fiscal years, the fees payable by the Manager or a fund to the fund's Sub-Adviser, if any, the reduction, if any, in the amount of the fee paid due to fee waivers by the Sub-Adviser and the net fees paid were as follows:

<table>
<thead>
<tr>
<th>Fund/ Sub-Adviser</th>
<th>2019 Fiscal Year</th>
<th>2018 Fiscal Year</th>
<th>2017 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fee payable</td>
<td>Reduction in fee</td>
<td>Net fee paid</td>
</tr>
<tr>
<td>BNYMWGF/Sarofim &amp; Co.</td>
<td>$1,478,775</td>
<td>$0</td>
<td>$1,478,775</td>
</tr>
</tbody>
</table>

**Compliance Services**

The funds' compliance program is developed, implemented and maintained by the funds' CCO and his staff. The funds bear a portion of the CCO's compensation (which is approved by the board), as well as the compensation of the CCO's staff and the expenses of the CCO and his staff (including administrative expenses). The CCO's staff works exclusively on the compliance program and related matters for the funds and other funds in the BNY Mellon Family of Funds and BNY Mellon Funds Trust, and compensation and expenses of the CCO and his staff generally are allocated among such funds based on an equal amount per fund with incremental amounts allocated to funds with more service providers (including Sub-Advisers). Such compensation and expenses for the funds' last fiscal years were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>CCO and Staff Compensation and Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>$12,774</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>$12,173</td>
</tr>
<tr>
<td>BNYMMAF</td>
<td>$12,173</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>$11,659</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>$12,173</td>
</tr>
</tbody>
</table>

I-12
Fund and CCO and Staff Compensation and Expenses

<table>
<thead>
<tr>
<th>Fund</th>
<th>CCO and Staff Compensation and Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMPAF</td>
<td>$12,173</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>$11,610</td>
</tr>
<tr>
<td>DBMMF</td>
<td>$12,782</td>
</tr>
<tr>
<td>GCMMMFF</td>
<td>$11,659</td>
</tr>
<tr>
<td>GGSMMMFF</td>
<td>$11,659</td>
</tr>
<tr>
<td>GTSSMFF</td>
<td>$11,659</td>
</tr>
<tr>
<td>GMNFF</td>
<td>$11,659</td>
</tr>
<tr>
<td>GMNMMFF</td>
<td>$11,659</td>
</tr>
<tr>
<td>GNYAFMMMF</td>
<td>$11,659</td>
</tr>
</tbody>
</table>

**SECURITIES LENDING ACTIVITIES**

*(non-money market funds only)*

The dollar amounts of income and fees and compensation paid to all service providers (including fees paid to BNYM Investment Adviser for cash collateral management and fees paid to BNY Mellon as securities lending agent), related to certain funds' securities lending activities during the most recent fiscal year were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>BNYMWGF</th>
<th>BNYMAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross income from securities lending activities (including income from cash collateral reinvestment)</td>
<td>$94,174</td>
<td>$264,139</td>
</tr>
<tr>
<td><strong>Fees and/or compensation for securities lending activities and related services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees paid to securities lending agent from a revenue split</td>
<td>$8,858</td>
<td>$22,285</td>
</tr>
<tr>
<td>Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) that are not included in the revenue split</td>
<td>$104</td>
<td>$11,225</td>
</tr>
<tr>
<td>Administrative fees not included in revenue split</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Indemnification fees not included in revenue split</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Rebate (paid to borrower)</td>
<td>$40,790</td>
<td>$101,757</td>
</tr>
<tr>
<td>Other fees not included in revenue split</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Aggregate fees/compensation for securities lending activities</td>
<td>$49,752</td>
<td>$135,267</td>
</tr>
<tr>
<td>Net income from securities lending activities</td>
<td>$44,422</td>
<td>$128,872</td>
</tr>
</tbody>
</table>

The services provided by BNY Mellon as securities lending agent are as follows: selection of securities to be loaned; utilization of borrowers previously approved by the funds' board; negotiation of loan terms; monitoring daily the value of the loaned securities and collateral; requiring additional collateral as necessary; investing cash collateral in accordance with the funds' instructions; marking to market non-cash...
collateral; maintaining custody of non-cash collateral; recordkeeping and account servicing; reporting dividend activity; transferring loaned securities; recalling loaned securities in accordance with the funds’ instructions, including for proxies that the Funds seek to vote; and arranging for return of loaned securities to the fund at loan termination.

BNYMOMSF, BNYMNYAFMBF, BNYMCTF, BNYMMAF, and BNYMPAF did not engage in any securities lending activity during the most recent fiscal year.

SALES LOADS, CDSCS AND DISTRIBUTOR'S COMPENSATION

The following table lists, for each of the last three fiscal years, the total commissions on sales of all classes of shares (sales loads) (as applicable) and the total CDSCs on redemptions of all classes of shares (as applicable), along with corresponding amounts of each retained by the Distributor.

<table>
<thead>
<tr>
<th>Fund</th>
<th>2019 Fiscal Year</th>
<th>2018 Fiscal Year</th>
<th>2017 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMOMSF</td>
<td>Total commissions</td>
<td>$28,608</td>
<td>$47,187</td>
</tr>
<tr>
<td></td>
<td>Commission amount retained</td>
<td>$1,810</td>
<td>$3,864</td>
</tr>
<tr>
<td></td>
<td>Total CDSCs</td>
<td>$48</td>
<td>$864</td>
</tr>
<tr>
<td></td>
<td>CDSC amount retained</td>
<td>$48</td>
<td>$864</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>Total commissions</td>
<td>$23,387</td>
<td>$11,487</td>
</tr>
<tr>
<td></td>
<td>Commission amount retained</td>
<td>$1,504</td>
<td>$889</td>
</tr>
<tr>
<td></td>
<td>Total CDSCs</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>CDSC amount retained</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>BNYMMAF</td>
<td>Total commissions</td>
<td>$2,544</td>
<td>$1,372</td>
</tr>
<tr>
<td></td>
<td>Commission amount retained</td>
<td>$149</td>
<td>$89</td>
</tr>
<tr>
<td></td>
<td>Total CDSCs</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>CDSC amount retained</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>Total commissions</td>
<td>$42,222</td>
<td>$13,029</td>
</tr>
<tr>
<td></td>
<td>Commission amount retained</td>
<td>$2,014</td>
<td>$706</td>
</tr>
<tr>
<td></td>
<td>Total CDSCs</td>
<td>$20</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>CDSC amount retained</td>
<td>$20</td>
<td>$0</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>Total commissions</td>
<td>$55,824</td>
<td>$43,742</td>
</tr>
<tr>
<td></td>
<td>Commission amount retained</td>
<td>$3,724</td>
<td>$4,098</td>
</tr>
<tr>
<td></td>
<td>Total CDSCs</td>
<td>$0</td>
<td>$3,166</td>
</tr>
<tr>
<td></td>
<td>CDSC amount retained</td>
<td>$0</td>
<td>$3,166</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>Total commissions</td>
<td>$95,690</td>
<td>$136,635</td>
</tr>
<tr>
<td></td>
<td>Commission amount retained</td>
<td>$15,793</td>
<td>$16,765</td>
</tr>
<tr>
<td></td>
<td>Total CDSCs</td>
<td>$594</td>
<td>$346</td>
</tr>
<tr>
<td></td>
<td>CDSC amount retained</td>
<td>$594</td>
<td>$346</td>
</tr>
</tbody>
</table>
The amounts paid by each fund to the Distributor under the fund's Plan or Plans, as applicable, for services described in Part II of this SAI under "Rule 12b-1 Plans and Non-Rule 12b-1 Services Plans" and "Administrative Services Plans" for the fund's last fiscal year were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Plan</th>
<th>Class</th>
<th>Distributor Payments</th>
<th>Printing and Implementation and Operation of Plan</th>
<th>Amount Reimbursed to Fund Pursuant to Undertaking in Effect</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>Shareholder Services Plan</td>
<td>Investor Shares</td>
<td>$3,831,597</td>
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<td>N/A</td>
<td>$125,411</td>
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<tr>
<td>DBMMF</td>
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<td></td>
<td>Class A</td>
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<tr>
<td></td>
<td></td>
<td>Class C</td>
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<td>N/A</td>
<td>N/A</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Class Z</td>
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<tr>
<td>BNYMOMSF</td>
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<tr>
<td></td>
<td>Shareholder Services Plan</td>
<td>Class A</td>
<td>$603,928</td>
<td>N/A</td>
<td>N/A</td>
<td>$603,928</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Class C</td>
<td>$43,408</td>
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<td>$282,194</td>
</tr>
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<td>Shareholder Services Plan</td>
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<td>N/A</td>
<td>$1,194,351</td>
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<tr>
<td></td>
<td></td>
<td>Class C</td>
<td>$94,065</td>
<td>N/A</td>
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<tr>
<td>BNYMCTF</td>
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<td>Class C</td>
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<td>Class C</td>
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<tr>
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<td></td>
<td>Class Z</td>
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<td>Shareholder Services Plan</td>
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<td>Class C</td>
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<td>$5,350</td>
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<td></td>
<td></td>
<td>Class Z</td>
<td>$22,649</td>
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<td>GCMMMF</td>
<td>Distribution Plan</td>
<td>Class B</td>
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<td>Shareholder Services Plan</td>
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<td>Fund</td>
<td>Plan</td>
<td>Class</td>
<td>Distributor Payments</td>
<td>Printing and Implementation and Operation of Plan</td>
<td>Amount Reimbursed to Fund Pursuant to Undertaking in Effect</td>
<td>Total Amount</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------</td>
<td>---------------</td>
<td>----------------------</td>
<td>--------------------------------------------------</td>
<td>------------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td></td>
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<td>Class A</td>
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<tr>
<td></td>
<td></td>
<td>Class B</td>
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<td></td>
<td>Brex Class^2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Shareholder Services Plan-Compensation</td>
<td>Class A</td>
<td>$5,286</td>
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<td>$4,440</td>
<td>$846</td>
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<tr>
<td>Shareholder Services Plan-Compensation</td>
<td>Class B</td>
<td>$4,128,628</td>
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<td>$188,517</td>
<td>$3,940,111</td>
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<tr>
<td>Shareholder Services Plan-Compensation</td>
<td>Brex Class^2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Shareholder Services Plan-Reimbursement</td>
<td>Class A</td>
<td>$7,690</td>
<td>N/A</td>
<td>N/A</td>
<td>$7,690</td>
<td></td>
</tr>
<tr>
<td>Shareholder Services Plan-Reimbursement</td>
<td>Dreyfus Class</td>
<td>$59,139</td>
<td>N/A</td>
<td>N/A</td>
<td>$59,139</td>
<td></td>
</tr>
<tr>
<td>Administrative Services Plan</td>
<td>Brex Class^2</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>GMMF</td>
<td>Service Plan^1</td>
<td>Class A</td>
<td>$10,885</td>
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<td>$10,885</td>
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<td>Distribution Plan</td>
<td>Class B</td>
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<tr>
<td></td>
<td></td>
<td>Class A</td>
<td>$11,958</td>
<td>N/A</td>
<td>$9,021</td>
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<tr>
<td></td>
<td></td>
<td>Class B</td>
<td>$3,439,329</td>
<td>N/A</td>
<td>$2,977,700</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Class A</td>
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<tr>
<td></td>
<td></td>
<td>Dreyfus Class</td>
<td>$199,183</td>
<td>N/A</td>
<td>$199,183</td>
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</tr>
<tr>
<td>GMMF</td>
<td>Service Plan^1</td>
<td>Class A</td>
<td>$86,083</td>
<td>N/A</td>
<td>$86,083</td>
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<td></td>
<td>Distribution Plan</td>
<td>Class B</td>
<td>$11,472,499</td>
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<td>$11,472,499</td>
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<tr>
<td></td>
<td></td>
<td>Class A</td>
<td>$72,184</td>
<td>N/A</td>
<td>$60,714</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Class B</td>
<td>$14,026,129</td>
<td>N/A</td>
<td>$11,257,024</td>
<td></td>
</tr>
</tbody>
</table>
### Fund Plan Class Distributor Payments Printing and Implementation and Operation of Plan Amount Reimbursed to Fund Pursuant to Undertaking in Effect Total Amount

<table>
<thead>
<tr>
<th>Fund</th>
<th>Plan</th>
<th>Class</th>
<th>Distributor Payments</th>
<th>Printing and Implementation and Operation of Plan</th>
<th>Amount Reimbursed to Fund Pursuant to Undertaking in Effect</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder Services Plan-Reimbursement¹</td>
<td>Class A</td>
<td>$50,651</td>
<td>N/A</td>
<td>N/A</td>
<td>$50,651</td>
<td></td>
</tr>
<tr>
<td>Shareholder Services Plan-Reimbursement¹</td>
<td>Dreyfus Class</td>
<td>$12,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$12,000</td>
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<tr>
<td>GMMMF</td>
<td>Distribution Plan</td>
<td>Class B</td>
<td>$566,961</td>
<td>N/A</td>
<td>N/A</td>
<td>$566,961</td>
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<tr>
<td>Shareholder Services Plan-Reimbursement</td>
<td>Class A</td>
<td>$122,839</td>
<td>N/A</td>
<td>N/A</td>
<td>$122,839</td>
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<tr>
<td>Shareholder Services Plan-Compensation</td>
<td>Class B</td>
<td>$704,748</td>
<td>N/A</td>
<td>N/A</td>
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<td>GNYAFMMMF</td>
<td>Distribution Plan</td>
<td>Class B</td>
<td>$112,779</td>
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<td>Shareholder Services Plan-Reimbursement</td>
<td>Class A</td>
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<td>$78,499</td>
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<tr>
<td>Shareholder Services Plan-Compensation</td>
<td>Class B</td>
<td>$140,252</td>
<td>N/A</td>
<td>N/A</td>
<td>$140,252</td>
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</tbody>
</table>

¹Effective May 31, 2019, the fund terminated its Service Plan adopted pursuant to Rule 12b-1 under the 1940 Act, adopted a non-Rule 12b-1 compensation Shareholder Services Plan and reduced the maximum fee payable pursuant to the existing non-Rule 12b-1 reimburserment Shareholder Services Plan.

²Brex Class were offered as of December 16, 2019.

### OFFERING PRICE
(Class A shares only)

Set forth below is an example of the method of computing the offering price of each fund's Class A shares, if applicable. The example assumes a purchase of Class A shares aggregating less than $50,000 or $250,000, respectively, subject to the schedule of sales charges set forth in the fund's prospectus at a price based upon the NAV of a Class A share, as applicable, at the close of business on the last business day of the fund's last fiscal year, except as otherwise indicated. Certain purchases are not subject to a sales charge or are subject to a different sales charge than the one shown below. See the prospectus and "How to Buy Shares" in Part II of this SAI.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Class¹</th>
<th>NAV Per Share</th>
<th>Sales Charge as a Percentage of Offering Price and NAV Per Share</th>
<th>Per Share Sales Charge</th>
<th>Per Share Offering Price to Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMOMSF</td>
<td>Class A</td>
<td>$12.93</td>
<td>4.50% of offering price (4.70% of NAV per share)</td>
<td>$0.61</td>
<td>$13.54</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>Class A</td>
<td>$15.16</td>
<td>4.50% of offering price (4.70% of NAV per share)</td>
<td>$0.71</td>
<td>$15.87</td>
</tr>
<tr>
<td>Fund</td>
<td>Class</td>
<td>NAV Per Share</td>
<td>Sales Charge as a Percentage of Offering Price and NAV Per Share</td>
<td>Per Share Sales Charge</td>
<td>Per Share Offering Price to Public</td>
</tr>
<tr>
<td>-----------</td>
<td>-------</td>
<td>---------------</td>
<td>---------------------------------------------------------------</td>
<td>------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>Class A</td>
<td>$54.01</td>
<td>5.75% of offering price (6.10% of NAV per share)</td>
<td>$3.30</td>
<td>$57.31</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>Class A</td>
<td>$11.62</td>
<td>4.50% of offering price (4.70% of NAV per share)</td>
<td>$0.55</td>
<td>$12.17</td>
</tr>
<tr>
<td>BNYMMAF</td>
<td>Class A</td>
<td>$11.51</td>
<td>4.50% of offering price (4.70% of NAV per share)</td>
<td>$0.54</td>
<td>$12.05</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>Class A</td>
<td>$16.06</td>
<td>4.50% of offering price (4.70% of NAV per share)</td>
<td>$0.76</td>
<td>$16.82</td>
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</table>
RATINGS OF MUNICIPAL BONDS

The average distribution of investments (at value) in Municipal Bonds (including notes) by ratings for the last fiscal year, computed on a monthly basis, for each fund that focuses its investments in Municipal Bonds was as follows:

<table>
<thead>
<tr>
<th>Fitch</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>BNYMOMSF</th>
<th>BNYMNYAFMBF</th>
<th>BNYMCTF</th>
<th>BNYMMAF</th>
<th>BNYMPAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Aaa</td>
<td>AAA</td>
<td>5.7%</td>
<td>8.9%</td>
<td>1.5%</td>
<td>2.4%</td>
<td>-</td>
</tr>
<tr>
<td>AA</td>
<td>Aa</td>
<td>AA</td>
<td>26.1%</td>
<td>55.6%</td>
<td>50.4%</td>
<td>56.5%</td>
<td>39.0%</td>
</tr>
<tr>
<td>A</td>
<td>A</td>
<td>A</td>
<td>49.7%</td>
<td>21.1%</td>
<td>35.4%</td>
<td>24.5%</td>
<td>47.4%</td>
</tr>
<tr>
<td>BBB</td>
<td>Baa</td>
<td>BBB</td>
<td>11.0%</td>
<td>6.5%</td>
<td>6.5%</td>
<td>8.6%</td>
<td>10.3%</td>
</tr>
<tr>
<td>BB</td>
<td>Ba</td>
<td>BB</td>
<td>3.8%</td>
<td>0.2%</td>
<td>1.3%</td>
<td>3.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>B</td>
<td>B</td>
<td>B</td>
<td>1.3%</td>
<td>1.1%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>-</td>
</tr>
<tr>
<td>CCC</td>
<td>Caa</td>
<td>CCC</td>
<td>0.4%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>F-1</td>
<td>MIG 1/P-1</td>
<td>SP-1/A-1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Not Rated</td>
<td>Not Rated</td>
<td>Not Rated</td>
<td>2.0%^1</td>
<td>6.6%^2</td>
<td>4.0%^3</td>
<td>3.9%^4</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

1 Those securities which are not rated have been determined by the Manager to be of comparable quality to securities in the following rating categories: AAA/Aaa (1.3%), AA/Aa (0.2%) and BBB/Baa (0.5%).
2 Those securities which are not rated have been determined by the Manager to be of comparable quality to securities in the following rating categories: AAA/Aaa (0.1%), A/A (2.8%), BBB/Baa (1.3%), BB/Ba (0.1%), B/B (0.8%) and CCC/Caa (1.5%).
3 Those securities which are not rated have been determined by the Manager to be of comparable quality to securities in the following rating categories: AA/Aa (2.9%) and BBB/Baa (1.1%).
4 Those securities which are not rated have been determined by the Manager to be of comparable quality to securities in the following rating categories: AA/Aa (3.9%).

RATINGS OF MUNICIPAL OBLIGATIONS
(money market funds)

The average distribution of investments (at value) in Municipal Obligations (including notes) by ratings for the last fiscal year, computed on a monthly basis, for each fund that focuses its investments in Municipal Obligations was as follows:

<table>
<thead>
<tr>
<th>Fitch</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>GCMMMF</th>
<th>GMMMF</th>
<th>GNYAFMMMFM</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-1+/F-1</td>
<td>VMIG 1/MIG 1, P-1</td>
<td>SP1+/SP1, A1+/A1</td>
<td>50.1%</td>
<td>44.1%</td>
<td>36.7%</td>
</tr>
<tr>
<td>F-2+F-2</td>
<td>VMIG 2/MIG 2, P-2</td>
<td>SP2+/SP2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AAA/AA</td>
<td>Aaa/Aa</td>
<td>AAA/AA</td>
<td>-</td>
<td>1.8%</td>
<td>0.4%</td>
</tr>
<tr>
<td>AA/AA</td>
<td>AA/Aa</td>
<td>AA/AA</td>
<td>0.9%</td>
<td>10.8%</td>
<td>6.7%</td>
</tr>
<tr>
<td>A</td>
<td>A</td>
<td>A</td>
<td>37.2%</td>
<td>36.7%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Not Rated</td>
<td>Not Rated</td>
<td>Not Rated</td>
<td>11.8%^1</td>
<td>6.6%^1</td>
<td>18.1%^1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

1 Those securities which are not rated have been determined by the Manager to be of comparable quality to securities in the VMIG 1/MIG 1 or SP1+/SP1 rating categories.
SEcurities of Regular Brokers or Dealers

A fund may acquire securities issued by one or more of its "regular brokers or dealers," as defined in Rule 10b-1 under the 1940 Act. Rule 10b-1 provides that a "regular broker or dealer" is one of the ten brokers or dealers that, during the fund's last fiscal year: (1) received the greatest dollar amount of brokerage commissions from participating, either directly or indirectly, in the fund's portfolio transactions, (2) engaged as principal in the largest dollar amount of the fund's portfolio transactions or (3) sold the largest dollar amount of the fund's securities. The following is a list of the issuers of the securities, and the aggregate value per issuer, of a fund's regular brokers or dealers held by such fund as of the end of its last fiscal year (N/A = Not Applicable):

<table>
<thead>
<tr>
<th>Fund</th>
<th>Regular Broker or Dealer</th>
<th>Aggregate Value Per Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>J.P. Morgan Securities LLC</td>
<td>$45,568,040</td>
</tr>
<tr>
<td>DBMMF</td>
<td>BNP Paribas Securities Corp.</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>J.P. Morgan Securities LLC</td>
<td>$19,378,215</td>
</tr>
<tr>
<td>BNYMSMBF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>GCMMMF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>GGSMMF</td>
<td>Credit Agricole Securities (USA) Inc.</td>
<td>$212,000,000</td>
</tr>
<tr>
<td></td>
<td>J.P. Morgan Securities LLC</td>
<td>$440,000,000</td>
</tr>
<tr>
<td></td>
<td>Barclays Capital Inc.</td>
<td>$160,000,000</td>
</tr>
<tr>
<td></td>
<td>Deutsche Bank Securities, Inc.</td>
<td>$100,000,000</td>
</tr>
<tr>
<td></td>
<td>Daiwa Capital Markets America Inc.</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>GTSMMF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>GMMF</td>
<td>Barclays Capital Inc.</td>
<td>$200,000,000</td>
</tr>
<tr>
<td></td>
<td>Daiwa Capital Markets America Inc.</td>
<td>$110,000,000</td>
</tr>
<tr>
<td></td>
<td>Scotia Capital (USA) Inc.</td>
<td>$148,000,000</td>
</tr>
<tr>
<td>GMMMFM</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>GNYAFMMMFM</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

COMmissions

The approximate aggregate amounts of commissions paid by each fund for brokerage commissions for its last three fiscal years, none of which were paid to Affiliated Brokers,* were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2019 Fiscal Year</th>
<th>2018 Fiscal Year</th>
<th>2017 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commissions</td>
<td>Commissions</td>
<td>Commissions</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMMAF</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

I-20
Although no commissions were paid to Affiliated Brokers directly, unaffiliated brokers cleared transactions through clearing brokers affiliated with BNY Mellon. The funds paid no fees directly to affiliated clearing brokers.

The following table provides an explanation of any material difference in the commissions paid by a fund in either of the two fiscal years preceding the last fiscal year.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Reason for Any Material Difference in Commissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>Commissions were lower in 2017 than 2016 due to declining shareholder redemptions.</td>
</tr>
<tr>
<td>DBMMF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>The fund's assets have declined, causing the fund to sell securities to meet redemptions.</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMMMAF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>N/A</td>
</tr>
<tr>
<td>GCMMMF</td>
<td>N/A</td>
</tr>
<tr>
<td>GGSMMF</td>
<td>N/A</td>
</tr>
<tr>
<td>GTSSMF</td>
<td>N/A</td>
</tr>
<tr>
<td>GMMF</td>
<td>N/A</td>
</tr>
<tr>
<td>GMMMF</td>
<td>N/A</td>
</tr>
<tr>
<td>GNYAFMFFM</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The aggregate amount of transactions during each fund's last fiscal year in securities effected on an agency basis through a broker-dealer for, among other things, research services and the commissions related to such transactions were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Transactions</th>
<th>Related Commissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>$591,876,182</td>
<td>$166,856</td>
</tr>
<tr>
<td>DBMMF</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
PORTFOLIO TURNOVER VARIATION
(not applicable to money market funds)

Each fund's portfolio turnover rate for up to five fiscal years is shown in the prospectus. The following table provides an explanation of any significant variation in a fund's portfolio turnover rates over the last two fiscal years (or any anticipated variation in the portfolio turnover rate from that reported for the last fiscal year).

<table>
<thead>
<tr>
<th>Fund</th>
<th>Reason for Any Significant Portfolio Turnover Rate Variation, or Anticipated Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNYMAF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMOMSF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMNYAFMBF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMWGF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMCTF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMMMAF</td>
<td>N/A</td>
</tr>
<tr>
<td>BNYMPAF</td>
<td>N/A</td>
</tr>
</tbody>
</table>

SHARE OWNERSHIP

The following persons are known by each fund to own of record 5% or more of the indicated class of the fund's outstanding voting securities. A shareholder who beneficially owns, directly or indirectly, more than 25% of a fund's voting securities may be deemed to "control" (as defined in the 1940 Act) the fund. All information for a fund is as of the date indicated for the first listed class. Except as may be otherwise indicated, board members and officers, as a group, owned less than 1% of each class of each fund's voting securities outstanding as of the date indicated below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Fund</th>
<th>Class</th>
<th>Name &amp; Address</th>
<th>Percent Owned</th>
</tr>
</thead>
</table>
| August 2, 2019 | BNYMCTF | Class A | Merrill Lynch, Pierce, Fenner & Smith Incorporated  
For the Sole Benefit of its Customers 
Attention Fund Administration 
4800 Deer Lake Drive East - 3rd Floor 
Jacksonville, FL 32246-6484 | 9.4745%        |
<table>
<thead>
<tr>
<th>Date</th>
<th>Fund</th>
<th>Class</th>
<th>Name &amp; Address</th>
<th>Percent Owned</th>
</tr>
</thead>
</table>
|      |      |       | People's Securities, Inc.  
1000 Lafayette Boulevard  
P.O. Box 31  
Bridgeport, CT 06601 | 7.0073% |
|      |      |       | Wells Fargo Clearing Services  
2801 Market Street  
St. Louis, MO 63103 | 6.3051% |
|      |      |       | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052 | 5.3014% |
|      |      |       | National Financial Services LLC  
For the Exclusive Benefit of Our Customers  
Attention: Mutual Fund Department - 4th Floor  
499 Washington Boulevard  
Jersey City, NJ 07310 | 5.1402% |
|      |      | Class C | National Financial Services LLC  
For the Exclusive Benefit of Our Customers  
Attention: Mutual Fund Department - 4th Floor  
499 Washington Boulevard  
Jersey City, NJ 07310 | 27.6053% |
|      |      |       | Merrill Lynch, Pierce, Fenner & Smith  
Incorporated  
For the Sole Benefit of its Customers  
Attention: Fund Administration  
4800 Deer Lake Drive East - 3rd Floor  
Jacksonville, FL 32246-6484 | 22.1575% |
|      |      |       | Wells Fargo Clearing Services  
2801 Market Street  
St. Louis, MO 63103 | 9.0295% |
|      |      |       | Morgan Stanley Smith Barney LLC  
For the Exclusive Benefit of its Customers  
1 New York Plaza - 12th Floor  
New York, NY 10004-1901 | 7.0327% |
|      |      |       | UBS WM USA  
1000 Harbor Boulevard  
Weehawken, NJ 07086-6761 | 6.8178% |
<table>
<thead>
<tr>
<th>Date</th>
<th>Fund</th>
<th>Class</th>
<th>Name &amp; Address</th>
<th>Percent Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Class I</td>
<td>Pershing LLC</td>
<td>36.8835%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>P.O. Box 2052</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jersey City, NJ 07303-2052</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>UBS WM USA</td>
<td>1000 Harbor Boulevard</td>
<td>13.1886%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weehawken, NJ 07086-6761</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>American Enterprise Investment Services</td>
<td>10.6294%</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>707 Second Avenue South</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Minneapolis, MN 55402-2405</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>LPL Financial</td>
<td>7.0648%</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>4707 Executive Drive</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>San Diego, CA 92121-3091</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>National Financial Services LLC</td>
<td>6.9960%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>For the Exclusive Benefit of Our Customers</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Attention: Mutual Fund Department - 4th Floor</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>499 Washington Boulevard</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Jersey City, NJ 07310</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Raymond James Financial Mutual Funds</td>
<td>5.6666%</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>House Account Firm</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>880 Carillon Parkway</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>St. Petersburg, FL 33716-1102</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wells Fargo Clearing Services</td>
<td>5.5247%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2801 Market Street</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>St. Louis, MO 63103</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Class Y</td>
<td>SEI Private Tr. Co.</td>
<td>100.00%</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>C/O Mellon Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Attention: Mutual Fund Administrator</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 Freedom Valley Drive</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Oaks, PA 19456-9989</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Fund</td>
<td>Class</td>
<td>Name &amp; Address</td>
<td>Percent Owned</td>
</tr>
<tr>
<td>------------</td>
<td>------------</td>
<td>-------</td>
<td>---------------------------------------------</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Class Z</td>
<td>Charles Schwab &amp; Co. Inc.</td>
<td>5.8787%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>211 Main Street</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>San Francisco, CA 94105</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pershing LLC</td>
<td>P.O. Box 2052</td>
<td>5.2874%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jersey City, NJ 07303-2052</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ronald P. Maier</td>
<td>Southbury, CT</td>
<td>5.0676%</td>
</tr>
<tr>
<td>August 2, 2019</td>
<td>BNYMMAF</td>
<td>Class A</td>
<td>Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated</td>
<td>10.5965%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>For the Sole Benefit of its Customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Attention: Fund Administration</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>4800 Deer Lake Drive East - 3rd Floor</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Jacksonville, FL 32246-6484</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>National Financial Services LLC</td>
<td>For the Exclusive Benefit of Our Customers</td>
<td>9.0877%</td>
</tr>
<tr>
<td></td>
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<td>Attention: Mutual Fund Department - 4th Floor</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>499 Washington Boulevard</td>
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<td></td>
<td></td>
<td>Jersey City, NJ 07310</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Morgan Stanley Smith Barney LLC</td>
<td>For the Exclusive Benefit of its Customers</td>
<td>6.6181%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 New York Plaza - 12th Floor</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>New York, NY 10004-1901</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pershing LLC</td>
<td>P.O. Box 2052</td>
<td>6.5292%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jersey City, NJ 07303-2052</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Harriet Lesser</td>
<td>Brookline, MA</td>
<td>6.1740%</td>
</tr>
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</tr>
<tr>
<td></td>
<td></td>
<td>Class C</td>
<td>UBS WM USA</td>
<td>62.8632%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1000 Harbor Boulevard</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Weehawken, NJ 07086-6761</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Fund</td>
<td>Class</td>
<td>Name &amp; Address</td>
<td>Percent Owned</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated</td>
<td>20.7347%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>For the Sole Benefit of its Customers</td>
<td></td>
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<td>Attention: Fund Administration</td>
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<td>4800 Deer Lake Drive East - 3rd Floor</td>
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<td>Jacksonville, FL 32246-6484</td>
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<td></td>
<td></td>
<td></td>
<td>LPL Financial</td>
<td>7.8785%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>4707 Executive Drive</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>San Diego, CA 92121-3091</td>
<td></td>
</tr>
<tr>
<td>August 2, 2019</td>
<td>BNYMPAF</td>
<td>Class A</td>
<td>National Financial Services</td>
<td>11.7545%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>82 Devonshire Street, G10G</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Boston, MA 02109-3605</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Morgan Stanley Smith Barney LLC For the Exclusive</td>
<td>11.5963%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Benefit of its Customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 New York Plaza - 12th Floor</td>
<td></td>
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<td></td>
<td></td>
<td>New York, NY 10004-1901</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Wells Fargo Clearing Services</td>
<td>11.0065%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2801 Market Street</td>
<td></td>
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<td></td>
<td></td>
<td>St. Louis, MO 63103</td>
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<tr>
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<td></td>
<td></td>
<td>Pershing LLC</td>
<td>7.2285%</td>
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<tr>
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<td>P.O. Box 2052</td>
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<td>Jersey City, NJ 07303-2052</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Charles Schwab &amp; Co. Inc.</td>
<td>6.9606%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>211 Main Street</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>San Francisco, CA 94105</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Class C</td>
<td>26.1796%</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Morgan Stanley Smith Barney LLC For the Exclusive</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Benefit of its Customers</td>
<td></td>
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<td></td>
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<td></td>
<td>1 New York Plaza - 12th Floor</td>
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<td>New York, NY 10004-1901</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Wells Fargo Clearing Services</td>
<td>23.4053%</td>
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|           |                |       | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052                                                      | 8.8204%        |
|           |                |       | UBS WM USA  
1000 Harbor Boulevard  
Weehawken, NJ 07086-6761                                                          | 8.6427%        |
|           |                |       | Charles W. Behler Jr. and Kathleen M. Behler  
Lehighton, PA                                                                    | 6.4175%        |
|           |                | Class Z| Charles Schwab & Co. Inc.  
211 Main Street  
San Francisco, CA 94105                                                          | 12.4452%       |
|           |                |       | National Financial Services LLC  
For the Exclusive Benefit of Our Customers  
Attention: Mutual Fund Department - 4th Floor  
499 Washington Boulevard  
Jersey City, NJ 07310                                                           | 10.5420%       |
|           |                |       | Morgan Stanley Smith Barney LLC  
For the Exclusive Benefit of its Customers  
1 New York Plaza - 12th Floor  
New York, NY 10004-1901                                                          | 5.5390%        |
|           |                |       | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052                                                      | 5.4831%        |
| August 2, 2019 | BNYMOMSF  | Class A | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052                                                      | 7.7434%        |
|           |                |       | Wells Fargo Clearing Services  
2801 Market Street  
St. Louis, MO 63103                                                              | 7.5449%        |
|           |                |       | Charles Schwab & Company, Inc.  
211 Main Street  
San Francisco, CA 94105                                                          | 6.6627%        |
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<td>National Financial Services LLC</td>
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<td>Charles Schwab &amp; Company, Inc.</td>
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<td>Wells Fargo Clearing Services</td>
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<td>2801 Market Street</td>
<td>38.6176%</td>
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<td>1000 Harbor Boulevard</td>
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<td>Edward D. Jones &amp; Co.</td>
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<td>20.4905%</td>
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| March 2, 2020 | BNYMNYAFMBF   | Class A | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052 | 8.6541%       |
|            |               | Class C | Wells Fargo Clearing Services  
2801 Market Street  
St. Louis, MO 63103-2523 | 30.2140%      |
|            |               |        | Merrill Lynch, Pierce, Fenner & Smith  
Incorporated for the Sole Benefit of its Customers  
4800 Deer Lake Drive East - 3rd Floor  
Jacksonville, FL 32246-6484 | 15.6851%      |
|            |               |        | Morgan Stanley Smith Barney LLC For the Exclusive Benefit of its Customers  
1 New York Plaza - 12th Floor  
New York, NY 10004-1901 | 10.8326%      |
|            |               |        | American Enterprise Investment Services  
707 Second Avenue South  
Minneapolis, MN 55402-2405 | 9.7915%       |
|            |               |        | J.P. Morgan Securities LLC  
For the Exclusive Benefit of Our Customers  
4 Chase Metrotech Center  
Brooklyn, NY 11245 | 8.1457%       |
|            |               |        | UBS WM USA  
1000 Harbor Boulevard  
Weehawken, NJ 07086-6761 | 7.3029%       |
|            |               |        | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052 | 5.9143%       |
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<th>Name &amp; Address</th>
<th>Percent Owned</th>
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</table>
| March 2, 2020 | GCMMMF   | Class A | Pershing LLC  
Cash Management Services  
One Pershing Plaza  
Harborside III - 6th Floor  
Jersey City, NJ 07399-0001 | 41.7427%      |
|              |          | Class I | Pershing LLC  
P.O. Box 2052  
Jersey City, NJ 07303-2052                                                      | 31.1547%      |
|              |          |        | UBS WM USA  
1000 Harbor Boulevard  
Weehawken, NJ 07086-6761                                                        | 19.3986%      |
|              |          |        | National Financial Services LLC for Exclusive Benefit of Our Customers  
Attention Mutual Funds Department - 4th Floor  
499 Washington Boulevard  
Jersey City, NJ 07310-2010                                                     | 12.0998%      |
|              |          |        | Charles Schwab and Company Inc.  
211 Main St.  
San Francisco, CA. 94105                                                       | 8.3746%       |
|              |          |        | LPL Financial  
4707 Executive Drive  
San Diego, CA 92121-3091                                                        | 6.8191%       |
|              |          |        | Wells Fargo Clearing Services  
2801 Market Street  
St. Louis, MO 63103-2523                                                        | 6.2436%       |
|              |          |        | Morgan Stanley Smith Barney LLC For the Exclusive Benefit of its Customers  
1 New York Plaza - 12th Floor  
New York, NY 10004-1901                                                         | 5.6856%       |
|              |          | Class Y | SEI Private Tr. Co.  
C/O Mellon Bank  
Attention: Mutual Fund Administrator  
1 Freedom Valley Drive  
Oaks, PA 19456-9989                                                             | 99.6709%      |
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<td>Morgan Stanley Smith Barney LLC For the Exclusive</td>
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<td>BNY Mellon N.A.</td>
<td>38.4276%</td>
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<td>FBO Bank Custody Solution</td>
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<td>9.9663%</td>
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<td>Cutler Bay, FL</td>
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<td>MG &amp; RG LLC</td>
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<td>Mark R. Leeper &amp; Evelyn C. Leeper</td>
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<td>Edward D. Jones &amp; Co. For the Benefit of Our</td>
<td>7.0916%</td>
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<td>Jonathan E. Rosenfeld New York, NY</td>
<td>5.2123%</td>
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<td>Class B</td>
<td>Pershing LLC Cash Management Services One Pershing Plaza Harborside III - 6th Floor Jersey City, NJ 07399-0001</td>
<td>68.4336%</td>
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<td>SWS Securities, Inc. Attn: Money Market 1201 Elm Street Dallas, TX 75270-2180</td>
<td>12.6257%</td>
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<td>BNY Mellon N.A. FBO Bank Custody Solution 1 Pershing Plaza Jersey City, NJ 07399-0001</td>
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<td>D.A. Davidson &amp; Co. for the Exclusive Benefit of Our Customers P.O. Box 5015 Great Falls, MT 59403-5015</td>
<td>5.7594%</td>
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<td>Janney Montgomery Scott LLC 1717 Arch Street Philadelphia, PA 19103-2713</td>
<td>5.2507%</td>
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<td>Dreyfus Class</td>
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<td>83.7898%</td>
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<td>American Enterprise Investment Services Inc. Brokerage Cashiering 5413 Ameriprise Financial Center Minneapolis MN 55474-0001</td>
<td>12.4054%</td>
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<td>Brex Class</td>
<td>Brex Treasury 405 Howard Street – 2nd Floor San Francisco, CA 94105-2670</td>
<td>100.0000%</td>
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<td>Herring Finn Foundation</td>
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<td>Class B</td>
<td>Pershing LLC</td>
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<td>D.A. Davidson &amp; Co.</td>
<td>6.7937%</td>
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<td>Dreyfus Class</td>
<td>City National Bank Fiduciary For Various Accounts</td>
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<td>Kathryn M. Collings</td>
<td>8.9289%</td>
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| March 2, 2020 | GMMMF | Class A | Pershing LLC  
Cash Management Services  
One Pershing Plaza  
Harborside III - 6th Floor  
Jersey City, NJ 07399-0001 | 43.4939%      |
|            |      |       | Janney Montgomery Scott LLC  
1717 Arch Street  
Philadelphia, PA  19103-2713 | 27.7810%      |
| Class B    | Pershing LLC  
Cash Management Services  
One Pershing Plaza  
Harborside III - 6th Floor  
Jersey City, NJ 07399-0001 | 35.3310%      |
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<th>Name &amp; Address</th>
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<td>D.A. Davidson &amp; Company</td>
<td>26.4496%</td>
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<td>For the Exclusive Benefit of Customers</td>
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<td>Janney Montgomery Scott LLC</td>
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<td>1717 Arch Street</td>
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<td>Harborside III - 6&lt;sup&gt;th&lt;/sup&gt; Floor</td>
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<td></td>
<td></td>
<td></td>
<td>Virginia Chen</td>
<td>12.5364%</td>
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<td>Bronxville, NY</td>
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<tr>
<td>Class B</td>
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<td>Pershing LLC</td>
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<td>Harborside III, 6&lt;sup&gt;th&lt;/sup&gt; Floor</td>
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<td>Harborside III, 6&lt;sup&gt;th&lt;/sup&gt; Floor</td>
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<td>Jersey City, NJ 07399-0001</td>
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<td>BNY Mellon N.A.</td>
<td>6.5408%</td>
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<td>FBO Bank Custody Solution</td>
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<td>February 3, 2020</td>
<td>BNYMWGF</td>
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<td>National Financial Services LLC For the Exclusive Benefit of Our Customers</td>
<td>12.0012%</td>
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<td>Attention: Mutual Funds Department - 4&lt;sup&gt;th&lt;/sup&gt; Floor</td>
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<td>499 Washington Boulevard</td>
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|      |      |       | Merrill Lynch, Pierce, Fenner & Smith, Incorporated  
|      |      |       | For the Sole Benefit of its Customers  
|      |      |       | Attention: Fund Administration  
|      |      |       | 4800 Deer Lake Drive East - 3rd Floor  
|      |      |       | Jacksonville, FL 32246-6484  | 10.5449% |
|      |      |       | Pershing LLC  
|      |      |       | P.O. Box 2052  
|      |      |       | Jersey City, NJ 07303-2052  | 7.1171% |
|      |      |       | Wells Fargo Clearing Services  
|      |      |       | 2801 Market Street  
|      |      |       | St. Louis, MO 63103-2523  | 6.2538% |
|      |      |       | Morgan Stanley Smith Barney LLC For the Exclusive Benefit of its Customers  
|      |      |       | 1 New York Plaza - 12th Floor  
|      |      |       | New York, NY 10004-1901  | 5.8897% |
|      |      | Class C | Merrill Lynch, Pierce, Fenner & Smith, Incorporated  
|      |      |       | For the Sole Benefit of its Customers  
|      |      |       | Attention: Fund Administration  
|      |      |       | 4800 Deer Lake Drive East - 3rd Floor  
|      |      |       | Jacksonville, FL 32246-6484  | 36.5308% |
|      |      |       | Wells Fargo Clearing Services  
|      |      |       | 2801 Market Street  
|      |      |       | St. Louis, MO 63103-2523  | 12.8166% |
|      |      |       | Morgan Stanley Smith Barney LLC For the Exclusive Benefit of its Customers  
|      |      |       | 1 New York Plaza - 12th Floor  
|      |      |       | New York, NY 10004-1901  | 10.4568% |
|      |      |       | UBS WM USA  
|      |      |       | 1000 Harbor Boulevard  
|      |      |       | Weehawken, NJ 07086-6761  | 9.3853% |
|      |      |       | American Enterprise Investment Services Inc.  
|      |      |       | 707 2nd Avenue South  
<p>|      |      |       | Minneapolis, MN 55402-2405  | 6.4847% |</p>
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<thead>
<tr>
<th>Date</th>
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<th>Class</th>
<th>Name &amp; Address</th>
<th>Percent Owned</th>
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<td>State Street Bank &amp; Trust</td>
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<td>Merrill Lynch, Pierce, Fenner &amp; Smith, Incorporated</td>
<td>10.1495%</td>
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<td>National Financial Services LLC For the Exclusive Benefit of Our Customers</td>
<td>9.3730%</td>
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<td>Wells Fargo Clearing Services</td>
<td>6.0533%</td>
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<td>84.8245%</td>
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</tbody>
</table>
Certain shareholders of a fund may from time to time own or control a significant percentage of the fund’s shares (“Large Shareholders”). Large Shareholders may include, for example, institutional investors, funds of funds, affiliates of the Manager, and discretionary advisory clients whose buy-sell decisions are controlled by a single decision-maker, including separate accounts and/or funds managed by the Manager or its affiliates. Large Shareholders may redeem all or a portion of their shares of a fund at any time or may be required to redeem all or a portion of their shares in order to comply with applicable regulatory restrictions (including, but not limited to, restrictions that apply to U.S. banking entities and their affiliates, such as the Manager). Redemptions by Large Shareholders of their shares of a fund may force the fund to sell securities at an unfavorable time and/or under unfavorable conditions, or sell more liquid assets of the fund, in order to meet redemption requests. These sales may adversely affect a fund’s NAV and may result in increasing the fund’s liquidity risk, transaction costs and/or taxable distributions.

From time to time, BNY Mellon Investment Management managers, including the Manager, may sponsor and/or manage a fund in which a BNY Mellon affiliate invests seed capital (“Seed Capital”). Such investments may raise potential conflicts of interest because a BNY Mellon affiliate, as an investor in the fund, may possess material information about the fund that may not be available to other fund investors. This informational advantage could be perceived as enabling a BNY Mellon affiliate to invest or redeem Seed Capital in a manner that conflicts with the interests of other fund investors and/or benefits BNY Mellon or its affiliates. In order to mitigate such conflicts, BNY Mellon has implemented a policy (the "Seed Capital Investment and Redemption Policy") that governs its affiliates' investment and redemption of Seed Capital in the funds. The Seed Capital Investment and Redemption Policy includes specific parameters that govern the timing and extent of the investment and redemption of Seed Capital, which may be set according to one or more objective factors expressed in terms of timing, asset level, investment performance goals or other criteria approved by BNY Mellon. In extraordinary circumstances and subject to certain conditions, BNY Mellon will have the authority to modify the application of the Seed Capital Investment and Redemption Policy to a particular investment of Seed Capital after the investment has been made. The Seed Capital Investment and Redemption Policy does not apply (i) in cases where Seed Capital is invested in a fund that has no third party investors and (ii) to investments or redemptions that are required in order to comply with applicable regulatory restrictions (including, but not limited to, restrictions that apply to U.S. banking entities and their affiliates, such as the Manager).
PART II

HOW TO BUY SHARES

See "Additional Information About How to Buy Shares" in Part III of this SAI for general information about the purchase of fund shares.

Investment Minimums

The minimum initial investment in BNY Mellon Appreciation Fund and each General Fund is $1,000 if you are a client of a Service Agent which maintains an omnibus account in the fund and has made an aggregate initial purchase in the fund for its customers of $2,500.

The minimum initial investment for each fund, except Dreyfus BASIC Money Market Fund, is $1,000 for full-time or part-time employees of the Manager or any of its affiliates, directors of the Manager, board members of a fund advised by the Manager, or the spouse, domestic partner or minor child of any of the foregoing, and $50 for full-time or part-time employees of the Manager or any of its affiliates who elect to have a portion of their pay directly deposited into their fund accounts.

The minimum initial investment in Dreyfus BASIC Money Market Fund is $10,000 for an account established with the cash proceeds from an investor's exercise of employment-related stock options, provided that the proceeds are processed through an entity that has entered into an agreement with the Distributor specifically relating to processing stock options.

Shares of each fund, except Dreyfus BASIC Money Market Fund, are offered without regard to the minimum initial investment requirements to investors purchasing fund shares through wrap fee accounts or other fee based programs.

BNY Mellon Appreciation Fund, BNY Mellon Worldwide Growth Fund, General Government Securities Money Market Fund and General Money Market Fund. The fund reserves the right to offer fund shares without regard to minimum purchase requirements to government-sponsored programs or to employees participating in Retirement Plans or other programs where contributions or account information can be transmitted in a manner and form acceptable to the fund.

TeleTransfer Privilege

General Funds. The ability to purchase shares online pursuant to the TeleTransfer Privilege is not available to Class B shares of the funds.

Information Regarding the Offering of Share Classes

The share classes of each fund with more than one class are offered as described in the relevant fund's prospectus and as described below. Service Agents purchasing fund shares on behalf of their clients determine the share classes available for their clients. Accordingly, the availability of shares of a particular class will depend on the policies, procedures and trading platforms of your Service Agent. To be eligible for the share classes, sales charge reductions or waivers, and/or shareholder services, as applicable, described in the prospectus or this SAI, you may need to open an account directly with the Distributor. Please consult your Service Agent.

Class C Shares of Multi-Class Funds. Class C shares purchased directly from the fund or through a financial intermediary, except as otherwise disclosed in the fund's prospectus, automatically convert to Class A shares in the month of or month following the 10-year anniversary date of the purchase of the Class C shares, based on the relative net asset value of each such class without the imposition of any sales charge, fee or other charge.


Class I Shares of Certain Funds. Holders of Class I shares of BNY Mellon Worldwide Growth Fund who have held their shares since June 5, 2003 may purchase directly from the fund, for accounts maintained with the fund, Class I shares of the fund whether or not they would otherwise be eligible to do so.

U.S.-based employees of BNY Mellon, board members of BNYM Investment Adviser and board members of funds in the BNY Mellon Family of Funds, and the spouse, domestic partner or minor child of any of the foregoing, may purchase Class I shares of a fund directly through the Retail Services Division of the Distributor, provided they consent to receive electronically all relevant fund documents, including account statements, confirmations, tax forms, prospectuses, SAIs, supplements, proxy statements and shareholder reports, and make an initial investment in the fund of at least $1,000. Consent to receive electronic delivery may be revoked at any time. Upon such revocation, any Class I shares of a fund held by such investor may be converted to Class A shares of the fund. In addition, the funds reserve the right to convert Class I shares held by a board member or employee of BNY Mellon into Class A shares after the board member or employee ceases to serve in that capacity.

Class Z Shares of Certain Funds. Certain broker-dealers and other financial institutions maintaining accounts with (a) Dreyfus Connecticut Intermediate Municipal Bond Fund, (b) Dreyfus Massachusetts Intermediate Municipal Bond Fund or Dreyfus Massachusetts Tax Exempt Bond Fund, (c) Dreyfus Pennsylvania Intermediate Municipal Bond Fund, or (d) General Municipal Bond Fund, at the time of the reorganization of such fund, may open new accounts in Class Z of (a) BNY Mellon Connecticut Fund, (b) BNY Mellon Massachusetts Fund, (c) BNY Mellon Pennsylvania Fund or (d) BNY Mellon Opportunistic Municipal Securities Fund, respectively, on behalf of qualified Retirement Plans and "wrap accounts" or similar programs. Class Z shares generally are not available for new accounts.

Class A

General information about the public offering price of Class A shares of the Multi-Class Funds can be found in Part III of this SAI under "Additional Information About How to Buy Shares—Class A." The public offering price for Class A shares of BNY Mellon Opportunistic Municipal Securities Fund is the net asset value per share of that class, plus a sales load as shown below:

<table>
<thead>
<tr>
<th>Amount of Transaction</th>
<th>As a % of offering price per share</th>
<th>As a % of net asset value per share</th>
<th>Dealers' realallowance as a % of offering price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $50,000</td>
<td>4.50</td>
<td>4.71</td>
<td>4.25</td>
</tr>
<tr>
<td>$50,000 to less than $100,000</td>
<td>4.00</td>
<td>4.17</td>
<td>3.75</td>
</tr>
<tr>
<td>$100,000 to less than $250,000</td>
<td>3.00</td>
<td>3.09</td>
<td>2.75</td>
</tr>
<tr>
<td>$250,000 or more</td>
<td>-0-</td>
<td>-0-</td>
<td>Up to 1.00</td>
</tr>
</tbody>
</table>

* Due to rounding, the actual sales load you pay may be more or less than that calculated using these percentages.

Class A shares of BNY Mellon Opportunistic Municipal Securities Fund purchased without an initial sales load as part of an investment of $250,000 or more may be assessed at the time of redemption a 1.00% CDSC if redeemed
within one year of the date of purchase. The Distributor may pay Service Agents an up-front commission of up to 1.00% of the net asset value of Class A shares of BNY Mellon Opportunistic Municipal Securities Fund purchased by their clients as part of a $250,000 or more investment in Class A shares that are subject to a CDSC. If the Service Agent waives receipt of such commission, the CDSC applicable to such Class A shares will not be assessed at the time of redemption.

**HOW TO REDEEM SHARES**

*See "Additional Information About How to Redeem Shares" in Part III of this SAI for general information about the redemption of fund shares.*

<table>
<thead>
<tr>
<th>Fund</th>
<th>Services*</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon Appreciation Fund</td>
<td>TeleTransfer Privilege</td>
</tr>
<tr>
<td></td>
<td>Wire Redemption Privilege</td>
</tr>
<tr>
<td>Dreyfus BASIC Money Market Fund</td>
<td>Checkwriting Privilege</td>
</tr>
<tr>
<td></td>
<td>TeleTransfer Privilege</td>
</tr>
<tr>
<td></td>
<td>Wire Redemption Privilege</td>
</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>Checkwriting Privilege</td>
</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td>TeleTransfer Privilege</td>
</tr>
<tr>
<td>General Money Market Fund</td>
<td>Redemption Through an Authorized Entity</td>
</tr>
<tr>
<td>General Municipal Money Market Fund</td>
<td>Wire Redemption Privilege</td>
</tr>
<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
<td>Checkwriting Privilege (Class A and Z shares only)</td>
</tr>
<tr>
<td>General Treasury Securities Money Market Fund</td>
<td>TeleTransfer Privilege</td>
</tr>
<tr>
<td>BNY Mellon Opportunistic Municipal Securities Fund</td>
<td>Redemption Through an Authorized Entity</td>
</tr>
<tr>
<td>BNY Mellon New York AMT-Free Municipal Bond Fund</td>
<td>Reinvestment Privilege</td>
</tr>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td>Wire Redemption Privilege</td>
</tr>
<tr>
<td>BNY Mellon Massachusetts Fund</td>
<td></td>
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<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td></td>
</tr>
<tr>
<td>BNY Mellon Worldwide Growth Fund</td>
<td>TeleTransfer Privilege</td>
</tr>
<tr>
<td></td>
<td>Redemption Through an Authorized Entity</td>
</tr>
<tr>
<td></td>
<td>Reinvestment Privilege</td>
</tr>
<tr>
<td></td>
<td>Wire Redemption Privilege</td>
</tr>
</tbody>
</table>

*Not applicable to BreX Class. Institutional Direct accounts are not eligible for online services.

**Transaction Fees**

*Dreyfus BASIC Money Market Fund.* Because charges may apply to redemptions and exchanges of fund shares in accounts with balances of less than $50,000 at the time of the transaction, the fund may not be an appropriate investment for an investor who does not maintain a $50,000 balance and intends to engage frequently in such transactions. If your account balance is less than $50,000 on the business day immediately preceding the effective date of such transaction, you will be charged $5.00 when you redeem all shares in your account or your account is otherwise closed out. The fee will be deducted from your redemption proceeds and paid to the Transfer Agent. The account closeout fee does not apply to exchanges out of the fund or to wire or TeleTransfer redemptions, for each of which a $5.00 fee applies if your account balance is less than $50,000. Additionally, if your account balance is less than $50,000, you will be charged a $2.00 fee for each redemption check drawn on the account.

**Checkwriting Privilege**

*Dreyfus BASIC Money Market Fund.* Redemption checks may be made payable to the order of any person in the amount of $500 or more. When a check is presented to the Transfer Agent for payment, the Transfer Agent, as your agent, will cause the fund to redeem a sufficient number of shares in your account to cover the amount of the check, and the $2.00 charge described above in "Transaction Fees" and in the fund's prospectus if applicable.
Wire Redemption Privilege

_Dreyfus BASIC Money Market Fund._ The redemption proceeds minimum is $5,000 per day.

_General Funds._ By using the Wire Redemption Privilege, you authorize the fund and the Transfer Agent to act on telephone (including over the Express voice-activated account access system), letter or, with respect to Class A shares of the fund, online redemption instructions, from any person representing himself or herself to be you or a representative of your Service Agent, and reasonably believed by the fund or the Transfer Agent to be genuine.

TeleTransfer Privilege

_Dreyfus BASIC Money Market Fund._ The redemption proceeds minimum is $500.

_General Funds._ The ability to redeem shares online pursuant to the TeleTransfer Privilege is not available to Class B shares of the funds.

Redemption Through an Authorized Entity

_General Funds._ If an Authorized Entity transmits the redemption request so that it is received by the Transfer Agent or its designee by 3:00 p.m., Eastern time, with respect to General California Municipal Money Market Fund, General New York AMT-Free Municipal Money Market Fund, General Municipal Money Market Fund and General Treasury Securities Money Market Fund or by 5:00 p.m. Eastern time, with respect to General Government Securities Money Market Fund and General Money Market Fund, on a business day, the proceeds of the redemption ordinarily will be transmitted in Federal Funds on the same day and the shares will not receive the dividend declared on that day. If a redemption request is received by the Transfer Agent after such time, but by 8:00 p.m., Eastern time, the redemption request will be effective on that day, the shares will receive the dividend declared on that day and the proceeds of redemption ordinarily will be transmitted in Federal Funds on the next business day. If a redemption request is received after 8:00 p.m., Eastern time, the redemption request is effective on the next business day.
SHAREHOLDER SERVICES

The following shareholder services apply to the funds. See "Additional Information About Shareholder Services" in Part III of this SAI for more information.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Services*</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon Worldwide Growth Fund</td>
<td>Fund Exchanges</td>
</tr>
<tr>
<td></td>
<td>Auto-Exchange Privilege</td>
</tr>
<tr>
<td></td>
<td>Automatic Asset Builder</td>
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<td></td>
<td>Government Direct Deposit Privilege</td>
</tr>
<tr>
<td></td>
<td>Payroll Savings Plan</td>
</tr>
<tr>
<td></td>
<td>Dividend Options</td>
</tr>
<tr>
<td></td>
<td>Automatic Withdrawal Plan</td>
</tr>
<tr>
<td></td>
<td>Letter of Intent</td>
</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>Corporate Pension/Profit-Sharing and Retirement Plans</td>
</tr>
<tr>
<td>General Municipal Money Market Fund</td>
<td></td>
</tr>
<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
<td></td>
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<tr>
<td>General Government Securities Money Market Fund</td>
<td></td>
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<tr>
<td>General Treasury Securities Money Market Fund</td>
<td></td>
</tr>
<tr>
<td>General Money Market Fund</td>
<td></td>
</tr>
<tr>
<td>BNY Mellon Appreciation Fund</td>
<td></td>
</tr>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td></td>
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<tr>
<td>BNY Mellon Massachusetts Fund</td>
<td></td>
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<tr>
<td>BNY Mellon Opportunistic Municipal Securities Fund</td>
<td></td>
</tr>
<tr>
<td>BNY Mellon New York AMT-Free Municipal Bond Fund</td>
<td></td>
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<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td></td>
</tr>
<tr>
<td>Dreyfus BASIC Money Market Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund Exchanges</td>
</tr>
<tr>
<td></td>
<td>Dividend Options (Dividend Sweep only)</td>
</tr>
</tbody>
</table>

* Not applicable to Brex Class. Class Y shares (offered by certain funds) only have the Fund Exchanges shareholder service, as described below. Institutional Direct accounts are not eligible for online services.

† Payroll Savings Plan is applicable to Class Z Shares only of BNY Mellon Opportunistic Municipal Securities Fund.
Fund Exchanges

General Funds. To request an exchange, you or your Service Agent acting on your behalf must give exchange instructions to the Transfer Agent in writing, by telephone or, with respect to Class A and Dreyfus Class shares of the funds, online. The ability to issue exchange instructions by telephone is given to shareholders of each fund automatically. By using this privilege, you authorize the fund and the Transfer Agent to act on telephone and, with respect to Class A and Dreyfus Class shares, online instructions (including over the Express voice-activated account access system) from any person representing himself or herself to be you or a representative of your Service Agent, and reasonably believed by the fund or the Transfer Agent to be genuine.

Dreyfus BASIC Money Market Fund. You will be charged a $5.00 fee for each exchange you make out of the fund. This fee will be deducted from your account and paid to the Transfer Agent; however the fund will waive this fee if the closing balance in the shareholder's account on the business day immediately preceding the effective date of such transaction is $50,000 or more.

RULE 12b-1 PLANS AND NON-RULE 12b-1 SERVICES PLANS

The following Plans apply to the funds. See "Administrative Services Plans" below and "Additional Information About Rule 12b-1 Plans and Non-Rule 12b-1 Services Plans" in Part III of this SAI for more information about the Plans.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Class(es)*</th>
<th>Plan (12b-1 or servicing)**</th>
<th>Key Features***</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon Worldwide Growth Fund</td>
<td>Class C</td>
<td>Distribution Plan (12b-1)</td>
<td>The fund pays the Distributor 0.75% for distributing Class C shares. The Distributor may pay one or more Service Agents in respect of advertising, marketing and other distribution services, and determines the amounts, if any, to be paid to Service Agents and the basis on which such payments are made.</td>
</tr>
<tr>
<td>Class A Class C</td>
<td>Class C</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund pays the Distributor 0.25% for the provision of certain services to the shareholders of these classes. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts. Pursuant to the Plan, the Distributor may make payments to certain Service Agents in respect of these services.</td>
</tr>
<tr>
<td>Fund</td>
<td>Class(es)*</td>
<td>Plan (12b-1 or servicing)**</td>
<td>Key Features***</td>
</tr>
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</tr>
<tr>
<td>BNY Mellon Opportunistic Municipal Securities Fund</td>
<td>Class C</td>
<td>Distribution Plan (12b-1)</td>
<td>The fund pays the Distributor 0.75% for distributing Class C shares. The Distributor may pay one or more Service Agents in respect of advertising, marketing and other distribution services, and determines the amounts, if any, to be paid to Service Agents and the basis on which such payments are made.</td>
</tr>
<tr>
<td>BNY Mellon New York AMT-Free Municipal Bond Fund</td>
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</tr>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td>Class A</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund pays the Distributor 0.25% for the provision of certain services to the shareholders of Class A and Class C shares, and pays the Distributor 0.20% for the provision of certain services to the shareholders of Class Z shares. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts. The Distributor may make payments to certain Service Agents in respect of these services.</td>
</tr>
<tr>
<td>BNY Mellon Massachusetts Fund</td>
<td>Class C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td>Class Z</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund reimburses the Distributor an amount not to exceed 0.25% for certain allocated expenses of providing personal services and/or maintaining shareholder accounts for Class Z; these services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts.</td>
</tr>
<tr>
<td>BNY Mellon New York AMT-Free Municipal Bond Fund</td>
<td>Class Z</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund reimburses the Distributor an amount not to exceed 0.25% for certain allocated expenses of providing personal services and/or maintaining shareholder accounts for Class Z; these services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts.</td>
</tr>
<tr>
<td>Fund</td>
<td>Class(es)*</td>
<td>Plan (12b-1 or servicing)**</td>
<td>Key Features***</td>
</tr>
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<td>----------------------------------------------------------------------</td>
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</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td>Class A</td>
<td>Shareholder Services Plans (servicing)†</td>
<td>The fund pays the Distributor 0.20% for the provision of certain services to the holders of Class A shares. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts. Pursuant to the Plan, the Distributor may make payments to certain Service Agents in respect of these services. The fund reimburses the Distributor an amount not to exceed 0.05% for certain allocated expenses of providing certain services to the holders of Class A shares. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts.</td>
</tr>
<tr>
<td>General Money Market Fund</td>
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<tr>
<td>General Treasury Securities Money Market Fund</td>
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<td></td>
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</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>Class A</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund reimburses the Distributor an amount not to exceed 0.25% for certain allocated expenses of providing certain services to the shareholders of these classes. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts.</td>
</tr>
<tr>
<td>General Municipal Money Market Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td>Dreyfus Class</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund reimburses the Distributor an amount not to exceed 0.25% for certain allocated expenses of providing certain services to the shareholders of these classes. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts.</td>
</tr>
<tr>
<td>General Money Market Fund</td>
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<td></td>
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<tr>
<td>General Treasury Securities Money Market Fund</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Fund</td>
<td>Class(es)*</td>
<td>Plan (12b-1 or servicing)**</td>
<td>Key Features***</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
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</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>Class B</td>
<td>Distribution Plan (12b-1)</td>
<td>The fund reimburses the Distributor an amount not to exceed 0.20% for payments made to third parties for distributing Class B shares. The Distributor may make payments to one or more Service Agents in respect of distribution services for Class B shares, and determines the amounts, if any, to be paid to Service Agents and the basis on which such payments are made. Pursuant to the Plan, the fund bears (i) the costs of preparing, printing and distributing prospectuses and SAI s used other than for regulatory purposes or distribution to existing shareholders, and (ii) the costs associated with implementing and operating the Plan (such as costs of printing and mailing service agreements), the aggregate of such amounts not to exceed in any fiscal year of the fund the greater of $100,000 or .005%.</td>
</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td></td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund pays the Distributor 0.25% for the provision of certain services to the holders of Class B shares. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts. Pursuant to the Plan, the Distributor may make payments to Service Agents in respect of these services.</td>
</tr>
<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
<td></td>
<td>Distribution Plan (12b-1)</td>
<td>The fund pays the Distributor 0.25% for distributing Brex Class and advertising and marketing with respect to Brex Class. The Distributor is permitted to pay certain Service Agents in respect of these services.</td>
</tr>
</tbody>
</table>

II-9
<table>
<thead>
<tr>
<th>Fund</th>
<th>Class(es)*</th>
<th>Plan (12b-1 or servicing)**</th>
<th>Key Features***</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government Securities Money Market Fund</td>
<td>Brex Class</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund pays the Distributor 0.25% for the provision of certain services to the holders of Brex Class. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts. Pursuant to the Plan, the Distributor may make payments to certain Service Agents in respect of these services.</td>
</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td>Brex Class</td>
<td>Administrative Services Plan (servicing)</td>
<td>The fund pays the Distributor 0.15% for the provision of certain types of recordkeeping and other related services to the shareholders of this class. Pursuant to the Plan, the Distributor may make payments to certain Service Agents in respect of these services.</td>
</tr>
<tr>
<td>BNY Mellon Appreciation Fund</td>
<td>Investor shares</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund pays the Distributor 0.25% for the provision of certain services to the holders of Investor shares. Services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts. Pursuant to the Plan, the Distributor may make payments to certain Service Agents in respect of these services.</td>
</tr>
<tr>
<td>Dreyfus BASIC Money Market Fund</td>
<td>N/A</td>
<td>Shareholder Services Plan (servicing)</td>
<td>The fund reimburses the Distributor an amount not to exceed 0.25% for certain allocated expenses of providing personal services and/or maintaining shareholder accounts; these services may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the fund, and services related to the maintenance of shareholder accounts.</td>
</tr>
</tbody>
</table>

*As applicable to the funds listed (not all funds have all classes shown).

**The parenthetical indicates whether the Plan is pursuant to Rule 12b-1 under the 1940 Act or is a type of servicing plan not adopted pursuant to Rule 12b-1.

***Amounts expressed as an annual rate as a percentage of the value of the average daily net assets attributable to
the indicated class of fund shares or the fund, as applicable.

Effective May 31, 2019, the fund terminated its Service Plan adopted pursuant to Rule 12b-1 under the 1940 Act and adopted a compensation Shareholder Services Plan, with respect to Class A shares and reduced the maximum amount the fund is permitted to reimburse the Distributor for providing certain services to the holders Class A shares, from an annual rate of up to 0.25% to an annual rate of up to 0.05% of the value of the average daily net assets attributable to the fund's Class A shares.

ADMINISTRATIVE SERVICES PLANS

Administrative Services Plan. General Government Securities Money Market Fund. The fund has adopted an Administrative Services Plan pursuant to which the fund may pay the Distributor for the provision of certain recordkeeping and other related services (which are not services for which a "service fee" as defined under the Conduct Rules of FINRA is intended to compensate). Depending on the class of fund shares, these services may include: providing beneficial owners with statements showing their position in the fund; mailing periodic reports, prospectuses and other fund communications to beneficial owners; disbursements on non-resident alien accounts; reinvesting dividends and capital gain distributions; preparing and delivering to beneficial owners, and state and federal authorities, including the IRS and the SEC, such information respecting dividends and distributions paid by the fund as may be required by law, rule or regulation; withholding on dividends and distributions as may be required by state or Federal authorities from time to time; receiving, tabulating, and transmitting proxies executed by beneficial owners; providing sweep functionality services (i.e., systematic allocation); technical support; maintaining fund data on platform; processing (i.e., aggregating) purchase and redemption transactions; trade reconciliation; manual transaction processing; transmitting wires; client onboarding; anti-money laundering and related regulatory oversight; fund statistical reporting; blue sky support; and providing such other related services, including such other recordkeeping and sub-accounting services, as the Fund may reasonably request. The Distributor is permitted to pay certain Service Agents in respect of these services and determines the amounts to be paid to Service Agents and the basis on which such payments are made. Payments to a Service Agent are subject to compliance by the Service Agent with the terms of any agreement between the Service Agent and the Distributor related to the provision of such services by the Service Agent to its clients who are beneficial owners of shares of the fund subject to the Administrative Services Plan.

General Government Securities Money Market Fund has adopted an Administrative Services Plan with respect to Brex Class pursuant to which the fund pays the Distributor a fee at the annual rate of 0.15% of the value of the average daily net assets attributable to the fund's Brex Class for the provision of certain types of recordkeeping and other related services. These services include for Brex Class, at a minimum: client onboarding; anti-money laundering and related regulatory oversight; manual transaction processing; disbursements on dividends and capital gain distributions; transmitting wires; fund statistical reporting; and blue sky support.

A written quarterly report of the amounts expended under the Administrative Services Plan, and the purposes for which such expenditures were incurred, must be made to the fund's board for its review. In addition, the plan provides that material amendments must be approved by the board and by a majority of the board members who are Independent Board Members of the fund and have no direct or indirect financial interest in the operation of the plan or in any agreements entered into in connection with the plan, by vote cast in person at a meeting called for the purpose of considering such amendments. The Administrative Services Plan is subject to annual approval by such vote of the board members cast in person at a meeting called for the purpose of voting on the plan. As to each class of shares, the Administrative Services Plan is terminable at any time by vote of a majority of the board members who are Independent Board Members of the fund and have no direct or indirect financial interest in the operation of the plan or in any agreements entered into in connection with the plan.
INVESTMENTS, INVESTMENT TECHNIQUES AND RISKS

The following charts, which supplement and should be read together with the information in the prospectus, indicate some of the specific investments and investment techniques applicable to your fund. Additional policies and restrictions are described in the prospectus and below in the next section (see "Investment Restrictions"). See "Additional Information About Investments, Investment Techniques and Risks" in Part III of this SAI for more information, including important risk disclosure, about the investments and investment techniques applicable to your fund.

Funds other than Money Market Funds

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</table>

1 Includes common and preferred stock, convertible securities and warrants. BNY Mellon Appreciation Fund is limited to investing up to 2% of its net assets in warrants, and BNY Mellon Worldwide Growth Fund is limited to investing up to 5% of its net assets in warrants, except that as to each fund this limitation does not apply to warrants purchased by the fund that are sold in units with, or attached to, other securities.  


3 Except for BNY Mellon Worldwide Growth Fund, municipal securities only.  

BNY Mellon Worldwide Growth Fund currently intends to invest less than 35% of its assets in high yield and lower-rated securities.

For each of BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund, BNY Mellon Worldwide Growth Fund and the BNY Mellon State Funds, the credit risk factors pertaining to lower-rated securities also apply to lower-rated zero coupon, pay-in-kind and step-up securities, in which the fund may invest up to 5% of its total assets.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Variable and Floating Rate Securities</th>
<th>Loans</th>
<th>Mortgage-Related Securities</th>
<th>Asset-Backed Securities</th>
<th>Collateralized Debt Obligations</th>
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</table>
For BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund, (1) when the Adviser determines that adverse market conditions exist, the fund may adopt a temporary defensive position and invest up to 100% of its assets in money market instruments, and (2) the fund also may purchase money market instruments when it has cash reserves or in anticipation of taking a market position.

For BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and the BNY Mellon State Funds, from time to time, on a temporary basis other than for temporary defensive purposes (but not to exceed 20% of the value of the fund's net assets) or for temporary defensive purposes, the fund may invest in taxable short-term investments ("Taxable Investments") consisting of: notes of issuers having, at the time of purchase, a quality rating within the two highest grades of a Rating Agency; obligations of the U.S. Government, its agencies or instrumentalities; commercial paper rated not lower than P-1 by Moody's, A-1 by S&P or F-1 by Fitch; certificates of deposit of U.S. domestic banks, including foreign branches of domestic banks, with assets of $1 billion or more; time deposits; bankers' acceptances and other short-term bank obligations; and repurchase agreements in respect of any of the foregoing. When BNY Mellon Opportunistic Municipal Securities Fund has adopted a temporary defensive position, including when acceptable Municipal Bonds are unavailable for investment by the fund, more than 20% of the fund's net assets may be invested in securities that are not exempt from federal income tax. When BNY Mellon New York AMT-Free Municipal Bond Fund has adopted a temporary defensive position, including when acceptable New York Municipal Bonds are unavailable for investment by the fund, more than 20% of the fund's net assets may be invested in securities that are not exempt from New York State and New York City personal income taxes. When a BNY Mellon State Fund has adopted a temporary defensive position, including when acceptable State Municipal Bonds are unavailable for investment by the fund, more than 20% of the fund's net assets may be invested in securities that are not exempt from federal and, where applicable, State personal income taxes. Under normal market conditions, each fund anticipates that not more than 5% of the value of its total assets will be invested in any one category of Taxable Investments.

The fund may invest up to 10% of the value of its assets in securities of foreign governments and foreign companies which are not publicly traded in the United States.

The fund may invest in U.S. dollar-denominated ADRs and New York Shares only.
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<tr>
<th>Fund</th>
<th>Municipal Securities</th>
<th>Funding Agreements</th>
<th>REITs</th>
<th>Money Market Instruments</th>
<th>Foreign Securities</th>
<th>Emerging Markets</th>
<th>Depositary Receipts</th>
<th>Sovereign Debt Obligations and Brady Bonds</th>
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* BNY Mellon Appreciation Fund may only write (i.e., sell) covered call option contracts to the extent of 20% of the value of its net assets at the time such option contracts are written and purchase call options and may not purchase put options.

Each of BNY Mellon Opportunistic Municipal Securities Fund and BNY Mellon New York AMT-Free Municipal Bond Fund (1) is limited to investing 5% of its assets, represented by the premium paid, in the purchase of call and put options and (2) may write (i.e., sell) covered call and put option contracts to the extent of 20% of the value of its net assets at the time such option contracts are written.
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<tr>
<th>Fund</th>
<th>Swap Transactions</th>
<th>Credit Linked Securities</th>
<th>Credit Derivatives</th>
<th>Structured Securities and Hybrid Instruments</th>
<th>Participation Notes</th>
<th>Custodial Receipts</th>
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8 BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and the BNY Mellon State Funds (1) will not sell securities short if, after effect is given to any such short sale, the total market value of all securities sold short would exceed 25% of the value of the fund's net assets, (2) may not make a short sale which results in the fund having sold short in the aggregate more than 5% of the outstanding securities of any class of an issuer, and (3) at no time will more than 15% of the value of the fund's net assets be in deposits on short sales against the box.

9 Except for BNY Mellon New York AMT-Free Municipal Bond Fund, each fund currently intends to borrow money only for temporary or emergency (not leveraging) purposes, in an amount up to 15% of the value of its total assets (including the amount borrowed) valued at the lesser of cost or market, less liabilities (not including the amount borrowed) at the time the borrowing is made.

BNY Mellon New York AMT-Free Municipal Bond Fund may borrow from banks, but only for temporary or emergency (not leveraging) purposes, in an amount up to 15% of the value of its total assets (including the amount borrowed) valued at the lesser of cost or market, less liabilities (not including the amount borrowed) at the time the borrowing is made.
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<tr>
<th>Fund</th>
<th>Borrowing Money for Leverage</th>
<th>Reverse Repurchase Agreements</th>
<th>Forward Commitments</th>
<th>Forward Roll Transactions</th>
<th>Illiquid Securities</th>
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### Money Market Funds

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<th>U.S. Government Securities&lt;sup&gt;10&lt;/sup&gt;</th>
<th>Repurchase Agreements&lt;sup&gt;10, 11&lt;/sup&gt;</th>
<th>Bank Obligations&lt;sup&gt;10, 12&lt;/sup&gt;</th>
<th>Participation Interests</th>
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<sup>10</sup> For General California Municipal Money Market Fund, General Municipal Money Market Fund and General New York AMT-Free Municipal Money Market Fund, see the definition of Money Fund Taxable Investments following this chart.

<sup>11</sup> For Dreyfus BASIC Money Market Fund and General Money Market Fund, these repurchase agreements may be collateralized by securities other than U.S. Government securities, such as corporate bonds, asset-backed securities and privately-issued mortgage-related securities, of investment grade or below investment grade credit quality, and, for Dreyfus BASIC Money Market Fund and General Money Market Fund only, equity securities ("credit and/or equity collateral").

<sup>12</sup> Dreyfus BASIC Money Market Fund normally will invest at least 25% of its net assets in domestic or dollar-denominated foreign bank obligations.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Asset-Backed Securities</th>
<th>Commercial Paper</th>
<th>Investment Companies</th>
<th>Municipal Securities</th>
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<td>✓</td>
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<td>✓(^{14})</td>
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<tr>
<td>General Municipal Money Market Fund</td>
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<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
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<td>✓</td>
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<tr>
<td>General Treasury Securities Money Market Fund</td>
<td></td>
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<td>✓</td>
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</table>

\(^{13}\) The fund may invest in Municipal Obligations, the ratings of which correspond with the ratings of other permissible investments for the fund. The fund currently intends to invest no more than 25% of its total assets in Municipal Obligations; however, this percentage may be varied from time to time without shareholder approval.

\(^{14}\) General Money Market Fund may only invest in U.S. dollar denominated securities issued by foreign governments, or any of their political subdivisions, agencies or instrumentalities, and by foreign subsidiaries and foreign branches of domestic banks, domestic and foreign branches of foreign banks, and commercial paper issued by foreign issuers.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Illiquid Securities</th>
<th>Borrowing Money&lt;sup&gt;15&lt;/sup&gt;</th>
<th>Reverse Repurchase Agreements</th>
<th>Forward Commitments</th>
<th>Interfund Borrowing and Lending Program</th>
<th>Lending Portfolio Securities&lt;sup&gt;16&lt;/sup&gt;</th>
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<tr>
<td>General Government Securities Money Market Fund</td>
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<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
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</tbody>
</table>

<sup>15</sup> Dreyfus BASIC Money Market Fund currently intends to borrow money only for temporary or emergency (not leveraging) purposes; however, the fund may borrow for investment purposes on a secured basis through entering into reverse repurchase agreements.

General California Municipal Money Market Fund, General Municipal Money Market Fund and General New York AMT-Free Municipal Money Market Fund each currently intends to borrow money from banks for temporary or emergency (not leveraging) purposes, in an amount up to 15% of the value of its total assets (including the amount borrowed) valued at the lesser of cost or market, less liabilities (not including the amount borrowed) at the time the borrowing is made.

General Money Market Fund, General Government Securities Money Market Fund and General Treasury Securities Money Market Fund may borrow money from banks for temporary or emergency (not leveraging) purposes, in an amount up to 15% of the value of its total assets (including the amount borrowed) valued at the lesser of cost or market, less liabilities (not including the amount borrowed) at the time the borrowing is made.

<sup>16</sup> Other than pursuant to the Interfund Borrowing and Lending Program.

For General California Municipal Money Market Fund, General Municipal Money Market Fund and General New York AMT-Free Municipal Money Market Fund, from time to time, on a temporary basis other than for temporary defensive purposes (but not to exceed 20% of the value of the fund's net assets) or for temporary defensive purposes, the fund may invest in taxable short-term investments ("Money Fund Taxable Investments") consisting of: notes of issuers having, at the time of purchase, a quality rating within the two highest grades of a Rating Agency; obligations of the U.S. Government, its agencies or instrumentalities; commercial paper rated not lower than P-2 by Moody's, A-2 by S&P or F-2 by Fitch; certificates of deposit of U.S. domestic banks, including foreign branches of domestic banks, with assets of $1 billion or more; time deposits; bankers' acceptances and other short-term bank obligations; and repurchase agreements in respect of any of the foregoing. When General California Municipal Money Market Fund or General New York AMT-Free Municipal Money Market Fund has adopted a temporary defensive position, including when acceptable California or New York Municipal Obligations, respectively, are unavailable for investment by the relevant fund, more than 20% of the fund's net assets may be invested in securities that are not exempt from California or New York State and New York City income taxes, respectively. Under normal market conditions, each fund anticipates that not more than 5% of the value of its total assets will be invested in any one category of Money Fund Taxable Investments.
Notwithstanding anything in this SAI to the contrary, the money market funds are limited to investing in high quality securities that BNYM Investment Adviser has determined present minimal credit risks.

INVESTMENT RESTRICTIONS

"Fundamental Policies" may not be changed without approval of the holders of a majority of the fund's outstanding voting securities (as defined in the 1940 Act). "Nonfundamental Policies" may be changed at any time, without shareholder approval, by a vote of a majority of the board members and in compliance with applicable law and regulatory policy.

Fundamental Policies

As a matter of Fundamental Policy, each fund, as indicated, may not:

1. **Borrowing**

   - **BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund and BNY Mellon Pennsylvania Fund.** Borrow money, except to the extent permitted under the 1940 Act (which currently limits borrowing to no more than 33-1/3% of the value of the fund's total assets). Transactions in futures and options and the entry into short sales transactions do not involve any borrowing for purposes of this Fundamental Policy.


   - **BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.** Borrow money, except to the extent permitted under the 1940 Act (which currently limits borrowing to no more than 33-1/3% of the value of the fund's total assets). For purposes of this Fundamental Policy, the entry into options, forward contracts, futures contracts, including those relating to indices, and options on futures contracts or indices shall not constitute borrowing.

   - **Dreyfus BASIC Money Market Fund.** Borrow money, except to the extent the fund maintains continuous asset coverage (that is, total borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed.

   - **BNY Mellon New York AMT-Free Municipal Bond Fund.** Borrow money, except from banks for temporary or emergency (not leveraging) purposes in an amount up to 15% of the value of the fund's total assets (including the amount borrowed) based on the lesser of cost or market, less liabilities (not including the amount borrowed) at the time the borrowing is made. While borrowings exceed 5% of the value of the fund's total assets, the fund will not make any additional investments. Transactions in futures and options and the entry into short sales transactions do not involve any borrowing for purposes of this restriction.

2. **Commodities**

   - **BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.** Invest in commodities, except that the fund may purchase and sell options, forward contracts, futures contracts, including those relating to indices, and options on futures contracts or indices.

   - **General Treasury Securities Money Market Fund.** Invest in commodities.

3. **Issuer Diversification**

   - **BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.** Hold more than 10% of the outstanding voting securities of any single issuer. This Fundamental Policy applies only with respect to 75% of the fund's total assets.
BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund. Invest more than 5% of its assets in the obligations of any single issuer, except that up to 25% of the value of the fund's total assets may be invested, and securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities may be purchased, without regard to any such limitation.

Dreyfus BASIC Money Market Fund. Invest more than 5% of its assets in the obligations of any single issuer, except that up to 25% of the value of the fund's total assets may be invested without regard to any such limitation.

General Money Market Fund. Invest more than 15% of its assets in the obligations of any one bank, or invest more than 5% of its assets in the commercial papers of any one issuer. Notwithstanding the foregoing, to the extent required by the rules of the SEC, the fund will not invest more than 5% of its assets in the obligations of any one bank.

General Treasury Securities Money Market Fund. Invest more than 5% of its assets in the obligations of any one issuer, except that up to 25% of the value of the fund's total assets may be invested without regard to any such limitation. This restriction does not apply to the purchase of U.S. Government securities.

General Municipal Money Market Fund. Purchase more than 10% of the voting securities of any issuer. This restriction applies only with respect to 75% of the fund's total assets.

(See the end of this section for information regarding issuer diversification requirements applicable to money market funds.)

4. Industry Concentration

BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and BNY Mellon Pennsylvania Fund. Invest more than 25% of its total assets in the securities of issuers in any single industry; provided that there shall be no such limitation on the purchase of Municipal Bonds and, for temporary defensive purposes, obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities. For purposes of this Fundamental Policy, industrial development bonds, where the payment of principal and interest is the ultimate responsibility of companies within the same industry, are grouped together as an "industry."

BNY Mellon Appreciation Fund. Concentrate its investments in any particular industry or industries, except that the fund may invest up to 25% of the value of its total assets in a single industry, provided that, when the fund has adopted a defensive posture, there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, time deposits and certificates of deposit (including those issued by foreign branches of domestic banks), and bankers' acceptances.

Dreyfus BASIC Money Market Fund. Invest less than 25% of its total assets in securities issued by banks or invest more than 25% of its assets in the securities of issuers in any other industry, provided that there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Notwithstanding the foregoing, for temporary defensive purposes the fund may invest less than 25% of its assets in bank obligations.

BNY Mellon Opportunistic Municipal Securities Fund. Invest more than 15% of its assets in the obligations of any one bank for temporary defensive purposes, or invest more than 5% of its assets in the obligations of any other issuer, except that up to 25% of the value of the fund's total assets may be invested, and securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities may be purchased, without regard to any such limitations. Notwithstanding the foregoing, to the extent required by the rules of the SEC, the fund will not invest more than 5% of its assets in the obligations of any one bank, except that up to 25% of the value of the fund's total assets may be invested without regard to such limitation.

General Municipal Money Market Fund. Invest more than 15% of its assets in the obligations of any one bank, or invest more than 5% of its assets in the obligations of any other issuer, except that up to 25% of the value of the fund's total assets may be invested, and securities issued or guaranteed by the U.S. Government or its
agencies or instrumentalities may be purchased, without regard to any such limitations. Notwithstanding the
foregoing, to the extent required by the rules of the SEC, the fund will not invest more than 5% of its assets in
the obligations of any one bank, except that up to 25% of the value of the fund's total assets may be invested
without regard to such limitation.

BNY Mellon Worldwide Growth Fund. Concentrate its investments in any particular industry or industries,
except that the fund may invest up to 25% of the value of its total assets in a single industry, provided that,
when the fund has adopted a defensive posture, there shall be no limitation on the purchase of obligations issued
or guaranteed by the U.S. Government, its agencies or instrumentalities.

General California Municipal Money Market Fund and General New York AMT-Free Municipal Money Market
Fund. Invest more than 25% of its total assets in the securities of issuers in any single industry; provided that
there shall be no such limitation on the purchase of Municipal Obligations and, for temporary defensive
purposes, securities issued by domestic banks and obligations issued or guaranteed by the U.S. Government, its
agencies or instrumentalities. For purposes of this Fundamental Policy, industrial development bonds, where
the payment of principal and interest is the ultimate responsibility of companies within the same industry, are
grouped together as an industry.

General Government Securities Money Market Fund. Invest more than 25% of its assets in the securities of
issuers in any industry, provided that there shall be no limitation on investments in obligations issued or
guaranteed as to principal and interest by the U.S. Government.

General Money Market Fund. Invest less than 25% of its assets in securities issued by banks or invest more
than 25% of its assets in the securities of issuers in any other industry, provided that there shall be no limitation
on the purchase of obligations issued or guaranteed by the U.S. Government.

General Municipal Money Market Fund. Invest more than 25% of its assets in the securities of issuers in any
single industry; provided that there shall be no limitation on the purchase of Municipal Obligations and, for
defensive purposes, securities issued by banks and obligations issued or guaranteed by the U.S. Government, its
agencies or instrumentalities. For purposes of this Fundamental Policy, industrial development bonds, where
the payment of principal and interest is the ultimate responsibility of companies within the same industry, are
grouped together as an industry.

General Treasury Securities Money Market Fund. Invest more than 25% of its assets in the securities of issuers
in any industry, provided that there shall be no limitation on the purchase of obligations issued or guaranteed by
the U.S. Government.

5. Loans

BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal
Make loans to others except through the purchase of qualified debt obligations and the entry into repurchase
agreements referred to in this SAI in the fund's prospectus; however, the fund may lend its portfolio securities in
an amount not to exceed 33-1/3% of the value of the fund's total assets. Any loans of portfolio securities will be
made according to guidelines established by the SEC and the board.

General Government Securities Money Market Fund, General Money Market Fund and General Treasury
Securities Money Market Fund. Lend any securities or make loans to others, except to the extent permitted
under the 1940 Act (which currently limits such loans to no more than 33-1/3% of the value of the fund's total
assets). For purposes of this Fundamental Policy, the purchase of debt obligations (including acquisitions of
loans, loan participations or other forms of debt instruments) and the entry into repurchase agreements shall not
constitute loans by the fund. Any loans of portfolio securities will be made according to guidelines established
by the SEC and the board.

General California Municipal Money Market Fund, General Municipal Money Market Fund and General New
York AMT-Free Municipal Money Market Fund. Lend any security or make loans to others if, as a result, more
than 33-1/3% of its total assets would be lent to others, except that this limitation does not apply to the purchase of qualified debt obligations and the entry into repurchase agreements.

**BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.** Make loans to others, except through the purchase of debt obligations and the entry into repurchase agreements. However, the fund may lend its portfolio securities in an amount not to exceed 33-1/3% of the value of its total assets. Any loans of portfolio securities will be made according to guidelines established by the SEC and the board.

**Dreyfus BASIC Money Market Fund.** Lend any securities or make loans to others, except to the extent permitted under the 1940 Act (which currently limits such loans to no more than 33-1/3% of the value of the fund's total assets), and except as otherwise permitted by interpretations or modifications by, or exemptive or other relief from, the SEC or other authority with appropriate jurisdiction, and disclosed to investors. For purposes of this Fundamental Policy, the purchase of debt obligations (including acquisitions of loans, loan participations or other forms of debt instruments) and the entry into repurchase agreements shall not constitute loans by the fund. Any loans of portfolio securities will be made according to guidelines established by the SEC and the board.

6. **Margin; Short Sales**

**BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and BNY Mellon Pennsylvania Fund.** Purchase securities on margin, but may make margin deposits in connection with transactions in futures, including those related to indices, and options on futures or indices.

**BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.** Purchase securities on margin, but the fund may make margin deposits in connection with transactions in options, forward contracts, futures contracts, including those relating to indices, and options on futures contracts or indices.

**General Treasury Securities Money Market Fund.** Purchase or sell securities on margin.

**General Government Securities Money Market Fund.** Sell securities short or purchase securities on margin.

**General Money Market Fund.** Sell securities short.

7. **Puts/Calls**

**General Government Securities Money Market Fund and General Money Market Fund.** Write or purchase put or call options.

8. **Real Estate**

**BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and BNY Mellon Pennsylvania Fund.** Purchase or sell real estate, real estate investment trust securities, commodities or commodity contracts, or oil and gas interests, but this shall not prevent the fund from investing in Municipal Bonds secured by real estate or interests therein, or prevent the fund from purchasing and selling futures contracts, including those relating to indices, and options on futures contracts or indices.

**General California Municipal Money Market Fund, General Municipal Money Market Fund and General New York AMT-Free Municipal Money Market Fund.** Purchase or sell real estate, real estate investment trust securities, commodities or commodity contracts, or oil and gas interests, but this shall not prevent the fund from investing in Municipal Obligations secured by real estate or interests therein.

**BNY Mellon Appreciation Fund, BNY Mellon Worldwide Growth Fund and General Treasury Securities Money Market Fund.** Purchase, hold or deal in real estate, or oil, gas or other mineral leases or exploration or development programs, but the fund may purchase and sell securities that are secured by real estate or issued by companies that invest or deal in real estate.
**Dreyfus BASIC Money Market Fund.** Purchase or sell real estate, real estate investment trust securities, commodities or commodity contracts, or oil and gas interests, except that the fund may purchase or sell futures contracts, including those relating to indices, and options on futures contracts or indices.

**General Government Securities Money Market Fund.** Purchase or sell real estate, REIT securities, commodities, or oil and gas interests.

**General Money Market Fund.** Purchase or sell real estate investment trust securities, commodities, or oil and gas interests.

9. **Senior Securities**

**BNY Mellon Appreciation Fund and Dreyfus BASIC Money Market Fund.** Issue any senior security (as such term is defined in Section 18(f) of the 1940 Act), except to the extent the activities permitted by Fundamental Policy Nos. 1 and 8 and Nonfundamental Policy No. 2 may be deemed to give rise to a senior security.

**BNY Mellon Worldwide Growth Fund.** Issue any senior security (as such term is defined in Section 18(f) of the 1940 Act), except to the extent the activities permitted by Fundamental Policy Nos. 1 and 2 and Nonfundamental Policy No. 2 may be deemed to give rise to a senior security.

**General Treasury Securities Money Market Fund.** Issue any senior security (as such term is defined in Section 18(f) of the 1940 Act).

10. **Underwriting**

**BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and BNY Mellon Pennsylvania Fund.** Underwrite the securities of other issuers, except that the fund may bid separately or as part of a group for the purchase of Municipal Bonds directly from an issuer for its own portfolio to take advantage of the lower purchase price available, and except to the extent the fund may be deemed an underwriter under the Securities Act by virtue of disposing of portfolio securities.

**BNY Mellon Appreciation Fund, Dreyfus BASIC Money Market Fund, BNY Mellon Worldwide Growth Fund and General Treasury Securities Money Market Fund.** Act as an underwriter of securities of other issuers, except to the extent the fund may be deemed an underwriter under the Securities Act by virtue of disposing of portfolio securities.

**General California Municipal Money Market Fund, General Municipal Money Market Fund and General New York AMT-Free Municipal Money Market Fund.** Act as underwriter of securities of other issuers, except (i) the fund may bid separately or as part of a group for the purchase of Municipal Obligations directly from an issuer for its own portfolio to take advantage of the lower purchase price available, and (ii) to the extent the fund may be deemed an underwriter under the Securities Act by virtue of disposing of portfolio securities.

**General Government Securities Money Market Fund and General Money Market Fund.** Underwrite the securities of other issuers.

11. **Investing for Control**


12. **Pledging Assets**

**BNY Mellon New York AMT-Free Municipal Bond Fund.** Pledge, hypothecate, mortgage or otherwise encumber its assets, except to secure borrowings for temporary or emergency purposes. The deposit of assets in escrow in connection with the writing of covered put and call options and the purchase of securities on a when-
issued or delayed-delivery basis and collateral arrangements with respect to initial or variation margin for futures contracts and options on futures contracts or indices will not be deemed to be pledges of the fund's assets.

*General Money Market Fund.* Pledge its assets, except in an amount up to 15% of the value of its total assets but only to secure borrowings for temporary or emergency purposes.

13. **Other**

*BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund, BNY Mellon New York AMT-Free Municipal Bond Fund and BNY Mellon Pennsylvania Fund.* Purchase securities other than Municipal Bonds and Taxable Investments as those terms are defined in this SAI and in the fund's prospectus and those arising out of transactions in futures and options.

*General Government Securities Money Market Fund.* Purchase common stocks, preferred stocks, warrants or other equity securities, or purchase corporate bonds or debentures, state bonds, Municipal Bonds or industrial revenue bonds.

In addition to the Fundamental Policies described above, the following Fundamental Policy also applies to BNY Mellon Appreciation Fund: The fund may invest, notwithstanding any other Policy (whether or not Fundamental), all of the Fund's assets in the securities of a single open-end management investment company with substantially the same investment objectives, fundamental policies and restrictions as the fund.


- Municipal Bonds or Municipal Obligations backed principally by assets and revenues of non-governmental issuers are grouped together as an "industry;" and

- Municipal Bonds or Municipal Obligations, where the payment of principal and interest for such securities is derived solely from a specific project, are grouped together as an "industry."

Money market funds are subject to the requirements of Rule 2a-7 under the 1940 Act, including issuer diversification requirements. These requirements are complex but, generally, immediately after the acquisition of any security:

- a money market fund other than a single state municipal money market fund must not have invested more than (1) 5% of its total assets in securities issued by the issuer of the security and (2) 10% of its total assets in securities issued by or subject to demand features or guarantees from the institution that issued the demand feature or guarantee (a tax exempt fund need only comply with this 10% requirement with respect to 85% of its assets)

- a single state fund must not have invested: (1) with respect to 75% of its total assets, more than 5% of its total assets in securities issued by the issuer of the securities and (2) with respect to 75% of its total assets, more than 10% of its total assets in securities issued by or subject to demand features or guarantees from the institution that issued the demand features or guarantee

The requirements outlined above are subject to a number of qualifications and exceptions.

Unless "net assets" are stated, references to a percentage of the "assets" of a fund included in the Fundamental Policies described above should be considered to mean the "total assets" of that fund.

References to "commodities" or "commodity contracts" in the Fundamental Policies described above are to physical commodities or contracts in respect of physical commodities, typically natural resources or agricultural products,
and are not intended to refer to instruments that are strictly financial in nature and are not related to the purchase or delivery of physical commodities.

The funds' Fundamental Policies will be interpreted broadly. For example, the policies will be interpreted to refer to the 1940 Act and the related rules as they are in effect from time to time, and to interpretations and modifications of or relating to the 1940 Act by the SEC and others as they are given from time to time. When a Fundamental Policy provides that an investment practice may be conducted as permitted by the 1940 Act, this will be interpreted to mean that the investment practice is either (i) expressly permitted by the 1940 Act or (ii) not expressly prohibited by the 1940 Act.

Notwithstanding investments and activities referenced in the Fundamental Policies of any fund, no fund will invest in a manner, or engage in activities, inconsistent with or not permitted by the fund's investment strategy and policies as described in the fund's prospectus and this SAI (and, for money market funds, Rule 2a-7 under the 1940 Act).

Nonfundamental Policies

Each fund, as indicated, may not:

1. **Investing for Control**


   *BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.* Invest in the securities of a company for the purpose of exercising management or control, but the fund will vote the securities it owns in its portfolio as a shareholder in accordance with its views.

2. **Pledging Assets**

   *BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund, BNY Mellon Opportunistic Municipal Securities Fund and BNY Mellon Pennsylvania Fund.* Pledge, hypothecate, mortgage or otherwise encumber its assets, except to the extent necessary to secure permitted borrowings. The deposit of assets in escrow in connection with the writing of covered put and call options and the purchase of securities on a when-issued or delayed-delivery basis and collateral arrangements with respect to initial or variation margin for futures contracts and options on futures contracts or indices will not be deemed to be pledges of assets.


   *General Government Securities Money Market Fund.* Pledge, hypothecate, mortgage or otherwise encumber its assets, except to the extent necessary to secure permitted borrowings and to facilitate engaging in repurchase agreement transactions.

   *BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.* Pledge, mortgage or hypothecate its assets, except to the extent necessary to secure permitted borrowings and to the extent related to the deposit of assets in escrow in connection with writing covered put and call options and the purchase of securities on a when-issued or forward commitment basis and collateral and initial or variation margin arrangements with respect to options, forward contracts, futures contracts, including those relating to indices, and options on futures contracts or indices.

   *Dreyfus BASIC Money Market Fund.* Pledge, hypothecate, mortgage or otherwise encumber its assets, except to the extent necessary to secure permitted borrowings; to facilitate engaging in repurchase agreement transactions; and to the extent related to the deposit of assets in escrow in connection with portfolio transactions, such as in connection with writing covered options and the purchase of securities on a when-issued or forward commitment basis and collateral and initial or variation margin arrangements with respect to options, futures contracts, including those relating to indices, and options on futures contracts or indices.
**General Municipal Money Market Fund.** Pledge, hypothecate, mortgage or otherwise encumber its assets, except to the extent necessary to secure permitted borrowings and in connection with the purchase of securities on a when-issued or forward commitment basis.

3. **Purchase Securities of Other Investment Companies**

*General Municipal Money Market Fund.* Invest in securities of other investment companies, except to the extent permitted under the 1940 Act.


4. **Illiquid Investments**

*BNY Mellon Connecticut Fund, BNY Mellon Massachusetts Fund and BNY Mellon Pennsylvania Fund.* Enter into repurchase agreements providing for settlement in more than seven days after notice or purchase securities which are illiquid (which securities could include participation interests that are not subject to the demand feature described in the fund's prospectus and floating and variable rate demand obligations as to which the fund cannot exercise the demand feature described in the fund's prospectus on not more than seven days' notice if there is no secondary market), if, in the aggregate, more than 15% of the value of the fund's net assets would be so invested.

*General California Municipal Money Market Fund, General Government Securities Money Market Fund, General Money Market Fund, General Municipal Money Market Fund and General New York AMT-Free Municipal Money Market Fund.* Enter into repurchase agreements providing for settlement in more than seven days after notice or purchase securities which are illiquid, if, in the aggregate, more than 5% of the value of the fund's net assets would be so invested.

*BNY Mellon Opportunistic Municipal Securities Fund and BNY Mellon New York AMT-Free Municipal Bond Fund.* Enter into repurchase agreements providing for settlement in more than seven days after notice or purchase securities which are illiquid (which securities could include participation interests that are not subject to the demand feature described in the fund's prospectus and floating and variable rate demand obligations as to which no secondary market exists and the fund cannot exercise the demand feature described in the fund's prospectus on less than seven days' notice), if, in the aggregate, more than 15% of the value of the fund's net assets would be so invested.

*BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund.* Enter into repurchase agreements providing for settlement in more than seven days after notice or purchase securities which are illiquid, if, in the aggregate, more than 15% of the value of the fund's net assets would be so invested.

*Dreyfus BASIC Money Market Fund.* Enter into repurchase agreements providing for settlement in more than seven days after notice or purchase securities which are illiquid, if, in the aggregate, more than 5% of the value of the fund's net assets would be so invested.

*General Treasury Securities Money Market Fund.* Enter into repurchase agreements.

5. **Margin; Short Sales**


6. **Puts/Calls**
Dreyfus BASIC Money Market Fund. Write or purchase put or call options or combinations thereof.

BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund. Purchase, sell or write puts, calls or combinations thereof, except as described in the fund's prospectus and this SAI.

7. Other

BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund. The fund may not purchase or retain the securities of any issuer if the officers or board members of the fund or the Advisers who own beneficially more than 1/2 of 1% of the securities of such issuer together own beneficially more than 5% of the securities of such issuer.

BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund. Purchase securities of any company having less than three years' continuous operations (including operations of any predecessor) if such purchase would cause the value of the fund's investments in all such companies to exceed 5% of the value of its total assets.

Dreyfus BASIC Money Market Fund. Purchase common stocks, preferred stocks, warrants or other equity securities, or purchase corporate bonds or debentures (except through the purchase of debt obligations referred to in this SAI and in the prospectus).

General Money Market Fund. Invest in debt securities issued by states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, or multistate agencies or authorities, and certain other specified municipal securities, and other money market instruments, except to the extent such investments meet the quality and maturity requirements under the 1940 Act that money markets must meet to be eligible investments for the fund, and are consistent with the fund's investment objective. Any such investment would be subject to prior disclosure in the fund's prospectus and SAI.

With respect to each fund, if a percentage restriction is adhered to at the time of investment, a later change in percentage resulting from a change in values or assets will not constitute a violation of such restriction, except as otherwise required by the 1940 Act. With respect to the funds' policies pertaining to borrowing, however, such policies are not limited to time of investment and must be maintained on an ongoing basis; if borrowings exceed 33-1/3% of the value of a fund's total assets as a result of a change in values or assets, the fund must take steps to reduce such borrowings within three days (not including Sundays and holidays) thereafter at least to the extent of such excess.

BNY Mellon Appreciation Fund and BNY Mellon Worldwide Growth Fund have adopted policies prohibiting them from operating as funds-of-funds in reliance on Section 12(d)(1)(F) or Section 12(d)(1)(G) of the 1940 Act.

Fundamental and Nonfundamental Policies Related to Fund Investment Objectives, Diversification and Names

Investment Objective(s) and Diversification Classification. Each fund's investment objective(s) is disclosed in its prospectus. A fund's investment objective(s) may be either a Fundamental Policy (may not be changed without approval of the holders of a majority of the fund's outstanding voting securities (as defined in the 1940 Act)) or a Nonfundamental Policy (may be changed at any time, without shareholder approval, by a vote of a majority of the board members and in compliance with applicable law and regulatory policy).

Each fund is classified as either "diversified" or "non-diversified" under the 1940 Act. A fund may not change from "diversified" to "non-diversified" without the approval of the holders of a majority of the fund's outstanding voting securities (as defined in the 1940 Act).

The following chart indicates, for each fund, whether its investment objective(s) is a Fundamental Policy or Nonfundamental Policy and whether the fund is diversified or non-diversified.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Investment Objective(s) a Fundamental or Nonfundamental Policy</th>
<th>Classification as Diversified or Non-Diversified</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon Appreciation Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>Dreyfus BASIC Money Market Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td>Fundamental</td>
<td>Non-Diversified</td>
</tr>
<tr>
<td>BNY Mellon Massachusetts Fund</td>
<td>Fundamental</td>
<td>Non-Diversified</td>
</tr>
<tr>
<td>BNY Mellon Opportunistic Municipal Securities Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>BNY Mellon New York AMT-Free Municipal Bond Fund</td>
<td>Fundamental</td>
<td>Non-Diversified</td>
</tr>
<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td>Fundamental</td>
<td>Non-Diversified</td>
</tr>
<tr>
<td>BNY Mellon Worldwide Growth Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>Fundamental</td>
<td>Non-Diversified</td>
</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>General Money Market Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>General Municipal Money Market Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
<tr>
<td>General New York AMT-Free Municipal Money Market Fund</td>
<td>Fundamental</td>
<td>Non-Diversified</td>
</tr>
<tr>
<td>General Treasury Securities Money Market Fund</td>
<td>Fundamental</td>
<td>Diversified</td>
</tr>
</tbody>
</table>

**Names.** Each Government MMF has adopted a policy to provide its shareholders with at least 60 days' prior notice of any change in its policy with respect to the investment of 99.5% or more of its total assets to comply with the requirements for a "government money market fund" ("99.5% Policy"). Each fund's 99.5% Policy is disclosed in its prospectus.

Each of the following funds invests, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes (for funds that may borrow for investment purposes), in the instruments described below (or, notwithstanding anything in the prospectus to the contrary, other instruments with similar economic characteristics). Each fund has either (1) adopted a policy to provide its shareholders with at least 60 days' prior notice of any change in its policy to so invest its assets ("80% Test") or (2) adopted the 80% Test as a Fundamental Policy, as indicated below.

<table>
<thead>
<tr>
<th>Fund</th>
<th>80% Test</th>
<th>Fundamental Policy?</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td>Municipal Bonds of the state after which the fund is named, its political subdivisions and corporations, and certain other specified securities, that provide income exempt from federal and such state's personal income taxes</td>
<td>Yes (all funds)</td>
</tr>
<tr>
<td>BNY Mellon Massachusetts Fund</td>
<td>Municipal Bonds of the state after which the fund is named, its political subdivisions and corporations, and certain other specified securities, that provide income exempt from federal and such state's personal income taxes</td>
<td>Yes (all funds)</td>
</tr>
<tr>
<td>BNY Mellon New York AMT-Free Municipal Bond Fund</td>
<td>New York Municipal Bonds</td>
<td>Yes</td>
</tr>
<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td>New York Municipal Bonds that provide income exempt from the AMT</td>
<td>No</td>
</tr>
<tr>
<td>BNY Mellon Worldwide Growth Fund</td>
<td>Common stocks</td>
<td>No</td>
</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>California Municipal Obligations</td>
<td>Yes</td>
</tr>
</tbody>
</table>
**DIVIDENDS AND DISTRIBUTIONS**


Each fund's NAV is calculated on any day the NYSE is open. In addition, each money market fund's NAV will be calculated on any day the NYSE is closed but the Federal Reserve Bank is open and the Securities Industry and Financial Markets Association recommends that fixed income securities markets be open for the day or a portion of the day. In the event the NYSE and fixed income securities markets are closed but the Federal Reserve Bank is open, each of Dreyfus BASIC Money Market Fund and General Money Market Fund may, but is not required to, calculate the fund's NAV and accept purchase and redemption requests. Each fund ordinarily declares dividends from its net investment income on each day its NAV is calculated.

**INFORMATION ABOUT THE FUNDS' ORGANIZATION AND STRUCTURE**

Each fund is an open-end management investment company. Listed below are the forms of organization of each fund company, its corresponding fund series (if any) and the dates of organization. The fund companies (in bold) listed below are either Maryland corporations or Massachusetts business trusts. If one or more funds are listed in italics thereunder, then such fund company is a “series” company, and investments are made through, and shareholders invest in, the fund series shown. References in this SAI to a “fund” generally refer to the series of a series company; if no such funds are listed under a bold fund company name, then it is not organized as a series company and the term “fund” refers to such fund company.

<table>
<thead>
<tr>
<th>Name</th>
<th>State of Organization</th>
<th>Date of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td>Massachusetts</td>
<td>October 29, 1986</td>
</tr>
<tr>
<td>BNY Mellon Massachusetts Fund</td>
<td>Massachusetts</td>
<td>October 29, 1986</td>
</tr>
<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td>Massachusetts</td>
<td>October 29, 1986</td>
</tr>
<tr>
<td>BNY Mellon Appreciation Fund, Inc.</td>
<td>Maryland</td>
<td>July 30, 1980</td>
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<tr>
<td>Dreyfus BASIC Money Market Fund, Inc.</td>
<td>Maryland</td>
<td>March 17, 1992</td>
</tr>
<tr>
<td>BNY Mellon Connecticut Fund</td>
<td>Massachusetts</td>
<td>June 4, 1986</td>
</tr>
<tr>
<td>BNY Mellon Massachussetts Fund</td>
<td>Massachusetts</td>
<td>June 4, 1986</td>
</tr>
<tr>
<td>BNY Mellon Pennsylvania Fund</td>
<td>Massachusetts</td>
<td>June 4, 1986</td>
</tr>
<tr>
<td>BNY Mellon State Municipal Bond Funds</td>
<td>Massachusetts</td>
<td>October 29, 1986</td>
</tr>
<tr>
<td>BNY Mellon Worldwide Growth Fund, Inc.</td>
<td>Maryland</td>
<td>February 5, 1993</td>
</tr>
<tr>
<td>Name</td>
<td>State of Organization</td>
<td>Date of Organization</td>
</tr>
<tr>
<td>------------------------------------------------</td>
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</tr>
<tr>
<td>General California Municipal Money Market Fund</td>
<td>Massachusetts</td>
<td>September 19, 1986</td>
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<tr>
<td>General Government Securities Money Market Funds, Inc.</td>
<td>Maryland</td>
<td>April 8, 1982</td>
</tr>
<tr>
<td>General Government Securities Money Market Fund</td>
<td></td>
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<tr>
<td>General Treasury Securities Money Market Fund</td>
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<tr>
<td>General Money Market Fund, Inc.</td>
<td>Maryland</td>
<td>May 15, 1981</td>
</tr>
<tr>
<td>General Municipal Money Market Funds, Inc.</td>
<td>Maryland</td>
<td>April 8, 1982</td>
</tr>
<tr>
<td>General Municipal Money Market Fund</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*As a result of legal requirements relating to the formation of Massachusetts business trusts, there may have been a significant period of time between the dates of organization and commencement of operations for funds organized in this structure, during which time no business or other activities were conducted.

**CERTAIN EXPENSE ARRANGEMENTS AND OTHER DISCLOSURES**


The Manager has agreed that if in any fiscal year the aggregate expenses of the fund, exclusive of taxes, brokerage, interest on borrowings and (with the prior written consent of the necessary state securities commissions) extraordinary expenses, but including the management or advisory fee, exceed the expense limitation of any state having jurisdiction over the fund, the fund may deduct from the payment to be made to the Manager under the fund's agreement with the Manager, or the Manager will bear, such excess expense to the extent required by state law. Such deduction or payment, if any, will be estimated daily, and reconciled and effected or paid, as the case may be, on a monthly basis.


The Manager has agreed that if in any fiscal year the aggregate expenses of the fund, exclusive of taxes, brokerage, interest and (with the prior written consent of the necessary state securities commissions) extraordinary expenses, but including the management fee, exceed 1-1/2% of the average market value of the net assets of the fund for that fiscal year, the fund may deduct from the payment to be made to the Manager under the fund's agreement with the Manager, or the Manager will bear, such excess expense. Such deduction or payment, if any, will be estimated daily and reconciled and effected or paid, as the case may be, on a monthly basis.

**SUB-ACCOUNTING FEES**


Class B shares are charged directly for sub-accounting services provided by Service Agents at an annual rate of .05% of the value of the average daily net assets of Class B shares.
COUNSEL AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Proskauer Rose LLP, Eleven Times Square, New York, New York 10036, serves as counsel to the funds and to the Independent Board Members.

Ernst & Young LLP, 5 Times Square, New York, New York 10036, an independent registered public accounting firm, has been selected to serve as the independent registered public accounting firm for the funds.

RISKS OF INVESTING IN STATE MUNICIPAL SECURITIES

The following information constitutes only a brief summary, does not purport to be a complete description, and is based on information drawn from official statements relating to securities offerings of the specified state or states (each, the "State" or the "Commonwealth") and various local agencies available as of the date of this SAI. While the relevant fund(s) have not independently verified this information, the fund(s) have no reason to believe that such information is not correct in all material respects.

California

General Information

California's economy, the nation's largest and one of the largest and most diverse in the world, has major sectors in high technology, trade, entertainment, manufacturing, government, tourism, construction and services. The relative proportion of the various components of the California economy closely resembles the make-up of the national economy. The California economy continues to benefit from broad-based growth. The State General Fund budget has ended each fiscal year since Fiscal Year 2012-13 with a surplus, and is structurally balanced through Fiscal Year 2022-23, while also building up reserves. In recent years, the State has paid off billions of dollars of budgetary borrowings, debts and deferrals that were accumulated during the previous recession and years prior. California's real gross domestic product increased by 3.5% in 2018, and totaled $3.0 trillion at current prices, making it the fifth largest economy in the world. Despite significant budgetary improvements, there remain a number of budget risks that threaten the State's financial condition, including potentially unfavorable changes to federal fiscal policies, the uncertain impact of the recent changes in federal tax law and significant unfunded liabilities of the State's two main retirement systems. In July 2018, California's estimated population reached 39.8 million residents, which was 12.1% of the national population.

State Indebtedness and Other Obligations

The State Treasurer is responsible for the sale of debt obligations of the State and its various authorities and agencies. The State has always paid when due the principal of and interest on its general obligation bonds, general obligation commercial paper notes, lease-purchase debt and short-term obligations, including revenue anticipation notes ("RANs") and revenue anticipation warrants ("RAWs"). State agencies and authorities also can issue revenue obligations for which the State General Fund has no liability.

General Obligation Bonds. The State Constitution prohibits the creation of general obligation indebtedness of the State unless a bond law is approved by a majority of the electorate voting at a general election or a direct primary. General obligation bond acts provide that debt service on such bonds shall be appropriated annually from the State General Fund and all debt service on general obligation bonds is paid from the State General Fund. Under the State Constitution, debt service on general obligation bonds is the second charge to the State General Fund after the application of monies in the State General Fund to the support of the public school system and public institutions of higher education. Certain general obligation bond programs receive revenues from sources other than the sale of bonds or the investment of bond proceeds.

As of July 1, 2019, the State had approximately $81.3 billion of outstanding general obligation bonds and lease revenue bonds payable principally from the State General Fund or from lease payments. As of July 1, 2019, there were approximately $35.5 billion of authorized and unissued long-term voter-approved general obligation bonds which, when issued, will be payable principally from the State General Fund and approximately $7.6 billion of authorized and unissued lease-revenue bonds. The State is permitted to issue as variable rate indebtedness up to 20% of the aggregate amount of long-term general obligation bonds outstanding. As of July 1, 2019, the State had
outstanding approximately $3.8 billion in variable rate general obligation bonds, representing about 5.15% of the State's total outstanding general obligation bonds as of that date.

**Commercial Paper Program.** General obligation indebtedness may be issued either as long-term bonds or, for some but not all bond issuances, as commercial paper notes. Commercial paper notes may be renewed or may be refunded by the issuance of long-term bonds. The State issues long-term general obligation bonds from time to time to retire its general obligation commercial paper notes. As of July 1, 2019, a total of approximately $2.3 billion principal amount of commercial paper had been authorized under agreements with various banks.

**Bank Arrangements.** In connection with variable rate obligations and the commercial paper program, the State has entered into a number of reimbursement agreements or other credit agreements with a variety of financial institutions. As of October 7, 2019, the State had a total par amount of $4.25 billion of bank arrangements available.

**Lease-Revenue Debt.** In addition to general obligation bonds, the State builds and acquires capital facilities through the use of lease-revenue obligations. Under these arrangements, the State Public Works Board ("SPWB"), another State or local agency or a joint powers authority issues bonds to pay for the construction of facilities such as office buildings, university buildings, courthouses or correctional institutions. These facilities are leased to a State agency, the California State University System ("CSU") or the Judicial Council under a long-term lease that provides the source of payment of the debt service on the lease-revenue bonds. Certain of the lease-revenue financings are supported by special funds rather than the State General Fund. The State had approximately $8.7 billion in State General Fund-supported lease-revenue obligations outstanding as of July 1, 2019. There were approximately $7.6 billion in authorized and unissued lease-revenue bonds as of July 1, 2019.

**Non-Recourse Debt.** Certain State agencies and authorities issue revenue obligations for which the State General Fund has no liability. Revenue bonds represent obligations payable from State revenue-producing enterprises and projects, which are not payable from the State General Fund, and conduit obligations payable only from revenues paid by private users of facilities financed by the revenue bonds. The enterprises and projects include transportation projects, various public works projects, public and private educational facilities, housing, health facilities and pollution control facilities. State agencies and authorities had approximately $66.5 billion aggregate principal amount of outstanding revenue bonds and notes as of June 30, 2019, which are non-recourse to the State General Fund.

**Build America Bonds.** In February 2009, the U.S. Congress enacted certain new municipal bond provisions as part of the American Recovery and Reinvestment Act ("ARRA"), which allowed municipal issuers such as the State to issue "Build America Bonds" ("BABs") for new infrastructure investments. BABs are bonds whose interest is subject to federal income tax, but pursuant to ARRA the U.S. Treasury was to repay the issuer an amount equal to 35% of the interest cost on any BABs issued during 2009 and 2010. The BAB subsidy payments from general obligation bonds are State General Fund revenues to the State, while subsidy payments for lease-revenue bonds are deposited into a fund which is made available to the SPWB for any lawful purpose. Between April 2009 and through December 2010, the State issued a significant amount of BABs, including $13.5 billion of general obligation bonds and $551 million of lease revenue bonds (of which $150 million were redeemed in November 2013). The aggregate amount of the subsidy payments to be received from Fiscal Year 2019-20 through the maturity of these bonds (mostly 20 to 30 years) is approximately $6.21 billion for the general obligation BABs and $151.6 million for the lease-revenue BABs. On March 1, 2013, the BAB subsidy payments were reduced as part of a government-wide "sequestration" of expenditures. The reduction of the BAB subsidy payment is presently scheduled to continue until 2025, although the U.S. Congress can terminate or modify it sooner, or extend it. None of the BAB subsidy payments are pledged to pay debt service, so this reduction does not affect the State's ability to pay all of its general obligation and lease revenue BABs on time nor have any material impact on the State General Fund.

**Tobacco Settlement Revenue Bonds.** In 1998, the State signed the Master Settlement Agreement (the "MSA") with the four major cigarette manufacturers (the "PMs"), in which the participating manufacturers agreed to make payments to the State in perpetuity. Under a separate memorandum of understanding, half of the money is paid to the State and half to certain local governments, subject to adjustments. In 2002, the State established a special purpose trust to purchase the tobacco assets and to issue revenue bonds secured by the tobacco settlement revenues. Legislation in 2003 authorized a credit enhancement mechanism that required the Governor to request an
appropriation from the State General Fund in the annual budget act for payment of debt service and other related costs in the event tobacco settlement revenues are insufficient.

This credit enhancement mechanism only applies to certain tobacco settlement bonds issued in 2005, 2013, 2015 and 2018 with an outstanding principal amount of approximately $2.02 billion (the "enhanced bonds"). The enhanced bonds are neither general nor legal obligations of the State. However, as described above, the State committed to request the Legislature for a State General Fund appropriation in the event there are insufficient tobacco settlement revenues to pay debt service with respect to the enhanced bonds, and certain other available amounts, including the reserve fund for the enhanced bonds, are depleted. This appropriation has been requested and approved by the Legislature but use of the appropriated moneys has never been required. Draws on the reserve fund for the enhanced bonds in the amount of approximately $7.94 million were used to make required debt service payments on the 2005 bonds in 2011 and 2012. In April 2013, the reserve fund was replenished in full from tobacco revenues. As of July 1, 2019, the balance of the reserve fund for the enhanced bonds is $147.4 million. If, in any future year tobacco settlement revenues are less than required debt service payments on the enhanced bonds in such year, additional draws on the reserve fund will be required and at some point in the future the reserve fund may become fully depleted. The State is not obligated to replenish the reserve fund from the State General Fund, or to request an appropriation to replenish the reserve fund.

Future Issuance Plans. The 2019 Budget Act assumes that approximately $4.6 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $722.9 million of lease-revenue bonds are expected to be issued in the current fiscal year. With the continued issuance of authorized but unissued new bond sales to occur in the future, the ratio of debt service on general obligation and lease-revenue supported by the State General Fund, to annual State General Fund revenues and transfers, can be expected to fluctuate in future years. The State General Fund debt ratio is estimated to equal approximately 5.59% in Fiscal Year 2019-20 and 5.54% in Fiscal Year 2020-21. The total offset for general obligation bond debt service is estimated to equal approximately $2.0 billion for Fiscal Year 2019-20 and $2.1 billion for Fiscal Year 2020-21, which will decrease the debt ratio to 4.19% in Fiscal Year 2019-20 and 4.11% in Fiscal Year 2020-21.

Cash Flow Borrowings and Management. The majority of State General Fund revenues are received in the latter part of the State's fiscal year, whereas State General Fund expenditures occur more evenly throughout the fiscal year. The State's cash flow management program customarily addresses this timing difference by making use of internal borrowing by the State General Fund from special funds and by issuing short-term notes in the capital markets when necessary. Since June 2008, the State General Fund has typically ended each fiscal year with a net borrowing from these special funds. External borrowing is typically done with RANs that are payable not later than the last day of the fiscal year in which they are issued. Prior to Fiscal Year 2015-16, the State has issued RANs in all but one fiscal year since the mid-1980s; such RANs have always been paid at maturity. No RANs were issued in Fiscal Year 2016-17, Fiscal Year 2017-18 or Fiscal Year 2018-19. RANs must mature prior to the end of the fiscal year of issuance. If additional external cash flow borrowings are required, the State has issued RAWs, which can mature in a subsequent fiscal year. RANs and RAWs are both payable from any unapplied revenues in the State General Fund on their maturity date, subject to the prior application of such money in the State General Fund to pay certain priority payments in the general areas of education, general obligation debt service, public safety programs, State employee wages and benefits and other specified State General Fund reimbursements.

The State entered Fiscal Year 2018-19 with a State General Fund positive cash balance of $5.54 billion at June 30, 2018. The State's cash flow for Fiscal Year 2018-19 indicated that internal borrowings were sufficient and available to meet the normal peaks and valleys of the State's cash needs, while maintaining a cushion of at least $2.5 billion at all times.

Ratings. The current ratings of the State's general obligation bonds are "Aa2" from Moody's, "AA" from Fitch and "AA-" from S&P.

State Funds and Expenditures

The Budget and Appropriations Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year. Under State law, the annual proposed budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the proposed budget, the Legislature takes up the proposal.
The voter-approved Balanced Budget Amendment of 2004 ("Proposition 58") requires the State to adopt and maintain a balanced budget and establish an additional reserve, and restricts future long-term deficit-related borrowing. Proposition 58 also provides for mid-year adjustments in the event that the budget falls out of balance and the Governor calls a special legislative session to address the shortfall.

The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. Pursuant to Proposition 25, enacted on November 2, 2010, and effective immediately, the Budget Act (or other appropriation bills and "trailer bills" which are part of a budget package) must be approved by a majority vote of each House of the Legislature. (This was a reduction from a requirement for a two-thirds vote.) The Governor may reduce or eliminate specific line items in the Budget Act or other bills that amend the Budget Act without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or by the State Constitution. Funds necessary to meet an appropriation are not required to be in the State Treasury at the time an appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

**The State General Fund.** The monies of the State are segregated into the State General Fund and over 1,000 other funds, including special, bond, federal and other funds. The State General Fund consists of revenues received by the State Treasury and not required by law to be credited to any other fund, as well as earnings from the investment of State monies not allocable to another fund. The State General Fund is the principal operating fund for the majority of governmental activities and is the depository of most of the major revenue sources of the State. The State General Fund may be expended as a consequence of appropriation measures enacted by the Legislature and approved by the Governor, as well as appropriations pursuant to various constitutional authorizations and initiative statutes.

**The Special Fund for Economic Uncertainties.** The Special Fund for Economic Uncertainties ("SFEU") is funded with State General Fund revenues and was established to protect the State from unforeseen revenue reductions and/or unanticipated expenditure increases. Amounts in the SFEU may be transferred by the State to the State General Fund as necessary to meet cash needs of the State General Fund. The State is required to return monies so transferred without payment of interest as soon as there are sufficient monies in the State General Fund. At the end of each fiscal year, the State is required to transfer from the SFEU to the State General Fund any amount necessary to eliminate any deficit in the State General Fund. In certain circumstances, monies in the SFEU may be used in connection with disaster relief. For budgeting and general accounting purposes, any appropriation made from the SFEU is deemed an appropriation from the State General Fund. For year-end reporting purposes, the State is required to add the balance in the SFEU to the balance in the State General Fund so as to show the total monies then available for State General Fund purposes. The 2019 Budget Act projected $5.39 billion in the SFEU at the end of the fiscal year.

**The Budget Stabilization Account.** Proposition 58 created the BSA in 2004 as a secondary budgetary reserve and established the process for transferring State General Fund revenues to the BSA. In Fiscal Year 2014-15, $1.6 billion was transferred from the State General Fund to the BSA under the provisions of Proposition 58 (the balance in the BSA was $0 from Fiscal Year 2008-09 until Fiscal Year 2014-15). Beginning in Fiscal Year 2015-16, the provisions of Proposition 58 are superseded by Proposition 2, which provides for a stronger rainy day fund that requires both paying down liabilities and saving for a rainy day by making specified deposits into the BSA. Proposition 2 takes into account the State's heavy dependence on the performance of the stock market and the resulting capital gains. Under current projections, Proposition 2 will result in $19.4 billion in the BSA by Fiscal Year 2022-23 (including supplemental transfers to the BSA) and $13.0 billion in additional reductions of debts and liabilities in its first eight years of operation.

The 2018 Budget Act also created two additional reserves—the Budget Deficit Savings Account (the "BDSA") and the Safety Net Reserves Fund (the "SNRF"). In accordance with the 2019 Budget Act, the BDSA will hold the $2.6 billion supplemental BSA deposit until Fall 2019. The SNRF was initially funded with $200 million under the 2018 Budget Act. The 2019 Budget Act added $700 million, bringing the total in this reserve to $900 million.

**Inter-Fund Borrowings.** Inter-fund borrowing is used to meet temporary imbalances of receipts and disbursements in the State General Fund. If State General Fund revenue is or will be exhausted, the State may direct the transfer of all or any part of the monies not needed in special funds to the State General Fund. All money so transferred must be returned to the special fund from which it was transferred as soon as there is sufficient money in the State General Fund to do so. Transfers cannot be made which will interfere with the objective for which such special fund
was created, or from certain specific funds. As of June 30, 2019, there was $0 in loans from the SFEU and other internal sources to the State General Fund. Such loans are projected to total approximately $1.4 billion as of June 30, 2020.

State Expenditures

State Appropriations Limit. The State is subject to an annual appropriations limit imposed by the State Constitution (the " Appropriations Limit"). The Appropriations Limit does not restrict appropriations to pay debt service on voter-authorized bonds or appropriations from funds that do not derive their proceeds from taxes. There are other various types of appropriations excluded from the Appropriations Limit and it may be exceeded in cases of emergency. The Appropriations Limit in each year is based on the limit for the prior year, adjusted annually for changes in State per capita personal income and changes in population, and adjusted, when applicable, for any transfer of financial responsibility of providing services to or from another unit of government or any transfer of the financial source for the provisions of services from tax proceeds to non-tax proceeds. The Appropriations Limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received over such two-year period above the combined Appropriations Limits for those two years is divided equally between transfers to K-14 school districts and refunds to taxpayers. The Department of Finance projects appropriations subject to limitation to be approximately $1.4 billion and $4.4 billion under the Appropriations Limit in Fiscal Years 2018-19 and 2019-20, respectively.

Pension Trusts. The principal retirement systems in which the State participates are the California Public Employees' Retirement System ("CalPERS") and the California State Teachers' Retirement System ("CalSTRS"). CalPERS administers the Public Employees' Retirement Fund ("PERF"), which is a multiple-employer defined benefit retirement fund. In addition to PERF, CalPERS also administers various other defined benefit plans. As of June 30, 2018, CalPERS had 367,572 active and inactive program members and 614,203 total members. The State's contribution to PERF has increased from $4.92 billion in Fiscal Year 2015-16 to an estimated $6.19 billion in Fiscal Year 2018-19 and $6.76 billion for Fiscal Year 2019-20.

The obligation of the State to make payments to CalPERS and CalSTRS to fund retirement benefits constitutes a significant financial obligation. CalPERS and CalSTRS each face unfunded future liabilities of tens of billions of dollars. The 2019-20 Governor's Budget reflects changes in actuarial assumptions made by CalPERS and CalSTRS that significantly increase the pension contributions required from the State General Fund. The CalPERS Board recently reduced the actuarial annual investment earnings assumption from 7.50% to 7.0%, phased in over three fiscal years (Fiscal Years 2017-18 through 2019-20). Similarly, the CalSTRS Board reduced its actuarial annual investment earnings assumption to 7.0% over two fiscal years (Fiscal Years 2017-18 and 2018-19). Those actions increased required State contributions and retirement-related costs payable from the State General Fund are expected to continue to increase in the foreseeable future. CalPERS projected a 6.7% net return on investment for Fiscal Year 2018-19. CalSTRS projected a 6.8% return on investments for Fiscal Year 2018-19.

The State General Fund contributions to CalPERS and CalSTRS are approximately $3.6 billion and $3.1 billion, respectively, for Fiscal Year 2018-19. The State General Fund contributions to CalPERS and CalSTRS are approximately $3.9 billion and $3.3 billion, respectively, for Fiscal Year 2019-20. The 2019 Budget Act provides for multiple supplemental pension payments, which are forecasted to result in approximately $7.1 billion in savings over the next three decades.

CalSTRS administers an employee benefit trust fund created to administer the State Teachers' Retirement Plan ("STRP"). STRP is a cost-sharing, multi-employer, defined benefit plan that provides for retirement, disability and survivor benefits to teachers and certain other employees of the California public school system. As of June 30, 2018, the STRP's defined benefit program included 1,740 contributing employers, 647,741 active and inactive program members and 949,370 total members. State contributions to CalSTRS have increased from $1.9 billion in Fiscal Year 2015-16 to $3.1 billion in Fiscal Year 2018-19 to an estimated $3.3 billion for Fiscal Year 2019-20.

According to CalSTRS, the biggest source of funding of STRP's defined benefit program is investment returns, and in calculating the actuarial value of assets, contributions for the past year are added to the actuarial value of assets at the end of the prior year; benefits and expenses are subtracted; an assumed rate of return is added and a portion of market value gains and losses are added or subtracted. The assumed investment rate of return on STRP's defined benefit program assets (net of investment and administrative expenses) and the assumed interest to be paid on refunds of member accounts are based in part on an inflation assumption of 2.75%.
Health Care. The State provides welfare benefits to certain adults and children living in California. These benefits generally take the form of cash payments to beneficiaries or programs pursuant to which beneficiaries receive food or employment assistance. Many of these programs are funded with a combination of federal, State and local funds. The federal government pays a substantial portion of welfare benefit costs, subject to a requirement that states provide significant matching funds. Federal law imposes detailed eligibility and programmatic requirements in order for states to be entitled to receive federal funds. Federal law also imposes time limits on program availability for individuals and establishes certain work requirements. The primary federal law establishing funding and eligibility standards is The Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Significant elements of this law include the Temporary Assistance for Needy Families ("TANF"), a block grant allocation from the federal government, and the Supplemental Nutrition Assistance Program at the federal level (referred to as "CalFresh" in California). The California Work Opportunity and Responsibility to Kids ("CalWORKs") contains time limits on receipt of welfare aid. The centerpiece of CalWORKs is the linkage of eligibility to work participation requirements. The CalWORKs caseload in Fiscal Year 2017-18 totaled 423,121. Caseload projections are 384,738 and 363,210 for Fiscal Years 2018-19 and 2019-20, respectively.

The State receives an annual TANF block grant of $3.7 billion from the federal government. In order to qualify for TANF funds, the State must satisfy certain required expenditures, currently totaling $2.9 billion, which are referred to as "Maintenance of Effort" or "MOE." Under federal law, the State also is required to demonstrate a 50% work participation rate among all TANF-aided families and a 90% work participation rate among two-parent families. The federal government determined that the State failed to meet these requirements for federal fiscal years 2008 through 2018, and the State was therefore subject to $1.8 billion in total penalties. The federal government waived $587 million in penalties for federal fiscal years 2008 through 2011 and recalculated the State's penalties for federal fiscal years 2012 through 2015 to $758 million. The federal government determined the State failed to meet the two-parent rate in federal fiscal years 2016 through 2018, resulting in $786 million in total penalty liability. The State expects to continue to fail the two-parent participation rate, which will result in annual penalties of approximately $7 million. The earliest the assessed penalties would be imposed is federal fiscal year 2021.

Healthcare. Medi-Cal, the State's Medicaid program, is a health care entitlement program for low-income individuals and families who receive public assistance or otherwise lack health care coverage. Federal law requires Medi-Cal to provide a set of basic services and federal matching funds are available if the State chooses to provide any of numerous optional benefits. The federal government pays for half of the cost of providing standard program benefits. Medi-Cal serves approximately one-third of all Californians. The increase in Medi-Cal caseload and expenditures since Fiscal Year 2014-15 is largely due to implementation of federal health care reform. Average monthly caseload for Fiscal Year 2018-19 is estimated to be 13 million, with no significant anticipated increase in Fiscal Year 2019-20. Medi-Cal expenditures are estimated to be $93.5 billion ($19.7 billion from the State General Fund) in Fiscal Year 2018-19 and $102.4 billion ($23.1 billion from the State General Fund) in Fiscal Year 2019-20.

Local Governments. The primary units of local government in the State are the 58 counties, which are responsible for the provision of many basic services, including indigent health care, welfare, jails and public safety in unincorporated areas. There also are nearly 500 incorporated cities and thousands of special districts formed for education, utility and other services. The fiscal condition of local governments has been constrained since the enactment of Proposition 13 in 1978, which reduced and limited the future growth of property taxes and limited the ability of local governments to impose "special taxes" (those devoted to a specific purpose) without two-thirds voter approval. Counties, in particular, have had fewer options to raise revenues than many other local government entities and have been required to maintain many services.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A in 2004 and Proposition 22 in 2010, dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the "State-local agreement") in connection with the 2004 Budget Act. One change related to the reduction of the vehicle license fee ("VLF") rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the reduction in VLF revenue to cities and counties from this rate change was replaced by an increase in the amount of property tax that they receive. This worked to the benefit of local governments because the annual backfill amount increased in proportion to the growth in property tax revenues, which has historically grown at a generally higher rate than VLF revenues. This arrangement continues without change in the 2019 Budget Act.
Proposition 98. In 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Proposition 98 (as modified by Proposition 111 in 1990), guarantees K-14 schools a certain variable percentage of State General Fund revenues, based on certain factors including cost of living adjustments, enrollment and per capita income and revenue growth.

Although the Constitution requires a minimum level of funding for education, the State provides more or less than the minimum guarantee. If the State provides more than is required, the minimum guarantee is increased on an ongoing basis. If the State provides less than required, the minimum guarantee must be suspended in statute with a two-thirds vote of Legislature. The 2019 Budget Act estimates the Proposition 98 minimum guarantee to be $81.1 billion in Fiscal Year 2019-20, an increase of $2.7 billion over the amount assumed for Fiscal Year 2018-19 in the 2018 Budget Act, primarily due to a higher than previously expected revenue forecast and local property tax. The State General Fund share of the minimum guarantee was $54.4 billion in Fiscal Year 2018-19 and $55.9 billion in Fiscal Year 2019-20.

Constraints on the Budget Process. Over the years, a number of laws and Constitutional amendments have been enacted which have reduced the State's budgetary flexibility by making it more difficult for the State to raise taxes or restricting or earmarking the use of tax revenues. More recently, a new series of Constitutional amendments have affected the budget process.

Proposition 58 (Balanced Budget Amendment of 2004). Proposition 58 required the State to enact a balanced budget, establish a special reserve in the State General Fund and restricts future borrowing to cover budget deficits. Proposition 58 also required the establishment of the BSA, which is generally funded by annual transfers of specified amounts from the State General Fund, and also prohibited certain future borrowing to cover budget deficits. The provisions of Proposition 58 were superseded by Proposition 2, which went into effect in Fiscal Year 2015-16.

Local Government Finance (Proposition 1A of 2004). Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and VLF revenues. Proposition 1A also prohibits the State from mandating activities on cities, counties or special districts without providing for the funding needed to comply with the mandates.

Local Government Funds (Proposition 22 of 2010). Proposition 22, which supersedes some parts of Proposition 1A, prohibits any future action by the Legislature to take, reallocate or borrow money raised by local governments for local purposes, and also prohibits changes in the allocation of property taxes among local governments designed to aid State finances. Proposition 22 also supersedes Proposition 1A in that it prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Increases in Taxes or Fees (Proposition 26 of 2010). Proposition 26 revised provisions in the State's Constitution dealing with tax increases. The measure specifies that a two-thirds vote of both houses of the Legislature is required for any increase in any tax on any taxpayer, eliminating the prior practice where a tax increase coupled with a tax reduction is treated as being able to be adopted by majority vote. Furthermore, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed a tax requiring two-thirds vote. Finally, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were in place would be repealed after one year from the election date unless readopted by the necessary two-thirds vote.

The Schools and Local Public Safety Protection Act of 2012 (Proposition 30). Proposition 30 provided temporary increases in personal income tax rates for high-income taxpayers and a temporary increase in the State sales tax rate, and specified that the additional revenues will support K-14 public schools and community colleges as part of the Proposition 98 guarantee. Proposition 30 also placed into the State Constitution the current statutory provisions transferring 1.0625% of the State sales tax to local governments to fund the "realignment" program for many services including housing criminal offenders.

The California Children's Education and Health Care Protection Act of 2016 (Proposition 55). On December 31, 2016, the sales tax provisions of Proposition 30 expired and the personal income tax rates for high-income taxpayers was extended through tax year 2030 by Proposition 55. Under specified conditions, beginning in Fiscal Year 2018-19, Proposition 55 authorizes the use of up to $2 billion in a fiscal year from these revenues for health care.
The California Clean Energy Jobs Act (Proposition 39). Proposition 39 amended state statutes governing corporation taxes by reversing a provision adopted in 2009 giving corporations an option on how to calculate the portion of worldwide income attributable to California. By requiring corporations to base their state tax liability on sales in California, it is estimated that State revenues for the current fiscal year are about $1 billion higher than they would be absent this proposition.

The Rainy Day Fund (Proposition 2). In November 2014, voters approved Proposition 2, which amended Proposition 58's required BSA to build a stronger "rainy day" reserve while requiring accelerated debt payment. Proposition 2 provides that, beginning in Fiscal Year 2015-16, 50% of the sum of 1.5% of estimated annual State General Fund revenues and capital gains revenues over 8% of State General Fund tax proceeds (not required to fund Proposition 98) is transferred into the BSA no later than October 1 of each fiscal year unless the transfer is suspended or reduced. For the first 15 years, the remaining 50% will be used for supplemental debt payments and other specified long term liabilities.

State General Fund Revenues. State General revenues in Fiscal Year 2018-19 are projected to total $141.6 billion. Of this amount, personal income tax accounts for $98.3 billion (69%), sales and use tax accounts for $26.1 billion (18%) and corporation tax accounts for $13.8 billion (10%). The 2019 Budget Act projects Fiscal Year 2019-20 revenues to total $146.0 billion. Of this amount, personal income tax accounts for $102.4 billion (70%), sales and use tax accounts for $27.2 billion (19%), and corporation tax accounts for $13.1 billion (9%).

Proposition 30 provides for an increase in the personal income tax rate of 1.0% for joint filing taxpayers with income above $500,000 and equal to or below $600,000; 2.0% increase for incomes above $600,000 and equal to or below $1,000,000; and 3.0% increase for incomes above $1,000,000. Tax rates for single filers start at incomes one half those for joint filers. The brackets for these higher rates are indexed for inflation each year. It is estimated that the additional revenue from the addition of the three new tax brackets projects to be $8.9 billion in Fiscal Year 2018-19 and $8.9 billion in Fiscal Year 2019-20.

Special Fund Revenues. The State Constitution and statutes specify the uses of certain revenue. Such receipts are accounted for in various special funds. In general, special fund revenues comprise three categories of income: (i) receipts from tax levies, which are allocated to specified functions such as motor vehicle taxes and fees and certain taxes on tobacco products; (ii) charges for special services to specific functions, including such items as business and professional license fees; and (iii) rental royalties and other receipts designated for particular purposes (e.g., oil and gas royalties). Motor vehicle related taxes and fees are projected to account for approximately 32% of all special fund revenues in Fiscal Year 2019-20. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees and VLFs. In Fiscal Year 2019-20, $18.3 billion is projected to come from the ownership or operation of motor vehicles.

State Economy and Finances

Budget Risks. The State's budgets are based on a variety of estimates and assumptions. If actual results differ from those assumptions, the State's financial condition could be adversely or positively affected. There can be no assurance that the State's financial condition will not be materially and adversely affected by actual conditions or circumstances in the current fiscal year and beyond. While the State projects a multi-year balanced budget, budget risks still exist. Risks with potentially significant State General Fund impact include, but may not be limited to, a threat of recession, federal fiscal, trade and tax policies, capital gains volatility, health care costs, the levels of the State's debts and liabilities, geopolitical events, and housing constraints.

Fiscal Year 2019-20 Budget. The 2019 Budget Act, enacted on June 27, 2019, continues to build reserves and pay down debt. The 2019 Budget Act includes $4.5 billion to eliminate debts and reverse deferrals, $5.5 billion to build reserves and $4.3 billion to pay down unfunded retirement liabilities. State General Fund expenditures for Fiscal Year 2019-20 are projected at $147.8 billion, an increase of $5.1 billion (3.6%) compared with a revised estimate of $142.7 billion for Fiscal Year 2018-19. The main components of the increase in expenditures are a $5.8 billion increase in health and human services costs and a $1.9 billion increase in education costs. The 2019 Budget Act has the following major components:

1. Proposition 98. Includes $81.1 billion total funding for Fiscal Year 2019-20, of which $55.9 billion is from the State General Fund.
2. Higher Education. Includes funding of $18.5 billion for all major segments of higher education, including $17.5 billion from the State General Fund.
3. **Health and Human Services.** Includes $67.1 billion, of which $41.9 billion from the State General Fund and $25.2 billion from special funds.

4. **Public Safety.** Includes total funding of $15.8 billion, including $12.8 billion from the State General Fund and $3.0 billion from special funds.

**Litigation**

The State is a party to numerous litigation matters. The following describes only those litigation matters that are pending with service of process on the State accomplished and that have been identified by the State as having a potentially significant fiscal impact upon revenues or expenditures of the State General Fund or the amount of the State funds available to be borrowed by the State General Fund. The State makes no representation regarding the likely resolution of these matters.

**Action Challenging School Financing.** In *California School Boards Association v. State of California*, the plaintiff has filed an amended complaint that challenges the use of block grant funding to pay for education mandates in the 2012 Budget Act and associated trailer bills. The amended complaint also contends that recent changes to the statutes that control how education mandates are directed and funded violate the requirements of the California Constitution that the State pay local school districts for the costs of state mandated programs. After bifurcating the case, the trial court issued a ruling in favor of the State that addressed certain of plaintiff's claims, and subsequently dismissed the remaining claims on procedural grounds. Plaintiff appealed. The appellate court affirmed the trial court's decision on the merits but reversed the dismissal of claims on procedural grounds. Accordingly, this decision will result in some claims returning to the trial court for further proceedings. Plaintiff filed a petition for review of the decision, and the California Supreme Court has accepted the case for review. If it is determined that the State failed to properly pay for mandated educational programs, the State would be limited in the manner in which it funds education going forward.

**Actions Challenging Statutes That Reformed California Redevelopment Law.** There are approximately 50 pending actions that challenge the statutory process for winding down the affairs of the redevelopment agencies ("RDAs"). Some of the pending cases contend that various obligations incurred by the RDAs are entitled to payment from certain property tax revenues. For example, in *Affordable Housing Coalition v. Sandoval* plaintiffs argue that all former RDAs had obligations to pay for affordable housing that should be funded going forward on an implied contracts theory. The court denied a motion for class action status, and subsequently ruled against plaintiffs in this matter and ordered that judgment be entered for the State. Plaintiffs appealed.

**Oroville Dam Litigation.** The California Department of Water Resources (the "Department") administers the State Water Project, which encompasses a complex of dams, reservoirs, pumping facilities, power plants, aqueducts and pipelines owned and operated by the state, including a dam at Lake Oroville. The State Water Project provides water to 29 public agencies, and the Department is compensated by those agencies, under contracts with the Department. On February 7, 2017, erosion was discovered on the lower portion of the main spillway at Lake Oroville. With severe winter storms, releases down the damaged main spillway were unable to prevent the reservoir from overtopping. Water flowed down the emergency spillway, triggering the evacuation of more than 180,000 people downstream of Lake Oroville on February 11, 2017. Several lawsuits have been filed on behalf of individuals, businesses and public agencies, against the Department, asserting damages arising out of these events, including alleged damage to property, business losses, and relocation expenses. Additional lawsuits may be filed. In addition, the Butte County District Attorney seeks to impose up to $51 billion in civil penalties upon the Department. At this time, it is unknown what future net financial impact this litigation may have on the State General Fund.

**Tax Refund Cases.** Two pending cases challenge the imposition of limited liability company fees by the Franchise Tax Board. *Bakersfield Mall LLC v. Franchise Tax Board* and *CA-Centerside II, LLC v. Franchise Tax Board*. In each case, the individual plaintiff seeks a refund of $56,000 for itself and alleges a purported class of over 50,000 members. The cases are coordinated for hearing as the *Franchise Tax Board LLC Tax Refund Cases*. If plaintiffs ultimately prevail on the merits on behalf of the classes, the potential refunds could total $1.2 billion.

*Abercrombie & Fitch Co. & Subsidiaries v. California Franchise Tax Board* challenges the constitutionality of a State tax code provision, allowing intrastate unitary businesses the option to report their income on a separate rather
than combined basis. The plaintiff proposed an alternative method of calculating tax, which the State estimated would have a possible one-time fiscal impact on corporate tax revenue of $5 billion and $1.5 billion annually thereafter. At trial, the court granted the State's motion for judgment in its favor at the close of plaintiff's presentation of its evidence. Plaintiff appealed. The Court of Appeal affirmed the trial court's decision. At this time, it is unknown what future fiscal impact a potential adverse ruling would actually have on corporation taxes (including potentially rebates of previously collected taxes and reduced future tax revenue) because of the uncertainty regarding the number of businesses which would pay the tax and how taxation on those companies would change as a result of an adverse ruling. However, the fiscal impact could be significant.

A pending case challenges the validity of a Board of Equalization regulation that requires the sales tax on mobile telephones to be based on the full "unbundled" price of the telephone rather than any discounted price that is contingent on a service plan commitment. In *Bekkerman et al. v. California Department of Tax and Fee Administration*, petitioners seek to invalidate the regulation insofar as it relates to sales in carrier-operated stores. Petitioners filed a second action, a class action lawsuit seeking refunds of any excess sale tax paid. The trial court dismissed the state defendants from the second action on the basis that the class action claim for sales tax refunds was premature. Plaintiffs appealed that ruling and also have amended the complaint in the first action to add a class action claim for sales tax refunds. If plaintiffs are successful in their class action claim, that could result in an order requiring sales tax refunds potentially exceeding $1 billion. Even if plaintiffs are unsuccessful in their appeal and effort to include the class action claim in the first action, they may be able to refile the class action claim against the state at a later date, if they are able to prove in the first action that excess sales tax was paid and other conditions are met.

**Action Regarding Special Education.** Plaintiffs in *Morgan Hill Concerned Parents Assoc. v. California Department of Education* challenge the oversight and operation by the California Department of Education ("CDE") of the federal Individuals with Disabilities Education Act ("IDEA"). The complaint alleges that CDE has failed to monitor, investigate, and enforce the IDEA. Under the IDEA, local school districts are responsible for delivering special education directly to eligible students. The complaint seeks injunctive and declaratory relief, and asks the court to retain jurisdiction to monitor the operation of the IDEA by the State. The court issued a stay of this matter, and plaintiffs have appealed the imposition of the stay.

**Prison Healthcare Reform.** The adult prison health care delivery system includes medical health care and mental health care. There are two significant cases pending in federal district courts challenging the constitutionality of prison health care. *Plata v. Brown* is a class action regarding the adequacy of medical health care, and *Coleman v. Brown* is a class action regarding mental health care. A third case, *Armstrong v. Brown* is a class action on behalf of inmates with disabilities alleging violations of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act. In *Plata* the district court appointed a receiver, who took office in April 2006, to run and operate the medical health care portion of the health care delivery system. The *Plata* Receiver and the Special Master appointed by the *Coleman* court, joined by the court representative appointed by the *Armstrong* court, meet routinely to coordinate efforts in these cases. To date, ongoing costs of remedial activities have been incorporated into the State's budget process. However, at this time, it is unknown what future financial impact this litigation may have on the State General Fund. In March 2015, the court modified its order to update and clarify the process to transition responsibility for inmate medical care back to the State. This transition process is ongoing. In *Plata and Coleman*, a three-judge panel issued orders requiring the State to meet a final population reduction benchmark by February 28, 2016, and to implement a number of measures designed to reduce the prison population. In January 2015, the State met this court-ordered population benchmark. The three-judge panel's order requires ongoing oversight until the State demonstrates compliance with the population benchmark is durable.

**High-Speed Rail Litigation.** In *Tos, et al. v. California High-Speed Rail Authority, et al.*, plaintiffs seek a declaration that a State law enacted in 2016 is an unconstitutional amendment of the high-speed rail bond act and to prevent the California High-Speed Rail Authority from expending bond proceeds in reliance on the challenged State law. The trial court denied plaintiffs' requests for a temporary restraining order and a preliminary injunction. Plaintiffs filed an amended complaint adding a claim challenging the approval of the Authority's plans for expenditure of bond proceeds. In the event of a final decision that prevents the use of bond proceeds, it is possible that the federal government may require the State to reimburse federal funds provided for the high-speed rail project if the State fails to provide other matching funds. As of May 2019, the amount of unmatched federal spending on the project that the State may have to reimburse is approximately $1.5 billion. On February 19, 2019, the Federal Railroad Administration stated its intention to terminate the grant agreement providing $930 million in unexpended
funds for the project and that it will consider any timely-provided information showing that those obligations were satisfied before the agreement is terminated. The Authority responded on March 4, 2019. By letter dated May 16, 2019, the FRA issued a final decision terminating the grant agreement. On May 21, 2019, the State and the Authority filed an action against FRA challenging the termination decision. A settlement conference has been scheduled in January 2020.

**Action Regarding State Mandates.** Petitioners in *Coast Community College District, et al. v. Commission on State Mandates* assert that costs for complying with certain laws and regulations prescribing standards for the formation and basic operation of State community colleges are state-mandated costs that must be reimbursed by the State. The trial court denied the petition. The petitioners have appealed. The potential amount of reimbursement of such costs cannot be determined at this time.

**Action Regarding Medi-Cal Reimbursements.** In *Perea, et al. v. Dooley, et al.*, plaintiffs filed a petition for writ of mandate and complaint for declaratory and injunctive relief on behalf of several individual Medi-Cal participants, a proposed class of all Medi-Cal participants except for those with dual Medicare coverage and three organizations. Petitioners contend that access to care under Medi-Cal is inadequate because reimbursement rates to doctors and clinicians under Medi-Cal are insufficient to attract enough providers, and that this has a disparate impact on Latinos. Petitioners seek an injunction or writ of mandate requiring defendants to raise Medi-Cal reimbursement rates and improve monitoring to ensure that Latino Medi-Cal enrollees receive the same access to medical care as Medicare beneficiaries and individuals covered by employer-sponsored insurance plans. A second case, *Deuschel v. California Health and Human Services Agency, et al.*, makes similar claims regarding the effect of Medi-Cal reimbursement rates on seniors and persons with disabilities, and seeks similar relief. At this time, it is unknown what future financial impact this litigation may have on the State General Fund.

**Connecticut**

**General Information**

Connecticut is a highly developed and urbanized state, which is situated directly between the financial centers of Boston and New York. Connecticut's mid-year 2018 population of 3.57 million was an increase of 0.3% from 2009, compared to 3.1% in New England and 6.6% for the nation over the same period. Per capita personal income for Connecticut residents in 2017 was $72,109, the highest of any state and 140% of the national average. Connecticut's unemployment rate was estimated at 3.6% for August 2019, compared to the national average of 3.7%.

The State's current and projected economic and fiscal conditions are subject to change based on a number of factors, including developments with respect to the national economy as a whole and the financial services sector, developments in the global economy, especially commodity prices such as oil, federal fiscal and economic policies, including fiscal stimulus efforts in general and the effect of such efforts on the State, the effect of the State's constitutional balanced budget requirement and spending cap provisions, and the timing of the adoption and implementation of legislative or executive actions to address these conditions.

**State Finances**

The State's fiscal year begins on July 1 and ends June 30. State statutory law requires that the budgetary process be on a biennium basis. In November 1992, electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment also provides a framework for a cap on budget expenditures. The State Supreme Court has ruled that the provisions of the Constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly, which has not yet occurred. Until it occurs, the Constitutional amendment has no legal effect. In the interim, the General Assembly has been following a provision of the State general statutes that contains the same budget cap as the Constitutional amendment. The Governor may generally reduce budget allotment requests within certain prescribed limits. Additionally, whenever the State's cumulative monthly financial statement indicates a projected State General Fund deficit greater than 1% of the total State General Fund appropriations, the Governor is required within thirty days to file a report with the General Assembly, including a plan to modify agency allotments to the extent necessary to prevent a deficit. The
State finances most of its operations through the State General Fund. However, certain State functions, such as the State's transportation budget, are financed through other State funds.

**Fiscal Accountability Reports and Consensus Revenue Estimates.** The last fiscal accountability reports, which included, among other things, an estimate of State revenues, expenditures and ending balances for each State fund, for the current biennium and the next ensuing three fiscal years, and the assumptions on which such estimates are based, were submitted by the Office of Policy and Management ("OPM") and the Office of Fiscal Analysis ("OFA") to the General Assembly on November 20, 2019. Both reports estimated revenue in the State General Fund falling short of expenditures for Fiscal Year 2020 resulting in a projected deficit of $19.6 million by OPM and $29.7 million by OFA. The reports also estimate general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. Both OPM and OFA estimated fairly stable general obligation bond issuances over that five-year period of between $0.1 billion to $0.3 billion, with the expenditure on debt service generally gradually increasing over such period.

On November 12, 2019, OPM and OFA issued their consensus revenue estimates for Fiscal Years 2020 through 2024 of approximately $19.376 billion, $20.195 billion, $19.735 billion, $20.071 billion and $20.606 billion, respectively.

**Budget Reserve Fund.** The State constitution provides that any unappropriated surplus shall be deposited in the State's Budget Reserve Fund (the "BRF"), used to reduce State bonded indebtedness or for other purposes approved by a three-fifths majority in each house of the General Assembly. All revenue in excess of $3.15 billion received by the State each fiscal year from estimated and final payments of the personal income tax is to be transferred to the BRF. The State received approximately $4.621 billion in Fiscal Year 2018 from estimated and final payments of such personal income tax. The Treasurer is also required to transfer any unappropriated surplus in the State General Fund to a BRF, unless otherwise directed by law. In any fiscal year, when the amount in the BRF equals 15% of the net State General Fund appropriations, no further transfers are to be made into the BRF. As deposits to the BRF rise, a portion of those increases are diverted to the State Employees Retirement Fund ("SERF"). Legislation, however, may be passed from time to time that assigns different uses to surpluses. The balance in the BRF as of June 30, 2019 was projected to be $2.506 billion, which was 13% of the net State General Fund appropriations for Fiscal Year 2020.

**Fiscal Year 2019 Results.** Pursuant to the Comptroller's audited statutory based financial report provided on October 31, 2019, as of June 30, 2019, State General Fund revenues were $19.650 billion, State General Fund expenditures and net miscellaneous adjustments and reservations were $19.279 billion and the State General Fund surplus for Fiscal Year 2019 was $370.6 million.

**Fiscal Year 2020 and 2021 Budget.** On June 4, 2019, the General Assembly passed the budget for Fiscal Years 2020 and 2021. State General Fund revenues are projected to be $19.460 billion for Fiscal Year 2020 and $20.148 billion for Fiscal Year 2021. State General Fund appropriations are projected to total $19.319 billion for Fiscal Year 2020 and $19.982 billion for Fiscal Year 2021.

**State Indebtedness**

The State has no constitutional limit on its power to issue obligations or incur debt other than that it may borrow only for public purposes. There are no reported court decisions relating to State bonded debt other than two cases validating the legislative determination of the public purpose for improving employment opportunities and related activities. The State Constitution has never required a public referendum on the question of incurring debt. Therefore, State statutes govern the authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters.

Pursuant to various public and special acts the State has authorized a variety of types of debt. These types fall generally into the following categories: direct general obligation debt, which is payable from the State General Fund; special tax obligation debt, which is payable from specified taxes and other funds that are maintained outside the State General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds which are maintained outside the State General Fund. In addition, the State has a number of programs under
which the State provides annual appropriation support for, or is contingently liable on, the debt of certain State
quasi-public agencies and political subdivisions.

**Direct General Obligation Debt.** In general, the State issues general obligation bonds pursuant to specific statutory
bond acts and the State general obligation bond procedure act, which provides that such bonds shall be general
obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of
and interest on such bonds as the same become due. There are no State Constitutional provisions precluding the
exercise of State power by statute to impose any taxes, including taxes on taxable property in the State or on income,
in order to pay debt service on bonded debt now or incurred in the future.

On and after July 1, 2018, the State may not issue general obligation bonds or notes or credit revenue bonds that
exceed in the aggregate $1.9 billion in any fiscal year, which limit shall be subject to prescribed inflationary
adjustments commencing July 1, 2019. For purposes of the debt limit statute, all bonds and notes issued or
guaranteed by the State and payable from the State General Fund tax receipts are counted against the limit, except
for the exclusions or deductions described above, and certain other debt specifically excluded by statute.

As of November 1, 2019, the State's net direct general obligation indebtedness (including the accreted value of
capital appreciation bonds) for the payment of the principal of and the interest on which the State has pledged its full
faith and credit or which is otherwise payable from the State General Fund is approximately $18.184 billion. As of
that date, the State had $3.471 billion in authorized and unissued general obligation debt.

The following table sets forth the total approximate debt service on all outstanding long-term direct general
obligation debt, as of November 1, 2019. Although not specifically reflected as a result of combining all
outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Debt Service (in billions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$1.51</td>
</tr>
<tr>
<td>2021</td>
<td>$2.25</td>
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<td>2022</td>
<td>$2.20</td>
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<td>2029</td>
<td>$1.37</td>
</tr>
<tr>
<td>2030-2039</td>
<td>$5.93</td>
</tr>
<tr>
<td>Total</td>
<td>$24.36</td>
</tr>
</tbody>
</table>

The General Assembly has empowered the State Bond Commission to authorize direct general obligation bonds
pursuant to certain bond acts. The Fiscal Year 2020 and 2021 budget includes several bonding authorizations, a net
increase in general obligation bond authorizations totaling $492.3 million in Fiscal Year 2020 and $261.2 million in
Fiscal Year 2021.

**Ratings.** Moody's, S&P and Fitch have assigned their municipal bond ratings of A1, A and A+, respectively, to the
State's general obligation bonds.

**Transportation Fund and Debt.** In 1984, the State adopted legislation establishing a transportation infrastructure
program and authorizing special tax obligation ("STO") bonds to finance the program. The infrastructure program is
a continuous program for planning, construction and improvement of State highways and bridges; projects on the
interstate highway system; alternate highway projects; waterway, mass transportation, transit and aeronautics
facilities; the highway safety program and other facilities and programs administered by the Department of
Transportation.

The cost of the infrastructure program for Fiscal Years 1985-2022, which is to be met from federal, State and local
funds, is estimated at $41.2 billion. The State's share ($20.7 billion) is financed almost entirely by STO bonds with
the remaining funds coming from fees, taxes, and revenues of the State Transportation Fund ("STF"), which accounts for all transportation related taxes, fees, and revenues. STO bonds are payable solely from STF revenues. The State's share of the cost of the infrastructure program for Fiscal Years 1985-2022 to be financed by STO bonds is estimated at $19.8 billion, of which approximately $14.7 billion has been financed through fiscal year 2018. During Fiscal Years 1985-2019, $35.0 billion of the total infrastructure program was approved. The remaining $6.2 billion is anticipated to be funded with $4.1 billion in STO bonds, $2.0 billion in anticipated federal funds and $99.0 million in anticipated revenues and other available funds. Debt service on State direct general obligation bonds for transportation purposes may be paid from resources of the STF, provided there is sufficient funding first to pay all STO debt service. On November 7, 2019, the Governor presented a ten-year transportation plan that includes investing $14 billion in the State's roads and bridges and $7 billion in its public transit system through system preservation and maintenance projects as well as enhancement projects.

Other Special Revenue Funds and Debt. The State also issues bonds for various special revenue funds and projects. As of February 1, 2019, the following special revenue bonds were issued and outstanding: Bradley International Airport Revenue Refunding Bonds ($102.1 million outstanding), Bradley International Airport Special Obligation Parking Revenue Bonds ($22.3 million outstanding) and State Revolving Fund Revenue Bonds ($883.8 million outstanding).

Contingent Liability Debt. The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by State General Fund resources. Not all entities that are authorized to issue such indebtedness have done so.

The Connecticut Health and Educational Facilities Authority ("CHEFA") was established to assist in the financing of facilities for educational or health care purposes. The State Office of Early Childhood is committed to pay the debt service on the loans in amounts sufficient to cover a portion of the debt service on CHEFA's Child Care Facilities Bonds. The State Department of Education is obligated to provide a portion of the funds to make debt service payments, which payments are to be made by the Treasurer. Any obligation by the State Department of Education or the Treasurer to pay such debt service is subject to annual appropriation. As of November 1, 2019, CHEFA had $337.0 million in outstanding bonds relating to the Connecticut State University System. As of that same date, CHEFA also had approximately $46.0 million in Child Care Facilities Bonds outstanding with annual debt service of approximately $4.53 million, of which the State Office of Early Childhood is committed to pay approximately $0.72 million. CHEFA is a subsidiary of The Connecticut Higher Education Supplemental Loan Authority ("CHESLA"), which had $171.5 million in outstanding bonds as of November 1, 2019.

The General Assembly also authorized the Capital Region Development Authority ("CRDA") to use a special capital reserve fund in connection with revenue bonds for the convention center in Hartford. The predecessor authority to CRDA issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $61.7 million was outstanding as of February 1, 2019. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Under the agreement between CRDA and the State, after completion of the convention center project, CRDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses.

As of November 1, 2019, the Connecticut Housing Finance Authority ("CHFA") had $4.629 billion in outstanding debt secured by the special capital reserve fund under the Housing Mortgage Finance Program.

Assistance to Municipalities. In addition to the limited or contingent liabilities that the State has undertaken in connection with the activities of its quasi-public agencies, the State has undertaken certain limited or contingent liabilities to assist municipalities. The State currently has limited or contingent liabilities outstanding in connection with bonds issued by the Southeastern Connecticut Water Authority. The State previously was obligated pursuant to the establishment of certain special capital reserve funds to secure certain bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past budget deficits; however all such bonds have been refunded. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a special capital reserve fund. There are no such obligations currently outstanding.

School Construction Grant Commitments. The State is obligated to various cities, towns and regional school districts under a grant-in-aid public school building program to fund certain costs of construction and alteration of school buildings and to support part of the interest payments on municipal debt issued to fund the State's share of
such school building projects. Legislation enacted in 1997 changed the method of financing the State's share of local school construction projects. For school construction projects approved during the 1997 legislative session and thereafter, the State pays the cost of its share of construction projects on a progress payment basis during the construction period. The State expects to authorize new school construction grant commitments of approximately $149 million in Fiscal Year 2019. As of June 30, 2018, estimated current grant obligations are approximately $2.300 billion.

Other Contingent Liabilities. The Connecticut Lottery Corporation ("CLC") was created in 1996 as a public instrumentality of the State to operate the State's lottery. The State and the CLC purchase annuities under group contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the CLC all annuities purchased by it and the CLC has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. As of June 30, 2018, the current and long-term liabilities of the CLC totaled $284 million.

Pension and Retirement Systems

The State sponsors several public employee retirement systems and also provides other post-employment benefits. The characteristics of the pension plan systems, where significant assets are available, to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans represent significant financial obligations of the State, both now and in the future. The unfunded actuarial accrued liability of the pension systems aggregate approximately $34.3 billion and the unfunded actuarial accrued liability of the other post-employment benefits aggregate approximately $20.8 billion.

State Employees' Retirement Fund. The State is responsible for funding and maintaining the SERF. For periods ended June 30, 2018, the Treasurer realized annualized net returns on investment assets in SERF of 6.09% over the past twenty years, of 7.27% over the past fifteen years, of 6.13% over the past ten years and of 7.89% over the past five years. As of June 30, 2019, the market value of the SERF's investment assets was $13.278 billion. The budget for Fiscal Years 2020 and 2021 contains appropriations sufficient, together with anticipated grant reimbursements, to fully fund the employer contribution requirement for Fiscal Year 2021.

Teachers' Retirement Fund. The Teachers' Retirement Fund ("TRF") provides benefits for teachers, principals, supervisors, superintendents or other eligible employees in the State's public school systems, with certain exceptions. For periods ended June 30, 2018, the Treasurer realized annualized net returns on investment assets in TRF of 6.17% over the past twenty years, of 7.31% over the past fifteen years, of 6.20% over the past ten years and of 7.85% over the past five years. As of June 30, 2018, the market value of the TRF's investment assets was $17.947 billion. For Fiscal Year 2018, the State made an employer contribution of $1.27 billion, 100% of the actuarial employer contribution requirement. The TRF received a revised actuarial valuation for June 30, 2018, which determined the employer contribution requirements to be $1.209 billion for Fiscal Year 2020 and $1.250 billion for Fiscal Year 2021. The budget for Fiscal Years 2020 and 2021 contains appropriations sufficient to fully fund the employer contribution requirement for those fiscal years.

Social Security and Other Post-Employment Benefits. State employees, except for police and members of a retirement system other than SERF, whose employment began after February 21, 1958, are entitled to Social Security coverage. The amount expended by the State for Social Security coverage for Fiscal Year 2018 was $298.3 million. Of this amount, $202.3 million was appropriated from the State General Fund and $15.1 million was appropriated and contributed from the STF. The State has appropriated $214.8 million for Social Security coverage for Fiscal Year 2019. Of this amount, $199.1 million has been appropriated from the State General Fund and $15.7 million has been appropriated from the STF.

The State also provides post-retirement health care and life insurance benefits to all employees who retire from State employment. In order to fund its obligations, the State has established a trust for the accumulation of assets with which to pay post-retirement health care benefits in future years. The State will need to make significant State General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. For Fiscal Year 2017 and Fiscal Year 2018, State General Fund expenditures on life insurance benefits were $7.7 million and $7.9 million, respectively. For Fiscal Year 2019, the projected State General Fund expenditures on retirees' health care costs and on life insurance benefits were $699.1 million and $8.2 million, respectively.
Litigation

The State and its officers and employees are parties to numerous legal proceedings. The ultimate disposition and fiscal consequences of these lawsuits are not presently determinable, but the Attorney General believes that most of these legal proceedings will not, either individually or in the aggregate, have a material adverse impact on the State's financial position. There are, however, several legal proceedings, which, if decided adversely against the State, either individually or in the aggregate, may require the State to make material future expenditures or may impair revenue sources. In the opinion of the State's Attorney General, an adverse judgment in any of the matters described below could have a fiscal impact on the State of $50 million or more.

American Indian Tribes. It is possible that land claims could be brought by Indian groups who have petitioned the federal government for federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal recognition of tribes under relaxed standards, but those regulations do not presently allow for previously denied petitioners, such as the Schaghticoke Tribal Nation, Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek recognition under new regulations. The Historical Eastern Pequot Tribe ("HEP") has filed a petition with the BIA seeking to be acknowledged as a federal American Indian Tribe. The BIA declined to accept the petition on the grounds that the HEP were previously denied acknowledgment. The HEP has appealed.

In October 2016, the Schaghticoke Tribal Nation initiated a lawsuit against the State and the Commissioner of Energy and Environmental Protection seeking approximately $610.5 million for the alleged unconstitutional taking of reservation lands in the nineteenth and early twentieth centuries. The suit seeks money damages and declaratory and injunctive relief to account for the funds allegedly due and to make the Schaghticoke whole. In December 2017, the trial court dismissed the plaintiff's takings claim as to reservation lands because the plaintiff lacked a property interest in those lands, but ordered supplemental briefing on the remainder of plaintiff's claims. In May 2019, the trial court dismissed the remainder of the plaintiff's claims. The plaintiff has moved for clarification of the court's ruling, and it is anticipated that the plaintiff will appeal.

Sheff v. O'Neill. This case was brought in 1989 on behalf of school children in the Hartford school district. In 1996, the State Supreme Court reversed a judgment that the trial court had entered for the State, and remanded the case with direction to render a declaratory judgment in favor of the plaintiffs. The State Supreme Court directed the General Assembly to develop appropriate measures to remedy the racial and ethnic segregation in the Hartford public schools. The State Supreme Court also directed the trial court to retain jurisdiction of this matter. In December 2000, the plaintiffs filed a motion seeking to have the trial court assess the State's compliance with the Supreme Court's 1996 decision. Before the court ruled upon that motion the parties reached a settlement agreement, which was deemed approved by the General Assembly and approved by the Supreme Court on March 12, 2003. Under the settlement agreement, the State was obligated over a four-year period to, among other things, open two new magnet schools in the Hartford area each year, substantially increase the voluntary interdistrict busing program in the Harvard area, and work collaboratively with the plaintiffs in planning for the period after the four-year duration of the settlement. That agreement expired in June 2007 and the plaintiffs have subsequently negotiated a number of additional agreements obligating the State to programming and other efforts designed to promote achievement of specified integration goals. Most recently, the parties negotiated a stipulation that governs the parties' obligations through June 2016, which received legislative approval. The parties entered into a stipulation extending current efforts through June 30, 2017, which included a commitment to mediation. The parties' effort to continue mediation efforts were unsuccessful. Plaintiffs were granted an injunction that maintained the requirements of the stipulation until the outcome of a full hearing on the State's compliance with the Supreme Court decision. The case remains pending and no subsequent hearing date has been set; however, the parties generally are engaged in settlement negotiations.

State Employees Bargaining Agent Coalition v. Rowland. This case was brought by a purported class of terminated State employees who sued the Governor and the Secretary of OPM alleging that they were fired in violation of their constitutional rights. The parties have reached a settlement which provides for cash payments estimated at approximately $44 million payable over several fiscal years, and additional vacation and personal time accruals. The overall value of the settlement is estimated at $100 million to $125 million. The parties are still in the process of calculating economic damages for each class member who sustained damages as a result of the layoffs. The settlement also resolved two related cases: Conboy v. State of Connecticut and Parzio v. State of Connecticut.
**Martinez v. Malloy.** This is a federal district court suit brought in August 2016 in which several students, and their parents or legal guardians, from the Hartford and Bridgeport school districts brought suit asserting federal constitutional claims. They allege that they are not receiving a minimally adequate education in the traditional public schools that they attend, and, in particular, allege that the State's failure to provide a minimally adequate education is the result of various statutes and educational policies that limit the number of students who may attend charter and magnet schools or who may participate in the Open Choice program, which permits certain urban students to attend school in nearby suburban towns. The State filed a motion to dismiss the action, which the court granted as to all claims. Plaintiffs did not appeal the dismissal.

**D.J. v. Conn. State Board of Ed.** This case was brought in federal court by a special education student and a purported class of similarly situated students who allege that state law violates the Individuals with Disabilities in Education Act ("IDEA") by terminating the obligation of local school districts to provide special education at the end of the school year in which a special education student turns 21. Plaintiffs' allegations are premised on the fact that Connecticut provides education services to non-special education students beyond the age of 21 and that such a distinction is not permitted under IDEA. Plaintiffs seek, among other things, a declaration that Connecticut violates IDEA by limiting public schools' obligation to provide education services to all special education students before the end of the school year of their 22nd birthday. If plaintiffs are successful, the State could be ordered to ensure the provision of a one year extension of current duration of services for all special education students. The State has filed a motion for summary judgment and an objection to certification of the class, both of which are pending.

**Juan F. v. Malloy.** Since 1991, the State Department of Children and Families has been operating under the provisions of a federal consent decree in this case, which relates to the child welfare system. The State has entered into several agreements over time resulting in outcome measures intended to lead to the end of judicial oversight of the agency. The State has continued to work with the plaintiffs and the Court Monitor to meet the requirements of the "exit plan" and has continued to achieve outcome measures. Reflecting this progress, the latest agreement reduces and revises the number of outcome measures necessary to end judicial oversight.

**Leticia Colon De Mejia, et al. v. Malloy, et. al.** This is a federal district court case in which the plaintiffs seek to declare unconstitutional and enjoin the General Assembly's transfer of $14 million from the State's Clean Energy Fund and $63.5 million from the State's Energy Conservation and Load Management Fund to the State General Fund in both Fiscal Year 2018 and Fiscal Year 2019 for a total of $155 million. Because the legislature restored $10 million of those transfers at the conclusion of the legislative session ending May 9, 2018, if the plaintiffs prevail, the total adverse revenue impact to the State General Fund would be $145 million. The plaintiffs are appealing the grant of the State's motion for summary judgement.

**Massachusetts**

**General Information**

Massachusetts is a relatively slow growing but densely populated state with a well-educated population, comparatively high income levels and a relatively diversified economy. The Commonwealth's estimated total population as of July 1, 2019 was 6.89 million. In addition, real per capita income levels in Massachusetts are well above the national average. Only the District of Columbia and Connecticut have had higher levels of per capita personal income. The per capita income average in the Commonwealth and the nation in 2018 was $71,683 and $54,446, respectively. As of November 2019, the unemployment rate in Massachusetts and the nation was 2.3% and 3.3%, respectively.

**Commonwealth Finances**

**Cash Flow.** The State Treasurer is responsible for cash management and ensuring that all Commonwealth financial obligations are met on a timely basis. Cash flow management incorporates the periodic use of short-term borrowing to meet cash flow needs for both capital and operating expenditures. All short-term cash flow borrowings, including both commercial paper and revenue anticipation notes ("RANs"), must be repaid by the end of the fiscal year (June 30). The Commonwealth currently has liquidity support for a $400 million tax-exempt commercial paper program for general obligation notes. The Commonwealth has relied upon its commercial paper program for additional liquidity since 2002.

The Stabilization Fund was established as a reserve of surplus revenues to be used for the purposes of covering revenue shortfalls, covering state or local losses of federal funds or for any event which threatens the health, safety
or welfare of the people or the fiscal stability of the Commonwealth or any of its political subdivisions. The Stabilization Fund balance at the end of Fiscal Year 2018 and Fiscal Year 2019 was $2.001 billion and $3.424 billion, respectively. The projected balance for Fiscal Year 2020 is $3.990 billion.

The Commonwealth estimates Fiscal Year 2020 to end with a non-segregated cash balance of approximately $3.411 billion. The Fiscal Year 2020 capital plan currently projects $4.70 billion for capital spending, including $2.43 billion of bond capital spending. The State Treasurer's office issued $1.4 billion in RANs for cash flow needs for Fiscal Year 2020 in October 2019. As in previous years, the notes will be repaid in April, May and June 2020.

Fiscal Year 2020. An interim budget of $5 billion for the first month of Fiscal Year 2020 was approved by the Governor on June 28, 2019. The interim budget was superseded by the Fiscal Year 2020 budget when it was approved by the Governor on July 31, 2019. The Fiscal Year 2020 initial budget provides for approximately $43.3 billion in expenditures (3.3% greater than Fiscal Year 2019 estimated spending levels at the time of approval). On January 3, 2020, the Governor filed a bill consisting of $74.2 million in supplemental appropriations for Fiscal Year 2020. On January 13, 2020, the Secretary of Administration and Finance revised the tax revenue projection for Fiscal Year 2020 of $30.099 billion upward by $190 million to $30.289 billion.

Fiscal Year 2021. On January 22, 2020, the Governor filed his Fiscal Year 2021 budget recommendation, providing for a total of $44.6 billion in Commonwealth spending. The proposed budget represented an increase of 2.3% over projected Fiscal Year 2020 spending and anticipated a deposit of $310 million to the Stabilization Fund in Fiscal Year 2021.

Commonwealth Revenues. In order to fund its programs and services, the Commonwealth collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, court revenues, assessments, reimbursements, interest earnings and transfers from its non-budgeted funds, which are deposited in the Commonwealth's budgeted operating funds. The major components of Commonwealth taxes are the income tax, which accounted for approximately 56.6% of the total tax revenues in Fiscal Year 2019, the sales and use tax, which accounted for approximately 22.7%, and the corporations and other business and excise taxes, which accounted for approximately 11.3%. Other tax and excise sources accounted for the remaining 9.4% of Fiscal Year 2019 tax revenues.

Fiscal Year 2019. Fiscal Year 2019 tax revenues totaled approximately $29.742 billion, an increase of approximately $1.954 million (7.0%) over Fiscal Year 2018. The net tax revenue increase is attributable, in large part, to an increase of approximately $476.7 million (3.7%) in withholding collections, an increase of approximately $951.2 million (44.3%) in income tax payments with bills and returns, an increase of approximately $574.6 million (20.7%) in corporate and business tax collections, an increase of approximately $344.5 million (5.3%) in sales and use tax collections and a net increase of approximately $165.5 million (7.1%) in all other taxes, which were offset by a decrease of approximately $673.3 million (21.4%) in income tax estimated payments. Fiscal Year 2019 tax collections were approximately $1.1 billion above the year-to-date benchmark associated with the revised Fiscal Year 2019 tax revenue estimate of $28.592 billion.

Fiscal Year 2020. As of December 31, 2019, Fiscal Year 2020 tax revenues totaled $13.946 billion, an increase of $586.4 million (4.4%) over the same period in Fiscal Year 2019. The year-to-date tax revenue increase is attributable, in large part, to an increase of approximately $228.0 million (3.5%) in withholding collections, an increase of $53.5 million (6%) in income tax estimated payments, an increase of approximately $4.9 million (1.4%) in income tax payments with bills and returns, an increase of approximately $183.9 million (5.4%) in sales and use tax collections, an increase of approximately $5.5 million (0.4%) in corporate and business tax collections and a net increase of approximately $84.7 million (6.4%) in all other taxes.

Federal and Other Non-Tax Revenues.

Federal Revenue. Federal revenue is collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families. The amount of federal revenue to be received is determined by state expenditures for these programs. Federal reimbursements were $11.772 billion in Fiscal Year 2019 and are projected to be $11.745 billion in Fiscal Year 2020. Departmental and other non-tax revenues are derived from licenses, tuition, registrations and fees, and reimbursements and assessments for services. These revenues were $5.250 billion for Fiscal Year 2019 and are projected to be $4.996 billion in Fiscal Year 2020.
**Lottery Revenues.** For the budgeted operating funds, inter-fund transfers include transfers of net operating revenues from the State Lottery and Gaming Fund and the Arts Lottery Fund and reimbursements for the budgeted costs of the State Lottery Commission. This accounted for net transfers from the Lottery of $1.097 billion and $1.206 billion in Fiscal Years 2018 and 2019, respectively. Net transfers from the Lottery for Fiscal Year 2020 are estimated to be $1.075 billion.

**Tobacco Settlement.** In November 1998, the Commonwealth joined with other states in entering into a master settlement agreement ("MSA"), which resolved the Commonwealth's and the other states' litigation against the cigarette industry. Under the MSA, cigarette companies have agreed to make both annual payments (in perpetuity) and five initial payments (for the calendar years 1999 to 2003, inclusive) to the settling states. Each payment amount is subject to applicable adjustments, reductions and offsets, including upward adjustments for inflation and downward adjustments for decreased domestic cigarette sales volume.

The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04%. The Commonwealth had estimated its allocable share of the base amounts under the agreement through Fiscal Year 2024 to be approximately $8.962 billion, subject to adjustments, reductions and offsets. However, since Fiscal Year 2006 certain amounts have been withheld from each year's payments by tobacco manufacturers who claim that they are entitled to reduce such payments under the MSA. Certain manufacturers withheld annual payments to the states due in 2006 through 2012. Those amounts have ranged from $21 million to $35 million. A smaller amount has been withheld for 2013 through 2016. The Commonwealth believes it is due the full amount and is pursuing its claim to unreduced payments. The Commonwealth also was awarded $414.3 million from a separate Strategic Contribution Fund established under the MSA to reward certain states' particular contributions to the national tobacco litigation effort. This additional amount is payable in equal annual installments during the calendar years 2008 through 2017.

From Fiscal Year 2003 through Fiscal Year 2012, all payments received by the Commonwealth pursuant to the MSA were deposited in the State General Fund. The Fiscal Year 2008 budget established the State Retiree Benefits Trust Fund ("SRBTF") for the purposes of depositing, investing and disbursing amounts set aside solely to meet liabilities of the state employees' retirement system for health care and other non-pension benefits for retired members of the system, and the Health Care Security Trust's balance was transferred to the SRBTF. The Fiscal Year 2019 budget enacted by the Legislature required that transfers be made equivalent to 30% of the Fiscal Year 2019 tobacco proceeds, or approximately $32.1 million.

**Settlements and Judgments.** State finance law provides that any one-time settlement or judgment amounting to $10 million or more is to be deposited in the Stabilization Fund to the extent that the total of all such settlements and judgments exceeded the average of such total for the five preceding fiscal years. The threshold amount for Fiscal Year 2020 was $115.7 million. On January 6, 2020, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received $12.5 million in one-time settlement judgment payments during the first six months of Fiscal Year 2020.

**Gaming.** On November 22, 2011 the Governor approved legislation that authorize the licensing of up to three regional resort casinos (one per region) and one slot facility (up to 1,250 slots) in the Commonwealth. Licensing fees are to be applied to a variety of one-time state and local purposes, and gaming revenues received by the Commonwealth are to be applied to a variety of ongoing expenses, including local aid and education, with stipulated percentages also to be deposited in the Stabilization Fund and applied to debt reduction. The legislation stipulates that initial licensing fees, which are to be set by the gaming commission, must be at least $85 million per casino (a "Category 1" license) and $25 million for the slot facility (a "Category 2" license).

The Massachusetts Gaming Commission entered into agreements with the Category 1 licensee in two of the three regions. Both facilities were fully operational by the end of June 2019. The Massachusetts Gaming Commission is reconsidering and reviewing an unsuccessful application for the Category 1 license in the third region. Various municipalities have filed suit contesting certain aspects of the Massachusetts Gaming Commission's issuance of one of the Category 1 licenses. The Category 2 slot facility opened on June 24, 2015. During the first five months of Fiscal Year 2020, the facilities generated approximately $404.3 million in gross gaming revenue, resulting in $109.8 million in budgetary fund taxes collected by the Commonwealth.

**Commonwealth Expenditures**

**Commonwealth Financial Support for Local Governments.** The Commonwealth makes substantial local aid payments to its cities, towns and regional school districts to mitigate the impact of local property tax limits on local programs and services. Local aid payments take the form of both direct and indirect assistance. Direct local aid
consists of general revenue sharing funds and specific program funds sent directly to local governments and regional school districts. The Commonwealth's budget for Fiscal Year 2020 provides $6.680 billion of state-funded local aid to municipalities.

A large portion of general revenue sharing funds are earmarked for public education and are distributed through a formula designed to provide more aid to the Commonwealth's poorer communities. The legislation requires the Commonwealth to distribute aid to ensure that each district reaches at least a minimum level of "foundation" spending per public education pupil. The Fiscal Year 2020 budget includes funding for education aid of $5.176 billion. This level of funding brings all school districts to the foundation level and is an increase of $268.4 million over Fiscal Year 2019. On November 26, 2019, legislation was signed to increase public education aid over a seven-year period beginning in Fiscal Year 2021. The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The Fiscal Year 2020 budget provided for $1.129 billion in such aid.

Medicaid. Many of the Commonwealth's healthcare programs and expenditures are governed by the federal Affordable Care Act ("ACA"), to which strong opposition has been expressed by President Trump, the Secretary of the U.S. Department of Health and Human Services and legislative leaders in Congress, and which has been the subject of several, to date unsuccessful, federal legislative efforts to repeal or substantially amend the same. In December 2019, Congress both deferred the commencement and accelerated the full implementation of reductions in federal reimbursement for hospitals that treat a disproportionate number of Medicaid recipients. While it is not possible to predict with any certainty whether or when the ACA may be, in whole or in part, repealed, withdrawn or modified, any such measures could have a material adverse effect on the Commonwealth's healthcare programs and expenditures.

The Commonwealth's Medicaid program, MassHealth, provides health care to low-income children and families, certain low-income adults, disabled individuals and low-income elderly. The program, which is administered by the Executive Office of Health & Human Services ("EOHHS"), receives federal reimbursement for a material portion of its expenditures. For Massachusetts, the matching rate remained at 88% for federal fiscal year 2019, was reduced to 76.5% in federal fiscal year 2020 and is expected to further decrease to 65% for federal fiscal year 2021 and beyond. Under the ACA since January 1, 2014, MassHealth receives enhanced federal reimbursement for spending on newly eligible members and certain existing members. The reimbursement rate was 93% in calendar year 2019, decreasing to 90% for calendar year 2020 and beyond.

The Fiscal Year 2020 budget includes $17.3 billion in funding for non-administrative spending for the MassHealth program. The $17.3 billion includes $16.6 billion in programmatic spending, including costs related to the settlement of a claim against the Commonwealth. The $17.3 billion also includes approximately $693 million to support supplemental payments to providers. As of January 2020, estimated programmatic spending is $16.7 billion, which exceeds the Fiscal Year 2020 budget by $89 million on a net basis.

Commonwealth Health Insurance Connector Authority. State health care reform legislation enacted in 2006 created the Commonwealth Health Insurance Connector Authority ("Health Connector") to, among other things, administer the Commonwealth Care program, a subsidized health insurance coverage program for adults whose income is up to 300% of the federal poverty level and who do not have access to employer-sponsored insurance. The Health Connector administers the Commonwealth's Health Insurance Marketplace under the ACA. Total Health Connector spending in Fiscal Year 2019 totaled $339.4 million, an increase of $32.1 million from Fiscal Year 2018. The Fiscal Year 2020 budget for the Health Connector reflects $369.3 million in gross spending and is expected to be fully funded from dedicated revenue sources.

The Commonwealth's Medicaid waiver was renewed on November 4, 2016. The renewal consisted of an amendment to the current waiver, which was effective through June 30, 2017, as well as a five-year waiver extension through June 30, 2022. The waiver extension is a $52.4 billion agreement that supports a restructuring of the MassHealth program and is expected to bring in significant federal investment to support health care delivery system reforms. The waiver extension also includes more than $29 billion in revenue to the Commonwealth through federal financial participation and expands services for substance use disorder treatment.

Other Health and Human Services. The Office of Health Services encompasses programs and services from the Department of Public Health ("DPH") and the Department of Mental Health, and the Division of Health Care Finance and Policy. Their goal is to promote healthy people, families, communities and environments through coordinated care. The Office of Health Services' spending for Fiscal Year 2019 was approximately $1.421 billion,
and spending for Fiscal Year 2020 is projected to be approximately $1.626 billion.

**Commonwealth Pension Obligations.** The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees and for teachers of the cities, towns and regional school districts throughout the state. The Commonwealth assumed responsibility, beginning in Fiscal Year 1982, for payment of cost of living adjustments for all local retirement systems. However, in 1997 legislation was enacted removing from the Commonwealth the cost of future cost-of-living adjustments for these systems and providing that systems fund future cost-of-living adjustments. Pension benefits for state employees are administered by the State Board of Retirement, and pension benefits for teachers are administered by the Teachers' Retirement Board. Investment of the assets of the state employees' and teachers' retirement systems is managed by the Pension Reserves Investment Management Board. In the case of all other retirement systems, the retirement board for the system administers pension benefits and manages investment of assets. The members of these state and local retirement systems do not participate in the federal Social Security System. The Commonwealth's employees' and teachers' retirement systems are partially funded by employee contributions of regular compensation, which rates vary depending on when the employee was hired.

The most recent pension funding schedule for payments into the Commonwealth's Pension Liability Fund was filed on January 15, 2020. The assumptions underlying the new funding schedule include valuation of assets and liabilities as of January 1, 2019, an annual rate of return on assets of 7.25%, and appropriation increases of 9.63% per year through Fiscal Year 2035 with a final amortization payment in Fiscal Year 2036 (four years before the statutory requirement).

On October 17, 2019, the Public Employee Retirement Administration Commission ("PERAC") released its actuarial valuation of the Commonwealth's total pension obligation as of January 1, 2019. This valuation was based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2018. The unfunded actuarial accrued liability as of that date for the total obligation was approximately $43.989 billion, including approximately $15.459 billion for the Massachusetts State Employees' Retirement System ("MSERS"), $26.010 billion for the Massachusetts Teachers' Retirement System ("MTRS"), $2.391 billion for Boston Teachers and $130.0 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2019 to be approximately $100.651 billion (comprised of $42.595 billion for MSERS, $53.864 billion for MTRS, $4.061 billion for Boston Teachers and $130.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately $56.661 billion based on a five-year average valuation method, which equaled 102.8% of the December 31, 2018 total asset market value.

The January 1, 2019 valuation report used a 7.25% investment return assumption, reduced from the 7.35% assumption used in the January 1, 2018 report. The investment return assumption had previously decreased from 8.25% as of January 1, 2012 to 7.35% as of January 1, 2018. The change in the investment return assumption from 7.35% to 7.25% increased the total actuarial accrued liability by $1.0 billion.

**Higher Education.** The Commonwealth's system of higher education includes the five-campus University of Massachusetts, nine state universities and 15 community colleges. The operating revenues of each institution consist primarily of state appropriations and of student and other fees that may be imposed by the board of trustees of the institution. Tuition levels are set by the Board of Higher Education, and tuition revenue is required to be remitted to the State Treasurer by each institution. The board of trustees of each institution submits operating and capital budget requests annually to the Board of Higher Education. Spending totaled $1.173 and $1.284 billion for Fiscal Years 2018 and 2019, respectively, and spending is projected to be $1.321 billion for Fiscal Year 2020.

**Capital Spending.**

The EOAF maintains a multi-year capital spending plan, including an annual administrative limit on certain types of capital spending by state agencies. Actual capital spending is subject to variance from budget due to the nature of capital projects and the programs comprising the plan. In June 2019, the Governor announced the five-year capital investment plan for Fiscal Year 2020 through Fiscal Year 2024 and an administrative bond cap of $2.43 billion, a 3.8% increase over the Fiscal Year 2019 administrative bond cap. The Fiscal Year 2020 capital plan projected $4.70 billion of spending on capital projects. In addition to keeping debt service within 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap for the regular capital program to not more than $125 million.
Massachusetts Bay Transportation Authority (MBTA). The MBTA issues its own bonds and notes. Prior to July 1, 2000, the Commonwealth supported MBTA bonds, notes and other obligations through guaranties of the debt service on its bonds and notes, contract assistance generally equal to 90% of the debt service on outstanding MBTA bonds and payment of the MBTA's net cost of service (current expenses, including debt service, minus current income). Beginning July 1, 2000, the Commonwealth's annual obligation to support the MBTA for operating costs and debt service was limited to a portion of the state sales tax revenues, but the Commonwealth remains contingently liable for the payment of MBTA bonds and notes issued prior to July 1, 2000, and for MBTA payment obligations related to leases, reimbursement obligations, interest exchange agreements and other financing obligations entered into prior to July 1, 2000. The Commonwealth's obligation to pay such prior bonds is a general obligation for which its full faith and credit have been pledged. As of November 30, 2019, the MBTA had approximately $160.7 million of such prior bonds outstanding. Such bonds are currently scheduled to mature annually through Fiscal Year 2030.

Commonwealth Indebtedness

General Authority to Borrow. Under its constitution, the Commonwealth may borrow money (a) for defense or in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (b) by a two-thirds vote of the members of each house of the legislature present and voting thereon. The constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the legislature present and voting thereon, but such credit may not in any manner be given or loaned to or in aid of any individual, or of any private association, or of any corporation which is privately owned or managed.

General Obligation Debt. The Commonwealth issues general obligation bonds and notes pursuant to Commonwealth law. General obligation bonds and notes issued thereunder are deemed to be general obligations of the Commonwealth to which its full faith and credit are pledged for the payment of principal and interest when due, unless specifically provided otherwise on the face of such bond or note. As of November 30, 2019, the Commonwealth had approximately $23.7 billion in issued and outstanding general obligation bonds, of which $21.6 billion (approximately 91%) was fixed rate debt and $2.1 billion (9%) was variable rate debt. The Commonwealth's outstanding general obligation variable rate debt consists of several variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rate modes, multi-modal bonds and variable rate demand bonds. Variable rate demand bonds, which account for $483.0 million of outstanding general obligation debt as of November 30, 2019, are generally supported by liquidity facilities that require the bonds to be tendered by a specified date if the facility is not replaced or the bonds are not otherwise refinanced. Of the variable rate debt outstanding, the interest rates on $997.3 million (approximately 4%) of total general obligation debt, have been synthetically fixed by means of floating-to-fixed interest rate swap agreements. These agreements are used as hedges to mitigate the risk associated with variable rate bonds.

Under state finance law, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date constitute general obligations of the Commonwealth to which its full faith and credit are pledged. The remaining variable rate debt of $1.1 billion, or approximately 5% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis. The Commonwealth implemented a multi-year asset/liability management strategy in order to better balance its interest rate exposure by increasing the portion of its outstanding debt issued as unhedged floating rate bonds.

As of November 30, 2019, the Commonwealth had outstanding approximately $154.1 million ($81.1 million principal and $73.0 million discount) of variable rate "U. Plan" bonds, sold in conjunction with a college savings program administered by the Massachusetts Educational Financing Authority, which bear deferred interest at a rate equal to the percentage change in the consumer price index plus 2%, together with current interest at the rate of 0.5%.

The Commonwealth has issued general obligation bonds in the form of Build America Bonds ("BABs"), which were authorized under American Recovery and Reinvestment Act ("ARRA"). The Commonwealth is entitled to receive a cash subsidy from the federal government equal to 35% of the investment payable on the BABs provided the Commonwealth makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. The Commonwealth is
obligated to make payments of principal and interest on the BABs whether or not it receives interest subsidy payments. As of November 30, 2019, the Commonwealth had approximately $2.1 billion of BABs outstanding.

The Commonwealth is authorized to issue short-term general obligation debt as RANs or BANs. RANs may be issued in any fiscal year in anticipation of the receipts for that year and must be repaid no later than the close of the fiscal year in which they are issued. BANs may be issued in anticipation of the issuance of bonds, including special obligation convention center bonds.

**Special Obligation Debt.**

*The Commonwealth Transportation Fund.* The Commonwealth is authorized to issue special obligation bonds secured by all or a portion of revenues accounted to the Commonwealth Transportation Fund ("CTF") (formerly the Highway Fund). Revenues that are accounted to the Commonwealth Transportation Fund are primarily derived from taxes and fees relating to the operation or use of motor vehicles in the Commonwealth, including the motor fuels excise tax and registry of motor vehicle fees. In addition, a portion of the Commonwealth's receipts from the sales tax is dedicated to the CTF and state finance law currently provides for a series of substantial transfers from the State General Fund to the CTF through Fiscal Year 2020; none of the sales tax receipts or State General Fund transfers has been pledged to secure Commonwealth special obligation bonds. As of November 30, 2019, the Commonwealth had outstanding $80.9 million of such special obligation bonds secured by a pledge of 6.86¢ of the 24¢ motor fuels excise tax.

The Commonwealth is also authorized to issue approximately $1.876 billion of special obligation bonds secured by a pledge of all or a portion of revenues accounted to the CTF to fund a portion of the Commonwealth's accelerated structurally-deficient bridge program and other transportation improvements. As of November 30, 2019, the Commonwealth had outstanding $3.0 billion of such bonds, which are secured by a pledge of registry fees and a specified portion of the motor fuels excise tax.

A portion of the outstanding bonds was issued as BABs (approximately $419.8 million) and as Recovery Zone Economic Development Bonds ("RZEDBs") (approximately $156.4 million). The Commonwealth is entitled to receive cash subsidy payments from the federal government equal to 35% of the debt service payable on the BABs and 45% of the debt service payable on the RZEDBs, provided, in both cases, that the Commonwealth makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. Such payments are currently subject to a sequestration reduction of 6.8%, with the Bipartisan Budget Act of 2015, approved by the President on November 2, 2015, extending the sequestration provisions through federal fiscal year 2025. For Federal Fiscal Year 2018, this reduction decreased to 6.6%, and for Federal Fiscal Year 2019, this reduction will be decreased to 6.2%. Beginning in Fiscal Year 2012, such subsidy payments received by the Commonwealth are required to be deposited in a Build America Bonds Subsidy Trust Fund and used, without further legislative appropriation, to pay debt service on the related BABs and RZEDBs. The Commonwealth is obligated to make payments of principal and interest on the BABs and RZEDBs whether or not it receives interest subsidy payments. As of November 30, 2019, $419.8 million of the outstanding CTF bonds was comprised of BABs, $156.4 million of the outstanding CTF bonds was comprised of RZEDBs and $52.8 million of the outstanding grant anticipation notes was comprised of BABs.

*Convention Center Fund.* The Commonwealth is authorized to issue $694.4 million of special obligation bonds for the purposes of a new convention center in Boston ($609.4 million), the Springfield Civic Center ($66 million) and the Worcester convention center ($19 million). The bonds are to be payable from moneys credited to the Convention Center Fund, which include the receipts from a 2.75% convention center financing fee added to the existing hotel tax in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston, tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield. In June 2004, the Commonwealth issued $686.7 million of special obligation bonds secured solely by the pledge of receipts of tax revenues within the special districts surrounding the centers and other special revenues connected to such facilities, and in June 2005, the Commonwealth issued $527.6 million of special obligation refunding bonds, which advance refunded, in part, the 2004 issue. As of November 30, 2019, only approximately $527.6 million of the bonds issued in 2005 were outstanding.

*Federal Grant Anticipation Notes.* The Commonwealth is authorized to issue an additional $1.1 billion of subordinated grant anticipation notes ("GANs") secured by future federal funds to fund a portion of ABP. The
Commonwealth expects to pay interest on the notes supporting the Commonwealth's accelerated structurally deficient bridge program from Commonwealth appropriations. As of November 30, 2019, $738.2 million of such notes was outstanding.

Litigation

There are pending in state and federal courts within the Commonwealth and in the Supreme Court of the United States various suits in which the Commonwealth is a party. In the opinion of the Attorney General, no litigation is pending or, to her knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition.

Programs and Services. From time to time actions are brought against the Commonwealth by the recipients of governmental services, particularly recipients of human services benefits, seeking expanded levels of services and benefits and by the providers of such services challenging the Commonwealth's reimbursement rates and methodologies. To the extent that such actions result in judgments requiring the Commonwealth to provide expanded services or benefits or pay increased rates, additional operating and capital expenditures might be needed to implement such judgments.

Rosie D. et al v. The Governor. In January 2006, the trial court ruled in favor of a class of Medicaid-recipient children that the Commonwealth fails to provide the home-and community-based services required under the Early and Periodic Screening, Diagnosis and Treatment ("EPSDT") provisions of federal Medicaid laws. In February 2007, the trial court adopted the defendants' proposed remedial plan, with some modifications, and, in July 2007, entered judgment in accordance with that modified plan. The Commonwealth did not appeal from that judgment; instead MassHealth implemented all required program changes. On September 27, 2018, the court heard a series of motions from the parties regarding the program, the status of the Commonwealth's compliance with the judgment and the possible termination of court and monitoring and reporting provisions. On February 7, 2019, the court denied in part and granted in part the defendants' motion regarding substantial compliance and to terminate court monitoring. The court found MassHealth to be in substantial compliance with the EPSDT notification and screening requirements, and terminated monitoring with respect to those requirements of the judgment. The court denied defendants' motion to terminate monitoring as to any other aspect of the judgment. The court did not decide the merits of the defendants' asserted substantial compliance with other provisions of the judgment. On July 1, 2019, the court ordered the extension of the court monitor's appointment under her present terms and conditions. On November 14, 2019, the defendants filed a consolidated opening appellate brief, and plaintiffs' brief was filed on December 16, 2019. The First Circuit Court of Appeals anticipates that this case will be ready for argument or submission in the March 2020 session. There are no status reports scheduled at this time. The defendants' opening appellate brief was filed on August 7, 2019. MassHealth estimates that its implementation of program changes in compliance with the court's remedial orders, if not overturned on appeal, will continue to increase its costs, including administrative costs, prospectively by over $20 million annually.

Hutchinson et al v. Patrick et al. This is a 2007 class action brought by two organizations and five individuals with brain injuries who are residents of various nursing facilities. Plaintiffs claim that they and a class of between 2,000 and 4,000 brain-injured individuals are entitled to, among other things, placement in community settings. Plaintiffs asserted claims under the federal Americans with Disabilities Act, the Rehabilitation Act and the Medicaid Act. In May 2008, the parties entered into a settlement agreement which was subsequently amended in July 2013. Under the terms of the amended settlement agreement, the defendants will provide community residential and non-residential supports in an integrated setting to Massachusetts Medicaid-eligible persons with an acquired brain injury who are in nursing and long-term rehabilitation facilities. The cost of implementing these programs was originally projected to be approximately $386 million, phased in over six years, with approximately half of that amount expected to be reimbursed by the federal government. In Fiscal Year 2020, after the terms of the settlement have been fully implemented, the estimated annual costs of the program are estimated to be approximately $128 million on a gross basis and $64 million on a net basis.

Chanice Lee, also on behalf of similarly situated individuals vs. Commissioner of the Department of Early Education and Care, et al. On December 9, 2019, the Department of Early Education and Care (the "EEC") received a notice of a putative class action lawsuit after denying plaintiff of an income-eligible child care subsidy. Plaintiff claims that the fee scale devised by the EEC and the disqualification from receipt of the subsidy are unlawful under applicable state and federal law. The Attorney General's Office is in the process of analyzing the complaint. At this time, the Commonwealth cannot predict the timing, outcome or, should plaintiff prevail, the budgetary impact of this litigation.
Medicaid Audits and Regulatory Reviews.

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The Federal Health Care Financing Administration (now, the CMS) asserted in June 2000 that the portion of the Medicaid program funded by the HSN might violate federal regulations regarding permissible taxes on health care providers. Since 1993, MassHealth has sought federal waivers for the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the HSN. Federal responses to the Commonwealth's most recent waiver submissions have been pending since 2000. The Commonwealth believes that the assessments are within the federal law pertaining to health care related taxes, but nevertheless sought federal waivers for the assessments as instructed by CMS. In 2017, a change in state law was made to the hospital assessment making a federal waiver for the hospital assessment unnecessary. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. The Commonwealth collected an estimated $6.234 billion in acute hospital assessments between 1990 and 2017, and an estimated $3.188 billion in surcharge payments between 1998 and 2019.

In re: Centers for Medicare and Medicaid Services: Disallowance Number MA/2018/001/MAP. On November 20, 2018, CMS issued to the Commonwealth a notice of disallowance in the amount of $70.9 million in federal financial participation ("FFP") for expenditures between March 31, 2014 and December 31, 2016 related to MassHealth's Primary Care Payment Reform Initiative. EOHHS responded to the disallowance letter by requesting reconsideration, which CMS denied on March 15, 2019. EOHHS submitted an appeal to the federal Health and Human Services Departmental Appeals Board on May 13, 2019. Parties are currently engaging in discovery. EOHHS' brief was due on January 27, 2020.

Environmental Matters.

In re Massachusetts Military Reservation (pre-litigation). The Commonwealth is engaged in preliminary discussions regarding natural resource damage at the Massachusetts Military Reservation on Cape Cod. The Commonwealth's Executive Office of Environmental Affairs is the State Natural Resources Trustee. Federal Trustees claim that the Commonwealth and others are liable for natural resource damages due to widespread contamination primarily from past military activities at the Reservation and are responsible for response actions and related clean-up activities. The assessment process for natural resource damages is set out in federal regulations and has not been completed. While no recent comprehensive estimate of natural resource damages and response actions is available, it is expected that the damages and response actions may cost at least tens of millions of dollars. In 2013, the trustees reopened preliminary discussions on a potential settlement framework.

Taxes and Other Revenues.

Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et. al. These matters arise under the MSA. Under the MSA, original participating manufacturers ("OPMs") and subsequent participating manufacturers ("SPMs" and together with the OPMs, "PMs") are subject to a number of payment adjustments. One such adjustment is the non-participating manufacturer ("NPM") adjustment, which can be triggered if the OPMs suffer a specified market share loss as compared to the OPMs' market share base in 1997. Under the MSA, a nationally recognized economic firm (the "Firm") must make a determination that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor relating to their market share loss in each relevant year. Even if this finding is made, the payment adjustment can still be avoided if it is determined that the participating states diligently enforced their NPM escrow statutes.

The PMs are seeking to reduce the MSA payments they made to the states for sales in 2005-2018. A determination has been made that the PMs suffered a market share loss in each of these years (except for 2018) and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to such market share loss. The PMs notified the states of their intent to arbitrate the issue of whether each state diligently enforced its NPM escrow statute during each of 2005-2008 following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. The PMs have not yet notified the states of their intent to arbitrate the issue of whether each state diligently enforced its NPM escrow statute during each of 2009-2018. If these matters are arbitrated and the Commonwealth does not prevail, future MSA payments would be reduced by an amount yet to be determined. Certain PMs have made payments to the Commonwealth, while others have withheld payments until a decision on the enforcement of the Commonwealth's NPM escrow statute has been reached.
Northeastern University, et al. v. Commissioner of Revenue. The plaintiffs, three Massachusetts universities, allege that the Commissioner of Revenue wrongfully denied their requests for brownfields tax credits. Legislation in 2006 made not-for-profit institutions eligible to claim tax credits for work those institutions performed to remediate an environmentally contaminated site. The sole issue in this litigation, filed in August 2014, is whether the taxpayers may receive a brownfields tax credit for site-remediation work performed prior to June 2006 (i.e., prior to the effective date of the legislation). The Commissioner denied the plaintiffs’ applications for the credit, and to transfer the credit, because the site remediation work had been achieved prior to the taxable year commencing after June 24, 2006. The trial court, however, found in favor of the plaintiffs and, if all other application conditions are met, the plaintiffs would be entitled to tax credits in the cumulative amount of $17.7 million. The Commonwealth appealed the adverse judgment. On December 28, 2017, the appellate court affirmed the trial court's judgment. On May 4, 2018, the Supreme Judicial Court denied the Commonwealth’s application for further appellate review. The Department of Revenue is continuing to review a plaintiff’s application to confirm that all other application criteria are met, and if so, will issue tax certificates worth up to $6.6 million.

Film Credits Claims. Under applicable state law, personal income tax and corporate excise tax credits and sales tax exemptions are available to qualifying taxpayers in the motion picture industry. The Department of Revenue examines and sometimes declines preliminary approval of applications from various taxpayers for film credits, against taxable income, in amounts that often exceed $1 million. Currently the Department of Revenue estimates a total potential revenue loss of approximately $78.3 million, with three of the individual credit amount claims in excess of $10 million.

Other Litigation.

Drug Testing Laboratory Disputes. In 2012 and 2013, charges were brought against two chemists, working in two separate Commonwealth drug testing laboratories, alleging malfeasance by such chemists in the handling and testing of laboratory samples and/or the adulteration or theft of seized drugs used as evidence in criminal cases. As a result of the subsequent convictions of these two chemists, and following judicial review, more than 21,000 criminal cases potentially affected by altered drug evidence from one of the laboratories were vacated or dismissed, with only a few hundred potentially affected criminal cases remaining open for re-prosecution. The number of criminal cases potentially affected by altered drug evidence from the second laboratory has not yet been established, but is expected to exceed 10,000. To date, more than 8,000 convictions have been identified for dismissal. In actions relating to the second laboratory, a court found that, in addition to the chemist's malfeasance, two former prosecutors deliberately concealed documents relevant to the chemist's actions, with implications for many more drug tests conducted by this second testing laboratory. The Supreme Judicial Court recently expanded the Commonwealth's potential liability, ordering, in relevant part, that all convictions based on evidence tested at the second laboratory on or after January 1, 2009 must be vacated and dismissed, regardless of the chemist who signed the drug certificate, as well as all methamphetamine convictions where the drugs were tested at the second laboratory during the convicted chemist's tenure. See Committee for Public Counsel Services, et al. v. Attorney General of Massachusetts, et al. (Oct. 11, 2018).

There are a number of ongoing civil actions, in both state and federal court, relating to the rights of those criminal defendants potentially affected by the malfeasance of the two chemists and the prosecutorial misconduct described above, and more are expected. The potential claims of criminal defendants against the Commonwealth and other officials are likely to range from restitution for the fees and costs imposed on and incurred by the criminal defendants, erroneous conviction, negligence of the Commonwealth in supervising the laboratories and their employees and potential civil rights violations under federal law. To date, plaintiffs have sought, and may in the future seek, compensatory as well as punitive damages, interest, costs and attorneys' fees. In Foster, et al. v. Commonwealth, et al., a purported class action has been filed on behalf of the criminal defendants whose convictions were vacated as the result of the potentially tainted drug tests in the two laboratories, seeking refund of all fees and costs associated with their cases as well as related restitution payments. The court has stayed the proceedings on several occasions; most recently, until May 12, 2020, to allow the parties to continue to work towards a negotiated settlement. Additionally, in two similar state court cases, the Supreme Judicial Court ruled that defendants have due process rights to the refund of fees, fines and restitution paid by a defendant as a consequence of a later invalidated conviction when it is determined that the case will not or cannot be retried. See Commonwealth v. Martinez; see also Commonwealth v. Green. The Supreme Judicial Court deferred further rulings in the cases to allow time for a global remedy to be crafted and for a settlement to be reached by the parties in
Foster. In a more recent appeal, Commonwealth v. Jermaine K. Watt, plaintiff's conviction was vacated as a result of the Amherst chemist's misconduct, and plaintiff was seeking the return of monthly inmate account administration and maintenance fees. The court denied plaintiff's motion for fees and he appealed. The Supreme Judicial Court overturned the trial court's decision with respect to a drug analysis fee but upheld the decision for all other fees sought by plaintiff.

Given the tens of thousands of cases potentially affected by these chemists' misconduct, there likely will be continuing significant, but as yet undetermined, costs to remedy alleged malfeasance, including, but not limited to: vendor costs for maintaining an electronic document review platform; costs to defend civil complaints alleging state liability in both state and federal court; and for potential judgments. Net appropriations from Fiscal Year 2013 to the present to rectify the consequences of the drug testing lab-related misconduct total approximately $24.7 million, including a $1.9 million appropriation and a $1.1 million appropriation for Fiscal Years 2019 and 2020, respectively. Based on the court decisions to date and depending on the outcomes of the additional cases filed to date and cases that may be filed in the future, the Commonwealth could be required to budget for millions of dollars' worth of refundable exactions, settlements, and administrative expenses.

McHugh et al v. Commonwealth et al. Four Massachusetts Department of Environmental Protection ("DEP") contract employees have filed a purported class action suit against the Commonwealth, DEP and its Commissioner alleging that Commonwealth entities have been hiring and employing contract employees as long-term replacements for full-time state employees but do not provide them employment benefits. Plaintiffs purported to bring suit on behalf of approximately 3,330 to 7,600 similarly situated individuals. In November 2018, the trial court granted the state defendants' motion to dismiss, but plaintiffs filed an appeal. In early February 2019, the plaintiffs filed an Application for Direct Appellate Review with the Supreme Judicial Court, which was denied. The plaintiffs filed their principal brief and record appendix with the Appeals Court on April 2019. The Commonwealth filed its brief on July 1, 2019, and then plaintiffs-appellants filed their reply on July 15, 2019. Oral argument has not yet been scheduled.

New York

Economic Trends

U.S. Economy.

The most recent estimate by the U.S. Bureau of Economic Analysis of first-quarter U.S. real Gross Domestic Product ("GDP") growth was 2.0%. The Division of Budget ("DOB") expected GDP growth to slow from 2.9% in 2018 to 2.3% in 2019. Real GDP growth is forecast to decrease to 1.9% in 2020 and further decrease to 1.8% in 2021. Total nonagricultural employment growth of 1.5% was projected for 2019, followed by 1.1% growth in 2020. The conventional unemployment rate is projected to fall from 3.9% to 3.7% and 3.6% in 2019 and 2020, respectively. Consistent with a tightening labor market, the outlook for wages is expected to remain robust, with wage growth of 5.3%. Personal income growth for 2019 was projected to be 4.7%.

Downside risks to the DOB forecast include, but not limited to, U.S.-led policy uncertainty on trade, weak global economic growth, commodity price shocks from geopolitical instability and a stock market correction. The upside risks to the DOB forecast include, but are not limited to, improved global economic conditions, stronger business investments and exports, a speedy recovery of the housing market and rising wages sustaining domestic demand.

State Economy. New York is the fourth most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

New York's private sector employment started strong in the first quarter of 2019 with jobs growing 1.7%. DOB estimated that bonuses from the finance and insurance sector fell 8.0% for Fiscal Year 2018-19, partly due to the prior year's one-time payments associated with the reduction in tax rates stipulated in the Tax Cuts and Jobs Act ("TCJA"). Finance and insurance sector bonuses are expected to fall to 4.0% during Fiscal Year 2019-20. Overall wage growth of 3.7% is estimated for Fiscal Year 2019-20, following 3.7% growth for Fiscal Year 2018-19.
All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. Since New York's financial services and professional and business services sectors serve a global market, they can be highly sensitive to global trends. Equity market volatility paired with weaker than anticipated growth in both the U.S. and international economies could result in weaker bonus and overall wage growth, as well as lower taxable capital gains realizations. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than is reflected in the State's forecast.

The City of New York. The fiscal demands on the State may be affected by the fiscal health of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. The State's finances also may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets.

Other Localities. Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several years. While a relatively infrequent practice, deficit financing has become more common in recent years. Since 2004, the State Legislature authorized 27 bond issuances to finance local government operating deficits. In addition, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality. When a local government is authorized to issue bonds to finance operating deficits, the local government is subject to certain additional fiscal oversight during the time the bonds are outstanding. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or federal government may reduce (or in some cases eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level. Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary federal stimulus funding; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities also may face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs may also adversely affect localities and necessitate requests for State assistance. Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

Special Considerations. The State's financial plan is subject to complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecasted. In addition, projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2.0% and that all savings that result from the 2.0% spending growth benchmark will be made available to the State General Fund. The stress to the State's financial plan caused by higher Medicaid spending is placing upward pressure on State Operating Funds disbursements in future years. DOB routinely executes cash management actions to manage the State's large and complex budget. These actions are intended for a variety of purposes that include improving the State's cash flow, managing resources within and across fiscal years, assisting in adherence to spending targets and better positioning the State to address future risks and unanticipated costs, such as economic downturns, unexpected revenue deterioration and unplanned expenditures. As such, the State regularly makes certain payments above those initially planned, to maintain budget flexibility. All payments made above the planned amount are reflected in the year they occur and adhere to the limit of the State's 2.0% spending benchmark. The State's financial plan is based on numerous assumptions, including but not limited to: (i) the condition of the national and State economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected; (ii) the extent, if any, to which
wage and benefit increases for State employees exceed projected annual costs; (iii) the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; (v) the willingness and ability of the federal government to provide the aid contemplated in a financial plan; (vi) the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and (vii) the ability of the State and its public authorities to market securities successfully in the public credit markets.

Federal Funding. The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to address response to and recovery from severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the current presidential administration and Congress. In addition to the potential fiscal impact of policies that may be adopted by the federal government, the State's financial plan may also be adversely affected by other federal government actions, including audits, disallowances and changes to federal participation rates or other Medicaid rules. The Enacted Budget Financial Plan includes for the third year a process by which the State can address significant reductions in federal aid during Fiscal Year 2020 should they arise.

The Trump Administration proposed significant cuts to mandatory and discretionary domestic programs in federal fiscal years 2018 and 2019, which were largely rejected. The Administration proposed similar cuts for federal fiscal year 2020, however, those cuts were unlikely as a result of 2019 Congressional legislation that increased discretionary spending caps under the Budget Control Act of 2011 for federal fiscal years 2020 and 2021. Assuming Congress passes appropriations at the levels allowed under the newly increased caps, cuts to discretionary federal aid programs on which the State relies are unlikely.

Pension Amortization. Under legislation enacted in August 2010, the State and local governments may amortize a portion of their annual pension costs. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The State has not amortized its pension costs since Fiscal Year 2015-16. The State makes annual contributions to the New York State and Local Retirement System (“NYSLRS”). The total State payment (including Judiciary) due to NYSLRS for Fiscal Year 2018-19 was approximately $2.327 billion. The State opted not to amortize any of its obligations and paid the full amount as of March 1, 2019. The estimated total State payment (including Judiciary) due to NYSLRS for Fiscal Year 2019-20 was approximately $2.309 billion, although multiple prepayments (including interest credit) have reduced this amount to $0. The estimated total State payment (including Judiciary) due to NYSLRS for Fiscal Year 2020-21 is approximately $2.354 billion.

Climate Change Adaptation and Storm Recovery. Climate change poses long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years have demonstrated vulnerabilities in the State's infrastructure to extreme weather events. Climate change risks, if they materialize, can adversely impact the State's financial plan in current or future years. Currently, New York continues to recover from the damage sustained during three powerful storms that crippled entire regions over the last several years. The frequency and intensity of these storms presents economic and financial risks to the State. State claims for reimbursement for the costs of the immediate response are in process, and both recovery and future mitigation efforts have begun, largely supported by federal funds. In January 2013, the federal government approved approximately $60 billion in federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. New York anticipates receiving approximately one-half of this amount over the coming years for response, recovery and mitigation costs. A total of $17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across New York State. There can be no assurance that all anticipated federal disaster aid described above will be provided to the State and its affected entities over the coming years.

Financial Settlements. The State periodically receives proceeds from financial settlements that are primarily deposited to the State General Fund. Since Fiscal Year 2014-15, the State estimates that it received a total of $12.8 billion in monetary settlements from financial institutions. Since the start of Fiscal Year 2019-20, the State has received settlements totaling $896 million.

Impact of Federal Tax Law Changes. The TCJA has made major changes to the federal tax code, including changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes will have significant flow-through effects on State tax burdens and revenues. From the standpoint of
individual New York State taxpayers, one of the most onerous provisions in the TCJA is a $10,000 limit on the
deductibility of State and Local Tax ("SALT") payments, effective for tax year 2018. The SALT limit represents a
large increase in the State's effective tax rate relative to historical experience, and may adversely affect New York's
economic competitiveness. DOB and the State Department of Taxation and Finance ("DTF") estimate that the
SALT limit raises federal tax liability for New York taxpayers by approximately $14 billion for tax year 2018,
relative to what taxpayers would have paid absent the limitation. Over the course of the eight years the SALT limit
is scheduled to be in effect, the State estimates that resident taxpayers who itemize at the federal level for each year
through 2025 will collectively pay an additional $121 billion in federal taxes relative to what they would have paid
absent the SALT limit.

Moreover, the TCJA contains numerous provisions that may adversely affect residential real estate prices in the
State and elsewhere, of which the SALT limit is the most significant. A loss of wealth associated with a decline in
home prices could have a statistically significant impact on household spending in the State through the wealth
effect, whereby consumers perceive the rise and fall of the value of an asset, such as a home, as a corresponding
increase or decline in income, causing them to alter their spending practices. Reductions in household spending by
New York residents, if they were to occur, would be expected to result in lower sales for the State's businesses,
which, in turn, would cause further reductions in economic activity and employment. Lastly, falling home prices
could result in homeowners delaying the sale of their homes. The combined impact of lower home prices and fewer
sales transactions could result in lower real estate transfer tax collections.

The State enacted tax reforms intended to mitigate issues arising from the federal law, including decoupling many
State tax provisions from the federal changes, the creation of an optional payroll tax program, and the establishment
of a new State charitable giving vehicle. In addition, the State, along with certain other states, has filed a lawsuit
intended to protect New York taxpayers from the new federal limit on the SALT deduction.

State Finances
The State accounts for all budgeted receipts and disbursements that support programs and other administrative costs
of running State government within the All Governmental Funds type. The All Governmental Funds, comprised of
funding supported by State Funds and Federal Funds, provides the most comprehensive view of the financial
operations of the State. State Funds includes the State General Fund and other State-supported funds including State
Special Reserve Funds, Capital Projects Funds and Debt Service Funds. The State General Fund is the principal
operating fund of the State and is used to account for all financial transactions except those required to be accounted
for in another fund. It is the State's largest fund and receives almost all State taxes and other resources not dedicated
to particular purposes.

Fiscal Year 2018-19 Results. The State ended Fiscal Year 2018-19 in balance on a cash basis in the State General
Fund, based on preliminary, unaudited results. State General Fund receipts, including transfers from other funds,
totaled $70.5 billion. State General Fund disbursements, including transfers to other funds, totaled $72.8 billion.
The State ended Fiscal Year 2018-19 with a State General Fund balance of $7.2 billion, a decrease of $2.2 billion
from Fiscal Year 2017-18 results. The decline in the fund balance is largely attributable to the use of $1.9 billion in
cash received in Fiscal Year 2017-18. These funds are related to acceleration of an estimated $1.9 billion in
personal income tax payments as taxpayers responded to the SALT limit on deductibility of income and property
taxes enacted by Congress and effective for tax year 2018.

Fiscal Year 2019-20 Enacted Budget. The General Fund budget gaps for future years are projected at approximately
$3.9 billion in Fiscal Year 2020-21, $4.1 billion in Fiscal Year 2021-22 and $4.7 billion in Fiscal Year 2022-23.
However, DOB estimated that if future budgets hold spending growth to 2% annually in State Operating Funds, the
State General Fund would have a budget gap of $172 million in Fiscal Year 2020-21, and surpluses of $910 million
in Fiscal Year 2021-22 and $2.1 billion in Fiscal Year 2022-23. These calculations assume that all savings from the
reductions in spending are made available to the State General Fund.

State General Fund receipts, including transfers from other funds, are estimated to total $76.3 billion in Fiscal Year
2019-20, an increase of $6.9 billion (9.9%) from Fiscal Year 2018-19 results. The annual change is impacted by
taxpayers responding to TCJA by shifting estimated personal income tax payments, typically made on a quarterly
basis, into the extension and final payments period. State General Fund disbursements, including transfers to other
funds, are expected to total $76.5 billion in Fiscal Year 2019-20, an increase of $4.7 billion (6.6%) from Fiscal Year 2018-19 results. State General Fund transfers to other funds are projected to total $4.8 billion, an increase of $1.2 billion from Fiscal Year 2018-19 results. State General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State and other factors that may change from year to year.

Balances in the State's rainy day reserves are expected to increase by $428 million in Fiscal Year 2019-20. The Enacted Budget Financial Plan maintains a reserve of $500 million for debt management purposes. The State expects to end Fiscal Year 2019-20 with a State General Fund cash balance of $6.7 billion, a decrease of $479 million from the Fiscal Year 2018-19. The State ended September 2019 with a State General Fund balance of $9.1 billion, $1.4 billion above the estimate in the enacted budget for the current fiscal year. The balance from monetary settlements is expected to total $2.8 billion, a decrease of $1.4 billion from Fiscal Year 2018-19.

Mid-Year Update of Fiscal Year 2019-20. The State General Fund budget gaps for future years are now projected at approximately $6.1 billion in Fiscal Year 2020-21, $7.5 billion in Fiscal Year 2021-22 and $8.5 billion in Fiscal Year 2022-23. State General Fund receipts, including transfers from other funds, totaled $42.0 billion through September 2019. Tax receipts were $406 million above the estimates from the enacted budget for the current fiscal year. State General Fund disbursements, including transfers to other funds, totaled $40.0 billion during the first half of Fiscal Year 2019-20, $934 billion lower than initial projections. Lower spending for local assistance reflects payments for education, higher education, and social services programs.

State Indebtedness

The State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks sixth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, New Jersey and Washington. During the first half of Fiscal Year 2019-20, State-related debt outstanding totaled $57.0 billion, excluding capital leases and mortgage loan commitments, equal to approximately 4.1% of New York personal income. The State General Fund transfer finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds.

Financing activities of the State include general obligation debt and State-guaranteed debt, to which the full faith and credit of the State has been pledged, as well as lease-purchase and contractual-obligation financing, moral obligation and other financing through public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities for their debt service is subject to annual appropriation by the Legislature. The State has never defaulted on any of its general obligation indebtedness or its obligations under lease-purchase or contractual-obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees.

Cash Position. The State authorizes the State General Fund to borrow money temporarily from available funds held in the State's Short Term Investment Pool ("STIP") for up to four months, or to the end of the fiscal year, whichever period is shorter. Based on current information, DOB expects that the State will have sufficient liquidity in Fiscal Year 2019-20 to make all planned payments as they become due. The State continues to reserve money on a quarterly basis for debt service payments that are financed with State General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including personal income tax bonds and sales tax bonds, continues to be set aside as required by law and bond covenants.

Limitations on State-Supported Debt. The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4% of New York State personal income, and debt service on State-supported debt to no greater than 5% of All Funds receipts. The limits apply to all State-supported debt issued after April 1, 2000. Bond caps are legal authorizations to issue bonds to finance the State's capital projects. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. DOB projects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. State-related debt service is projected at $5.2 billion in Fiscal Year 2019-20, a decrease of $1.5 billion (23%) from Fiscal Year 2018-19.
**Variable Rate Obligations and Related Agreements.** State statutory law authorizes issuers of State-supported debt to issue a limited amount of variable rate obligations and, subject to various statutory restrictions, enter into a limited amount of interest rate exchange agreements. State law limits the use of debt instruments which result in a variable rate exposure to no more than 15% of total outstanding State-supported debt, and limits the use of interest rate exchange agreements to a total notional amount of no more than 15% of total State-supported outstanding debt. As of March 31, 2019, State-supported debt in the amount of $53.2 billion was outstanding, resulting in a variable rate exposure cap and interest rate exchange agreement cap of approximately $8.0 billion each. As of March 31, 2019, both amounts were less than the statutory cap of 15%.

As of March 31, 2019, the State's authorized issuers had entered into a notional amount of $1.4 billion of interest rate exchange agreements that are subject to the interest rate exchange agreement cap, or 2.6% of total debt outstanding. Overall, the State's swap exposure is expected to decline from 2.6% in Fiscal Year 2018-19 to 1.0% in Fiscal Year 2023-24.

**State-Supported Debt**

**General Obligation Bond Programs.** General obligation debt is currently authorized by the State for transportation, environment, housing and education purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, and mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects. As of March 31, 2019, approximately $2.3 billion of general obligation bonds were outstanding.

**Lease-Purchase and Contractual-Obligation Financing Programs.** Lease-purchase and contractual-obligation financing arrangements with public authorities and municipalities has been used primarily by the State to finance the State's bridge and highway programs, State University of New York and City University of New York buildings, health and mental hygiene facilities, prison construction and rehabilitation and various other State capital projects. As of March 31, 2019, approximately $2.2 billion of State-supported lease-purchase and other contractual obligation financings were outstanding.

**Personal Income Tax (PIT) Revenue Bond Program.** From 2002 to 2013, the PIT Revenue Bond program was the primary financing vehicle used to fund the State's capital program. Since 2013, the PIT Revenue Bond program and the State's Sales Tax Revenue Bond program have been the largest sources of financing for the State's capital program. As of March 31, 2019, approximately $34.9 billion of State PIT Revenue Bonds were outstanding.

**Sales Tax Revenue Bond Program.** Legislation included in the Fiscal Year 2013-14 Enacted Budget created the Sales Tax Revenue Bond program. This bonding program replicates certain credit features of existing revenue bonds and is expected to provide the State with increased efficiencies and a lower cost of borrowing. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of 1 cent of the State's 4 cent sales and use tax receipts. Such sales tax receipts in excess of debt service requirements will be transferred to the State General Fund. The first Sales Tax Revenue Bond issuance occurred in October 2013, and it is anticipated that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2019, $10.4 billion of Sales Tax Revenue Bonds were outstanding.

**Ratings.** The current ratings of the State's general obligation bonds are "Aa1" from Moody's, "AA+" from S&P and "AA+" from Fitch.

**Fiscal Year 2019-20 State Supported Borrowing Plan.** Spending on capital projects is projected to total $14.3 billion in Fiscal Year 2019-20, including $551 million in "off-budget spending" directly from bond proceeds held by public authorities. Overall, capital spending in Fiscal Year 2019-20 is projected to increase by $1.6 billion (12.2%) from Fiscal Year 2018-19. In Fiscal Year 2019-20, transportation spending is projected to total $5.4 billion, which represents 38% of total capital spending. In Fiscal Year 2019-20, the State plans to finance 56% of capital projects spending with long-term bonds and 44% with cash and federal aid.

**Pension and Retirement Systems**
The State's retirement systems comprise the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System. State employees made up about 34% of total membership during Fiscal Year 2018-19. There were 3,020 other public employers participating in the State's retirement systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and many public authorities. As of March 31, 2019, 658,176 persons were members and 481,795 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired.

Assets are held by the Common Retirement Fund (the "CRF") for the exclusive benefit of members, pensioners and beneficiaries. Investments are made by the Comptroller as trustee of the CRF. Net assets available for benefits as of March 31, 2019 were $215.2 billion (including $5.0 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $3.1 billion (1.5%) from prior fiscal year's level of $212.1 billion. The increase in net position restricted for pension benefits from Fiscal Year 2017-18 to Fiscal Year 2018-19 reflects, in large part, equity market performance.

The present value of anticipated benefits for current members, retirees, and beneficiaries increased from $251.4 billion on April 1, 2018 to $260.3 billion (including $133.3 billion for current retirees and beneficiaries) on April 1, 2019. It is anticipated that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2019 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method. Actuarial assets increased from $206.7 billion on April 1, 2018 to $213.0 billion on April 1, 2019.

An amendment to the laws adopted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amount at a rate determined annually by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year will be the rate for that year and will be fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year, which may be different from the previous rate year. For amounts amortized in Fiscal Years 2017-18, 2018-19 and 2019-20 the interest rate was 2.84%, 3.64% and 2.55%, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2019, the amortized amount receivable, including accrued interest for the 2017 amortization, is $5.0 million from 9 participating employers; the amortized amount receivable, including accrued interest for the 2018 amortization, is $4.0 million from 4 participating employers; and the amortized amount receivable, including accrued interest for the 2019 amortization, is $4.2 million from 1 participating employer. The State did not amortize any of those amounts in those years.

Litigation

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of $100 million or involving significant challenge to or impact on the State's financial policies or practices. These proceedings could adversely affect the State's finances in the current fiscal year or thereafter. The State believes that its budget will include sufficient reserves to offset the costs associated with the payment of judgments that may be required during the current fiscal year. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential budget resources available for the payment of judgments.
Real Property Claims. Over the years, there have been a number of cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal. Of these cases, only one remains active.

In Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al., plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on prior decisions in other cases rejecting such land claims, was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk Power Corporation.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least February 12, 2020 to allow for settlement negotiations.

On May 28, 2014, the State, the New York Power Authority and St. Lawrence County signed a memorandum of understanding with the St. Regis Mohawk Tribe endorsing a general framework for a settlement, subject to further negotiation. The memorandum of understanding does not address all claims by all parties and will require a formal written settlement agreement. Any formal settlement agreement will also require additional local, State and Congressional approval.

School Aid. In Maisto v. State of New York (formerly identified as Hussein v. State of New York), plaintiffs seek a judgment declaring that the State's system of financing public education violates the State Constitution on the ground that it fails to provide a sound basic education. In a decision and order dated July 21, 2009 the trial court denied the State's motion to dismiss the action. The State appealed this decision, which was upheld by the appellate court on January 13, 2011. On May 6, 2011, defendants were granted leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals denied the State's motion to dismiss. The trial commenced on January 21, 2015 and completed on March 12, 2015. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice of appeal dated October 5, 2016. On October 26, 2016, the Court of Appeals reversed the trial court's decision and remanded the case back to the trial court. On January 10, 2019, the trial court issued a decision in favor of the State dismissing the action. Plaintiffs filed an appeal on February 21, 2019. Their time to perfect their appeal was extended until November 19, 2019, and they filed a motion for a further extension until February 17, 2020.

In Aristy-Farer, et al. v. The State of New York, et al., commenced February 6, 2013, plaintiffs seek a judgment declaring that the statutory provisions linking payment of State school aid increases for Fiscal Year 2012-2013 to submission by local school districts of approvable teacher evaluation plans violates certain provisions of the State Constitution because implementation of the statutes would prevent students from receiving a sound basic education. By decision dated August 12, 2014, the trial granted a motion to consolidate Aristy-Farer with New Yorkers for Student Educational Rights. On June 27, 2017, the Aristy-Farer action was dismissed.

In New Yorkers for Students Educational Rights v. New York, the organizational plaintiff and several individual plaintiffs filed suit on February 11, 2014 claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Among other things, plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals' 2006 decision in Campaign for Fiscal Equity (“CFE”) v. New York and also challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan.

On May 30, 2014, the State filed a motion to dismiss all claims. On November 17, 2014, the trial court denied defendants' motion to dismiss and granted a motion by the City of Yonkers to intervene a plaintiff in the proceeding. Defendants' filed a notice of appeal on both November 1, 2014 decisions on December 15, 2014. Defendants' filed an answer to the petition on February 2, 2015. The appeals of both November 17, 2014 decisions, along with Aristy-Farer, were heard on February 24, 2016. On September 8, 2016, the court ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims could proceed. Defendants moved for leave to appeal, and that motion was granted on December 15, 2016. The matter was fully briefed and the court heard argument on May 30, 2017.
On June 27, 2017, the Court of Appeals held that the New Yorkers for Student Educational Rights complaint failed to state a claim on its causes of action alleging that the State violated the Constitution by departing from funding levels endorsed in CFE and envisioned by the Legislature's 2007 reforms to the State aid system. The court held that plaintiffs could proceed on their claims that the State was failing in its constitutional obligation to ensure the provision of minimally adequate educational services in the New York City and Syracuse school districts and remanded for further proceedings as to those two districts only. Amended complaints were filed by the plaintiffs on May 4, 2018, and the defendants filed their answers on July 10, 2018. A conference was held on September 13, 2018, during which the court set discovery deadlines. The parties have not yet completed depositions of plaintiffs and defendants, and they expect to conduct these depositions through January and February 2020. During the fall of 2019, certain individual plaintiffs voluntarily discontinued their claims and, as a result, are no longer a subject of litigation.

Health Insurance Premiums. In NYSCOBPA v. Cuomo and ten other cases, State retirees, and certain current court employees, allege various claims against the governor and other State officials, challenging a 2011 increase in their health insurance contribution. Following discovery, the State defendants filed motions for summary judgment in all cases. On September 24, 2018, the trial court granted defendants' motions for summary judgment in all respects. Between October 13, 2018 and October 24, 2018, notices of appeal were filed in all eleven cases. On December 21, 2018, the appellate court issued an order coordinating briefing in all of those cases. Brief responding was filed on July 8, 2019. Plaintiffs' reply briefs were filed on or about August 7, 2019. Defendants have requested oral argument.

Pennsylvania

General Information

The Commonwealth had been historically identified as a heavy industrial state, although declines in the coal, steel and railroad industries have led to diversification of the Commonwealth's economy over the last thirty years. Current major sources of economic growth in Pennsylvania are in the service sector, including healthcare, leisure-hospitality, transportation and storage. In addition, Pennsylvania's agricultural industry accounts for approximately $83.8 billion in economic output and supports over 280,500 jobs. Pennsylvania's forestry products industry accounts for over 10% of Pennsylvania's manufacturing workforce with economic activity of nearly $5.5 billion annually.

Pennsylvania is the sixth most populous state in the nation, with a 2017 population of 12.8 million. The Commonwealth is highly urbanized, and the cities of Philadelphia and Pittsburgh, the Commonwealth's largest metropolitan areas, together contain the majority of the Commonwealth's total population. During 2017, Pennsylvania had an annual unemployment rate of 4.9% compared to 4.4% for the nation as a whole. Personal income in the Commonwealth for 2017 was $667 billion, an increase of 3.0% over the previous year. During the same period, national personal income increased by 3.0%. Pennsylvania's 2017 per capita income was $52,096, compared to per capita income in the United States of $50,392.

Description of Funds

The Commonwealth utilizes the fund method of accounting, and over 150 funds have been established and currently exist for the purpose of recording receipts and disbursements, of which the Commonwealth's General Fund (the "Commonwealth General Fund") is the largest. The Commonwealth General Fund receives all tax and non-tax revenues and federal grants and entitlements that are not specified by law to be deposited elsewhere. The majority of the Commonwealth's operating and administrative expenses are payable from the Commonwealth General Fund, including debt service on most bond indebtedness of the Commonwealth, except that issued for highway purposes or for the benefit of other special revenue funds. The Motor License Fund receives all tax and fee revenues relating to motor fuels and vehicles. All revenues relating to motor fuels and vehicles are constitutionally required to be used only for highway purposes. Similarly, other special revenue funds have been established by law to receive specified revenues appropriated to departments, boards and/or commissions for payment of their operating and administrative costs. Some of these special revenue funds are required to transfer excess revenues to the Commonwealth General Fund, and some receive funding, in addition to their specified revenues, through appropriations from the Commonwealth General Fund.
The Tobacco Settlement Fund is a special revenue fund established to receive tobacco litigation settlement payments paid to the Commonwealth. The Commonwealth is one of 46 states that settled certain smoking-related litigation in a November 1998 master settlement agreement with participating tobacco product manufacturers (the "MSA"). Under the MSA, the Commonwealth is entitled to receive a portion of payments made pursuant to the MSA by participating tobacco product manufacturers. Most revenues to the Tobacco Settlement Fund are subject to annual appropriation by the General Assembly and approval by the Governor.

In September 2013, an arbitration panel under the MSA hearing a dispute with respect to MSA payments received in 2004 issued a decision adverse to the Commonwealth. The Commonwealth challenged the decision, and the Commonwealth's loss was reduced as a result of the ensuing decision. After years of arbitration, in June 2018, a settlement was reached with various tobacco companies resolving past and future disputes related to the non-participating manufacturer adjustment. The settlement resulted in a payment of which $344 million is projected to be used to offset health care related costs in Fiscal Year 2019.

The Budget Stabilization Reserve Fund (the "BSRF") is a special revenue fund that receives a portion of any budgetary basis fiscal year-end surplus of the Commonwealth General Fund. The BSRF is to be used for emergencies threatening the health, safety or welfare of citizens or during downturns in the economy that result in significant unanticipated revenue shortfalls not able to be addressed through the normal budget process. Assets of the BSRF may be used upon recommendation by the Governor and an approving vote by two-thirds of the members of each house of the General Assembly. As of June 30, 2018, the BSRF had a balance of $23.4 million.

The Commonwealth maintains trust and agency funds that are used to administer funds received pursuant to a specific bequest or as an agent for other governmental units or individuals. Enterprise funds are maintained for departments or programs operated like private enterprises. Two of the largest of these funds are the State Stores Fund and the State Lottery Fund. The State Stores Fund is used for the receipts and disbursements of the Commonwealth's liquor store system, as the sale and distribution of all liquor within Pennsylvania is a government enterprise. The State Lottery Fund is an enterprise fund for the receipt of lottery ticket sales and lottery licenses and fees. Its revenues, after payment of prizes and all other costs, are dedicated to paying the costs of programs benefiting the elderly and handicapped in the Commonwealth. In addition, the Commonwealth maintains funds classified as working capital, bond and sinking funds for other specified purposes.

Financial information for the principal operating funds is maintained on a budgetary basis of accounting, which ensures compliance with the enacted operating budget and is governed by applicable Commonwealth statutes and by administrative procedures. The Commonwealth also prepares annual financial statements in accordance with generally accepted accounting principles ("GAAP"). The GAAP statements are audited jointly by the Department of the Auditor General and an independent public accounting firm. The Commonwealth maintains a June 30th fiscal year end.

Revenues

Tax revenues constituted approximately 92.6% of Commonwealth revenues in the Commonwealth General Fund for Fiscal Year 2018. The major tax sources for the Commonwealth General Fund are the personal income tax ($13.399 billion, 41.9% of Fiscal Year 2018 revenues), the sales and use tax ($10.381 billion, 32.4% of Fiscal Year 2018 revenues), the corporate net income tax ($2.879 billion, 9.0% of Fiscal Year 2018 revenues), the public utility tax ($1.184 billion, 3.7% of Fiscal Year 2018 revenues) and the cigarette tax ($1.198 billion, 3.7% of Fiscal Year 2018 revenues). Inheritance and estate taxes ($1.019 billion, 3.2% of Fiscal Year 2018 revenues) also contribute significant revenues to the Commonwealth's budget.

The major tax sources for the Motor License Fund are the liquid fuels tax and the oil company franchise tax. For Fiscal Year 2018, the liquid fuels tax accounted for $828 million and the oil company franchise tax accounted for $1.0184 billion, together making up 59.6% of Motor License Fund revenues. Revenues from motor vehicle licenses and fees in Fiscal Year 2018 totaled $1.0456 million, representing 33.8% of total Fiscal Year 2018 Motor License Fund revenues.

Receipts by the Commonwealth in the Commonwealth General Fund, Motor License Fund and Tobacco Settlement from the federal government during Fiscal Year 2018 totaled $29.2 billion. Anticipated receipts from the federal government included in the Fiscal Year 2019 enacted budget are $30.5 billion. In Fiscal Year 2018, approximately $23.0 billion (78.7%) of federal revenues was attributable to public health and welfare programs. In Fiscal Year
2019, approximately $23.9 billion (78.2%) of federal revenues were expected to be attributable to public health and welfare programs.

Expenditures

Education. The Fiscal Year 2018 budget included over $13.5 billion in education funding. The Fiscal Year 2019 budget included over $14.1 billion in education funding. The proposed budget for Fiscal Year 2020 includes over $14.6 billion in education funding.

Public Health and Human Services. Expenditures were $39.4 billion in Fiscal Year 2018, and are projected to be $42.2 billion in Fiscal Year 2019. Of the Fiscal Year 2018 expenditures, nearly $12.4 billion was funded from the Commonwealth General Fund, while $12.8 billion was estimated to be provided from the Commonwealth General Fund for Fiscal Year 2019. Federal funds are expected to increase by $962 million, and augmentations are expected to increase by $1.4 billion for Fiscal Year 2019. The Fiscal Year 2019 budget included $383 million of receipts from the Tobacco Settlement Fund to be expended for health care related programs.

Programs providing temporary financial assistance and medical assistance comprise the largest portion of public health and human services expenditures. Commonwealth General Fund expenditures for these assistance programs amounted to $9.02 billion in Fiscal Year 2018, while $9.49 billion was budgeted for Fiscal Year 2019. For Fiscal Year 2019, approximately 30.4% of the total cost of assistance to the economically needy was estimated to be appropriated from the Commonwealth General Fund. The balance was estimated to be provided from reimbursements by the federal government and through various program collection activities conducted by the Commonwealth.

Expenditures for medical assistance increased during the period from Fiscal Years 2008 through 2018 by an average annual rate of 5.7%. Income maintenance cash assistance payments to families in transition to independence was $988 million for Fiscal Year 2018, of which $165 million was from the Commonwealth General Fund. The Fiscal Year 2019 budget included a total of $943 million for such purposes, with $183 million to be provided from the Commonwealth General Fund.

Transportation. The Commonwealth is responsible for the construction, restoration and maintenance of the highways and bridges in the 40,000-mile state highway system, including certain city streets that are a part of the state highway system. Assistance for the maintenance and construction of local roads and bridges is provided to municipalities through grants of financial aid. Highway maintenance costs, construction costs and assistance grants are paid from the Motor License Fund. The Commonwealth General Fund, the State Lottery Fund and other special funds, including the Public Transportation Assistance Fund and the Public Transportation Trust Fund (the "PTTF") provide the remainder of funding for mass transit programs. Support of highway and bridge expenditures by local governments through grants paid from the Motor License Fund and restricted revenues was $667 million in Fiscal Year 2018. In Fiscal Year 2019, grants to local governments were increased to $681 million, and in Fiscal Year 2020, proposed grants to local governments are recommended at $639 million.

Act 44, enacted in 2007, provided the largest single-year increase in Commonwealth funding for transportation through a "public-public" partnership between the Pennsylvania Department of Transportation and the Pennsylvania Turnpike Commission which provided the Commonwealth with more funding for highways, bridges and transit. After Fiscal Year 2010, Act 44 funding decreased due to the Federal Highway Administration's rejection of the Commonwealth's applications seeking federal authorization to toll and operate Interstate 80. Additionally, beginning in Fiscal Year 2011, payments from the Turnpike Commission to the Commonwealth declined to $450 million annually, with $200 million going to highway and bridge projects and $250 million to mass transit projects. Act 89, enacted in 2013, provided dedicated additional funding for highway and bridges through the incremental uncapping of the Oil Company Franchise Tax (the "OCFT") and the indexing of vehicle and driver services fees. Act 89 also restructured the payment distributions under Act 44. Beginning in Fiscal Year 2015, the annual $200 million highway and bridge distribution is redirected to mass transit, resulting in annual distributions to mass transit of $450 million.

The Commonwealth subsidizes mass transit systems, including passenger rail and bus service. Starting in 2013, Act 89 has increased funding and revenue sources for the PTTF with revenues now coming from scheduled payments by the Pennsylvania Turnpike Commission, a portion of the sales and use tax, certain motor vehicle fees, vehicle code fines and surcharges and transfers from the Public Transportation Assistance Fund and the Lottery Fund. For Fiscal Year 2018, Commonwealth funding available for mass transit was $1.821 billion. Funding for mass transit
increased in Fiscal Year 2019 to $1.997 billion. The proposed Fiscal Year 2020 budget funding for mass transit is slightly reduced to $1.886 billion. Total funding for the Commonwealth's highway and bridge program for Fiscal Year 2018 was $2.895 billion. The funding increased to $3.012 billion in Fiscal Year 2019 and is proposed at $2.802 billion for Fiscal Year 2020.

Act 89 also created the Multimodal Transportation Fund to provide additional funding for freight and passenger rail, ports, aviation, bicycle and pedestrian facilities, and other modes of transportation. Revenues deposited into the Multimodal Transportation Fund include payments from the Pennsylvania Turnpike Commission, a portion of certain motor vehicle fees and, beginning in Fiscal Year 2016, a portion of the OCFT. For Fiscal Year 2018, Commonwealth funding available for multimodal transportation was $140 million. Fiscal Year 2019 funding was $143 million, and is proposed at $155 million for Fiscal Year 2020.

The Commonwealth's current aviation program funds the development of public airport facilities through grants providing for airport development, runway rehabilitation and real estate tax rebates for public use airports. Taxes levied on aviation and jet fuel provide revenues for a restricted account for aviation programs in the Motor License Fund. In Fiscal Year 2018, $9.1 million was expended for such purposes, and in Fiscal Year 2019, $9.7 million is available for such purposes. A total of $10.5 million was budgeted for Fiscal Year 2020.

Financial Performance

During the five-year period from Fiscal Year 2014 through Fiscal Year 2018, Commonwealth General Fund total revenues and other sources increased by an average of 4.9% annually. Tax revenues during this same period increased by an annual average of 2.5%. Expenditures and other uses during the Fiscal Years 2014 through 2018 rose at an average annual rate of 4.6%.

Fiscal Year 2018 Financial Results. Commonwealth General Fund revenues were below the certified estimate by $137.2 billion (0.4%) during Fiscal Year 2018. Final Commonwealth General Fund revenues for Fiscal Year 2018 totaled $34.567 billion. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were $31.948 billion. After accounting for a deficit Fiscal Year 2018 beginning balance of $1.5 million, the Commonwealth ended Fiscal Year 2018 with an unappropriated surplus balance of $22.4 million. Commonwealth General Fund appropriations for Fiscal Year 2018 totaled $31.948 billion, an increase of $6.3 million (0.02%) from Fiscal Year 2017 levels.

Fiscal Year 2019 Budget. On June 22, 2018, the legislature approved, and the Governor signed a $32.7 billion budget. The Fiscal Year 2019 budget increases spending by slightly more than 2% versus the Fiscal Year 2018 budget. The new budget did not increase tax rates on sales and income or impose a new severance tax on natural gas production, but increased aid for public school operations by $100 million. The budget also increased aid to expand high-demand computer and industrial skills training by $30 million, $25 million for early-childhood education, $15 million for special education, $15 million to the State System of Higher Education and a $60 million grant program for school safety. The Fiscal Year 2019 budget also authorized the full funding of the actuarially determined contributions for the Commonwealth's public pension plans in Fiscal Year 2019.

Revenue sources in Fiscal Year 2019 continue to be coming in over the official estimate. Current estimates for Fiscal Year Commonwealth General Fund revenue reflect increased revenues of $828.2 million (2.9%) from Fiscal Year 2018. This increase is being driven by corporate taxes, strong estimated payments and higher than projected collections form the gross receipt tax and minor and insurance premium taxes. Total General Fund tax revenues are strong as well, reflecting a $1.823 billion (6.9%) growth over previous year's collections through April.

Commonwealth General Fund expenditure growth is projected to increase 2.8% in Fiscal Year 2019. Based on information presented in the 2020 budget proposal, the Commonwealth is slated to transfer monies to the BSRF at the close of the fiscal year.

Motor License Fund—Fiscal Year 2019. Pennsylvania's Constitution requires all proceeds of motor fuels taxes, vehicle registration fees, license taxes and fees and other excise taxes imposed on products used in motor transportation to be used exclusively for construction, maintenance and repair of and safety on highways and bridges and for debt service on obligations incurred for those purposes. The Motor License Fund is the fund through which most such revenues are accounted for and expended. Fiscal Year 2019 Motor License Fund revenues were budgeted to be $2.907 billion, a decrease of $41.3 million (1.4%) from Fiscal Year 2018 revenues. Receipts from liquid fuels tax were budgeted to decrease 0.9% from the prior year while license and fee revenues were budgeted to decrease by
5.5%. Additionally, other revenue receipts were budgeted to decrease by 62.8%. Fiscal Year 2019 Motor License Fund appropriations and executive authorizations, net of anticipated lapses, were budgeted to equal $3.084 billion, an increase of 6.8% from Fiscal Year 2018 appropriations. The Motor License Fund was budgeted to conclude Fiscal Year 2019 with a smaller surplus than 2018 of $680,000, a decrease of $215.8 million over the Fiscal Year 2018 unappropriated fund balance of $216.4 million.

**State Lottery Fund—Fiscal Year 2019.** The Commonwealth operates a statewide lottery program that consists of various lottery games using computer sales terminals and instant games. The net proceeds of all lottery game sales, less sales commissions and directly paid prizes are deposited in the State Lottery Fund. The Fiscal Year 2019 net revenues from lottery sources, including instant ticket sales and the Commonwealth's participation in the multi-state Powerball game, was estimated to increase by 9.2%. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during Fiscal Year 2019, were estimated to be $1.980 billion. Total appropriations, net of current year lapses, totaled $1.977 billion. The Fiscal Year 2018 year-end unappropriated balance and reserve was estimated to have a surplus of $2.8 million, a decrease of $1.5 million from the prior fiscal year end.

**Commonwealth Indebtedness**

The Constitution permits the Commonwealth to incur the following types of debt: (1) debt to suppress insurrection or rehabilitate areas affected by disaster; (2) electorate-approved debt; (3) debt for capital projects subject to an aggregate debt limit of 1.75 times the annual average tax revenues of the preceding five fiscal years; and (4) tax anticipation notes payable in the fiscal year of issuance. All debt except tax anticipation notes must be amortized in substantial and regular amounts. Debt service on general obligation debt is paid from Commonwealth General Fund appropriations, except for debt issued for highway purposes, which is paid from Motor License Fund appropriations.

Net outstanding general obligation debt totaled $12.455 billion at June 30, 2018, an increase of $446.4 million from June 30, 2017. Over the 10-year period ended June 30, 2018, total net outstanding general obligation debt increased at an annual rate of 4.3%. Over the 5-year period ended June 30, 2018, total net outstanding general obligation debt has increased at an annual rate of 2.8%.

General obligation debt for non-highway purposes of $11.335 billion was outstanding on June 30, 2018. Outstanding debt for these purposes decreased by a net $479.9 million since June 30, 2017. For the period ended June 30, 2017, the 10-year and 5-year average annual compound growth rate for total outstanding debt for non-highway purposes has been 3.4% and 2.2%, respectively. Current Commonwealth infrastructure investment projects include improvement and rehabilitation of existing capital facilities and construction of new facilities, such as public buildings, prisons and parks, transit facilities, economic development and community facilities, and environmental remediation projects.

Outstanding general obligation debt for highway purposes was $1.121 billion on June 30, 2018, a decrease of $33.5 million from June 30, 2017. Highway outstanding general obligation debt grew over the most recent 10-year and 5-year periods ended June 30, 2017, by 29.1% and 9.5% respectively. A previous decline in outstanding highway debt was due to the policy begun in 1980 of funding highway capital projects with current revenues except for very limited exceptions. However, beginning with the enacted Fiscal Year 2009 budget, the Commonwealth initiated a multi-year plan to issue an average of $200 million in general obligation bonds annually to accelerate the rehabilitation of a portion of the Commonwealth's 6,000 structurally deficient bridges. Funding to support such debt issuance was initially provided from an existing restricted account rather than from general revenues of the Motor License Fund or the Commonwealth General Fund. During Fiscal Year 2010, the Commonwealth issued $200 million in general obligation bonds in order to jumpstart its bridge rehabilitation program. During Fiscal Years 2011, 2012, 2013 and 2014 the Commonwealth issued $130 million, $120 million, $85 million and $40 million, respectively, in general obligation debt for the program.

When necessary, the Commonwealth engages in short-term borrowing to fund expenses within the fiscal year through the sale of tax anticipation notes. The Commonwealth may issue tax anticipation notes only for the account of the Commonwealth General Fund or the Motor License Fund or both such funds. The principal amount issued, when added to that outstanding, may not exceed in the aggregate 20% of the revenues estimated to accrue to the appropriate fund, or both funds, in the fiscal year. Tax anticipation notes must mature within the fiscal year in which they were issued. The Commonwealth is not permitted to fund deficits between fiscal years with any form of debt, and any year-end deficit balances must be funded within the succeeding fiscal year's budget.
The Commonwealth also has entered into an agreement with the Pennsylvania Treasury Department, which allows
the Commonwealth to engage in short-term borrowing of governmental monies on deposit with the Treasury to fund
Commonwealth General Fund expenses within a fiscal year. The Commonwealth borrowed and repaid $2.2 billion
in Fiscal Year 2017, $1.2 billion in Fiscal Years 2018 and $650 million in Fiscal Year 2019 to meet funding needs.
It is anticipated that the Commonwealth will not borrow additional funds for the remainder of Fiscal Year 2019.

Certain state-created organizations have statutory authorization to issue debt for which Commonwealth
appropriations to pay debt service thereon are not required. The debt of these organizations is funded by assets of,
or revenues derived from, the various projects financed, and the debt of such agencies is not an obligation of the
Commonwealth, although some of the organizations are indirectly dependent on Commonwealth appropriations.
The following organizations had debt currently outstanding as of December 31, 2018: Delaware River Joint Toll
Bridge Commission ($698.9 million), Delaware River Port Authority ($1.311 billion), Pennsylvania Economic
Development Financing Authority ($5.686 billion), Pennsylvania Higher Education Assistance Agency ($4.028
billion), Pennsylvania Higher Educational Facilities Authority ($5.762 billion), Pennsylvania Industrial
Development Authority ($136.1 million), Pennsylvania Infrastructure Investment Authority ($108.8 million),
Pennsylvania Turnpike Commission ($12.803 billion), and the State Public School Building Authority ($2.698
billion).

Ratings. The Commonwealth's general obligations bonds are rated Aa3 by Moody's Investors Services, Inc. with a
stable outlook, AA- with a negative outlook by Fitch Ratings, Inc. and A+ with a stable outlook by S&P.

Unemployment Compensation. As of June 30, 2012, the Commonwealth had outstanding $2.593 billion in loans
from the Federal Unemployment Account to the Pennsylvania Unemployment Compensation Fund (the "UC
Fund"). The federal loans, which began in March 2009, were needed to fund unemployment compensation benefits
in excess of UC Fund receipts. Under current federal law, all such loans must be repaid by the states with interest.
Under federal law, a waiver of interest on federal loans was extended through the end of calendar year 2010.
Beginning in January 2011, interest started to accrue on outstanding loan amounts. In addition, federal law requires
that employers in a state with an outstanding loan balance at the end of a second year must pay additional federal
unemployment taxes ("FUTA") to repay the principal of the loan. To address these circumstances, on June 12, 2012
the Commonwealth amended its unemployment compensation law to, among other things, authorize the issuance of
up to $4.5 billion of unemployment compensation bonds ("UC Bonds"). On July 25, 2012, the Commonwealth
closed on a $3.185 billion interim financing to both fully repay the outstanding federal loan and to fund the
continued payment of benefits for a period through the fall of 2012. On October 18, 2012, approximately $2.827
billion in UC Bonds were issued, the proceeds of which were used to repay all outstanding loan advances, including
interest, from the Federal Unemployment Account. As of January 1, 2019, the Commonwealth had redeemed
$2.316 billion in UC Bonds, leaving $511.4 million outstanding.

Pensions and Retirement Systems. The Commonwealth maintains contributory benefit pension plans covering all
state employees, public school employees and employees of certain state-related organizations. State employees and
employees of certain state-related organizations are members of the State Employees' Retirement System ("SERS").
Public school employees are members of the Public School Employees' Retirement System ("PSERS"). With
certain exceptions, membership in the applicable retirement system is mandatory for covered employees. The
Commonwealth's retirement programs are jointly contributory between the employer and employee.

The Commonwealth's SERS employer contributions were approximately $1.6 billion and $1.9 billion in Fiscal
Years 2016 and 2017, respectively. The plan fiduciary net positions were approximately $26.4 billion and $29.4
billion in Fiscal Years 2016 and 2017, respectively. The Commonwealth's PSERS employer contributions were
approximately $3.9 billion and $4.4 billion in Fiscal Years 2017 and 2018, respectively. The plan net assets were
approximately $53.5 billion and $56.7 billion in Fiscal Years 2017 and 2018, respectively.

For Fiscal Years 2016 and 2017, SERS returned 6.5% and 15.1%, respectively. PSERS' Fiscal Years 2017 and 2018
investment returns were 10.14% and 9.27%, respectively.

Litigation

Following are brief descriptions of certain cases affecting the Commonwealth, as reviewed by the Commonwealth's
Attorney General and Office of General Counsel.
In 1978, the General Assembly approved a limited waiver of sovereign immunity. Damages for any loss are limited to $250,000 for each person and $1,000,000 for each accident. This cap does not apply to tax appeal cases. The Supreme Court of Pennsylvania has held that this limitation is constitutional. Approximately 850 suits against the Commonwealth remain open. Tort claim payments for the departments and agencies, other than the Department of Transportation, are paid from departmental and agency operating and program appropriations. Tort claim payments for the Department of Transportation are paid from an appropriation from the Motor License Fund.

The Commonwealth also represents and indemnifies employees who have been sued under federal civil rights statutes for actions taken in good faith in carrying out their employment responsibilities. There are no caps on damages in civil rights actions. The Commonwealth's self-insurance program covers damages in these cases up to $250,000 per incident. Damages in excess of $250,000 are paid from departmental and agency operating and program appropriations.

_Brouillette, et al. v. Wolf, et al._ Petitioners claim that the Fiscal Year 2018 budget violates numerous provisions of the Pennsylvania Constitution. Among other things, Petitioners request a declaration that the Governor violated the balanced budget provision and ask that he be required to reduce or freeze spending and that the Budget Secretary be enjoined from allocating accounting amounts beyond available revenues, and that the Governor, Treasurer, and Auditor General be enjoined from authorizing any line of credit or borrowing to enable the continued deficit spending. This matter was filed on September 19, 2017. Petitioners filed an Amended Petition for Review on November 7, 2017 in order to remove certain respondents, including the Budget Secretary, and add others, including various State Senators. Various respondents subsequently filed preliminary objections and an application to dismiss for mootness. On September 13, 2018, the _en banc_ Commonwealth Court held oral argument on those matters. On September 17, 2018, Petitioners filed a response to the application to dismiss for mootness.

_Pennsylvania Professional Liability Joint Underwriting Association v. Wolf._ The Pennsylvania Professional Liability Joint Underwriting Association ("JUA") initiated this action against the Governor on November 7, 2017. The JUA challenges, on various federal constitutional grounds, a provision of Act 44 of 2017 that directed the transfer, by December 1, 2017, of $200,000,000 from the JUA to the Commonwealth's Treasurer for deposit into the Commonwealth General Fund or, if the transfer was not made by December 1, 2017, the abolishment of the JUA. After a hearing on November 14, 2017, the court enjoined the state officials from enforcing the statutory provision against the JUA. On May 17, 2018, the court granted JUA's motion for summary judgment and denied the defendants' motion for summary judgment, ruling that the transfer constituted an impermissible taking of private property. The defendants appealed the trial court orders, which were consolidated by the Third Circuit Court of Appeals. The case remains pending.

_United States of America v. Commonwealth of Pennsylvania._ On July 29, 2014, the U.S. Department of Justice ("DOJ") filed a complaint alleging disparate impact discrimination against the Pennsylvania State Police ("PSP"), based on the female cadet hiring rates. DOJ attributes the alleged discrimination to the failure rate of female cadets on the Physical Readiness Test ("PRT"). In addition to injunctive relief regarding the administration of the test, DOJ seeks back pay with interest for women who failed the PRT, offers of employment, retroactive seniority and other monetary and nonmonetary benefits to women who suffered losses or will suffer losses in the future based on the alleged discriminatory practices. Enjoining the administration of the current PRT will require the development of a new test. Costs associated with an adverse result are difficult to assess, but could range in the tens of millions depending upon the scope of any order issued by the court and the number of women who may have to be compensated for lost salary, seniority and other benefits. The trial court denied PSP's motion for summary judgment, and granted plaintiff's motion for partial summary judgment. A bench trial was scheduled to begin on December 11, 2017, but has been continued pending mediation.

_Nextel Communications of the Mid-Atlantic, Inc. v. Commonwealth of Pennsylvania._ On September 16, 2015, the Commonwealth Court of Pennsylvania held that the Pennsylvania net operating loss deduction (the "NOL Deduction"), as-applied to the facts in Nextel, violated the Uniformity Clause of the Pennsylvania Constitution, a decision that could negatively affect the Commonwealth's tax revenues. The court held that the NOL Deduction creates different classes of taxpayers based solely upon the amount of their income and that a classification based solely on income amount could not withstand scrutiny under the Uniformity Clause. The Commonwealth appealed the decision to the Pennsylvania Supreme Court.

The Pennsylvania Supreme Court issued a decision on October 18, 2017 holding that the NOL Deduction is unconstitutional. But the Supreme Court reversed the order directing the Department of Revenue to issue a refund.
Nextel filed a writ of certiorari with the United States Supreme Court on May 3, 2018. On June 11, 2018, the United States Supreme Court denied the petition for a writ of certiorari.

**RB Alden Corp. v. Commonwealth of Pennsylvania.** This matter raises the same NOL Deduction issue that was raised in Nextel, except that the statutory provision in this case limits the NOL Deduction to $2 million (rather than $3 million), and does not allow for an alternative deduction amount based on a percentage (12.5%) of taxable income. On June 15, 2016, a trial court panel held that, in accordance with its decision in Nextel, the cap on the NOL Deduction was unconstitutional and should be eliminated in its entirety. The decision was affirmed by the trial court sitting en banc. Both decisions were handed down before the Supreme Court made its decision in Nextel. The Commonwealth appealed to the Pennsylvania Supreme Court, and the plaintiff filed a cross-appeal. On September 21, 2018, the Supreme Court vacated the Commonwealth Court's order and remanded the case to Commonwealth Court for reconsideration in light of the Nextel decision. The Commonwealth Court has tentatively scheduled oral argument for the week of September 9, 2019.

**General Motors Corporation.** This matter raises the same issue as in R.B. Alden Corp. With the elimination of the dollar cap after Nextel, the issue is whether the NOL Deduction is unlimited or if there is no deduction at all for a tax year in which the statute does not provide for an alternative deduction amount based on a percentage of taxable income. Briefing is now complete and oral argument is tentatively scheduled for the week of September 9, 2019.

**East Coast Vapor, LLC v. Department of Revenue ("ECV II").** Petitioner alleged violations in the Commonwealth's Tobacco Products Tax Act with respect to the inclusion of non-tobacco items in the definition of "tobacco product" and in the Department of Revenue's application of the tax at issue to separately-packaged component parts of e-cigarettes which the Department of Revenue considered "integral" to e-cigarettes. On June 22, 2018, the Commonwealth Court ruled that the inclusion of non-tobacco items did not violate due process but that it did not support the taxing of the "integral" component parts of e-cigarettes. The parties have reached agreement to the payment of $10,000 in attorneys' fees to the Petitioner's counsel. The attorneys' fees payments have been paid and the case is now closed.

**Kingdom Vapor & Smoke 4 Less v. Department of Revenue and East Coast Vapor, LLC v. Department of Revenue.** Petitioner in this case also challenged the Tobacco Products Tax Act. On June 22, 2018, the Commonwealth Court held that its ruling in ECV II also applied to this case and the Court declared that the "integral" component parts of an e-cigarette are not taxable. The parties have reached agreement to the payment of $10,000 in attorneys' fees to the Petitioner's counsel. The attorneys' fees payments have been paid and the case is now closed.

**Munchinski v. Warman, et al.** This is a case alleging due process violations by a now-deceased PSP officer. It arises from the alleged failure to disclose exculpatory evidence in a 1986 murder trial and at a Post-Conviction Relief Act proceeding. The former inmate was released after spending 20-plus years in state prison. Dispositive motions were partially successful, leaving the malicious prosecution claim for trial. The court has completed additional briefing on the immunity claims, and the parties await the court's rulings. Discovery between the parties is ongoing. The Commonwealth's estimated exposure exceeds $2 million.

**Walker v. Department of Corrections, et al.** This is a deliberate indifference claim against Department of Corrections nurses who allegedly failed to properly stabilize the neck of an inmate who had fallen from his bunk and suffered an apparent neck injury. The case settled for $5 million, and payment is pending.

**Williams, et al v. Richards, et al.** This is a collective action under the Fair Labor Standards Act for wage violations and record keeping violations brought by Pennsylvania Department of Transportation ("PennDOT") employees against PennDOT officials for allegedly failing to pay certain overtime costs. Given the possible number of plaintiffs who could join this matter, the Commonwealth's estimated exposure is between $1.6 million and $4.0 million. The case was settled in December 2016 for $2.6 million. While agreed upon, the settlement has not yet been executed.

**William Penn Sch. Dist. v. Commonwealth.** Petitioners are seeking a mandate that the respondents provide adequate funding that would result in equal opportunity for children throughout the Commonwealth to obtain an adequate education. Petitioners are seeking permanent injunctions compelling the respondents to establish, fund, and maintain a thorough and efficient system of public education that provides all students in Pennsylvania with an equal opportunity to obtain an adequate education. This matter was previously dismissed by the trial court, which found
that it presented a nonjusticiable political question. Petitioners filed an appeal with the Pennsylvania Supreme Court, which reversed the trial court and ordered the court to address the petitioners' claims. The petitioners have not yet articulated an amount that they would consider to be adequate funding. Previous studies, cited by Petitioners, recommended educational investments of $4.0 billion.

Knight v. PSP and Barkus v. PSP. These case involves the fatal shooting of civilians by PSP troopers. Given the nature of the litigation, the Commonwealth's estimated exposure could exceed $1 million in each case. In Knight, discovery closed November 30, 2016. The court granted Defendants' motion for summary judgment on all counts on May 17, 2019. Plaintiff has appealed.

Hall v. Millersville University. In this case, claims are made against Millersville University and a dorm resident assistant in a case where a student at Millersville was found dead in her room. Also sued in the case is the fraternity that hosted a party that evening and individual members of the fraternity. Total damages in this case, if recoverable, may exceed $1 million.

DeGroat v. Commonwealth of Pennsylvania. This is a case alleging excessive force and state tort claims against the Commonwealth, the PSP and individuals stemming from a fatal shooting. Local law enforcement officials also were sued. An amended complaint was recently filed. The Commonwealth is defending the case vigorously. The case is scheduled to go to trial beginning August 12, 2019. Plaintiffs estimate their damages at $50 million.

Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al. On March 15, 2018, the plaintiffs filed a class action lawsuit against the Pennsylvania Turnpike Commission (the "Commission") and several state officials in their individual and official capacities alleging that certain Commonwealth statutes violate the Commerce Clause and the right to travel under the U.S. Constitution because the Commission improperly imposes tolls beyond that which is necessary for the operation and maintenance of the Turnpike, and improperly expends toll revenues for purposes other than the operation and maintenance of the Turnpike. Defendants filed motions to dismiss the case. On April 4, 2019, the trial court granted the defendants' motions to dismiss the case and denied plaintiffs' motion for partial summary judgment. The court granted a joint motion filed by both parties to expedite the case. Oral argument was tentatively scheduled for July 8, 2019.

Pennsylvania Environmental Defense Foundation v. Commonwealth of Pennsylvania. Pennsylvania Environmental Defense Foundation ("PEDF") argues that the bonus-bid and rental payments for oil and gas leases constitute corpus of the trust under the Commonwealth's Constitution. Oral argument was held before the Commonwealth Court en banc in December 2018 on the parties' cross-motions for summary judgment. If PEDF is successful, future rental and bonus-bid payments would not usable except for investing in the Commonwealth's natural resources.

Pennsylvania Environmental Defense Foundation v. Commonwealth of Pennsylvania. PEDF has challenged the Department of Conservation and Natural Resources use of money from the Oil & Gas Lease Fund to cover general operating costs. The parties have exchanged applications for summary relief and have filed briefs both in support of and opposition to those motions.

Geness v. Commonwealth of Pennsylvania. The plaintiff was charged with homicide and was incarcerated for 9 years before the case was dismissed. He alleges that the Commonwealth violated the Americans with Disabilities Act by not giving him a prompt determination of his ability to be competent to stand trial. The Commonwealth's estimated exposure is $4 million.

Netflix, Inc. and Sirius XM Radio, Inc. Between January 2012 and July 2016, neither Netflix nor Sirius charged sales tax on services sold to Pennsylvania customers. The Department of Revenue audited and assessed each entity's services as taxable premium cable or taxable premium video programming services. Netflix was assessed sales tax of $26.2 million and Sirius was assessed sales tax of $45.4 million. The taxpayers and the Commonwealth are in the early stages of establishing the facts of these cases.

Alcatel-Lucent USA Inc. v. Commonwealth of Pennsylvania. Petitioner challenges the application of the Nextel decision beginning with the 2014 tax year. The Department of Revenue issued tax bulletins explain it would apply the Nextel decision beginning with the 2017 tax year. Petitioner asserts that 2014 was still an open year within the Department's three-year assessment authority when Nextel was decided. The parties filed a stipulation of facts on March 7, 2019, and all briefs were scheduled to be filed by August 2019.
PART III

ADDITIONAL INFORMATION ABOUT HOW TO BUY SHARES

See the prospectus and "How to Buy Shares" in Part II of this SAI to determine which sections of the discussion below apply to your fund.

Except as may be otherwise described in "How to Buy Shares—Information Regarding the Offering of Share Classes" in Part II of this SAI or in the prospectus, fund shares may be purchased directly from the fund or through Service Agents that have entered into service agreements with the Distributor. Except for purchases through certain Service Agents, the initial investment must be accompanied by the Account Application. If required information is missing from your Account Application, it may be rejected. If an account is established pending receipt of requested information, it may be restricted to liquidating transactions only and closed if requested information is not received within specified time frames. Subsequent purchase requests may be sent directly to the Transfer Agent or your Service Agent or as otherwise described in the prospectus. Shares of the funds will only be issued against full payment. You will be charged a fee if a check used to purchase fund shares is returned unpayable. Effective July 1, 2011, the funds issue shares in book entry form only and no longer issue share certificates.

Each fund reserves the right to reject any purchase order. No fund will establish an account for a "foreign financial institution," as that term is defined in Treasury rules implementing Section 312 of the USA PATRIOT Act. Foreign financial institutions include: foreign banks (including foreign branches of U.S. depository institutions); foreign offices of U.S. securities broker-dealers, futures commission merchants and mutual funds; non-U.S. entities that, if they were located in the United States, would be securities broker-dealers, futures commission merchants or mutual funds; and non-U.S. entities engaged in the business of currency dealer or exchanger or money transmitter. No fund will accept cash, travelers' checks or money orders as payment for shares.

Service Agents may impose certain conditions on their clients which are different from those described in the prospectus and this SAI and, to the extent permitted by applicable regulatory authority, may charge their clients direct fees. The availability of certain share classes and/or shareholder services described, as applicable, in the prospectus or this SAI, you may need to open a fund account directly with the fund. You should consult your Service Agent in this regard. As discussed under "Management Arrangements—Distributor" in Part III of this SAI, Service Agents may receive revenue sharing payments from BNYM Investment Adviser or the Distributor. The receipt of such payments could create an incentive for a Service Agent to recommend or sell fund shares, instead of other mutual funds for which the Service Agent receives lower or no revenue sharing payments. This potential conflict of interest may be addressed by policies, procedures or practices adopted by the Service Agent. As there may be many different policies, procedures or practices adopted by different Service Agents to address the manner in which compensation is earned through the sale of investments or the provision of related services, the compensation rates and other payment arrangements that may apply to a Service Agent and its representatives may vary by Service Agent. Please contact your Service Agent for details about any payments it may receive in connection with the sale of fund shares or the provision of services to a fund.

The Code imposes various limitations on the amount that may be contributed by fund shareholders to certain Retirement Plans or government sponsored programs. These limitations apply to participants at the Retirement Plan level and, therefore, do not directly affect the amount that may be invested in a fund by a Retirement Plan or government sponsored programs. Participants and Retirement Plan or program sponsors should consult their tax advisors for details.

Investment Minimums

Each fund reserves the right to vary further the initial and subsequent investment minimum requirements at any time.

Except as may be otherwise described in "How to Buy Shares—Investment Minimums" in Part II of this SAI, shares of each fund are offered without regard to the minimum initial investment requirements to fund board members who
elect to have all or a portion of their compensation for serving in that capacity automatically invested in the fund.

**Small Account Policies**

The funds reserve the right to waive any small account policies that are described in the prospectus.

**In-Kind Purchases**

Certain funds may, at their discretion, permit the purchases of shares through an "in-kind" exchange of securities. Any securities exchanged must meet the investment objective, policies and limitations of the fund, must have a readily ascertainable market value, must be liquid and must not be subject to restrictions on resale. The market value of any securities exchanged, plus any cash, must be at least equal to the fund's minimum initial investment. Shares purchased in exchange for securities generally cannot be redeemed for fifteen days following the exchange in order to allow time for the transfer to settle.

Securities accepted by a fund will be valued in the same manner as the fund values its assets. Any interest earned on the securities following their delivery to the fund and prior to the exchange will be considered in valuing the securities. When securities are acquired by the fund, all interest, dividends, subscription or other rights attached to the securities become the property of the fund. The exchange of securities for fund shares may be a taxable transaction to the shareholder. For further information about "in-kind" purchases, call 1-800-373-9387 (inside the U.S. only).

**Information Pertaining to Purchase Orders**

**Purchases Through Service Agents (non-money market funds only).** The funds have authorized certain Service Agents to serve as Authorized Entities (i.e., as agents for the fund that accept purchase and redemption orders on behalf of the fund). Such Authorized Entities are authorized to designate other intermediaries to receive purchase and redemption orders on behalf of the fund. If a Service Agent is an Authorized Entity or an Authorized Entity's designee, the fund will be deemed to have received a purchase or redemption order when such Service Agent or its designee received the order, and the order will be priced at the fund's NAV next calculated after the order is received and accepted by the Service Agent or its designee. Orders submitted through a Service Agent that is not an Authorized Entity are priced at the fund's NAV next calculated after the fund receives the order in proper form from the Service Agent and accepts it, which may not occur on the day the order is submitted to the Service Agent.

For certain Service Agents, payment for the purchase of shares of funds may be transmitted, and must be received by the Transfer Agent, within two business days after the order is placed. If such payment is not received within two business days after the order is placed, the order may be canceled and the Service Agent could be held liable for resulting fees and/or losses.

**TeleTransfer Privilege (not applicable to Brex Class).** Except as may be otherwise described in "How to Buy Shares—TeleTransfer Privilege" in Part II of this SAI, you may purchase fund shares by telephone or online if you have supplied the necessary information on the Account Application or have filed a Shareholder Services Form with the Transfer Agent. The proceeds will be transferred between the bank account designated in one of these documents and your fund account. Only a bank account maintained in a domestic financial institution which is an ACH member may be so designated.

TeleTransfer purchase orders may be made at any time. If purchase orders are received prior to the time as of which the fund calculates its NAV (as described in the prospectus) on any day the Transfer Agent and the NYSE are open for regular business, fund shares will be purchased at the public offering price determined on that day. If purchase orders are made after the time as of which the fund calculates its NAV on any day the Transfer Agent and the NYSE are open for regular business, or made on Saturday, Sunday or any fund holiday (e.g., when the NYSE is not open for business) fund shares will be purchased at the public offering price determined on the next bank business day following such purchase order. To qualify to use the TeleTransfer Privilege, the initial payment for purchase of shares must be drawn on, and redemption proceeds paid to, the same bank and account as are designated on the Account Application or Shareholder Services Form on file. If the proceeds of a particular redemption are to be sent to an account at any other bank, the request must be in writing and signature-guaranteed as described below under
"Additional Information About How to Redeem Shares—Share Certificates; Medallion Signature Guarantees." See "Additional Information About How to Redeem Shares—TeleTransfer Privilege" below for more information. TeleTransfer Privilege enables investors to make regularly scheduled investments and may provide investors with a convenient way to invest over time, but does not guarantee a profit and will not protect an investor against loss in a declining market.

Reopening an Account (not applicable to Brex Class). You may reopen an account in a fund that you previously closed without filing a new Account Application during the calendar year the account is closed or during the following calendar year, provided the information in the old Account Application is still applicable. During the second calendar year after your account was closed, you may be eligible to reopen such account for part of that calendar year. Please call 1-800-373-9387 (inside the U.S. only) or contact your financial representative for availability or options before seeking to invest in such account. You cannot at any time reopen an account that you closed in a fund, or in a share class of a fund, that previously was closed to new investment accounts.

Multi-Class Funds. When purchasing shares of a Multi-Class Fund, you must specify which class is being purchased. In many cases, neither the Distributor nor the Transfer Agent will have the information necessary to determine whether a quantity discount or reduced sales load is applicable to a purchase. You or your Service Agent must notify the fund or the Distributor whenever a quantity discount or reduced sales load is applicable to a purchase and must provide the fund or the Distributor with sufficient information at the time of purchase to verify that each purchase qualifies for the privilege or discount.

Service Agents may receive different levels of compensation for selling different classes of shares of the Multi-Class Funds, which may depend on, among other things, the type of investor and the policies, procedures and practices adopted by your Service Agent.

Class A. Except as may be otherwise described in the prospectus or in "How to Buy Shares—Class A" in Part II of this SAI, the public offering price for Class A shares of each Multi-Class Fund that is an equity fund is the NAV per share of that class plus a sales load as shown below:

<table>
<thead>
<tr>
<th>Amount of Transaction</th>
<th>As a % of offering price per share</th>
<th>As a % of NAV per share</th>
<th>Dealers' reallowance as a % of offering price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $50,000</td>
<td>5.75</td>
<td>6.10</td>
<td>5.00</td>
</tr>
<tr>
<td>$50,000 to less than $100,000</td>
<td>4.50</td>
<td>4.71</td>
<td>3.75</td>
</tr>
<tr>
<td>$100,000 to less than $250,000</td>
<td>3.50</td>
<td>3.63</td>
<td>2.75</td>
</tr>
<tr>
<td>$250,000 to less than $500,000</td>
<td>2.50</td>
<td>2.56</td>
<td>2.25</td>
</tr>
<tr>
<td>$500,000 to less than $1,000,000</td>
<td>2.00</td>
<td>2.04</td>
<td>1.75</td>
</tr>
<tr>
<td>$1,000,000 or more</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

*Due to rounding, the actual sales load you pay may be more or less than that calculated using these percentages.

Effective February 4, 2009 (the "Exchange Date"), Old Class T shares are no longer offered by any Multi-Class Fund. Holders of Old Class T shares of a Multi-Class Fund as of the Exchange Date received automatically, in exchange for their Old Class T shares of a fund, Class A shares of the fund having an aggregate NAV equal to the aggregate value of the shareholder's Old Class T shares. Shareholders of a Multi-Class Fund who received Class A shares of the fund in exchange for their Old Class T shares of the fund on the Exchange Date, may purchase Class A shares of the fund directly from the fund, for accounts maintained with the fund, at the NAV per share of Class A of the fund.

III-3
Except as may be otherwise described in the prospectus or in "How to Buy Shares—Class A" in Part II of this SAI, the public offering price for Class A shares of each Multi-Class Fund that is a bond fund is the NAV per share of that class plus a sales load as shown below:

<table>
<thead>
<tr>
<th>Amount of Transaction</th>
<th>As a % of offering price per share</th>
<th>As a % of NAV per share</th>
<th>Dealers' reallowance as a % of offering price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $50,000</td>
<td>4.50</td>
<td>4.71</td>
<td>4.25</td>
</tr>
<tr>
<td>$50,000 to less than $100,000</td>
<td>4.00</td>
<td>4.17</td>
<td>3.75</td>
</tr>
<tr>
<td>$100,000 to less than $250,000</td>
<td>3.00</td>
<td>3.09</td>
<td>2.75</td>
</tr>
<tr>
<td>$250,000 to less than $500,000</td>
<td>2.50</td>
<td>2.56</td>
<td>2.25</td>
</tr>
<tr>
<td>$500,000 to less than $1,000,000</td>
<td>2.00</td>
<td>2.04</td>
<td>1.75</td>
</tr>
<tr>
<td>$1,000,000 or more</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

*Due to rounding, the actual sales load you pay may be more or less than that calculated using these percentages.

Class A shares of a Multi-Class Fund purchased without an initial sales load as part of an investment of $1,000,000 or more may be assessed at the time of redemption a 1% CDSC if redeemed within one year of purchase. The Distributor may pay Service Agents an up-front commission of up to 1% of the NAV of Class A shares purchased by their clients as part of a $1,000,000 or more investment in Class A shares that are subject to a CDSC. If the Service Agent waives receipt of such commission, the CDSC applicable to such Class A shares will not be assessed at the time of redemption.

- **Class A Shares Offered at NAV.** Full-time employees of member firms of FINRA and full-time employees of other Service Agents may purchase Class A shares for themselves directly or pursuant to an employee benefit plan or other program (if fund shares are offered to such plans or programs), or for their spouses or minor children, at NAV without a sales load, provided they have furnished the fund or the Distributor with such information as it may request from time to time in order to verify eligibility for this privilege. In addition, Class A shares are offered at NAV to full-time or part-time employees of BNYM Investment Adviser or any of its affiliates or subsidiaries, directors of BNYM Investment Adviser, board members of a fund advised by BNYM Investment Adviser or its affiliates, or the spouse, domestic partner or minor child of any of the foregoing. Additional information about purchasing Class A shares at NAV is in the prospectus.

- **Dealer Reallowance.** The dealer reallowance provided with respect to Class A shares may be changed from time to time but will remain the same for all dealers. The Distributor, at its own expense, may provide additional promotional incentives to dealers that sell shares of funds advised or administered by BNYM Investment Adviser which are sold with a sales load, such as Class A shares. In some instances, these incentives may be offered only to certain dealers who have sold or may sell significant amounts of such shares. See "Management Arrangements—Distributor" below.

- **Rights of Accumulation.** Except as may be otherwise described in the prospectus or in "How to Buy Shares—Rights of Accumulation" in Part II of this SAI, reduced sales loads apply to any purchase of Class A shares by you and any related Purchaser where the aggregate investment including such purchase is $50,000 or more. If, for example, you previously purchased and still hold Eligible Shares, or combination thereof, with an aggregate current market value of $40,000 and subsequently purchase Class A shares of such fund having a current value of $20,000, the sales load applicable to the subsequent purchase would be the sales load in effect for a transaction in the range of $50,000 to less than $100,000. All present holdings of Eligible Shares may be combined to determine the current offering price of the aggregate investment in ascertaining the sales load applicable to each subsequent purchase.
To qualify for reduced sales loads, at the time of purchase you or your Service Agent must notify the fund or the Distributor if orders are made by wire or the Transfer Agent if orders are made by mail. The reduced sales load is subject to confirmation of your holdings through a check of appropriate records.

- **Conversion of All Class B Shares.** Effective as of the Effective Date, each Multi-Class Fund offering Class B shares converted its outstanding Class B shares to Class A shares of the fund (or, for certain funds, Class D shares of the fund—see "How to Buy Shares" in Part II of this SAI). Class B shares are no longer offered by such funds and have been terminated as a separately designated class of each such fund. On the Effective Date, holders of Class B shares of a fund received Class A shares (or, as applicable, Class D shares) of the fund having an aggregate NAV equal to the aggregate NAV of the shareholder's Class B shares. Each such fund's Class A shares (or, as applicable, Class D shares) have a lower total annual expense ratio than the fund's Class B shares. No front-end sales load or CDSC was imposed in connection with the conversion. Any subsequent investments in a fund's Class A shares by holders of Class A shares that were converted from Class B shares will be subject to the front-end sales load applicable to the fund's Class A shares.

**Class C.** The public offering price for Class C shares is the NAV per share of that class. No initial sales charge is imposed at the time of purchase. A CDSC is imposed, however, on redemptions of Class C shares made within the first year of purchase. See "Additional Information About How to Redeem Shares—Contingent Deferred Sales Charge—Multi-Class Funds—Class C" below.

**Class I.** The public offering price for Class I shares is the NAV per share of that class.

Shareholders who received Class I shares of a fund in exchange for Class Y shares of a corresponding Acquired Fund as a result of the reorganization of such Acquired Fund may purchase directly from the fund, for accounts maintained with the fund, Class I shares of any fund in the BNY Mellon Family of Funds whether or not they would otherwise be eligible to do so. Additional information about eligibility to purchase Class I shares is in the prospectus and may be in Part II of this SAI.

Institutions effecting transactions in Class I shares for the accounts of their clients may charge their clients direct fees in connection with such transactions.

**Class Y.** The public offering price for Class Y shares is the NAV per share of that class. The fund, BNYM Investment Adviser or the Distributor or their affiliates will not make any shareholder servicing, sub-transfer agency, administrative or recordkeeping payments with respect to Class Y shares. In addition, neither BNYM Investment Adviser nor the Distributor nor their affiliates will provide any "revenue sharing" payments with respect to Class Y shares, except that the Distributor may make payments to financial intermediaries for services rendered in connection with technology and programming set-up, dealer platform development and maintenance or similar services.

**Class K.** The public offering price for Class K shares is the NAV per share of that class.

**Service Class.** The public offering price for Service Class shares is the NAV per share of that class.

**All Other Funds and Share Classes.** The public offering price is the NAV per share of the class. Service Agents purchasing fund shares on behalf of their clients determine the share classes available for their clients. Accordingly, the availability of shares of a particular class will depend on the policies, procedures and trading platforms of your Service Agent. Service Agents may receive different levels of compensation for selling different classes of shares of a fund. Please consult your Service Agent.

**Information Relating to Purchase Orders (money market funds only)**

**Timing of Orders.** Shares of each fund are sold on a continuous basis at the NAV per share next determined after an order is received "in proper form."
For each Government MMF and Retail MMF, an order to purchase shares received by the fund will be deemed to be "in proper form" if the fund receives Federal Funds or other immediately available funds promptly thereafter. Unless other arrangements have been made in advance, the fund generally expects to receive the funds within two hours after the order is received by the fund or an Authorized Entity by the close of the Federal Reserve wire transfer system (normally, 6:00 p.m., Eastern time), whichever is earlier.

For each Institutional MMF, an order to purchase shares received by the fund will be deemed to be "in proper form" if the fund receives Federal Funds or other immediately available funds promptly thereafter. Unless other arrangements have been made in advance, the fund generally expects to receive the funds within two hours after the time at which the fund's NAV is next calculated after the order is received by the fund or by the close of the Federal Reserve wire transfer system (normally, 6:00 p.m., Eastern time), whichever is earlier.

If you do not remit Federal Funds, your payment must be converted into Federal Funds. This usually occurs within one business day of receipt of a bank wire and within two business days of receipt of a check drawn on a member bank of the Federal Reserve System. Checks drawn on banks which are not members of the Federal Reserve System may take considerably longer to convert into Federal Funds. Prior to receipt of Federal Funds, your money will not be invested in the fund.

Orders Placed Through Authorized Entities. For each Government MMF and Retail MMF, financial intermediaries (i.e., as agents for the fund that accept purchase and redemption orders on behalf of the fund). Such Authorized Entities are authorized to designate other intermediaries to received purchase and redemption orders on behalf of the fund. If a financial intermediary is an Authorized Entity or an Authorized Entity's designee, the fund will be deemed to have received a purchase or redemption order when such financial intermediary or its designee receives the order, and the order will be priced at the fund's NAV next calculated after the order is received and accepted by the financial intermediary or its designee. Orders submitted through a financial intermediary that is not an Authorized Entity are priced at the fund's NAV next calculated after the fund receives the order in proper form from the financial intermediary and accepts it, which may not occur on the day the order is submitted to the financial intermediary.

With the exception of orders from certain Retirement Plans, intermediaries are not authorized by Institutional MMFs to be Authorized Entities. Orders (other than those from certain Retirement Plans that are Authorized Entities) submitted through financial intermediaries are priced at the fund's NAV next calculated after the fund receives the order in proper form from the intermediary and accepts it, which may not occur on the day the order is submitted to the intermediary.

If a financial intermediary serves as an Authorized Entity of a Retail MMF or a Government MMF and accepts trade orders on the fund's behalf, the Authorized Entity must record (i.e., "time stamp") the time of its acceptance of such trade orders for the purposes of; among other things, determining whether the orders preceded or followed the effective implementation time of a liquidity fee or redemption gate, or a modification thereto. If the Authorized Entity fails to time stamp orders received in a manner satisfactory to the fund, such orders will be deemed received when they are received by the fund.

Converting Shares

Under certain circumstances, shares of a fund with more than one class may be converted from one class of shares to another class of shares of the same fund. The aggregate dollar value of the shares of the class received upon any such conversion will equal the aggregate dollar value of the converted shares on the date of the conversion. An investor whose fund shares are converted from one class to another class will not realize taxable gain or loss as a result of the conversion.

Taxpayer ID Number

Federal regulations require that you provide a certified taxpayer identification number ("TIN") upon opening or reopening an account. See the Account Application for further information concerning this requirement. Failure to furnish a certified TIN could subject you to a $50 penalty imposed by the IRS.
Frequent Purchases and Exchanges (non-money market funds only)

The funds are intended to be long-term investment vehicles and are not designed to provide investors with a means of speculating on short-term market movements. A pattern of frequent purchases and exchanges can be disruptive to efficient portfolio management and, consequently, can be detrimental to a fund's performance and its shareholders. If fund management determines that an investor is following an abusive investment strategy, it may reject any purchase request, or terminate the investor's exchange privilege, with or without prior notice. Such investors also may be barred from purchasing shares of other funds in the BNY Mellon Family of Funds. Accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive or abusive trading. In addition, a fund may refuse or restrict purchase or exchange requests for fund shares by any person or group if, in the judgment of fund management, the fund would be unable to invest the money effectively in accordance with its investment objective and policies or could otherwise be adversely affected or if the fund receives or anticipates receiving simultaneous orders that may significantly affect the fund. If an exchange request is refused, the fund will take no other action with respect to the fund shares (i.e., shares will not be redeemed) until it receives further instructions from the investor. While a fund will take reasonable steps to prevent excessive short-term trading deemed to be harmful to the fund, it may not be able to identify excessive trading conducted through certain financial intermediaries or omnibus accounts.

Transactions made through Automatic Withdrawal Plan, Auto-Exchange Privileges, automatic investment plans (including Automatic Asset Builder), automatic non-discretionary rebalancing programs, minimum required retirement distributions and investments through certain third party programs for individual investors approved by the fund generally are not considered to be frequent trading. For employer-sponsored benefit plans, generally only participant-initiated exchange transactions are subject to the roundtrip limit.

ADDITIONAL INFORMATION ABOUT HOW TO REDEEM SHARES

See the prospectus or "How to Redeem Shares" in Part II of this SAI for fund-specific and other information about the redemption of fund shares.

Except as may be otherwise described in "How to Redeem Shares" in Part II of this SAI, each fund ordinarily will make payment for all shares redeemed within seven days after receipt by the Transfer Agent of a redemption request in proper form, except as provided by the rules of the SEC. "Proper form" includes, for example, receipt of documentation deemed by the fund to be sufficient to evidence authority to redeem shares in the account, which for certain shareholders includes receipt of a manually executed (i.e., not photocopy) Account Application and related documentation. If you have purchased fund shares by check (including a certified or cashier's check), by TeleTransfer Privilege or through Automatic Asset Builder and subsequently submit a written redemption request to the Transfer Agent, the fund may delay sending the proceeds for up to eight business days following the purchase of those shares or until the fund receives verification of clearance of the funds used to purchase such shares, whichever is earlier. In addition, the fund will not honor redemption checks under the Checkwriting Privilege, and will not process wire, online or TeleTransfer redemption requests for up to eight business days following the purchase of those shares or until the fund receives verification of clearance of the funds used to purchase the shares for which the redemption is requested, whichever is earlier. These procedures will not apply if your shares were purchased by wire payment, or if you otherwise have a sufficient collected balance in your account to cover the redemption request.

If you hold shares of more than one class of a fund with more than one class, any request for redemption must specify the class of shares being redeemed. If you fail to specify the class of shares to be redeemed or if you own fewer shares of the class than specified to be redeemed, the redemption request may be delayed until the Transfer Agent receives further instructions from you or your Service Agent.

Except as may be otherwise described in "How to Redeem Shares" in Part II of this SAI, the Wire Redemption Privilege, TeleTransfer Privilege and the Telephone Exchange Privilege authorize the Transfer Agent to act on telephone (including over the Express voice-activated account access system), letter or online instructions from any person representing himself or herself to be you, or a representative of your Service Agent, and reasonably believed by the Transfer Agent to be genuine. The fund will require the Transfer Agent to employ reasonable procedures, such as requiring a form of personal identification, to confirm that instructions are genuine and, if it does not follow
such procedures, the fund or the Transfer Agent may be liable for any losses due to unauthorized or fraudulent instructions. Neither the fund nor the Transfer Agent will be liable for following telephonic instructions reasonably believed to be genuine.

During times of drastic economic or market conditions, you may experience difficulty in contacting the Transfer Agent by telephone or online to request a redemption or exchange of fund shares. In such cases, you should consider using the other redemption procedures described herein. Use of these other redemption procedures may result in your redemption request being processed at a later time than it would have been if telephonic redemption had been used. During the delay the NAV of non-money market funds may fluctuate.

Redemption Fee

Certain funds will deduct a redemption fee as described in the relevant funds' prospectuses. Subject to the exceptions described in a fund's prospectus, shares held for less than the 60-day holding period will be subject to the fund's redemption fee, whether held directly in your name or indirectly through an intermediary, such as a broker, bank, investment adviser, recordkeeper for Retirement Plan participants or any other third party. If you hold your shares through an intermediary's omnibus account, the intermediary is responsible for imposing the fee and remitting the fee to the fund.

The redemption fee will be charged and retained by a fund on shares sold before the end of the required holding period. For purposes of applying the redemption fee, the fund will use the "first-in, first-out" method to determine the holding period for the shares sold. Under this method, shares held the longest will be deemed to be redeemed or exchanged first. The holding period commences on the day after your purchase order is effective. For example, the holding period for shares purchased on October 31 (trade date) begins on November 1 and ends on the 59th day, which is December 29. Thus, if you redeemed these shares on December 29, you would be assessed the fee, but you would not be assessed the fee if you redeemed on or after December 30.

A redemption fee generally is collected by deduction from the redemption proceeds, but may be imposed by billing you if the fee is not imposed as part of the redemption transaction.

A fund may postpone the effective date of the assessment of the redemption fee on the underlying shareholder accounts within an omnibus account if an intermediary requires additional time to collect the fund's redemption fee.

The funds' prospectuses contain information on transactions for which the redemption fee is waived. The funds reserve the right to exempt additional transactions from the redemption fee.

Contingent Deferred Sales Charge—Multi-Class Funds

Class C. A CDSC of 1% payable to the Distributor is imposed on any redemption of Class C shares within one year of the date of purchase. No CDSC will be imposed to the extent that the NAV of the Class C shares redeemed does not exceed (i) the current NAV of Class C shares of the fund acquired through reinvestment of fund dividends or capital gain distributions, plus (ii) increases in the NAV of your Class C shares above the dollar amount of all your payments for the purchase of Class C shares held by you at the time of redemption.

If the aggregate value of Class C shares redeemed has declined below their original cost as a result of the fund's performance, a CDSC may be applied to the then-current NAV rather than the purchase price.

In determining whether a CDSC is applicable to a redemption, the calculation will be made in a manner that results in the lowest possible rate. It will be assumed that the redemption is made first of amounts representing Class C shares acquired pursuant to the reinvestment of dividends and distributions; then of amounts representing the increase in NAV of Class C shares above the total amount of payments for the purchase of Class C shares made during the preceding year; and finally, of amounts representing the cost of shares held for the longest period.

For example, assume an investor purchased 100 shares of the fund at $10 per share for a cost of $1,000. Subsequently, the shareholder acquired five additional shares through the reinvestment of fund dividends. Within a year after the purchase the investor decided to redeem $500 of the investment. Assuming at the time of the redemption the NAV had appreciated to $12 per share, the value of the investor's shares would be $1,260 (105
shares at $12 per share). The CDSC would not be applied to the value of the reinvested dividend shares and the amount which represents appreciation ($260). Therefore, $240 of the $500 redemption proceeds ($500 minus $260) would be charged at a rate of 1% for a total CDSC of $2.40.

Waiver of CDSC. Except as otherwise may be provided in the prospectus, the CDSC may be waived in connection with (a) redemptions made within one year after the death or disability, as defined in Section 72(m)(7) of the Code, of the shareholder, (b) redemptions by Retirement Plans, provided that the shares being redeemed were purchased through a financial intermediary that performs recordkeeping or other administrative services for the Retirement Plan, or were purchased directly from the fund, (c) redemptions as a result of a combination of any investment company with the fund by merger, acquisition of assets or otherwise, (d) redemptions made as part of a required minimum distribution for IRA and retirement accounts pursuant to the Internal Revenue Code and (e) redemptions pursuant to Automatic Withdrawal Plan, as described under "Additional Information About Shareholder Services—Automatic Withdrawal Plan" in Part III of this SAI. If a fund's board determines to discontinue the waiver of the CDSC, the disclosure herein will be revised appropriately. Any fund shares subject to a CDSC which were purchased prior to the termination of such waiver will have the CDSC waived as provided in the fund's prospectus or this SAI at the time of the purchase of such shares.

To qualify for a waiver of the CDSC, at the time of redemption you must notify the Transfer Agent or, if you are a client of a Service Agent or other financial intermediary, you must notify the Service Agent or financial intermediary and then the Service Agent or financial intermediary in turn must notify the Distributor. Any such qualification is subject to confirmation of your eligibility.

Redemption Through an Authorized Entity

Except as may be otherwise described in "How to Redeem Shares—Redemption Through an Authorized Entity" in Part II of this SAI, redemption orders received by an Authorized Entity (i.e., an agent for the fund that accepts purchase and redemption orders on behalf of the fund), or an Authorized Entity's designee, by the close of trading on the floor of the NYSE on any business day and transmitted to the Distributor or its designee in accordance with the Authorized Entity's agreement with the Distributor are effected at the price determined as of the close of trading on the floor of the NYSE on that day. Otherwise, the shares will be redeemed at the next determined NAV. It is the responsibility of the Authorized Entity or its designee to transmit orders on a timely basis. The Authorized Entity may charge the shareholder a fee for executing the order. This repurchase arrangement is discretionary and may be withdrawn at any time.

Where an Authorized Entity accepts trade orders on a Retail or Institutional MMF's behalf, the Authorized Entity is required to promptly take the steps requested by the fund or its designee to impose or assist in implementing a liquidity fee or redemption gate as requested from time to time. See "Liquidity Fees and Redemption Gates (Institutional and Retail MMFs only)" below.

Checkwriting Privilege

Certain funds provide redemption checks ("Checks") automatically upon opening an account, unless you specifically refuse the Checkwriting Privilege by checking the applicable "No" box on the Account Application. Checks will be sent only to the registered owner(s) of the account and only to the address of record. The Checkwriting Privilege may be established for an existing account by a separate signed Shareholder Services Form. The Account Application or Shareholder Services Form must be manually signed by the registered owner(s). Checks are drawn on your fund account and, except as may be otherwise described in "How to Redeem Shares—Checkwriting Privilege" in Part II of this SAI, may be made payable to the order of any person in the amount of $500 or more. When a Check is presented to the Transfer Agent for payment, the Transfer Agent, as your agent, will cause the fund to redeem a sufficient number of full and fractional shares in your account to cover the amount of the Check. Potential fluctuations in the NAV of a non-money market fund should be considered in determining the amount of a Check. Dividends are earned until the Check clears. After clearance, a copy of the Check will be returned to you. You generally will be subject to the same rules and regulations that apply to checking accounts, although the election of this privilege creates only a shareholder-transfer agent relationship with the Transfer Agent.

Except as may be otherwise described in "How to Redeem Shares—Checkwriting Privilege" in Part II of this SAI, Checks are free but the Transfer Agent will impose a fee for stopping payment of a Check upon your request or if
the Transfer Agent cannot honor a Check due to insufficient funds or other valid reason. If the amount of the Check is greater than the value of the shares in your account, the Check will be returned marked "insufficient funds." Checks should not be used to close your account.

You should date your Checks with the current date when you write them. Please do not postdate your Checks. If you do, the Transfer Agent will honor, upon presentment, even if presented before the date of the Check, all postdated Checks which are dated within six months of presentment for payment if they are otherwise in good order. If you hold shares in an IRA sponsored by BNYM Investment Adviser or its affiliates, you may be permitted to make withdrawals from your IRA account using checks furnished to you for this purpose.

Except with respect to money market funds, the Checkwriting Privilege will be terminated immediately, without notice, with respect to any account which is, or becomes, subject to backup withholding on redemptions. Any Check written on an account which has become subject to backup withholding on redemptions will not be honored by the Transfer Agent. Institutional Direct accounts are not eligible for the Checkwriting Privilege.

Wire Redemption Privilege

Except as may be otherwise described under "How to Redeem Shares—Wire Redemption Privilege" in Part II of this SAI, by using this privilege, you authorize the fund and the Transfer Agent to act on telephone, letter or online redemption instructions from any person representing himself or herself to be you, or a representative of your Service Agent, and reasonably believed by the fund or the Transfer Agent to be genuine. Ordinarily, a fund other than a money market fund will initiate payment for shares redeemed pursuant to the Wire Redemption Privilege on the next business day if the Transfer Agent receives a redemption request in proper form prior to the time as of which the fund calculates its NAV (as described in the prospectus); for a money market fund that receives a redemption request in proper form prior to the time as of which the fund calculates its NAV, payment will be initiated the same day and the shares will not receive the dividend declared on that day.

Except as may be otherwise described under "How to Redeem Shares—Wire Redemption Privilege" in Part II of this SAI, redemption proceeds ($1,000 minimum) will be transferred by Federal Reserve wire only to the commercial bank account specified by you on the Account Application or Shareholder Services Form, or to a correspondent bank if your bank is not a member of the Federal Reserve System. Fees ordinarily are imposed by such bank and borne by the investor. Immediate notification by the correspondent bank to your bank is necessary to avoid a delay in crediting the funds to your bank account. To change the commercial bank or account designated to receive redemption proceeds, a written request signed by each shareholder on the account must be sent to the Transfer Agent. Shares held in an Education Savings Account may not be redeemed through the Wire Redemption Privilege.

Redemption through Compatible Computer Facilities

Certain funds make available to institutions the ability to redeem shares through compatible computer facilities. Investors desiring to redeem shares in this manner should call BNY Mellon Institutional Services at 1-800-346-3621 to determine whether their computer facilities are compatible and to receive instructions for redeeming shares in this manner.

TeleTransfer Privilege (not applicable to Brex Class)

Except as may be otherwise described in "How to Redeem Shares—TeleTransfer Privilege” in Part II of this SAI, you may request by telephone (for regular accounts or IRAs) or online (for regular accounts only) that redemption proceeds ($500 minimum) be transferred between your fund account and your bank account. Except as may be otherwise described in "How to Redeem Shares—Transaction Fees" in Part II of this SAI or in the prospectus, transaction fees do not apply to TeleTransfer redemptions. Only a bank account maintained in a domestic financial institution which is an ACH member may be designated. You should be aware that if you have selected the TeleTransfer Privilege, any request for a TeleTransfer transaction will be effected through the ACH system unless more prompt transmittal specifically is requested. Redemption proceeds will be on deposit in your account at an ACH member bank ordinarily two business days after receipt of the redemption request. Shares held in an Education Savings Account may not be redeemed through the TeleTransfer Privilege. See "Additional Information
Reinvestment Privilege

You may reinvest up to the number of Class A shares of a Multi-Class Fund you have redeemed at the then-prevailing NAV without a sales load, or reinstate your account for the purpose of exercising Fund Exchanges. Upon reinstatement, if such shares were subject to a CDSC, your account will be credited with an amount equal to the CDSC previously paid upon redemption of the shares reinvested. The Reinvestment Privilege may be exercised only once and your reinvestment request must be received in writing by the fund within 45 days of redemption.

Share Certificates; Medallion Signature Guarantees

Share Certificates. Effective July 1, 2011, each fund issues shares in book entry form only and no longer issues share certificates. Any certificates representing fund shares to be redeemed must be submitted with the redemption request. Written redemption requests must be signed by each shareholder, including each holder of a joint account, and each signature must be guaranteed. Signatures on endorsed certificates submitted for redemption also must be guaranteed as described below.

Medallion Signature Guarantees. Certain financial transactions may require signature guarantees. The Transfer Agent has adopted standards and procedures pursuant to which signature guarantees in proper form generally will be accepted from participants in the NYSE Medallion Signature Program, the Securities Transfer Agents Medallion Program (STAMP) or the Stock Exchanges Medallion Program (SEMP). Guarantees must be signed by an authorized signatory of the guarantor. No other types of signature guarantees will be accepted. The Transfer Agent may request additional documentation from corporations, executors, administrators, trustees or guardians, and may accept other suitable verification arrangements from foreign investors, such as consular verification. For more information with respect to signature-guarantees, please call one of the telephone numbers listed on the cover.

Redemption Commitment

Each fund has committed itself to pay in cash all redemption requests by any fund shareholder of record, limited in amount during any 90-day period to the lesser of $250,000 or 1% of the value of the fund's net assets at the beginning of such period. Such commitment is irrevocable without the prior approval of the SEC. In the case of requests for redemption from the fund in excess of such amount, the fund reserves the right to make an In-Kind Redemption. Each fund has adopted policies and procedures regarding how and when it will make In-Kind Redemptions. Generally, an In-Kind Redemption may be made under the following circumstances: (1) (i) BNYM Investment Adviser determines that an In-Kind Redemption is more advantageous to a fund (e.g., due to advantageous tax consequences or lower transaction costs) than selling/purchasing portfolio securities, or the redeeming shareholder has requested an In-Kind Redemption, (ii) BNYM Investment Adviser determines that an In-Kind Redemption will not favor the redeeming shareholder to the detriment of any other shareholder or the fund and (iii) BNYM Investment Adviser determines that an In-Kind Redemption is in the best interests of the fund; (2) to manage "liquidity risk" (as defined in Rule 22e-4(a)(11) under the 1940 Act); (3) in stressed market conditions; or (4) subject to the approval of the fund's board, including a majority of the Independent Board Members, in other circumstances identified by BNYM Investment Adviser. In such event, the securities would be valued in the same manner as the fund's portfolio is valued. If the recipient sells such securities, brokerage charges would be incurred.

Suspension of Redemptions

The right of redemption may be suspended or the date of payment postponed (a) during any period when the NYSE is closed (other than customary weekend and holiday closings), (b) when the SEC determines that trading in the markets a fund ordinarily utilizes is restricted, or when an emergency exists as determined by the SEC so that disposal of the fund's investments or determination of its NAV is not reasonably practicable or (c) for such other periods as the SEC by order may permit to protect fund shareholders.

Fund Liquidation (money market funds only)

A money market fund also may permanently suspend redemptions and liquidate the fund if, among other reasons, the fund, at the end of a business day, (i) has less than 10% of its total assets invested in Weekly Liquid Assets, or,
for a Government MMF or a Retail MMF, the fund's price per share as computed for the purpose of distribution, redemption and repurchase, rounded to the nearest one percent, has deviated from $1.00, or the board, including the Independent Board Members, determines that such a deviation is likely to occur, and (ii) the fund's board, including the Independent Board Members, irrevocably has approved the liquidation of the fund. In the event that the board approves liquidation of the fund, the sale of fund shares will be discontinued, and the redemption of shares will be suspended following notice to the SEC and upon the filing of a supplement to the fund's prospectus(es), summary prospectus(es) and SAI advising of the liquidation. BNYM Investment Adviser will then commence the orderly liquidation of the fund's portfolio securities, following which the fund's net assets will be distributed to shareholders pursuant to a plan of liquidation adopted by the board. More information about the timing and other details of a fund's liquidation would be made available to fund shareholders following board approval.

Liquidity Fees and Redemption Gates (Institutional and Retail MMFs only)

If the fund's Weekly Liquid Assets fall below 30% of its total assets, the fund's board, in its discretion, may impose liquidity fees of up to 2% of the value of the shares redeemed and/or redemption gates beginning as early as the same day. In addition, if the fund's Weekly Liquid Assets fall below 10% of its total assets at the end of any business day, the fund must impose a 1% liquidity fee on shareholder redemptions unless the fund's board determines that a lower or higher fee (not to exceed 2%), or no fee, is in the best interests of the fund.

If a liquidity fee is imposed, it will be charged on all redemption orders received by the fund after the effective time of the imposition of the fee by the fund's board. A liquidity fee would not be imposed on checkwriting redemption drafts or redemption requests submitted by mail that are received on the same day that the fee is imposed.

If a redemption gate is imposed, the fund or any financial intermediary on its behalf will not accept redemption requests (including redemptions by exchange into another fund) until the fund provides notice that the redemption gate has been terminated. A redemption gate would not be imposed on checkwriting redemption drafts or redemption requests submitted by mail that are received on the same day that the gate is imposed.

When a fee or a gate is in place, the fund may elect to stop selling shares or to impose additional conditions on the purchase of shares.

ADDITIONAL INFORMATION ABOUT SHAREHOLDER SERVICES

See "Shareholder Services" in Part II of this SAI to determine which sections of the discussion below apply to your fund.

Automatic Asset Builder, the Payroll Savings Plan and Government Direct Deposit Privilege enable investors to make regularly scheduled investments and may provide these investors with a convenient way to invest for long-term financial goals, but do not guarantee a profit and will not protect an investor against loss in a declining market.

Shareholder Services Forms and prospectuses of the funds may be obtained by visiting www.bnymellonim.com/us or, for money market funds, www.dreyfus.com, or by calling 1-800-373-9387 (inside the U.S. only). To modify or terminate your participation in a service, call 1-800-373-9387 (inside the U.S. only). Except as otherwise stated, the shareholder services described below may be modified or terminated at any time.

Fund Exchanges

You should obtain and review the prospectus of the fund and class, if applicable, into which an exchange is being made. Upon exchanging into a new account, the following shareholder services and privileges, as applicable, will be automatically carried over to the fund into which the exchange is made: Fund Exchanges, Checkwriting Privilege, TeleTransfer Privilege, Wire Redemption Privilege and the dividends and distributions payment options (except Dividend Sweep) selected by you.

The funds reserve the right to reject any exchange request in whole or in part. If an exchange request is refused (such as when the investor is not eligible to invest in the fund into which the investor is seeking to exchange or if such fund has suspended purchases), the fund will take no other action with respect to the fund shares (i.e., shares will not be redeemed) until it receives further instructions from the investor. Fund Exchanges and the Auto-Exchange Privilege are available to investors resident in any state in which shares of the fund being acquired may...
legally be sold. Shares may be exchanged only between accounts having certain identical identifying designations. The Fund Exchanges service or the Auto-Exchange Privilege may be modified or terminated at any time upon notice to shareholders.

Except as may be otherwise described in "Shareholder Services" in Part II of this SAI, you or clients of certain Service Agents may purchase, in exchange for shares of a fund, shares of the same class, or another class in which you are eligible to invest, of another fund in the BNY Mellon Family of Funds. However, if you hold fund shares through financial intermediary brokerage platforms, you may only exchange fund shares for shares of the same class of another fund in the BNY Mellon Family of Funds. Fund Exchanges are subject to any redemption fee applicable to the fund from which you are exchanging, as described in such fund's prospectus. You should review carefully the current prospectus of the fund from which your shares were exchanged and, if applicable, into which shares are exchanged to determine the sales load or CDSC chargeable upon the redemption of the shares and for information on conversion features. Shares of funds purchased by exchange will be purchased on the basis of relative NAV per share as follows:

A. Exchanges for shares of funds offered without a sales load will be made without a sales load.
B. Shares of funds purchased without a sales load may be exchanged for shares of other funds sold with a sales load, and the applicable sales load will be deducted.
C. Shares of funds purchased with a sales load may be exchanged without a sales load for shares of other funds sold without a sales load.
D. Shares of funds purchased with a sales load, shares of funds acquired by a previous exchange from shares purchased with a sales load and additional shares acquired through reinvestment of dividends or distributions of any such funds (collectively referred to herein as "Purchased Shares") may be exchanged for shares of other funds sold with a sales load (referred to herein as "Offered Shares"). If the applicable sales load applicable to the Offered Shares exceeds the maximum sales load that could have been imposed in connection with the Purchased Shares (at the time the Purchased Shares were acquired), without giving effect to any reduced loads, the difference may be deducted.
E. Shares of funds subject to a CDSC that are exchanged for shares of another fund will be subject to the higher applicable CDSC of the two funds, and, for purposes of calculating CDSC rates and conversion periods, if any, will be deemed to have been held since the date the shares being exchanged were initially purchased.

To accomplish an exchange under item D above, you or your Service Agent acting on your behalf must notify the Transfer Agent of your prior ownership of fund shares and your account number. Any such exchange is subject to confirmation of your holdings through a check of appropriate records.

Except as may be otherwise described in "Shareholder Services" in Part II of this SAI or in the prospectus, to request an exchange, you, or a Service Agent acting on your behalf, may give exchange instructions to the Transfer Agent in writing, by telephone or online. Except as may be otherwise described in "Shareholder Services" in Part II of this SAI, by using this privilege, you authorize the fund and the Transfer Agent to act on telephone or online instructions (including over the Express voice-activated account access system) from any person representing himself or herself to be you or a representative of your Service Agent and reasonably believed by the fund or the Transfer Agent to be genuine. Exchanges may be subject to limitations as to the amount involved or the number of exchanges permitted. Shares issued in certificate form are not eligible for telephone or online exchange. Unless otherwise stated in the prospectus, no fees currently are charged to shareholders directly in connection with exchanges, although the funds reserve the right, upon not less than 60 days' written notice, to charge shareholders a nominal administrative fee in accordance with rules promulgated by the SEC.

When establishing a new account by exchange, the shares being exchanged must have a value of at least the minimum initial investment required for the fund into which the exchange is being made (and the investor must otherwise be eligible to invest in the class of shares being purchased). For the BASIC funds, the shares being exchanged must have a current value of at least $1,000.

During times of drastic economic or market conditions, Fund Exchanges may be temporarily suspended without notice, and exchange requests may be treated based on their separate components—redemption orders with a simultaneous request to purchase the other fund's shares. In such a case, the redemption request would be processed.
at the fund's next determined NAV, but the purchase order would be effective only at the NAV next determined after the fund being purchased receives the proceeds of the redemption, which may result in the purchase being delayed.

**Class A or Class C shares of a Multi-Class Fund.** You also may exchange your Class A or Class C shares of a Multi-Class Fund that are subject to a CDSC ("CDSC Shares") for Dreyfus Class shares of the General Government Fund. Such shares will be held in a special account of Dreyfus Class shares of the General Government Fund (an Exchange Account). Exchanges of shares from an Exchange Account only can be made into certain other funds managed or administered by BNYM Investment Adviser. No CDSC is charged when an investor exchanges into an Exchange Account; however, the applicable CDSC will be imposed when shares are redeemed from an Exchange Account or other applicable fund account. Upon redemption, the applicable CDSC will be calculated without regard to the time such shares were held in an Exchange Account. See "How to Redeem Shares" in Part II of this SAI. Redemption proceeds for Exchange Account shares are paid by federal wire or check only. Exchange Account shares also are eligible for the Auto-Exchange Privilege and the Automatic Withdrawal Plan, each of which is described below.

**Shares Received by Exchange From Class B Shares.** Holders of Class A shares of a Multi-Class Fund or the General Fund received by conversion from Class B shares on the Effective Date may exchange such shares for Class A shares or no-load shares or classes of other funds managed or administered by BNYM Investment Adviser, without the imposition of a front-end sales load or CDSC.

**Class Y Shares.** Class Y shares of a fund have established an exchange privilege between Class Y shares of other funds in the BNY Mellon Family of Funds, as well as between Dreyfus Class shares of each of General Government Securities Money Market Fund, General Money Market Fund, General Treasury and Agency Money Market Fund and General Treasury Securities Money Market Fund, provided that, with respect to Dreyfus Class shares of such funds, the investor meets the eligibility requirements for investing in such shares.

Dreyfus Class shares of each of General Government Securities Money Market Fund, General Money Market Fund, General Treasury and Agency Money Market Fund and General Treasury Securities Money Market Fund have established an exchange privilege between Class Y shares of other funds in the BNY Mellon Family of Funds and of BNY Mellon Income Stock Fund, provided that, with respect to Class Y shares of such funds, the investor meets the eligibility requirements for investing in such shares.

**Exchanges of Class I or Class Y Shares Held by a Retirement Plan.** Exchanges of Class I or Class Y shares held by a Retirement Plan may be made only between the investor's Retirement Plan account in one fund and such investor's Retirement Plan account in another fund.

**Auto-Exchange Privilege.** Auto-Exchange Privilege, which is available for existing accounts only, permits you to purchase (on a semi-monthly, monthly, quarterly or annual basis), in exchange for shares of a fund, shares of the same class, or another class in which you are eligible to invest, of another fund in the BNY Mellon Family of Funds of which you are a shareholder. However, if you hold fund shares through financial intermediary brokerage platforms, you may only exchange fund shares for shares of the same class of another fund in the BNY Mellon Family of Funds. The amount you designate, which can be expressed either in terms of a specific dollar or share amount ($100 minimum), will be exchanged automatically on the first and/or fifteenth day of the month according to the schedule you have selected. With respect to Class I shares held by a Retirement Plan, exchanges may be made only between the investor's Retirement Plan account in one fund and such investor's Retirement Plan account in another fund. Shares will be exchanged on the basis of relative NAV as described above under "Fund Exchanges." Enrollment in or modification or cancellation of this privilege is effective three business days following notification by you. Shares held under IRAs and Retirement Plans are eligible for this privilege. Exchanges of IRA shares may be made between IRA accounts and from regular accounts to IRA accounts, but not from IRA accounts to regular accounts. With respect to Retirement Plan accounts, exchanges may be made only among those accounts. Shares in certificate form are not eligible for this privilege.

**Automatic Asset Builder.**

Automatic Asset Builder permits you to purchase fund shares (minimum of $100 and a maximum of $150,000 per transaction) at regular intervals selected by you. Fund shares are purchased by transferring funds from the bank account designated by you.
Government Direct Deposit Privilege

Government Direct Deposit Privilege enables you to purchase fund shares (minimum of $100 and maximum of $50,000 per transaction) by having federal salary, Social Security or certain veterans, military or other payments from the U.S. Government automatically deposited into your fund account. When selecting this service for a fund other than a money market fund, you should consider whether Direct Deposit of your entire payment into a fund with a fluctuating NAV may be appropriate for you.

Payroll Savings Plan

Payroll Savings Plan permits you to purchase fund shares (minimum of $100 per transaction) automatically on a regular basis. Depending upon your employer's direct deposit program, you may have part or all of your paycheck transferred to your existing fund account electronically through the ACH system at each pay period. To establish a Payroll Savings Plan account, you must file an authorization form with your employer's payroll department. It is the sole responsibility of your employer to arrange for transactions under the Payroll Savings Plan. Shares held through a Retirement Plan are not eligible for this privilege.

Dividend Options

Dividend Sweep. Dividend Sweep allows you to invest automatically your dividends or dividends and capital gain distributions, if any, from a fund in shares of the same class, or another class in which you are eligible to invest, of another fund in the BNY Mellon Family of Funds. However, if you hold fund shares through financial intermediary brokerage platforms, you may invest automatically your dividends or dividends and capital gain distributions, if any, from a fund only in shares of the same class of another fund in the BNY Mellon Family of Funds. Shares held through a Coverdell Education Savings Account sponsored by BNYM Investment Adviser or its affiliates are not eligible for this privilege. Identically registered existing IRA accounts (other than Coverdell Education Savings Accounts sponsored by BNYM Investment Adviser or its affiliates) are eligible for this privilege. Shares of the other funds purchased pursuant to this privilege will be purchased on the basis of relative NAV per share as follows:

A. Dividends and distributions paid by a fund may be invested without a sales load in shares of other funds offered without a sales load.
B. Dividends and distributions paid by a fund that does not charge a sales load may be invested in shares of other funds sold with a sales load, and the applicable sales load will be deducted.
C. Dividends and distributions paid by a fund that charges a sales load may be invested in shares of other funds sold with a sales load (Offered Shares), but if the sales load applicable to the Offered Shares exceeds the maximum sales load charged by the fund from which dividends or distributions are being swept (without giving effect to any reduced loads), the difference may be deducted.
D. Dividends and distributions paid by a fund may be invested in shares of other funds that impose a CDSC and the applicable CDSC, if any, will be imposed upon redemption of such shares.

Dividend ACH. Dividend ACH permits you to transfer electronically dividends or dividends and capital gain distributions, if any, from a fund to a designated bank account. Only an account maintained at a domestic financial institution which is an ACH member may be so designated. Banks may charge a fee for this service.

Automatic Withdrawal Plan

The Automatic Withdrawal Plan permits you to request withdrawal of a specified dollar amount (minimum of $50) on a specific day each month, quarter or semi-annual or annual period if you have a $5,000 minimum account. Automatic Withdrawal Plan transactions that fall on a non-business day generally will be processed on the next business day. However, when the next business day is part of a new month, the transaction will be processed on the previous business day. For example, if you request that Automatic Withdrawal Plan transactions be processed on the 30th day of each month, and June 30th falls on a Sunday, the transaction will be processed on June 28th.

Withdrawal payments are the proceeds from sales of fund shares, not the yield on the shares. If withdrawal payments exceed reinvested dividends and distributions, your shares will be reduced and eventually may be depleted. The Automatic Withdrawal Plan may be established by completing an Automatic Withdrawal Form which you can obtain by calling 1-800-373-9387 (inside the U.S. only), visiting www.bnymellonim.com/us or, for money
market funds, www.dreyfus.com or contacting your financial representative. For instructions on how to establish automatic withdrawals to sell shares in an IRA account, please call 1-800-373-9387 (inside the U.S. only) or contact your financial representative. Shares for which share certificates have been issued may not be redeemed through the Automatic Withdrawal Plan.

No CDSC will be imposed on withdrawals made under the Automatic Withdrawal Plan, provided that any amount withdrawn under the plan does not exceed on an annual basis 12% of the greater of (1) the account value at the time of the first withdrawal under the Automatic Withdrawal Plan or (2) the account value at the time of the subsequent withdrawal. Withdrawals under the Automatic Withdrawal Plan of shares that are otherwise subject to a CDSC that exceed such amounts will be subject to the applicable CDSC.

Certain Retirement Plans, including Retirement Plans sponsored by BNYM Investment Adviser or its affiliates, may permit certain participants to establish an automatic withdrawal plan from such Retirement Plans. Participants should consult their Retirement Plan sponsor and tax advisor for details. Such a withdrawal plan is different than the Automatic Withdrawal Plan.

Letter of Intent—Class A Shares

Except as may be otherwise described in the prospectus, by submitting a Letter of Intent form, you become eligible for the reduced sales load on purchases of Class A shares based on the total number of Eligible Shares purchased by you and any related Purchaser within a period of up to 13-months pursuant to the terms and conditions set forth in the Letter of Intent. Eligible Shares purchased within 90 days prior to the submission of the Letter of Intent ("Pre-LOI Purchases") may be used to equal or exceed the amount specified in the Letter of Intent. A minimum initial purchase of $5,000 is required. You can obtain a Letter of Intent form by calling 1-800-373-9387 (inside the U.S. only).

Each purchase you make from the date you submit the Letter of Intent, until the earlier of (i) the date you fulfill the terms of the Letter of Intent by purchasing the minimum investment specified in the Letter of Intent (the "LOI Purchase Commitment") or (ii) the end of the 13-month period following the date you submit the Letter of Intent, will be at the public offering price applicable to a single transaction in the amount of the LOI Purchase Commitment. The Transfer Agent will hold in escrow 5% of the minimum amount indicated in the Letter of Intent, which may be used for payment of a higher sales load if you do not fulfill the LOI Purchase Commitment. When you fulfill the LOI Purchase Commitment, the escrowed amount will be released and additional shares representing such amount will be credited to your account. In addition, when you fulfill the LOI Purchase Commitment, the Pre-LOI Purchases will be adjusted to reflect the sales load applicable to the LOI Purchase Commitment. The adjustment will be made in the form of additional shares credited to your account at the then-current offering price applicable to a single purchase in the amount of the LOI Purchase Commitment. If, however, total purchases at the end of the 13-month period are less than the LOI Purchase Commitment, the offering price of the shares you purchased (including shares representing the escrowed amount) during the 13-month period will be adjusted to reflect the sales load applicable to the aggregate purchases you actually made (which will reduce the number of shares in your account), unless you have redeemed the shares in your account, in which case the Transfer Agent, as attorney-in-fact pursuant to the terms of the Letter of Intent, will redeem an appropriate number of Class A shares of the fund held in escrow to realize the difference between the sales load actually paid and the sales load applicable to the aggregate purchases actually made and any remaining shares will be credited to your account. Submitting a Letter of Intent does not bind you to purchase, or the fund to sell, the full amount indicated at the sales load in effect at the time of signing, but you must complete the intended purchase to obtain the reduced sales load. At the time you purchase Class A shares, you must indicate your intention to do so under a Letter of Intent. Purchases pursuant to a Letter of Intent will be made at the then-current NAV plus the applicable sales load in effect at the time such Letter of Intent was submitted.

Retirement Plans and IRAs

If you wish to purchase fund shares in conjunction with a Retirement Plan sponsored by BNYM Investment Adviser or its affiliates, or an IRA sponsored by BNYM Investment Adviser or its affiliates, you may request from the Distributor forms for adoption of such plans. Shares may be purchased in connection with these plans only by direct remittance of funds to the entity acting as custodian. Such purchases will be effective when payments received by
the Transfer Agent are converted into Federal Funds. Purchases for these plans may not be made in advance of receipt of funds.

The entity acting as custodian for Retirement Plans sponsored by BNYM Investment Adviser or its affiliates, or IRAs sponsored by BNYM Investment Adviser or its affiliates, may charge a fee, payment of which could require the liquidation of shares. All fees charged are described in the appropriate form. You should read the prototype retirement plan and the appropriate form of custodial agreement for further details on eligibility, service fees and tax implications, and should consult a tax advisor.

ADDITIONAL INFORMATION ABOUT RULE 12b-1 PLANS AND NON-RULE 12b-1 SERVICES PLANS

See "Rule 12b-1 Plans and Non-Rule 12b-1 Services Plans" and "Administrative Services Plans," as applicable, in Part II of this SAI for more information about the Plan(s) adopted by your fund.

Rule 12b-1 under the 1940 Act, which is applicable to certain Plans, provides, among other things, that an investment company may bear expenses of distributing its shares only pursuant to a plan adopted in accordance with the Rule. For each fund that has adopted a Plan pursuant to Rule 12b-1, the board believes that there is a reasonable likelihood that the Plan will benefit the fund and the class(es) of fund shares to which the Plan applies.

A written quarterly report of the amounts expended under a fund's Plan, and the purposes for which such expenditures were incurred, must be made to the fund's board for its review. For a Plan adopted pursuant to Rule 12b-1, the Plan provides that it may not be amended to increase materially the costs that holders of the fund's applicable class(es) of shares may bear pursuant to the Plan without the approval of the holders of such shares; other material amendments of the Plan must be approved by the board and by a majority of the board members who are Independent Board Members of the fund and have no direct or indirect financial interest in the operation of the Plan or in any agreements entered into in connection with the Plan, by vote cast in person at a meeting called for the purpose of considering such amendments. For a Plan not adopted pursuant to Rule 12b-1, the Plan provides that material amendments to the Plan must be approved by the board and by a majority of the board members who are Independent Board Members of the fund and have no direct or indirect financial interest in the operation of the Plan or in any agreements entered into in connection with the Plan, by vote cast in person at a meeting called for the purpose of considering such amendments. Each Plan is subject to annual approval by such vote of the board members cast in person at a meeting called for the purpose of voting on the Plan. As to the relevant class of fund shares (if applicable), the Plan is generally terminable at any time by vote of a majority of the board members who are Independent Board Members of the fund and have no direct or indirect financial interest in the operation of the Plan or in any agreements related to the Plan or, for a Plan adopted pursuant to Rule 12b-1, by vote of a majority of the outstanding voting securities of such class.

ADDITIONAL INFORMATION ABOUT INVESTMENTS, INVESTMENT TECHNIQUES AND RISKS

See the prospectus and "Investments, Investment Techniques and Risks" and "Investment Restrictions" in Part II of this SAI to determine which policies and risks apply to your fund.

The Funds of Funds invest in Underlying Funds and, therefore, the following descriptions of investments, investment techniques and risks apply to the Underlying Funds, as applicable. To the extent a Fund of Fund's Underlying Funds invest as described below, the effect of investment risks generally would be experienced similarly for the Fund of Funds.

All Funds

Recent Market and Economic Developments

A recent outbreak of respiratory disease caused by a novel coronavirus was first detected in Wuhan City, Hubei Province, China and has now been detected internationally. The virus, named "SARS-CoV-2" (sometimes referred to as the "coronavirus") and the resulting disease, which is referred to as "COVID-19," has been declared a...
pandemic by the World Health Organization and has resulted in border closings, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty.

The United States and global debt and equity capital markets have been negatively impacted by significant uncertainty related to the pandemic spread of COVID-19. This uncertainty and related concerns that financial institutions as well as the global financial system are experiencing severe economic distress have materially and adversely impacted the broader financial and credit markets and the debt and equity capital for the market as a whole. These events contributed to severe market volatility which may adversely impact the funds' net asset values and result in heightened volatility in the performance of the funds' portfolio investments.

Markets generally and the energy sector specifically, including MLPs and energy infrastructure companies in which certain funds invest, have also been adversely impacted by reduced demand for oil and other energy commodities as a result of the slowdown in economic activity resulting from the pandemic spread of COVID-19 and by price competition among key oil producing countries.

The current market conditions, as well as various social and political tensions in the United States and around the world, may continue to contribute to increased market volatility, may have long-term effects on the U.S. and global financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. The prolonged continuation or further deterioration of the current U.S. and global economic downturn could adversely impact the funds. The Manager does not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. economy, the securities markets and issuers held in a fund's portfolio. Federal Reserve policy in response to market conditions, including with respect to certain interest rates, may adversely affect the value, volatility and liquidity of dividend and interest paying securities. Market volatility, dramatic changes to interest rates and/or a return to unfavorable economic conditions may lower a fund's performance or impair a fund's ability to achieve its investment objective. The Manager intends to monitor developments and seek to manage the funds in a manner consistent with achieving each fund's investment objective, but there can be no assurance that it will be successful in doing so.

Cybersecurity Risk

The funds and their service providers are susceptible to operational and information security risks due to cybersecurity incidents. In general, cybersecurity incidents can result from deliberate attacks or unintentional events. Cybersecurity attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make services unavailable to intended users). Cybersecurity incidents affecting the Manager, Subadviser(s), Transfer Agent or Custodian or other service providers such as financial intermediaries have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including by interference with a fund's ability to calculate its NAV; impediments to trading for a fund's portfolio; the inability of fund shareholders to transact business with the fund; violations of applicable privacy, data security or other laws; regulatory fines and penalties; reputational damage; reimbursement or other compensation or remediation costs; legal fees; or additional compliance costs. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which a fund invests, counterparties with which the fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. While information risk management systems and business continuity plans have been developed which are designed to reduce the risks associated with cybersecurity, there are inherent limitations in any cybersecurity risk management systems or business continuity plans, including the possibility that certain risks have not been identified.

All Funds other than Money Market Funds

Equity Securities

Equity securities include common stocks and certain preferred stocks, convertible securities and warrants. Equity
securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. Changes in the value of a fund's investments will result in changes in the value of its shares and thus the fund's total return to investors.

Investing in equity securities poses risks specific to an issuer as well as to the particular type of company issuing the equity securities. For example, equity securities of small- or mid-capitalization companies tend to have more abrupt or erratic price swings than equity securities of larger, more established companies because, among other reasons, they trade less frequently and in lower volumes and their issuers typically are more subject to changes in earnings and prospects in that they are more susceptible to changes in economic conditions, may be more reliant on singular products or services and are more vulnerable to larger competitors. Equity securities of these types of companies may have a higher potential for gains, but also may be subject to greater risk of loss. If a fund, together with other investment companies and other clients advised by the Adviser and its affiliates, owns significant positions in portfolio companies, depending on market conditions, the fund's ability to dispose of some or all positions at a desirable time may be adversely affected. While common stockholders usually have voting rights on a number of significant matters, other types of equity securities, such as preferred stock, common limited partnership units and limited liability company interests, may not ordinarily have voting rights.

An investment in securities of companies that have no earnings or have experienced losses is generally based on a belief that actual or anticipated products or services will produce future earnings. If the anticipated event is delayed or does not occur, or if investor perception about the company changes, the company's stock price may decline sharply and its securities may become less liquid.

Investing in equity securities also poses risks specific to a particular industry, market or sector, such as technology, financial services, consumer goods or natural resources (e.g., oil and gas). To some extent, the prices of equity securities tend to move by industry, market or sector. When market conditions favorably affect, or are expected to favorably affect, an industry, the share prices of the equity securities of companies in that industry tend to rise. Conversely, negative news or a poor outlook for a particular industry can cause the share prices of such securities of companies in that industry to decline quickly.

Common Stock. Stocks and similar securities, such as common limited partnership units and limited liability company interests, represent shares of ownership in a company. After other claims are satisfied, common stockholders and other common equity owners participate in company profits on a pro-rata basis; profits may be paid out in dividends or reinvested in the company to help it grow. Increases and decreases in earnings are usually reflected in a company's common equity securities, so common equity securities generally have the greatest appreciation and depreciation potential of all corporate securities. Common stock may be received upon the conversion of convertible securities.

Preferred Stock. Preferred stock is a form of equity ownership in a corporation. Generally, preferred stock has a specified dividend and ranks after bonds and before common stocks in its claim on income for dividend payments and on assets should the company be liquidated. The market value of preferred stock generally increases when interest rates decline and decreases when interest rates rise, but, as with debt securities, also is affected by the issuer's ability or perceived ability to make payments on the preferred stock. While most preferred stocks pay a dividend, a fund may purchase preferred stock where the issuer has omitted, or is in danger of omitting, payment of its dividend. Such investments would be made primarily for their capital appreciation potential. Certain classes of preferred stock are convertible, meaning the preferred stock is convertible into shares of common stock of the issuer. Holding convertible preferred stock can provide a steady stream of dividends and the option to convert the preferred stock to common stock.

Certain convertible preferred stocks may offer enhanced yield features. These preferred stocks may feature a mandatory conversion date and may have a capital appreciation limit expressed in terms of a stated price. Other types of convertible securities may be designed to provide the investor with high current income with some prospect of future capital appreciation and may have some built-in call protection. Investors may have the right to convert such securities into shares of common stock at a preset conversion ratio or hold them until maturity. Upon maturity they may convert into either cash or a specified number of shares of common stock.

In some cases, certain preferred securities can include loss absorption provisions that make the securities more like
equity. Contingent convertible capital securities (sometimes referred to as "CoCos") may have loss absorption characteristics or may provide for mandatory conversion into common shares of the issuer under certain circumstances. Loss absorption characteristics may include downward adjustment of the liquidation value of the security to below the original par value (even to zero) under certain circumstances. This may occur, for instance, in the event that business losses have eroded capital to a substantial extent. The write down of the par value would occur automatically and would not entitle the holders to seek bankruptcy of the company. The mandatory conversion might relate, for instance, to maintenance of a capital minimum, whereby falling below the minimum would trigger automatic conversion. Since the common stock of the issuer may not pay a dividend, investors in these instruments could experience a reduced income rate, potentially to zero, and conversion to common stock would deepen the subordination of the investor, hence worsening standing in a bankruptcy. CoCos typically sit above equity and below senior debt with respect to seniority and are described further below under "Convertible securities."

Trust preferred securities are preferred stocks issued by a special purpose trust subsidiary backed by subordinated debt of the corporate parent. These securities typically bear a market rate coupon comparable to interest rates available on debt of a similarly rated company. Holders of trust preferred securities have limited voting rights to control the activities of the trust and no voting rights with respect to the parent company.

Convertible Securities. Convertible securities include bonds, debentures, notes, preferred stocks or other securities that may be converted or exchanged (by the holder or by the issuer) into shares of the underlying common stock (or cash or securities of equivalent value) at a stated exchange ratio or predetermined price (the conversion price). Convertible securities have characteristics similar to both equity and fixed-income securities. For purposes of a fund's compliance with its 80% Test, as applicable (as defined and described in "Investment Restrictions—Fundamental and Nonfundamental Policies Related to Fund Investment Objectives, Diversification and Names—Names" in Part II of this SAI), a convertible security is considered "equity" only if the convertible security is "in the money" at the time of investment.

Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer, although convertible bonds, as corporate debt obligations, enjoy seniority in right of payment to all equity securities, and convertible preferred stock is senior to common stock of the same issuer. Because of the subordination feature, however, convertible securities typically have lower ratings than similar non-convertible securities.

Although to a lesser extent than with fixed-income securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock. While no securities investments are without risk, investments in convertible securities generally entail less risk than investments in common stock of the same issuer.

Convertible securities provide for a stable stream of income with generally higher yields than common stocks, but there can be no assurance of current income because the issuers of the convertible securities may default on their obligations. A convertible security, in addition to providing fixed-income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock. There can be no assurance of capital appreciation, however, because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.

CoCos are slightly different than regular convertible bonds in that the likelihood of the bonds converting to equity is "contingent" on a specified event or trigger. CoCos are securities typically issued by a bank that are designed to absorb the bank's losses during a period of financial stress, thereby improving the bank's capital position. CoCos absorb losses by converting to equity or having their principal written down (either partially or in full) when a pre-specified trigger event occurs. Absent a trigger event, the securities are hybrid instruments with debt-like characteristics. CoCos may be structured with various types of trigger events.
Synthetic Convertible Securities. So-called "synthetic convertible securities" are comprised of two or more different securities, each with its own market value, whose investment characteristics, taken together, resemble those of convertible securities. An example is a non-convertible debt security and a warrant or option. The "market value" of a synthetic convertible is the combined value of its fixed-income component and its convertible component. For this reason, the values of a synthetic convertible and a true convertible security may respond differently to market fluctuations.

Warrants and Stock Purchase Rights. Warrants or stock purchase rights ("rights") give the holder the right to subscribe to equity securities at a specific price for a specified period of time. Warrants and rights are subject to the same market risk as stocks, but may be more volatile in price. A fund's investment in warrants and rights will not entitle it to receive dividends or exercise voting rights, provide no rights with respect to the assets of the issuer and will become worthless if not profitably exercised before the expiration date. Warrants, rights or other non-income producing equity securities may be received in connection with a fund's investments in corporate debt securities (further described below), or restructuring of investments. Bonds with warrants attached to purchase equity securities have many characteristics of convertible bonds and their prices may, to some degree, reflect the performance of the underlying stock.

IPOs. An IPO is a company's first offering of stock to the public. Shares are given a market value reflecting expectations for the corporation's future growth. Special rules of FINRA apply to the distribution of IPOs. Companies offering IPOs generally have limited operating histories and may involve greater investment risk than companies with longer operating histories. Special risks associated with IPOs may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history, all of which may contribute to price volatility. The limited number of shares available for trading in some IPOs may make it more difficult for a fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing prices. In addition, some IPOs are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of the companies involved in new industries may be regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of such. Foreign IPOs are subject to foreign political and currency risks. Many IPOs are issued by undercapitalized companies of small or microcap size. The prices of these companies' securities can be very volatile, rising and falling rapidly, sometimes based solely on investor perceptions rather than economic reasons.

Fixed-Income Securities

Fixed-income securities include interest-bearing securities, such as corporate debt securities. Interest-bearing securities are investments which promise a stable stream of income, although the prices of fixed rate fixed-income securities are inversely affected by changes in interest rates and, therefore, are subject to interest rate risk, as well as the risk of unrelated market price fluctuations. Fixed-income securities may have various interest rate payment and reset terms, including fixed rate, floating or adjustable rate, zero coupon, contingent, deferred, payment in kind and auction rate features. Floating rate instruments, the rates of which adjust periodically by reference to another measure, such as the market interest rate, are generally less sensitive to interest rate changes than fixed rate instruments, although the value of floating rate loans and other floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates or as expected. Certain securities, such as those with interest rates that fluctuate directly or indirectly based on multiples of a stated index, are designed to be highly sensitive to changes in interest rates and can subject the holders thereof to extreme reductions of yield and possibly loss of principal. Certain fixed-income securities may be issued at a discount from their face value or purchased at a price less than their stated face amount or at a price less than their issue price plus the portion of "original issue discount" previously accrued thereon, i.e., purchased at a "market discount." The amount of original issue discount and/or market discount on certain obligations may be significant, and accretion of market discount together with original issue discount will cause a fund to realize income prior to the receipt of cash payments with respect to these securities. In order for a fund to maintain its qualification as a RIC and avoid liability for federal income taxes, such fund may be required to distribute such income accrued with respect to these securities and may have to dispose of portfolio securities under disadvantageous circumstances in order to generate cash to satisfy these distribution requirements.

Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a fixed-income security (known as credit risk), can cause the security's price to fall, potentially lowering a
maturity date. The call date of a security will be used to calculate average effective portfolio maturity when the maturity, a security that is subject to redemption at the option of the issuer on a particular date (the "call date") price will fluctuate in response to changing interest rates. For purposes of calculating average effective portfolio in the various securities by the fund. In general, the longer a fund's average weighted maturity, the more its share U.S. Government Securities declines.

Known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is Conversely, when interest rates rise, the effective duration of a fund's fixed rate mortgage-related and other asset-backed securities (discussed below), may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce a fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. This is known as prepayment risk. Conversely, when interest rates rise, the effective duration of a fund's fixed rate mortgage-related and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.

As a measure of a fixed-income security's cash flow, duration is an alternative to the concept of "term to maturity" in assessing the price volatility associated with changes in interest rates (known as interest rate risk). Generally, the longer the duration, the more volatility an investor should expect. For example, the market price of a bond with a duration of three years would be expected to decline 3% if interest rates rose 1%. Conversely, the market price of the same bond would be expected to increase 3% if interest rates fell 1%. The market price of a bond with a duration of six years would be expected to increase or decline twice as much as the market price of a bond with a three-year duration. Duration is a way of measuring a security's maturity in terms of the average time required to receive the present value of all interest and principal payments as opposed to its term to maturity. The maturity of a security measures only the time until final payment is due; it does not take account of the pattern of a security's cash flows over time, which would include how cash flow is affected by prepayments and by changes in interest rates. Incorporating a security's yield, coupon interest payments, final maturity and option features into one measure, duration is computed by determining the weighted average maturity of a bond's cash flows, where the present values of the cash flows serve as weights. In computing the duration of a fund, the Adviser will estimate the duration of obligations that are subject to features such as prepayment or redemption by the issuer, put options retained by the investor or other embedded options, taking into account the influence of interest rates on prepayments and coupon flows.

Average weighted maturity is the length of time, in days or years, until the securities held by a fund, on average, will mature or be redeemed by their issuers. The average maturity is weighted according to the dollar amounts invested in the various securities by the fund. In general, the longer a fund's average weighted maturity, the more its share price will fluctuate in response to changing interest rates. For purposes of calculating average effective portfolio maturity, a security that is subject to redemption at the option of the issuer on a particular date (the "call date") which is prior to the security's stated maturity may be deemed to mature on the call date rather than on its stated maturity date. The call date of a security will be used to calculate average effective portfolio maturity when the Adviser reasonably anticipates, based upon information available to it, that the issuer will exercise its right to redeem the security. The Adviser may base its conclusion on such factors as the interest rate paid on the security compared to prevailing market rates, the amount of cash available to the issuer of the security, events affecting the issuer of the security, and other factors that may compel or make it advantageous for the issuer to redeem a security prior to its stated maturity.

When interest rates fall, the principal on certain fixed-income securities, including mortgage-backed and certain asset-backed securities (discussed below), may be prepaid. The loss of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce a fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. This is known as prepayment risk. Conversely, when interest rates rise, the effective duration of a fund's fixed rate mortgage-related and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.

U.S. Government Securities. U.S. Government securities are issued or guaranteed by the U.S. Government or its agencies or instrumentalities. U.S. Government securities include Treasury bills, Treasury notes and Treasury bonds, which differ in their interest rates, maturities and times of issuance. Treasury bills have initial maturities of one year or less; Treasury notes have initial maturities of one to ten years; and Treasury bonds generally have initial maturities of greater than ten years. Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities are supported by the full faith and credit of Treasury; others by the right of the issuer to borrow from Treasury; others by discretionary authority of the U.S. Government to purchase certain obligations of the agency or instrumentality; and others only by the credit of the agency or instrumentality. These securities bear fixed, floating or variable rates of interest. While the U.S. Government currently provides financial support to such
U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it will always do so, since
it is not so obligated by law. A security backed by Treasury or the full faith and credit of the United States is
guaranteed only as to timely payment of interest and principal when held to maturity. Neither the market value nor a
fund’s share price is guaranteed.

TIPS are issued by Treasury and are designed to provide investors a long-term investment vehicle that is not
vulnerable to inflation. The interest rate paid by TIPS is fixed, while the principal value rises or falls semi-annually
based on changes in a published Consumer Price Index. Thus, if inflation occurs, the principal and interest
payments on the TIPS are adjusted accordingly to protect investors from inflationary loss. During a deflationary
period, the principal and interest payments decrease, although the ‘TIPS’ principal will not drop below its face value
at maturity. In exchange for the inflation protection, TIPS generally pay lower interest rates than typical Treasury
securities. Only if inflation occurs will TIPS offer a higher real yield than a conventional Treasury bond of the same
maturity. The secondary market for TIPS may not be as active or liquid as the secondary market for conventional
Treasury securities. Principal appreciation and interest payments on TIPS generally will be taxed annually as
ordinary interest income or original issue discount for federal income tax calculations. As a result, any appreciation
in principal generally will be counted as income in the year the increase occurs, even though the investor will not
receive such amounts until the TIPS are sold or mature. Principal appreciation and interest payments will be exempt
from state and local income taxes. See also "Inflation-Indexed Securities" below.

Many states grant tax-free status to dividends paid to shareholders of a fund from interest income earned by that
fund from direct obligations of the U.S. Government, subject in some states to minimum investment requirements
that must be met by the fund. Investments in securities issued by GNMA, bankers’ acceptances, commercial paper
and repurchase agreements collateralized by U.S. Government securities do not generally qualify for tax-free

treatment.

On August 5, 2011, S&P lowered its long-term sovereign credit rating for the United States of America to "AA+"
from "AAA." The value of shares of a fund that may invest in U.S. Government obligations may be adversely
affected by S&P's downgrade or any future downgrades of the U.S. Government's credit rating. While the long-term
impact of the downgrade is uncertain, it could, for example, lead to increased volatility in the short-term.

Corporate Debt Securities. Corporate debt securities include corporate bonds, debentures, notes and other similar
instruments, including certain convertible securities. Debt securities may be acquired with warrants attached to
purchase additional fixed-income securities at the same coupon rate. A decline in interest rates would permit a fund
to buy additional bonds at the favorable rate or to sell the warrants at a profit. If interest rates rise, the warrants
would generally expire with no value. Corporate income-producing securities also may include forms of preferred
or preference stock, which may be considered equity securities. The rate of interest on a corporate debt security may
be fixed, floating or variable, and may vary inversely with respect to a reference rate such as interest rates or other
financial indicators. The rate of return or return of principal on some debt obligations may be linked or indexed to
the level of exchange rates between the U.S. dollar and a foreign currency or currencies. Such securities may
include those whose principal amount or redemption price is indexed to, and thus varies directly with, changes in the
market price of certain commodities, including gold bullion or other precious metals.

Ratings of Securities; Unrated Securities. Subsequent to its purchase by a fund, an issue of rated securities may
cease to be rated or its rating may be reduced below any minimum that may be required for purchase by a fund.
Neither event will require the sale of such securities by the fund, but the Adviser will consider such event in
determining whether the fund should continue to hold the securities. In addition, it is possible that a Rating Agency
might not timely change its ratings of a particular issue to reflect subsequent events. To the extent the ratings given
by a Rating Agency for any securities change as a result of changes in such organizations or their rating systems, a
fund will attempt to use comparable ratings as standards for its investments in accordance with its investment
policies.

A fund may purchase unrated securities, which are not rated by a Rating Agency but that the Adviser determines are
of comparable quality to the rated securities in which the fund may invest. Unrated securities may be less liquid
than comparable rated securities, because dealers may not maintain daily markets in such securities and retail
markets for many of these securities may not exist. As a result, a fund’s ability to sell these securities when, and at a
price, the Adviser deems appropriate may be diminished. Investing in unrated securities involves the risk that the
Adviser may not accurately evaluate the security's comparative credit rating. To the extent that a fund invests in unrated securities, the fund's success in achieving its investment objective(s) may depend more heavily on the Adviser's credit analysis than if the fund invested exclusively in rated securities.

High Yield and Lower-Rated Securities. Fixed-income securities rated below investment grade, such as those rated Ba by Moody's or BB by S&P and Fitch, and as low as those rated Caa/CCC by Rating Agencies at the time of purchase (commonly known as "high yield" or "junk" bonds), or, if unrated, deemed to be of comparable quality by the Adviser, though higher yielding, are characterized by higher risk. See "Rating Categories" below for a general description of securities ratings. These securities may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher-rated securities. These securities generally are considered by the Rating Agencies to be, on balance, predominantly speculative with respect to the issuer's ability to make principal and interest payments in accordance with the terms of the obligation and generally will involve more credit risk than securities in the higher rating categories. The ratings of Rating Agencies represent their opinions as to the quality of the obligations which they undertake to rate. It should be emphasized, however, that ratings are relative and subjective and are not absolute standards of quality and, although ratings may be useful in evaluating the safety or interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of portfolio investments, the Adviser also will evaluate these securities and the ability of the issuers of such securities to pay interest and principal based upon financial and other available information. The success of a fund's investments in lower-rated securities may be more dependent on the Adviser's credit analysis than might be the case for investments in higher-rated securities.

Bond prices generally are inversely related to interest rate changes. However, bond price volatility also may be inversely related to coupon. Accordingly, below investment grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity, because of their higher coupon. This higher coupon is what the investor receives in return for bearing greater credit risk. The higher credit risk associated with below investment grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity, and will be a substantial factor in a fund's relative share price volatility.

The prices of these securities can fall dramatically in response to negative news about the issuer or its industry. The market values of many of these securities also tend to be more sensitive to general economic conditions than are higher-rated securities and will fluctuate over time. Companies that issue certain of these securities often are highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risk associated with acquiring the securities of such issuers generally is greater than is the case with the higher-rated securities. These securities may be particularly susceptible to economic downturns. For example, during an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of these securities may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be affected adversely by specific corporate developments, forecasts or the unavailability of additional financing. The risk of loss because of default by the issuer is significantly greater for the holders of these securities because such securities generally are unsecured and often are subordinated to other creditors of the issuer. It is likely that an economic recession also would disrupt severely the market for such securities and have an adverse impact on their value.

Because there is no established retail secondary market for many of these securities, it may be anticipated that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market for these securities does exist, it generally is not as liquid as the secondary market for higher-rated securities. The lack of a liquid secondary market may have an adverse impact on market price and yield and a fund's ability to dispose of particular issues when necessary to meet the fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer. The lack of a liquid secondary market for certain securities also may make it more difficult for a fund to obtain accurate market quotations for purposes of valuing the fund's portfolio and calculating its NAV. Adverse conditions could make it difficult at times for a fund to sell certain securities or could result in lower prices than those used in calculating the fund's NAV. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of these securities. In such cases, the Adviser's judgment may play a greater role in valuation because less reliable, objective data may be available.
Certain funds may invest in these securities when their issuers will be close to, or already have entered, reorganization proceedings. As a result, it is expected that these securities will cease or will have ceased to meet their interest payment obligations, and accordingly would trade in much the same manner as an equity security. Consequently, a fund would intend to make such investments on the basis of potential appreciation in the price of these securities, rather than any expectation of realizing income. Reorganization entails a complete change in the structure of a business entity. An attempted reorganization may be unsuccessful, resulting in substantial or total loss of amounts invested. If reorganization is successful, the value of securities of the restructured entity may depend on numerous factors, including the structure of the reorganization, the market success of the entity's products or services, the entity's management and the overall strength of the marketplace.

High yield, lower-rated securities acquired during an initial offering may involve special risks because they are new issues. A fund will not have any arrangement with any person concerning the acquisition of such securities.

**Distressed and Defaulted Securities.** Investing in securities that are the subject of bankruptcy proceedings or in default or at risk of being in default as to the repayment of principal and/or interest at the time of acquisition by a fund ("Distressed Securities") is speculative and involves significant risks.

A fund may make such investments when, among other circumstances, the Adviser believes it is reasonably likely that the issuer of the Distressed Securities will make an exchange offer or will be the subject of a plan of reorganization pursuant to which the fund will receive new securities in return for the Distressed Securities. There can be no assurance, however, that such an exchange offer will be made or that such a plan of reorganization will be adopted. In addition, a significant period of time may pass between the time at which a fund makes its investment in Distressed Securities and the time that any such exchange offer or plan of reorganization is completed, if at all. During this period, it is unlikely that the fund would receive any interest payments on the Distressed Securities, the fund would be subject to significant uncertainty as to when, in what manner and for what value the obligations evidenced by the Distressed Securities will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the Distressed Securities or a payment of some amount in satisfaction of the obligation). Even if an exchange offer is made or plan of reorganization is adopted with respect to Distressed Securities held by a fund, there can be no assurance that the securities or other assets received by the fund in connection with the exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made, or no value. Moreover, any securities received by a fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. Similarly, if a fund participates in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of Distressed Securities, the fund may be restricted from disposing of such securities for a period of time. To the extent that a fund becomes involved in such proceedings, the fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor.

**Zero Coupon, Pay-In-Kind and Step-Up Securities.** Zero coupon securities are issued or sold at a discount from their face value and do not entitle the holder to any periodic payment of interest prior to maturity or a specified redemption date or cash payment date. Zero coupon securities also may take the form of notes and bonds that have been stripped of their unmatured interest coupons, the coupons themselves and receipts or certificates representing interests in such stripped debt obligations and coupons. Zero coupon securities issued by corporations and financial institutions typically constitute a proportionate ownership of the issuer's pool of underlying Treasury securities. A zero coupon security pays no interest to its holders during its life and is sold at a discount to its face value at maturity. The amount of any discount varies depending on the time remaining until maturity or cash payment date, prevailing interest rates, liquidity of the security and perceived credit quality of the issuer. Pay-in-kind securities generally pay interest through the issuance of additional securities. Step-up coupon bonds are debt securities that typically do not pay interest for a specified period of time and then pay interest at a series of different rates. The amount of any discount on these securities varies depending on the time remaining until maturity or cash payment date, prevailing interest rates, liquidity of the security and perceived credit quality of the issuer. The market prices of these securities generally are more volatile and are likely to respond to a greater degree to changes in interest rates than the market prices of securities that pay cash interest periodically having similar maturities and credit qualities. In addition, unlike bonds that pay cash interest throughout the period to maturity, a fund will realize no cash until the cash payment date unless a portion of such securities are sold and, if the issuer defaults, the fund may...
obtain no return at all on its investment. Federal income tax law requires the holder of a zero coupon security or of certain pay-in-kind or step-up bonds to accrue income with respect to these securities prior to the receipt of cash payments. In order for a fund to maintain its qualification as a RIC and avoid liability for federal income taxes, such fund may be required to distribute such income accrued with respect to these securities and may have to dispose of portfolio securities under disadvantageous circumstances in order to generate cash to satisfy these distribution requirements.

The credit risk factors pertaining to high-yield, lower-rated securities (discussed above) also apply to lower-rated zero coupon, pay-in-kind and step-up securities. In addition to the risks associated with the credit rating of the issuers, the market prices of these securities may be very volatile during the period no interest is paid.

**Inflation-Indexed Securities.** Inflation-indexed securities, such as TIPS, are fixed-income securities whose value is periodically adjusted according to the rate of inflation. Two structures are common. Treasury and some other issuers utilize a structure that accrues inflation into the principal value of the bond. Most other issuers pay out the Consumer Price Index accruals as part of a semi-annual coupon.

Inflation-indexed securities issued by Treasury have varying maturities and pay interest on a semi-annual basis equal to a fixed percentage of the inflation-adjusted principal amount. If the periodic adjustment rate measuring inflation falls, the principal value of inflation-index bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of Treasury inflation-indexed bonds, even during a period of deflation. However, the current market value of the bonds is not guaranteed and will fluctuate. Other inflation-related bonds may or may not provide a similar guarantee. If a guarantee of principal is not provided, the adjusted principal value of the bond repaid at maturity may be less than the original principal amount.

The periodic adjustment of U.S. inflation-indexed securities is tied to the Consumer Price Index for Urban Consumers ("CPI-U"), which is calculated monthly by the U.S. Bureau of Labor Statistics. The CPI-U is a measurement of changes in the cost of living, made up of components such as housing, food, transportation and energy. Inflation-indexed securities issued by a foreign government are generally adjusted to reflect a comparable inflation index calculated by that government. There can be no assurance that the CPI-U or any foreign inflation index will accurately measure the real rate of inflation in the prices of goods and services. Moreover, there can be no assurance that the rate of inflation in a foreign country will be correlated to the rate of inflation in the United States.

The value of inflation-indexed securities is expected to change in response to changes in real interest rates. Real interest rates in turn are tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of inflation-indexed securities. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-index securities. Any increase in the principal amount of an inflation-indexed security generally will be considered taxable ordinary income, even though investors do not receive their principal until maturity. While these securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in value. If interest rates rise due to reasons other than inflation (for example, due to changes in currency exchange rates), investors in these securities may not be protected to the extent that the increase is not reflected in the security’s inflation measure.

**Variable and Floating Rate Securities.** Variable and floating rate securities provide for adjustment in the interest rate paid on the obligations. The terms of such obligations typically provide that interest rates are adjusted based upon an interest or market rate adjustment as provided in the respective obligations. The adjustment intervals may be regular, and range from daily up to annually, or may be event-based, such as based on a change in the prime rate. Variable rate obligations typically provide for a specified periodic adjustment in the interest rate, while floating rate obligations typically have an interest rate which changes whenever there is a change in the external interest or market rate. Because of the interest rate adjustment feature, variable and floating rate securities provide a fund with a certain degree of protection against rises in interest rates, although the fund will participate in any declines in interest rates as well. Generally, changes in interest rates will have a smaller effect on the market value of variable and floating rate securities than on the market value of comparable fixed-income obligations. Thus, investing in
variable and floating rate securities generally allows less opportunity for capital appreciation and depreciation than investing in comparable fixed-income securities.

**Variable Rate Demand Notes.** Variable rate demand notes include master demand notes, which are obligations that permit a fund to invest fluctuating amounts, at varying rates of interest, pursuant to direct arrangements between the fund, as lender, and the borrower. These obligations permit daily changes in the amounts borrowed. Because these obligations are direct lending arrangements between the lender and borrower, it is not contemplated that such instruments generally will be traded, and there generally is no established secondary market for these obligations, although they are redeemable on demand at face value, plus accrued interest. Accordingly, where these obligations are not secured by letters of credit or other credit support arrangements, the fund's right to redeem is dependent on the ability of the borrower to pay principal and interest on demand. Such obligations frequently are not rated by credit rating agencies. Changes in the credit quality of banks or other financial institutions providing any credit support or liquidity enhancements could cause losses to the fund.

**Floating and Inverse Floating Rate Debt Instruments.** The interest rate on a floating rate debt instrument ("floater") is a variable rate which is tied to another interest rate, such as a prime rate or Treasury bill rate. The interest rate on an inverse floating rate debt instrument moves or resets in the opposite direction from the market rate of interest to which the inverse floater is indexed or inversely to a multiple of the applicable index. An inverse floating rate debt instrument may exhibit greater price volatility than a fixed rate obligation of similar credit quality, and investing in these instruments involves leveraging which may magnify gains or losses.

**Loans.** Senior secured loans ("Senior Loans") typically hold a first lien priority and, like other types of loans, pay interest at rates that are determined daily, monthly, quarterly or semi-annually on the basis of a floating base lending rate plus a premium or credit spread. These base lending rates are primarily LIBOR and secondarily the prime rate offered by one or more major U.S. banks and the certificate of deposit rate or other base lending rates used by commercial lenders. As short-term interest rates increase, interest payable to a fund from its investments in loans is likely to increase, and as short-term interest rates decrease, interest payable to the fund from its investments in loans is likely to decrease. To the extent a fund invests in loans with a base lending rate floor, the fund's potential for decreased income in a flat or falling rate environment may be mitigated, but the fund may not receive the benefit of increased coupon payments if the relevant interest rate increases but remains below the base lending rate floor.

Loans in which a fund may invest are typically made to U.S. and, to a limited extent, non-U.S. corporations, partnerships and other business entities that operate in various industries and geographical regions (a "Borrower"). Borrowers may obtain loans to, among other reasons, refinance existing debt and for acquisitions, dividends, leveraged buyouts and general corporate purposes. Subordinated loans generally have the same characteristics as Senior Loans except that such loans are subordinated in payment and/or lower in lien priority to first lien holders or may be unsecured.

Senior Loans hold the most senior position in the capital structure of a Borrower, are secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by unsecured creditors, subordinated debt holders and stockholders of the Borrower. Typically, in order to borrow money pursuant to a Senior Loan, a Borrower will, for the term of the Senior Loan, pledge collateral, including, but not limited to: (i) working capital assets, such as accounts receivable and inventory, (ii) tangible fixed assets, such as real property, buildings and equipment, (iii) intangible assets, such as trademarks and patent rights (but excluding goodwill) and (iv) security interests in shares of stock of subsidiaries or affiliates. In the case of Senior Loans made to non-public companies, the company's shareholders or owners may provide collateral in the form of secured guarantees and/or security interests in assets that they own. In many instances, a Senior Loan may be secured only by stock in the Borrower or its subsidiaries. Collateral may consist of assets that may not be readily liquidated, and there is no assurance that the liquidation of such assets would satisfy fully a Borrower's obligations under a Senior Loan.

A Borrower must comply with various restrictive covenants contained in a loan agreement or note purchase agreement between the Borrower and the holders of a loan (the "Loan Agreement"). In a typical loan, an agent (the "Agent Bank") administers the terms of the Loan Agreement. In such cases, the Agent Bank is normally responsible for the collection of principal and interest payments from the Borrower and the apportionment of these payments to the credit of all institutions that are parties to the Loan Agreement. A fund will generally rely upon the Agent Bank or an intermediate participant to receive and forward to the fund its portion of the principal and interest payments on
the loan. Additionally, a fund normally will rely on the Agent Bank and the other loan investors to use appropriate
credit remedies against the Borrower. The Agent Bank is typically responsible for monitoring compliance with
covenants contained in the Loan Agreement based upon reports prepared by the Borrower. The Agent Bank may
monitor the value of any collateral and, if the value of the collateral declines, may accelerate the loan, may give the
Borrower an opportunity to provide additional collateral or may seek other protection for the benefit of the
participants in the loan. The Agent Bank is compensated by the Borrower for providing these services under a Loan
Agreement, and such compensation may include special fees paid upon structuring and funding the Senior Loan and
other fees paid on a continuing basis. With respect to loans for which the Agent Bank does not perform such
administrative and enforcement functions, the Adviser may perform such tasks on a fund's behalf, although a
collateral bank will typically hold any collateral on behalf of the fund and the other loan investors pursuant to the
applicable Loan Agreement.

In the process of buying, selling and holding loans, a fund may receive and/or pay certain fees. These fees are in
addition to interest payments received and may include facility fees, commitment fees, amendment fees,
commissions and prepayment penalty fees. When a fund buys a loan it may receive a facility fee and when it sells a
loan it may pay a facility fee. On an ongoing basis, a fund may receive a commitment fee based on the undrawn
portion of the underlying line of credit portion of a loan. In certain circumstances, a fund may receive a prepayment
penalty fee upon the prepayment of a loan by a Borrower. Other fees received by a fund may include covenant
waiver fees, covenant modification fees or other amendment fees.

Offerings of Senior Loans and other loans in which a fund may invest generally are not registered with the SEC, or
any state securities commission, and are not listed on any national securities exchange. Because there is less readily
available or reliable information about most loans than is the case for many other types of securities, the Adviser
will rely primarily on its own evaluation of a Borrower's credit quality rather than on any available independent
sources. Therefore, a fund investing in loans will be particularly dependent on the analytical abilities of the Adviser.
No active trading market may exist for some loans, which may make it difficult to value them. Loans may not be
considered securities, and purchasers, such as a fund, may not be entitled to rely on the anti-fraud protections of the
federal securities laws, including those with respect to the use of material non-public information. Because of the
financial services and asset management activities of the Adviser and its affiliates, the Adviser may not have access
to material non-public information regarding a Borrower to which other lenders have access which could put a fund
at a disadvantage compared to such other investors. Some loans may be subject to restrictions on resale. In some
cases, negotiations involved in disposing of indebtedness may require weeks to complete. Any secondary market
for loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods,
which may impair the ability of a seller to realize full value and thus cause a material decline in a fund's net asset
value. In addition, a fund may not be able to readily dispose of its loans at prices that approximate those at which
the fund could sell such loans if they were more widely-traded and, as a result of such illiquidity, the fund may have
to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. If a
fund's investments are focused on loans, a limited supply or relative illiquidity of loans may adversely affect a fund's
yield.

The settlements of secondary market purchases of Senior Loans in the ordinary course, on a settlement date beyond
the period expected by loan market participants (i.e., T+7 for par loans and T+20 for distressed loans, in other words
more than seven or twenty business days beyond the trade date, respectively), are subject to the delayed
compensation mechanics prescribed by the Loan Syndications and Trading Association ("LSTA"). For par loans, for
example, income accrues to the buyer of the loan (the "Buyer") during the period beginning on the last date by which
the loan purchase should have settled (T+7) and through (including) the actual settlement date. Should settlement of
a par loan purchased in the secondary market be delayed beyond the T+7 period prescribed by the LSTA, the Buyer
is typically compensated for such delay through a payment from the seller of the loan (this payment may be netted
from the wire released on the settlement date for the purchase price of the loan paid by the Buyer). In brief, the
adjustment is typically calculated by multiplying the notional amount of the trade by the applicable margin in the
Loan Agreement pro rated for the number of business days (calculated using a year of 360 days) beyond the
settlement period prescribed by the LSTA, plus any amendment or consent fees that the Buyer should have received.
Furthermore, the purchase of a Senior Loan in the secondary market is typically negotiated and finalized pursuant to
a binding trade confirmation, and, therefore, the risk of non-delivery of the security to the fund is reduced or
eliminated.
A fund may purchase and retain in its portfolio loans where the Borrower has experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy court proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income, although they also will be subject to greater risk of loss. At times, in connection with the restructuring of a loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, a fund may determine or be required to accept equity securities or junior credit securities in exchange for all or a portion of a loan. A fund may from time to time participate on ad-hoc committees formed by creditors to negotiate with the management of financially troubled Borrowers and may incur legal fees as a result of such participation. In addition, such participation may restrict the fund's ability to trade in or acquire additional positions in a particular security when it might otherwise desire to do so. Participation by a fund also may expose the fund to potential liabilities under bankruptcy or other laws governing the rights of creditors and debtors.

Loans are usually rated below investment grade and may also be unrated. As a result, the risks associated with investing in loans are similar to the risks of fixed-income securities rated below investment grade, although Senior Loans are senior and secured, in contrast to other fixed-income securities rated below investment grade, which are often subordinated and/or unsecured. Any specific collateral used to secure a loan, however, may decline in value or become illiquid, which would adversely affect the loan's value. Loans are subject to a number of risks described elsewhere in this SAI section titled "Fixed-Income Securities," including non-payment of principal and interest, liquidity risk and the risk of investing in fixed-income securities rated below investment grade.

Investing in loans is subject to legislative risk. If legislation or state or federal regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans and other types of loans for investment by a fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain issuers. This would increase the risk of default. If legislation or federal or state regulations require financial institutions to increase their capital requirements, this may cause financial institutions to dispose of loans that are considered highly leveraged transactions. If a fund attempts to sell a loan at a time when a financial institution is engaging in such a sale, the price the fund could receive for the loan may be adversely affected.

Subordinated loans generally are subject to similar risks as those associated with investments in Senior Loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders or may be unsecured. In the event of default on a subordinated loan, the first priority lien holder has first claim to the underlying collateral of the loan. These loans are subject to the additional risk that the cash flow of the Borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior unsecured or senior secured obligations of the Borrower. This risk is generally higher for subordinated unsecured loans or debt that is not backed by a security interest in any specific collateral. Subordinated loans generally have greater price volatility than Senior Loans and may be less liquid.

The Adviser and/or its affiliates may participate in the primary and secondary market for loans. Because of limitations imposed by applicable law, the presence of the Adviser and/or the Adviser's affiliates in the loan market may restrict a fund's ability to trade in or acquire additional positions in a particular security when it might otherwise desire to do so. Participation by a fund also may expose the fund to potential liabilities under bankruptcy or other laws governing the rights of creditors and debtors.

Participation Interests and Assignments. Loans may be originated, negotiated and structured by a syndicate of lenders ("Co-Lenders"), consisting of commercial banks, thrift institutions, insurance companies, financial companies or other financial institutions one or more of which acts as Agent Bank. Co-Lenders may sell such securities to third parties called "Participants." A fund investing in such securities may participate as a Co-Lender at origination or acquire an interest in the security (a "participation interest") from a Co-Lender or a Participant. Co-Lenders and Participants interposed between a fund and the Borrower, together with the Agent Bank(s), are referred herein as "Intermediate Participants." A participation interest gives a fund an undivided interest in the security in the proportion that the fund's participation interest bears to the total principal amount of the security. These instruments may have fixed, floating or variable rates of interest.
A fund may purchase a participation interest in a portion of the rights of an Intermediate Participant, which would not establish any direct relationship between the fund and the Borrower. The fund would be required to rely on the Intermediate Participant that sold the participation interest not only for the enforcement of the fund's rights against the Borrower but also for the receipt and processing of payments due to the fund under the security. The fund would have the right to receive payments of principal, interest and any fees to which it is entitled only from the Intermediate Participant and only upon receipt of the payments from the Borrower. The fund generally will have no right to enforce compliance by the Borrower with the terms of the Loan Agreement nor any rights of set-off against the Borrower, and the fund may not directly benefit from any collateral supporting the obligation in which it has purchased the participation interest. Because it may be necessary to assert through an Intermediate Participant such rights as may exist against the Borrower, in the event the Borrower fails to pay principal and interest when due, the fund may be subject to delays, expenses and risks that are greater than those that would be involved if the fund would enforce its rights directly against the Borrower. Moreover, under the terms of a participation interest, a fund may be regarded as a creditor of the Intermediate Participant (rather than of the Borrower), so that the fund may also be subject to the risk that the Intermediate Participant may become insolvent. In the event of the insolvency of the Intermediate Participant, the fund may be treated as a general creditor of the Intermediate Participant and may not benefit from any set-off between the Intermediate Participant and the Borrower. Certain participation interests may be structured in a manner designed to avoid purchasers being subject to the credit risk of the Intermediate Participant, but even under such a structure, in the event of the Intermediate Participant's insolvency, the Intermediate Participant's servicing of the participation interests may be delayed and the assignability of the participation interest impaired. Similar risks may arise with respect to the Agent Bank if, for example, assets held by the Agent Bank for the benefit of a fund were determined by the appropriate regulatory authority or court to be subject to the claims of the Agent Bank's creditors. In such case, the fund might incur certain costs and delays in realizing payment in connection with the participation interest or suffer a loss of principal and/or interest. Further, in the event of the bankruptcy or insolvency of the Borrower, the obligation of the Borrower to repay the loan may be subject to certain defenses that can be asserted by such Borrower as a result of improper conduct by the Agent Bank or Intermediate Participant.

A fund may invest in the underlying loan to the Borrower through an assignment of all or a portion of such loan ("Assignments") from a third party. When the fund purchases Assignments from Co-Lenders it will acquire direct rights against the Borrower on the loan. Because Assignments are arranged through private negotiations between potential assignees and potential assignors, however, the rights and obligations acquired by the fund as the purchaser of an Assignment may differ from, and be more limited than, those held by the assigning Co-Lender.

A fund may have difficulty disposing of participation interests and Assignments because to do so it will have to sell such securities to a third party. Because there is no established secondary market for such securities, it is anticipated that such securities could be sold only to a limited number of institutional investors. The lack of an established secondary market may have an adverse impact on the value of such securities and the fund's ability to dispose of particular participation interests or Assignments when necessary to meet the fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the Borrower. The lack of an established secondary market for participation interests and Assignments also may make it more difficult for the fund to assign a value to these securities for purposes of valuing the fund's portfolio and calculating its NAV.

**Mortgage-Related Securities**. Mortgage-related securities are a form of derivative collateralized by pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations ("CMOs") and stripped mortgage-backed securities, mortgage pass-through securities, interests in REMICs, adjustable rate mortgage loans, or other kinds of mortgage-backed securities, including those with fixed, floating and variable interest rates; interest rates based on multiples of changes in a specified index of interest rates; interest rates that change inversely to changes in interest rates; and those that do not bear interest.

Mortgage-related securities are subject to credit, prepayment and interest rate risk, and may be more volatile and less liquid, and more difficult to price accurately, than more traditional debt securities. Although certain mortgage-related securities are guaranteed by a third party (such as a U.S. Government agency with respect to GNMA mortgage-backed securities), the market value of the security may fluctuate. Mortgage-backed securities issued by private issuers, whether or not such securities are subject to guarantees or another form of credit enhancement, may
entail greater risk than securities directly or indirectly guaranteed by the U.S. Government. The market value of mortgage-related securities depends on, among other things, the level of interest rates, the securities' coupon rates and the payment history of the mortgagors of the underlying mortgages.

Mortgage-related securities generally are subject to credit risks associated with the performance of the underlying mortgage properties and to prepayment risk. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third party guarantees or other forms of credit support. Improved credit risk does not reduce prepayment risk, which is unrelated to the rating assigned to the mortgage-related security. Prepayment risk may lead to pronounced fluctuations in value of the mortgage-related security. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting solely from changes in interest rates or from prepayments on the underlying mortgage collateral (the rates of which are highly dependent upon changes in interest rates, as discussed below). Mortgage loans are generally partially or completely prepaid prior to their final maturities as a result of events such as sale of the mortgaged premises, default, condemnation or casualty loss. Because these securities may be subject to extraordinary mandatory redemption in whole or in part from such prepayments of mortgage loans, a substantial portion of such securities may be redeemed prior to their scheduled maturities or even prior to ordinary call dates. Extraordinary mandatory redemption without premium could also result from the failure of the originating financial institutions to make mortgage loans in sufficient amounts within a specified time period. The ability of issuers of mortgage-backed securities to make payments depends on such factors as rental income, occupancy levels, operating expenses, mortgage default rates, taxes, government regulations and appropriation of subsidies.

Certain mortgage-related securities, such as inverse floating rate CMOs, have coupons that move inversely to a multiple of a specific index, which may result in a form of leverage. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages, and, therefore, it is not possible to predict accurately the security's return to a fund. Moreover, with respect to certain stripped mortgage-backed securities, if the underlying mortgage securities experience greater than anticipated prepayments of principal, a fund may fail to fully recoup its initial investment even if the securities are rated in the highest rating category by a nationally recognized statistical rating organization. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity, which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates. Were the prepayments on a fund's mortgage-related securities to decrease broadly, the fund's effective duration, and thus sensitivity to interest rate fluctuations, would increase. Commercial real property loans, however, often contain provisions that reduce the likelihood that such securities will be prepaid. The provisions generally impose significant prepayment penalties on loans and in some cases there may be prohibitions on principal prepayments for several years following origination.

Residential Mortgage-Related Securities. Residential mortgage-related securities representing participation interests in pools of one- to four-family residential mortgage loans issued or guaranteed by governmental agencies or government-sponsored entities, such as GNMA, FNMA and the Federal Home Loan Mortgage Corporation ("FHLMC"), or issued by private entities, have been issued using a variety of structures, including multi-class structures featuring senior and subordinated classes. Some mortgage-related securities have structures that make their reactions to interest rate changes and other factors difficult to predict, making their value highly volatile.

Mortgage-related securities issued by GNMA include Ginnie Maes which are guaranteed as to the timely payment of principal and interest by GNMA and such guarantee is backed by the full faith and credit of the U.S. Government. Ginnie Maes are created by an "issuer," which is a Federal Housing Administration ("FHA") approved mortgagee that also meets criteria imposed by GNMA. The issuer assembles a pool of FHA or Department of Veterans' Affairs ("VA") insured or guaranteed mortgages which are homogeneous as to interest rate, maturity and type of dwelling. Upon application by the issuer, and after approval by GNMA of the pool, GNMA provides its commitment to guarantee timely payment of principal and interest on the Ginnie Maes backed by the mortgages included in the pool. The Ginnie Maes, endorsed by GNMA, are then sold by the issuer through securities dealers. Ginnie Maes bear a stated "coupon rate" which represents the effective underlying mortgage rate at the time of issuance, less
adverse scenario" additional Treasury support of between $49.2 billion and $125.8 billion (depending on the
However, FHFA also conducted a stress test mandated by the Dodd-Frank Act, which suggested that in a "severely
senior preferred stock. In its 2016 report to Congress, FHFA stated that FNMA and FHLMC had been stabilized.
ultimately decreased due to an agreement entered into with Treasury that modified the dividend provisions of the
payments do not constitute a repayment of their draws). Each entity's projected fourth quarter payment was
required Treasury support of approximately $187.5 billion through draws under the preferred stock purchase
agreements. However, no payments will be made due to net losses incurred by each entity. FNMA and FHLMC
paid approximately $278.8 billion in aggregate cash dividends to Treasury over the same period (although these
payments do not constitute a repayment of their draws). Each entity's projected fourth quarter payment was
ultimately decreased due to an agreement entered into with Treasury that modified the dividend provisions of the
senior preferred stock. In its 2016 report to Congress, FHFA stated that FNMA and FHLMC had been stabilized.
However, FHFA also conducted a stress test mandated by the Dodd-Frank Act, which suggested that in a "severely adverse scenario" additional Treasury support of between $49.2 billion and $125.8 billion (depending on the
treatment of deferred tax assets) might be required. FNMA did not require any draws from Treasury from the fourth quarter of 2011 through the fourth quarter of 2017. Similarly, FHLMC did not require any draws from Treasury from the first quarter of 2012 through the fourth quarter of 2017. However, in the first quarter of 2018, FNMA and FHLMC each reported that the passage of the Tax Cuts and Jobs Act in December 2017 had resulted in a decrease in the value of their deferred tax assets. As a result, FNMA and FHLMC each reported net losses during the fourth quarter of 2017 and indicated that they would request draws from Treasury in the amount of $3.7 billion and $0.3 billion, respectively. No assurance can be given that the Federal Reserve or Treasury will ensure that FNMA and FHLMC will be successful in meeting their obligations with respect to the debt and mortgage-backed securities that they issue.

In addition, the problems faced by FNMA and FHLMC, resulting in their being placed into federal conservatorship and receiving significant U.S. Government support, have sparked serious debate among federal policymakers regarding the continued role of the U.S. Government in providing liquidity for mortgage loans. In December 2011,
Congress enacted the Temporary Payroll Tax Cut Continuation Act of 2011 which, among other provisions, requires that FNMA and FHLMC increase their single-family guaranty fees by at least 10 basis points and remit this increase to Treasury with respect to all loans acquired by FNMA or FHLMC on or after April 1, 2012 and before January 1, 2022. Serious discussions among policymakers continue, however, as to whether FNMA and FHLMC should be nationalized, privatized, restructured or eliminated altogether. FNMA reported in the third quarter of 2016 that it expected "continued significant uncertainty" regarding its future and the housing finance system, including how long FNMA will continue to exist in its current form, the extent of its role in the market, how long it will be in conservatorship, what form it will have and what ownership interest, if any, current common and preferred stockholders will hold after the conservatorship is terminated, and whether FNMA will continue to exist following conservatorship. FHLMC faces similar uncertainty about its future role. FNMA and FHLMC also are the subject of several continuing legal actions and investigations over certain accounting, disclosure or corporate governance matters, which (along with any resulting financial restatements) may continue to have an adverse effect on the guaranteeing entities.

In 2019, FHFA began mandating that FNMA and FHLMC cease issuing their own MBS and begin issuing "Uniform Mortgage-Backed Securities" or "UMBS". Each UMBS will have a 55-day remittance cycle and can be used as collateral in either a FNMA or a FHLMC CMO or held for investment. Investors may be approached to convert existing mortgage-backed securities into UMBS, possibly with an inducement fee being offered to holders of FHLMC PCs.

Commercial Mortgage-Related Securities. Commercial mortgage-related securities generally are multi-class debt or pass-through certificates secured by mortgage loans on commercial properties. These mortgage-related securities generally are constructed to provide protection to holders of the senior classes against potential losses on the underlying mortgage loans. This protection generally is provided by having the holders of subordinated classes of securities ("Subordinated Securities") take the first loss if there are defaults on the underlying commercial mortgage loans. Other protection, which may benefit all of the classes or particular classes, may include issuer guarantees, reserve funds, additional Subordinated Securities, cross-collateralization and over-collateralization. Commercial lending, however, generally is viewed as exposing the lender to a greater risk of loss than one- to four-family residential lending. Commercial lending, for example, typically involves larger loans to single borrowers or groups of related borrowers than residential one- to four-family mortgage loans. In addition, the repayment of loans secured by income-producing properties typically is dependent upon the successful operation of the related real estate project and the cash flow generated therefrom. Consequently, adverse changes in economic conditions and circumstances are more likely to have an adverse impact on mortgage-related securities secured by loans on certain types of commercial properties than those secured by loans on residential properties. The risks that recovery or repossessed collateral might be unavailable or inadequate to support payments on commercial mortgage-related securities may be greater than is the case for non-multifamily residential mortgage-related securities.

Subordinated Securities. Subordinated Securities, including those issued or sponsored by commercial banks, savings and loan institutions, mortgage bankers, private mortgage insurance companies and other non-governmental issuers, have no governmental guarantee, and are subordinated in some manner as to the payment of principal and/or interest to the holders of more senior mortgage-related securities arising out of the same pool of mortgages. The holders of Subordinated Securities typically are compensated with a higher stated yield than are the holders of more senior mortgage-related securities. On the other hand, Subordinated Securities typically subject the holder to greater risk than senior mortgage-related securities and tend to be rated in a lower rating category, and frequently a substantially lower rating category, than the senior mortgage-related securities issued in respect of the same pool of mortgages. Subordinated Securities generally are likely to be more sensitive to changes in prepayment and interest rates and the market for such securities may be less liquid than is the case for traditional fixed-income securities and senior mortgage-related securities.

Collateralized Mortgage Obligations (CMOs) and Multi-Class Pass-Through-Securities. CMOs are multiclass bonds backed by pools of mortgage pass-through certificates or mortgage loans. CMOs may be collateralized by: (1) Ginnie Mae, Fannie Mae or Freddie Mac pass-through certificates; (2) unsecuritized mortgage loans insured by the FHA or guaranteed by the Department of Veterans' Affairs; (3) unsecuritized conventional mortgages; (4) other mortgage-related securities; or (5) any combination thereof.

Each class of CMOs, often referred to as a "tranche," is issued at a specific coupon rate and has a stated maturity or final distribution date. Principal prepayments on collateral underlying a CMO may cause it to be retired.

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substantially earlier than the stated maturities or final distribution dates. The principal and interest on the underlying mortgages may be allocated among the several classes of a series of a CMO in many ways. One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over an index or market rate, such as LIBOR (or sometimes more than one index). These floating rate CMOs typically are issued with lifetime caps on the coupon rate thereon. Inverse floating rate CMOs constitute a tranche of a CMO with a coupon rate that moves in the opposite direction to an applicable index or market rate such as LIBOR. Accordingly, the coupon rate thereon will increase as interest rates decrease. Inverse floating rate CMOs are typically more volatile than fixed or floating rate tranches of CMOs.

Many inverse floating rate CMOs have coupons that move inversely to a multiple of the applicable indexes. The effect of the coupon varying inversely to a multiple of an applicable index creates a leverage factor. Inverse floating rate CMOs based on multiples of a stated index are designed to be highly sensitive to changes in interest rates and can subject the holders thereof to extreme reductions of yield and loss of principal. The markets for inverse floating rate CMOs with highly leveraged characteristics at times may be very thin. The ability of a fund to dispose of positions in such securities will depend on the degree of liquidity in the markets for such securities. It is impossible to predict the amount of trading interest that may exist in such securities, and therefore the future degree of liquidity. It should be noted that inverse floaters based on multiples of a stated index are designed to be highly sensitive to changes in interest rates and can subject the holders thereof to extreme reductions of yield and loss of principal.

As CMOs have evolved, some classes of CMO bonds have become more prevalent. The planned amortization class ("PAC") and targeted amortization class ("TAC"), for example, were designed to reduce prepayment risk by establishing a sinking-fund structure. PAC and TAC bonds assure to varying degrees that investors will receive payments over a predetermined period under varying prepayment scenarios. Although PAC and TAC bonds are similar, PAC bonds are better able to provide stable cash flows under various prepayment scenarios than TAC bonds because of the order in which these tranches are paid.

**Stripped Mortgage-Backed Securities.** Stripped mortgage-backed securities are created by segregating the cash flows from underlying mortgage loans or mortgage securities to create two or more new securities, each with a specified percentage of the underlying security's principal or interest payments. Mortgage securities may be partially stripped so that each investor class receives some interest and some principal. When securities are completely stripped, however, all of the interest is distributed to holders of one type of security, known as an interest-only security ("IO") and all of the principal is distributed to holders of another type of security known as a principal-only security ("PO"). IOs and POs can be created in a pass-through structure or as tranches of a CMO. The yields to maturity on IOs and POs are very sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets. If the underlying mortgage assets experience greater than anticipated prepayments of principal, a fund may not fully recoup its initial investment in IOs. Conversely, if the underlying mortgage assets experience less than anticipated prepayments of principal, the yield on POs could be materially and adversely affected.

**Adjustable-Rate Mortgage Loans ("ARMs").** ARMs eligible for inclusion in a mortgage pool will generally provide for a fixed initial mortgage interest rate for a specified period of time, generally for either the first three, six, twelve, thirteen, thirty-six, or sixty scheduled monthly payments. Thereafter, the interest rates are subject to periodic adjustment based on changes in an index. ARMs typically have minimum and maximum rates beyond which the mortgage interest rate may not vary over the lifetime of the loans. Certain ARMs provide for additional limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. Negatively amortizing ARMs may provide limitations on changes in the required monthly payment. Limitations on monthly payments can result in monthly payments that are greater or less than the amount necessary to amortize a negatively amortizing ARM by its maturity at the interest rate in effect during any particular month.

**Private Entity Securities.** Mortgage-related securities may be issued by commercial banks, savings and loan institutions, mortgage bankers, private mortgage insurance companies and other non-governmental issuers. Timely payment of principal and interest on mortgage-related securities backed by pools created by non-governmental issuers often is supported partially by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. There can be no assurance that the private insurers or mortgage poolers can meet their obligations under the policies, so that if the issuers default on their obligations the holders of the security could sustain a loss. No insurance or guarantee covers a fund or the price of a fund's shares. Mortgage-related securities
issued by non-governmental issuers generally offer a higher rate of interest than government-agency and government-related securities because there are no direct or indirect government guarantees of payment.

*Other Mortgage-Related Securities.* Other mortgage-related securities include securities other than those described above that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property, including a CMO tranche which collects any cash flow from collateral remaining after obligations to the other tranches have been met. Other mortgage-related securities may be equity or debt securities issued by agencies or instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans, including savings and loan associations, homebuilders, mortgage banks, commercial banks, investment banks, partnerships, trusts and special purpose entities of the foregoing.

*Asset-Backed Securities.* Asset-backed securities are a form of derivative instrument. Non-mortgage asset-backed securities are securities issued by special purpose entities whose primary assets consist of a pool of loans, receivables or other assets. Payment of principal and interest may depend largely on the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other forms of credit or liquidity enhancements. The value of these asset-backed securities also may be affected by the creditworthiness of the servicing agent for the pool of assets, the originator of the loans or receivables or the financial institution providing the credit support.

The securitization techniques used for asset-backed securities are similar to those used for mortgage-related securities, including the issuance of securities in senior and subordinated classes (see "Mortgage-Related Securities—Commercial Mortgage-Related Securities" and "—Subordinated Securities" above). These securities include debt securities and securities with debt-like characteristics. The collateral for these securities has included home equity loans, automobile and credit card receivables, boat loans, computer leases, airplane leases, mobile home loans, recreational vehicle loans and hospital account receivables. Other types of asset-backed securities may be developed in the future. The purchase of non-mortgage asset-backed securities raises considerations particular to the financing of the instruments underlying such securities.

Asset-backed securities present certain risks of mortgage-backed securities, such as prepayment risk, as well as risks that are not presented by mortgage-backed securities. Primarily, these securities may provide a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.

*Collateralized Debt Obligations.* Collateralized debt obligations ("CDOs") are securitized interests in pools of—generally non-mortgage—assets. Assets called collateral usually are comprised of loans or other debt instruments. A CDO may be called a collateralized loan obligation (CLO) or collateralized bond obligation (CBO) if it holds only loans or bonds, respectively. Investors bear the credit risk of the collateral. Multiple tranches of securities are issued by the CDO, offering investors various maturity and credit risk characteristics. Tranches are categorized as senior, mezzanine and subordinated/equity, according to their degree of credit risk. If there are defaults or the CDO's collateral otherwise underperforms, scheduled payments to senior tranches take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. Senior and mezzanine tranches are typically rated, with the former receiving ratings of A to AAA/Aaa and the latter receiving ratings of B to BBB/Baa. The ratings reflect both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it.

*LIBOR Rate Risk.* Many debt securities, derivatives and other financial instruments, including some of the funds' investments, utilize LIBOR as the reference or benchmark rate for variable interest rate calculations. However, the use of LIBOR started to come under pressure following manipulation allegations in 2012. Despite increased regulation and other corrective actions since that time, concerns have arisen regarding its viability as a benchmark, due largely to reduced activity in the financial markets that it measures.

In June 2017, the Alternative Reference Rates Committee, a group of large U.S. banks working with the Federal Reserve, announced its selection of a new Secured Overnight Funding Rate ("SOFR"), which is intended to be a broad measure of secured overnight U.S. Treasury repo rates, as an appropriate replacement for LIBOR. The Federal Reserve Bank of New York began publishing the SOFR earlier in 2018, with the expectation that it could be used on
a voluntary basis in new instruments and transactions. Bank working groups and regulators in other countries have suggested other alternatives for their markets, including the Sterling Overnight Interbank Average Rate ("SONIA") in England.

In July 2017, the Financial Conduct Authority (the "FCA"), the United Kingdom financial regulatory body, announced that after 2021 it will cease its active encouragement of UK banks to provide the quotations needed to sustain LIBOR. That announcement suggests that LIBOR may cease to be published after that time. The roughly 3-1/2 year period until the end of 2021 is expected to be enough time for market participants to transition to the use of a different benchmark for new securities and transactions.

Various financial industry groups have begun planning for that transition, but there are obstacles to converting certain longer term securities and transactions to a new benchmark. Transition planning is at an early stage, and neither the effect of the transition process nor its ultimate success can yet be known. The transition process might lead to increased volatility and illiquidity in markets that currently rely on the LIBOR to determine interest rates. It could also lead to a reduction in the value of some LIBOR-based investments and reduce the effectiveness of new hedges placed against existing LIBOR-based instruments. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

Municipal Securities

Municipal Securities Generally. "Municipal securities" are debt securities or other obligations issued by states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, or multistate agencies and authorities, and certain other specified securities, the interest from which generally is, in the opinion of bond counsel to the issuer, exempt from federal and, with respect to municipal securities in which certain funds invest, the personal income taxes of a specified state (referred to in this SAI as Municipal Bonds, Municipal Obligations, State Municipal Bonds or State Municipal Obligations, as applicable—see "Glossary" below). Municipal securities generally include debt obligations issued to obtain funds for various public purposes and include certain industrial development bonds issued by or on behalf of public authorities. Municipal securities are classified as general obligation bonds, revenue bonds and notes. General obligation bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable from the revenue derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source, but not from the general taxing power. Tax-exempt industrial development bonds, in most cases, are revenue bonds that do not carry the pledge of the credit of the issuing municipality, but generally are guaranteed by the corporate entity on whose behalf they are issued. Notes are short-term instruments which are obligations of the issuing municipalities or agencies and are sold in anticipation of a bond issuance, collection of taxes or receipt of other revenues. Issues of municipal commercial paper typically represent short-term, unsecured, negotiable promissory notes. These obligations are issued by agencies of state and local governments to finance seasonal working capital needs of municipalities or to provide interim construction financing and are paid from general revenues of municipalities or are refinanced with long-term debt. In most cases, municipal commercial paper is backed by letters of credit, lending agreements, note repurchase agreements or other credit facility agreements offered by banks or other institutions. Municipal securities include municipal lease/purchase agreements which are similar to installment purchase contracts for property or equipment issued by municipalities.

A fund's investments in municipal securities may include investments in U.S. territories or possessions such as Puerto Rico, the U.S. Virgin Islands, Guam and the Northern Mariana Islands. A fund's investments in a territory or possession could be affected by economic, legislative, regulatory or political developments affecting issuers in the territory or possession. For example, Puerto Rico, like many other states and U.S. municipalities, experienced a significant downturn during the recent recession and continues to face significant fiscal challenges, including persistent government deficits, underfunded public pensions, sizable debt service obligations and a high unemployment rate. As a result, many Rating Agencies have downgraded Puerto Rico's various municipal issuers, including the Commonwealth itself and its general obligation debt, or placed them on "negative watch." If the economic situation in Puerto Rico persists or worsens, the volatility, credit quality and performance of a fund holding securities of issuers in Puerto Rico could be adversely affected.

Municipal securities bear fixed, floating or variable rates of interest, which are determined in some instances by
formulas under which the municipal security's interest rate will change directly or inversely to changes in interest rates or an index, or multiples thereof, in many cases subject to a maximum and minimum. Certain municipal securities are subject to redemption at a date earlier than their stated maturity pursuant to call options, which may be separated from the related municipal security and purchased and sold separately. The purchase of call options on specific municipal securities may protect a fund from the issuer of the related municipal security redeeming, or other holder of the call option from calling away, the municipal security before maturity. The sale by a fund of a call option that it owns on a specific municipal security could result in the receipt of taxable income by the fund.

The municipal securities market is not subject to the same level of regulation as other sectors of the U.S. capital markets due to broad exemptions under the federal securities laws for municipal securities. As a result, there may be less disclosure, including current audited financial information, available about municipal issuers than is available for issuers of securities registered under the Securities Act.

For a fund that is a RIC for tax purposes and invests less than 50% of its assets in municipal securities, dividends received by shareholders on fund shares which are attributable to interest income received by the fund from municipal securities generally will be subject to federal income tax. While, in general, municipal securities are tax exempt securities having relatively low yields as compared to taxable, non-municipal securities of similar quality, certain municipal securities are taxable obligations, offering yields comparable to, and in some cases greater than, the yields available on other permissible investments.

For the purpose of diversification under the 1940 Act, the identification of the issuer of municipal securities depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer. Similarly, in the case of an industrial development bond, if the bond is backed only by the assets and revenues of the non-governmental user, then such non-governmental user would be deemed to be the sole issuer. If, however, in either case, the creating government or some other entity guarantees a security, such a guaranty would be considered a separate security and would be treated as an issue of such government or other entity.

Municipal securities include certain private activity bonds (a type of revenue bond issued by or on behalf of public authorities to raise money to finance various privately operated or public facilities and for which the payment of principal and interest is dependent solely on the ability of the facility's user to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment), the income from which is subject to AMT. Taxable municipal securities also may include remarounded certificates of participation. Certain funds may invest in these municipal securities if the Adviser determines that their purchase is consistent with a fund's investment objective. A municipal or other tax-exempt fund that invests substantially all of its assets in Municipal Bonds may invest more than 25% of the value of the fund's total assets in Municipal Bonds which are related in such a way that an economic, business or political development or change affecting one such security also would affect the other securities (e.g., securities the interest upon which is paid from revenues of similar types of projects, or securities whose issuers are located in the same state). A fund that so invests its assets may be subject to greater risk as compared to municipal or other tax-exempt funds that do not follow this practice.

Municipal securities may be repayable out of revenue streams generated from economically related projects or facilities or whose issuers are located in the same state. Sizable investments in these securities could increase risk to a fund should any of the related projects or facilities experience financial difficulties. An investment in a fund that focuses its investments in securities of a particular state or entities within that state may involve greater risk than investments in certain other types of municipal funds. You should consider carefully the special risks inherent in a fund's investment in such municipal securities. If applicable, you should review the information in "Risks of Investing in State Municipal Securities" in Part II of this SAI, which provides a brief summary of special investment considerations and risk factors relating to investing in municipal securities of a specific state.

The yields on municipal securities are dependent on a variety of factors, including general economic and monetary conditions, money market factors, conditions in the municipal securities market, size of a particular offering, maturity of the obligation and rating of the issue. The achievement of the investment objective of a municipal or other tax-exempt fund is dependent in part on the continuing ability of the issuers of municipal securities in which the fund invests to meet their obligations for the payment of principal and interest when due. Municipal securities
historically have not been subject to registration with the SEC, although there have been proposals which would require registration in the future. Issuers of municipal securities, like issuers of corporate securities, may declare bankruptcy, and obligations of issuers of municipal securities are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. Many such bankruptcies historically have been of smaller villages, towns, cities and counties, but in November 2011 Jefferson County, Alabama (the state's most populous county) became the subject of what was then the largest municipal bankruptcy ever in the U.S., at over $4 billion in total indebtedness, surpassing in size the 1994 bankruptcy of Orange County, California. Other prominent municipal bankruptcies have followed. In July 2013, Detroit, Michigan filed for bankruptcy. With an estimated $18 to $20 billion in total indebtedness, it became the largest municipal bankruptcy in the U.S. The obligations of municipal issuers may become subject to laws enacted in the future by Congress or state legislatures, or referenda extending the time for payment of principal and/or interest, or imposing other constraints upon enforcement of such obligations or upon the ability of municipalities to levy taxes. There is also the possibility that, as a result of litigation or other conditions, the ability of any municipal issuer to pay, when due, the principal of and interest on its municipal securities may be materially affected.

Certain provisions in the Code relating to the issuance of municipal securities may reduce the volume of municipal securities qualifying for federal tax exemption. One effect of these provisions could be to increase the cost of the municipal securities available for purchase by a fund and thus reduce available yield. Shareholders should consult their tax advisors concerning the effect of these provisions on an investment in such a fund. Proposals that may restrict or eliminate the income tax exemption for interest on municipal securities may be introduced in the future. If any such proposal were enacted that would reduce the availability of municipal securities for investment by a fund so as to adversely affect fund shareholders, the fund would reevaluate its investment objective and policies and submit possible changes in the fund's structure to shareholders for their consideration. If legislation were enacted that would treat a type of municipal securities as taxable, a fund would treat such security as a permissible Taxable Investment or, with respect to a money market fund, Money Fund Taxable Investment (in each case, as discussed below), within the applicable limits set forth herein.

**Instruments Related to Municipal Securities.** The following is a description of certain types of investments related to municipal securities in which some funds may invest. A fund's use of certain of the investment techniques described below may give rise to taxable income.

- **Floating and Variable Rate Demand Notes and Bonds.** Floating and variable rate demand notes and bonds are tax exempt obligations ordinarily having stated maturities in excess of one year, but which permit the holder to demand payment of principal at any time, or at specified intervals. Variable rate demand notes include master demand notes. See "Fixed-Income Securities—Variable and Floating Rate Securities" above.

- **Tax Exempt Participation Interests.** A participation interest in municipal securities (such as industrial development bonds and municipal lease/purchase agreements) purchased from a financial institution gives a fund an undivided interest in the municipal security in the proportion that the fund's participation interest bears to the total principal amount of the municipal security. These instruments may have fixed, floating or variable rates of interest and generally will be backed by an irrevocable letter of credit or guarantee of a bank. For certain participation interests, a fund will have the right to demand payment, on not more than seven days' notice, for all or any part of the fund's participation interest in the municipal security, plus accrued interest. As to these instruments, a fund intends to exercise its right to demand payment only upon a default under the terms of the municipal security, as needed to provide liquidity to meet redemptions, or to maintain or improve the quality of its investment portfolio. See also "Fixed-Income Securities—Loans—Participation Interests and Assignments" above.

- **Municipal Lease Obligations.** Municipal lease obligations or installment purchase contract obligations (collectively, "lease obligations") have special risks not ordinarily associated with general obligation or revenue bonds. Leases and installment purchase or conditional sale contracts (which normally provide for title to the leased asset to pass eventually to the government issuer) have evolved as a means for governmental issuers to acquire property and equipment without meeting the constitutional and statutory requirements for the issuance of debt. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation ordinarily is
backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. However, lease obligations in which a fund may invest may contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Although "non-appropriation" lease obligations are secured by the leased property, disposition of the property in the event of foreclosure might prove difficult. Certain lease obligations may be considered illiquid. Determination as to the liquidity of such securities is made in accordance with guidelines established by the board. Pursuant to such guidelines, the boards have directed the Adviser to monitor carefully a fund's investment in such securities with particular regard to: (1) the frequency of trades and quotes for the lease obligation; (2) the number of dealers willing to purchase or sell the lease obligation and the number of other potential buyers; (3) the willingness of dealers to undertake to make a market in the lease obligation; (4) the nature of the marketplace trades, including the time needed to dispose of the lease obligation, the method of soliciting offers and the mechanics of transfer; and (5) such other factors concerning the trading market for the lease obligation as the Adviser may deem relevant. In addition, in evaluating the liquidity and credit quality of a lease obligation that is unrated, the boards have directed the Adviser to consider: (1) whether the lease can be canceled; (2) what assurance there is that the assets represented by the lease can be sold; (3) the strength of the lessee's general credit (e.g., its debt, administrative, economic and financial characteristics); (4) the likelihood that the municipality will discontinue appropriating funding for the leased property because the property is no longer deemed essential to the operations of the municipality (e.g., the potential for an "event of non-appropriation"); (5) the legal recourse in the event of failure to appropriate; and (6) such other factors concerning credit quality as the Adviser may deem relevant.

- **Tender Option Bonds.** A tender option bond is a municipal security (generally held pursuant to a custodial arrangement) having a relatively long maturity and bearing interest at a fixed rate substantially higher than prevailing short-term tax exempt rates, that has been coupled with the agreement of a third party, such as a bank, broker-dealer or other financial institution, pursuant to which such institution grants the security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees equal to the difference between the municipal security's fixed coupon rate and the rate, as determined by a remarketing or similar agent at or near the commencement of such period, that would cause the securities, coupled with the tender option, to trade at par on the date of such determination. Thus, after payment of this fee, the security holder effectively holds a demand obligation that bears interest at the prevailing short-term tax exempt rate. In certain instances and for certain tender option bonds, the option may be terminable in the event of a default in payment of principal or interest on the underlying municipal security and for other reasons. The funds expect to be able to value tender option bonds at par; however, the value of the instrument will be monitored to assure that it is valued at fair value. The quality of the underlying creditor or of the third party provider of the tender option, as the case may be, as determined by the Adviser, must be equivalent to the quality standard prescribed for the fund. In addition, the Adviser monitors the earning power, cash flow and other liquidity ratios of the issuers of such obligations.

- **Pre-Refunded Municipal Securities.** The principal and interest on pre-refunded municipal securities are no longer paid from the original revenue source for the securities. Instead, the source of such payments is typically an escrow fund consisting of U.S. Government securities. The assets in the escrow fund are derived from the proceeds of refunding bonds issued by the same issuer as the pre-refunded municipal securities. Issuers of municipal securities use this advance refunding technique to obtain more favorable terms with respect to bonds that are not yet subject to call or redemption by the issuer. For example, advance refunding enables an issuer to refinance debt at lower market interest rates, restructure debt to improve cash flow or eliminate restrictive covenants in the indenture or other governing instrument for the pre-refunded municipal securities. However, except for a change in the revenue source from which principal and interest payments are made, the pre-refunded municipal securities remain outstanding on their original terms until they mature or are redeemed by the issuer.

- **Mortgage-Related and Asset-Backed Municipal Securities.** Mortgage-backed municipal securities are municipal securities of issuers that derive revenues from mortgage loans on multiple family residences, retirement housing or housing projects for low- to moderate-income families. Certain of such securities may be single family mortgage revenue bonds issued for the purpose of acquiring from originating
financial institutions notes secured by mortgages on residences located within the issuer's boundaries. Non-mortgage asset-based securities are securities issued by special purpose entities whose primary assets consist of a pool of loans, receivables or other assets. See "Fixed-Income Securities—Mortgage-Related Securities" and "Fixed-Income Securities—Asset-Backed Securities" above.

- **Custodial Receipts.** Custodial receipts represent the right to receive certain future principal and/or interest payments on municipal securities which underlie the custodial receipts. A number of different arrangements are possible. A fund also may purchase directly from issuers, and not in a private placement, municipal securities having characteristics similar to custodial receipts. These securities may be issued as part of a multi-class offering and the interest rate on certain classes may be subject to a cap or floor. See "Derivatives—Custodial Receipts" below.

- **Indexed and Inverse Floating Rate Municipal Securities.** Indexed rate municipal securities are securities that pay interest or whose principal amount payable upon maturity is based on the value of an index of interest rates. Interest and principal payable on certain securities also may be based on relative changes among particular indexes. So-called "inverse floating obligations" or "residual interest bonds" ("inverse floaters") are derivative instruments created by depositing municipal securities in a trust which divides the bond's income stream into two parts: (1) a short-term variable rate demand note; and (2) a residual interest bond (the inverse floater) which receives interest based on the remaining cash flow of the trust after payment of interest on the note and various trust expenses. The interest rate on the inverse floater varies inversely with a floating rate (which may be reset periodically by a "Dutch" auction, a remarketing agent or by reference a short-term tax-exempt interest rate index), usually moving in the opposite direction as the interest on the variable rate demand note.

A fund may either participate in structuring an inverse floater or purchase an inverse floater in the secondary market. When structuring an inverse floater, a fund will transfer to a trust fixed rate municipal securities held in the fund's portfolio. The trust then typically issues the inverse floaters and the variable rate demand notes that are collateralized by the cash flows of the fixed rate municipal securities. In return for the transfer of the municipal securities to the trust, the fund receives the inverse floaters and cash associated with the sale of the notes from the trust. For accounting purposes, a fund treats these transfers as part of a secured borrowing or financing transaction (not a sale), and the interest payments and related expenses due on the notes issued by the trusts and sold to third parties as expenses and liabilities of the fund. Inverse floaters purchased in the secondary market are treated as the purchase of a security and not as a secured borrowing or financing transaction. Synthetically created inverse floating rate bonds evidenced by custodial or trust receipts are securities that have the effect of providing a degree of investment leverage, since they may increase or decrease in value in response to changes in market interest rates at a rate that is a multiple of the rate at which fixed rate securities increase or decrease in response to such changes.

An investment in inverse floaters may involve greater risk than an investment in a fixed rate municipal security. Because changes in the interest rate on the other security or index inversely affect the residual interest paid on the inverse floater, the value of an inverse floater is generally more volatile than that of a fixed rate municipal security. Inverse floaters have interest rate adjustment formulas which generally reduce or, in the extreme, eliminate the interest paid to a fund when short-term interest rates rise, and increase the interest paid to the fund when short-term interest rates fall. Investing in inverse floaters involves leveraging which may magnify the fund's gains or losses. Although volatile, inverse floaters typically offer the potential for yields exceeding the yields available on fixed rate municipal securities with comparable credit quality, coupon, call provisions and maturity. These securities usually permit the investor to convert the floating rate to a fixed rate (normally adjusted downward), and this optional conversion feature may provide a partial hedge against rising rates if exercised at an opportune time. Investments in inverse floaters may be illiquid.

- **Zero Coupon, Pay-In-Kind and Step-Up Municipal Securities.** Zero coupon municipal securities are issued or sold at a discount from their face value and do not entitle the holder to any periodic payment of interest prior to maturity or a specified redemption date or cash payment date. Zero coupon securities also may take the form of municipal securities that have been stripped of their unmaured interest coupons, the coupons
themselves and receipts or certificates representing interest in such stripped debt obligations and coupons. Pay-in-kind municipal securities generally pay interest through the issuance of additional securities. Step-up municipal securities typically do not pay interest for a specified period of time and then pay interest at a series of different rates. See "Fixed-Income Securities—Zero Coupon, Pay-In-Kind and Step-Up Securities."

- **Special Taxing Districts.** Some municipal securities may be issued in connection with special taxing districts. Special taxing districts are organized to plan and finance infrastructure development to induce residential, commercial and industrial growth and redevelopment. The bond financing methods, such as tax increment finance, tax assessment, special services district and Mello-Roos bonds, generally are payable solely from taxes or other revenues attributable to the specific projects financed by the bonds without recourse to the credit or taxing power of related or overlapping municipalities. They often are exposed to real estate development-related risks and can have more taxpayer concentration risk than general tax-supported bonds, such as general obligation bonds. Further, the fees, special taxes or tax allocations and other revenues that are established to secure such financings generally are limited as to the rate or amount that may be levied or assessed and are not subject to increase pursuant to rate covenants or municipal or corporate guarantees. The bonds could default if development failed to progress as anticipated or if larger taxpayers failed to pay the assessments, fees and taxes as provided in the financing plans of the districts.

- **Stand-By Commitments.** Under a stand-by commitment, a fund obligates a broker, dealer or bank to repurchase, at the fund's option, specified securities at a specified price prior to such securities' maturity date and, in this respect, stand-by commitments are comparable to put options. The exercise of a stand-by commitment, therefore, is subject to the ability of the seller to make payment on demand. The funds will acquire stand-by-commitments solely to facilitate portfolio liquidity and do not intend to exercise their rights thereunder for trading purposes. A fund may pay for stand-by-commitments if such action is deemed necessary, thus increasing to a degree the cost of the underlying municipal security and similarly decreasing such security's yield to investors. Gains realized in connection with stand-by-commitments will be taxable. For a fund that focuses its investments in New Jersey Municipal Bonds, the fund will acquire stand-by-commitments only to the extent consistent with the requirements for a "qualified investment fund" under the New Jersey Gross Income Tax Act.

- **Structured Notes.** Structured notes typically are purchased in privately negotiated transactions from financial institutions and, therefore, may not have an active trading market. When a fund purchases a structured note, it will make a payment of principal to the counterparty. Some structured notes have a guaranteed repayment of principal while others place a portion (or all) or the principal at risk. The possibility of default by the counterparty or its credit provider may be greater for structured notes than for other types of money market instruments.

**Taxable Investments (municipal or other tax-exempt funds only).** From time to time, on a temporary basis other than for temporary defensive purposes (but not to exceed 20% of the value of the fund's net assets) or for temporary defensive purposes, a fund may invest in taxable short-term investments (Taxable Investments, as defined in Part II of this SAI under "Investments, Investments Techniques and Risks"). Dividends paid by a fund that are attributable to income earned by the fund from Taxable Investments will be taxable to investors. When a fund invests for temporary defensive purposes, it may not achieve its investment objective(s).

**Funding Agreements.** In a funding agreement (sometimes referred to as a Guaranteed Interest Contract or "GIC"), a fund contributes cash to a deposit fund of an insurance company's general account, and the insurance company then credits the fund, on a monthly basis, guaranteed interest that is based on an index. This guaranteed interest will not be less than a certain minimum rate. Because the principal amount of a funding agreement may not be received from the insurance company on seven days' notice or less, the agreement is considered to be an illiquid investment.

**Real Estate Investment Trusts (REITs)**

A REIT is a corporation, or a business trust that would otherwise be taxed as a corporation, which meets the definitional requirements of the Code. The Code permits a qualifying REIT to deduct dividends paid, thereby effectively eliminating corporate level federal income tax and making the REIT a pass-through vehicle for federal
income tax purposes. To meet the definitional requirements of the Code, a REIT must, among other things, invest substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derive most of its income from rents from real property or interest on loans secured by mortgages on real property, and distribute to shareholders annually a substantial portion of its otherwise taxable income.

REITs are characterized as equity REITs, mortgage REITs and hybrid REITs. Equity REITs invest primarily in the fee ownership or leasehold ownership of land and buildings and derive their income primarily from rental income. Equity REITs also can realize capital gains (or losses) by selling properties that have appreciated (or depreciated) in value. Mortgage REITs can hold REMIC regular interests and can hold or make construction, development or long-term mortgage loans and are sensitive to the credit quality of the borrower. Mortgage REITs derive their income from interest payments on such loans or REMIC interests. Hybrid REITs combine the characteristics of both equity and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate. The value of securities issued by REITs is affected by tax and regulatory requirements and by perceptions of management skill. They also are subject to heavy cash flow dependency, defaults by borrowers or tenants, self-liquidation and the possibility of failing to qualify for tax-free status under the Code or to maintain exemption from the 1940 Act. A fund will indirectly bear its proportionate share of expenses, including management fees, paid by each REIT in which it invests in addition to the expenses of the fund.

Money Market Instruments

When the Adviser determines that adverse market conditions exist, a fund may adopt a temporary defensive position and invest up to 100% of its assets in money market instruments, including U.S. Government securities, bank obligations, repurchase agreements and commercial paper. During such periods, the fund may not achieve its investment objective(s). A fund also may purchase money market instruments when it has cash reserves or in anticipation of taking a market position.

Investing in money market instruments is subject to certain risks. Money market instruments (other than certain U.S. Government securities) are not backed or insured by the U.S. Government, its agencies or its instrumentalities. Accordingly, only the creditworthiness of an issuer, or guarantees of that issuer, support such instruments.

Bank Obligations. See "Bank Obligations" below under "Money Market Funds."

Repurchase Agreements. See "Repurchase Agreements" below under "Money Market Funds."

Commercial Paper. Commercial paper represents short-term, unsecured promissory notes issued in bearer form by banks or bank holding companies, corporations and finance companies used to finance short-term credit needs and may consist of U.S. dollar-denominated obligations of domestic issuers and foreign currency-denominated obligations of domestic or foreign issuers. Commercial paper may be backed only by the credit of the issuer or may be backed by some form of credit enhancement, typically in the form of a guarantee by a commercial bank. Commercial paper backed by guarantees of foreign banks may involve additional risk due to the difficulty of obtaining and enforcing judgments against such banks and the generally less restrictive regulations to which such banks are subject.

Foreign Securities

Foreign securities include the securities of companies organized under the laws of countries other than the United States and those issued or guaranteed by governments other than the U.S. Government or by foreign supranational entities. They also include securities of companies whose principal trading market is in a country other than the United States or of companies (including those that are located in the United States or organized under U.S. law) that derive a significant portion of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their assets outside the United States. They may be traded on foreign securities exchanges or in the foreign over-the-counter markets. Supranational entities include international organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies. Examples include the International Bank for Reconstruction and Development (the World Bank), the European Coal and Steel Community, the Asian Development Bank and the InterAmerican Development Bank. Obligations of the World Bank and certain other supranational organizations are supported by
subscribed but unpaid commitments of member countries. There is no assurance that these commitments will be undertaken or complied with in the future.

Investing in the securities of foreign issuers, as well as instruments that provide investment exposure to foreign securities and markets, involves risks that are not typically associated with investing in U.S. dollar-denominated securities of domestic issuers. Investments in foreign issuers may be affected by changes in currency rates (i.e., affecting the value of assets as measured in U.S. dollars), changes in foreign or U.S. laws or restrictions applicable to such investments and in exchange control regulations (e.g., currency blockage). A decline in the exchange rate of the currency (i.e., weakening of the currency against the U.S. dollar) in which a portfolio security is quoted or denominated relative to the U.S. dollar would reduce the value of the portfolio security. A change in the value of such foreign currency against the U.S. dollar also will result in a change in the amount of income available for distribution. If a portion of a fund's investment income may be received in foreign currencies, such fund will be required to compute its income in U.S. dollars for distribution to shareholders, and therefore the fund will absorb the cost of currency fluctuations. After the fund has distributed income, subsequent foreign currency losses may result in the fund having distributed more income in a particular fiscal period than was available from investment income, which could result in a return of capital to shareholders. In addition, if the exchange rate for the currency in which a fund receives interest payments declines against the U.S. dollar before such income is distributed as dividends to shareholders, the fund may have to sell portfolio securities to obtain sufficient cash to enable the fund to pay such dividends. Commissions on transactions in foreign securities may be higher than those for similar transactions on domestic stock markets, and foreign custodial costs are higher than domestic custodial costs. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, such procedures have on occasion been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions.

Foreign securities markets generally are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States.

Many countries throughout the world are dependent on a healthy U.S. economy and are adversely affected when the U.S. economy weakens or its markets decline. For example, in 2007 and 2008, the meltdown in the U.S. subprime mortgage market quickly spread throughout global credit markets, triggering a liquidity crisis that affected fixed-income and equity markets around the world.

Foreign investments involve risks unique to the local political, economic, and regulatory structures in place, as well as the potential for social instability, military unrest or diplomatic developments that could prove adverse to the interests of U.S. investors. Individual foreign economies can differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. In addition, significant external political and economic risks currently affect some foreign countries. For example, both Taiwan and China claim sovereignty over Taiwan and there is a demilitarized border and hostile relations between North and South Korea. War and terrorism affect many countries, especially those in Africa and the Middle East. A number of countries in Europe have suffered terror attacks. The future proliferation and effects of these and similar events and other socio-political or geographical issues are not known but could suddenly and/or profoundly affect global economies, markets, certain industries and/or specific securities.

Because evidences of ownership of foreign securities usually are held outside the United States, additional risks of investing in foreign securities include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions that might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage, exchange control regulations or otherwise. Foreign securities held by a fund may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when shareholders have no access to the fund.

**Investing in Europe.** Ongoing concerns regarding the economies of certain European countries and/or their sovereign debt, as well as the possibility that one or more countries might leave the European Union (the "EU"), create risks for investing in the EU. A number of countries in Europe have experienced severe economic and
financial difficulties. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts. Many other issuers have faced difficulties obtaining credit or refinancing existing obligations. Financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit, and financial markets in Europe and elsewhere have experienced significant volatility and declines in asset values and liquidity. These difficulties may continue, worsen or spread within and outside of Europe. Responses to the financial problems by European governments, central banks and others, including austerity measures and reforms, may not be effective, may result in social unrest and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and others of outstanding debt could have additional adverse effects on economies, financial markets and asset valuations around the world.

In June 2016, the United Kingdom (the "UK") held a referendum resulting in a vote in favor of the exit of the UK from the EU (known as "Brexit"). On March 29, 2017, the United Kingdom triggered the withdrawal procedures in Article 50 of the Treaty of Lisbon which provides for a two-year negotiation period between the EU and the withdrawing member state. Accordingly, it was initially anticipated that the United Kingdom would cease to be a member of the EU by the end of March 2019; however, this was subsequently extended to January 31, 2020. Following this date, the UK ceased to be a member of the EU and the EU-UK Withdrawal Agreement came into force. The EU-UK Withdrawal Agreement means that EU law still has effect in the UK during a transitional period which is expected to last until December 31, 2020 (unless an extension is agreed between the UK and the EU).

The terms of the UK’s exit from the EU are not clear and the shape of the regulatory landscape is not yet defined. As a result, the resulting impact of the UK's withdrawal is uncertain as of the date of this SAI. The effect on the economies of the UK and the EU will likely depend on the nature of trade relations between the UK and the EU and other major economies following Brexit, which are matters to be negotiated. The current uncertainty and related future developments could have a negative impact on both the UK economy and the economies of other countries in Europe, as well as greater volatility in the global financial and currency markets.

The withdrawal process and the uncertainty concerning the UK’s legal and economic relationship with the EU (as well as political divisions within the UK that have been highlighted by the Brexit referendum) could cause a period of instability and market volatility, and may adversely impact business in the UK and/or the EU, including with respect to opportunity, pricing, regulation and the tax treatment of any UK investments. It is not possible to ascertain the precise impact these events may have on a fund or its investments from an economic, financial, tax or regulatory perspective but any such impact could have material consequences for the fund and its investments.

Whether or not a fund invests in securities of issuers located in Europe or has significant exposure to European issuers or countries, these events could negatively affect the value and liquidity of the fund's investment.

**Investing in Japan.** The Japanese economy has only recently emerged from a prolonged economic stagnation. Over the last few decades, Japan's economic growth rate has remained relatively low compared to that of its Asian neighbors and other major developed economies mainly due to deflation. The economy is characterized by an aging demographic, a declining population, a large government debt and a highly regulated labor market. Monetary and fiscal policies designed to stimulate economic growth in Japan have had limited success in the past prior to the current government. Overseas trade is important to Japan's economy, although exports as a percentage of GDP is lower than other Asian countries and most developed countries. The Japanese economy can be adversely affected by trade tariffs, other protectionist measures, competition from emerging economies, and the economic conditions of its trading partners. Japan has a growing economic relationship with China and other Southeast Asian countries, and economic, political or social instability in those countries, whether resulting from country, regional or global events, could have an adverse effect on Japan's economy. The specific risks of investing in Japan, certain of which are summarized in this section, could, individually or in the aggregate, adversely impact investments in Japan.

**Labor Market.** Japan's labor market, affected by the aging and shrinking population, appears to be undergoing fundamental structural changes. The changing population has increased the cost of Japan's pension and public welfare system. Japan's labor market, which traditionally preferred lifetime employment, also has sought to adjust to meet the need for increased labor mobility. Issues in Japan's labor market may, among other consequences, adversely affect Japan's economic competitiveness.

**Currency Fluctuations.** The Japanese yen has fluctuated widely at times, and any material increase in its value may
cause a decline in exports that could weaken the Japanese economy. Japan has, in the past, intervened in the currency markets to attempt to maintain or reduce the value of the yen. Japan's intervention in the currency markets could cause the value of the yen to fluctuate dramatically and unpredictably. A decline in value of the yen relative to the U.S. dollar will affect the value of these investments held by a fund.

**Natural Disasters.** Japan has experienced natural disasters, such as earthquakes and tidal waves, of varying degrees of severity. The risks of such phenomena, and the resulting damage, continue to exist and could have a severe and negative impact on a fund's holdings in Japanese securities. Japan also has one of the world's highest population densities, with a significant percentage of its total population concentrated in the metropolitan areas of Tokyo, Osaka and Nagoya. As a result, a natural disaster centered in or very near one of these cities could have a particularly devastating effect on Japan's financial markets. For example, Japan suffered economic distress from the earthquake and resulting tsunami that struck northeastern Japan in March 2011 and caused major damage along the coast, including damage to nuclear power plants in the region.

**Emerging Markets.** Investments in, or economically tied to, emerging market countries may be subject to higher risks than investments in companies in developed countries. Risks of investing in emerging markets and emerging market securities include, but are not limited to (in addition to those described above): less social, political and economic stability; less diverse and mature economic structures; the lack of publicly available information, including reports of payments of dividends or interest on outstanding securities; certain national policies that may restrict a fund's investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to national interests; local taxation; the absence of developed structures governing private or foreign investment or allowing for judicial redress for injury to private property; the absence until recently, in certain countries, of a capital structure or market-oriented economy; the possibility that recent favorable economic developments in certain countries may be slowed or reversed by unanticipated political or social events in these countries; restrictions that may make it difficult or impossible for a fund to vote proxies, exercise shareholder rights, pursue legal remedies, and obtain judgments in foreign courts; the risk of uninsured loss due to lost, stolen, or counterfeit stock certificates; possible losses through the holding of securities in domestic and foreign custodial banks and depositories; heightened opportunities for governmental corruption; large amounts of foreign debt to finance basic governmental duties that could lead to restructuring or default; and heavy reliance on exports that may be severely affected by global economic downturns.

The purchase and sale of portfolio securities in certain emerging market countries may be constrained by limitations as to daily changes in the prices of listed securities, periodic trading or settlement volume and/or limitations on aggregate holdings of foreign investors. In certain cases, such limitations may be computed based upon the aggregate trading by or holdings of a fund, its Adviser and its affiliates and their respective clients and other service providers. A fund may not be able to sell securities in circumstances where price, trading or settlement volume limitations have been reached.

Economic conditions, such as volatile currency exchange rates and interest rates, political events and other conditions may, without prior warning, lead to government intervention and the imposition of "capital controls." Countries use these controls to restrict volatile movements of capital entering (inflows) and exiting (outflows) their country to respond to certain economic conditions. Such controls are mainly applied to short-term capital transactions to counter speculative flows that threaten to undermine the stability of the exchange rate and deplete foreign exchange reserves. Capital controls include the prohibition of, or restrictions on, the ability to transfer currency, securities or other assets in such a way that may adversely affect the ability of a fund to repatriate its income and capital. These limitations may have a negative impact on the fund's performance and may adversely affect the liquidity of the fund's investment to the extent that it invests in certain emerging market countries. Some emerging market countries may have fixed or managed currencies which are not free-floating against the U.S. dollar. Further, certain emerging market countries' currencies may not be internationally traded. Certain of these currencies have experienced a steady devaluation relative to the U.S. dollar. If a fund does not hedge the U.S. dollar value of securities it owns denominated in currencies that are devalued, the fund's NAV will be adversely affected. Many emerging market countries have experienced substantial, and in some periods, extremely high rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, adverse effects on the economics and securities markets of certain of these countries. Further, the economies of emerging market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade.
Certain funds may invest in companies organized or with their principal place of business, or majority of assets or business, in pre-emerging markets, also known as frontier markets. The risks associated with investments in frontier market countries include all the risks described above for investments in foreign securities and emerging markets, although the risks are magnified for frontier market countries. Because frontier markets are among the smallest, least mature and least liquid of the emerging markets, investments in frontier markets generally are subject to a greater risk of loss than investments in developed markets or traditional emerging markets. Frontier market countries have smaller economies, less developed capital markets, more political and economic instability, weaker legal, financial accounting and regulatory infrastructure, and more governmental limitations on foreign investments than typically found in more developed countries, and frontier markets typically have greater market volatility, lower trading volume, lower capital flow, less investor participation, fewer large global companies and greater risk of a market shutdown than more developed markets. Frontier markets are more prone to economic shocks associated with political and economic risks than are emerging markets generally. Many frontier market countries may be dependent on commodities, foreign trade or foreign aid.

Certain Asian Emerging Market Countries. Many Asian economies are characterized by over-extension of credit, frequent currency fluctuation, devaluations and restrictions, rising unemployment, rapid fluctuations in inflation, reliance on exports and less efficient markets. Currency devaluation in one Asian country can have a significant effect on the entire region. The legal systems in many Asian countries are still developing, making it more difficult to obtain and/or enforce judgments.

Furthermore, increased political and social unrest in some Asian countries could cause economic and market uncertainty throughout the region. The auditing and reporting standards in some Asian emerging market countries may not provide the same degree of shareholder protection or information to investors as those in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liability and consolidation may be treated differently than under the auditing and reporting standards of developed countries.

Certain Asian emerging market countries are undergoing a period of growth and change which may result in trading volatility and difficulties in the settlement and recording of securities transactions, and in interpreting and applying the relevant law and regulations. The securities industries in these countries are comparatively underdeveloped. Stockbrokers and other intermediaries in Asian emerging market countries may not perform as well as their counterparts in the United States and other more developed securities markets. Certain Asian emerging market countries may require substantial withholding on dividends paid on portfolio securities and on realized capital gains. There can be no assurance that repatriation of the fund's income, gains or initial capital from these countries can occur.

Investments in Chinese securities, including certain Hong Kong-listed securities, subject a fund to risks specific to China. Investments in certain Hong Kong-listed securities may also subject a fund to exposure to Chinese companies. China may be subject to considerable degrees of economic, political and social instability. China is an emerging market and demonstrates significantly higher volatility from time to time in comparison to developed markets. Over the last few decades, the Chinese government has undertaken reform of economic and market practices and has expanded the sphere of private ownership of property in China. However, Chinese markets generally continue to experience inefficiency, volatility and pricing anomalies resulting from governmental influence, a lack of publicly available information and/or political and social instability. Internal social unrest or confrontations with other neighboring countries, including military conflicts in response to such events, may also disrupt economic development in China and result in a greater risk of currency fluctuations, currency non-convertibility, interest rate fluctuations and higher rates of inflation. China has experienced security concerns, such as terrorism and strained international relations. Additionally, China is alleged to have participated in state-sponsored cyberattacks against foreign companies and foreign governments. Actual and threatened responses to such activity, including purchasing restrictions, sanctions, tariffs or cyberattacks on the Chinese government or Chinese companies, may impact China's economy and Chinese issuers of securities. From time to time and as recently as January 2020, China has experienced outbreaks of infectious illnesses, and the country may be subject to other public health threats, infectious illnesses, diseases or similar issues in the future. Any spread of an infectious illness, public health threat or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on the Chinese economy, which in turn could adversely affect a fund's investments.
Investing in Russia and other Eastern European Countries. Many formerly communist, eastern European countries have experienced significant political and economic reform over the past decade. However, the democratization process is still relatively new in a number of the smaller states and political turmoil and popular uprisings remain threats. Investments in these countries are particularly subject to political, economic, legal, market and currency risks. The risks include uncertain political and economic policies and the risk of nationalization or expropriation of assets, short-term market volatility, poor accounting standards, corruption and crime, an inadequate regulatory system, unpredictable taxation, the imposition of capital controls and/or foreign investment limitations by a country and the imposition of sanctions on an Eastern European country by other countries, such as the U.S. Adverse currency exchange rates are a risk, and there may be a lack of available currency hedging instruments.

These securities markets, as compared to U.S. markets, have significant price volatility, less liquidity, a smaller market capitalization and a smaller number of exchange-traded securities. A limited volume of trading may result in difficulty in obtaining accurate prices and trading. There is little publicly available information about issuers. Settlement, clearing and registration of securities transactions are subject to risks because of insufficient registration systems that may not be subject to effective government supervision. This may result in significant delays or problems in registering the transfer of shares. It is possible that a fund's ownership rights could be lost through fraud or negligence. While applicable regulations may impose liability on registrars for losses resulting from their errors, it may be difficult for a fund to enforce any rights it may have against the registrar or issuer of the securities in the event of loss of share registration.

Political risk in Russia remains high, and steps that Russia may take to assert its geopolitical influence may increase the tensions in the region and affect economic growth. Russia's economy is heavily dependent on exportation of natural resources, which may be particularly vulnerable to economic sanctions by other countries during times of political tension or crisis.

In response to recent political and military actions undertaken by Russia, the United States and certain other countries, as well as the European Union, have instituted economic sanctions against certain Russian individuals and companies. The political and economic situation in Russia, and the current and any future sanctions or other government actions against Russia, may result in the decline in the value and liquidity of Russian securities, devaluation of Russian currency, a downgrade in Russia's credit rating, the inability to freely trade sanctioned companies (either due to the sanctions imposed or related operational issues) and/or other adverse consequences to the Russian economy, any of which could negatively impact a fund's investments in Russian securities. Sanctions could result in the immediate freeze of Russian securities, impairing the ability of a fund to buy, sell, receive or deliver those securities. Both the current and potential future sanctions or other government actions against Russia also could result in Russia taking counter measures or retaliatory actions, which may impair further the value or liquidity of Russian securities and negatively impact a fund. Any or all of these potential results could lead Russia's economy into a recession.

Depositary Receipts and New York Shares. Securities of foreign issuers in the form of ADRs, EDRs and GDRs and other forms of depositary receipts may not necessarily be denominated in the same currency as the securities into which they may be converted. ADRs are receipts typically issued by a U.S. bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. EDRs are receipts issued in Europe, and GDRs are receipts issued outside the United States typically by non-U.S. banks and trust companies that evidence ownership of either foreign or domestic securities. Generally, ADRs in registered form are designed for use in the U.S. securities markets, EDRs in bearer form are designed for use in Europe, and GDRs in bearer form are designed for use outside the United States. New York Shares are securities of foreign companies that are issued for trading in the United States. New York Shares are traded in the United States on national securities exchanges or in the over-the-counter market.

Depositary receipts may be purchased through "sponsored" or "unsponsored" facilities. A sponsored facility is established jointly by the issuer of the underlying security and a depositary. A depositary may establish an unsponsored facility without participation by the issuer of the deposited security. Holders of unsponsored depositary receipts generally bear all the costs of such facilities, and the depositary of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security or to pass through voting rights to the holders of such receipts in respect of the deposited securities. Purchases or sales of certain ADRs may result, indirectly, in fees being paid to the Depositary Receipts Division of The Bank of New York Mellon, an affiliate of the Manager, by brokers executing the purchases or sales.
Sovereign Debt Obligations. Investments in sovereign debt obligations involve special risks which are not present in corporate debt obligations. The foreign issuer of the sovereign debt or the foreign governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and a fund may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt, and the NAV of a fund, to the extent it invests in such securities, may be more volatile than prices of U.S. debt issuers. In the past, certain foreign countries have encountered difficulties in servicing their debt obligations, withheld payments of principal and interest and declared moratoria on the payment of principal and interest on their sovereign debt.

A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange, the relative size of the debt service burden, the sovereign debtor's policy toward principal international lenders and local political constraints. Sovereign debtors may also be dependent on expected disbursements from foreign governments, multilateral agencies and other entities to reduce principal and interest arrearages on their debt. The failure of a sovereign debtor to implement economic reforms, achieve specified levels of economic performance or repay principal or interest when due may result in the cancellation of third party commitments to lend funds to the sovereign debtor, which may further impair such debtor's ability or willingness to service its debts.

Moreover, no established secondary markets may exist for many of the sovereign debt obligations in which a fund may invest. Reduced secondary market liquidity may have an adverse effect on the market price and a fund's ability to dispose of particular instruments when necessary to meet its liquidity requirements or in response to specific economic events such as a deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for certain sovereign debt obligations also may make it more difficult for a fund to obtain accurate market quotations for purposes of valuing its portfolio. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices of actual sales.

Sovereign Debt Obligations of Emerging Market Countries. Investing in foreign government obligations and the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. The ability and willingness of sovereign obligors in emerging market countries or the governmental authorities that control repayment of their external debt to pay principal and interest on such debt when due may depend on general economic and political conditions within the relevant country. Certain countries in which a fund may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate trade difficulties and extreme poverty and unemployment. Many of these countries also are characterized by political uncertainty or instability. Additional factors which may influence the ability or willingness to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy towards the International Monetary Fund, the World Bank and other international agencies. The ability of a foreign sovereign obligor to make timely payments on its external debt obligations also will be strongly influenced by the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. A governmental obligor may default on its obligations. If such an event occurs, a fund may have limited legal recourse against the issuer and/or guarantor. In some cases, remedies must be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign sovereign debt securities to obtain recourse may be subject to the political climate in the relevant country. In addition, no assurance can be given that the holders of commercial bank debt will not contest payments to the holders of other foreign sovereign debt obligations in the event of default under their commercial bank loan agreements. Sovereign obligors in emerging market countries are among the world's largest debtors to commercial banks, other governments, international financial organizations and other financial institutions. These obligors, in
the past, have experienced substantial difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. Restructuring arrangements have included, among other things, reducing and rescheduling interest and principal payments by negotiating new or amended credit agreements or converting outstanding principal and unpaid interest to Brady Bonds (discussed below), and obtaining new credit to finance interest payments. Holders of certain foreign sovereign debt securities may be requested to participate in the restructuring of such obligations and to extend further loans to their issuers. There can be no assurance that the Brady Bonds and other foreign sovereign debt securities in which a fund may invest will not be subject to similar restructuring arrangements or to requests for new credit which may adversely affect the fund's holdings. Obligations of the World Bank and certain other supranational organizations are supported by subscribed but unpaid commitments of member countries. There is no assurance that these commitments will be undertaken or complied with in the future.

**Brady Bonds.** "Brady Bonds" are securities created through the exchange of existing commercial bank loans to public and private entities in certain emerging markets for new bonds in connection with debt restructurings. In light of the history of defaults of countries issuing Brady Bonds on their commercial bank loans, investments in Brady Bonds may be viewed as speculative. Brady Bonds may be fully or partially collateralized or uncollateralized, are issued in various currencies (but primarily in U.S. dollars) and are actively traded in over-the-counter secondary markets. Brady Bonds with no or limited collateralization of interest or principal payment obligations have increased credit risk, and the holders of such bonds rely on the willingness and ability of the foreign government to make payments in accordance with the terms of such Brady Bonds. U.S. dollar-denominated collateralized Brady Bonds, which may be fixed rate bonds or floating rate bonds, generally are collateralized by Treasury zero coupon bonds having the same maturity as the Brady Bonds. One or more classes of securities ("structured securities") may be backed by, or represent interests in, Brady Bonds. The cash flow on the underlying instruments may be apportioned among the newly-issued structured securities to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to structured securities is dependent on the extent of the cash flow on the underlying instruments. See "Derivatives—Structured Securities" below.

**Eurodollar and Yankee Dollar Investments.** Eurodollar instruments are bonds of foreign corporate and government issuers that pay interest and principal in U.S. dollars generally held in banks outside the United States, primarily in Europe. Yankee Dollar instruments are U.S. dollar-denominated bonds typically issued in the United States by foreign governments and their agencies and foreign banks and corporations. Eurodollar Certificates of Deposit are U.S. dollar-denominated certificates of deposit issued by foreign branches of domestic banks; Eurodollar Time Deposits are U.S. dollar-denominated deposits in a foreign branch of a U.S. bank or in a foreign bank; and Yankee Certificates of Deposit are U.S. dollar-denominated certificates of deposit issued by a U.S. branch of a foreign bank and held in the United States. These investments involve risks that are different from investments in securities issued by U.S. issuers, including potential unfavorable political and economic developments, foreign withholding or other taxes, seizure of foreign deposits, currency controls, interest limitations or other governmental restrictions which might affect payment of principal or interest.

**Investment Companies**

The 1940 Act, subject to a fund's own more restrictive limitations, if applicable, currently limits a fund's investment in securities issued by registered and unregistered investment companies, including exchange-traded funds (discussed below), subject to certain exceptions (including those that apply for a Fund of Funds' investment in Underlying Funds), to: (1) 3% of the total voting stock of any one investment company; (2) 5% of the fund's total assets with respect to any one investment company; and (3) 10% of the fund's total assets in the aggregate. Exemptions in the 1940 Act or the rules thereunder or exemptive orders granted by the SEC may allow a fund to invest in another investment company in excess of (1), (2) and/or (3).

As a shareholder of another investment company, a fund would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that the fund bears directly in connection with its own operations.

A fund also may invest its uninvested cash reserves or cash it receives as collateral from borrowers of its portfolio securities in connection with the fund's securities lending program, in shares of one or more money market funds.
advised by BNYM Investment Adviser. In addition, a fund may invest in shares of one or more money market funds advised by BNYM Investment Adviser for strategic purposes related to the management of the fund. To the extent such fund invests in a money market fund advised by BNYM Investment Adviser for such purposes, BNYM Investment Adviser has agreed to waive a portion of its management fee payable to it by such fund equal to the management fee BNYM Investment Adviser receives from the money market fund with respect to the assets of the investing fund invested in the money market fund. Such investments will not be subject to the limitations described above.

Private Investment Funds. As with investments in registered investment companies, if a fund invests in a private investment fund, such as a "hedge fund" or private equity fund, the fund will be charged its proportionate share of the advisory fees, including any incentive compensation and other operating expenses, of the private investment fund. These fees, which can be substantial, would be in addition to the advisory fees and other operating expenses incurred by the fund. In addition, private investment funds are not registered with the SEC and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory requirements and oversight to which registered issuers are subject. There may be very little public information available about their investments and performance. Moreover, because sales of shares of private investment funds are generally restricted to certain qualified purchasers, such shares may be illiquid and it could be difficult for the fund to sell its shares at an advantageous price and time. Finally, because shares of private investment funds are not publicly traded, a fair value for the fund's investment in these companies typically will have to be determined under policies approved by the board.

Exchange-Traded Funds and Similar Exchange-Traded Products (ETFs)

Although certain ETFs are actively managed, most ETFs are designed to provide investment results that generally correspond to the performance of the component securities or commodities of a benchmark index. ETF shares are listed on an exchange, and shares are generally purchased and sold in the secondary market at market price. At times, the market price may be at a premium or discount to the ETF's per share NAV. In addition, ETFs are subject to the risk that an active trading market for an ETF's shares may not develop or be maintained. Because shares of ETFs trade on an exchange, they may be subject to trading halts on the exchange. Trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or market-wide "circuit breakers" (which are tied to large decreases in stock prices) halt stock trading generally.

The values of ETFs' shares are subject to change as the values of their respective component securities or commodities fluctuate according to market volatility (although, as noted above, the market price of an ETF's shares may be at a premium or discount to the ETF's per share NAV). The price of an ETF's shares can fluctuate within a wide range, and a fund could lose money investing in an ETF if the prices of the securities or commodities owned by the ETF go down. Investments in ETFs that are designed to correspond to an index of securities involve certain inherent risks generally associated with investments in a portfolio of such securities, including the risk that the general level of securities prices may decline, thereby adversely affecting the value of ETFs invested in by a fund. Similarly, investments in ETFs that are designed to correspond to commodity returns involve certain inherent risks generally associated with investment in commodities. Moreover, investments in ETFs designed to correspond to indexes of securities may not exactly match the performance of a direct investment in the respective indexes to which they are intended to correspond due to the temporary unavailability of certain index securities in the secondary market or other extraordinary circumstances, such as discrepancies with respect to the weighting of securities.

With respect to a fund's investments in ETFs, the fund may enter into an agreement with certain ETFs pursuant to SEC exemptive orders obtained by the ETFs, and on which the fund may rely, that permit the fund to invest in excess of the limits in the 1940 Act and the rules thereunder. These agreements and orders also may require the Manager to vote the fund's ETF shares in proportion to votes cast by other ETF stockholders and may subject the fund to other requirements in connection with investments in these ETFs.

Exchange-Traded Notes

ETNs are senior, unsecured, unsubordinated debt securities whose returns are linked to the performance of a particular market benchmark or strategy minus applicable fees. ETNs are traded on an exchange (e.g., the NYSE)
during normal trading hours. However, investors can also hold the ETN until maturity. At maturity, the issuer pays to the investor a cash amount equal to the principal amount, subject to adjustment for the market benchmark or strategy factor.

ETNs do not make periodic coupon payments or provide principal protection. ETNs are subject to credit risk, and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark or strategy remaining unchanged. The value of an ETN may also be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying assets, changes in the applicable interest rates, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the referenced underlying asset. When a fund invests in an ETN, it will bear its proportionate share of any fees and expenses borne by the ETN. These fees and expenses generally reduce the return realized at maturity or upon redemption from an investment in an ETN; therefore, the value of the index underlying the ETN must increase significantly in order for an investor in an ETN to receive at least the principal amount of the investment at maturity or upon redemption. A fund's decision to sell ETN holdings may be limited by the availability of a secondary market.

Master Limited Partnerships (MLPs)

Although MLP investments may take many forms, a fund investing in MLPs would be expected to invest primarily in MLPs that are classified as partnerships for U.S. federal income tax purposes ("Pass-Thru MLPs") and whose interests or "units" are traded on securities exchanges like shares of corporate stock. A typical Pass-Thru MLP consists of a general partner and limited partners. The general partner manages the partnership, has an ownership stake in the partnership and is typically eligible to receive an incentive distribution. The limited partners provide capital to the partnership, have a limited (if any) role in the operation and management of the partnership and receive cash distributions. Due to their partnership structure, Pass-Thru MLPs generally do not pay income taxes.

MLP common units and other equity securities can be affected by macroeconomic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the relevant business sector(s), changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). Prices of common units of individual MLPs and other equity securities also can be affected by fundamentals unique to the MLP, including earnings power and coverage ratios. Investing in MLPs also involves certain risks related to investing in the underlying assets of the MLPs. Holders of partnership MLP units, either as general or limited partners, could potentially become subject to liability for all of the obligations of the MLP under certain circumstances, such as if a court determines that the rights of the unitholders to take certain action under the limited partnership agreement would constitute "control" of the business of that MLP, or if a court or governmental agency determines that the MLP is conducting business in a state without complying with the limited partnership statute of that state.

The benefit derived from a fund's investment in Pass-Thru MLPs is largely dependent on those MLPs being treated as partnerships for U.S. federal income tax purposes. A change in current tax law (or the interpretation thereof), or a change in the business of a Pass-Thru MLP, could result in that MLP being treated as a corporation for U.S. federal income tax purposes, which would result in the MLP being required to pay U.S. federal income tax on its taxable income. Thus, if any of the Pass-Thru MLPs owned by a fund were treated as corporations for U.S. federal income tax purposes, the after-tax return to the fund with respect to its investment in such MLPs would be materially reduced, which could cause a decline in the value of the fund's shares.

Some limited liability companies ("LLCs") may be treated as Pass-Thru MLPs for federal income tax purposes. Similar to other Pass-Thru MLPs, these LLCs typically do not pay federal income tax at the entity level and are required by their operating agreements to distribute a large percentage of their current operating earnings. In contrast to other MLPs, these LLCs have no general partner and there are no incentives that entitle management or other unitholders to increased percentages of cash distributions as distributions reach higher target levels. In addition, LLC common unitholders typically have voting rights with respect to the LLC units, whereas MLP common units have limited voting rights.

MLP interests in which a fund may invest include MLP common units, MLP subordinated interests, MLP convertible subordinated units, MLP preferred units, MLP general partner interests, MLP debt securities, equity and
debt securities issued by affiliates of MLPs, MLP I-Shares and private investment in public equities ("PIPEs"), each as described below. A fund may invest in more than one class of an MLP’s interests, and the classes may have different voting, trading and/or distribution features or rights.

MLP Common Units. The common units of many MLPs are listed and traded on U.S. securities exchanges such as the NYSE or the NASDAQ. MLP common units can be purchased through open market transactions and underwritten offerings, and may also be acquired through direct placements and privately negotiated transactions. Holders of MLP common units typically have very limited control and voting rights. Unlike stockholders of a corporation, common unitholders do not elect directors annually and generally have the right to vote only on certain significant events, such as mergers, a sale of substantially all of the assets, removal of the general partner or material amendments to the partnership agreement. Holders of such common units are typically entitled to receive a minimum quarterly distribution ("MQD") from the issuer and typically have a right, to the extent that an MLP fails to make a previous MQD, to recover in future distributions the amount by which the MQD was short ("arrearage rights"). Generally, an MLP must pay (or set aside for payment) the MQD to holders of common units before any distributions may be paid to subordinated unitholders. In addition, incentive distributions are typically not paid to the general partner unless the quarterly distributions on the common units exceed specified threshold levels above the MQD. In the event of a liquidation, common unitholders are intended to have a preference with respect to the remaining assets of the issuer over holders of subordinated units. Additionally, the general partner may have the right to require common unitholders to sell their common units at an undesirable time or price.

MLP Subordinated Units. Subordinated units, which, like common units, represent limited partner interests, are not typically listed or traded on an exchange. Outstanding subordinated units may be purchased through negotiated transactions directly with holders of such units or newly issued subordinated units directly from the issuer. Holders of such subordinated units are generally entitled to receive a distribution only after the MQD and any arrearages from prior quarters have been paid to holders of common units. Holders of subordinated units typically have the right to receive distributions before any incentive distributions are payable to the general partner. Subordinated units generally do not provide arrearage rights. Most MLP subordinated units are convertible into common units after the passage of a specified period of time or upon the achievement by the issuer of specified financial goals.

MLP Convertible Subordinated Units. MLP convertible subordinated units are typically issued by MLPs to founders, corporate general partners of MLPs, entities that sell assets to MLPs and institutional investors. The issuance of convertible subordinated units increases the likelihood that, during the subordination period, there will be available cash to be distributed to common unitholders. MLP convertible subordinated units generally are not entitled to distributions until holders of common units have received their specified MQD, plus any arrearages, and may receive less than common unitholders in distributions upon liquidation. Convertible subordinated unitholders generally are entitled to MQD prior to the payment of incentive distributions to the general partner, but are not entitled to arrearage rights. Therefore, MLP convertible subordinated units generally entail greater risk than MLP common units. Convertible subordinated units are generally convertible automatically into senior common units of the same issuer at a one-to-one ratio upon the passage of time or the satisfaction of certain financial tests. Convertible subordinated units do not trade on a national exchange or over-the-counter, and there is no active market for them. The value of a convertible subordinated unit is a function of its worth if converted into the underlying common units. Convertible subordinated units generally have similar voting rights as do MLP common units. Distributions may be paid in cash or in-kind.

MLP Preferred Units. MLP preferred units are not typically listed or traded on an exchange. MLP preferred units may be purchased through negotiated transactions directly with MLPs, affiliates of MLPs and institutional holders of such units. Holders of MLP preferred units can be entitled to a wide range of voting and other rights, depending on the structure of each separate security.

MLP General Partner Interests. The general partner interest in an MLP is typically retained by the original sponsors of an MLP, such as its founders, corporate partners and entities that sell assets to the MLP. The holder of the general partner interest can be liable in certain circumstances for amounts greater than the amount of the holder’s investment in the general partner. General partner interests often confer direct board participation rights in, and in many cases control over the operations of, the MLP. General partner interests can be privately held or owned by publicly traded entities. General partner interests receive cash distributions, typically in an amount of up to 2% of
available cash, which is contractually defined in the partnership agreement. In addition, holders of general partner interests typically receive incentive distribution rights ("IDRs"), which provide them with an increasing share of the entity's aggregate cash distributions upon the payment of per common unit distributions that exceed specified threshold levels above the MQD. Incentive distributions to a general partner are designed to encourage the general partner, who controls and operates the MLP, to maximize cash flow and increase distributions to the limited partners. Due to the IDRs, general partners of MLPs have higher distribution growth prospects than their underlying MLPs, but quarterly incentive distribution payments would also decline at a greater rate than the decline rate in quarterly distributions to common and subordinated unitholders in the event of a reduction in the MLP's quarterly distribution. The ability of the limited partners or members to remove the general partner without cause is typically very limited. In addition, some MLPs permit the holder of IDRs to reset, under specified circumstances, the incentive distribution levels and receive compensation in exchange for the distribution rights given up in the reset. MLPs have liabilities, such as litigation, environmental liability and regulatory proceedings related to their business operations or transactions. To the extent that actual outcomes differ from management's estimates, earnings would be affected. If recorded liabilities are not adequate, earnings would be reduced. To the extent that an MLP incurs liability for which there was an inadequate offsetting liability recorded, or if reserves or insurance are not available to satisfy an MLP's liabilities, the MLP's general partner would be liable for those amounts, which could be in excess of its investment in the MLP. However, MLP general partners typically are structured as limited partnerships or limited liability companies in order to limit their liability to the creditors of the MLP to the amount of capital the general partner has invested in the MLP.

**MLP Debt Securities.** Debt securities issued by MLPs may include those rated below investment grade. Investments in such securities may not offer the tax characteristics of equity securities of MLPs.

**Equity and Debt Securities Issued by Affiliates of MLPs.** A fund may invest in equity and debt securities issued by affiliates of MLPs, including the general partners of MLPs and companies that own MLP general partner interests and are energy companies. Such issuers may be organized and/or taxed as corporations and therefore may not offer the advantageous tax characteristics of MLP units. Such other MLP equity securities may be purchased through market transactions and through direct placements.

**MLP I-Shares.** I-Shares (also called "I-Units" and "institutional units") represent an ownership interest issued by an affiliate of an MLP and typically are issued as publicly traded limited liability company interests. The MLP affiliate uses the proceeds from the sale of I-Shares to purchase limited partnership interests in the MLP. I-Shares represent an indirect limited partner interest in the MLP. I-Shares have features similar to MLP common units in terms of voting rights, liquidation preference and distributions. I-Share holders typically have the right to vote as a class on certain issues affecting an MLP that would have a material adverse effect on the rights of the MLP's I-Share holders. I-Shares differ from MLP common units primarily in that, instead of receiving cash distributions, holders of I-Shares receive distributions of additional I-Shares in an amount equal to the cash distributions received by common unitholders of the MLP. I-Shares also bear additional costs associated with a separate, publicly-traded legal entity, including auditing, accounting and legal expenses, SEC filing fees and other compliance costs, which expenses may be duplicative of the MLP's expenses. A fund will receive taxable income from its ownership of I-Shares when they are sold or exchanged, or the MLP is liquidated. I-Shares are not redeemable at the holder's option, and trade on a national stock exchange in the secondary market. I-Shares may be thinly traded, based on investors' perceptions of the MLP's value. The market price of I-Shares may be affected by dividend or distribution levels, stability of dividends or distributions and general market and economic conditions. These factors may result in the market price of the I-Shares being less than the value of its net assets. This means that I-Shares may trade at a discount to the price of the MLP's common units. Issuers of MLP I-Shares are treated as corporations and not partnerships for tax purposes.

**PIPEs.** The Adviser may elect to invest in PIPEs and other unregistered or otherwise restricted securities issued by public MLPs and similar entities, including unregistered MLP preferred units. The Adviser expects most such private securities to be liquid within six to nine months of funding, but may also invest in other private securities with significantly longer or shorter restricted periods. PIPEs involve the direct placement of equity securities to a purchaser such as a fund. Equity issued in this manner is often unregistered and therefore less liquid than equity issued through a public offering. Such private equity offerings provide issuers greater flexibility in structure and timing as compared to public offerings.
Derivatives

Depending on the fund, derivatives may be used for a variety of reasons, including to (1) hedge to seek to mitigate certain market, interest rate or currency risks; (2) to manage the maturity or the interest rate sensitivity (sometimes called duration) of fixed-income securities; (3) to provide a substitute for purchasing or selling particular securities to reduce portfolio turnover, to seek to obtain a particular desired return at a lower cost to a fund than if the fund had invested directly in an instrument yielding the desired return, such as when a fund "equitizes" available cash balances by using a derivative instrument to gain exposure to relevant equity investments or markets consistent with its investment objective and policies, or for other reasons; or (4) to seek to increase potential returns. Generally, a derivative is a financial contract whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates and related indexes. Derivatives may provide a cheaper, quicker or more specifically focused way to invest than "traditional" securities would. Examples of derivative instruments include futures contracts, options, swap agreements, contracts for difference, forward volatility agreements, credit linked securities, credit derivatives, structured securities and hybrid instruments, exchange-linked notes, participation notes, custodial receipts and currency forward contracts. Whether or not a fund may use some or all of these derivatives varies by fund. In addition, a fund's portfolio managers may decide not to employ some or all of these strategies, and there is no assurance that any derivatives strategy used by the fund will succeed.

Risks. Successful use of certain derivatives may be a highly specialized activity that requires skills that may be different than the skills associated with ordinary portfolio securities transactions. If the Adviser is incorrect in its forecasts of market factors, or a counterparty defaults, investment performance would diminish compared with what it would have been if derivatives were not used. Successful use of derivatives by a fund also is subject to the Adviser's ability to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the securities or position being hedged and the price movements of the corresponding derivative position. For example, if a fund enters into a derivative position to hedge against the possibility of a decline in the market value of securities held in its portfolio and the prices of such securities instead increase, the fund will lose part or all of the benefit of the increased value of securities which it has hedged because it will have offsetting losses in the derivative position.

It is possible that developments in the derivatives markets, including potential government regulation, could adversely affect the ability to terminate existing derivatives positions or to realize amounts to be received in such transactions.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives permit a fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the fund can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities. However, derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the fund's performance. Derivatives involve greater risks than if a fund had invested in the reference obligation directly.

An investment in derivatives at inopportune times or when market conditions are judged incorrectly may lower return or result in a loss. A fund could experience losses if its derivatives were poorly correlated with underlying instruments or the fund's other investments or if the fund were unable to liquidate its position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Over-the-Counter Derivatives. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter derivatives. Exchange-traded derivatives, primarily futures contracts and options, generally are guaranteed by the clearing agency that is the issuer or counterparty to such derivatives. This guarantee usually is supported by a variation margin payment system operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. In contrast, no clearing agency guarantees over-the-counter derivatives. Therefore, each party to an over-the-counter derivative bears the risk that the counterparty will default. Accordingly, the Adviser will consider the creditworthiness of counterparties to over-the-counter derivatives in the same manner as it would review the credit quality of a security to be purchased by a fund. Over-the-counter derivatives are less liquid than exchange-traded derivatives since the other party to the
transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. Derivatives that are considered illiquid will be subject to a fund's limit on illiquid investments.

**Leverage.** Some derivatives may involve leverage (e.g., an instrument linked to the value of a securities index may return income calculated as a multiple of the price movement of the underlying index). This economic leverage will increase the volatility of these instruments as they may increase or decrease in value more quickly than the underlying security, index, futures contract, currency or other economic variable. Pursuant to regulations and/or published positions of the SEC, a fund may be required to segregate permissible liquid assets, or engage in other measures approved by the SEC or its staff, to "cover" the fund's obligations relating to its transactions in derivatives. For example, in the case of futures contracts or forward contracts that are not contractually required to cash settle, a fund must set aside liquid assets equal to such contracts' full notional value (generally, the total numerical value of the asset underlying a future or forward contract at the time of valuation) while the positions are open. With respect to futures contracts or forward contracts that are contractually required to cash settle, however, a fund is permitted to set aside liquid assets in an amount equal to the fund's daily marked-to-market net obligation (i.e., the fund's daily net liability) under the contracts, if any, rather than such contracts' full notional value. By setting aside assets equal to only its net obligations under cash-settled derivatives, a fund may employ leverage to a greater extent than if the fund were required to segregate assets equal to the full notional value of such contracts. Requirements to maintain cover might impair a fund's ability to sell a portfolio security, meet redemption requests or other current obligations, or make an investment at a time when it would otherwise be favorable to do so, or require that the fund sell a portfolio security at a disadvantageous time.

**Options and Futures Contracts.** Options and futures contracts prices can diverge from the prices of their underlying instruments. Options and futures contracts prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect the prices of the underlying instruments in the same way. Imperfect correlation may also result from differing levels of demand in the options and futures markets and the securities markets, from structural differences in how options and futures and securities are traded, or from imposition of daily price fluctuation limits or trading halts. A fund may purchase or sell options and futures contracts with a greater or lesser value than any securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in a fund's options or futures positions used for hedging purposes are poorly correlated with the investments the fund is attempting to hedge, the options or futures positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

**CEA Regulation.** Each fund, except the CPO Funds, is operated by the Manager in reliance on an exclusion, granted to operators of registered investment companies such as the funds, from registration as a "commodity pool operator" with respect to the fund under the CEA and, therefore is not subject to registration or regulation with respect to those funds under the CEA. Although the Manager has been registered as a "commodity trading advisor" and "commodity pool operator" with the National Futures Association since December 19, 2012 and January 1, 2013, respectively, the Manager relies on the exemption in Regulation 4.14(a)(8) to provide commodity interest trading advice to the funds for which it relies on the Regulation 4.5 exclusion from the definition of "commodity pool operator."

The funds, except the CPO Funds, may be limited in their ability to use commodity futures or options thereon, engage in certain swap transactions or make certain other investments (collectively, "commodity interests") if the Manager continues to claim the exclusion from the definition of CPO with respect to such funds. In order for the Manager to be eligible to continue to claim this exclusion, if a fund uses commodity interests other than for bona fide hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums required to establish those positions (after taking into account unrealized profits and unrealized losses on any such positions and excluding the amount by which options are "in-the-money" at the time of purchase) may not exceed 5% of the fund's NAV, or, alternatively, the aggregate net notional value of those positions, as determined at the time the most recent position was established, may not exceed 100% of the fund's NAV (after taking into account unrealized profits and unrealized losses on any such positions). In addition to meeting one of the foregoing trading limitations, a fund may not market itself as a commodity pool or otherwise as a vehicle for trading in the commodity futures, commodity options or swaps markets. Even if a fund's direct use of commodity interests complies with the trading limitations described above, the fund may have indirect exposure to commodity interests in excess of such limitations. Such exposure may result from the fund's investment in other investment vehicles, including investment companies that are not managed by the Manager or one of its affiliates, certain securitized vehicles that may invest in commodity
interests and/or non-equity REITs that may invest in commodity interests (collectively, “underlying funds”). Because the Manager may have limited or no information as to the commodity interests in which an underlying fund invests at any given time, the CFTC has issued temporary no-action relief permitting registered investment companies, such as the funds, to continue to rely on the exclusion from the definition of CPO. The Manager, on behalf of the funds, has filed the required notice to claim this no-action relief. In order to rely on the temporary no-action relief, the Manager must meet certain conditions and the funds must otherwise comply with the trading and market limitations described above with respect to their direct investments in commodity interests.

The Manager does not claim an exclusion from the definition of CPO with respect to the CPO Funds and, as a result, the CPO Funds are not subject to the trading and marketing limitations discussed above with respect to their use of commodity interests. The Manager has registered as a CPO with the NFA and will operate the CPO Funds in compliance with applicable CFTC regulations, in addition to all applicable SEC regulations. The CFTC has adopted rules (the "Harmonization Rules") with respect to the compliance obligations of advisers that operate registered investment companies subject to CEA regulation, such as the CPO Funds. Under the Harmonization Rules, the Manager will be deemed to have fulfilled its disclosure, reporting and recordkeeping obligations under applicable CFTC regulations with respect to the CPO Funds by complying with comparable SEC regulations, subject to certain notice filings with the NFA and disclosures in the CPO Funds' prospectuses.

If a fund, except the CPO Funds, were to invest in commodity interests in excess of the trading limitations discussed above and/or market itself as a vehicle for trading in the commodity futures, commodity options or swaps markets, the Manager would withdraw its exclusion from the definition of CPO with respect to the fund and the Manager would become subject to regulation as a CPO, and would need to comply with the Harmonization Rules, with respect to that fund, in addition to all applicable SEC regulations.

Specific Types of Derivatives

Futures Contracts. A futures contract is an agreement between two parties to buy and sell a security or other asset for a set price on a future date. When a fund sells a futures contract, it incurs an obligation to deliver a specified amount of the obligation underlying the futures contract at a specified time in the future for an agreed upon price. With respect to index futures, no physical transfer of the securities underlying the index is made. Rather, the parties settle by exchanging in cash an amount based on the difference between the contract price and the closing value of the index on the settlement date. An option on a futures contract gives the holder of the option the right to buy from or sell to the writer of the option a position in a futures contract at a specified price on or before a specified expiration date. When a fund writes an option on a futures contract, it becomes obligated, in return for the premium paid, to assume a position in a futures contract at a specified exercise price at any time during the term of the option. If the fund has written a call option, it assumes a short futures position. If the fund has written a put option, it assumes a long futures position. When a fund purchases an option on a futures contract, it acquires the right, in return for the premium it pays, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put). The purchase of futures or call options on futures can serve as a long hedge, and the sale of futures or the purchase of put options on futures can serve as a short hedge. Writing call options on futures contracts can serve as a limited short hedge, using a strategy similar to that used for writing call options on securities or indexes. Similarly, writing put options on futures contracts can serve as a limited long hedge.

Futures contracts are traded on exchanges, so that, in most cases, either party can close out its position on the exchange for cash, without delivering the security or other asset. Although some futures contracts call for making or taking delivery of the underlying securities or other asset, generally these obligations are closed out before delivery by offsetting purchases or sales of matching futures contracts (same exchange, underlying asset, and delivery month). Closing out a futures contract sale is effected by purchasing a futures contract for the same aggregate amount of the specific type of financial instrument with the same delivery date. If an offsetting purchase price is less than the original sale price, a fund realizes a capital gain, or if it is more, a fund realizes a capital loss. Conversely, if an offsetting sale price is more than the original purchase price, a fund realizes a capital gain, or if it is less, a fund realizes a capital loss. Transaction costs also are included in these calculations.

Engaging in these transactions involves risk of loss to a fund which could adversely affect the value of the fund's net assets. No assurance can be given that a liquid market will exist for any particular contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices.
during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially leading to substantial losses.

A fund may engage in futures transactions in foreign markets to the extent consistent with applicable law and the fund's ability to invest in foreign securities. Foreign futures markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the United States. Foreign markets, however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits that a fund might realize in trading could be eliminated by adverse changes in the currency exchange rate, or the fund could incur losses as a result of those changes.

Futures contracts and options on futures contracts include those with respect to securities, securities indexes, interest rates and foreign currencies and Eurodollar contracts, to the extent a fund can invest in the underlying reference security, instrument or asset.

- **Security Futures Contract.** A security future obligates a fund to purchase or sell an amount of a specific security at a future date at a specific price.

- **Index Futures Contract.** An index future obligates a fund to pay or receive an amount of cash based upon the change in value of the index based on the prices of the securities that comprise the index.

- **Interest Rate Futures Contract.** An interest rate future obligates a fund to purchase or sell an amount of a specific debt security at a future date at a specific price (or, in some cases, to settle an equivalent amount in cash).

- **Foreign Currency Futures Contract.** A foreign currency future obligates a fund to purchase or sell an amount of a specific currency at a future date at a specific price.

- **Eurodollar Contracts.** A Eurodollar contract is a U.S. dollar-denominated futures contract or option thereon which is linked to the LIBOR, although foreign currency-denominated instruments are available from time to time. Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowings. Certain funds might use Eurodollar futures contracts and options thereon to hedge against changes in LIBOR, to which many interest rate swaps and fixed-income instruments are linked.

**Options.** A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security, securities or other asset at the exercise price at any time during the option period, or at a specific date. Conversely, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security, securities or other asset at the exercise price at any time during the option period, or at a specific date. A fund receives a premium from writing an option which it retains whether or not the option is exercised.

A covered call option written by a fund is a call option with respect to which the fund owns the underlying security or otherwise covers the transaction such as by segregating permissible liquid assets. The principal reason for writing covered call options is to realize, through the receipt of premiums, a greater return than would be realized on the underlying securities alone.

Options may be traded on U.S. or, to the extent a fund may invest in foreign securities, foreign securities exchanges or in the over-the-counter market. There is no assurance that sufficient trading interest to create a liquid secondary market on a securities exchange will exist for any particular option or at any particular time, and for some options no such secondary market may exist. A liquid secondary market in an option may cease to exist for a variety of reasons. In the past, for example, higher than anticipated trading activity or order flow, or other unforeseen events, at times have rendered certain of the clearing facilities inadequate and resulted in the institution of special procedures, such as trading rotations, restrictions on certain types of orders or trading halts or suspensions in one or
more options. There can be no assurance that similar events, or events that may otherwise interfere with the timely execution of customers' orders, will not recur. In such event, it might not be possible to effect closing transactions in particular options. If, as a covered call option writer, a fund is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise or it otherwise covers its position.

Purchases or sales of options on exchanges owned by The NASDAQ OMX Group, Inc. may result, indirectly, in a portion of the transaction and other fees assessed on options trading being paid to The Bank of New York Mellon, an affiliate of the Manager, as the result of an arrangement between The NASDAQ OMX Group, Inc. and The Bank of New York Mellon.

Call and put options in which a fund may invest include the following, in each case, to the extent that a fund can invest in such securities or instruments (or securities underlying an index, in the case of options on securities indexes).

- **Options on Securities.** Call and put options on specific securities (or groups or "baskets" of specific securities), including equity securities (including convertible securities), U.S. Government securities, municipal securities, mortgage-related securities, asset-backed securities, foreign sovereign debt, corporate debt securities or Eurodollar instruments, convey the right to buy or sell, respectively, the underlying securities at prices which are expected to be lower or higher than the current market prices of the securities at the time the options are exercised.

- **Options on Securities Indexes.** An option on an index is similar to an option in respect of specific securities, except that settlement does not occur by delivery of the securities comprising the index. Instead, the option holder receives an amount of cash if the closing level of the index upon which the option is based is greater in the case of a call, or less, in the case of a put, than the exercise price of the option. Thus, the effectiveness of purchasing or writing index options will depend upon price movements in the level of the index rather than the price of a particular security.

- **Foreign Currency Options.** Call and put options on foreign currency convey the right to buy or sell the underlying currency at a price which is expected to be lower or higher than the spot price of the currency at the time the option is exercised or expires.

**Swap Agreements.** Swap agreements involve the exchange by a fund with another party of their respective commitments to pay or receive payments at specified dates based upon or calculated by reference to changes in specified prices or rates (e.g., interest rates in the case of interest rate swaps) based on a specified amount (the "notional") amount. Some swaps are, and more in the future will be, centrally cleared. Swaps that are centrally cleared are subject to the creditworthiness of the clearing organizations involved in the transaction. For example, a fund could lose margin payments it has deposited with a clearing organization as well as the net amount of gains not yet paid by the clearing organization if the clearing organization breaches its agreement with the fund or becomes insolvent or goes into bankruptcy. In the event of bankruptcy of the clearing organization, the fund may be entitled to the net amount of gains the fund is entitled to receive plus the return of margin owed to it only in proportion to the amount received by the clearing organization's other customers, potentially resulting in losses to the fund. Swap agreements also may be two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year.

Swap agreements will tend to shift investment exposure from one type of investment to another. For example, if a fund agreed to exchange payments in U.S. dollars for payments in a foreign currency, the swap agreement would tend to decrease the fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a fund's investments and its share price and yield.

Most swap agreements entered into are cash settled and calculate the obligations of the parties to the agreement on a "net basis." Thus, a fund's current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount"). A fund's current obligations under a swap agreement will be accrued daily (offset against any amounts owed to the fund) and any accrued but unpaid net amounts owed to a swap
counterparty will be covered by the segregation of permissible liquid assets of the fund. A fund will enter into swap agreements only with counterparties that meet certain standards of creditworthiness (generally, such counterparties would have to be eligible counterparties under the terms of BNYM Investment Adviser's repurchase agreement guidelines).

A swap option is a contract (sometimes called "swaptions") that gives a counterparty the right (but not the obligation) in return for payment of a premium, to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms. A cash-settled option on a swap gives the purchaser the right, in return for the premium paid, to receive an amount of cash equal to the value of the underlying swap as of the exercise date. These options typically are entered into with institutions, including securities brokerage firms. Depending on the terms of the particular option agreement, a fund generally will incur a greater degree of risk when it writes a swap option than it will incur when it purchases a swap option. When a fund purchases a swap option, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised. However, when a fund writes a swap option, upon exercise of the option the fund will become obligated according to the terms of the underlying agreement.

The swaps market has been an evolving and largely unregulated market. It is possible that developments in the swaps market, including new regulatory requirements, could limit or prevent a fund's ability to utilize swap agreements or options on swaps as part of its investment strategy, terminate existing swap agreements or realize amounts to be received under such agreements, which could negatively affect the fund. As discussed above, some swaps currently are, and more in the future will be, centrally cleared, which affects how swaps are transacted. In particular, the Dodd-Frank Act, has resulted in new clearing and exchange-trading requirements for swaps and other over-the-counter derivatives. The Dodd-Frank Act also requires the CFTC and/or the SEC, in consultation with banking regulators, to establish capital requirements for swap dealers and major swap participants as well as requirements for margin on uncleared derivatives, including swaps, in certain circumstances that will be clarified by rules proposed by the CFTC and/or the SEC. In addition, the CFTC and the SEC are reviewing the current regulatory requirements applicable to derivatives, including swaps, and it is not certain at this time how the regulators may change these requirements. For example, some legislative and regulatory proposals would impose limits on the maximum position that could be held by a single trader in certain contracts and would subject certain derivatives transactions to new forms of regulation that could create barriers to certain types of investment activity. Other provisions would expand entity registration requirements; impose business conduct, reporting and disclosure requirements on dealers, recordkeeping on counterparties such as the funds; and require banks to move some derivatives trading units to a non-guaranteed (but capitalized) affiliate separate from the deposit-taking bank or divest them altogether. While some provisions of the Dodd-Frank Act have either already been implemented through rulemaking by the CFTC and/or the SEC or must be implemented through future rulemaking by those and other federal agencies, and any regulatory or legislative activity may not necessarily have a direct, immediate effect upon the funds, it is possible that, when compliance with these rules is required, they could potentially limit or completely restrict the ability of a fund to use certain derivatives as a part of its investment strategy, increase the cost of entering into derivatives transactions or require more assets of the fund to be used for collateral in support of those derivatives than is currently the case. Limits or restrictions applicable to the counterparties with which a fund engages in derivative transactions also could prevent the funds from using derivatives or affect the pricing or other factors relating to these transactions, or may change the availability of certain derivatives.

Specific swap agreements (and options thereon) include currency swaps; index swaps; interest rate swaps (including interest rate locks, caps, floors and collars); credit default swaps; inflation swaps; and total return swaps (including equity swaps), in each case, to the extent that a fund can invest in the underlying reference security, instrument or asset (or fixed-income securities, in the case of interest rate swaps, or securities underlying an index, in the case of index swaps).

- **Currency Swap Transactions.** A currency swap agreement involves the exchange of principal and interest in one currency for the same in another currency.

- **Index Swap Transactions.** An index swap agreement involves the exchange of cash flows associated with a securities or other index.

- **Interest Rate Swap Transactions.** An interest rate swap agreement involves the exchange of cash flows
based on interest rate specifications and a specified principal amount, often a fixed payment for a floating payment that is linked to an interest rate.

An interest rate lock transaction (which may also be known as a forward rate agreement) is a contract between two parties to make or receive a payment at a future date determined on the basis of a specified interest rate or yield of a particular security (the "contracted interest rate") over a predetermined time period, with respect to a stated notional amount. These transactions typically are entered as a hedge against interest rate changes. One party to the contract locks in the contracted interest rate to seek to protect against an interest rate increase, while the other party seeks to protect against a possible interest rate decline. The payment at maturity is determined by the difference between the contracted interest rate and the then-current market interest rate.

In an interest rate cap one party receives payments at the end of each period in which a specified interest rate on a specified principal amount exceeds an agreed rate; conversely, in an interest rate floor one party may receive payments if a specified interest rate on a specified principal amount falls below an agreed rate. Caps and floors have an effect similar to buying or writing options. Interest rate collars involve selling a cap and purchasing a floor, or vice versa, to protect a fund against interest rate movements exceeding given minimum or maximum levels.

- **Credit Default Swap Transactions.** Credit default swap agreements and similar agreements may have as reference obligations debt securities that are or are not currently held by a fund. The protection "buyer" in a credit default contract may be obligated to pay the protection "seller" an up front payment or a periodic stream of payments over the term of the contract provided generally that no credit event on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the "par value" (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the reference entity described in the swap, or the seller may be required to deliver the related net cash amount, if the swap is cash settled. If a fund enters into a credit default swap agreement as a seller of credit protection, it will segregate liquid assets equal to the full notional value of the swap.

- **Inflation Swap Transactions.** An inflation swap agreement involves the exchange of cash flows based on interest and inflation rate specifications and a specified principal amount, usually a fixed payment, such as the yield difference between Treasury securities and TIPS of the same maturity, for a floating payment that is linked to the consumer price index (the "CPI"). The following is an example. The swap buyer pays a predetermined fixed rate to the swap seller (or counterparty) based on the yield difference between Treasuries and TIPS of the same maturity. (This yield spread represents the market's current expected inflation for the time period covered by the maturity date.) In exchange for this fixed rate, the counterparty pays the buyer an inflation-linked payment, usually the CPI rate for the maturity period (which represents the actual change in inflation).

- **Total Return Swap Transactions.** In a total return swap agreement one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains, and recovers any capital losses from the first party. The underlying reference asset of a total return swap may include an equity index, loans or bonds.

*Contracts for Difference.* A contract for difference ("CFD") is a contract between two parties, typically described as "buyer" and "seller," stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value in the future. (If the difference is negative, then the buyer instead pays the seller.) In effect, CFDs are financial derivatives that allow a fund to take advantage of values moving up (long positions) or values moving down (short positions) on underlying assets. For example, when applied to equities, a CFD is an equity derivative that allows a fund to obtain investment exposure to share price movements, without the need for ownership of the underlying shares. CFDs are over-the-counter derivative instruments that are subject to the credit risk of the counterparty. Because CFDs are not traded on an exchange and may not have an expiration date, CFDs generally are illiquid.

*Forward Volatility Agreements.* Forward volatility agreements are agreements in which two parties agree to
exchange a straddle option (holding a position in both call and put options with the same exercise price and expiration date, allowing the holder to profit regardless of whether the price of the underlying asset goes up or down, assuming a significant change in the price of the underlying asset) at a specific expiration date and volatility. Essentially, a forward volatility agreement is a forward contract on the realized volatility of a given underlying asset, which may be, among other things, a stock, stock index, interest rate or currency. Forward volatility agreements are over-the-counter derivative instruments that are subject to the credit risk of the counterparty.

**Credit Linked Securities.** Credit linked securities are issued by a limited purpose trust or other vehicle that, in turn, invests in a derivative instrument or basket of derivative instruments, such as credit default swaps or interest rate swaps, to obtain exposure to certain fixed-income markets or to remain fully invested when more traditional income producing securities are not available. Like an investment in a bond, an investment in these credit linked securities represents the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the security. However, these payments are conditioned on the issuer's receipt of payments from, and the issuer's potential obligations to, the counterparties to certain derivative instruments entered into by the issuer of the credit linked security. For example, the issuer may sell one or more credit default swaps entitling the issuer to receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default occurs, the stream of payments may stop and the issuer would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation.

**Credit Derivatives.** Credit derivative transactions include those involving default price risk derivatives and credit spread derivatives. Default price risk derivatives are linked to the price of reference securities or loans after a default by the issuer or borrower, respectively. Credit spread derivatives are based on the risk that changes in credit spreads and related market factors can cause a decline in the value of a security, loan or index. Credit derivatives may take the form of options, swaps, credit-linked notes and other over-the-counter instruments. The risk of loss in a credit derivative transaction varies with the form of the transaction. For example, if a fund purchases a default option on a security, and if no default occurs with respect to the security, the fund's loss is limited to the premium it paid for the default option. In contrast, if there is a default by the grantor of a default option, a fund's loss will include both the premium it paid for the option and the decline in value of any underlying security that the default option hedged (if the option was entered into for hedging purposes). If a fund is a buyer of credit protection in a credit default swap agreement and no credit event occurs, the fund recovers nothing if the swap is held through its termination date. However, if a credit event occurs, the fund may elect to receive the full notional value of the swap in exchange for an equal face amount of deliverable obligations of the reference entity that may have little or no value. As a seller of credit protection, a fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap, which typically is between six months and three years, provided that there is no credit event. If a credit event occurs, generally the seller must pay the buyer the full notional value of the swap in exchange for an equal face amount of deliverable obligations of the reference entity that may have little or no value. Unlike credit default swaps, credit-linked notes are funded balance sheet assets that offer synthetic credit exposure to a reference entity in a structure designed to resemble a synthetic corporate bond or loan. Credit-linked notes are frequently issued by special purpose vehicles that would hold some form of collateral securities financed through the issuance of notes or certificates to a fund. The fund receives a coupon and par redemption, provided there has been no credit event of the reference entity. The vehicle enters into a credit swap with a third party in which it sells default protection in return for a premium that subsidizes the coupon to compensate the fund for the reference entity default risk. A fund will enter into credit derivative transactions only with counterparties that meet certain standards of creditworthiness (generally, such counterparties would have to be eligible counterparties under the terms of the Manager's repurchase agreement guidelines).

**Structured Securities and Hybrid Instruments.**

- **Structured Securities.** Structured securities are securities whose cash flow characteristics depend upon one or more indexes or that have embedded forwards or options or securities where a fund's investment return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of underlying assets, indexes, interest rates or cash flows ("embedded index"). When a fund purchases a structured security, it will make a payment of principal to the counterparty. Some structured securities have a guaranteed repayment of principal while others place a portion (or all) of the principal at risk. Guarantees are subject to the risk of default by the counterparty or its credit provider. The terms of such
structured securities normally provide that their principal and/or interest payments are to be adjusted upwards or downwards (but not ordinarily below zero) to reflect changes in the embedded index while the structured securities are outstanding. As a result, the interest and/or principal payments that may be made on a structured security may vary widely, depending upon a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. The rate of return on structured securities may be determined by applying a multiplier to the performance or differential performance of the embedded index. Application of a multiplier involves leveraging that will serve to magnify the potential for gain and the risk of loss. Structured securities may be issued in subordinated and unsubordinated classes, with subordinated classes typically having higher yields and greater risks than an unsubordinated class. Structured securities may not have an active trading market, which may have an adverse impact on a fund's ability to dispose of such securities when necessary to meet the fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer. The lack of an active trading market also may make it more difficult for a fund to obtain accurate market quotations for purposes of valuing the fund's portfolio and calculating its NAV.

- **Hybrid Instruments.** A hybrid instrument can combine the characteristics of securities, futures and options. For example, the principal amount or interest rate of a hybrid instrument could be tied (positively or negatively) to the price of a benchmark, e.g., currency, securities index or another interest rate. The interest rate or the principal amount payable at maturity of a hybrid security may be increased or decreased, depending on changes in the value of the benchmark. Hybrids can be used as an efficient means of pursuing a variety of investment strategies, including currency hedging, duration management and increased total return. Hybrids may not bear interest or pay dividends. The value of a hybrid or its interest rate may be a multiple of a benchmark and, as a result, may be leveraged and move (up or down) more steeply and rapidly than the benchmark. These benchmarks may be sensitive to economic and political events, such as currency devaluations, which cannot be readily foreseen by the purchaser of a hybrid. Under certain conditions, the redemption value of a hybrid could be zero. Thus, an investment in a hybrid may entail significant market risks that are not associated with a similar investment in a traditional, U.S. dollar-denominated bond that has a fixed principal amount and pays a fixed rate or floating rate of interest.

*Exchange-Linked Notes.* Exchange-linked notes (“ELNs”) are debt instruments that differ from a more typical fixed-income security in that the final payout is based on the return of the underlying equity, which can be a single stock, basket of stocks, or an equity index. Usually, the final payout is the amount invested times the gain in the underlying stock(s) or index times a note-specific participation rate, which can be more or less than 100%. Most ELNs are not actively traded on the secondary market and are designed to be kept to maturity. However, the issuer or arranger of the notes may offer to buy back the ELNs, although the buy-back price before maturity may be below the original amount invested. As a result, ELNs generally are considered illiquid.

ELNs are generally subject to the same risks as the securities to which they are linked. If the linked securities decline in value, the ELN may return a lower amount at maturity. ELNs involve further risks associated with purchases and sales of notes, including any applicable exchange rate fluctuations and a decline in the credit quality of the note's issuer. ELNs are frequently secured by collateral. If an issuer defaults, the fund would look to any underlying collateral to recover its losses. Ratings of issuers of ELNs refer only to the issuers' creditworthiness and the related collateral. They provide no indication of the potential risks of the linked securities.

*Participation Notes.* Participation notes are issued by banks or broker-dealers and are designed to replicate the performance of certain equity or debt securities or markets. Participation notes are a type of derivative which generally is traded over-the-counter. The performance results of participation notes will not replicate exactly the performance of the securities or markets that the notes seek to replicate due to transaction costs and other expenses. Risks of investing in participation notes include the same risks associated with a direct investment in the underlying security or market the notes seek to replicate. Participation notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them, and a fund is relying on the creditworthiness of such banks or broker-dealers and has no rights under a participation note against the issuers of the assets underlying such participation notes, including any collateral supporting a loan participation note. The types of participation notes which a fund may use include low exercise price options (“LEPOs”) and low exercise price warrants (“LEPWs”). LEPOs, LEPWs, and other participation notes are offshore derivative instruments issued to foreign institutional
investors and their sub-accounts against underlying securities traded in emerging or frontier markets. These securities may be listed on an exchange or traded over-the-counter, and are similar to depositary receipts. As a result, the risks of investing in LEPOs, LEPWs, and other participation notes are similar to depositary receipts risk and foreign securities risk in general. Specifically these securities entail both counterparty risk—the risk that the issuer of the LEPO, LEPW, or participation note may not be able to fulfill its obligations or that the holder and counterparty or issuer may disagree as to the meaning or application of contractual terms—and liquidity risk—the risk that a liquid market may not exist for such securities.

Custodial Receipts. Custodial receipts, which may be underwritten by securities dealers or banks, represent the right to receive certain future principal and/or interest payments on a basket of securities which underlie the custodial receipts, or, in some cases, the payment obligation of a third party that has entered into an interest rate swap or other arrangement with the custodian. Underlying securities may include U.S. Government securities, municipal securities or other types of securities in which a fund may invest. A number of different arrangements are possible. In a typical custodial receipt arrangement, an issuer or a third party owner of securities deposits such securities obligations with a custodian in exchange for custodial receipts. These custodial receipts are typically sold in private placements and are designed to provide investors with pro rata ownership of a portfolio of underlying securities. For certain securities law purposes, custodial receipts may not be considered obligations of the underlying securities held by the custodian. As a holder of custodial receipts, a fund will bear its proportionate share of the fees and expenses charged to the custodial account. Although under the terms of a custodial receipt a fund typically would be authorized to assert its rights directly against the issuer of the underlying obligation, the fund could be required to assert through the custodian bank those rights as may exist against the underlying issuers. Thus, in the event an underlying issuer fails to pay principal and/or interest when due, the fund may be subject to delays, expenses and risks that are greater than those that would have been involved if the fund had purchased a direct obligation of the issuer. In addition, in the event that the custodial account in which the underlying securities have been deposited is determined to be an association taxable as a corporation, instead of a non-taxable entity, the yield on the underlying securities would be reduced in recognition of any taxes paid.

Certain custodial receipts may be synthetic or derivative instruments that have interest rates that reset inversely to changing short-term rates and/or have embedded interest rate floors and caps that require the issuer to pay an adjusted interest rate if market rates fall below or rise above a specified rate. Because some of these instruments represent relatively recent innovations, and the trading market for these instruments is less developed than the markets for more traditional types of instruments, it is uncertain how these instruments will perform under different economic and interest-rate scenarios. Also, because these instruments may be leveraged, their market values may be more volatile than other types of fixed-income instruments and may present greater potential for capital gain or loss. The possibility of default by an issuer or the issuer's credit provider may be greater for these derivative instruments than for other types of instruments.

Combined Transactions. Certain funds may enter into multiple transactions, including multiple options, futures, swap, currency and/or interest rate transactions, and any combination of options, futures, swaps, currency and/or interest rate transactions ("combined transactions"), instead of a single transaction, as part of a single or combined strategy when, in the opinion of the Adviser, it is in the best interests of the fund to do so. A combined transaction will usually contain elements of risk that are present in each of its component transactions. Although combined transactions are normally entered into based on the Adviser's judgment that the combined strategies will reduce risk or otherwise more effectively achieve the desired portfolio management goal, it is possible that the combination will instead increase such risks or hinder achievement of the portfolio management objective.

Future Developments. A fund may take advantage of opportunities in derivatives transactions which are not presently contemplated for use by the fund or which are not currently available but which may be developed, to the extent such opportunities are both consistent with the fund's investment objective and legally permissible for the fund. Before a fund enters into such transactions or makes any such investment, the fund will provide appropriate disclosure in its prospectus or this SAI.

Foreign Currency Transactions

Investments in foreign currencies, including investing directly in foreign currencies, holding financial instruments that provide exposure to foreign currencies, or investing in securities that trade in, or receive revenues in, foreign
Foreign currencies, are subject to the risk that those currencies will decline in value relative to the U.S. dollar.

Depending on the fund, foreign currency transactions could be entered into for a variety of purposes, including: (1) to fix in U.S. dollars, between trade and settlement date, the value of a security a fund has agreed to buy or sell; (2) to hedge the U.S. dollar value of securities the fund already owns, particularly if it expects a decrease in the value of the currency in which the foreign security is denominated; or (3) to gain or reduce exposure to the foreign currency for investment purposes. Foreign currency transactions may involve, for example, a fund's purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies. A short position would involve the fund agreeing to exchange an amount of a currency it did not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the currency the fund contracted to receive. A fund may engage in cross currency hedging against price movements between currencies, other than the U.S. dollar, caused by currency exchange rate fluctuations. In addition, a fund might seek to hedge against changes in the value of a particular currency when no derivative instruments on that currency are available or such derivative instruments are more expensive than certain other derivative instruments. In such cases, the fund may hedge against price movements in that currency by entering into transactions using derivative instruments on another currency or a basket of currencies, the values of which the Adviser believes will have a high degree of positive correlation to the value of the currency being hedged. The risk that movements in the price of the derivative instrument will not correlate perfectly with movements in the price of the currency being hedged is magnified when this strategy is used.

Currency hedging may substantially change a fund's exposure to changes in currency exchange rates and could result in losses if currencies do not perform as the Adviser anticipates. There is no assurance that a fund's currency hedging activities will be advantageous to the fund or that the Adviser will hedge at an appropriate time.

The cost of engaging in foreign currency exchange contracts for the purchase or sale of a specified currency at a specified future date ("forward contracts") varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward contracts are usually entered into on a principal basis, no fees or commissions are involved. Generally, secondary markets do not exist for forward contracts, with the result that closing transactions can be made for forward contracts only by negotiating directly with the counterparty to the contract. As with other over-the-counter derivatives transactions, forward contracts are subject to the credit risk of the counterparty.

Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates also can be affected unpredictably by intervention, or failure to intervene, by U.S. or foreign governments or central banks, or by currency controls or political developments in the United States or abroad.

The value of derivative instruments on foreign currencies depends on the value of the underlying currency relative to the U.S. dollar. Because foreign currency transactions occurring in the interbank market might involve substantially larger amounts than those involved in the use of foreign currency derivative instruments, a fund could be disadvantaged by having to deal in the odd lot market (generally consisting of transactions of less than $1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information generally is representative of very large transactions in the interbank market and thus might not reflect odd-lot transactions where rates might be less favorable. The interbank market in foreign currencies is a global, round-the-clock market.

Settlement of transactions involving foreign currencies might be required to take place within the country issuing the underlying currency. Thus, a fund might be required to accept or make delivery of the underlying foreign currency in accordance with any U.S. or foreign regulations regarding the maintenance of foreign banking arrangements by U.S. residents and might be required to pay any fees, taxes and charges associated with such delivery assessed in the issuing country.
Commodities

Commodities are assets that have tangible properties, such as oil, metals, livestock or agricultural products. Historically, commodity investments have had a relatively high correlation with changes in inflation and a relatively low correlation to stock and bond returns. Commodity-related instruments provide exposure, which may include long and/or short exposure, to the investment returns of physical commodities that trade in commodities markets, without investing directly in physical commodities. A fund may invest in commodity-related securities and other instruments, such as certain ETFs, that derive value from the price movement of commodities, or some other readily measurable economic variable dependent upon changes in the value of commodities or the commodities markets. However, the ability of a fund to invest directly in commodities and certain commodity-related securities and other instruments is subject to significant limitations in order to enable the fund to maintain its status as a RIC under the Code.

The value of commodity-related instruments may be affected by changes in overall market movements, volatility of the underlying benchmark, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, acts of terrorism, embargoes, tariffs and international economic, political and regulatory developments. The value of commodity-related instruments will rise or fall in response to changes in the underlying commodity or related index. Investments in commodity-related instruments may be subject to greater volatility than non-commodity based investments. A liquid secondary market may not exist for certain commodity-related instruments, and there can be no assurance that one will develop. Commodity-related instruments also are subject to credit and interest rate risks that in general affect the values of debt securities.

Short-Selling

A fund may make short sales as part of its investment strategy, to hedge positions (such as to limit exposure to a possible market decline in the value of portfolio securities), for duration and risk management, to maintain portfolio flexibility or to seek to enhance returns. A short sale involves the sale of a security that a fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date and at a lower price. To complete a short sale transaction and make delivery to the buyer, the fund must borrow the security. The fund is obligated to replace the borrowed security to the lender, which is accomplished by a later purchase of the security by the fund. Until the security is replaced, the fund is required to pay the lender any dividends or interest accruing during the period of the loan. To borrow the security, the fund also may have to pay a fee to the lender, which would increase the cost to the fund of the security it sold short. The fund will incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the fund replaces the borrowed security. The fund will realize a gain if the security declines in price between those two dates. In certain cases, purchasing a security to cover a short position can itself cause the price of the security to rise, thereby exacerbating any loss, especially in an environment where others are taking the same actions. Short positions in stocks involve more risk than long positions in stocks because the maximum sustainable loss on a stock purchased is limited to the amount paid for the stock plus the transaction costs, whereas there is no maximum attainable price on the shorted stock. In theory, stocks sold short have unlimited risk. The amount of any gain will be decreased and the amount of any loss will be increased by any interest, premium and transaction charges or other costs a fund may be required to pay in connection with the short sale. A fund may not always be able to borrow a security the fund seeks to sell short at a particular time or at an acceptable price.

A fund also may make short sales "against the box," in which the fund enters into a short sale of a security it owns or has the immediate and unconditional right to acquire at no additional cost at the time of the sale.

When a fund makes a short sale, it must leave the proceeds thereof with the broker and deposit with, or pledge to, the broker an amount of cash or liquid securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. Until a fund closes its short position or replaces the borrowed security, the fund will: (1) segregate permissible liquid assets in an amount that, together with the amount provided as collateral, is at least equal to the current value of the security sold short; or (2) otherwise cover its short position through offsetting positions. Short-selling is considered "leverage" and may involve substantial risk.

Lending Portfolio Securities
Fund portfolio securities may be lent to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. In connection with such loans, a fund would remain the owner of the loaned securities and continue to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities. A fund also has the right to terminate a loan at any time. Subject to a fund's own more restrictive limitations, if applicable, an investment company is limited in the amount of portfolio securities it may loan to 33-1/3% of its total assets (including the value of all assets received as collateral for the loan). Except as may be otherwise described in "Investments, Investment Techniques and Risks" in Part II of this SAI, a fund will receive collateral consisting of cash, cash equivalents, U.S. Government securities or irrevocable letters of credit, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. If the collateral consists of a letter of credit or securities, the borrower will pay the fund a loan premium fee. If the collateral consists of cash, the fund will reinvest the cash and pay the borrower a pre-negotiated fee or "rebate" from any return earned on the investment. A fund may participate in a securities lending program operated by the Lending Agent. The Lending Agent will receive a percentage of the total earnings of the fund derived from lending its portfolio securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral. Loans are made only to borrowers that are deemed by the Adviser to be of good financial standing. In a loan transaction, a fund will also bear the risk of any decline in value of securities acquired with cash collateral. A fund will minimize this risk by limiting the investment of cash collateral to money market funds advised by BNYM Investment Adviser, repurchase agreements or other high quality instruments with short maturities, in each case to the extent it is a permissible investment for the fund.

Borrowing Money

The 1940 Act, subject to a fund's own more restrictive limitations, if applicable, permits an investment company to borrow in an amount up to 33-1/3% of the value of its total assets. Such borrowings may be for temporary or emergency purposes or for leveraging. If borrowings are for temporary or emergency (not leveraging) purposes, when such borrowings exceed 5% of the value of a fund's total assets the fund will not make any additional investments.

Borrowing Money for Leverage. Leveraging (buying securities using borrowed money) exaggerates the effect on NAV of any increase or decrease in the market value of a fund's investments. These borrowings will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased; in certain cases, interest costs may exceed the return received on the securities purchased. For borrowings for investment purposes, the 1940 Act requires a fund to maintain continuous asset coverage (total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed. If the required coverage should decline as a result of market fluctuations or other reasons, the fund may be required to sell some of its portfolio securities within three days to reduce the amount of its borrowings and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time. A fund also may be required to maintain minimum average balances in connection with such borrowing or pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

Reverse Repurchase Agreements. Reverse repurchase agreements may be entered into with banks, broker/dealers or other financial institutions. This form of borrowing involves the transfer by a fund of an underlying debt instrument in return for cash proceeds based on a percentage of the value of the security. The fund retains the right to receive interest and principal payments on the security. At an agreed upon future date, the fund repurchases the security at principal plus accrued interest. As a result of these transactions, the fund is exposed to greater potential fluctuations in the value of its assets and its NAV per share. These borrowings will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased; in certain cases, interest costs may exceed the return received on the securities purchased. To the extent a fund enters into a reverse repurchase agreement, the fund will segregate permissible liquid assets at least equal to the aggregate amount of its reverse repurchase obligations, plus accrued interest, in certain cases, in accordance with SEC guidance. The SEC views reverse repurchase transactions as collateralized borrowings by a fund.

Forward Commitments. The purchase or sale of securities on a forward commitment (including "TBA" (to be announced), when-issued or delayed-delivery basis, means delivery and payment take place at a future date at a predetermined price and/or yield. Typically, no interest accrues to the purchaser until the security is delivered.
When purchasing a security on a forward commitment basis, a fund assumes the risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its NAV. Purchasing securities on a forward commitment, when-issued or delayed-delivery basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. The sale of securities on a forward commitment or delayed-delivery basis involves the risk that the prices available in the market on the delivery date may be greater than those obtained in the sale transaction.

Debt securities purchased on a forward commitment, when-issued or delayed-delivery basis are subject to changes in value based upon the perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates (i.e., appreciating when interest rates decline and depreciating when interest rates rise). Securities purchased on a forward commitment, when-issued or delayed-delivery basis may expose a fund to risks because they may experience declines in value prior to their actual delivery. A fund will make commitments to purchase such securities only with the intention of actually acquiring the securities, but the fund may sell these securities or dispose of the commitment before the settlement date if it is deemed advisable as a matter of investment strategy. A fund would engage in forward commitments to increase its portfolio's financial exposure to the types of securities in which it invests. If the fund is fully or almost fully invested when forward commitment purchases are outstanding, such purchases may result in a form of leverage. Leveraging the portfolio in this manner will increase the fund's exposure to changes in interest rates and may result in greater potential fluctuation in the value of the fund's net assets and its NAV per share. A fund will segregate permissible liquid assets at least equal at all times to the amount of the fund's purchase commitments.

**Forward Roll Transactions.** In a forward roll transaction, a fund sells a security, such as a mortgage-related security, to a bank, broker-dealer or other financial institution and simultaneously agrees to purchase a similar security from the institution at a later date at an agreed upon price. During the period between the sale and purchase, the fund will not be entitled to receive interest and principal payments on the securities sold by the fund. Proceeds of the sale typically will be invested in short-term instruments, particularly repurchase agreements, and the income from these investments, together with any additional fee income received on the sale, will be expected to generate income for the fund exceeding the yield on the securities sold. Forward roll transactions involve the risk that the market value of the securities sold by the fund may decline below the purchase price of those securities. A fund will segregate permissible liquid assets at least equal to the amount of the repurchase price (including accrued interest).

In a mortgage "dollar roll" transaction, a fund sells mortgage-related securities for delivery in the current month and simultaneously contracts to purchase substantially similar securities on a specified future date. The mortgage-related securities that are purchased will be of the same type and will have the same interest rate as those securities sold, but generally will be supported by different pools of mortgages with different prepayment histories than those sold. A fund forgoes principal and interest paid during the roll period on the securities sold in a dollar roll, but the fund is compensated by the difference between the current sales price and the lower prices of the future purchase, as well as by any interest earned on the proceeds of the securities sold. The dollar rolls entered into by a fund normally will be "covered." A covered roll is a specific type of dollar roll for which there is an offsetting cash position or a cash equivalent security position that matures on or before the forward settlement date of the related dollar roll transaction. Covered rolls are not treated as borrowings or other senior securities and will be excluded from the calculation of a fund's borrowings.

**Illiquid Securities**

**Illiquid Securities Generally.** The 1940 Act, subject to a fund's own more restrictive limitations, if applicable, limits funds other than money market funds to 15% of net assets in illiquid securities. Illiquid securities, which are securities that a fund reasonably expects to be unable to sell or dispose of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the securities, may include securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale that do not have readily available market quotations, repurchase agreements providing for settlement in more than seven days after notice and certain privately negotiated derivatives transactions and securities used to cover such derivatives transactions. As to these securities, there is a risk that, should a fund desire to sell them, a ready buyer will not be available at a price the fund deems representative of their value, which could adversely affect the value of a fund's net assets.
Section 4(2) Paper and Rule 144A Securities. "Section 4(2) paper" consists of commercial obligations issued in reliance on the so-called "private placement" exemption from registration afforded by Section 4(2) of the Securities Act. Section 4(2) paper is restricted as to disposition under the federal securities laws, and generally is sold to institutional investors that agree that they are purchasing the paper for investment and not with a view to public distribution. Any resale by the purchaser must be pursuant to registration or an exemption therefrom. Section 4(2) paper normally is resold to other institutional investors through or with the assistance of the issuer or investment dealers who make a market in the Section 4(2) paper, thus providing liquidity. "Rule 144A securities" are securities that are not registered under the Securities Act but that can be sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act. Rule 144A securities generally must be sold to other qualified institutional buyers. If a particular investment in Section 4(2) paper or Rule 144A securities is not determined to be liquid, that investment will be included within the percentage limitation on investment in illiquid securities. Investing in Rule 144A securities could have the effect of increasing the level of fund illiquidity to the extent that qualified institutional buyers become, for a time, uninterested in purchasing these securities from a fund or other holders. Liquidity determinations with respect to Section 4(2) paper and Rule 144A securities will be made by the fund's board or by the Adviser pursuant to guidelines established by the board. The fund's board or the Adviser will consider availability of reliable price information and other relevant information in making such determinations.

Non-Diversified Status

A fund's classification as a "non-diversified" investment company means that the proportion of the fund's assets that may be invested in the securities of a single issuer is not limited by the 1940 Act. The 1940 Act generally requires a "diversified" investment company, with respect to 75% of its total assets, to invest not more than 5% of such assets in securities of a single issuer. Since a relatively high percentage of a fund's assets may be invested in the securities of a limited number of issuers or industries, the fund may be more sensitive to changes in the market value of a single issuer or industry. However, to meet federal tax requirements, at the close of each quarter a fund may not have more than 25% of its total assets invested in any one issuer and, with respect to 50% of its total assets, not more than 5% of its total assets invested in any one issuer. These limitations do not apply to U.S. Government securities or investments in certain other investment companies.

Investments in the Technology Sector

The technology sector has been among the most volatile sectors of the stock market. Many technology companies involve greater risks because their revenues and earnings tend to be less predictable (and some companies may be experiencing significant losses) and their share prices tend to be more volatile. Certain technology companies may have limited product lines, markets or financial resources, or may depend on a limited management group. In addition, these companies are strongly affected by worldwide technological developments, and their products and services may not be economically successful or may quickly become outdated. Investor perception may play a greater role in determining the day-to-day value of technology stocks than it does in other sectors. Investments made in anticipation of future products and services may decline dramatically in value if the anticipated products or services are delayed or cancelled.

Investments in the Real Estate Sector

An investment in securities of real estate companies may be susceptible to adverse economic or regulatory occurrences affecting that sector. An investment in real estate companies, while not an investment in real estate directly, involves risks associated with the direct ownership of real estate. These risks include: declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increased competition; increases in property taxes and operating expenses; changes in zoning laws; losses due to costs resulting from the clean-up of environmental problems; liability to third parties for damages resulting from environmental problems; casualty or condemnation losses; limitations on rents; changes in neighborhood values and the appeal of properties to tenants; changes in interest rates; financial condition of tenants, buyers and sellers of real estate; and quality of maintenance, insurance and management services.

An economic downturn could have a material adverse effect on the real estate markets and on real estate companies. Real property investments are subject to varying degrees of risk. The yields available from investments in real
estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (e.g., the Americans with Disabilities Act and tax laws), interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions and countries in which the real estate owned by a portfolio company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values.

The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, certain real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company may also have joint venture investments in certain of its properties and, consequently, its ability to control decisions relating to such properties may be limited.

Investments in the Infrastructure Sector

Infrastructure companies are subject to a variety of factors that may affect their business or operations including high interest costs in connection with capital construction programs, costs associated with environmental and other regulations, the level of government spending on infrastructure projects, the effects of economic slowdown and surplus capacity, increased competition from other providers of services, uncertainties concerning the availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Infrastructure companies may also be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption due to environmental, operational or other mishaps, and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Changes in law or regulations or general changes in market sentiment towards infrastructure assets may be difficult to predict or respond to, which may adversely affect the operations of infrastructure companies. Certain infrastructure companies may operate in limited areas, have few sources of revenue or face intense competition.

Some infrastructure companies' assets are not movable, which creates the risk that an event may occur in the region of the company's asset that may impair the performance of that asset and the performance of the issuer. Natural disasters, such as earthquakes, flood, lightning, hurricanes and wind or other man-made disasters, terrorist attacks or political activities could result in substantial damage to the facilities of companies located in the affected areas, and significant volatility in the products or services of infrastructure companies could adversely impact the prices of infrastructure companies' securities. Any destruction or loss of an infrastructure asset may have a major impact on the infrastructure company. Failure by the infrastructure company to carry adequate insurance or to operate the asset appropriately could lead to significant losses and damages.

Infrastructure companies' revenues may also be impacted by a number of factors, including a decrease in the number of users of the asset, inability to meet user demand, failure to efficiently maintain and operate infrastructure assets, failure of customers or counterparties to pay their contractual obligations, difficulties in obtaining financing for construction programs during inflationary periods or the inability to complete a project within budget. In addition, infrastructure assets can be highly leveraged, which makes such companies more susceptible to changes in interest rates. The market value of infrastructure companies also may decline in value in times of higher inflation rates.

Other factors that may affect the operations of infrastructure companies include changes in technology that could render the way in which a company delivers a product or service obsolete, significant changes to the number of ultimate end-users of a company's products, increased susceptibility to terrorist acts or political actions, and risks of environmental damage due to a company's operations or an accident.

Investments in the Natural Resources Sector

Many companies in the natural resources sector may experience more price volatility than securities of companies in other industries. Some of the commodities that these industries use or provide are subject to limited pricing flexibility because of supply and demand factors. Others are subject to broad price fluctuations as a result of the
volatility of the prices for certain raw materials and the instability of supplies of other materials. These factors can affect the profitability of companies in the natural resources sector and, as a result, the value of their securities. To the extent a fund invests in the securities of companies with substantial natural resource assets, the fund will be exposed to the price movements of natural resources.

**Money Market Funds**

The money market funds attempt to increase yields by trading to take advantage of short-term market variations. This policy is expected to result in high portfolio turnover but should not adversely affect a fund since the funds usually do not pay brokerage commissions when purchasing short-term obligations. The value of the portfolio securities held by a fund will vary inversely to changes in prevailing interest rates and, therefore, are subject to the risk of market price fluctuations. Thus, if interest rates have increased from the time a security was purchased, such security, if sold, might be sold at a price less than its cost. Similarly, if interest rates have declined from the time a security was purchased, such security, if sold, might be sold at a price greater than its purchase cost. In any event, if a security was purchased at face value and held to maturity and was paid in full, no gain or loss would be realized. The values of fixed-income securities also may be affected by changes in the credit rating or financial condition of the issuing entities. The NAV of the each Institutional MMF's shares fluctuates with changes in the values of the fund's portfolio securities. For Retail and Government MMFs, decreases in the value of the fund's portfolio securities may affect the fund's ability to maintain a stable NAV.

The amount of income from portfolio securities also could affect a money market fund's ability to pay periodic dividends and distributions to shareholders and/or its NAV. It is possible that, during periods of low prevailing interest rates or otherwise, the income from portfolio securities may be less than the amount needed to pay ongoing fund operating expenses and may prevent payment of any dividends or distributions to fund shareholders or cause the NAV of fund shares to fall. In such cases, a fund may reduce or eliminate the payment of such dividends or distributions or seek to reduce certain of its operating expenses. There is no guarantee that such actions would enable a Government or Retail MMF to maintain a stable NAV or avoid a fall in an Institutional MMF's NAV.

**Ratings of Securities**

If, subsequent to its purchase by a fund, (a) a portfolio security ceases to be rated in the highest rating category by at least two rating organizations (or one rating organization if the instrument was rated by only one such organization) or the board determines that it is no longer of comparable quality or (b) the Adviser becomes aware that any portfolio security not so highly rated or any unrated security has been given a rating by any rating organization below the rating organization's second highest rating category, the board will reassess promptly whether such security continues to present minimal credit risks and will cause the fund to take such action as it determines is in the best interest of the fund and its shareholders; provided that the reassessments required by clauses (a) and (b) are not required if the portfolio security is disposed of or matures within five business days of the specified event and, in the case of events specified in clause (b), the board is subsequently notified of the Adviser's actions. To the extent the ratings given by a Rating Agency for securities change as a result of changes in such organizations or their rating systems, a fund will attempt to use comparable ratings as standards for its investments in accordance with the investment policies described in such fund's prospectus and this SAI. The ratings of the Rating Agencies represent their opinions as to the quality of the securities which they undertake to rate. It should be emphasized, however, that ratings are relative and subjective and are not absolute standards of quality. Although these ratings may be an initial criterion for selection of portfolio investments, the Adviser also will evaluate these securities and the creditworthiness of the issuers of such securities based upon financial and other available information.

**Treasury Securities**

Treasury securities include Treasury bills, Treasury notes and Treasury bonds that differ in their interest rates, maturities and times of issuance. Treasury bills have initial maturities of one year or less; Treasury notes have initial maturities of one to ten years; and Treasury bonds generally have initial maturities of greater than ten years.

**U.S. Government Securities**

U.S. Government securities are issued or guaranteed by the U.S. Government or its agencies or instrumentalities. Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities are supported by the full faith and credit of Treasury; others by the right of the issuer to borrow from Treasury; others by discretionary
authority of the U.S. Government to purchase certain obligations of the agency or instrumentality; and others only by the credit of the agency or instrumentality. These securities bear fixed, floating or variable rates of interest. Interest rates may fluctuate based on generally recognized reference rates or the relationship of rates. While the U.S. Government currently provides financial support to such U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it will always do so, since it is not so obligated by law. A security backed by Treasury or the full faith and credit of the United States is guaranteed only as to timely payment of interest and principal when held to maturity. Neither the market value nor a fund's share price is guaranteed.

Many states grant tax-free status to dividends paid to shareholders of a fund from interest income earned by that fund from direct obligations of the U.S. Government, subject in some states to minimum investment requirements that must be met by the fund. Investments in securities issued by GNMA, bankers' acceptances, commercial paper and repurchase agreements collateralized by U.S. Government securities do not generally qualify for tax-free treatment.

Repurchase Agreements

A repurchase agreement is a contract under which a fund would acquire a security for a relatively short period subject to the obligation of the seller, typically a bank, broker/dealer or other financial institution, to repurchase and the fund to resell such security at a fixed time and at a price higher than the purchase price (representing the fund's cost plus interest). The repurchase agreement thereby determines the yield during the purchaser's holding period, while the seller's obligation to repurchase is secured by the value of the underlying security. The fund's custodian or sub-custodian engaged in connection with tri-party repurchase agreement transactions will have custody of, and will segregate, securities acquired by the fund under a repurchase agreement. In connection with its third party repurchase transactions, a fund will engage only eligible sub-custodians that meet the requirements set forth in Section 17(f) of the 1940 Act. The value of the underlying securities (or collateral) will be at least equal at all times to the total amount of the repurchase obligation, including the interest factor. The fund bears a risk of loss if the other party to the repurchase agreement defaults on its obligations and the fund is delayed or prevented from exercising its rights to dispose of the collateral securities. This risk includes the risk of procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements are considered by the staff of the SEC to be loans by the fund that enters into them. Repurchase agreements could involve risks in the event of a default or insolvency of the other party to the agreement, including possible delays or restrictions upon a fund's ability to dispose of the underlying securities. A fund may engage in repurchase agreement transactions that are collateralized by U.S. Government securities (which are deemed to be "collateralized fully" pursuant to the 1940 Act) or, for certain funds, to the extent consistent with the fund's investment policies, collateralized by securities other than U.S. Government securities ("credit and/or equity collateral"). Transactions that are collateralized fully enable the fund to look to the collateral for diversification purposes under the 1940 Act. Conversely, transactions secured with credit and/or equity collateral require the fund to look to the counterparty to the repurchase agreement for determining diversification. Because credit and/or equity collateral is subject to certain credit, liquidity, market and/or other additional risks that U.S. Government securities are not subject to, the amount of collateral posted in excess of the principal value of the repurchase agreement is expected to be higher in the case of repurchase agreements secured with credit and/or equity collateral compared to repurchase agreements secured with U.S. Government securities. In an attempt to reduce the risk of incurring a loss on a repurchase agreement, a fund will require that additional securities be deposited with it if the value of the securities purchased should decrease below resale price. See "Fixed-Income Securities—High Yield and Lower-Rated Securities" above under "All Funds other than Money Market Funds" for a discussion of certain risks of collateral rated below investment grade. The funds may jointly enter into one or more repurchase agreements in accordance with an exemptive order granted by the SEC pursuant to Section 17(d) of the 1940 Act and Rule 17d-1 thereunder. Any joint repurchase agreements must be collateralized fully by U.S. Government securities.

Bank Obligations

Bank obligations include certificates of deposit ("CDs"), time deposits ("TDs"), bankers' acceptances and other short-term obligations issued by domestic or foreign banks or thrifts or their subsidiaries or branches and other banking institutions. CDs are negotiable certificates evidencing the obligation of a bank to repay funds deposited with it for a specified period of time. TDs are non-negotiable deposits maintained in a banking institution for a specified period of time (in no event longer than seven days) at a stated interest rate. Bankers' acceptances are credit
instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect
the obligation both of the bank and the drawer to pay the face amount of the instrument upon maturity. The other
short-term obligations may include uninsured, direct obligations bearing fixed, floating or variable interest rates.
TDs and CDs may be issued by domestic or foreign banks or their subsidiaries or branches. A fund may purchase
CDs issued by banks, savings and loan associations and similar institutions with less than $1 billion in assets, the
deposits of which are insured by the FDIC, provided the fund purchases any such CD in a principal amount of no
more than an amount that would be fully insured by the Deposit Insurance Fund administered by the FDIC. Interest
payments on such a CD are not insured by the FDIC. A fund would not own more than one such CD per such
issuer.

Domestic commercial banks organized under federal law are supervised and examined by the Comptroller of the
Currency and are required to be members of the Federal Reserve System and to have their deposits insured by the
FDIC. Domestic banks organized under state law are supervised and examined by state banking authorities but are
members of the Federal Reserve System only if they elect to join. In addition, state banks whose CDs may be
purchased by a fund are insured by the FDIC (although such insurance may not be of material benefit to the fund,
depending on the principal amount of the CDs of each bank held by the fund) and are subject to federal examination
and to a substantial body of federal law and regulation. As a result of federal and state laws and regulations,
domestic branches of domestic banks whose CDs may be purchased by the fund generally, among other things, are
required to maintain specified levels of reserves and are subject to other supervision and regulation designed to
promote financial soundness. However, not all of such laws and regulations apply to the foreign branches of
domestic banks.

Obligations of foreign subsidiaries or branches of domestic banks may be general obligations of the parent banks in
addition to the issuing subsidiary or branch, or may be limited by the terms of a specific obligation and
governmental regulation. Such obligations and obligations of foreign banks or their subsidiaries or branches are
subject to different risks than are those of domestic banks. These risks include foreign economic and political
developments, foreign governmental restrictions that may adversely affect payment of principal and interest on the
obligations, foreign exchange controls, seizure of assets, declaration of a moratorium and foreign withholding and
other taxes on interest income. Foreign subsidiaries and branches of domestic banks and foreign banks are not
necessarily subject to the same or similar regulatory requirements that apply to domestic banks, such as mandatory
reserve requirements, loan limitations, and accounting, auditing and financial recordkeeping requirements. In
addition, less information may be publicly available about a foreign subsidiary or branch of a domestic bank or
about a foreign bank than about a domestic bank.

Obligations of U.S. branches of foreign banks may be general obligations of the parent bank in addition to the
issuing branch, or may be limited by the terms of a specific obligation or by federal or state regulation as well as
governmental action in the country in which the foreign bank has its head office. A U.S. branch of a foreign bank
with assets in excess of $1 billion may or may not be subject to reserve requirements imposed by the Federal
Reserve System or by the state in which the branch is located if the branch is licensed in that state. In addition,
federal branches licensed by the Comptroller of the Currency and branches licensed by certain states may be
required to: (1) pledge to the regulator, by depositing assets with a designated bank within the state, a certain
percentage of their assets as fixed from time to time by the appropriate regulatory authority; and (2) maintain assets
within the state in an amount equal to a specified percentage of the aggregate amount of liabilities of the foreign
bank payable at or through all of its agencies or branches within the state.

In view of the foregoing factors associated with the purchase of CDs and TDs issued by foreign subsidiaries or
branches of domestic banks, or by foreign banks or their branches or subsidiaries, the Adviser carefully evaluates
such investments on a case-by-case basis.

Bank Securities

To the extent a money market fund's investments are concentrated in the banking industry, the fund will have
correspondingly greater exposure to the risk factors which are characteristic of such investments. Sustained
increases in interest rates can adversely affect the availability or liquidity and cost of capital funds for a bank's
lending activities, and a deterioration in general economic conditions could increase the exposure to credit losses. In
addition, the value of and the investment return on the fund's shares could be affected by economic or regulatory
developments in or related to the banking industry, which industry also is subject to the effects of competition within the banking industry as well as with other types of financial institutions. A fund, however, will seek to minimize its exposure to such risks by investing only in debt securities which are determined to be of the highest quality.

Floating and Variable Rate Obligations

Floating and variable rate demand notes and bonds are obligations ordinarily having stated maturities in excess of 397 days but which permit the holder to demand payment of principal at any time, or at specified intervals not exceeding 397 days, in each case upon not more than 30 days' notice. Frequently these obligations are secured by letters of credit or other credit support arrangements secured by banks. Variable rate demand notes include master demand notes (see "Fixed-Income Securities—Variable and Floating Rate Securities " above under "All Funds other than Money Market Funds").

Participation Interests

A participation interest purchased from a financial institution gives a fund an undivided interest in a security in the proportion that the fund's participation interest bears to the total principal amount of the security. If the participation interest is unrated, or has been given a rating below that which is permissible for purchase by the fund, the participation interest will be backed by an irrevocable letter of credit or guarantee of a bank, or the payment obligation otherwise will be collateralized by U.S. Government securities, or, in the case of unrated participation interests, the Adviser must have determined that the instrument is of comparable quality to those instruments in which the fund may invest. See "Fixed-Income Securities—Loans—Participation Interests and Assignments" above under "All Funds other than Money Market Funds."

Asset-Backed Securities

A fund may purchase asset-backed securities, which are securities issued by special purpose entities whose primary assets consist of a pool of mortgages, loans, receivables or other assets. Payment of principal and interest may depend largely on the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other forms of credit or liquidity enhancements. The value of these asset-backed securities also may be affected by the creditworthiness of the servicing agent for the pool of assets, the originator of the loans or receivables or the financial institution providing the credit support.

Commercial Paper

Commercial paper represents short-term, unsecured promissory notes issued to finance short-term credit needs. The commercial paper purchased by a fund will consist only of direct obligations issued by domestic and foreign entities. The other corporate obligations in which a fund may invest consist of high quality, U.S. dollar-denominated short-term bonds and notes (which may include variable rate master demand notes).

Investment Companies

See "Investment Companies" above under "All Funds other than Money Market Funds."

Foreign Securities

Foreign securities may include U.S. dollar-denominated securities issued by foreign subsidiaries or foreign branches of domestic banks, domestic and foreign branches of foreign banks, foreign government obligations and commercial paper issued by foreign issuers. Foreign government obligations may include securities issued or guaranteed by foreign governments or any of their political subdivisions, agencies or instrumentalities and debt obligations of supranational entities. Supranational entities include organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies. Examples include the International Bank for Reconstruction and Development (the World Bank), the European Coal and Steel Community, the Asian Development Bank and the InterAmerican Development Bank.

A fund investing in foreign securities, including foreign government obligations, may be subject to additional investment risks with respect to these securities or obligations that are different in some respects from those incurred
by a money market fund which invests only in debt obligations of U.S. domestic issuers. See, as applicable, "Foreign Securities" and "Foreign Securities—Sovereign Debt Obligations" above under "All Funds other than Money Market Funds."

**Municipal Securities**

See "Fixed-Income Securities—Municipal Securities—Municipal Securities Generally" above under "All Funds other than Money Market Funds."

**Derivative Products.** The value of certain derivative products is tied to underlying municipal securities. A fund investing in derivative products will purchase only those derivative products that are consistent with its investment objective and policies and comply with the quality, maturity, liquidity and diversification standards of Rule 2a-7 under the 1940 Act. The principal types of derivative products include tax exempt participation interests, tender option bonds and custodial receipts (see "Fixed-Income Securities—Municipal Securities—Instruments Related to Municipal Securities" above under "All Funds other than Money Market Funds") and structured notes (see "Derivative Instruments—Structured Securities and Hybrid Instruments—Structured Securities" above under "All Funds other than Money Market Funds").

**Stand-By Commitments.** See "Fixed-Income Securities—Municipal Securities—Stand-By Commitments" above under "All Funds other than Money Market Funds."

**Taxable Investments (municipal or other tax-exempt funds only)**

From time to time, on a temporary basis other than for temporary defensive purposes (but not to exceed 20% of the value of the fund's net assets) or for temporary defensive purposes, a fund may invest in taxable short-term investments (Money Fund Taxable Investments, as defined in Part II of this SAI). Dividends paid by a fund that are attributable to income earned by the fund from Money Fund Taxable Investments will be taxable to investors. When a fund invests for temporary defensive purposes, it may not achieve its investment objective(s). If a fund purchases Money Fund Taxable Investments, it will value them using the amortized cost method and comply with the provisions of Rule 2a-7 relating to purchases of taxable instruments.

**Illiquid Securities**

The 1940 Act, subject to a fund's own more restrictive limitations, if applicable, limits money market funds to 5% of total assets in illiquid securities. Illiquid securities, which are securities that a fund reasonably expects to be unable to sell or dispose of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the securities, may include securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale that do not have readily available market quotations, and repurchase agreements providing for settlement in more than seven days after notice. As to these securities, there is a risk that, should a fund desire to sell them, a ready buyer will not be available at a price the fund deems representative of their value, which could adversely affect the value of a fund's net assets. See "Illiquid Securities—Section 4(2) Paper and Rule 144A Securities" above under "All Funds other than Money Market Funds."

**Borrowing Money**

The 1940 Act, subject to a fund's own more restrictive limitations, if applicable, permits an investment company to borrow in an amount up to 33-1/3% of the value of its total assets. Such borrowings may be for temporary or emergency purposes or for leveraging. If borrowings are for temporary or emergency (not leveraging) purposes, when such borrowings exceed 5% of the value of a fund's total assets the fund will not make any additional investments.

**Reverse Repurchase Agreements.** See "Borrowing Money—Reverse Repurchase Agreements" above under "All Funds other than Money Market Funds."

**Forward Commitments.** The purchase of portfolio securities on a forward commitment (including "TBA" (to be announced)), when-issued or delayed-delivery basis means that delivery and payment take place in the future after
the date of the commitment to purchase. See "Borrowing Money—Forward Commitments" above under "All Funds other than Money Market Funds."

**Interfund Borrowing and Lending Program.** Pursuant to an exemptive order issued by the SEC, a fund may lend money to, and/or borrow money from, certain other funds advised by BNYM Investment Adviser or its affiliates. All interfund loans and borrowings must comply with the conditions set forth in the exemptive order, which are designed to ensure fair and equitable treatment of all participating funds. A fund's participation in the Interfund Borrowing and Lending Program must be consistent with its investment policies and limitations. A fund will borrow through the Interfund Borrowing and Lending Program only when the costs are equal to or lower than the costs of bank loans, and will lend through the Program only when the returns are higher than those available from an investment in repurchase agreements. Interfund loans and borrowings are normally expected to extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. Any delay in repayment to a lending fund could result in a lost investment opportunity or additional borrowing costs.

**Lending Portfolio Securities**

The funds have no intention currently or for the foreseeable future to lend portfolio securities. To the extent a fund would seek to lend portfolio securities (see "Lending Portfolio Securities" above under "All Funds other than Money Market Funds"), the fund's shareholders would be notified within a reasonable time prior to such activity occurring.

**Money Market Fund Material Events**

**Imposition of Liquidity Fees and Temporary Suspensions of Fund Redemptions.** Since October 14, 2016, there have been no occasions on which an Institutional MMF or Retail MMF has invested less than 10% of its total assets in Weekly Liquid Assets, nor more than 10%, but less than 30%, of its total assets in Weekly Liquid Assets. In addition, during such period, no fund's board has determined to impose a liquidity fee and/or redemption gate.

The board has no current intention for the Government MMFs to impose liquidity fees and/or redemption gates, but the board may reserve the ability to subject a Government MMF to a liquidity fee and/or redemption gate in the future after providing appropriate notice to shareholders.

**Financial Support Provided to Money Market Funds.** Since October 14, 2016, there have been no occasions on which an affiliated person, promoter or principal underwriter of a money market fund, or an affiliated person of such a person, provided any form of financial support to the money market fund, except as follows:

On March 18, 2020, The Bank of New York Mellon purchased securities from Dreyfus Cash Management in accordance with Rule 17a-9 under the 1940 Act to provide liquidity support to the fund's portfolio. The Bank of New York Mellon paid fair market value for the securities to the fund. The Bank of New York Mellon Corporation paid the excess of amortized cost over fair market value to the fund. The Bank of New York Mellon is an affiliate of the fund's investment adviser, BNYM Investment Adviser. Both entities are subsidiaries of The Bank of New York Mellon Corporation. The total amount of the support was $1,204,850,099.29. Each security purchased, the value of such security on the date support was initiated and the purchase price of the security were as follows:

<table>
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<tr>
<th>CUSIP</th>
<th>Issuer/Issue</th>
<th>Market Value Price</th>
<th>Trade Execution</th>
<th>Net Amount of Purchase</th>
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<td>CUSIP</td>
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¹ Net amount includes interest.

On March 19, 2020, The Bank of New York Mellon purchased securities from Dreyfus Cash Management in accordance with Rule 17a-9 under the 1940 Act to provide liquidity support to the fund's portfolio. The Bank of New York Mellon paid fair market value for the securities to the fund. The Bank of New York Mellon Corporation paid the excess of amortized cost over fair market value to the fund. The Bank of New York Mellon is an affiliate of the fund's investment adviser, BNYM Investment Adviser. Both entities are subsidiaries of The Bank of New York Mellon Corporation. The total amount of the support was $948,975,515.03. Each security purchased, the value of such security on the date support was initiated and the purchase price of the security were as follows:

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<td>CANADIAN IMPERIAL BANK OF COMMERCE 0.41</td>
<td>$98.55759800</td>
<td>$100.0000</td>
<td>$197,665,735.42</td>
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<tr>
<td>06370RD22</td>
<td>BANK OF MONTREAL (CHICAGO BRANCH) 0.3</td>
<td>$99.97222500</td>
<td>$100.0000</td>
<td>$75,036,750.00</td>
</tr>
</tbody>
</table>

¹ Net amount includes interest.

On March 23, 2020, BNYM Investment Adviser, the investment adviser to General New Jersey Municipal Money Market Fund, Inc., made a capital contribution to the fund in the amount of $89,000.

The applicable fund was required to disclose additional information about each of these events on Form N-CR and to file this form with the SEC. Any Form N-CR filing submitted by a fund is available on the EDGAR Database on the SEC's Internet site at http://www.sec.gov.

**RATING CATEGORIES**

The following is a description of certain ratings assigned by S&P, Moody's, Fitch and DBRS.

S&P

An S&P issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers or other forms of credit enhancement on the obligation and takes into...
account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's
capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as
collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those
obligations considered short-term in the relevant market. Short-term ratings also are used to indicate the
creditworthiness of an obligor with respect to put features on long-term obligations. Medium-term notes are
assigned long-term ratings.

Long-Term Issue Credit Ratings. Issue credit ratings are based, in varying degrees, on S&P's analysis of the
following considerations: likelihood of payment—capacity and willingness of the obligor to meet its financial
commitment on an obligation in accordance with the terms of the obligation; nature of and provisions of the
financial obligation and the promise S&P imputes; and protection afforded by, and relative position of, the financial
obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other
laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate
recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the
lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and
subordinated obligations, secured and unsecured obligations, or operating company and holding company
obligations.)

An obligation rated "AAA" has the highest rating assigned by S&P. The obligor's capacity to meet its financial
commitment on the obligation is extremely strong.

An obligation rated "AA" differs from the highest-rated obligations only to a small degree. The obligor's capacity to
meet its financial commitment on the obligation is very strong.

An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and
economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its
financial commitment on the obligation is still strong.

An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or
changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial
commitment on the obligation.

Obligations rated "BB," "B," "CCC," "CC" and "C" are regarded as having significant speculative characteristics.
"BB" indicates the least degree of speculation and "C" the highest. While such obligations will likely have some
quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse
conditions.

An obligation rated "BB" is less vulnerable to nonpayment than other speculative issues. However, it faces major
ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the
obligor's inadequate capacity to meet its financial commitment on the obligation.

An obligation rated "B" is more vulnerable to nonpayment than obligations rated "BB," but the obligor currently has
the capacity to meet its financial commitment on the obligation. Adverse business, financial or economic conditions
will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

An obligation rated "CCC" is currently vulnerable to nonpayment, and is dependent upon favorable business,
financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event
of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its
financial commitment on the obligation.

An obligation rated "CC" is currently highly vulnerable to nonpayment. The "CC" rating is used when a default has
not yet occurred, but S&P expects default to be a virtual certainty, regardless of the anticipated time to default.
An obligation rated "C" is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared to obligations that are rated higher.

An obligation rated "D" is in default or in breach of an imputed promise. For non-hybrid capital instruments, the "D" rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The "D" rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to "D" if it is subject to a distressed exchange offer.

Note: The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

An "NR" indicates that a rating has not been assigned or is no longer assigned.

Short-Term Issue Credit Ratings. A short-term obligation rated "A-1" is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A short-term obligation rated "A-2" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A short-term obligation rated "A-3" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

A short-term obligation rated "B" is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments.

A short-term obligation rated "C" is currently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation.

A short-term obligation rated "D" is in default or in breach of an imputed promise. For non-hybrid capital instruments, the "D" rating category is used when payments on an obligation are not made on the date due, unless S&P believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The "D" rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to "D" if it is subject to a distressed exchange offer.

Municipal Short-Term Note Ratings Definitions. An S&P U.S. municipal note rating reflects S&P's opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P analysis will review the following considerations: amortization schedule—the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and source of payment—the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

**SP-1** Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

**SP-2** Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and
economic changes over the term of the notes.

**SP-3** Speculative capacity to pay principal and interest.

**D** There has been a failure to pay the note when due, completion of a distressed exchange offer, or the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions.

**Moody's**

Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles and public sector entities.

**Long-Term Obligation Ratings and Definitions.** Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment.

Obligations rated "**Aaa**" are judged to be of the highest quality, subject to the lowest level of credit risk.

Obligations rated "**Aa**" are judged to be of high quality and are subject to very low credit risk.

Obligations rated "**A**" are judged to be upper-medium grade and are subject to low credit risk.

Obligations rated "**Baa**" are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Obligations rated "**Ba**" are judged to be speculative and are subject to substantial credit risk.

Obligations rated "**B**" are considered speculative and are subject to high credit risk.

Obligations rated "**Caa**" are judged to be speculative, of poor standing and are subject to very high credit risk.

Obligations rated "**Ca**" are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

Obligations rated "**C**" are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies and securities firms.

**Short-Term Ratings.** Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

**P-1** Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

**P-2** Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

**P-3** Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term debt obligations.
Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

**U.S. Municipal Short-Term Debt and Demand Obligation Ratings.**

*Short-Term Obligation Ratings.* The Municipal Investment Grade ("MIG") scale is used to rate U.S. municipal bond anticipation notes of up to three years maturity. MIG ratings are divided into three levels—MIG 1 through MIG 3—while speculative grade short-term obligations are designated "SG."

**MIG 1** This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

**MIG 2** This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

**MIG 3** This designation denotes acceptable credit quality. Liquidity and cash flow protection may be narrow, and market access for refinancing is likely to be less well-established.

**SG** This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

*Demand Obligation Ratings.* In the case of variable rate demand obligations ("VRDOs"), a two-component rating is assigned: a long- or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of risk associated with the ability to receive purchase price upon demand ("demand feature"). The second element uses a rating from a variation of the MIG scale called the Variable Municipal Investment Grade ("VMIG") scale.

**VMIG 1** This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

**VMIG 2** This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

**VMIG 3** This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

**SG** This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

For VRDOs supported with conditional liquidity support, short-term ratings transition down at higher long-term ratings to reflect the risk of termination of liquidity support as a result of a downgrade below investment grade.

VMIG ratings of VRDOs with unconditional liquidity support reflect the short-term debt rating (or counterparty assessment) of the liquidity support provider with VMIG 1 corresponding to P-1, VMIG 2 to P-2, VMIG 3 to P-3 and SG to not prime.

**Fitch**

*Corporate Finance Obligations — Long-Term Rating Scales.* Ratings of individual securities or financial obligations of a corporate issuer address relative vulnerability to default on an ordinal scale. In addition, for financial obligations in corporate finance, a measure of recovery given default on that liability also is included in the
rating assessment. This notably applies to covered bond ratings, which incorporate both an indication of the probability of default and of the recovery given a default of this debt instrument.

The relationship between issuer scale and obligation scale assumes a generic historical average recovery. As a result, individual obligations of entities, such as corporations, are assigned ratings higher, lower or the same as that entity's issuer rating.

Highest credit quality: "AAA" ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

Very high credit quality: "AA" ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

High credit quality: "A" ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Good credit quality: "BBB" ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Speculative: "BB" ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

Highly speculative: "B" ratings indicate that material credit risk is present.

Substantial credit risk: "CCC" ratings indicate that substantial credit risk is present.

Very high levels of credit risk: "CC" ratings indicate very high levels of credit risk.

Exceptionally high levels of credit risk: "C" indicates exceptionally high levels of credit risk.

Defaulted obligations typically are not assigned "RD" or "D" ratings (see "Short-Term Ratings Assigned to Obligations in Corporate, Public and Structured Finance" below), but are instead rated in the "CCC" to "C" rating categories, depending on their recovery prospects and other relevant characteristics. This approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

Note: The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the "AAA" obligation rating category, or to ratings in the categories below "CCC."

Structured, Project & Public Finance Obligations — Long-Term Rating Scales. Ratings of structured finance obligations on the long-term scale consider the obligations' relative vulnerability to default. These ratings are typically assigned to an individual security or tranche in a transaction and not to an issuer.

Highest credit quality: "AAA" ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

Very high credit quality: "AA" ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

High credit quality: "A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Good credit quality: "BBB" ratings indicate that expectations of default risk are currently low. The capacity for
payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Speculative: "BB" ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.

Highly speculative: "B" ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Substantial credit risk: "CCC" indicates that default is a real possibility.

Very high levels of credit risk: "CC" indicates that default of some kind appears probable.

Exceptionally high levels of credit risk: "C" indicates that default appears imminent or inevitable.

Default: "D" indicates a default. Default generally is defined as one of the following: failure to make payment of principal and/or interest under the contractual terms of the rated obligation; the bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or the distressed exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation to avoid a probable payment default.

Short-Term Ratings Assigned to Issuers and Obligations. A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term ratings are assigned to obligations whose initial maturity is viewed as "short-term" based on market convention. Typically, this means up to 13 months for corporate, sovereign and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

Highest short-term credit quality: "F1" indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

Good short-term credit quality: "F2" indicates good intrinsic capacity for timely payment of financial commitments.

Fair short-term credit quality: "F3" indicates that the intrinsic capacity for timely payment of financial commitments is adequate.

Speculative short-term credit quality: "B" indicates minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

High short-term default risk: "C" indicates that default is a real possibility.

Restricted default: "RD" indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

Default: "D" indicates a broad-based default event for an entity, or the default of a specific short-term obligation.

DBRS

Long Term Obligations. The DBRS long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All ratings categories other than AAA and D also contain subcategories "(high)" and "(low)." The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

Long-term debt rated "AAA" is considered to be of the highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.
Long-term debt rated "AA" is considered to be of superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from AAA only to a small degree. Unlikely to be significantly vulnerable to future events.

Long-term debt rated "A" is considered to be of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.

Long-term debt rated "BBB" is considered to be of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

Long-term debt rated "BB" is considered to be of speculative, non-investment-grade credit quality. The capacity for the payment of financial obligations is uncertain. Vulnerable to future events.

Long-term debt rated "B" is considered to be of highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet financial obligations.

Long-term debt rated "CCC," "CC" or "C" is of very highly speculative credit quality. In danger of defaulting on financial obligations. There is little difference between these three categories, although CC and C ratings are normally applied to obligations that are seen as highly likely to default, or subordinated to obligations rated in the CCC to B range. Obligations in respect of which default has not technically taken place but is considered inevitable may be rated in the C category.

A "D" rating may occur when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to satisfy an obligation after the exhaustion of grace periods. DBRS may also use SD (Selective Default) in cases where only some securities are impacted, such as the case of a "distressed exchange."

Commercial Paper and Short Term Debt. The DBRS short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R-1 and R-2 rating categories are further denoted by the subcategories "(high)," "(middle)" and "(low)."

Short-term debt rated "R-1 (high)" is considered to be of the highest credit quality. The capacity for the payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.

Short-term debt rated "R-1 (middle)" is considered to be of superior credit quality. The capacity for the payment of short-term financial obligations as they fall due is very high. Differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.

Short-term debt rated "R-1 (low)" is considered to be of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

Short-term debt rated "R-2 (high)" is considered to be at the upper end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

Short-term debt rated "R-2 (middle)" is considered to be of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events or may be exposed to other factors that could reduce credit quality.

Short-term debt rated "R-2 (low)" is considered to be at the lower end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events. A number of challenges are present that could affect the issuer's ability to meet such obligations.

Short-term debt rated "R-3" is considered to be at the lowest end of adequate credit quality. There is a capacity for the payment of short-term financial obligations as they fall due. May be vulnerable to future events and the certainty of meeting such obligations could be impacted by a variety of developments.
Short-term debt rated "R-4" is considered to be of speculative credit quality. The capacity for the payment of short-term financial obligations as they fall due is uncertain.

Short-term debt rated "R-5" is considered to be of highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet short-term financial obligations as they fall due.

A security rated "D" rating may occur when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to satisfy an obligation after the exhaustion of grace periods. DBRS may also use SD (Selective Default) in cases where only some securities are impacted, such as the case of a "distressed exchange."

ADDITIONAL INFORMATION ABOUT THE BOARDS

Boards' Oversight Role in Management

The boards' role in management of the funds is oversight. As is the case with virtually all investment companies (as distinguished from operating companies), service providers to the funds, primarily BNYM Investment Adviser and its affiliates, have responsibility for the day-to-day management of the funds, which includes responsibility for risk management (including management of investment risk, valuation risk, issuer and counterparty credit risk, compliance risk and operational risk). As part of their oversight, the boards, acting at their scheduled meetings, or the Chairman, acting between board meetings, regularly interacts with and receives reports from senior personnel of BNYM Investment Adviser and its affiliates, service providers, including BNYM Investment Adviser's Director of Investment Oversight (or a senior representative of his office), the funds' and BNYM Investment Adviser's CCO and portfolio management personnel. The boards' audit committee (which consists of all Independent Board Members) meets during its regularly scheduled and special meetings, and between meetings the audit committee chair is available to the funds' independent registered public accounting firm and the funds' Chief Financial Officer. The boards also receive periodic presentations from senior personnel of BNYM Investment Adviser and its affiliates regarding risk management generally, as well as periodic presentations regarding specific operational, compliance or investment areas, such as cybersecurity, anti-money laundering, personal trading, valuation, investment research and securities lending. As warranted, the boards also receive informational reports from the boards' independent legal counsel (and, if applicable, separate counsel to the fund) regarding regulatory compliance and governance matters. The boards have adopted policies and procedures designed to address certain risks to the funds. In addition, BNYM Investment Adviser and other service providers to the funds have adopted a variety of policies, procedures and controls designed to address particular risks to the funds. Different processes, procedures and controls are employed with respect to different types of risks. However, it is not possible to eliminate all of the risks applicable to the funds, and the boards' risk management oversight is subject to inherent limitations.

Board Composition and Leadership Structure

The 1940 Act requires that at least 40% of the board members be Independent Board Members and as such are not affiliated with the Adviser. To rely on certain exemptive rules under the 1940 Act, a majority of the funds' board members must be Independent Board Members, and for certain important matters, such as the approval of investment advisory agreements or transactions with affiliates, the 1940 Act or the rules thereunder require the approval of a majority of the Independent Board Members. Currently, except as may be noted in Part I of this SAI, all of the funds' board members, including the Chairman of the Boards, are Independent Board Members. The boards have determined that their leadership structure, in which the Chairman of the Boards is not affiliated with the Adviser, is appropriate in light of the specific characteristics and circumstances of the funds, including, but not limited to: (i) the services that the Adviser and its affiliates provide to the funds and potential conflicts of interest that could arise from these relationships; (ii) the extent to which the day-to-day operations of the funds are conducted by fund officers and employees of BNYM Investment Adviser and its affiliates; and (iii) the boards' oversight role in management of the funds. Additional Information About the Boards and their Committees

Board members are elected to serve for an indefinite term. The boards have standing audit, nominating, compensation, litigation and pricing committees. The functions of the audit committees are (i) to oversee the funds'
accounting and financial reporting processes and the audits of the funds' financial statements and (ii) to assist in the boards' oversight of the integrity of the funds' financial statements, the funds' compliance with legal and regulatory requirements and the independent registered public accounting firm's qualifications, independence and performance. The nominating committees are responsible for selecting and nominating persons as members of the boards for election or appointment by the boards and for election by shareholders. In evaluating potential nominees, including any nominees recommended by shareholders, a committee takes into consideration various factors listed in the nominating committee charter. The nominating committees will consider recommendations for nominees from shareholders submitted to the Secretary of the BNY Mellon Family of Funds, c/o BNY Mellon Investment Adviser, Inc. Legal Department, 240 Greenwich Street, New York, New York 10286, which include information regarding the recommended nominee as specified in the nominating committee charter. The function of the compensation committees is to establish appropriate compensation for serving on the boards. The litigation committee seeks to address any potential conflicts of interest between the funds and the Manager in connection with any potential or existing litigation or other legal proceeding relating to securities held by a fund and held or otherwise deemed to have a beneficial interest held by the Manager or its affiliate. The boards also have standing pricing committees comprised of any one board member; the function of the pricing committee is to assist in valuing fund investments.

**MANAGEMENT ARRANGEMENTS**

**The Manager**

BNYM Investment Adviser is a wholly-owned subsidiary of BNY Mellon and the primary mutual fund business of The Bank of New York Mellon Corporation, a global financial services company focused on helping clients manage and service their financial assets, operating in 35 countries and serving more than 100 markets. BNYM Investment Adviser is the investment adviser to each fund except BNY Mellon International Core Equity Fund, for which Mellon, an indirect subsidiary of BNY Mellon, is the investment adviser. BNY Mellon is a leading investment management and investment services company, uniquely focused to help clients manage and move their financial assets in the rapidly changing global marketplace. BNY Mellon Investment Management is one of the world's leading investment management organizations, and one of the top U.S. wealth managers, encompassing BNY Mellon's affiliated investment management firms, wealth management services and global distribution companies. Additional information is available at www.bnymellon.com.

Pursuant to a management or advisory agreement applicable to each fund, BNYM Investment Adviser generally maintains office facilities on behalf of the funds, and furnishes statistical and research data, clerical help, data processing, bookkeeping and internal auditing and certain other required services to the funds (including, when a fund does not have a separate administration agreement, accounting and administration services).

As further described below under "Distributor," BNYM Investment Adviser may pay the Distributor or financial intermediaries for shareholder or other services from BNYM Investment Adviser's own assets, including past profits but not including the management fee paid by the funds. The Distributor may use part or all of such payments to pay Service Agents. BNYM Investment Adviser also may make such advertising and promotional expenditures, using its own resources, as it from time to time deems appropriate, and may make revenue transfers to affiliates. Service Agents and their representatives generally will be able to accept payments or other compensation only to the extent consistent with applicable law and the Service Agent's own policies, procedures and practices.

**Sub-Advisers**

*See the prospectus to determine if any of the information about Sub-Advisers (below and elsewhere in this SAI) applies to your fund.*

For funds with one or more Sub-Advisers, the Manager or the fund has entered into a Sub-Advisory Agreement with each Sub-Adviser. A Sub-Adviser provides day-to-day investment management of a fund's portfolio (or a portion thereof allocated by the Manager), and certain related services.

The following is a list of persons who are deemed to control each Sub-Adviser based on the Sub-Adviser's reporting of the level of such persons' ownership of stock or other interests of the Sub-Adviser. Listed companies or other entities are in the asset management or other financial services business, or are holding or other non-operating
companies or entities within a group of such companies and/or entities. For Alcentra, Mellon, BNYMAM Japan, Insight, Insight NA, Newton and Walter Scott, which are all subsidiaries of BNY Mellon, see “The Manager” above for ownership information.

Amherst Capital: Amherst Holdings, LLC

CenterSquare: CenterSquare Investment Management Holdings LLC, LM CenterSquare Holdings LLC, LM CenterSquare Investment Holdings IV-A INC., Lovell Minnick Equity Partners IV-A LP, Lovell Minnick Equity Partners IV LP, Lovell Minnick Equity Advisors IV LP, Fund IV UGP LLC and Lovell Minnick Partners LLC

Channing: Rodney B. Herenton and Wendell E. Mackey

EAM: Montie L. Weisenberger, Travis Prentice, Joshua Moss, Frank Hurst, Byron Roth, CR Financial Holdings, Inc. and Waco Limited, LLC


GCM: Henderson Global Investors (North America) Inc., an indirect wholly-owned subsidiary of Janus Henderson

Granite: Michael Abare, Alison Edelstein, Geoffrey Edelstein, Robert Foran, Jeffrey Hoo, Edward Han, Peter Lopez, Douglas Morse, Richard Passafiume, Della Rolle, Erik Rolle, Joshua Shaskan, Lisa Shaskan, Bradley Slocum, Shirley Wang, Bradley G. Slocum Trust, Edelstein Trust, Gary and Della Rolle Trust, Jeffrey Hoo and Shirley Wang Revocable Trust, Joshua D. Shaskan and Lisa M. Shaskan Revocable Trust, Morse-Abare Family Trust and Rolle Financial, LLC

Kayne: Virtus Partners, Inc. and Virtus Investment Partners, Inc. (“Virtus”)

Neuberger Berman: Bradley Tank, Joseph Amato, Lawrence Kohn, Robert Eason, Stephen Wright, Neuberger Berman Investment Advisers Holdings LLC, Neuberger Berman Group LLC and NBSH Acquisition LLC

Nicholas: Laura DeMarco, Catherine C. Somhegyi Nicholas, Arthur E. Nicholas, John Wylie and Nicholas Investment Partners, LLC

Redwood: Jennifer K. Silver, Michael J. Mufson and Estancia Capital Partners, LP

RHJ: Thuong-Thao Buu-Hoan, Lou Holtz, George Kruntchev, Yossi Lipsker, Thomas McDowell, Michael Meoli, Carl Obeck, Gary Rice, Cara Thome, Timothy Todaro and Reed Wirick

Sarofim & Co.: Fayez S. Sarofim and The Sarofim Group, Inc.

Walthausen: Deforest Hinman, Mark Hodge, Paul Nichols, John B. Walthausen and Stanley Westhoff

Portfolio Managers and Portfolio Manager Compensation

See the prospectus to determine which portions of the information provided below apply to your fund.

For funds other than money market funds, an Affiliated Entity or the Sub-Adviser(s), as applicable, provide the funds with portfolio managers who are authorized by the board to execute purchases and sales of securities. Portfolio managers are compensated by the company that employs them, and are not compensated by the funds. Each fund's portfolio managers are listed in Part I of this SAI.

The following provides information about the compensation policies for portfolio managers.

Alcentra. Alcentra’s compensation arrangements include a fixed salary, discretionary cash bonus and a number of long term incentive plans that are structured to align an employee's interest with the firm's longer term goals. Portfolio managers are compensated in line with portfolio performance, rather than the growth of assets under management. Other factors that may be taken into consideration include asset selection and trade execution and
management of portfolio risk.

**Amherst Capital.** The portfolio managers’ compensation is comprised primarily of a market-based salary and an incentive compensation plan (annual and long-term). Funding for the Amherst Capital Incentive Plan is based on Amherst Holdings (parent) profitability and the performance of the business unit. All investment professionals are eligible to receive incentive awards. Cash awards are payable by March 15th of the following year. Total incentive awards are comprised of annual cash incentive and long term incentive awards in the form of Amherst Holdings incentive units (akin to warrants) or interests in investment vehicles (includes investments in Amherst Capital products and/or products of Amherst Capital affiliates), or a combination of the above. Individual awards for portfolio managers are discretionary, based on both individual and portfolio performance. Also considered in determining individual awards are team participation, general contributions to Amherst Capital, performance versus individual objectives and goals established at the beginning of each calendar year.

**BNY Mellon Wealth Management.** The portfolio managers' compensation is comprised of four components: (i) a market-based salary, (ii) an annual incentive compensation plan, (iii) a long term incentive plan and (iv) benefits that are offered to similarly situated employees of BNY Mellon-affiliated firms.

The annual incentive compensation plan is comprised of three components: (1) portfolio performance, (2) individual qualitative performance and (3) the overall performance of BNY Mellon Wealth Management. Portfolio performance is measured by one- and three-year fund and composite performance compared to the appropriate index and peer universe. Individual qualitative performance measures contributions the participant makes to the Equity Management group, account manager/client communications and BNY Mellon Wealth Management. Senior management may consider additional factors at its discretion.

Senior portfolio managers may be eligible to participate in the Long Term Incentive Plan of BNY Mellon Wealth Management. A long-term incentive pool is established at the beginning of the plan year. Eighty percent of this pool is allocated to the individual participants as target awards, and the remaining 20% is held in reserve until the end of the performance period (three years). At the end of the performance period, the 20% of the award pool that has been held in reserve may be awarded to participants at management's discretion. Interest is applied to both the target awards (80%) and the reserve (20%) at the T-note rate used for BNY Mellon's Elective Deferred Compensation Plan. Individuals participating in the Long Term Incentive Plan of BNY Mellon Wealth Management are not eligible to receive stock options.

Investment professionals, including portfolio managers, may be selected to participate in BNY Mellon's Long Term Profit Incentive Plan under which they may be eligible to receive options to purchase shares of stock of BNY Mellon. The options permit the investment professional to purchase a specified amount of stock at a strike price equal to the fair market value of BNY Mellon stock on the date of grant. Typically, such options vest over a set period and must be exercised within a ten-year period from the date of grant. Investment professionals may also receive restricted stock as part of their compensation. If granted, restricted stock normally vests and becomes free of restrictions after a period of three years, although the time period could vary. Generally, in the case of either options or restricted stock, if an employee voluntarily terminates employment before vesting, the unvested options and/or restricted stock are forfeited.

**BNYM Investment Adviser.** Compensation of portfolio managers in the Dreyfus Cash Investment Strategies (“CIS”) division of BNYM Investment Adviser is comprised primarily of a market-based salary and an incentive compensation plan. All investment professionals are eligible to receive incentive awards, which are distributed in the month of February after the end of each calendar year. Incentive awards granted can be a combination of cash and BNY Mellon equity, which may be deferred or vest over a period of years. Individual awards for portfolio managers are discretionary, based on both individual and product risk-adjusted performance relative to peer comparisons over one-, three- and five-year periods. Team participation and general contributions to CIS also are considered in determining individual awards. In addition, individual objectives and goals are established at the beginning of each calendar year and are taken into account. Portfolio managers whose compensation exceeds certain levels may elect to defer portions of their base salaries and/or incentive compensation pursuant to BNY Mellon's Elective Deferred Compensation Plan.

**BNYMAM Japan.** Portfolio managers' compensation is comprised of a base salary and a bonus. Annual bonus
amount is closely tied to investment performance, and may include an equity-based incentive award.

**CenterSquare.** The portfolio managers' compensation is comprised of a market-based salary and incentive compensation. Portfolio managers' incentive opportunities are 100% discretionary and are pre-established for each individual based upon competitive industry compensation benchmarks.

Individuals' packages are designed with the appropriate component combinations of:

- **Base pay:** salary is competitive and base pay levels link pay with performance and reflect the market value of the position, individual performance and company business results.

- **Annual cash bonus:** the annual cash bonus plan is based on individual performance, including individual contribution to meeting business unit goals, career development goals and adherence to corporate values. The annual cash bonus plan pool is computed based on the profitability of the firm.

- **Equity grant awards:** management has reserved equity grant awards for employees based on a number of factors including exemplary performance and contributions to the company.

The current compensation structure was formulated with the intent of attracting and retaining high caliber professional employees. CenterSquare, as a fiduciary, is committed to providing the necessary resources to maintain the quality of its services for the funds.

**Channing.** Total compensation is comprised of (1) base salaries, (2) performance bonuses, (3) equity participations, where applicable, and (4) benefits. For investment professionals, the bonus component is determined based on equal weighting of four factors: firm performance, product performance, individual performance and management discretion. Channing has a stock incentive program where key employees may be allocated phantom equity, with an intended five-year growth trajectory (20% each year) into ownership stakes.

**EAM.** Portfolio managers at EAM are paid a base salary in line with industry benchmarks and participate in EAM's revenue share plan. Portfolio managers also are compensated by distribution of profits based on ownership.

**Eastern Shore.** The portfolio managers' compensation is comprised of base salaries and benefits, and as equity owners of Eastern Shore they receive proportional shares of Eastern Shore's profits. After the expenses of the business are covered, including the salaries of the investment team partners, the remaining distributable cash (profits) is distributed to the portfolio managers in proportion to their ownership interests in Eastern Shore.

**GCM.** GCM portfolio managers are compensated for managing portfolios or accounts for which they have exclusive or shared responsibilities through two components: fixed compensation and variable compensation. The overall investment team variable compensation pool is based on Janus Henderson profitability and is fully discretionary. Portfolio managers are eligible for an annual variable compensation award based on management's discretion. Both quantitative and qualitative factors will be used to determine these awards. Such factors include, among other things, consistent short-term and long-term performance (i.e., one-, three- and five-year performance), client support and investment team support through the sharing of ideas, leadership, development, mentoring and team work.

- **Fixed Compensation:** Paid in cash and comprises an annual base salary. The base salary is based on factors such as performance, complexity of managing portfolios, scope of responsibility (including assets under management), skills, knowledge, experience, ability and market competitiveness.

- **Variable Compensation:** Paid in the form of cash and deferred awards. Deferrals are typically made in Janus Henderson restricted stock, although in some cases deferrals are invested in mutual funds for regulatory reasons. For some individuals with significant Janus Henderson stock holdings, they may also elect to have some or all of their deferral invested in mutual funds. Individual awards, if any, are discretionary and given based on company, department and individual performance.

**Granite.** Granite's compensation plan for investment professionals is a combination of both formula and discretionary components. Currently, all full-time portfolio managers are principals of the firm and are remunerated in accordance with Granite's Operating Agreement, which provides for a compensation plan as follows: (i) minimum
base draw against incentive compensation; (ii) revenue-based and performance-based compensation for each team (small cap and large cap); and (iii) a profits interest in Granite. Analysts are compensated based on the following: (i) base compensation; (ii) subjective bonus based on contribution to the relevant strategy and the firm; and (iii) a profits interest in Granite (if applicable).

The factors taken into consideration for determining maximum incentive compensation amounts include a portfolio performance based calculation based upon (i) relative rankings of track record (pre-tax) and return formula criteria and (ii) revenue generated from the clients of each strategy. Additional factors include such items as co-management responsibilities, portfolio performance versus peer universe rankings and length of time managing portfolios (based on annualized returns of one-year, three-years, five-years and ten-years or since-inception, whichever is shorter). For purposes of determining the level of performance-based compensation, potential track records (pre-tax) are based on full years of portfolio management experience.

Portfolio managers, and other key investment personnel, have membership interests in Granite and are evaluated on an annual basis to determine additional allocations of membership interests. Such interests entitle the members to distribution of profits as well as certain liquidity features. The interests effectively vest over a determined time period so as to provide a retention incentive. New equity grants generally contain a three year vesting period. This ownership feature is intended to create both stability and an entrepreneurial atmosphere at Granite.

Portfolio managers for accounts in the same strategy are compensated in the same manner.

Insight. Insight has a flexible and progressive remuneration policy which allows it to attract and retain what it believes to be the best available talent in the industry. Insight's approach to remuneration is designed to ensure that top performance is recognized with top quartile industry pay. This includes matching each individual with a suitable peer group that reflects competitors at every level and specialization within the industry. The components of remuneration are base salary and variable pay which is made up of two elements; discretionary annual cash amount and a deferral into the Insight long-term incentive plan (the "Insight LTIP"), a shadow equity plan. Cash and deferred pay play a significant role in total compensation. The overall value of these payments is based on company performance while individual payments are made with the dual aims of ensuring that key individuals are incentivized and rewarded for their contribution and that their total remuneration is competitive. Insight also has a competitive benefits package (including eligibility for company pension and private medical plans) broadly aligned with the firm's parent company, BNY Mellon.

Discretionary pay is allocated following a detailed annual evaluation and performance appraisal against individual objectives, based on key performance indicators such as mandate performance (including effective management of risk and generation of relative returns where appropriate), contribution to team-based investment decisions, team management and professional development. Account is also taken of non-investment related issues such as business wins, client feedback, product and service development, internal relationship building, as well as experience, tenure and status within the team. For investment teams, including portfolio managers, performance is typically assessed over a multi-year framework including fund performance over 1/3/5 years performance cycles. This is also supported by the Insight LTIP, which typically vests over 3 years.

The application of the above policy and principles are reviewed at least twice each year by the Insight Remuneration Committee, where compensation proposals in respect of the relevant performance year are considered and approved.

Insight NA. Insight NA has a flexible and progressive remuneration policy which allows it to attract and retain what it believes to be the best available talent in the industry. Insight NA's approach to remuneration is designed to ensure that top performance is recognized with top quartile industry pay. This includes matching each individual with a suitable peer group that reflects competitors at every level and specialization within the industry. The components of remuneration are base salary and variable pay which is made up of two elements; discretionary annual cash amount and a deferral into the Insight LTIP. Cash and deferred pay play a significant role in total compensation. The overall value of these payments is based on company performance while individual payments are made with the dual aims of ensuring that key individuals are incentivized and rewarded for their contribution and that their total remuneration is competitive. Insight NA also has a competitive benefits package (including eligibility for company pension and private medical plans) broadly aligned with the firm's parent company, BNY Mellon.
Discretionary pay is allocated following a detailed annual evaluation and performance appraisal against individual objectives, based on key performance indicators such as mandate performance (including effective management of risk and generation of relative returns where appropriate), contribution to team-based investment decisions, team management and professional development. Account is also taken of non-investment related issues such as business wins, client feedback, product and service development and internal relationship building, as well as experience, tenure and status within the team. For investment teams, including portfolio managers, performance is typically assessed over a multi-year framework including fund performance over one-, three- and five-years performance cycles. This is also supported by the Insight LTIP, which typically vests over three years.

The application of the above policy and principles are reviewed at least twice each year by the Insight Remuneration Committee, where compensation proposals in respect of the relevant performance year are considered and approved.

Kayne. Kayne's incentive compensation plan for its portfolio managers is comprised of a base salary, an incentive bonus, and equity grants from Kayne's parent company, Virtus Investment Partners, Inc. ("Virtus"). The equity grants are in the form of Virtus Restricted Stock Units with multi-year vesting. Kayne's portfolio managers also receive a portion of their compensation in deferred compensation that appreciates or depreciates in value based on the rate of return of one or more mutual funds managed or advised by the portfolio manager. For the bonus component, compensation is materially tied to the long-term risk-adjusted performance of the strategies for which the portfolio managers are responsible. Specifically, 75% of the bonus is determined by quantitative factors and 25% of the bonus is determined by qualitative factors. The quantitative factors are calculated with 50% based upon the equal weighted average of 1-year, 3-year, and 5-year alpha and 50% based upon the equal weighted average of 1-year, 3-year, and 5-year annualized returns relative to the respective peer group. The bonus can equal or exceed the base salary and is tied to a bonus pool that is dependent on firm profitability.

Kayne's portfolio managers are also able to participate in broad-based plans offered generally to Kayne's employees by its parent company, Virtus, including 401(k), health and other employee benefit plans.

Mellon. The firm's rewards program is designed to be market-competitive and align the firm's compensation with the goals of the firm's clients. This alignment is achieved through an emphasis on deferred awards, which incentivizes the firm's investment personnel to focus on long-term alpha generation.

The firm's incentive model is designed to compensate for quantitative and qualitative objectives achieved during the performance year. An individual's final annual incentive award is tied to the firm's overall performance, the team's investment performance, as well as individual performance.

Awards are paid in cash on an annual basis; however, some portfolio managers may receive a portion of their annual incentive award in deferred vehicles. Annual incentive as a percentage of fixed pay varies with the profitability of the firm and the product team.

The following factors encompass the firm's investment professional rewards program.

- Base salary
- Annual cash incentive
- Long-Term Incentive Plan
  - Deferred cash for investment
  - BNY Mellon restricted stock units and/or
  - Mellon equity

Awards for selected senior portfolio managers are based on a two-stage model: an opportunity range based on the current level of business and an assessment of long-term business value. A significant portion of the opportunity awarded is structured and based upon the performance of the portfolio manager's accounts relative to the performance of appropriate peers, with longer-term performance more heavily weighted.
Neuberger Berman. Neuberger Berman’s compensation philosophy is one that focuses on rewarding performance and incentivizing our employees. Neuberger Berman is also focused on creating a compensation process that it believes is fair, transparent, and competitive with the market.

Compensation for portfolio managers consists of fixed (salary) and variable (bonus) compensation but is more heavily weighted on the variable portion of total compensation and is paid from a team compensation pool made available to the portfolio management team with which the portfolio manager is associated. The size of the team compensation pool is determined based on a formula that takes into consideration a number of factors including the pre-tax revenue that is generated by that particular portfolio management team, less certain adjustments. The bonus portion of the compensation is discretionary and is determined on the basis of a variety of criteria, including investment performance (including the aggregate multi-year track record), utilization of central resources (including research, sales and operations/support), business building to further the longer term sustainable success of the investment team, effective team/people management, and overall contribution to the success of Neuberger Berman. Certain portfolio managers may manage products other than mutual funds, such as high net worth separate accounts. For the management of these accounts, a portfolio manager may generally receive a percentage of pre-tax revenue determined on a monthly basis less certain deductions. The percentage of revenue a portfolio manager receives pursuant to this arrangement will vary based on certain revenue thresholds.

The terms of Neuberger Berman’s long-term retention incentives are as follows:

Employee-Owned Equity. Certain employees (primarily senior leadership and investment professionals) participate in Neuberger Berman’s equity ownership structure, which was designed to incentivize and retain key personnel.

In addition, in prior years certain employees may have elected to have a portion of their compensation delivered in the form of equity. Neuberger Berman also offers an equity acquisition program which allows employees a more direct opportunity to invest in Neuberger Berman. For confidentiality and privacy reasons, Neuberger Berman cannot disclose individual equity holdings or program participation.

Contingent Compensation. Certain employees may participate in the Neuberger Berman Group Contingent Compensation Plan (the "CCP") to serve as a means to further align the interests of our employees with the success of the firm and the interests of our clients, and to reward continued employment. Under the CCP, up to 20% of a participant’s annual total compensation in excess of $500,000 is contingent and subject to vesting. The contingent amounts are maintained in a notional account that is tied to the performance of a portfolio of Neuberger Berman investment strategies as specified by the firm on an employee-by-employee basis. By having a participant’s contingent compensation tied to Neuberger Berman investment strategies, each employee is given further incentive to operate as a prudent risk manager and to collaborate with colleagues to maximize performance across all business areas. In the case of members of investment teams, including portfolio managers, the CCP is currently structured so that such employees have exposure to the investment strategies of their respective teams as well as the broader Neuberger Berman portfolio.

Restrictive Covenants. Most investment professionals, including portfolio managers, are subject to notice periods and restrictive covenants which include employee and client non-solicit restrictions as well as restrictions on the use of confidential information. In addition, depending on participation levels, certain senior professionals who have received equity grants have also agreed to additional notice and transition periods and, in some cases, non-compete restrictions. For confidentiality and privacy reasons, Neuberger Berman cannot disclose individual restrictive covenant arrangements.

Newton. Newton’s portfolio manager compensation structure is designed to reward those professionals who deliver strong long-term performance and do not create inappropriate risk exposure for the firm or its clients. Portfolio managers may be rewarded using a mix of base salary, discretionary annual cash bonus and/or participation in a long-term incentive plan ("LTIP"). Portfolio managers who receive discretionary incentive awards within Newton may receive a portion of their award under a deferred LTIP arrangement. Awards are made annually to individuals following a robust assessment of their contribution during the year and over three- and five-year periods, taking into account both team and individual risk-adjusted performance. Newton utilizes an online appraisal system to evaluate the performance of all employees (including investment professionals) on an annual basis. The system incorporates the use of multiple appraisers, which may include direct reports, peers or colleagues from within the investment team and other areas of the firm, resulting in an assessment that combines feedback from each individual.
Additionally, in seeking to protect against excessive risk-taking and emphasize appropriate conduct/behavior, input from Newton's risk and compliance team on employee conduct is collected as part of the appraisal process and can have an impact on discretionary incentive awards. Ultimately, Newton's remuneration committee decides upon the terms and conditions of remuneration and incentives for Newton's employees.

Nicholas. Portfolio managers are partners of the firm. Nicholas' compensation structure for its portfolio managers specifically aligns their goals with that of Nicholas' clients, rewards investment performance and promotes teamwork through their partnership in the firm. Portfolio managers typically receive a base salary and, as partners of the firm, proportionately share in the aggregate profits of Nicholas. In addition to cash compensation, portfolio managers receive a benefit package.

Redwood. Portfolio managers are paid both competitive salaries and awarded annual bonuses. Annual bonus amounts are based upon each portfolio manager's individual contribution to Redwood's investment performance.

RHJ. Compensation of portfolio managers at RHJ includes base compensation and bonus. In addition, Messrs. Holtz and Lipsker participate in revenues generated by the strategies they manage.

Sarofim & Co. The portfolio managers are compensated through (i) payment of a fixed annual salary and discretionary annual bonus that may be based on a number of factors, including fund performance, the performance of other accounts and the overall performance of Sarofim & Co. over various time frames, including one-year, two-year and three-year periods, and (ii) the possible issuance of stock options. The fixed annual salary amounts and the discretionary annual bonus amounts constitute the largest component of the portfolio managers' compensation, and these amounts are determined annually through a comprehensive review process pursuant to which executive officers and the members of Sarofim & Co.'s board of directors review and consider the accomplishments and development of each portfolio manager, especially with respect to those client accounts involving the portfolio manager. A lesser component of the portfolio managers' compensation results from the possible issuance of stock options. Portfolio managers are sometimes granted stock options and incentive stock options to acquire shares of the capital stock of The Sarofim Group, Inc., the ultimate corporate parent of Sarofim & Co. The decisions as to whether to issue such options and to whom the options are to be issued are made in conjunction with the annual salary and bonus review process, and the options are issued pursuant to a stock option plan adopted by The Sarofim Group, Inc. The options are not based on the particular performance or asset value of any particular client account or of all client accounts as a group, but rather the performance and accomplishments of the individual to whom the option is to be granted. There are various aspects of the review process that are designed to provide objectivity, but, in the final analysis, the evaluation is a subjective one that is based upon a collective overall assessment. There are, however, no specified formulas or benchmarks tied to the particular performance or asset value of any particular client account or of all client accounts as a group.

Walter Scott. Compensation generally consists of a competitive base salary and entitlement to annual profit share. In addition, all staff qualify for retirement benefits, life assurance and health insurance. All staff are eligible to participate in the firm's annual profit share, which is a fixed percentage of pre-incentive operating profits. This is the sole source of incentive compensation. Investment, operations, compliance and client service staff are all focused upon the same goals of providing superior performance and service to clients. Success in these goals drives the firm's profits and therefore the profit share.

For directors and some senior staff, the majority of annual compensation is the profit share. An element of this is deferred via a long-term incentive plan. This is primarily invested in a long-term global equity fund for which Walter Scott is the investment adviser and, for some, in BNY Mellon stock. Both have a deferral period which vests on a pro-rata basis over four years.

Walter Scott's compensation structure is designed to promote fair and equal treatment of all clients. The remuneration and nominations committee of Walter Scott's governing board determines the salary and profit share allocation based on the overall performance of the firm.

Walthausen. All members of Walthausen have common stock ownership in the firm. This is a founding principle of the firm, which Walthausen believes maximizes the alignment of goals for the firm and its clients. As the firm grows, Walthausen intends to expand ownership to new team members after an initial review period. Walthausen's
compensation structure consists of base salary, bonus and profit sharing. Each member of the investment team receives a base salary which is commensurate with past experience and role within the firm. Bonuses are similarly awarded based on team performance and firm profitability. As the firm grows, Walthausen intends to allocate profits across ownership levels.

**Certain Conflicts of Interest with Other Accounts**

Portfolio managers may manage multiple accounts for a diverse client base, including mutual funds, separate accounts (assets managed on behalf of private clients or institutions such as pension funds, insurance companies and foundations), private funds, bank collective trust funds or common trust accounts and wrap fee programs that invest in securities in which a fund may invest or that may pursue a strategy similar to a fund's component strategies ("Other Accounts").

Potential conflicts of interest may arise because of an Adviser's or portfolio manager's management of a fund and Other Accounts. For example, conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of limited investment opportunities, as an Adviser may be perceived as causing accounts it manages to participate in an offering to increase the Adviser's overall allocation of securities in that offering, or to increase the Adviser's ability to participate in future offerings by the same underwriter or issuer. Allocations of bunched trades, particularly trade orders that were only partially filled due to limited availability, and allocation of investment opportunities generally, could raise a potential conflict of interest, as an Adviser may have an incentive to allocate securities that are expected to increase in value to preferred accounts. IPOs, in particular, are frequently of very limited availability. A potential conflict of interest may be perceived to arise if transactions in one account closely follow related transactions in a different account, such as when a fund purchase increases the value of securities previously purchased by the Other Account or when a sale in one account lowers the sale price received in a sale by a second account. Conflicts of interest may also exist with respect to portfolio managers who also manage performance-based fee accounts, which could give the portfolio managers an incentive to favor such Other Accounts over the corresponding funds such as deciding which securities to allocate to a fund versus the performance-based fee account. Additionally, portfolio managers may be perceived to have a conflict of interest if there are a large number of Other Accounts, in addition to a fund, that they are managing on behalf of an Adviser. The Advisers periodically review each portfolio manager's overall responsibilities to ensure that he or she is able to allocate the necessary time and resources to effectively manage the fund. In addition, an Adviser could be viewed as having a conflict of interest to the extent that the Adviser or its affiliates and/or portfolio managers have a materially larger investment in Other Accounts than their investment in the fund.

Other Accounts may have investment objectives, strategies and risks that differ from those of the relevant fund. In addition, the funds, as registered investment companies, are subject to different regulations than certain of the Other Accounts and, consequently, may not be permitted to engage in all the investment techniques or transactions, or to engage in such techniques or transactions to the same degree, as the Other Accounts. For these or other reasons, the portfolio managers may purchase different securities for the fund and the Other Accounts, and the performance of securities purchased for the fund may vary from the performance of securities purchased for Other Accounts. The portfolio managers may place transactions on behalf of Other Accounts that are directly or indirectly contrary to investment decisions made for the fund, which could have the potential to adversely impact the fund, depending on market conditions. In addition, if a fund's investment in an issuer is at a different level of the issuer's capital structure than an investment in the issuer by Other Accounts, in the event of credit deterioration of the issuer, there may be a conflict of interest between the fund's and such Other Accounts' investments in the issuer. If an Adviser sells securities short, it may be seen as harmful to the performance of any funds investing "long" in the same or similar securities whose market values fall as a result of short-selling activities.

BNY Mellon and its affiliates, including the Manager, Sub-Advisers affiliated with the Manager and others involved in the management, sales, investment activities, business operations or distribution of the funds, are engaged in businesses and have interests other than that of managing the funds. These activities and interests include potential multiple advisory, transactional, financial and other interests in securities, instruments and companies that may be directly or indirectly purchased or sold by the funds or the funds' service providers, which may cause conflicts that could disadvantage the funds.

BNY Mellon and its affiliates may have deposit, loan and commercial banking or other relationships with the issuers
of securities purchased by the funds. BNY Mellon has no obligation to provide to the Adviser or the funds, or effect transactions on behalf of the funds in accordance with, any market or other information, analysis, or research in its possession. Consequently, BNY Mellon (including, but not limited to, BNY Mellon's central Risk Management Department) may have information that could be material to the management of the funds and may not share that information with relevant personnel of the Adviser. Accordingly, in making investment decisions for a fund, the Adviser does not seek to obtain or use material inside information that BNY Mellon may possess with respect to such issuers. However, because an Adviser, in the course of investing fund assets in loans (as described above), may have access to material non-public information regarding a Borrower, the ability of a fund or funds advised by such Adviser to purchase or sell publicly-traded securities of such Borrowers may be restricted.

Code of Ethics. The funds, the Manager, the Sub-Advisers and the Distributor each have adopted a Code of Ethics that permits its personnel, subject to such respective Code of Ethics, to invest in securities, including securities that may be purchased or held by a fund. The Code of Ethics subjects the personal securities transactions of employees to various restrictions to ensure that such trading does not disadvantage any fund. In that regard, portfolio managers and other investment personnel employed by the Manager or an Affiliated Entity or a Sub-Adviser affiliated with the Manager must preclear and report their personal securities transactions and holdings, which are reviewed for compliance with the Code of Ethics and also are subject to the oversight of BNY Mellon's Investment Ethics Committee. Portfolio managers and other investment personnel may be permitted to purchase, sell or hold securities which also may be or are held in fund(s) they manage or for which they otherwise provide investment advice.

Distributor

The Distributor, a wholly-owned subsidiary of BNYM Investment Adviser, located at 240 Greenwich Street, New York, New York 10286, serves as each fund's distributor on a best efforts basis pursuant to an agreement, renewable annually, with the fund or the corporation or trust of which it is a part. The Distributor also serves as distributor for the other funds in the BNY Mellon Family of Funds and BNY Mellon Funds Trust.

Depending on your fund's distribution arrangements and share classes offered, not all of the language below may be applicable to your fund (see the prospectus and "How to Buy Shares" in Part II of this SAI to determine your fund's arrangements and share classes).

The Distributor compensates from its own assets certain Service Agents for selling Class A shares subject to a CDSC and Class C shares at the time of purchase. The proceeds of the CDSCs and fees pursuant to a fund's 12b-1 Plan, in part, are used to defray the expenses incurred by the Distributor in connection with the sale of the applicable class of a fund's shares. For purchases of Class A shares subject to a CDSC and Class C shares, the Distributor generally will pay Service Agents on new investments made through such Service Agents a commission of up to 1% of the NAV of such shares purchased by their clients.

The Distributor may pay Service Agents that have entered into agreements with the Distributor a fee based on the amount invested in fund shares through such Service Agents by employees participating in Retirement Plans, or other programs. Generally, the Distributor may pay such Service Agents a fee of up to 1% of the amount invested through the Service Agents. The Distributor, however, may pay Service Agents a higher fee and reserves the right to cease paying these fees at any time. The Distributor will pay such fees from its own assets, other than amounts received from a fund, including past profits or any other source available to it. Sponsors of such Retirement Plans or the participants therein should consult their Service Agent for more information regarding any such fee payable to the Service Agent.

BNYM Investment Adviser or the Distributor may provide additional cash payments out of its own resources to Service Agents that sell shares of a fund or provide other services (other than Class K shares). Such payments are separate from any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund to those Service Agents. Because those payments are not made by you or the fund, the fund's total expense ratio will not be affected by any such payments. These additional payments may be made to Service Agents, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the Service Agent. Cash compensation also may be paid from BNYM Investment Adviser's or the Distributor's own resources to Service Agents for inclusion of a fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." From time to time, BNYM
Investment Adviser or the Distributor also may provide cash or non-cash compensation to Service Agents in the form of: occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorships; support for recognition programs; technology or infrastructure support; and other forms of cash or non-cash compensation permissible under broker-dealer regulations. In some cases, these payments or compensation may create an incentive for a Service Agent to recommend or sell shares of a fund to you. In addition, except when not consistent with legal requirements, the Distributor may provide additional and differing compensation from its own assets to certain of its employees who promote the sale of select funds to certain Service Agents, who in turn may recommend such funds to their clients; in some cases, these payments may create an incentive for the employees of the Distributor to promote a fund for which the Distributor provides a higher level of compensation. This potential conflict of interest may be addressed by policies, procedures or practices that are adopted by the Service Agent. As there may be many different policies, procedures or practices adopted by different Service Agents to address the manner in which compensation is earned through the sale of investments or the provision of related services, the compensation rates and other payment arrangements that may apply to a Service Agent and its representatives may vary by Service Agent.

Please contact your Service Agent for details about any payments it may receive in connection with the sale of fund shares or the provision of services to a fund.

The Distributor also may act as a Service Agent and retain sales loads, CDSCs and 12b-1 Plan fees. These payments as well as other payments from the fund to the Distributor's affiliates, such as the management fee payable to the Manager, may create an incentive for the Distributor to recommend or sell shares of a fund to you. The Distributor and its representatives generally will be able to accept the applicable payments in exchange for serving as a Service Agent only to the extent consistent with applicable law and any related policies, procedures or practices adopted by the Distributor.

Transfer and Dividend Disbursing Agent and Custodian

The Transfer Agent, a wholly-owned subsidiary of BNYM Investment Adviser, located at 240 Greenwich Street, New York, New York 10286, is each fund's transfer and dividend disbursing agent. Pursuant to a transfer agency agreement with the funds, the Transfer Agent arranges for the maintenance of shareholder account records for the funds, the handling of certain communications between shareholders and the funds and the payment of dividends and distributions payable by the funds. For these services, the Transfer Agent receives a monthly fee computed on the basis of the number of shareholder accounts it maintains for each fund during the month, and is reimbursed for certain out-of-pocket expenses. The funds, other than the Index Funds, also may make payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of fund shares.

The Custodian, an affiliate of the Manager, located at 240 Greenwich Street, New York, New York 10286, serves as custodian for the investments of the funds. The Custodian has no part in determining the investment policies of the funds or which securities are to be purchased or sold by the funds. Pursuant to a custody agreement applicable to each fund, the Custodian holds each fund's securities and keeps all necessary accounts and records. For its custody services, the Custodian receives a monthly fee based on the market value of each fund's assets held in custody and receives certain securities transaction charges.

Annual Anti-Money Laundering Program Review

The funds may engage an accounting firm (which may be the independent registered public accounting firm that audits certain of the funds' financial statements) to perform an annual independent review of the funds' anti-money laundering program.

Funds' Compliance Policies and Procedures

The funds have adopted compliance policies and procedures pursuant to Rule 38a-1 under the 1940 Act that cover, among other matters, certain compliance matters relevant to the management and operations of the funds.

Combined Prospectuses
A fund's prospectus may be combined with the prospectus of one or more funds that are not governed by the same board as such fund. This practice of combining prospectuses is for the convenience of fund shareholders and prospective fund shareholders, so that they can review features of multiple funds simultaneously. However, a fund's board is only responsible for the disclosure in the fund's prospectus applicable to such fund, regardless of other disclosure that may be contained in a combined prospectus for such fund and one or more other funds.

**Escheatment**

Under certain circumstances, your fund account may be deemed "abandoned" or "unclaimed" under a state's abandoned or unclaimed property laws. The fund then may be required to "escheat" or transfer the assets in your account to the applicable state's unclaimed property administration. Escheatment rules vary from state to state, but generally, your account could be escheated if:

- there has been no account activity or contact initiated by you for the period of time specified by your state (usually three or five years) and/or
- mail to the account address is returned as undeliverable by the United States Postal Service

In addition, no interest will accrue on uncashed dividends, capital gains or redemption checks, and such checks may be escheated.

Your assets would be escheated to the state indicated in the account address of record. If you have a foreign address, your assets would be escheated to the state where your fund is organized, which is either Maryland or Massachusetts. If fund shares are escheated to the state, the state is typically permitted to sell or liquidate the escheated shares at NAV. If you seek to reclaim your proceeds of liquidation from the state after your shares have been escheated and liquidated by the state, you may only be able to recover the amount received when the shares were sold, and not any appreciation that may otherwise have been realized had the shares not been liquidated. The escheat of your assets to the state may also result in tax penalties to you if the shares were held in a tax-deferred account such as an IRA.

It is your responsibility to ensure that you maintain a correct address for your account, keep your account active by contacting the Transfer Agent or the Distributor by mail or telephone or accessing your account through the fund's website at least once a year, and promptly cash all checks for dividends, capital gains and redemptions. For retirement or Transfer on Death accounts, please make sure the beneficiary information on file with the Transfer Agent is current and notify a family member or trusted advisor of the location of your account records. The fund, the Transfer Agent and BNYM Investment Adviser and its affiliates will not be liable to shareholders or their representatives for good faith compliance with state escheatment laws.

**DETERMINATION OF NAV**

*See the prospectus and "Investments, Investment Techniques and Risks" in Part II of this SAI to determine which sections of the discussion below apply to your fund.*

**Valuation of Portfolio Securities (funds other than Retail and Government MMFs)**

A fund's equity investments, including option contracts and ETFs (but not including investments in other open-end registered investment companies), generally are valued at the last sale price on the day of valuation on the securities exchange or national securities market on which such securities primarily are traded. Securities listed on NASDAQ markets generally will be valued at the official closing price. If there are no transactions in a security, or no official closing prices for a NASDAQ market-listed security on that day, the security will be valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Open short positions for which there is no sale price on a given day are valued at the lowest asked price. Investments in other open-end investment companies are valued at their reported NAVs each day.

Substantially all of a fund's debt securities and instruments generally will be valued, to the extent possible, by one or more independent pricing services (the "Service"). When, in the judgment of the Service, quoted bid prices for investments are readily available and are representative of the bid side of the market, these investments are valued at
the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). The value of other debt securities and instruments is determined by the Service based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. The Services are engaged under the general supervision of the board. Overnight and certain other short-term debt securities and instruments (excluding Treasury bills) will be valued by the amortized cost method, which approximates value, unless a Service provides a valuation for such security or, in the opinion of the board or a committee or other persons designated by the board, the amortized cost method would not represent fair value.

Market quotations of foreign securities in foreign currencies and any fund assets or liabilities initially expressed in terms of foreign currency are translated into U.S. dollars at the spot rate, and foreign currency forward contracts generally are valued using the forward rate obtained from a Service. If a fund has to obtain prices as of the close of trading on various exchanges throughout the world, the calculation of the fund's NAV may not take place contemporaneously with the determination of prices of certain of the fund's portfolio securities. Fair value of foreign equity securities may be determined with the assistance of a pricing service using correlations between the movement of prices of foreign securities and indexes of domestic securities and other appropriate indicators, such as closing market prices of relevant ADRs and futures contracts. The valuation of a security based on this fair value process may differ from the security's most recent closing price and from the prices used by other mutual funds to calculate their NAVs. Foreign securities held by a fund may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors will not be able to purchase or sell (redeem) fund shares.

Generally, over-the-counter option contracts and interest rate, credit default, total return and equity swap agreements, and options thereon, will be valued by the Service. Equity-linked instruments, such as contracts for difference, generally will be valued by the Service based on the value of the underlying reference asset(s). Futures contracts will be valued at the most recent settlement price. Restricted securities, as well as securities or other assets for which recent market quotations or official closing prices are not readily available or are determined not to reflect accurately fair value (such as when the value of a security has been materially affected by events occurring after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market) but before the fund calculates its NAV), or which are not valued by the Service, are valued at fair value as determined in good faith based on procedures approved by the board. Fair value of investments may be determined by the board or its pricing committee or the fund's valuation committee using such information as it deems appropriate under the circumstances. The factors that may be considered when fair valuing a security include fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. Using fair value to price investments may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values.

Valuation of Portfolio Securities (Retail and Government MMFs only)

The valuation of the fund's portfolio securities is based upon their amortized cost which does not take into account unrealized gains or losses. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the fund would receive if it sold the instrument. Boards overseeing these money market funds have established, as a particular responsibility within the overall duty of care owed to fund investors, procedures reasonably designed to stabilize the funds' price per share as computed for the purpose of purchases and redemptions at $1.00. Such procedures include review of the funds' portfolio holdings by the boards, at such intervals as it may deem appropriate, to determine whether the funds' NAV calculated by using available market quotations or market equivalents (including valuations obtained from a Service) deviates from $1.00 per share based on amortized cost. Other investments and assets will be valued at fair value as determined in good faith by the boards.

Calculation of NAV
Fund shares are sold on a continuous basis. Except as otherwise described in the prospectus, NAV per share of each fund and each class of a multi-class fund is determined on each day the NYSE is scheduled to be open for regular business, as of the scheduled close of regular session trading on the NYSE (usually 4:00 p.m. Eastern time). For purposes of determining NAV, certain options and futures contracts may be valued 15 minutes after the scheduled close of trading on the floor of the NYSE. The NAV per share of a fund is computed by dividing the value of the fund's net assets (i.e., the value of its assets less liabilities) by the total number of shares of such fund outstanding.

Fund expenses and fees, including management fees and fees pursuant to Plans (reduced by the fund's expense limitation, if any), are accrued daily and taken into account for the purpose of determining the NAV of a fund's shares. For funds with more than one class of shares, because of the differences in operating expenses incurred by each class of shares of a fund, the per share NAV of each class of shares of the fund will differ. The NAV of each class of a fund with more than one class of shares is computed by dividing the value of the fund's net assets represented by such class (i.e., the value of its assets less liabilities) by the total number of shares of such class outstanding.

Expense Allocations

Except as may be otherwise described in "Certain Expense Arrangements and Other Disclosures" in Part II of this SAI, all expenses incurred in the operation of the series of a fund company are borne by the fund company. Expenses attributable to a particular series of a fund company are charged against the assets of that series; other expenses of the fund company are allocated among the series on the basis determined by the board, including, but not limited to, proportionately in relation to the net assets of each series. In addition, each class of shares of a fund with more than one class bears any class specific expenses allocated to such class, such as expenses related to the distribution and/or shareholder servicing of such class.

NYSE and Transfer Agent Closings

The holidays (as observed) on which both the NYSE and the Transfer Agent are closed currently are: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas. In addition, the NYSE is closed on Good Friday.

ADDITIONAL INFORMATION ABOUT DIVIDENDS AND DISTRIBUTIONS

Dividends automatically are reinvested in additional shares of the fund from which they were paid at NAV without a sales load (if applicable), or, at your option, paid in cash. If a fund investor elects to receive dividends and distributions in cash, and the investor's dividend or distribution check is returned to the fund as undeliverable or remains uncashed for six months, the fund reserves the right to reinvest such dividends or distributions and all future dividends and distributions payable to you in additional fund shares at NAV. No interest will accrue on amounts represented by uncashed distribution or redemption checks.

For a fund that declares dividends each business day, if you redeem all shares in your account at any time during a month, all dividends to which you are entitled will be paid to you along with the proceeds of the redemption. If an omnibus accountholder indicates in a partial redemption request that a portion of any accrued dividends to which such account is entitled belongs to an underlying accountholder who has redeemed all shares in his or her account, such portion of the accrued dividends will be paid to the omnibus accountholder along with the proceeds of the redemption.

Dividends and distributions among share classes in the same fund may vary due to the different expenses of such share classes.

Funds other than Money Market Funds

Any dividend or distribution paid shortly after an investor's purchase of fund shares may have the effect of reducing the aggregate NAV of the shares below the cost of the investment ("buying a dividend"). Such a dividend or distribution would be a return of capital in an economic sense, although taxable as stated in the prospectus and this SAI. In addition, the Code provides that if a shareholder holds shares of a fund for six months or less and has (or is deemed to have) received a capital gain distribution with respect to such shares, any loss incurred on the sale of such shares will be treated as long-term capital loss to the extent of the capital gain distribution received or deemed to
have been received. The Code further provides that if a shareholder holds shares of a municipal or other tax-exempt fund for six months or less and has received an exempt-interest dividend with respect to such shares, any loss incurred on the sale of such shares generally will be disallowed to the extent of the exempt-interest dividend received.

A fund may make distributions on a more frequent basis than is described in its prospectus to comply with the distribution requirements of the Code, in all events in a manner consistent with the provisions of the 1940 Act. A fund may not make distributions from net realized securities gains unless capital loss carryovers, if any, have been utilized or have expired.

For a bond fund that declares dividends daily (see "Distributions and Taxes" in the prospectus or Part II of this SAI under "Dividends and Distributions"), dividends accrue beginning one day after the date of purchase and through the date a redemption is effective. When determining a fund's dividend rate on a weekend or holiday, the fund will use the dividend rate on the business day following the weekend or holiday. All expenses are accrued daily and deducted before declaration of dividends to shareholders.

**Money Market Funds**

Dividends accrue beginning on the date of purchase and through the day prior to the date a redemption is effective. A fund's earnings for Saturdays, Sundays and holidays are declared as dividends on the preceding business day. Dividends usually are paid on the last calendar day of each month. All expenses are accrued daily and deducted before declaration of dividends to shareholders.

Dividends from net realized short-term capital gains, if any, generally are declared and paid once a year, but the funds may make distributions on a more frequent basis to comply with the distribution requirements of the Code, in all events in a manner consistent with the provisions of the 1940 Act. A fund will not make distributions from net realized capital gains unless capital loss carryovers, if any, have been utilized or have expired. Retail and Government MMFs do not expect to realize any long-term capital gains or losses.

**CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

*See your fund's prospectus and "Investment Policies and Restrictions" in Part II of this SAI to determine which sections of the discussion below apply to your funds.*

The following discussion is a general summary of certain material U.S. federal income tax considerations applicable to a fund and its shareholders, including each fund's qualification and taxation as a RIC for U.S. federal income tax purposes. This discussion is based upon the Code, its legislative history, Treasury regulations (including temporary and proposed regulations), published rulings and court decisions, each as of the date of this SAI and all of which are subject to change, possibly with retroactive effect, which could affect the continuing accuracy of this discussion. No fund has sought and no fund will seek any ruling from the IRS regarding the offering pursuant to its prospectus or this SAI, including, without limitation, such fund's status as a RIC.

This discussion does not purport to be a complete description of all of the tax considerations applicable to a fund or its shareholders. In particular, this discussion does not address certain considerations that may be relevant to certain types of shareholders subject to special treatment under U.S. federal income tax laws, including shareholders subject to the alternative minimum tax, insurance companies, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, pension plans and trusts, REITs, other RICs, tax exempt organizations, banks and other financial institutions, persons who hold fund shares as part of a straddle or a hedging or conversion transaction and U.S. shareholders (as defined below) whose functional currency is not the U.S. dollar. This discussion assumes that shareholders hold a fund's shares as capital assets (within the meaning of the Code) for U.S. federal income tax purposes. This discussion does not discuss any aspects of U.S. estate or gift tax or non-U.S., state or local tax laws. Tax matters are very complicated, and the tax consequences to shareholders will depend on the facts of their particular situation. Shareholders are encouraged to consult their own tax advisers regarding the specific consequences of an investment in a fund, including tax reporting requirements, the applicability of U.S. federal, state, local and non-U.S. tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws. The tax consequences described herein may be affected (possibly with retroactive effect) by various legislative bills and proposals that may be initiated in Congress. Prospective investors should consult their own tax advisers regarding the status of any proposed legislation and the
effect, if any, on their investment in a fund.

A "U.S. shareholder" is a beneficial owner of a fund's shares that is for U.S. federal income tax purposes:

1. a citizen or individual resident of the United States;
2. a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
3. a trust, if a court within the United States has primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person; or
4. an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "non-U.S. shareholder" is a beneficial owner of a fund's shares that is neither a U.S. shareholder nor an entity treated as a partnership for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds a fund's shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Beneficial owners of a fund's shares that are partnerships or partners in such partnerships should consult their own tax advisers with respect to the ownership and disposition of such fund's shares.

A fund generally is required to withhold and remit to Treasury a percentage of the taxable distributions paid to certain shareholders who fail to properly furnish the fund with a correct taxpayer identification number, who have under-reported dividend or interest income, or who fail to certify to the fund that he or she is not subject to such withholding. Corporate shareholders, certain non-U.S. persons and other shareholders specified in the Code and applicable regulations are generally exempt from backup withholding, but may need to provide documentation to a fund to establish such exemption. Backup withholding is not an additional tax. Any amounts withheld may be credited against the shareholder's U.S. federal income tax liability, provided the appropriate information is furnished to the IRS.

Taxation of the Funds

RIC Qualification Requirements. Each fund has elected to be treated as, and intends to continue to qualify in each taxable year as, a RIC under Subchapter M of the Code, and the remainder of this discussion so assumes. A fund that qualifies as a RIC and that satisfies certain annual distribution requirements, described below, generally will not be subject to U.S. federal income tax on the portion of such fund's investment company taxable income and net capital gain (generally, net long-term capital gain in excess of net short-term capital loss) that it timely distributes (or is deemed to distribute) to holders of a fund's shares. A fund that qualifies as a RIC will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to holders of the fund's shares.

A fund that qualifies as a RIC will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless the fund distributes in a timely manner an amount at least equal to the sum of: (1) 98% of the fund's ordinary income for each calendar year (not taking into account any capital gains or losses); (2) 98.2% of the fund's capital gain net income for the one year period ending October 31st in that calendar year; and (3) any income recognized, but not distributed, in preceding years (collectively, the "Excise Tax Requirement").

To qualify as a RIC for U.S. federal income tax purposes, a fund generally must, among other things, meet the following tests:

"90% Income Test"—derive in each taxable year at least 90% of the fund's gross income from (a) dividends, interest, payments with respect to certain securities loans, gains from the sale of stock, other
securities, foreign currencies or other income derived with respect to the fund's business of investing in such stock, securities or currencies, or (b) net income derived from the fund's interest in a "qualified publicly traded partnership," or "QPTP" (generally, a publicly traded partnership that is eligible to be treated as a partnership under the Code, other than a publicly traded partnership that derives 90% of its income from the sources described in clause (a) of the 90% Income Test);

"Diversification Test"—diversify the fund's holdings so that at the end of each quarter of the taxable year:

- at least 50% of the value of the fund's assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs and other securities that, with respect to any issuer, do not represent more than 5% of the value of the fund's assets or more than 10% of the outstanding voting securities of that issuer; and

- no more than 25% of the value of the fund's assets is invested in the securities, other than U.S. Government securities or securities of other RICs, of (i) one issuer; (ii) two or more issuers that are controlled, as determined under applicable tax rules, by such fund and that are engaged in the same or similar or related trades or businesses; or (iii) securities of one or more QPTPs.

"Annual Distribution Test"—distribute with respect to each taxable year at least 90% of the sum of the fund's investment company taxable income (determined without regard to the dividends paid deduction) and net tax exempt interest income, if any, for such year.

In general, for purposes of the 90% Income Test described above, income derived from a partnership will be treated as qualifying income only to the extent such income is attributable to items of income of the partnership that would be qualifying income if realized by a RIC. However, as noted above, 100% of the net income derived from an interest in a QPTP is qualifying income for purposes of the 90% Income Test. Although income from a QPTP is qualifying income for purposes of the 90% Income Test, investment in QPTPs cannot exceed 25% of a fund's assets.

A fund's investment in a partnership (including an MLP) may qualify as an investment in (1) a QPTP; (2) a "regular" partnership; (3) a "passive foreign investment company" (a "PFIC"); or (4) a corporation for U.S. federal income tax purposes. The treatment of a particular partnership for U.S. federal income tax purposes will affect the extent to which a fund can invest in such partnership. Some amounts received by a fund with respect to certain investments in a partnership will likely be treated as a return of capital because of accelerated depreciation and the availability of deductions available with respect to the activities of such partnership. On the disposition of an investment in a partnership, the fund will likely realize taxable income in excess of cash flow with respect to that asset (or, if the fund does not dispose of the partnership, the fund likely will realize taxable income in excess of cash flow with respect to the partnership in a later period), and the fund must take such income into account in determining whether the fund has satisfied its distribution requirements. The fund may have to borrow or liquidate securities to satisfy its distribution requirements and to meet its redemption requests, even though investment considerations might otherwise make it undesirable for the fund to sell securities or borrow money at such time. For tax years beginning after December 31, 2017, sellers shall generally be required to withhold 10% of the amount realized on the sale or exchange of an interest in a partnership that is engaged in a U.S. trade or business unless (i) the transferor certifies that it is not a nonresident alien individual or a foreign corporation, or (ii) certain other limited circumstances apply. In general, the fund should be able to provide the required certification to avoid withholding, but Treasury has not yet issued or implemented regulations for this provision.

Gains or losses attributable to fluctuations in exchange rates between the time the fund accrues income, expenses or other liabilities denominated in a currency other than the U.S. dollar and the time such fund actually collects such income or pays such expenses or liabilities may be treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts, the disposition of debt denominated in a foreign currency and other financial transactions denominated in foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, may also be treated as ordinary income or loss by a fund.

If a fund, otherwise qualifying as a RIC, fails to satisfy the 90% Income Test or the Diversification Test in any taxable year, such fund may be eligible for relief provisions if the failures are due to reasonable cause and not willful neglect and if a penalty tax is paid with respect to each failure to satisfy the applicable requirements. Additionally, relief is provided for certain de minimis failures of the Diversification Test if the fund corrects the failure within a
specified period. If the applicable relief provisions are not available or cannot be met, all of the fund's income would be subject to corporate level income tax. No fund can provide assurance that it will qualify for any such relief should it fail either the 90% Income Test or the Diversification Test.

If a fund fails to satisfy the Annual Distribution Test or otherwise fails to qualify as a RIC in any taxable year, and is not eligible for relief as described above, the fund will be subject to tax in that year on all of its taxable income, regardless of whether a fund makes any distributions to the fund's shareholders. In that case, all of the fund's income will be subject to corporate level income tax, reducing the amount available to be distributed to the fund's shareholders, and such shareholders would no longer be eligible for the benefits related to the fund's treatment as a RIC, such as the benefits of the rules related to "interest related dividends." See "Taxation of U.S. shareholders."

**Capital Loss Carryforwards.** A fund that qualifies as a RIC generally would be permitted to carry forward a net capital loss realized, if any, in a taxable year beginning on or before January 1, 2011 to offset such fund's capital gain, if any, realized during the eight years following the year of the loss. A capital loss carryforward realized in a taxable year beginning before January 1, 2011 is treated as a short term capital loss in the year to which it is carried. A fund is permitted to carry forward a net capital loss realized in taxable years beginning on or after January 1, 2011 to offset capital gain indefinitely. For net capital losses realized in taxable years beginning on or after January 1, 2011, the excess of a fund's net short term capital loss over such fund's net long term capital gain is treated as a short term capital loss arising on the first day of such fund's next taxable year, and the excess of such fund's net long term capital loss over such fund's net short term capital gain is treated as a long term capital loss arising on the first day of such fund's next taxable year. If future capital gain is offset by capital losses which are carried forward, such future capital gain generally is not subject to fund level U.S. federal income tax, regardless of whether distributed to shareholders. A RIC cannot carry back or carry forward any net operating losses, which for tax years beginning after December 31, 2017 can only be used in a given tax year to offset 80% of the fund's adjusted taxable income.

Although in general the passive loss rules of the Code do not apply to RICs, such rules do apply to a RIC with respect to items attributable to an interest in a QPTP. A fund's investments in partnerships, including in QPTPs, may result in the fund being subject to state, local or non-U.S. income, franchise or withholding tax liabilities.

**Investments in PFICs.** A fund may purchase shares in a PFIC, and as such a fund may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares, even if such income is distributed as a taxable dividend by the fund to its shareholders. Additional charges in the nature of interest may be imposed on the fund in respect of deferred taxes arising from such distributions or gains. If a fund invests in a PFIC and elects to treat the PFIC as a "qualified electing fund" under the Code (a "QEF"), in lieu of the foregoing requirements, the fund will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to the fund. Alternatively, a fund may elect to mark to market at the end of each taxable year the fund's shares in such PFIC; in this case, the fund will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. A fund's ability to make either election will depend on factors beyond its control, and the funds are subject to limitations which may limit the availability or benefit of these elections. Under either election, a fund may be required to recognize in any year income in excess of its distributions from PFICs and its proceeds from dispositions of PFIC shares during that year, and generally such income will nevertheless be subject to the Annual Distribution Test, will be taken into account for purposes of determining whether the fund satisfies the Excise Tax Requirement, and generally will not be treated as qualifying income for the 90% Income Test.

**Other Fund Investments and Activities.**

*Derivatives.* A fund's investments in options, futures contracts, forward contracts, swaps and derivatives, as well as any of its other hedging, short sale or similar transactions, may be subject to one or more special tax rules (including notional principal contract, constructive sale, straddle, wash sale, short sale and other rules), the effect of which may be to accelerate income to the fund (including, potentially, without a corresponding receipt of cash with which to make required distributions), defer fund losses, cause adjustments in the holding periods of fund securities, convert capital gains into ordinary income, render dividends that would otherwise be eligible for the dividends received deduction or preferential rates of taxation ineligible for such treatment, convert long-term capital gains into short-term capital gains and convert short-term capital losses into long-term capital losses. These rules could therefore affect the amount, timing and character of distributions to shareholders of a fund. In addition, because the tax rules
applicable to derivative financial instruments are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether a fund has made sufficient distributions, and otherwise satisfied the applicable requirements, to maintain its qualification as a RIC and avoid fund-level taxation.

Securities Lending. A fund's participation in loans of securities may affect the amount, timing and character of distributions to shareholders. With respect to any security subject to a securities loan, any (i) amounts received by a fund in place of dividends earned on the security during the period that such security was not directly held by the fund may not give rise to qualified dividend income and (ii) withholding taxes accrued on dividends during the period that such security was not directly held by the fund will not qualify as a foreign tax paid by the fund and therefore cannot be passed through to shareholders even if the fund meets the requirements described in "Fund Investments in Non-U.S. Securities" below.

Debt Obligations. A fund's investments, if any, in securities issued or purchased at a discount, as well as certain other securities (including zero coupon obligations and certain redeemable preferred stock), may require the fund to accrue and distribute income not yet received. Similarly, a fund's investment in payment-in-kind securities will give rise to income which is required to be distributed even though the fund receives no payment in cash on the security during the year. In order to generate sufficient cash to make its requisite distributions, a fund may be required to borrow money or sell securities in its portfolio that it otherwise would have continued to hold.

The taxation of inflation-indexed Treasury securities is similar to the taxation of conventional bonds. Both interest payments and the difference between original principal and the inflation-adjusted principal generally will be treated as interest or original issue discount income subject to taxation. Interest payments generally are taxable when received or accrued. The inflation adjustment to the principal generally is subject to tax in the year the adjustment is made, not at maturity of the security when the cash from the repayment of principal is received. Accordingly, as in the case of securities issued or purchased at a discount and zero coupon obligations, a fund's investments in inflation-indexed Treasury securities may require the fund to accrue and distribute income not yet received. Decreases in the indexed principal in a given year generally (i) will reduce the amount of interest income otherwise includible in income for that year in respect of the security; (ii) to the extent not treated as an offset to current income under (i), will constitute an ordinary loss to the extent of prior year inclusions of interest, original issue discount and market discount in respect of the security that exceed ordinary losses in respect of the security in such prior years; and (iii) to the extent not treated as an offset to current income under (i) or an ordinary loss under (ii), can be carried forward as an ordinary loss to reduce interest, original issue discount and market discount in respect of the security in subsequent taxable years. If inflation-indexed Treasury securities are sold prior to maturity, capital losses or gains generally are realized in the same manner as traditional debt instruments. Special rules apply in respect of inflation-indexed Treasury securities issued with more than a prescribed de minimis amount of discount or premium.

Certain funds may invest in lower-quality fixed-income securities, including debt obligations of issuers not currently paying interest or that are in default. Investments in debt obligations that are at risk of or are in default present special tax issues for a fund. Tax rules are not entirely clear on the treatment of such debt obligations, including as to whether and to what extent a fund should recognize market discount on such a debt obligation, when a fund may cease to accrue interest, original issue discount or market discount, when and to what extent a fund may take deductions for bad debts or worthless securities and how a fund shall allocate payments received on obligations in default between principal and interest. These and other related issues would be addressed by each fund if it invests in such securities, including in connection with the fund's efforts to ensure that it distributes sufficient income to preserve its status as a RIC and does not become subject to U.S. federal income or excise tax.

Investments in Entities Which Invest in or Finance Mortgage Debt. Special tax rules may apply to the investments by a fund in entities which invest in or finance mortgage debt. Such investments include residual interests in REMICs and interests in a REIT which qualifies as a taxable mortgage pool under the Code or has a qualified REIT subsidiary that is a taxable mortgage pool under the Code. Although it is the practice of each fund not to make such investments, there is no guarantee that a fund will be able to avoid an inadvertent investment in REMIC residual interests or a taxable mortgage pool.

Such investments may result in a fund receiving excess inclusion income ("EII") in which case a portion of its distributions will be characterized as EII and shareholders receiving such distributions, including shares held
A foreign corporation, such as the Subsidiary, will generally not be subject to U.S. federal income taxation unless it is deemed to be engaged in a U.S. trade or business. It is expected that the Subsidiary will conduct its activities in a manner so as to meet the requirements of a "safe harbor" contained in the Code under which the Subsidiary may engage in trading in stocks or securities or certain commodities without being deemed to be engaged in a U.S. trade or business. However, if certain of the Subsidiary's activities were determined not to be of the type described in the safe harbor (which is not expected), then the activities of the Subsidiary may constitute a U.S. trade or business, in which case the Subsidiary would be subject to U.S. income and branch profits tax (and possibly state tax) on its income, if any, that is effectively connected with such U.S. trade or business. In general, a foreign corporation, such as the Subsidiary, that does not conduct a U.S. trade or business is nonetheless subject to tax at a flat rate of 30% (or lower tax treaty rate), generally payable through withholding, on the gross amount of certain U.S.-source income that is not effectively connected with a U.S. trade or business. It is not expected that the Subsidiary will derive income subject to such withholding tax. The Subsidiary will be treated as a "controlled foreign corporation," and the fund will be treated as a "U.S. shareholder" of the Subsidiary. As a result, the fund will be required to include in gross income for U.S. federal income tax purposes all of the Subsidiary's "subpart F income," whether or not such income is distributed by the Subsidiary. It is expected that all of the Subsidiary's income will be subpart F income. Distributions by the Subsidiary of income previously included in the fund's gross income as subpart F income will be tax-free to the fund. Subpart F income is generally treated as ordinary income, regardless of the character of the Subsidiary's underlying income. If a net loss is realized by the Subsidiary, such loss is not generally available to offset the income earned by the fund.

Fund Investments in Non-U.S. Securities. Investment income that may be received by a fund from sources within foreign countries may be subject to foreign withholding and other taxes. Tax treaties between the United States and certain countries may reduce or eliminate such taxes. If more than 50% of the value of a fund's total assets at the close of its taxable year consists of stock or securities of foreign corporations, the fund may elect to "pass through" to its shareholders the amount of foreign taxes paid or deemed paid by the fund. If a fund so elects, each of its shareholders subject to U.S. federal income tax would be required to include in gross income, even though not actually received, his or her pro rata share of the foreign taxes paid or deemed paid by the fund, but would be treated as having paid his or her pro rata share of such foreign taxes and would therefore be allowed to either deduct such amount in computing taxable income or use such amount (subject to various Code limitations) as a foreign tax credit against federal income tax (but not both). For purposes of the foreign tax credit limitation rules of the Code, each shareholder subject to U.S. federal income tax would treat as foreign source income his or her pro rata share of such foreign taxes plus the portion of dividends received from a fund representing income derived from foreign sources. No deduction for foreign taxes could be claimed by an individual shareholder who does not itemize deductions. In certain circumstances, a shareholder subject to U.S. federal income tax that (i) has held shares of a fund for less than a specified minimum period during which it is not protected from risk of loss or (ii) is obligated to make payments related to the dividends will not be allowed a foreign tax credit for foreign taxes deemed imposed on dividends paid on such shares. Additionally, a fund must also meet this holding period requirement with respect to its foreign stocks and securities in order for "creditable" taxes to flow-through. Each shareholder should consult his or her own tax adviser regarding the potential availability of foreign tax credits or deductions relating to the shareholder's interest in a fund.

Investments in Municipal or Other Tax-Exempt Funds. It is anticipated that substantially all of the ordinary dividends to be paid by municipal or other tax-exempt funds that invest substantially all of their assets in U.S.
municipal securities will constitute "exempt-interest dividends." Such exempt-interest dividends generally are
excluded from a shareholder's gross income for federal income tax purposes. Additionally, it is possible that a
portion of the income dividends from such funds will not be exempt from federal income taxes. Municipal or other
tax-exempt funds may realize capital gains from the sale or other disposition of municipal securities or other
securities. Distributions by such funds of capital gains will be treated in the same manner as capital gains as
described under "Taxation of U.S. Shareholders—Fund Distributions." Recipients of Social Security and/or certain
railroad retirement benefits who receive dividends from municipal bond or other tax-exempt funds may have to pay
taxes on a portion of their benefits. Shareholders will receive a Form 1099-DIV, Form 1099-INT or other IRS
forms, as required, reporting the taxability of all dividends.

Because the ordinary dividends of municipal or other tax-exempt funds are expected to be exempt-interest
dividends, any interest on money a shareholder of such a fund borrows that is directly or indirectly used to purchase
shares in the fund will not be deductible. Further, entities or persons that are "substantial users" (or persons related
to "substantial users") of facilities financed by private activity bonds or industrial development bonds should consult
their tax advisers before purchasing shares of these funds. The income from such bonds may not be tax-exempt for
such substantial users. There also may be collateral federal income tax consequences regarding the receipt of
exempt-interest dividends by certain types of shareholders such as S corporations, financial institutions and property
and casualty insurance companies. A shareholder falling into any such category should consult its tax adviser
concerning its investment in a fund that is intended to generate exempt-interest dividends.

As a general rule, any loss realized upon a taxable disposition of shares in a municipal or other tax-exempt fund that
have been held for six months or less will be disallowed to the extent of any exempt-interest dividends received (or
deemed received) by the shareholder with respect to the shares. This loss disallowance rule, however, does not
apply with respect to a regular dividend paid by a RIC which declares exempt-interest dividends on a daily basis in
an amount equal to at least 90% of its net tax-exempt interest and distributes such dividends on a monthly or more
frequent basis.

If at least 50% of the value of a fund's total assets at the close of each quarter of its taxable year is represented by
interests in other RICs (such as a "fund of funds"), the fund may pass through to its shareholders its exempt interest
income in the form of dividends that are exempt from federal income tax.

Proposals have been and may be introduced before Congress that would restrict or eliminate the federal income tax
exemption of interest on municipal securities. If such a proposal were enacted, the availability of such securities for
investment by a fund that would otherwise invest in tax-exempt securities and the value of such a fund's portfolio
would be affected. In that event, the fund would reevaluate its investment objective and policies.

The treatment under state and local tax law of dividends from a fund that invests in municipal securities may differ
from the federal income tax treatment of such dividends under the Code.

State Municipal Funds. The exempt-interest dividends paid by State Municipal Funds will generally be excluded
from gross income for income tax purposes of the relevant state (or, in the case of funds that invest at least 80% of
their net assets in New York Municipal Bonds or New York Municipal Obligations, personal income tax imposed by
New York City). It should be noted that this treatment may change if, among other reasons: a fund fails to qualify
as a RIC for federal income tax purposes; the exempt-interest dividends paid by a fund are not excluded from gross
income for federal income tax purposes; or if the fund fails to meet certain reporting and filing requirements under
the applicable state laws and regulations. Fund shares and fund distributions may be subject to other state and local
taxes. In addition, fund distributions not attributable to State Municipal Bonds or State Municipal Obligations
generally are subject to all state income taxes, except that, under certain circumstances, many states provide
exemptions for distributions attributable to interest on certain U.S. Government obligations. Additionally, a
shareholder may be subject to state income tax to the extent the shareholder sells or exchanges fund shares and
realizes a capital gain on the transaction.

Taxation of U.S. Shareholders

Fund Distributions. Distributions by a fund generally are taxable to U.S. shareholders as ordinary income or long
term capital gain. Distributions by the fund will not qualify for the deduction under Section 199A of the Code.
Distributions of a fund's net investment company taxable income (which includes interest and dividend income other
than qualified dividend income) will be taxable as ordinary income to U.S. shareholders to the extent of the fund's current and accumulated earnings and profits, whether paid in cash or reinvested in additional shares of the fund. Distributions of the fund's net capital gain (which generally is the excess of the fund's net long-term capital gain over its net short-term capital loss) properly reported by the fund as "capital gain dividends" will be taxable to U.S. shareholders as long-term capital gains (which, under current law, are taxed at preferential rates in the case of individuals, trusts or estates). This is true regardless of U.S. shareholders' holding periods for their shares and regardless of whether the dividend is paid in cash or reinvested in additional shares. Distributions in excess of the fund's earnings and profits first will reduce U.S. shareholders' adjusted tax basis in such their shares and, after the adjusted tax basis is reduced to zero, will constitute capital gain to such U.S. shareholder.

Although each fund currently intends to distribute any of its net capital gain for each taxable year on a timely basis, the fund may in the future decide to retain some or all of its net capital gain, and may designate the retained amount as a "deemed distribution." In that case, among other consequences, the fund will pay tax on the retained amount, each U.S. shareholder will be required to include such shareholder's share of the deemed distribution in income as if it had been actually distributed to the U.S. shareholder, and the U.S. shareholder will be entitled to claim a credit equal to such shareholder's allocable share of the tax paid thereon by the fund. The amount of the deemed distribution net of such tax will be added to the U.S. shareholder's adjusted tax basis for such shareholder's shares.

Each fund may in certain years use "equalization accounting" in determining the portion of its net investment income and net realized capital gains that have been distributed. A fund that elects to use equalization accounting in a year will allocate a portion of its investment income and capital gains to redemptions of fund shares, which will have the effect of reducing the amount of income and gains that the fund is required to distribute to shareholders in order for the fund to avoid federal income tax and excise tax and also may defer the recognition of taxable income by shareholders. Since the amount of any undistributed income and/or gains will be reflected in the value of the fund's shares, the total return on a shareholder's investment will not be reduced as a result of the fund's distribution policy. The IRS has not published any guidance concerning the methods to be used in allocating investment income and capital gain to redemptions of shares. In the event that the IRS determines that a fund is using an improper method of allocation and has under-distributed its net investment income or net realized capital gains for any taxable year, such fund may be liable for additional federal income or excise tax or may jeopardize its treatment as a RIC.

In general, dividends (other than capital gain dividends) paid by a fund to U.S. individual shareholders may be eligible for preferential tax rates applicable to long-term capital gain to the extent that the fund's income consists of dividends paid by U.S. corporations and certain "qualified foreign corporations" on shares that have been held by the fund for at least 61 days during the 121-day period commencing 60 days before the shares become ex-dividend. Dividends paid on shares held by a fund will not be taken into account in determining the applicability of the preferential maximum tax rate to the extent that the fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Dividends paid by REITs are not generally eligible for this preferential maximum tax rate. Further, a "qualified foreign corporation" does not include any foreign corporation which, for its taxable year in which its dividend was paid, or the preceding taxable year, is a PFIC (discussed above). In order to be eligible for the preferential rate, a U.S. shareholder in a fund must have held his or her shares in the fund for at least 61 days during the 121-day period commencing 60 days before the fund shares become ex-dividend. Additional restrictions on a U.S. shareholder's qualification for the preferential rate may apply.

In general, dividends (other than capital gain dividends) paid by a fund to U.S. shareholders that are taxable as corporations for U.S. federal income tax purposes may be eligible for the dividends received deduction to the extent that the fund's income consists of dividends paid by U.S. corporations (other than REITs) on shares that have been held by the fund for at least 46 days during the 91-day period commencing 45 days before the shares become ex-dividend. Dividends paid on shares held by a fund generally will not be taken into account for this purpose to the extent the stock on which the dividend is paid is considered to be "debt-financed" (generally, acquired with borrowed funds), or to the extent that the fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Moreover, the dividends received deduction may be disallowed or reduced if the corporate U.S. shareholder fails to satisfy the foregoing holding period and other requirements with respect to its shares of a fund or by application of the Code.

Sale, Exchange or Redemption of Shares. A U.S. shareholder generally will recognize taxable gain or loss if the U.S. shareholder sells or otherwise disposes of such shareholder's shares of a fund. The amount of gain or loss will
be measured by the difference between such shareholder's adjusted tax basis in the shares sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long term capital gain or loss if the shareholder has held such shares for more than one year. Otherwise, such gain or loss will be classified as short term capital gain or loss. However, any capital loss arising from the sale or disposition of fund shares held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of the fund's shares may be disallowed if substantially identical stock or securities are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

Further, except in the context of an Institutional MMF, or shareholders employing the NAV Method (defined below) in respect of the applicable fund, all or a portion of any loss realized upon a taxable disposition of fund shares will be disallowed under applicable "wash sale" rules if other substantially identical shares of the fund are purchased (including by means of a dividend reinvestment plan) within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss.

As discussed above under "Taxation of the Funds—Other Fund Investments and Activities—Investments in Municipal or Other Tax-Exempt Funds," any loss realized upon a taxable disposition of shares in a municipal or other tax-exempt fund that have been held for six months or less will be disallowed to the extent of any exempt-interest dividends received (or deemed received) by the shareholder with respect to the shares. This loss disallowance rule, however, does not apply with respect to a regular dividend paid by a fund which declares exempt-interest dividends on a daily basis in an amount equal to at least 90% of its net tax-exempt interest and distributes such dividends on a monthly or more frequent basis.

Generally, if a shareholder sells or redeems shares of a fund within 90 days of their original acquisition, the shareholder cannot claim a loss on the original shares attributable to the amount of a sales charge if the sales charge is reduced or waived on a future purchase of shares of any fund (on account of the prior load charge). Instead, the shareholder is required to reduce the basis of the original shares by the amount of their sales charge and carry over that amount to increase the basis of the newly acquired fund shares. This rule applies only if the acquisition of the new fund shares occurs on or before January 31st of the calendar year following the year in which the original shares were sold or redeemed.

The repurchase of shares by a fund generally will be a taxable transaction for U.S. federal income tax purposes, either as a sale or exchange or, under certain circumstances, as a dividend. A repurchase of shares generally will be treated as a sale or exchange if the receipt of cash by the shareholder results in a "complete redemption" of the shareholder's interest in a fund or is "substantially disproportionate" or "not essentially equivalent to a dividend" with respect to the shareholder. In determining whether any of these tests have been met, shares actually owned and shares considered to be owned by the U.S. shareholder by reason of certain constructive ownership rules generally must be taken into account. If any of the tests for sale or exchange treatment is met, a U.S. shareholder generally will recognize capital gain or loss (which will be treated in the same manner as described above) equal to the difference between the amount of cash received by the U.S. shareholder and the adjusted tax basis of the shares repurchased.

If none of the tests for sale or exchange treatment is met, the amount received by a U.S. shareholder on a purchase of shares by a fund will be taxable to the U.S. shareholder as a dividend to the extent of such U.S. shareholder's allocable share of the fund's current and accumulated earnings and profits. The excess of such amount received over the portion that is taxable as a dividend would constitute a non-taxable return of capital (to the extent of the U.S. shareholder's adjusted tax basis in the shares sold), and any amount in excess of the U.S. shareholder's adjusted tax basis would constitute taxable capital gain. Any remaining tax basis in the shares repurchased by the fund will be transferred to any remaining shares held by such U.S. shareholder. In addition, if a repurchase of shares is treated as a dividend to the tendering U.S. shareholder, a constructive dividend may result to a non-tendering U.S. shareholder whose proportionate interest in the earnings and assets of a fund has been increased by such repurchase.

If a shareholder recognizes a loss with respect to a fund's shares of $2 million or more for an individual shareholder or $10 million or more for a corporate shareholder, the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases excepted from this reporting requirement, but, under current guidance, shareholders of a RIC are not excepted. Future guidance may extend the current
exception from this reporting requirement to shareholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisers to determine the applicability of the relevant regulations in light of their individual circumstances.

Computing Gains and Losses. Absent the application of a specific exemption, the funds (or their administrative agent) are required to report to the IRS and furnish to fund shareholders the cost basis information and holding period for fund shares purchased on or after January 1, 2012, and redeemed on or after that date. The funds will permit fund shareholders to elect from among several IRS-accepted cost basis methods, including average cost. In the absence of an election by a shareholder, the funds will use the average cost method with respect to that shareholder. The cost basis method a shareholder elects may not be changed with respect to a redemption of shares after the settlement date of the redemption. Fund shareholders should consult with their tax advisers to determine the best IRS-accepted cost basis method for their tax situation and to obtain more information about how the cost basis reporting rules apply to them.

NAV Method of Accounting (money market funds only). Shareholders in money market funds may elect to use a simplified method of accounting for computing gains and losses (the "NAV Method") in respect of their money market funds. Under the NAV Method, rather than computing gain or loss separately for each taxable disposition of shares in a fund as described above, the shareholder would determine gain or loss annually based on the changes in the aggregate value of the shareholder's shares in the fund during the "computation period(s)" comprising the shareholder's taxable year, reduced by the shareholder's net investment for the applicable computation period(s). Generally, a shareholder's net investment for a computation period, which may be positive or negative, represents the cost or value of shares in the fund acquired by the shareholder during the applicable computation period(s), minus amounts received upon redemption of shares in the fund (or otherwise representing the value of shares redeemed) during the applicable computation period(s) (taking into account the effect of liquidity fees, if any), in all cases determined under prescribed computation rules. A computation period could be the shareholder's taxable year or certain shorter periods, provided that, if the shareholder has more than one computation period comprising its taxable year, the shareholder's net gain or loss for the taxable year in respect of the applicable fund will be the sum of the net gains or loss separately computed for such fund under the NAV Method for each computation period comprising its taxable year.

Gains and losses recognized under the NAV Method with respect to shares in a money market fund will be treated as short-term capital gains and losses if gain or loss with respect to a disposition of one or more of the shares would have been treated as capital gain or loss had the shareholder not elected to use the NAV Method. Otherwise, such gains and losses will be treated as ordinary income. If a shareholder holds shares in a particular money market fund in more than one account, it must treat its holdings in each account as a separate fund for purposes of applying the NAV Method. Additionally, a change to or from the use of the NAV Method is considered a change in accounting method, which generally would require the shareholder to obtain the consent of the IRS to make such change using automatic change procedures and a short Form 3115 "Application for Change in Accounting Method." A shareholder generally may elect to use the NAV Method in respect of a particular Government MMF or Retail MMF without the need to file a Form 3115 if (i) the shareholder has never used the NAV Method for that fund, and (ii) either the shareholder's basis in all its shares in that fund has at all times equaled $1.00 per share, or the shareholder has not realized any gain or loss with respect to its shares in that fund.

All shareholders in money market funds should discuss with their own tax advisers whether to apply the NAV Method in respect of any given money market fund, the manner of obtaining any requisite consent of the IRS to use the NAV Method, and the manner in which gains and losses are computed under the NAV Method under the shareholder's particular circumstances. As noted above, the wash sale rules that restrict the use of certain losses upon a taxable disposition of shares do not apply in respect of shares that are subject to the NAV Method or to shares in an Institutional MMF.

The election of the NAV Method does not affect a shareholder's computation of income from fund distributions.

3.8% Surtax. An additional 3.8% surtax is imposed on certain net investment income (including ordinary dividends and capital gain distributions received from a RIC and net gains from redemptions or other taxable dispositions of RIC shares) of U.S. individuals, estates and trusts. The tax applies to the lesser of (i) such net investment income (or, in the case of an estate or trust, its undistributed net investment income), and (ii) the excess, if any, of such
Taxation of Non-U.S. Shareholders

Fund Distributions. Distributions of a fund's investment company taxable income to non-U.S. shareholders generally will be subject to U.S. withholding tax (unless lowered or eliminated by an applicable income tax treaty) to the extent payable from a fund's current and accumulated earnings and profits unless an exception applies. A fund that traces the source of interest related dividends or short-term equity gains may, in certain circumstances, pay such dividends without withholding. Interest related dividends generally are that portion of the dividends paid by a fund that are derived from U.S. source interest or indebtedness for U.S. federal income tax purposes and which, if paid directly by the issuer of such indebtedness to a non-U.S. shareholder, would qualify for the exemption for U.S. withholding tax generally applicable to portfolio interest, as defined in the Code. Short term capital gains dividends generally mean any dividend or part thereof which is reported by the fund as a short term capital gain dividend in a written statement furnished to its shareholders subject to certain adjustments. However, no fund provides any assurances that it may be able to obtain the information necessary to employ tracing, and, therefore, non-U.S. shareholders may not be able to avoid withholding in this circumstance.

If a non-U.S. shareholder receives distributions and such distributions are effectively connected with a U.S. trade or business of the non-U.S. shareholder and, if an income tax treaty applies, attributable to a permanent establishment in the United States of such non-U.S. shareholder, such distributions generally will be subject to U.S. federal income tax at the rates applicable to U.S. persons. In that case, a fund will not be required to withhold U.S. federal income tax if the non-U.S. shareholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a non-U.S. shareholder that is a foreign trust, and such entities are urged to consult their own tax advisers.

Actual or deemed distributions of a fund's net capital gain (which generally is the excess of a fund's net long term capital gain over a fund's net short term capital loss) to a non-U.S. shareholder, and gains recognized by a non-U.S. shareholder upon the sale of the shares, will not be subject to withholding of U.S. federal income tax and generally will not be subject to U.S. federal income tax unless (a) the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. shareholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. shareholder in the United States (as discussed above) or (b) the non-U.S. shareholder is an individual, has been present in the United States for 183 days or more during the taxable year, and certain other conditions are satisfied. For a corporate non-U.S. shareholder, distributions, including deemed distributions, and gains recognized upon the sale of the shares that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" (unless lowered or eliminated by an applicable income tax treaty). Non-U.S. shareholders are encouraged to consult their own tax advisers as to the applicability of an income tax treaty in their individual circumstances.

If a fund distributes its net capital gain in the form of deemed rather than actual distributions (which a fund may do in the future), a non-U.S. shareholder will be entitled to U.S. federal income tax credit or tax refund equal to the non-U.S. shareholder's allocable share of the tax the fund pays on the capital gain deemed to have been distributed. In order to obtain the refund, the non-U.S. shareholder must obtain a U.S. taxpayer identification number (if one has not been previously obtained) and timely file a U.S. federal income tax return even if the non-U.S. shareholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

Tax Withholding. A non-U.S. shareholder who is otherwise subject to withholding of U.S. federal income tax may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the non-U.S. shareholder provides a fund or the dividend paying agent with an IRS Form W-8BEN or W-8BEN-E (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. shareholder or otherwise establishes an exemption from backup withholding.

Pursuant to Sections 1471 to 1474 of the Code and Treasury regulations thereunder, the relevant withholding agent generally will be required to withhold 30% of any dividends paid on the shares and, after December 31, 2018, 30% of the gross proceeds from a sale of the shares to (i) a foreign financial institution unless such foreign financial institution agrees to verify, report and disclose its U.S. owners and meets certain other specified requirements or (ii)
a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and such entity meets certain other specified requirements. If payment of this withholding tax is made, non-U.S. shareholders that are otherwise eligible for an exemption from, or reduction of, U.S. federal withholding taxes with respect to such dividends or proceeds will be required to seek a credit or refund from the IRS to obtain the benefit of such exemption or reduction. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Certain jurisdictions have entered into agreements with the United States that may supplement or modify these rules.

**State and Local Taxes**

Generally, unlike the federal individual income tax, state income taxes do not provide beneficial treatment of long-term capital gains, including capital gain dividends from a fund. Further, most states restrict deductions for capital losses.

Ownership of shares in a fund could result in other state and local income tax consequences to certain taxpayers. For example, interest expense incurred or continued to purchase or carry shares of a fund, if the fund distributes dividends exempt from a particular state income tax, generally is not deductible for purposes of that income tax. For tax years beginning in 2018 and before January 1, 2026, the deductibility of state and local taxes by individual investors against their U.S. federal taxable income may be significantly limited.

Prospective investors should consult their tax advisers with respect to all state and local tax issues related to the ownership of shares in a State Municipal Fund and the receipt of distributions from the fund.

**PORTFOLIO TRANSACTIONS**

This section does not apply to the Funds of Funds' investments in Underlying Funds. The Funds of Funds will not pay brokerage commissions or sales loads to buy and sell shares of Underlying Funds.

The Manager assumes general supervision over the placement of securities purchase and sale orders on behalf of the funds. The funds, except for the money market funds and BNY Mellon International Core Equity Fund, are managed by dual employees of BNYM Investment Adviser and an Affiliated Entity or employ a Sub-Adviser. Those funds use the research facilities, and are subject to the internal policies and procedures, of the applicable Affiliated Entity or Sub-Adviser and execute portfolio transactions through the trading desk of the Affiliated Entity or Sub-Adviser, as applicable (collectively with BNYM Investment Adviser's trading desk (for the money market funds only), the "Trading Desk"). All portfolio transactions of the money market funds and the BNY Mellon International Core Equity Fund are placed on behalf of each fund by the Manager.

**Trading the Funds' Portfolio Securities**

In managing money market funds, BNYM Investment Adviser will draw upon CIS. CIS is a division of BNYM Investment Adviser that provides investment and credit risk management services and approves all money market fund eligible securities for the fund and for other investment companies and accounts managed by the Manager or its affiliates that invest primarily in money market instruments. CIS, through a team of professionals who contribute a combination of industry analysis and fund-specific expertise, monitors all issuers approved for investment by such investment companies and other accounts by analyzing third party inputs, such as financial statements and media sources, ratings releases and company meetings, as well as internal research. CIS investment and credit professionals also utilize inputs and guidance from BNY Mellon's central Risk Management Department (the "Risk Department") as part of the investment process. These inputs and guidance focus primarily on concentration levels and market and credit risks and are based upon independent analysis done by the Risk Department relating to fundamental characteristics such as the sector, sovereign, tenor and rating of investments or potential investment. The Risk Department also may perform stress and scenario testing on various money market type portfolios advised by CIS or BNY Mellon and its other affiliates, and provides various periodic and ad-hoc reporting to the investment and credit professionals at CIS. In the event a security is removed from the "approved" credit list after being purchased by the fund, the fund is not required to sell that security.

Debt securities purchased and sold by a fund generally are traded on a net basis (i.e., without a commission) through
dealers acting for their own account and not as brokers, or otherwise involve transactions directly with the issuer of the instrument. This means that a dealer makes a market for securities by offering to buy at one price and sell at a slightly higher price. The difference between the prices is known as a "spread." Other portfolio transactions may be executed through brokers acting as agents, which are typically paid a commission.

The Trading Desk generally has the authority to select brokers (for equity securities) or dealers (for fixed-income securities) and the commission rates or spreads to be paid. Allocation of brokerage transactions is made in the best judgment of the Trading Desk and in a manner deemed fair and reasonable. In choosing brokers or dealers, the Trading Desk evaluates the ability of the broker or dealer to execute the transaction at the best combination of price and quality of execution.

In general, brokers or dealers involved in the execution of portfolio transactions on behalf of a fund are selected on the basis of their professional capability and the value and quality of their services. The Trading Desk seeks to obtain best execution by choosing brokers or dealers to execute transactions based on a variety of factors, which may include, but are not limited to, the following: (i) price; (ii) liquidity; (iii) the nature and character of the relevant market for the security to be purchased or sold; (iv) the quality and efficiency of the broker's or dealer's execution; (v) the broker's or dealer's willingness to commit capital; (vi) the reliability of the broker or dealer in trade settlement and clearance; (vii) the level of counterparty risk (i.e., the broker's or dealer's financial condition); (viii) the commission rate or the spread; (ix) the value of research provided; (x) the availability of electronic trade entry and reporting links; and (xi) the size and type of order (e.g., foreign or domestic security, large block, illiquid security). In selecting brokers or dealers no factor is necessarily determinative; however, at various times and for various reasons, certain factors will be more important than others in determining which broker or dealer to use. Seeking to obtain best execution for all trades takes precedence over all other considerations.

Investment decisions for one fund or account are made independently from those for other funds or accounts managed by the portfolio managers. Under the Trading Desk's procedures, portfolio managers and their corresponding Trading Desks may, but are not required to, seek to aggregate (or "bunch") orders that are placed or received concurrently for more than one fund or account, and available investments or opportunities for sales will be allocated equitably to each. In some cases, this policy may adversely affect the size of the position obtained or sold or the price paid or received by a fund. When transactions are aggregated, but it is not possible to receive the same price or execution on the entire volume of securities purchased or sold, the various prices may be averaged, and the fund will be charged or credited with the average price.

The portfolio managers will make investment decisions for the funds as they believe are in the best interests of the funds. Investment decisions made for a fund may differ from, and may conflict with, investment decisions made for other funds and accounts advised by the Manager and its Affiliated Entities or a Sub-Adviser. Actions taken with respect to such other funds or accounts may adversely impact a fund, and actions taken by a fund or account they manage is purchasing the same security. Under such circumstances, the portfolio managers may arrange to have the purchase and sale transactions effected directly between the funds and/or accounts ("cross transactions"). Cross transactions will be effected in accordance with procedures adopted pursuant to Rule 17a-7.
under the 1940 Act.

The Manager, an Affiliated Entity or a Sub-Adviser may buy for a fund securities of issuers in which other funds or accounts advised by the Manager, the Affiliated Entity or the Sub-Adviser may have, or are making, an investment in the same issuer that are subordinate or senior to the securities purchased for the fund. For example, a fund may invest in debt securities of an issuer at the same time that other funds or accounts are investing, or currently have an investment, in equity securities of the same issuer. To the extent that the issuer experiences financial or operational challenges which may impact the price of its securities and its ability to meet its obligations, decisions by the Manager, an Affiliated Entity or a Sub-Adviser relating to what actions are to be taken may raise conflicts of interests, and the Manager, the Affiliated Entity or the Sub-Adviser, as applicable, may take actions for certain funds or accounts that have negative impacts on other funds or accounts.

Portfolio turnover may vary from year to year as well as within a year. In periods in which extraordinary market conditions prevail, portfolio managers will not be deterred from changing a fund's investment strategy as rapidly as needed, in which case higher turnover rates can be anticipated which would result in greater brokerage expenses. The overall reasonableness of brokerage commissions paid is evaluated by the Trading Desk based upon its knowledge of available information as to the general level of commissions paid by other institutional investors for comparable services. Higher portfolio turnover rates usually generate additional brokerage commissions and transaction costs, and any short-term gains realized from these transactions are taxable to shareholders as ordinary income.

To the extent that a fund invests in foreign securities, certain of such fund's transactions in those securities may not benefit from the negotiated commission rates available to funds for transactions in securities of domestic issuers. For funds that permit foreign exchange transactions, such transactions are made with banks or institutions in the interbank market at prices reflecting a mark-up or mark-down and/or commission.

The Manager (and, where applicable, an Affiliated Entity or a Sub-Adviser) may utilize the services of an affiliate to effect certain client transactions when it determines that the use of such affiliate is consistent with its fiduciary obligations, including its obligation to obtain best execution, and the transactions are in the best interests of its clients. Procedures have been adopted in conformity with Rule 17e-1 under the 1940 Act to provide that all brokerage commissions paid by the funds to the Manager (or, where applicable, an Affiliated Entity or a Sub-Adviser) are reasonable and fair.

For funds that invest in municipal securities, portfolio securities are purchased from and sold to parties acting as either principal or agent. Newly-issued securities ordinarily are purchased directly from the issuer or from an underwriter; other purchases and sales usually are placed with those dealers from which it appears that the best price or execution will be obtained. Usually no brokerage commissions as such are paid by a fund for such purchases and sales, although the price paid usually includes an undisclosed compensation to the dealer acting as agent. The prices paid to underwriters of newly-issued securities usually include a concession paid by the issuer to the underwriter and purchases of after-market securities from dealers ordinarily are executed at a price between the bid and asked price.

Soft Dollars

The term "soft dollars" is commonly understood to refer to arrangements where an investment adviser uses client (or fund) brokerage commissions to pay for research and brokerage services to be used by the investment adviser. Section 28(e) of the Exchange Act provides a "safe harbor" that permits investment advisers to enter into soft dollar arrangements if the investment adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided. Eligible products and services under Section 28(e) include those that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities.

Subject to the policy of seeking best execution, the funds may execute transactions with brokerage firms that provide research services and products, as defined in Section 28(e). Any and all research products and services received in connection with brokerage commissions will be used to assist the applicable Affiliated Entity or Sub-Adviser in its investment decision-making responsibilities, as contemplated under Section 28(e). Under certain conditions, higher brokerage commissions may be paid in connection with certain transactions in return for research products and services.
The products and services provided under these arrangements permit the Trading Desk to supplement its own research and analysis activities, and provide it with information from individuals and research staff of many securities firms. Such services and products may include, but are not limited to, the following: fundamental research reports (which may discuss, among other things, the value of securities, or the advisability of investing in, purchasing or selling securities, or the availability of securities or the purchasers or sellers of securities, or issuers, industries, economic factors and trends, portfolio strategy and performance); current market data and news; statistical data; technical and portfolio analyses; economic forecasting and interest rate projections; and historical information on securities and companies. The Trading Desk also may use client brokerage commission arrangements to defray the costs of certain services and communication systems that facilitate trade execution (such as on-line quotation systems, direct data feeds from stock exchanges and on-line trading systems) or functions related thereto (such as clearance and settlement). Some of the research products or services received by the Trading Desk may have both a research function and a non-research or administrative function (a "mixed use"). If the Trading Desk determines that any research product or service has a mixed use, the Trading Desk will allocate in good faith the cost of such service or product accordingly. The portion of the product or service that the Trading Desk determines will assist it in the investment decision-making process may be paid for in soft dollars. The non-research portion is paid for by the Trading Desk in hard dollars.

The Trading Desk generally considers the amount and nature of research, execution and other services provided by brokerage firms, as well as the extent to which such services are relied on, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. Neither the services nor the amount of brokerage given to a particular brokerage firm are made pursuant to any agreement or commitment with any of the selected firms that would bind the Trading Desk to compensate the selected brokerage firm for research provided. The Trading Desk endeavors, but is not legally obligated, to direct sufficient commissions to broker/dealers that have provided it with research and other services to ensure continued receipt of research the Trading Desk believes is useful. Actual commissions received by a brokerage firm may be more or less than the suggested allocations.

There may be no correlation between the amount of brokerage commissions generated by a particular fund or account and the indirect benefits received by that fund or client. The Affiliated Entity or Sub-Adviser may receive a benefit from the research services and products that is not passed on to a fund in the form of a direct monetary benefit. Further, research services and products may be useful to the Affiliated Entity or Sub-Adviser in providing investment advice to any of the funds or other accounts it advises. Information made available to the Affiliated Entity or Sub-Adviser from brokerage firms effecting securities transactions for another fund or account may be utilized on behalf of a fund. Thus, there may be no correlation between the amount of brokerage commissions generated by a particular fund and the indirect benefits received by that fund. Information so received is in addition to, and not in lieu of, services required to be performed by the Affiliated Entity or Sub-Adviser and fees are not reduced as a consequence of the receipt of such supplemental information. Although the receipt of such research services does not reduce the normal independent research activities of the Affiliated Entity or Sub-Adviser, it enables it to avoid the additional expenses that might otherwise be incurred if it were to attempt to develop comparable information through its own staff.

IPO Allocations

Certain funds may participate in IPOs. In deciding whether to purchase an IPO, a fund's portfolio manager(s) generally consider the capitalization characteristics of the security, as well as other characteristics of the security, and identifies funds and accounts with investment objectives and strategies consistent with such a purchase. Generally, as more IPOs involve small- and mid-cap companies, the funds and accounts with a small- and mid-cap focus may participate in more IPOs than funds and accounts with a large-cap focus. The Affiliated Entity or Sub-Adviser (as applicable), when consistent with the fund's and/or account's investment guidelines, generally will allocate shares of an IPO on a pro rata basis. In the case of "hot" IPOs, where the Affiliated Entity or Sub-Adviser only receives a partial allocation of the total amount requested, those shares will be distributed fairly and equitably among participating funds or accounts managed by the Affiliated Entity or Sub-Adviser. "Hot" IPOs raise special allocation concerns because opportunities to invest in such issues are limited as they are often oversubscribed. The distribution of the partial allocation among funds and/or accounts will be based on relative NAVs. Shares will be allocated on a pro rata basis to all appropriate funds and accounts, subject to a minimum allocation based on trading, custody and other associated costs. International hot IPOs may not be allocated on a pro rata basis due to transaction costs, market liquidity and other factors unique to international markets.
DISCLOSURE OF PORTFOLIO HOLDINGS

Policy

The funds have adopted policies and procedures with respect to the disclosure of fund portfolio holdings. It is the policy of each fund to protect the confidentiality of material, non-public information about the fund's portfolio holdings and prevent the selective disclosure of non-public information about the fund's portfolio holdings. Non-public information about a fund's portfolio holdings will not be distributed to persons not employed by the Manager or its affiliates or the fund's Sub-Adviser(s) (or its or their accounting or administrative agent(s)), unless there is a legitimate business purpose for doing so and disclosure is made in accordance with the funds' policy. No fund or affiliate of a fund (as defined in the 1940 Act) may receive compensation or consideration of any type in connection with the disclosure of information about a fund's portfolio holdings.

Procedures for Disclosing Fund Portfolio Holdings

Portfolio holdings means the portfolio securities and similar instruments owned by a fund and may include related information about current or recent (“recent” being defined as the time between any public release and the next public release of a fund's portfolio holdings) trading strategies or details of portfolio management's expected or recent purchases and sales of particular securities or types of securities. Portfolio holdings can be identified not only by the specific name of the issue or issuer, but also, without limitation, by total shares or units owned, CUSIP number, ticker symbol, coupon, maturity, and total values (acquisition or market) and include currency, derivative, synthetic, and cash positions in addition to stocks, bonds, and money market instruments. Portfolio holdings information excludes portfolio characteristics information as described below.

Public Disclosure of Fund Portfolio Holdings Each fund, or its duly authorized service providers, shall publicly disclose the fund's portfolio holdings in accordance with applicable regulatory requirements, such as periodic portfolio holdings disclosure in Form N-CSR and Form N-PORT exhibit filings and, for money market funds, Form N-MFP, made with the SEC. Each non-money market fund (subject to the exceptions described below) shall disclose on the funds' public website (currently, at www.bnymellonim.com/us) the following: (1) the fund's complete portfolio holdings (a) as of each calendar quarter-end, subject to a 15-day lag between the date of the portfolio holdings information and the date of website posting and (b) as of each other calendar month-end, subject to a one-month lag between the date of the portfolio holdings information and the date of website posting; (2) the fund's top portfolio holdings (generally, top 10 portfolio holdings), as a percentage of net assets, on a calendar month-end basis, subject to a 10-day lag between the date of the fund’s portfolio holdings information and the date of website posting; and (3) from time to time, certain security-specific performance attribution data on a calendar month-end basis, subject to a 10-day lag between the date of the fund’s portfolio holdings attribution information and the date of website posting (generally, attribution will be limited to the top five performance contributors and/or detractors). Each non-money market fund's complete portfolio holdings will remain available on the website for a period of six months. Top portfolio holdings and portfolio holdings-based performance attribution data shall remain available on the website for varying periods up to six months, provided that complete portfolio holdings will remain until the filing of the fund's next Form N-CSR or exhibit to Form N-PORT covering the date of the portfolio holdings information. Each of BNY Mellon Floating Rate Income Fund and BNY Mellon High Yield Fund will disclose its respective portfolio holdings as of each calendar month-end, subject to a one-month lag between the date of such fund's portfolio holdings information and the date of website posting. Each money market fund shall disclose its complete portfolio holdings on the funds' public website (currently, at www.dreyfus.com) on each business day, as of the preceding business day. Each money market fund's daily posting of its complete portfolio holdings shall remain available on the website for five months.

Ongoing Arrangements

Non-public information about a fund's portfolio holdings may be disclosed on a regular basis to the board and its counsel, outside legal counsel for the fund and service providers who generally need access to such information in the performance of their contractual duties and responsibilities to the fund, the Manager or its affiliates or the Sub-Adviser(s), where each such person is subject to duties of confidentiality, including a duty not to share such information with an unauthorized person or trade on such information, imposed by law and/or contract. When required by applicable regulations, these arrangements shall be disclosed, including the identity of the person (or
firm) receiving the information, in this SAI. Any "ongoing arrangement" to make available such information not identified above must be for a legitimate business purpose and the recipient of such information will be subject to a written confidentiality agreement, the terms of which will include trading restrictions (as described below) with respect to any non-public information. The approval of the funds' CCO must be obtained before entering into any new ongoing arrangement or materially altering any existing arrangement to make available portfolio holdings information.

At least annually, and except as to new ongoing arrangements with service providers, the fund's CCO will provide a list of all new ongoing arrangements to make available portfolio holdings information to the board for review.

Arrangements where the disclosure of portfolio holdings information (or any subset thereof) occurs at least one day after the time at which such portfolio holdings information has been publicly disclosed are not subject to the above requirements.

Press Interviews, Broker Discussions, etc.

Portfolio managers and other senior officers or spokespersons of the funds may disclose or confirm the ownership of portfolio holdings to reporters, brokers, shareholders, consultants or other interested persons only if such information has been previously publicly disclosed in accordance with the funds' policy. For example, a portfolio manager discussing a particular fund may indicate that he or she likes and/or owns for the fund a security only if the fund's ownership of such security has previously been publicly disclosed provided herein (and the statement is otherwise accurate and not misleading).

Confidential Dissemination of Portfolio Holdings

There are numerous mutual fund evaluation services such as Standard & Poor's, Morningstar, and Thomson Reuters Lipper, and due diligence departments of financial intermediaries, such as broker-dealers and wirehouses, that regularly analyze the portfolio holdings of mutual funds in order to monitor and report on various attributes including style, capitalization, maturity, yield, beta, etc. These services and departments may then distribute the results of their analysis to the public, paid subscribers and/or in-house among brokers, for example. In order to facilitate the review of the funds by these services and departments, the funds may distribute (or authorize their service providers to distribute) portfolio holdings to such services and departments before their public disclosure pursuant to is required or authorized as discussed above, provided that: (1) the recipient does not distribute some or all of the portfolio holdings to third parties, other departments or persons who are likely to use the information for purposes of purchasing or selling shares of the funds before the portfolio holdings become public information as discussed above; and (2) the recipient signs a written confidentiality agreement (as discussed below). Persons and entities unwilling to execute a confidentiality agreement may only receive portfolio holdings information that has otherwise been publicly disclosed in accordance with the funds' policy.

The CCO may approve "other instances" where portfolio holdings information can be provided to a third party where there is a legitimate business purpose and the above two conditions are met. The fund will disclose such other instances, including the identity of the person or firm receiving the portfolio holdings information, in this SAI as required under applicable regulations.

At least annually, the CCO will provide a list of all new "other instances" of making available portfolio holdings information to the board for review.

Arrangements where the disclosure of portfolio holdings information occurs at least one day after the time at which portfolio holdings have been publicly disclosed are not subject to the above requirements.

Disclosure of Portfolio Holdings to Employees

Non-public information concerning a fund's portfolio holdings may be disclosed to persons employed by the fund, the Manager, the Distributor, or investment advisory affiliates of the Manager that provide services to the fund for legitimate business purposes. All such recipients of portfolio holdings information shall be subject to a code of ethics and a code of conduct that prohibit disclosing, and trading on, material, non-public information.

Procedures for Disclosing Fund Portfolio Characteristics
Portfolio characteristics means aggregated, statistical-type information that does not identify, directly or indirectly, specific portfolio holdings or subsets of holdings (such as top 10 portfolio holdings). Portfolio characteristics include, but are not limited to, (1) descriptions of allocations by asset class, sector, industry, or credit quality; (2) performance- and risk-related statistics such as alpha, beta, r-squared, Sharpe ratio, and standard deviation; (3) descriptive portfolio-level statistics such as maturity, duration, P/E ratio, and median market capitalization; and (4) non-security specific attribution analyses, such as those based on asset class, sector, industry, or country performance.

Public Disclosure of the Portfolio Characteristics of a Fund

Portfolio characteristics may be made available and distributed if the availability of such information is disclosed in this SAI and the distribution of such information is otherwise in accordance with the general principles of the funds' policy. Such information, if provided to anyone, shall be made available to any person upon request.

Information Deemed Not to be Portfolio Holdings Information

Other information with respect to a fund may be deemed not to be portfolio holdings information, and may be disclosed without restriction, if, in the reasonable belief of the CCO, the release of such information would not present risks of dilution, arbitrage, market timing, insider trading or other inappropriate trading with respect to the fund.

Trading Desk and Research Reports

The trading desks of a fund's Adviser and/or Sub-Adviser(s), including any investment advisory affiliate of BNYM Investment Adviser that is the primary employer of the fund's portfolio managers under a dual employee arrangement with BNYM Investment Adviser, as the case may be, periodically may distribute to counterparties and others involved in trade transactions (i.e., brokers and custodians), lists of applicable investments held by their clients (including the funds) for the purpose of facilitating efficient trading of such investments and receipt of relevant research. In addition, such trading desks may distribute to third parties, a list of the issuers and securities which are covered by their respective research departments as of a particular date, which may include securities that are held by a fund as of that date and/or securities that a fund may purchase or sell in the future; however, in no case will the list specifically identify that a particular issuer or security is currently held by a fund or that a fund may purchase or sell an issuer or security in the future.

Confidentiality Agreements

Pursuant to the funds' policy, the disclosure of non-public information concerning a fund's portfolio holdings may be made to a limited group of third parties, so long as the third party has signed a written confidentiality agreement. For purposes of the funds' policy, the confidentiality agreement must be in form and substance approved by the CCO. Subject to such modifications as the CCO believes reasonable and consistent with reasonably protecting the confidentiality of a fund's portfolio holdings information, such confidentiality agreement generally will provide that:

1. Portfolio holdings information is the confidential property of the fund and may not be shared or used, directly or indirectly, for any purpose except as expressly provided in the confidentiality agreement;
2. The recipient of portfolio holdings information agrees to limit access to such information to its employees (and agents) who, on a need to know basis, are (i) authorized to have access to the portfolio holdings and (ii) subject to confidentiality obligations, including duties not to trade on non-public information, no less restrictive than the confidentiality obligations contained in the confidentiality agreement;
3. Upon written request, the recipient agrees to promptly return, delete, or destroy, as directed, copies of the portfolio holdings information; and
(4) portfolio holdings information may be deemed to no longer be confidential if (i) it is already known to the recipient prior to disclosure by the fund (or service provider), (ii) it becomes publicly known without breach of the confidentiality agreement by the recipient, (iii) it is received from a third party and, to the knowledge of the recipient, the disclosure by such third party is not a breach of any agreement to which such third party is subject, or (iv) it is authorized by the fund or its duly authorized agents to be disclosed.

Additional Restrictions

The board or the CCO may, on a case-by-case basis, impose additional restrictions on the dissemination of portfolio holdings or portfolio characteristics beyond those provided in the funds' policy.

Waivers of Restrictions

The funds' policy will not be waived, or exceptions be made, without the written consent of the CCO. Waivers or exceptions from the funds' policy shall be reported quarterly to the board.

Disclosures Required by Law

Nothing contained in the funds' policy is intended to prevent the disclosure of portfolio holdings information as may be required by applicable laws and regulations. For example, the funds or any of their affiliates or service providers may file any report required by applicable law, respond to requests from regulators, and comply with valid subpoenas.

Reporting of Violations

Each violation of the funds' policy must be reported to the CCO. If the CCO, in the exercise of the CCO's duties, deems that such violation constitutes a "material compliance matter" within the meaning of Rule 38a-1 under the 1940 Act, the CCO will report the violation to the board, as required by Rule 38a-1

SUMMARY OF THE PROXY VOTING POLICY AND PROCEDURES OF THE BNY MELLON FAMILY OF FUNDS

The boards have delegated to BNYM Investment Adviser the authority to vote proxies of companies held in a fund's portfolio, except that (i) the boards have delegated to Institutional Shareholder Services Inc. ("ISS") the sole authority to vote proxies of Designated BHCs (defined below) for certain funds as described below and (ii) the boards of the Sustainable Funds have delegated the sole authority to vote their proxies in respect to the portion of securities managed by its Sub-Adviser, Newton, to Newton, as described below.

Information regarding how a fund's proxies were voted during the most recent 12-month period ended June 30th is available on BNYM Investment Adviser's website, by the following August 31st, at www.bnymellonim.com/us or, for money market funds, www.dreyfus.com, and on the SEC's website at http://www.sec.gov on a fund's Form N-PX.

Proxy Voting By BNYM Investment Adviser

BNYM Investment Adviser, through its participation in BNY Mellon's Proxy Voting and Governance Committee (the "Proxy Voting Committee"), applies detailed, pre-determined, written proxy voting guidelines for specific types of proposals and matters commonly submitted to shareholders (the "BNY Mellon Voting Guidelines," described below). There are separate guidelines for securities of non-U.S. companies, with respect to which the Proxy Voting Committee seeks to vote proxies through application of the ISS Global Voting Principles and Regional Policies/Principles (the "ISS Guidelines" and, collectively with the BNY Mellon Voting Guidelines and the Newton Guidelines (as defined below), each as in effect from time-to-time, the "Voting Guidelines").

Securities of Non-U.S. Companies and Securities Out on Loan. It is BNYM Investment Adviser's policy to seek to
vote all proxies for securities held in the funds' portfolios for which the Manager has voting authority. However, situations may arise in which the Proxy Voting Committee cannot, or has adopted a policy not to, vote certain proxies, such as refraining from voting certain non-U.S. securities or securities out on loan in instances in which the costs are believed to outweigh the benefits, such as when share blocking (discussed below) is required, the matters presented are not likely to have a material impact on shareholder value or clients' voting will not impact the outcome of the vote.

Securities of Non-U.S. Companies. With regard to voting proxies with respect to shares of non-U.S. companies, BNYM Investment Adviser weighs the cost of voting, and potential inability to sell, the shares against the benefit of voting the shares to determine whether or not to vote. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the markets in which the funds may invest. In these markets, the Proxy Voting Committee seeks to submit proxy votes in a manner consistent with the ISS Voting Guidelines, while taking into account the different legal and regulatory requirements. For example, proxy voting in certain countries requires "share blocking" pursuant to which a fund must deposit before the meeting date its holdings of securities with a designated depositary in order to vote proxies with respect to such securities. During this time, the shares cannot be sold until the meeting has taken place and the shares are returned to the fund's custodian bank. BNYM Investment Adviser generally believes that the benefit of exercising the vote in these countries is outweighed by the cost of voting (i.e., the funds' portfolio managers not being able to sell the funds' shares of such securities while the shares are blocked). Therefore, if share blocking is required, the Proxy Voting Committee typically elects not to vote the shares. Voting proxies of issuers in non-U.S. markets also raises administrative issues that may prevent voting such proxies. For example, meeting notices may be received with insufficient time to fully consider the proposal(s) or after the deadline for voting has passed. Other markets require the provision of local agents with a power of attorney before acting on the voting instructions. In some cases the power of attorney may be unavailable prior to the meeting date or rejected by the local agent on a technical basis. Additionally, the costs of voting in certain non-U.S. markets may be substantially higher than in the United States.

Securities Out on Loan. For securities that a fund has loaned to another party, any voting rights that accompany the loaned securities generally pass to the borrower of the securities, but the fund retains the right to recall a security and may then exercise the security's voting rights. In order to vote the proxies of securities out on loan, the securities must be recalled prior to the established record date. A fund may recall the loan to vote proxies if a material issue affecting the fund's investment is to be voted upon.

Material Conflicts of Interest. BNYM Investment Adviser seeks to avoid material conflicts of interest between a fund and fund shareholders, on the one hand, and BNYM Investment Adviser, the Distributor, or any affiliated person of the fund, BNYM Investment Adviser or the Distributor, on the other, through its participation in the Proxy Voting Committee. The Proxy Voting Policy of the Proxy Voting Committee (the "Voting Policy") states that the Proxy Voting Committee seeks to avoid material conflicts of interest through the establishment of the committee structure, which applies detailed, pre-determined proxy voting guidelines (the applicable Voting Guidelines) in an objective and consistent manner across client accounts, based on, as applicable, internal and external research and recommendations provided by third party proxy advisory services (including ISS and Glass Lewis & Co., LLC (together with ISS, the "Proxy Advisers")) and without consideration of any client relationship factors. In addition, the Proxy Voting Policy states that the Proxy Voting Committee engages a third party as an independent fiduciary to vote all proxies for securities of BNY Mellon or any fund, and may engage an independent fiduciary to vote proxies of other issuers at the Proxy Voting Committee's discretion.

Voting Proxies of Designated BHCs

BNYM is subject to the requirements of the Bank Holding Company Act of 1956, as amended (the "BHCA"). Among other things, the BHCA prohibits BNYM, funds that BNYM "controls" by virtue of share ownership ("Bank Controlled Funds"), and any fund or other investment account over which BNYM exercises sole voting discretion (collectively, the "BNYM Entities"), in the aggregate, from owning or controlling or holding sole voting discretion with respect to 5% or more of any class of voting stock of certain U.S. bank holding companies, savings and loan holding companies, insured depository institutions and companies that control an insured depository institution (collectively, "BHCs"), without the prior approval of the Board of Governors of the Federal Reserve System (the "BHCA Rules").
For all funds except Bank Controlled Funds and the Sustainable Funds, the boards have delegated to ISS the sole authority to vote proxies of BHCs for which one or more funds or other investment accounts over which BNYM Entities, in the aggregate, exercise sole voting discretion with respect to 5% or more of any class of voting stock of the BHC (collectively, the "Designated BHCs"). Because ISS has sole voting authority over voting securities issued by the Designated BHCs, the holdings of such securities by the funds (other than Bank Controlled Funds) are excluded from the 5% aggregate computation under the BHCA Rules and the funds (other than Bank Controlled Funds) are permitted to purchase and hold securities of BHCs without limits imposed by the BHCA. (Voting securities of BHCs held by funds that are Bank Controlled Funds, however, continue to be aggregated with the holdings of other BNYM Entities because of BNYM's share ownership in those funds.)

An issuer that is a BHC will be identified as a Designated BHC (and voting authority over its voting securities will be delegated to ISS) when BNYM Entities in the aggregate own, control or hold sole voting discretion with respect to 4.9% of any class of voting securities issued by the BHC. If such aggregate level of ownership, control or voting discretion decreases to 3%, the issuer will no longer be considered a Designated BHC and BNYM Investment Adviser will be redelegated sole voting authority over the BHC's voting securities held by a fund.

ISS votes proxies delegated by the boards in accordance with the ISS Guidelines, described below.

Material Conflicts of Interest. ISS has policies and procedures in place to manage potential conflicts of interest that may arise as a result of work that ISS's subsidiary performs for a corporate governance client and any voting of proxies relating to such client's securities that ISS performs on behalf of the funds. Such policies and procedures include separate staffs for the work performed for corporate governance clients and ISS's proxy voting services; a firewall that includes legal, physical and technological separations of the two businesses; and the employment of a blackout period on work performed with a corporate governance client during the pendency of a live voting issue in respect of securities of such client.

Proxy Voting by Newton

Newton's responsible investment team exercises the voting rights in respect of securities held by the Sustainable Funds and managed by Newton in accordance with Newton's Responsible Investment Policies and Principles (the "Newton Guidelines"). Newton takes into consideration key codes and principles of various recognized regional and international organizations, as well as Newton's inherent understanding of evolving best practice, when considering environmental, social and governance issues, but avoids a prescriptive or "box ticking" approach by applying these to each company's circumstances and Newton's engagement activities and underlying investment case for the security. Newton employs the services of Proxy Advisers to administer its proxy voting activities.

Material Conflicts of Interest. When a potential conflict of interest exists between Newton, the company with respect to which a voting decision is to be made, a Sustainable Fund and/or another Newton client, the recommendations of a Proxy Adviser will take precedence.

Operation of Newton's Policies and Procedures. Newton's voting policy and procedures have been formulated and approved by Newton's Responsible Investment and Ethical Investment Oversight Group, which reports to the Investment Oversight Committee and oversees Newton's strategic approach to responsible investment. Implementation of the policies and procedures is administered by Newton's corporate actions team and the voting decisions involve Newton's responsible investment team, global research analysts and portfolio managers.

Newton's responsible investment team reviews all voting resolutions for contentious issues. Contentious issues may be referred to the appropriate global sector analyst or portfolio manager for comment. Where an issue remains contentious, Newton may decide to confer with the company or other interested parties for further clarification. Newton believes that voting against a resolution proposed by company management is the ultimate sanction of the shareholder or agent, short of selling the company's securities.

Securities of Non-U.S. Companies. It is Newton's intention to exercise voting rights in all markets in a manner consistent with Newton Guidelines. However, this may be hindered by certain practical considerations in certain markets. With regard to voting proxies with respect to shares of non-U.S. companies, Newton weighs the cost of voting, and potential inability to trade, the shares against the benefit of voting the shares to determine whether or not...
to vote the shares. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the markets in which the Sustainable Funds may invest. In these markets, Newton seeks to submit proxy votes in a manner consistent with the Newton Guidelines, while taking into account the different legal and regulatory requirements. For example, proxy voting in certain countries requires "share blocking" pursuant to which a Sustainable Fund must deposit before the meeting date its holdings of securities with a designated depositary in order to vote proxies with respect to such securities. During this time, the shares cannot be traded freely until the meeting has officially closed and the shares are returned to the Sustainable Fund's custodian bank. For such meetings, Newton will exercise votes only when the resolution is not in the shareholder's best interest and where restricting the ability to trade (i.e., the Sustainable Funds' portfolio managers not being able to sell the Sustainable Funds' shares of such securities while the shares are blocked) does not risk adversely affecting the value of the Sustainable Fund's holdings. Voting proxies of issuers in non-U.S. markets also raises further potential administrative issues that may prevent voting such proxies. For example, meeting notices may be received with insufficient time to fully consider the proposal(s) or after the deadline for voting has passed. Other markets require the provision of local agents with a power of attorney before acting on the voting instructions. In some cases the power of attorney may be unavailable prior to the meeting date or rejected by the local agent on a technical basis. Additionally, the costs of voting in certain non-U.S. markets may be substantially higher than in the United States.

**Oversight of Proxy Advisers by Newton.** For the Sustainable Funds, Newton's responsible investment team and corporate actions team oversee the performance of the appointed Proxy Adviser by way of regular formal meetings. Only in the event of a potential conflict of interest will Newton follow the recommendations of the appointed Proxy Adviser. All other voting decisions are made on a case-by-case basis and in the best interests of the Sustainable Funds. Newton shall establish and implement measures reasonably designed to identify and address any conflicts involving the Proxy Advisers that can arise on an ongoing basis by requiring the Proxy Advisers to provide updates regarding any changes to their business, including with respect to capacity and competency to provide proxy voting advice, or their conflict policies and procedures.

**Voting Shares of Certain Registered Investment Companies**

Under certain circumstances, when a fund owns shares of another registered investment company (an "Acquired Fund"), the fund may be required by the 1940 Act or the rules thereunder, or exemptive relief from the 1940 Act and/or the rules thereunder, to vote such Acquired Fund shares in a certain manner, such as voting the Acquired Fund shares in the same proportion as the vote of all other holders of the same type of such Acquired Fund shares.

Effective April 1, 2020, the boards of the funds have adopted the following procedures with respect to proxy voting by the funds.

**Delegation of Proxy Voting Responsibility and Adoption of Proxy Voting Procedures**

The boards have delegated the authority to vote proxies of companies held in a fund's portfolio to either BNYM Investment Adviser or the fund's Sub-Adviser, as described below. In addition, for each fund, the board has adopted proxy voting procedures pursuant to which proxies of companies held in a fund's portfolio will be voted. The proxy voting procedures adopted for a fund are the procedures of (i) the Primary Employer, (ii) the Sub-Adviser and/or (iii) Wealth Management (collectively, "Firms"), as described below.

<table>
<thead>
<tr>
<th>Funds</th>
<th>Entity with Discretionary Proxy Voting Responsibility</th>
<th>Firm Proxy Voting Procedures Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly-Advised Funds</td>
<td>BNYM Investment Adviser</td>
<td>Primary Employer</td>
</tr>
<tr>
<td>Multi-Manager Funds</td>
<td>BNYM Investment Adviser</td>
<td>Wealth Management</td>
</tr>
<tr>
<td>Sub-Advised Funds</td>
<td>Sub-Adviser</td>
<td>Sub-Adviser</td>
</tr>
</tbody>
</table>

**Proxy Voting Operations**

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The funds have engaged ISS as their proxy voting agent to administer the ministerial, non-discretionary elements of proxy voting and reporting. Each fund bears an equal share of ISS's fees in connection with the proxy voting and related services that ISS provides in respect of the funds.

**Voting Shares of Certain Registered Investment Companies**

Under certain circumstances, when a fund owns shares of another registered investment company (an "Acquired Fund"), the fund may be required by the 1940 Act or the rules thereunder, or exemptive relief from the 1940 Act and/or the rules thereunder, to vote such Acquired Fund shares in a certain manner, such as voting the Acquired Fund shares in the same proportion as the vote of all other shareholders of such Acquired Fund.

**Policies and Procedures; Oversight**

The CCO is responsible for confirming that the Firms have adopted and implemented written policies and procedures that are reasonably designed to ensure that the funds' proxies are voted in the best interests of the funds. In addition, the adequacy of such policies and procedures are reviewed at least annually, and proxy voting for the funds is monitored to ensure compliance with the Firms' procedures, as applicable, such as by sampling votes cast for the funds, including routine proposals as well as those that require more analysis, to determine whether they complied with the applicable Firm's Proxy Voting Procedures.

**Review of Proxy Voting**

BNYM Investment Adviser reports annually to the boards on the funds' proxy voting, including information regarding: (1) proxy voting proposals that were voted; (2) proxy voting proposals that were voted against the management company's recommended vote, but in accordance with the applicable proxy voting guidelines; and (3) proxy voting proposals that were not voted, including the reasons the proxy voting proposals were not voted.

**Availability of Fund Proxy Voting Records**

Pursuant to Rule 30b1-4 under the 1940 Act, the funds are required to file their complete proxy voting record with the SEC on Form N-PX not later than August 31st of each year for the most recent twelve-month period ended June 30th. In addition, this information is available, by August 31st of each year, at [http://www.bnymellonim.com/us](http://www.bnymellonim.com/us). The funds have delegated the responsibility for gathering this information, filing Form N-PX and posting voting information to the website to BNYM Investment Adviser, with the assistance of ISS.

Summaries of each Firm's Proxy Voting Guidelines can be found in Appendix A.

**SUMMARIES OF THE VOTING GUIDELINES**

**Summary of the BNY Mellon Voting Guidelines**

The Proxy Voting Committee consists of representatives from certain investment advisory, banking, trust company and other fiduciary business units (each, a "Member Firm") affiliated with BNY Mellon. The Proxy Voting Committee recognizes that the responsibility for the daily management of a company's operations and strategic planning is entrusted to the company's management team, subject to oversight by the company's board of directors. As a general matter, Member Firms invest in companies believed to be led by competent management and the Proxy Voting Committee customarily votes in support of management proposals and consistent with management's recommendations. However, the Proxy Voting Committee believes that Member Firms, in their role as fiduciaries, must express their view on the performance of the directors and officers of the companies in which clients are invested and how these clients' interests as shareholders are being represented. Accordingly, the Proxy Voting Committee will vote against those proposals that it believes would negatively impact the economic value of clients' investments – even if those proposals are supported or recommended by company management.

The Proxy Voting Committee seeks to make proxy voting decisions that are in the best interest of the clients of its Member Firms. For this purpose, the Proxy Voting Committee has established the BNY Mellon Voting Guidelines. Viewed broadly, the BNY Mellon Voting Guidelines seek to maximize shareholder value by promoting sound corporate governance policies through the support of proposals that are consistent with four key objectives:

- The alignment of the interests of a company's management and board of directors with those of the
company's shareholders;
• To promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's shareholders;
• To uphold the rights of a company's shareholders to affect change by voting on those matters submitted to shareholders for approval; and
• To promote adequate disclosure about a company's business operations and financial performance in a timely manner.

The following are summaries of how the Proxy Voting Committee generally views certain matters that are brought before the Proxy Voting Committee in connection with the voting of proxies by those Member Firms who exercise voting discretion as a fiduciary for their clients. These summaries and the views reflected below by their nature are not intended to be complete and are not detailed explanations of all the guidelines and rule sets that the Proxy Voting Committee uses to assist with the proxy voting process. The summaries below are published by the Proxy Voting Committee to provide public company issuers and investors with a broad view of how the Proxy Voting Committee approaches certain topics and proposals in the context of voting proxies for its Member Firms' fiduciary clients; and such summaries are not intended to limit in any way the Proxy Voting Committee's or any Member Firm's actions with respect to its activities regarding the voting of proxies of any particular proposal or on shareholder voting matters generally.

1. Boards and Directors
   A. Election of Directors

   The Proxy Voting Committee believes that a majority of a company's board members should be independent of management.

   i) Incumbent / Nominee Directors

   The Proxy Voting Committee generally votes FOR incumbent and nominee directors. However, the Proxy Voting Committee generally votes to WITHHOLD support in cases when individual directors (or the board, as applicable): (1) adopt, amend or renew a poison pill without shareholder approval or commitment to obtain shareholder approval within 12 months (applied to incumbent directors up for re-election at annual or special meeting which follows such action), (2) attend less than 75% of meetings for two consecutive years, (3) serve on more than six boards, (4) are CEOs of a public company and serve on more than 3 boards, or (5) fail to respond to approved shareholder proposals.

   ii) Compensation Committee Members

   Generally, the Proxy Voting Committee votes FOR incumbent members of the compensation committee. However, the Proxy Voting Committee will generally consider the proposal on a CASE-BY-CASE basis in situations where: (1) there are excise tax gross-ups, excise tax indemnification or "make whole" provisions in recent change-in-control or severance agreements, (2) the company's stock performance is poor relative to peers and its compensation arrangements or pay practices is deemed excessive relative to peers, or (3) there appears to be an imbalance in a company's long term incentive compensation plans between the performance-based and time-based awards for the executive officers.

   iii) Audit Committee

   Generally, the Proxy Voting Committee votes FOR independent incumbent members of an audit committee. However, the Proxy Voting Committee will generally vote AGAINST proposals when audit fees are either undisclosed or insufficiently disclosed such that the amount paid to the auditor for non-audit services cannot be determined and will generally consider the proposal on a CASE-BY-CASE basis in situations where: (1) a material weakness is disclosed and not remediated timely, or (2) non-audit fees exceed the sum of audit, audit-related and tax compliance/preparation...
fees.

iv) Management Nominees

The Proxy Voting Committee generally votes FOR management nominees for board or committee membership unless they are the current CFO, COO, CIO, CHRO, CAO, CTO, CSO or PDIV, in which case the Proxy Voting Committee will generally WITHHOLD its support (unless such person has equity ownership of 5% or above, in which case the Proxy Voting Committee will consider the proposal on a CASE-BY-CASE basis). In exceptional cases, such as severe governance concerns or when a Proxy Adviser recommends to withhold, the Proxy Voting Committee will generally consider the proposal on a CASE-BY-CASE basis. If a nominee received less than majority support at the prior election and the board has not addressed the cause of that low support, the Proxy Voting Committee will generally WITHHOLD its support. The Proxy Voting Committee also considers on a CASE-BY-CASE basis any other members of the management team, except the CEO or Executive Chair.

B. Board Governance

i) Classified Board

The Proxy Voting Committee believes shareholders should annually vote for all members on a company’s board of directors. The Proxy Voting Committee votes FOR requests to declassify the board and will generally vote AGAINST proposals to adopt or continue a classified board structure.

ii) Board Independence

The Proxy Voting Committee votes FOR management proposals for the election of independent directors that meet listing standards and generally favors an independent chairperson. Conversely, the Proxy Voting Committee votes AGAINST shareholder proposals that are more or less restrictive than listing standards with respect to director "independence."

iii) Board Size

The Proxy Voting Committee votes FOR management requests to configure the size of the board of directors with appropriate rationale, absent evidence of entrenchment or a disadvantage to shareholders. However, the Proxy Voting Committee votes AGAINST proposals that remove the shareholders’ right to vote on board configuration matters, or that would give the board sole discretion to set the number of members.

iv) Vote Majority and Removal

Generally, the Proxy Voting Committee supports the practice of one share, one vote. As such, we vote FOR proposals to elect director nominees by the affirmative vote of the majority of votes cast at the annual or special meeting. The same practice is applied to proposals mandating the removal of a director upon a simple majority vote, such that the Proxy Voting Committee votes AGAINST management proposals that require a supermajority vote for removal.

v) Separate Chairman and CEO

Generally, the Proxy Voting Committee votes FOR management proposals that propose to separate the positions of Chairman and CEO. However, the Proxy Voting Committee generally votes AGAINST shareholder proposals to separate the Chairman and CEO positions if a lead or presiding director with appropriate authority is appointed, but is likely to vote FOR such a proposal if a lead or presiding director with appropriate authority has not been appointed. When considering the sufficiency of a lead or presiding director's authority, the Proxy Voting Committee will consider:
whether the director: (1) presides at all meetings of the board (and executive sessions of the independent directors) at which the Chairman is not present, (2) serves as a liaison between the Chairman and the independent directors, (3) approves board meeting agendas, (4) has the authority to call meetings of the independent directors, and (5) if requested by major shareholders, ensures that s/he is available for consultation and direct communication.

2. Accounting and Audit

Generally, the Proxy Voting Committee votes FOR the ratification of the board's selection of an auditor for the company. The Proxy Voting Committee will vote AGAINST the ratification of the auditors if there are concerns of negligence due to issuance of an inaccurate audit opinion. The Proxy Voting Committee typically votes AGAINST shareholder proposals for auditor rotation arrangements that are more restrictive than regulatory requirements.

3. Anti-Takeover Measures

Generally, the Proxy Voting Committee opposes proposals that seem designed to insulate management unnecessarily from the wishes of a majority of the shareholders and that would lead to a determination of a company's future by a minority of its shareholders. However, the Proxy Voting Committee generally supports proposals that seem to have as their primary purpose providing management with temporary or short-term insulation from outside influences so as to enable management to bargain effectively with potential suitors and otherwise achieve identified long-term goals to the extent such proposals are discrete and not bundled with other proposals.

A. Shareholder Rights Plan or "Poison Pill"

Generally, the Proxy Voting Committee votes FOR proposals to rescind a "poison pill" or proposals that require shareholder approval to implement a "pill." Further, the Proxy Voting Committee will consider on a CASE-BY-CASE basis the election of directors following the adoption or renewal of a poison pill without shareholder approval, unless the fund was not a holder when the original or amended poison pill was enacted.

B. Non-Net Operating Loss Shareholder Rights Plan

Generally, the Proxy Voting Committee votes FOR non-net operating loss shareholder rights plans if all the following are in place: (1) a plan trigger that is 20% or greater, (2) a term not exceeding 3 years, (3) the plan terminates if not ratified by shareholder majority, (4) there are no "dead hand" or "modified dead hand" provisions, and (5) the plan has a qualified offer clause. The Proxy Voting Committee generally reviews these plans on a CASE-BY-CASE basis outside of these prescribed requirements.

C. Special Meetings and Majority Vote

The Proxy Voting Committee believes the rights to call a special meeting and to approve an action with a simple majority vote are powerful tools for shareholders. As such, we generally support proposals that uphold these rights. More specifically, with respect to calling a special meeting, the Proxy Voting Committee generally votes FOR proposals that would allow shareholders to call a special meeting if a reasonably high proportion of shareholders (typically of at least 10-15%, depending on the company's market capitalization, but no more than 25%, of the company's outstanding stock) are required to agree before such a meeting is called.

For companies that currently permit shareholders of 25% or less of outstanding stock to call a special meeting (or no such right exists), the Proxy Voting Committee may vote AGAINST proposals that would effectively lower (or initially establish) the minimum ownership threshold to less than 10% (for large cap companies) or 15% (for small cap companies). However, for companies that currently permit shareholders of greater than 25% of outstanding stock to call a special meeting (or no such right exists), the Proxy Voting Committee is likely to consider on a CASE-BY-CASE basis those proposals that would effectively lower (or initially establish) the minimum ownership threshold to less than 10% (for large cap companies) or 15% (for small cap companies).
D. Written Consent

The Proxy Voting Committee will generally vote FOR proposals to permit shareholders to act by written consent if the company does not currently permit shareholders to call for a special meeting or to act by written consent. The Proxy Voting Committee will generally vote AGAINST proposals on written consent if the company permits shareholders the right to call for a special meeting.

4. Capital Structure, Mergers, Sales and Transactions

A. Mergers

The Proxy Voting Committee is likely to consider on a CASE-BY-CASE basis those proposals to merge, reincorporate or to affect some other type of corporate reorganization. In making these decisions, the Proxy Voting Committee's primary concern is the long-term economic interests of shareholders, and it will consider Member Firm opinions, the fairness opinion, and the vote recommendations of two independent proxy advisors retained by the Proxy Voting Committee to provide comprehensive research, analysis and voting recommendations (the "Proxy Advisors") when determining a vote decision on these or similar proposals.

B. Capital Structure

In assessing asset sales, reorganizations, bankruptcy or other capital structure changes, the Proxy Voting Committee looks to the economic and strategic rationale behind the transaction and supports those proposals that reasonably can be expected to uphold or enhance the shareholders' long-term economic interest.

i) The Proxy Voting Committee generally votes FOR stock split proposals if the purpose is to: (1) increase liquidity and/or (2) adjust for a significant increase in stock price.

ii) The Proxy Voting Committee generally votes FOR reverse stock split proposals if the purpose is to avoid stock exchange de-listing. The Proxy Voting Committee also generally votes FOR proposals to decrease the number of common stock shares outstanding following reverse stock splits and proposals to eliminate unissued blank check preferred stock or a class of common stock with voting rights greater than the class held in client accounts.

C. Authorized Stock Increases

Generally, the Proxy Voting Committee votes FOR proposals for the authorization to issue additional shares of common or preferred stock if it determines that the increase is: (1) not excessive relative to the industry's average rate or otherwise harmful to the long-term economic interests of shareholders, or (2) necessary to avoid bankruptcy or to comply with regulatory requirements or other legally binding matters. The Proxy Voting Committee will generally vote AGAINST such proposals that would exceed the industry's average rate and/or the business purpose is not articulated sufficiently.

D. Preferred Stock Authorization

Where the voting power of the new issuance is specified as equal to or less than existing common stock shares, and the Proxy Advisors and the fairness opinion agree, the Proxy Voting Committee generally votes FOR proposals to issue preferred stock. When the voting power of the new issuance is either unspecified or exceeds that of the existing shares of common stock, the Proxy Voting Committee generally votes AGAINST proposals to issue preferred stock.

5. Corporate Governance

A. Cumulative Voting
The Proxy Voting Committee generally votes **AGAINST** proposals to continue or to adopt cumulative voting.

**B. Amend Bylaw, Charter or Certificate**

Generally, the Proxy Voting Committee votes **FOR** management proposals when the focus is administrative in nature or compliance driven and there is no evidence of negative impact to shareholder rights. If evidence suggests that proposals would result in a reduction of shareholder rights or lead to entrenchment, the Proxy Voting Committee votes **AGAINST** such proposals.

**C. Indemnity Liability Protection**

Generally, the Proxy Voting Committee votes **FOR** proposals to limit directors' liability or expand indemnification on behalf of their service to the company. However, the Proxy Voting Committee votes **AGAINST** proposals that support indemnification for director actions conducted in bad faith, gross negligence or reckless disregard of duties.

**D. Adjourn Meeting**

In cases where the Proxy Voting Committee is supportive of the underlying transaction or proposal and the purpose of the adjournment is to obtain additional votes, the Proxy Voting Committee will vote **FOR** the adjournment.

6. **Proxy Contests**

In the case of proxy contests, the Proxy Voting Committee will endeavor to provide both parties an opportunity to present their case and arguments before determining a course of action.

The Proxy Voting Committee's general policy is to consider: (1) the long-term economic impact of the decision, (2) the company's record and management's ability to achieve our reasonable expectations for shareholder return, (3) overall compensation for officers and directors and share price performance relative to industry peers, (4) whether the offer fully realizes the future prospects of the company in question with the likelihood of the challenger achieving their stated goals, and (5) the relevant experience of all board nominees.

7. **Social, Ethical and Environmental**

The Proxy Voting Committee reviews all management sponsored social, ethical and environmental responsibility proposals on a **CASE-BY-CASE** basis. Generally, the Proxy Voting Committee considers various factors in voting decisions, including: (1) the long-term economic impact including implementation cost-to-benefit considerations, (2) the company's current legal and regulatory compliance status, (3) the binding or advisory nature of the request, and (4) whether the proposal's underlying objective is within the scope of the company's influence and control.

The Proxy Voting Committee generally votes **FOR** shareholder sponsored proposals when the proposal reasonably can be expected to enhance long-term shareholder value and when management fails to respond meaningfully to the proposal. The Proxy Voting Committee generally votes **AGAINST** shareholder proposals when management has responded meaningfully and there is no evidence of: (1) shareholder value creation, (2) regulatory non-compliance, (3) failed oversight from the board and management for the subject activity, (4) the company is operating outside of industry standard practice, or (5) the proposal request is vague or overly restrictive and unlikely to achieve the underlying intent.

8. **Compensation and Benefits**

**A. Equity Compensation**

The Proxy Voting Committee employs a shareholder value transfer model and a burn rate model to measure the value transfer from shareholders to employees and directors when considering equity compensation proposals.
The Proxy Voting Committee generally votes FOR proposals relating to equity compensation plans that: (1) pass the Proxy Voting Committee's shareholder value transfer model, (2) seek 162(m) approval only or (3) require an issuance of stock or options as equal payment in lieu of cash to directors.

The Proxy Voting Committee generally votes AGAINST compensation plans that: (1) fail the Proxy Voting Committee's shareholder value transfer model, (2) allow for repricing or cash buyout without shareholder approval, (3) include an evergreen provision, or (4) include a "look-back" feature.

The Proxy Voting Committee reviews on a CASE-BY-CASE basis those proposals that (1) are 162(m) plans and are administered by directors who are non-independent by listing standards, (2) fail the Proxy Voting Committee's shareholder value transfer model but are required for completion of a merger or acquisition supported by or referred to the Proxy Voting Committee, (3) fail the Proxy Voting Committee's shareholder value transfer model, but have extenuating or unique circumstances, or (4) permit accelerated vesting without consummation of a change-in-control transaction.

B. Say on Pay

If the ballot seeks an advisory vote on the frequency of say-on-pay proposals, the Proxy Voting Committee generally votes FOR proposals that call for say-on-pay on an ANNUAL basis.

The Proxy Voting Committee will generally vote FOR management proposals on say-on-pay. However, the Proxy Voting Committee will generally consider the proposal on a CASE-BY-CASE basis in situations where: (1) there are excise tax gross-ups, excise tax indemnification or "make whole" provisions in recent change-in-control or severance agreements, (2) the company's stock performance is poor relative to peers and its compensation arrangements or pay practices is deemed excessive relative to peers, (3) the company fails to address compensation issues identified in prior meetings when adequate opportunity to address has passed, or (4) there appears to be an imbalance in a company's long term incentive compensation plans between the performance-based and time-based awards for the executive officers.

C. Option Re-pricing or Exchange

Generally, the Proxy Voting Committee believes that stock compensation aligns managements' and shareholders' interests based on fair-market value grants.

In cases where management is proposing to address a compensation misalignment, the Proxy Voting Committee generally votes FOR such proposals that: (1) seek exchanges that are value-for-value, (2) exclude executives, directors and consultants, (3) do not recycle exercised options, and/or (4) involve current options that are significantly under water and the new exercise price is reasonable. The Proxy Voting Committee generally votes FOR proposals that require stock option exchange and re-pricing programs to be put to shareholder vote.

In cases of proposals where the exchange and/or re-pricing requests do not meet these criteria, the Proxy Voting Committee generally votes AGAINST the management proposal.

D. Golden Parachute Plans

In reviewing management compensation agreements, the Proxy Voting Committee generally votes FOR those that: (1) involve payments that do not exceed three times the executive's total compensation (salary plus bonus), (2) have a double trigger, and (3) do not provide for a tax gross-up in the contract. Conversely, the Proxy Voting Committee generally votes AGAINST compensation agreements that do not adhere to these requirements. As a facet of a capital structure change, the Proxy Voting Committee will consider these compensation agreements on a CASE-BY-CASE basis.

In reviewing shareholder proposals, we generally support those that require the company to
submit compensation agreements to a vote.

E. Clawbacks

When determining the effectiveness of a company's clawback/recoupment policy, the Proxy Voting Committee will consider: (1) the amount of information the company provides in its proxy statement on the circumstances under which the company recoups incentive or equity compensation, (2) whether the company's policy extends to named executive officers and other senior executive officers (and not simply the CEO and chief financial officer), (3) if the policy requires recoupment of incentive and equity compensation received and subsequently determined to have been "unearned" during the prior 3-year period, and (4) if the policy considers performance-based compensation to be "unearned" if the corresponding performance target(s) are later determined to have not been achieved for any reason (rather than first requiring evidence of "misconduct" or fraudulent activity and/or a formal restatement of financial results).

F. Other Compensation Requests

Generally, the Proxy Voting Committee votes **FOR** stock purchase plans that allow a broad group of employees to purchase shares and limit the discount to 15% or less. Conversely, the Proxy Voting Committee generally votes **AGAINST** proposals that are limited to senior executives and/or provides for a discount that is greater than 15%.

Generally, the Proxy Voting Committee votes **FOR** proposals that seek management and director retention of stock awards for no more than one year post-employment and/or 50% of stock awarded. Conversely, the Proxy Voting Committee generally votes **AGAINST** proposals that seek retention of stock awards for greater than one year post-employment and 75% of stock awarded.

9. Mutual Fund Shares

With regard to voting proxies with respect to mutual fund shares, the Proxy Voting Committee generally follows the guidelines described above for operating companies. For proposals that are specific to mutual funds, the Proxy Voting Committee generally votes **FOR** proposals, with certain exceptions, including a making a mutual fund's fundamental investment policy nonfundamental or eliminating it when an outside proxy advisor recommends against (referred to Proxy Voting Committee); making a change to a mutual fund's fundamental policy on lending that an outside proxy advisor recommends against (referred to Proxy Voting Committee); proposals to eliminate a mutual fund's fundamental or nonfundamental investment restriction on margin (referred to Proxy Voting Committee); proposals to grant a proxy for "other business" (vote **AGAINST**); and fee increases (referred to Proxy Voting Committee).

10. Other Matters

For those proposals for which the BNY Mellon Voting Guidelines do not provide determinative guidance (e.g., new proposals arising from emerging economic or regulatory issues), they are referred to the Proxy Voting Committee for discussion and vote. In these instances, the Proxy Voting Committee votes based upon its principle of maximizing shareholder value.

Summary of the ISS Guidelines (excerpted from ISS materials)

**ISS Global Voting Principles**

ISS Principles provide for four key tenets on accountability, stewardship, independence and transparency, which underlie our approach to developing recommendations on management and shareholder proposals at publicly traded companies. The principles guide our work to assist institutional investors in meeting their fiduciary requirements, with respect to voting, by promoting long-term shareholder value creation and risk mitigation at their portfolio firms through support of responsible global corporate governance practices.

**Accountability.** Boards should be accountable to shareholders, the owners of the companies, by holding regular
board elections, by providing sufficient information for shareholders to be able to assess directors and board composition, and by providing shareholders with the ability to remove directors.

Directors should respond to investor input such as that expressed through vote results on management and shareholder proposals and other shareholder communications.

Shareholders should have meaningful rights on structural provisions, such as approval of or amendments to the corporate governing documents and a vote on takeover defenses. In addition, shareholders' voting rights should be proportional to their economic interest in the company; each share should have one vote. In general, a simple majority vote should be required to change a company's governance provisions or to approve transactions.

**Stewardship.** A company's governance, social, and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may impact significantly the company's long-term value creation. Issuers and investors should recognize constructive engagement as both a right and responsibility.
Independence. Boards should be sufficiently independent so as to ensure that they are able and motivated to effectively supervise management's performance and remuneration, for the benefit of all shareholders. Boards should include an effective independent leadership position and sufficiently independent committees that focus on key governance concerns such as audit, compensation, and the selection and evaluation of directors.

Transparency. Companies should provide sufficient and timely information that enables shareholders to understand key issues, make informed vote decisions and effectively engage with companies on substantive matters that impact shareholders' long-term interests in the company.

Regional Policy and Principles – Americas

Principles that apply generally for the region (U.S., Canada and Latin America) are as follows:

Board

Boards should be substantially independent, fully accountable, and open to appropriate diversity in the backgrounds and expertise of members.

U.S. and Canada. Key voting policy guidelines address the following:

1. **The establishment of key board committees** (as required by regulation and/or, in Canada, by a combination of regulation and best practice recommendations outlined in the National Policy 58-201 Corporate Governance Guidelines): Audit, Compensation, and Nominating.

2. **The independence** of the board as a whole (which should exceed 50 percent) and of the key committees (which should be 100 percent independent). Shareholder proposals seeking the independence of the chairman and his or her separation from the CEO role are key evaluations in the U.S. and Canadian markets, where ISS generally supports independent board leadership. Directors should not sit on more than five public company boards or, if they are the CEO of a public company, sit on the board of more than two public companies besides their own. (ISS has developed specific standards to determine the independence of each director; these generally align with listing exchange independence standards but are more stringent in some respects.)

3. **The accountability** of individual directors, relevant committees and/or the board as a whole for problematic issues related to financial reporting/auditing, risk, executive compensation, board composition, directors' meeting attendance and over-boarding, and/or any other actions or circumstances determined to be egregious from a shareholder value perspective.

4. **The responsiveness** of the board to shareholder input through majority voting support for a shareholder proposal or substantial opposition to a management proposal.

Americas Regional and Brazil. ISS' vote recommendations for board elections in Latin America primarily address disclosure of director nominees. As a result of regulation enacted in late 2009, Brazil is currently the only market in the region in which timely disclosure of director nominees represents market practice. As a result, ISS policy for Brazil takes board independence into account, in accordance to each issuer's stock market listing segment. Majority-independent boards remain very rare across the region; however, Argentinian, Chilean, Colombian, Mexican and Peruvian companies must abide by market legal requirements for minimum board independence, or have at least one independent board member, whichever is higher.

Although Brazilian law requires disclosure of management nominees prior to the meeting, minority shareholders are able to present the names of their nominees up to the time of the meeting. While these rules were designed to minimize restrictions on minority shareholders, they end up having a negative impact on international institutional investors, who must often submit voting instructions in the absence of complete nominee information. ISS recommends an abstain vote on the election of directors and fiscal council members nominated by non-controlling shareholders presented as a separate voting item if the nominee names are not disclosed in a timely manner prior to the meeting.

Most Latin American markets (except Brazil and Peru) require issuers to establish audit committees, with varying
independence requirements. The idea that specific oversight functions should be assigned to specific board subcommittees is still foreign to most Brazilian issuers, and even those companies that are listed in the NYSE will often not have an audit committee. This is because the SEC grants exemptions to foreign issuers and considers the Brazilian fiscal council, a corporate body laying outside of the board of directors, to be a valid substitute for an audit committee for the purposes of requirements under the Sarbanes-Oxley Act of 2002.

For foreign private issuers ("FPIs"), ISS takes into account the level of disclosure and board independence (which should be a majority) as well as the independence of key board committees. Also, slate ballots or bundled director elections are generally not deemed to be in shareholders' best interests.

**Compensation**

The U.S. and Canada. Key voting policy guidelines address the following:

1. **Clarity and completeness of disclosures**, both for actual payments and awards to named executive officers and with respect to the nature and rationale for the programs and awards. Incomplete or unclear disclosure may result in negative recommendations if an analyst cannot conclude that the programs are operating in shareholders' interests.

2. **Reasonable alignment of pay and performance** among top executives. U.S. and Canadian compensation policies rely on both quantitative screens to measure CEO pay-for-performance alignment on both an absolute (pay relative to total shareholder return) and relative (pay and performance relative to peers) basis over periods that include one, three, and five years for different tests. Companies identified as outliers receive a further in-depth qualitative review to identify likely reasons for the perceived disconnect, or mitigating factors that either explain and/or justify it in a particular circumstance or time period. The qualitative review investigates factors such as the proportion of pay tied to performance conditions (strength of those conditions), a company's pay benchmarking practices, the existence of measures that discourage excessive risk taking, the extent and appropriateness of non-performance-based pay elements (e.g., severance packages), and the compensation committee's responsiveness to shareholder input on pay issues.

3. **Equity-based compensation proposals are evaluated with respect to several factors**, including cost (measured by Shareholder Value Transfer ("SVT") as calculated by ISS' proprietary model) and historical (average) grant, or "burn," rate, and the presence of problematic plan provisions such as ability to reprice stock options without specific shareholder approval or auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).

   An "equity plan scorecard" is used that analyzes a broad range of plan features and grant practices that reflect shareholders' embrace of performance-conditioned awards, risk-mitigated mechanisms, and reasonable plan duration. While some highly egregious features will result in negative recommendations regardless of other factors (e.g., authority to reprice options without seeking shareholder approval), recommendations will largely be based on a combination of factors related to (1) cost, (2) plan feature, and (3) grant practices. ISS will generally vote against the plan proposal if the combination of the above factors indicates that the plan is not, overall, in the shareholders' interests.

**Americas Regional and Brazil**. In most Latin American countries, shareholders are traditionally able to vote on the compensation of board and audit committee members, which generally represent non-contentious proposals. In Brazil, however, shareholders are granted a binding vote on executive and board compensation.

While there have been some improvements in the disclosure of Brazilian remuneration figures over past few proxy seasons, inconsistencies remain, particularly regarding long-term equity pay. For example, some companies pay their executives through subsidiaries, a practice that tends to obscure compensation disclosure.

For FPI/tax haven companies, oppose stock incentive plans or amended plans if the maximum number of shares to be issued is not disclosed and/or the company has not disclosed any information regarding the key terms of the proposed plan. If sufficient information is disclosed, the plan proposal will be evaluated similarly to plan at U.S.
Audit

U.S. and Canada. U.S. companies are required to report comprehensive and accurate financial information according to General Accepted Accounting Principles ("GAAP"). Canadian issuers report under International Financial Reporting Standards ("IFRS"). In the U.S., companies have discretion to include a non-binding auditor ratification proposal on annual general meeting ballots. In Canada, issuers are required to provide shareholders with the ability to appoint one or more auditors to hold office until the next annual meeting.

In both markets, external auditors are expected to be both fully qualified and independent—i.e., should not have any financial interests, including excessive fees from the company for non-audit services—that could compromise their independence. ISS categorizes four types of fees reported by all companies for their external auditors: Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees. Specific ratios that would trigger negative recommendations on an auditor ratification proposal are detailed in respective policies.

Americas Regional and Brazil. Most Latin American markets have adopted, or are in the process of adopting, IFRS.

While shareholders in all Latin American countries must approve annual financial statements, only a few markets grant shareholders the ability to ratify auditors. Brazilian companies that install a permanent audit committee may now extend the term for the mandatory rotation of their independent auditors to 10 years.

Shareholder Rights/Takeover Defenses

ISS policy is aimed at protecting the ability of shareholders to (1) consider and approve legitimate bids for the company, and (2) effect change on the board, when appropriate. Protection of minority shareholder rights is also considered when dual class capital structures with multiple-voting share instruments give voting control to a minority equity ownership position—approximately 10 percent of Russell 3000 index companies and approximately 14 percent of issuers on the S&P/TSX Composite Index have some form of unequal voting structure.

U.S. Shareholder rights and takeover defenses in the U.S. are driven largely by state law. Within that framework, ISS policy is designed to ensure the ability of shareholders to:

- Evaluate and approve shareholder rights plans ("poison pills") that may discourage takeover bids;
- Evaluate and approve amendments to the company's governing documents, as well as proposed mergers, by a simple majority vote;
- Call special meetings and act by written consent, within reasonable parameters;
- Amend the bylaws of the company (e.g., ISS will vote against restrictions on the submission of binding shareholder proposals, share ownership requirements, subject matter restrictions or time holding requirements in excess of SEC Rule 14a-8).

Canada. Shareholder rights and takeover defenses in Canada are generally determined by regulation and exchange rules. In this context, ISS policy undertakes to:

- Evaluate and approve shareholder rights plans ("poison pills") taking into account whether it conforms to "new generation" rights plan best practices guidelines and if the scope of the plan is limited to: i) providing the board with more time to find an alternative value enhancing transaction; and ii) to ensuring the equal treatment of all shareholders;
- Review "advance notice requirements" or other policies and recommend on a case-by-case to adopt or amend an advance notice bylaw or board policy, taking into consideration any feature or provision that may negatively impact shareholders' interests and that goes beyond the stated purpose of advance notice requirements, including but not limited to certain identified problematic features;
- Evaluate proposed amendments to the company's governing documents to ensure that shareholders' rights are effectively protected with respect to adequate and independent representation at shareholders' and directors' meetings;
Determine that shareholder rights, including remedies, powers, and duties will not be negatively impacted by reincorporation proposals.

**Americas Regional and Brazil.** The voting rights of international institutional investors are often limited in Latin America. Mexican companies may divide their capital into several classes of shares with special rights for each of the shares, and voting rights for certain classes are restricted to Mexican nationals. With the exception of companies listed in the Novo Mercado, which are required to maintain a single class of shares, most Brazilian companies divide their share capital between common and preferred shares. Typically, common shares confer voting rights and preferred shares do not, although preferred shareholders have the right to vote on specific matters and under certain conditions.

A number of Brazilian issuers have adopted mandatory bid provisions, with ownership triggers ranging from 15-35 percent. The Sao Paulo Stock Exchange has recommended that companies in the Novo Mercado listing segment adopt provisions with a 30-percent ownership trigger.

**Environmental & Social Issue Shareholder Proposals**

While governance related shareholder proposals are generally evaluated in the context of ISS policies related to management sponsored proposals on those issues, in some markets shareholder proposals seek changes with respect to social and/or environmental issues.

**U.S.** In the U.S., approximately 200 environmental and social shareholder proposals come to a vote each year, primarily at large cap companies. Many request increased disclosure on certain issues or company policies, such as corporate political contributions or lobbying expenditures, board diversity, human rights, animal welfare or animal welfare-related risks, and numerous environmental and "sustainability" topics. ISS evaluates most environmental and social proposals on a case-by-case basis, considering primarily whether implementation of the proposal is likely to enhance or protect shareholder value.

**Canada.** In Canada, very few environmental and social proposals are filed, and the majority of these are withdrawn prior to shareholders' vote, usually after discussions between the proponent and the company. The most prevalent proposals in recent years relate to gender diversity on boards and in senior management in Canada.

**Latin America.** In Latin America, shareholders have yet to file any environmental and social proposals and such proposals are rarely filed at companies that are subject only to tax haven market regulations.

ISS voting guidelines for environmental and social shareholder proposals consider the following:

- Whether the proposal would enhance or protect shareholder value, especially from a long-term value perspective;
- To what extent the company's current practices and policies align in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the issues raised in the proposal are more appropriately or effectively dealt with through legislation or regulation;
- Whether the proposal's request is unduly burdensome in scope, timeframe, or cost, or is overly prescriptive;
- How the company's current practices and policies compare with any industry-wide standards; practices for addressing the related issue(s); and
- If the proposal requests increased disclosure or greater transparency, the extent that reasonable and sufficient information is currently available to investors, and whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

**Merger & Acquisition & Capital Related Proposals**

**U.S. and Canada.** For U.S.-incorporated companies and foreign-incorporated U.S. domestic issuers that are traded solely on U.S. exchanges, ISS generally supports company proposals to repurchase shares in which all shareholders may participate on equal terms, or to grant the board authority to conduct repurchases, in the absence of company-
specific concerns (such as greenmail, the use of buybacks to inappropriately manipulate incentive compensation metrics, threats to the company's long-term viability or other company-specific factors as warranted). Other pure economic proposals, including capital changes and mergers, are evaluated on a case-by-case basis, weighing the merits and drawbacks of the proposal from the perspective of a long-term shareowner and balancing various and sometimes countervailing factors.

Unlike in some jurisdictions (e.g., the U.K.), in the U.S. and Canada, shareholders only have preemptive rights if they are accorded in a company's governing documents, which is rare. Share issuances that represent less than 20 percent of outstanding capital do not require shareholder approval.

**Americas Regional and Brazil**. Shareholders of Latin American companies are often asked to vote on share issuances, mergers and non-contentious administrative items such as the absorption of subsidiaries. Merger proposals in Brazil are subject to a higher quorum requirement (50 percent of shares entitled to vote). ISS generally supports share issuances requests in Latin America up to 100 percent over currently issued capital with preemptive rights and up to 20 percent without preemptive rights.

**Regional Policy and Principles – Europe, Middle East and Africa**

**ISS European Policy**

- Covers most of continental Europe. Coverage is broadly in line with European Union membership, but including Switzerland, Norway, Iceland and Liechtenstein and excluding the U.K. and Ireland.
- Most markets covered by ISS European Policy are developed markets with reasonably high governance standards and expectations, often driven by European Union regulation. However, even European Union legislation can vary widely in its implementation across member states.
- The approach taken by ISS European Policy is to apply the principles of the Policy to all markets covered, but to take relevant market-specific factors into account. Therefore European Policy has a number of areas that are specific to particular markets (for example, taking into account when assessing board independence, legal requirements in Germany for employee representatives on supervisory boards).
- Governance standards and best practices are often (but not always) on a comply-or-explain basis, with best practice recommendations set by different local corporate governance codes or guidelines. Where relevant, ISS takes into account in its analysis the explanations given by companies for any non-compliance.

**U.K. and Ireland - NAPF Corporate Governance Policy and Voting Guidelines**

- Covers the U.K., Ireland and a number of associated markets (such as the U.K. Channel Islands).
- Uniquely for the U.K., ISS uses the policy and voting guidelines of the National Association of Pension Funds ("NAPF"), the voice of workplace pensions in the U.K., and representing the views of pension funds, other asset owners and their asset managers. It is based on the U.K. Corporate Governance Code and on internationally accepted best practice principles of corporate governance, and is developed by the NAPF and its members specifically for the U.K. market.
- The corporate governance regime in the U.K. largely operates on a comply-or-explain basis rather than being wholly founded in corporate law. This approach underlies both the U.K. Corporate Governance Code, which is widely accepted by companies as well as supported by investors.

**ISS South Africa Policy**

- Covers South Africa only
- Based on EMEA Regional Policy (described below), with additional approaches for voting items and issues that are specific to the South African market.

**ISS Russia and Kazakhstan Policy**

- Covers Russia and Kazakhstan only.
- Based on EMEA Regional Policy with additional approaches for voting items and issues that are specific to
these two markets.

**ISS EMEA Regional Policy:**

- Covers all countries in the EMEA region that are not covered by a specific policy. Includes many markets in the Middle East, North Africa and Eastern Europe.
- The countries currently covered include, but are not limited to, Algeria, Angola, Armenia, Azerbaijan, Bahrain, Bosnia and Herzegovina, Botswana, Egypt, Gabon, Gambia, Ghana, Guinea, Georgia, Ivory Coast, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Macedonia, Malawi, Moldova, Montenegro, Morocco, Namibia, Nigeria, Oman, Qatar, Serbia, Tajikistan, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Ukraine, Uzbekistan, Zambia, and Zimbabwe.
- Poor disclosure is common in many of these markets and can be particularly problematic for issues related to director elections, approval of related-party transactions, remuneration, ratification of charitable donations, and capital issuances.
- For countries currently covered by the ISS EMEA Regional Policy, opportunities for developing standalone market-specific ISS policies are regularly reviewed and specific policies are developed as opportunities to do so are identified from any significant developments in local governance practices, company disclosure practices and relevant legislation.

**Regional Policy and Principles – Asia-Pacific**

While ISS global principles apply to markets in Asia-Pacific (notably Japan, Hong Kong, Korea, Singapore, China, Taiwan, India and Australia), because of diversity in laws, customs and best practice codes of each market, ISS' voting policies in each market take into account such factors to promote sustainable shareholder value creation through support of responsible corporate practices.

**Board**

Boards should be substantially independent, fully accountable, and open to appropriate diversity in the backgrounds and expertise of members.

**Japan.** In Japan, there was no obligation to appoint outsiders to the board of directors at the 98 percent of Japanese companies that retain Japan's traditional board system (featuring two tiers, with a statutory auditor board). However, companies with a statutory auditor structure are required to have at least two outside directors. A nominee who is voted down may not be replaced, and the board may end up losing one outsider. However, ISS recommends a vote against a company's top executive if the board after the shareholder meeting will have no outside directors or if the top executive has failed to achieve an average return on equity of at least 5 percent over the previous five years, subject to certain exceptions. ISS also recommends voting against amendments to articles of incorporation to create new advisory positions such as "sodanyaku" or "komon" unless the advisors will serve on the board of directors and thus be accountable to shareholders. ISS recommends voting against top executives in a U.S.-type three committee structure or audit committee structure if, after the shareholder meeting, at least one-third of the board does not consist of outside directors.

**Hong Kong.** ISS recommends voting against executive directors who hold positions on a company's key board committees, namely audit, remuneration, and nomination committees, if such committee is not majority independent. In addition, ISS recommends against directors who have attended less than 75 percent of board meetings in the most recent fiscal year. Furthermore, ISS recommends against all non-independent directors (other than a CEO/managing director, executive chairman, or company founder who is deemed integral to the company) where independent directors represent less than one-third of the board. ISS also generally recommends against an independent director nominee who fails to meet the ISS criteria for independence. In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman, or founder whose removal from the board would be expected to have a material negative impact on shareholder value.

**Korea.** Most Korean companies present proposals to elect directors as a bundled resolution, requiring shareholders to vote for or against the entire slate of nominees, instead of allowing shareholders to vote on each individual
nominee. Accordingly, where there are reasons to recommend a vote against one or more nominees, ISS considers recommending votes against all nominees included in such resolution.

Under Korean law, large company boards must have a majority of outside directors and small companies are required to have a board on which one-fourth of directors are outsiders. Where independent non-executive directors (per ISS’ classification of directors) represent less than a majority of the board at large companies, ISS recommends against inside/executive directors who are neither CEO nor a member of the founding family, and/or the most recently appointed non-independent non-executive director (per ISS’ classification of directors) who represents a substantial shareholder, where the percentage of board seats held by representatives of the substantial shareholder are disproportionate to its holdings in the company.

**Singapore.** ISS recommends voting against executive directors who hold positions on a company's key board committees, namely audit, remuneration and nomination committees, specifically if the nominee is a member of the nomination committee and the board does not have a lead/senior independent director and/or the board is less than majority independent. In addition, ISS recommends voting against directors who have attended less than 75 percent of board meetings in the most recent fiscal year or who sit on more than six public company boards. Furthermore, ISS recommends against all non-independent directors (other than a CEO/managing director, executive chairman, or company founder who is deemed integral to the company) where independent directors represent less than one-third of the board. In making any of the above recommendations on the election of directors, ISS generally will not recommend against the election of a CEO, managing director, executive chairman or founder whose removal from the board would be expected to have a material negative impact on shareholder value.

**China.** Peoples' Republic of China Company Law requires a company's board to have five to 19 directors, whilst a 2001 China Securities Regulatory Commission (“CSRC”) guidance document requires that independent directors should represent at least one-third of the board, of which at least one independent director must be an accounting professional. When the board meets the one-third independence requirement, ISS generally supports the election of the candidates unless any independent director candidate fails to meet the ISS criteria for independence.

**Taiwan.** The nomination system is mandatory only for the election of independent directors in Taiwan. Many companies are using a "non-nomination" system for the election of non-independent directors, which means that shareholders can vote for any person of legal age and companies are not obliged to provide a roster of candidates and their profiles before the meeting. The non-nomination system poses great challenges for making an informed voting decision, particularly for overseas investors who must cast their votes well in advance of the meeting. This system acts to disenfranchise minority shareholders, who have limited visibility into the nominees chosen by the controlling shareholder and/or incumbent management team. ISS recommends voting AGAINST all nominees for elections via the "non-nomination" system. These negative recommendations are intended to protest the poor disclosure and disenfranchisement, and to push companies to adopt a system for electing directors akin to that used in most of the world; and which is already used in Taiwan for the election of independent directors. When the company employs the nomination system, ISS recommends generally voting for: (i) all non-independent director candidates, unless the board is less than one-third independent or the names and background of representatives of statutory directors are not disclosed; (ii) all independent director nominees, unless the nominee is deemed non-independent under ISS's classification, is a legal entity or a representative of a legal entity, has attended less than 75 percent of board and key committee meetings over the most recent fiscal year without a satisfactory explanation, sits on more than six public company boards, or has been a partner of the company's auditor within the last three years and serves on the audit committee; and (iii) all supervisor candidates, unless the names and background of representatives of statutory supervisors are not disclosed.

Under extraordinary circumstances, ISS recommends voting against directors or supervisors, members of a committee, or the entire board due to material failures of governance, stewardship, risk oversight or fiduciary responsibility at the company, failure to replace management as appropriate, or egregious actions related to a director's or supervisor's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders. In general, when making any nominations on the election of directors, ISS will not recommend against the election of a CEO, managing directors, executive chairman or founder whose removal from the board would be expected to have a material negative impact on shareholder value.
When a director election is contested, ISS recommends voting on a case-by-case basis, but shareholder nominees have the persuasive burden to show they are better suited to serve on the board than management's nominees.

**India.** ISS recommends voting against executive directors who hold positions on a company's key board committees, namely audit, remuneration, and nomination committees. In addition, ISS recommends voting against directors who have attended less than 75 percent of board meetings in the most recent fiscal year or who sit on more than six public (listed) company boards. ISS recommends against all non-independent directors (other than a CEO/managing director, executive chairman, or company founder who is deemed integral to the company) where independent directors represent less than one-third of the board (if the chairman is a non-executive) or one-half of the board (if the chairman is an executive director or a promoter director) and against the chair or other senior members of the nomination committee if the board does not comply with board gender diversity regulations. Furthermore, ISS recommends against directors who are not liable to retire by rotation and whose continuation on the board will not be subject to shareholder review and approval going forward.

**Australia.** A unitary board structure, combining executive and non-executive directors, retiring by rotation every three years is the norm in Australia. In some cases, the CEO will be excluded from retiring by rotation once appointed to the board by shareholders. It is common and best practice for a board to have subcommittees, namely the audit, remuneration and nomination committees. Listing Rule 12.7 requires members of the All Ordinaries Index to have established an audit committee, with additional guidance on structure and role for the largest 300 companies. As in many developed markets, diversity has come to the fore in recent years. Guidance released by the Australian Securities Exchange on diversity requires companies to disclose information on gender diversity and a focus exists on building a culture of diversity within the company. With a comply-or-explain approach to governance, companies are allowed to deviate from what is considered to be best practice with regard to board structure although solid explanations are expected. Best practice supports majority independent boards, with an independent chairman. In addition, the roles of chairman and CEO should not be combined. ISS generally supports director elections in Australia but may recommend against directors when deviations from best practice are not fully justified.

**Compensation**

**Japan.** Unlike the U.S., Australia and certain European markets, the Japanese market does not require companies to submit say-on-pay proposals for a shareholder vote. Combined with a general perception that Japanese executive pay is not high, as compared to foreign counterparts, and the lack of disclosure rules shedding light on it, Japanese executive pay had long been left unflagged by shareholders. However, compensation disclosure requirements reveal that the problem of Japanese pay is not the amount, but the lack of a link to shareholder wealth creation. Accordingly, ISS policy for Japan's compensation proposals is generally intended to prompt companies to increase performance-based cash compensation as well as equity-based compensation.

**Hong Kong.** In Hong Kong, companies typically seek shareholder approval to set directors' fees and to approve stock option plans, but executive compensation does not require shareholder review. ISS generally supports resolutions regarding directors' fees unless they are excessive relative to fees paid by other companies of similar size.

ISS generally recommends voting against an option scheme if the maximum dilution level for the stock option plan exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company. However, ISS supports plans at mature companies with dilution levels up to 10 percent if the plan includes other positive features such as challenging performance criteria and meaningful vesting periods as these features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value. Additionally, ISS generally recommends against plans if directors eligible to receive options under the plan are involved in the administration of the scheme and the administrator has discretion over their awards.

**Korea.** In Korea, companies annually seek shareholder approval to set the remuneration cap for directors. These proposals seek to set an upper limit on director pay in aggregate, but individual pay limits as well as the actual amounts paid are almost never disclosed. ISS generally recommends voting for proposals to set directors' remuneration cap unless there is a material disparity between director remuneration and the firm's dividend payout.
practice or financial performance, the proposed remuneration cap is excessive relative to the company's peers, or the company fails to provide justification for a substantial increase in the remuneration limit.

**Singapore.** In Singapore, companies typically seek shareholder approval to set directors' fees and to approve stock option plans, performance share plans and other equity-based incentives, but executive compensation does not require shareholder approval. ISS generally supports resolutions regarding directors' fees unless they are excessive relative to fees paid by other companies of similar size.

ISS generally recommends voting against an option scheme if the maximum dilution level for the stock option plan exceeds 5 percent of issued capital for a mature company and 10 percent for a growth company or if the plan permits options to be issued with an exercise price at a discount to the current market price. However, ISS supports plans at mature companies with dilution levels up to 10 percent if the plan includes other positive features such as challenging performance criteria and meaningful vesting periods as these features partially offset dilution concerns by reducing the likelihood that options will become exercisable unless there is a clear improvement in shareholder value. Additionally, ISS generally recommends against plans if directors eligible to receive options under the plan are involved in the administration of the scheme and the administrator has discretion over their awards.

**China.** Stock option plans and restricted stock schemes have become increasingly popular in China in recent years, with companies employing increasingly sophisticated schemes. Companies are required to provide detailed information regarding these schemes under the relevant laws and regulations. When reviewing these proposals, ISS examines the key plan features including the performance hurdles, plan participants, resulting dilution, and vesting period.

**Taiwan.** ISS reviews employee restricted stock and/or employee stock warrant plans proposals on a case-by-case basis. ISS recommends voting against the employee restricted stocks plan and/or employee stock warrants plan if one or two of the following features are not met: (i) existing substantial shareholders are restricted in participation; (ii) presence of challenging performance hurdles if restricted stocks awards are issued or exercised for free or at a deep discount; or (iii) reasonable vesting period (at least two years) is set.

**India.** In India, shareholders are often asked to approve commissions for non-executive directors. Companies also routinely seek shareholder approval for compensation packages of executive directors. ISS recommends voting for these proposals unless there is a clear indication that directors are being rewarded for poor performance or the fees are excessive. ISS will vote on executive compensation on a case-by-case basis on certain factors such as: whether the amount of compensation and any increase are reasonable with the size of the company and its industry; if past compensation was aligned with company performance; how the compensation is benchmarked against the industry or other market peers; and consideration of the compensation as a multiple of the median employee's compensation.

Companies establish employee stock option plans to reward and retain key employees. ISS generally recommends voting against an option plan if the maximum dilution level for the plan exceeds ISS guidelines of 5 percent of issued share capital for a mature company and 10 percent for a growth company or the plan permits options to be issued with an exercise price at a discount to the current market price.

**Australia.** Investors are given an annual say-on-pay, with the potential of forcing all directors to seek reelection if dissent exceeds 25 percent of the vote for two years running. In addition, investors can vote on individual long-term incentive grants. In general, packages are made up of a basic salary and a combination of short- and long-term incentives making up the rump of the potential award. Awards generally have pre-set performance targets with long-term awards generally vesting after a three year performance period. As with other elements of company practice, guidelines in the market exist with regard to remuneration. ISS looks for a strong link between the level of pay received and company performance. In addition, ISS expects company disclosure to be transparent enabling an informed voting decision to be made.

**Audit**

**Japan.** Shareholders are asked to approve the external auditor only when auditors are initially appointed or changed. ISS recommends a vote for the appointment of audit firms unless there are serious concerns about the accounts presented or the audit procedures used or the auditors are being changed without explanation; in which case ISS
evaluates the proposal on a case-by-case basis.

**Hong Kong, Singapore and India.** In Hong Kong and Singapore, companies are required to seek shareholder approval annually for the appointment of the auditor and to authorize the board to set the auditor's fees, and certain Indian companies put to vote the appointment of the auditor and/or their remuneration. Auditors often provide other services in addition to audit services, which could threaten to compromise the auditor's ability to remain objective and independent. While ISS will consider the nature and scope of non-audit fees when assessing their magnitude, where non-audit fees have constituted more than 50 percent of total auditor compensation during the fiscal year, ISS will ordinarily not recommend support for the reelection of the audit firm. Non-audit fees, however, do not include fees related to significant one-time transactional fees that were accrued due to special projects or capital structure events where the company discloses those fees.

**Korea and Taiwan.** The appointment of the external auditor is not an item that requires shareholder review.

**China.** While it is acknowledged that the practice of auditors providing non-audit services to companies is problematic, the disclosure of non-audit fees is not mandatory in this market. As such, ISS generally supports the appointment of an external auditor unless there are any known negative issues against the auditor.

**Australia.** Shareholders are generally asked to approve the external auditor only when auditors are initially appointed or changed. ISS recommends a vote for the appointment of audit firms unless there are serious concerns about the accounts presented or the audit procedures used or the auditors are being changed without explanation.

**Shareholder Rights/Takeover Defenses**

**Japan.** ISS evaluates poison pill proposals on a case-by-case basis, but the guidelines specify a number of conditions which must ALL be met before ISS will even consider supporting a takeover defense. Those conditions are composed of five components: 1) plan features, 2) board practices, 3) creation of a special committee to evaluate takeover bids, 4) other defenses and 5) information disclosure. Only when each of these threshold conditions is met will ISS proceed to a discussion of the company's actual vulnerability to a hostile takeover, and the plans (if any) it has announced to increase its valuation and thus reduce its vulnerability. The total duration of a poison pill may not exceed three years.

In evaluating poison pill renewals, ISS will examine the company's share price performance, relative to its peers, since the pill was first put in place. Where the company has underperformed the market, it will be difficult to argue that shareholders have benefited from the pill, or that they should support its renewal. Starting in 2016 the current poison pill policy became more stringent by requiring as necessary conditions for support of a poison pill that 1) the policy provides the board a higher degree of independence, 2) all members of the special committee are either directors or statutory auditors of the company and thus directly accountable to shareholders, and, 3) the proxy circular is posted on the stock exchange website at least four weeks prior to the meeting.

**Hong Kong, Singapore, Taiwan and India.** Poison pills and dual-class shares with different voting rights are not allowed. If any antitakeover measure is proposed, ISS generally recommends against such a proposal unless it is structured in such a way that it gives shareholders the ultimate decision on any proposal or offer.

**Korea.** Poison pills are not allowed in Korea, although it is possible to utilize redeemable convertible preferred shares to serve a similar purpose. ISS generally recommends against proposals to create classes of shares that could be utilized as an antitakeover measure.

ISS recommends against proposals to adopt a supermajority voting requirement for removal of directors or internal auditors as it will make it difficult for shareholders to dismiss directors or internal auditors, which could reduce board accountability.

Golden parachutes are allowed in Korea, and ISS generally recommends a vote against a proposal to introduce such a clause.

**China.** The adoption of antitakeover measures in China is regulated by the Management Approach on Acquisition
of Listed Companies (the "Approach"), published by CSRC in 2006. The Approach effectively forbids the employment of poison pills, scorched earth and other common shark repellent defenses during the event of a hostile takeover. However, what can be done before the event is not regulated. As a result, Chinese companies have increasingly been adopting preemptive measures designed to discourage and inhibit takeover attempts by placing restrictions in the company's Articles of Association. One of the most common restrictions placed in a company's Articles of Association relates to the right of shareholders to nominate directors. ISS generally recommends voting against such restrictive articles.

**Australia.** Poison pills and dual-class shares with different voting rights are not allowed. If any antitakeover measure is proposed, ISS generally recommends against such a proposal unless it is structured in such a way that it gives shareholders the ultimate decision on any proposal or offer.

**Environmental & Social Issue Shareholder Proposals**

Most proposals of this type require shareholders to apply subjective criteria in making their voting decision. While broader issues are of concern to everyone, institutional shareholders acting as representatives of their beneficiaries are required to consider only the ultimate interests of their direct beneficiaries. Relating the interests of their beneficiaries to the greater good can be a difficult process and a matter for individual determination. For this reason, ISS focuses on the financial aspects of social and environmental proposals. If a proposal would have a negative impact on the company's financial position or adversely affect important operations, ISS recommends opposing the resolution. Conversely, if a proposal would have a clear and beneficial impact on the company's finances or operations, ISS recommends supporting the proposal.

**Japan.** In evaluating social and environmental proposals, ISS first determines whether or not the issue in question should be addressed on a company-specific basis. Some social and environmental issues are beyond the scope of any one company and are more properly the province of government and broader regulatory action. If this is the case, ISS recommends voting against the proposal.

**Hong Kong, Singapore, China, Taiwan and India.** Shareholder proposals on environmental and social issues are not common in these markets. ISS reviews these proposals on a case-by-case basis, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value.

**Korea.** Environmental & Social Issues are not items that shareholders can vote on under the current legal framework in Korea.

**Australia.** Shareholder proposals on environmental and social issues are not common in Australia, with engagement carried out behind closed doors. ISS reviews these proposals on a case-by-case basis, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value.

**Merger & Acquisition /Economic Proposals**

**Japan, Hong Kong, Singapore, China, Taiwan, India and Australia.** For every Merger & Acquisition and Third-Party Placement analysis, ISS reviews publicly available information as of the date of the report and evaluates the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including: valuation, market reaction, strategic rationale, negotiations and process, conflicts of interest and governance.

**Korea.** The company-level transactions that require shareholders' approval include sale/acquisition of a company's assets or business unit; merger agreements; and formation of a holding company. For every analysis, ISS reviews publicly available information as of the date of the report and evaluates the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors, including valuation, market reaction, strategic rationale, conflicts of interest, governance, and trading opportunity from the dissident's right.

**Newton Guidelines**

Newton's responsible investment team conducts research on environmental, social and governance ("ESG") issues
and undertakes engagement consistent with Newton's views on ESG issues.

**Boards.** Newton believes it is essential to have an appropriate balance between executive and independent non-executive directors to ensure that the interests of shareholders are represented. A company's board should have an effective structure, have access to adequate training, undertake suitable recruitment to ensure the maintenance of appropriate skills and breadth of experience, and have planned succession. It should undertake its own annual evaluation and assess the suitability of an external evaluation. The board should review the effectiveness of the company's internal controls and appropriateness of its risk profile at least annually. Directors should be available to meet with investors when required.

**Independence.** Newton believes it is important that a board maintains an appropriate level of independence. Newton looks unfavorably on directors having a recent relationship with the company, involved in related-party transactions, receiving performance-based remuneration, or where a non-executive director's length of service suggests that the board lacks fresh experience, insight and judgment.

**Chairman and CEO.** Newton believes it is in the best interests of shareholders for the roles of CEO and chair to be separate and defined. Newton is opposed to a CEO becoming chair of the same company and has a preference for the chair to be considered independent at the time of appointment.

**Senior Independent Director.** Newton expects a senior independent director or lead director to act as a conduit between the non-executive directors and the shareholders to ensure that the views of the independent non-executive directors play a prominent role in board deliberations.

**Board Committees.** Newton favors the establishment of key board committees with oversight of a board's audit, risk, remuneration and nomination functions, as well as a separate board committee charged with oversight of the company's environmental and social policies, where applicable. Each committee should consist of a majority of independent directors, with the audit committee and remuneration committee consisting solely of independent directors.

**Succession Planning.** Newton believes a fundamental role of the board is the establishment of an effective succession planning policy. Newton believes an engaged nomination committee should ensure that it has identified at least one suitable candidate to succeed individuals employed in key roles within the company and should be able to react swiftly in the event of an individual suddenly departing from the company.

**Board Diversity.** Newton believes a board should contain a wide variety of experience and skills and consideration of board diversity should include, but not be limited to, gender, age, nationality, race, religion, skill, experience and knowledge. A board's nomination committee should be charged with the responsibility of ensuring that a good balance of board diversity is achieved.

**Risk Management and Internal Controls.** Newton believes a company should have a clear policy in relation to assessing the appropriateness of its risk profile and communication how it is responding to material business risks via a clear risk register. The board should have formal responsibility for risk management and the internal control functions. Newton expects companies to report publicly on their policy and position in relation to these areas.

**Auditors.** Remuneration of auditors for non-audit services should be kept under review by the audit committee and should not be excessive. Newton expects non-audit fees to be disclosed and justified in the auditor's remuneration section of a company's annual report and accounts. Newton would be concerned if a company accepts a monetary cap on its auditor's liability and would expect to see a detailed explanation should any other type of liability limitation be adopted.

**Remuneration.** Variable remuneration should be structured so that it does not reward individuals for poor performance. If performance metrics governing the vesting of variable remuneration awards are not representative of the underlying performance of a business, Newton would expect an independent remuneration committee to exercise discretion.
Dividend Policies. Newton is cautious of companies with a consistently low dividend pay-out ratio that have not identified suitable investment opportunities or developed a strategic investment plan.

Share Buy-Backs. Newton believes a decision to buy back shares should be considered in the context of alternative uses of capital, such as acquisitions or a special dividend.

Related-Party Transactions. Newton expects companies to explain the necessity for a related-party transaction together with justification that the decision to enter into such an arrangement was taken independently of the related party.

Voting Rights. Newton is unfavorably disposed towards companies that give disproportionate influence to selected investors.

Schemes of Arrangement and Amendments to Articles of Association. A wide range of events may be covered by these proposals, including mergers, acquisitions and change of domicile. As each proposal must be considered on its own merits, Newton will exercise voting rights in line with its investment rationale and in the best interests of its clients.

Anti-Takeover Mechanisms/Poison Pills (Anti-Takeover Defense). Newton is unlikely to support arguments for approving the introduction or continuation of an anti-takeover mechanism because this may lead to the entrenchment of a poorly performing management team and inhibit the creation of shareholder value.

Shareholder Rights. Newton acknowledges that shareholders should not necessarily be involved in the detail of company management but will not support companies seeking to reduce shareholder rights and will support sensible shareholder proposals that seek to strengthen shareholder rights.

Capital Structure Alterations. Newton expects companies to communicate their intentions clearly and provide rationale for any changes to their capital structure.

Controlling and Influential Shareholders. Companies should disclose the detail behind any special relationships or agreements that are in place with such shareholders. Newton will seek to understand the investment expectations of these investors and place greater emphasis on the company conforming to corporate governance best practice in an effort to limit the possibility of Newton's clients being disadvantaged by the situation.

Political Donations. Generally, Newton will not support a company that seeks to make director donations to any political party or political organization.

ADDITIONAL INFORMATION ABOUT THE FUNDS' STRUCTURE; FUND SHARES AND VOTING RIGHTS

Massachusetts Business Trusts

If a fund is a series of a fund company organized as an unincorporated business trust under the laws of the Commonwealth of Massachusetts, shareholders of the fund could, under certain circumstances, be held personally liable for the obligations of the fund. However, the fund company's Agreement and Declaration of Trust (the "Trust Agreement") disclaims shareholder liability for acts or obligations of the fund company and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the fund company or a board member. The Trust Agreement provides for indemnification from a fund's property for all losses and expenses of any shareholder held personally liable for the obligations of the fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the fund itself would be unable to meet its obligations, a possibility which management believes is remote. Upon payment of any liability incurred by a fund, the shareholder paying such liability will be entitled to reimbursement from the general assets of the fund. The fund companies intend to conduct their operations in such a way so as to avoid, as far as possible,
ultimate liability of the shareholders for liabilities of a fund.

**Fund Shares and Voting Rights**

Fund shares have equal rights as to dividends and in liquidation. Shares have no preemptive, subscription rights or, except as described in the prospectus or this SAI, conversion rights and are freely transferable. Each fund share has one vote and, when issued and paid for in accordance with the terms of its offering, is fully paid and non-assessable.

Unless otherwise required by the 1940 Act, ordinarily it will not be necessary for a fund to hold annual meetings of shareholders. As a result, shareholders may not consider each year the election of board members or the appointment of an independent registered public accounting firm. However, for a fund that is organized as a Massachusetts business trust or a series of a Massachusetts business trust, the holders of at least 30% of shares outstanding and entitled to vote may require a special meeting of shareholders to be held, including for purposes of removing a board member from office. For a fund that is organized as a Maryland corporation or a series of a Maryland corporation, the holders of shares entitled to at least a majority of all the votes entitled to be cast at a special meeting of shareholders may require such a meeting to be held, including for purposes of removing a board member from office. In addition, the board will call a meeting of shareholders for the purpose of electing board members if, at any time, less than a majority of the board members then holding office have been elected by shareholders.

Rule 18f-2 under the 1940 Act provides that any matter required to be submitted under the provisions of the 1940 Act or applicable state law or otherwise to the holders of the outstanding voting securities of an investment company will not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each series, if any, affected by such matter. Rule 18f-2 further provides that a series shall be deemed to be affected by a matter unless it is clear that the interests of each series in the matter are identical or that the matter does not affect any interest of such series. Rule 18f-2 exempts the selection of the independent registered public accounting firm and the election of board members from the separate voting requirements of the rule.

**GLOSSARY**

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
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</thead>
<tbody>
<tr>
<td>12b-1 Plan</td>
<td>A Plan adopted pursuant to Rule 12b-1 under the 1940 Act</td>
</tr>
<tr>
<td>1940 Act</td>
<td>Investment Company Act of 1940, as amended</td>
</tr>
<tr>
<td>ACH</td>
<td>Automated Clearing House</td>
</tr>
<tr>
<td>Acquired Fund</td>
<td>Former series of The Bear Stearns Funds</td>
</tr>
<tr>
<td>ADRs</td>
<td>American Depositary Receipts and American Depositary Shares</td>
</tr>
<tr>
<td>Adviser</td>
<td>The Manager and/or one or more Sub-Advisers, as applicable to the relevant fund or funds</td>
</tr>
<tr>
<td>Affiliated Broker</td>
<td>A broker that is (1) an affiliate of a fund, or an affiliated person of such person or (2) an affiliated person of which is an affiliated person of a fund, its Adviser or the Distributor</td>
</tr>
<tr>
<td>Affiliated Entity</td>
<td>An affiliate of BNYM Investment Adviser that, along with BNYM Investment Adviser, employs fund portfolio managers who are dual employees of BNYM Investment Adviser and such affiliate; for BNY Mellon International Core Equity Fund, references to an Affiliated Entity shall be deemed to refer to Mellon as Manager of BNY Mellon International Core Equity Fund</td>
</tr>
<tr>
<td>Alcentra</td>
<td>Alcentra NY, LLC</td>
</tr>
<tr>
<td>Amherst Capital</td>
<td>Amherst Capital Management LLC</td>
</tr>
<tr>
<td>AMT</td>
<td>Federal alternative minimum tax</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
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<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td>Authorized Entity</td>
<td>A bank, broker-dealer, financial adviser or Retirement Plan that has entered into an agreement with the Distributor to receive orders to buy and sell fund shares by the close of trading on the NYSE and transmit such orders to the Distributor or its designee in accordance with the agreement with the Distributor</td>
</tr>
<tr>
<td>BNYM</td>
<td>BNY Mellon and its direct and indirect subsidiaries, including BNYM Investment Adviser</td>
</tr>
<tr>
<td>BNYM Investment Adviser</td>
<td>BNY Mellon Investment Adviser, Inc.</td>
</tr>
<tr>
<td>BNY Hamilton Funds</td>
<td>The BNY Hamilton Funds, Inc.</td>
</tr>
<tr>
<td>BNY Mellon</td>
<td>The Bank of New York Mellon Corporation; BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation</td>
</tr>
<tr>
<td>BNYMAM Japan</td>
<td>BNY Mellon Asset Management Japan Limited</td>
</tr>
<tr>
<td>CCO</td>
<td>Chief Compliance Officer</td>
</tr>
<tr>
<td>CDSC</td>
<td>Contingent deferred sales charge</td>
</tr>
<tr>
<td>CEA</td>
<td>Commodities Exchange Act</td>
</tr>
<tr>
<td>CenterSquare</td>
<td>CenterSquare Investment Management LLC</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFTC</td>
<td>Commodity Futures Trading Commission</td>
</tr>
<tr>
<td>Channing</td>
<td>Channing Capital Management, LLC</td>
</tr>
<tr>
<td>Citizens</td>
<td>Citizens Financial Group, Inc. and its affiliates</td>
</tr>
<tr>
<td>Code</td>
<td>Internal Revenue Code of 1986, as amended</td>
</tr>
<tr>
<td>CPO</td>
<td>Commodity pool operator</td>
</tr>
<tr>
<td>CPO Funds</td>
<td>BNY Mellon Dynamic Total Return Fund, BNY Mellon Broad Opportunities Fund and BNY Mellon Global Real Return Fund</td>
</tr>
<tr>
<td>Custodian</td>
<td>The Bank of New York Mellon</td>
</tr>
<tr>
<td>Directly-Advised Funds</td>
<td>Funds advised by BNYM Investment Adviser that do not use any Sub-Advisers.</td>
</tr>
<tr>
<td>Distributor</td>
<td>BNY Mellon Securities Corporation</td>
</tr>
<tr>
<td>Dodd-Frank Act</td>
<td>Dodd-Frank Wall Street Reform and Consumer Protection Act</td>
</tr>
<tr>
<td>Dreyfus</td>
<td>The Dreyfus Corporation, the predecessor company of BNYM Investment Adviser</td>
</tr>
<tr>
<td>EAM</td>
<td>EAM Investors, LLC</td>
</tr>
<tr>
<td>Eastern Shore</td>
<td>Eastern Shore Capital Management</td>
</tr>
<tr>
<td>EDRs</td>
<td>European Depositary Receipts</td>
</tr>
<tr>
<td>Effective Date</td>
<td>March 13, 2012</td>
</tr>
<tr>
<td>Eligible Shares</td>
<td>Shares of a Multi-Class Fund or shares of other funds advised by the Manager that are subject to a front-end sales load or a CDSC, or shares acquired by a previous exchange of such shares</td>
</tr>
<tr>
<td>ETFs</td>
<td>Exchange-traded funds and similar exchange-traded products</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>---------------------</td>
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<tr>
<td>ETNs</td>
<td>Exchange-traded notes</td>
</tr>
<tr>
<td>Exchange Account</td>
<td>A special account in Dreyfus Class shares of the General Government Fund created solely for the purpose of purchasing shares by exchange from Class A or Class C shares of a Multi-Class Fund that are subject to a CDSC</td>
</tr>
<tr>
<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>Monies of member banks within the Federal Reserve System which are held on deposit at a Federal Reserve Bank</td>
</tr>
<tr>
<td>FINRA</td>
<td>Financial Industry Regulatory Authority</td>
</tr>
<tr>
<td>Fitch</td>
<td>Fitch Ratings</td>
</tr>
<tr>
<td>FNMA</td>
<td>Federal National Mortgage Association</td>
</tr>
<tr>
<td>Fund of Funds</td>
<td>BNY Mellon Diversified International Fund, which invests all or substantially all of its investable assets in Underlying Funds, and BNY Mellon Alternative Diversifier Strategies Fund, BNY Mellon Diversified Emerging Markets Fund and BNY Mellon Yield Enhancement Strategy Fund, each of which invests significantly in Underlying Funds</td>
</tr>
<tr>
<td>GDRs</td>
<td>Global Depositary Receipts</td>
</tr>
<tr>
<td>General Fund</td>
<td>General Money Market Fund, Inc., a money market fund advised by the Manager into which certain fund shares may be exchanged</td>
</tr>
<tr>
<td>General Government Fund</td>
<td>General Government Securities Money Market Fund, a money market fund managed by the Manager into which certain fund shares may be exchanged</td>
</tr>
<tr>
<td>Ginnie Maes</td>
<td>GNMA Mortgage Pass-Through Certificates</td>
</tr>
<tr>
<td>GNMA</td>
<td>Government National Mortgage Association</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
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<td>---------------------------</td>
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<tr>
<td>Granice</td>
<td>Granite Investment Partners, LLC</td>
</tr>
<tr>
<td>In-Kind Redemption</td>
<td>Distribution to a redeeming fund shareholder of redemption proceeds in whole or in part in securities or other assets of the fund</td>
</tr>
<tr>
<td>Independent Board Member</td>
<td>A board member who is not an &quot;interested person&quot; (as defined in the 1940 Act) of the relevant fund</td>
</tr>
<tr>
<td>Index</td>
<td>The benchmark index of an Index Fund</td>
</tr>
<tr>
<td>Index Manager</td>
<td>Mellon</td>
</tr>
<tr>
<td>Insight</td>
<td>Insight Investment International Limited</td>
</tr>
<tr>
<td>Insight NA</td>
<td>Insight North America LLC</td>
</tr>
<tr>
<td>Interested Board Member</td>
<td>A board member who is considered to be an &quot;interested person&quot; (as defined in the 1940 Act) of the relevant fund</td>
</tr>
<tr>
<td>Institutional MMFs</td>
<td>Dreyfus AMT-Free Tax Exempt Cash Management, Dreyfus Cash Management and Dreyfus Institutional Preferred Money Market Fund</td>
</tr>
<tr>
<td>Institutional Liquidity Funds</td>
<td>Dreyfus Treasury and Agency Liquidity Money Market Fund</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial public offering</td>
</tr>
<tr>
<td>IRAs</td>
<td>Individual retirement accounts (including, without limitation, traditional IRAs, Roth IRAs, Coverdell Education Savings Accounts, IRA &quot;Rollover Accounts&quot; or IRAs set up under Simplified Employee Pension Plans (SEP-IRAs), Salary Reduction Simplified Employee Pension Plans (SARSEPs) or Savings Incentive Match Plans for Employees (SIMPLE IRAs))</td>
</tr>
<tr>
<td>IRS</td>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>ISS</td>
<td>Institutional Shareholder Services Inc.</td>
</tr>
<tr>
<td>Janus Henderson</td>
<td>Janus Henderson Group Plc</td>
</tr>
<tr>
<td>Kayne</td>
<td>Kayne Anderson Rudnick Investment Management, LLC</td>
</tr>
<tr>
<td>Lending Agent</td>
<td>The Bank of New York Mellon</td>
</tr>
<tr>
<td>LIBOR</td>
<td>London Interbank Offered Rate</td>
</tr>
<tr>
<td>Manager</td>
<td>BNYM Investment Adviser; when used for BNY Mellon International Core Equity Fund only, the Manager refers to Mellon</td>
</tr>
<tr>
<td>Mellon</td>
<td>Mellon Investments Corporation</td>
</tr>
<tr>
<td>Mellon Capital</td>
<td>Mellon Capital Management Corporation, a predecessor</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>MLP</td>
<td>Master limited partnership</td>
</tr>
<tr>
<td>Moody's</td>
<td>Moody's Investors Service, Inc.</td>
</tr>
<tr>
<td>Multi-Class Fund</td>
<td>A fund that issues multiple classes of shares, one or more of which is subject to a sales load</td>
</tr>
<tr>
<td>Multi-Manager Funds</td>
<td>Funds whose assets are allocated solely among multiple, unaffiliated sub-advisers</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>Debt obligations or other securities issued by states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, including cities, counties, municipalities, municipal agencies and regional districts, or multi-state agencies or authorities, and certain other specified securities, the interest from which is, in the opinion of bond counsel to the issuer, exempt from federal income tax</td>
</tr>
<tr>
<td>Municipal Obligations</td>
<td></td>
</tr>
<tr>
<td>NASDAQ</td>
<td>The Nasdaq Stock Market, Inc.</td>
</tr>
<tr>
<td>NAV</td>
<td>Net asset value</td>
</tr>
<tr>
<td>Neuberger Berman</td>
<td>Neuberger Berman Investment Advisers LLC</td>
</tr>
<tr>
<td>Newton</td>
<td>As of December 31, 2019, Newton Investment Management Limited (previously, Newton Investment Management (North America) Limited)</td>
</tr>
<tr>
<td>NFA</td>
<td>National Futures Association</td>
</tr>
<tr>
<td>Nicholas</td>
<td>Nicholas Investment Partners, L.P.</td>
</tr>
<tr>
<td>NYSE</td>
<td>New York Stock Exchange</td>
</tr>
<tr>
<td>Old Class T shares</td>
<td>Class T shares offered by certain funds prior to February 4, 2009</td>
</tr>
<tr>
<td>Plans</td>
<td>Distribution Plans, Service Plans, Shareholder Services Plans and Administrative Services Plans, if any, as described in Part II of this SAI</td>
</tr>
<tr>
<td>Primary Employer</td>
<td>Primary employer of a fund's portfolio managers</td>
</tr>
<tr>
<td>Purchaser</td>
<td>An individual and/or spouse purchasing securities for his, her or their own account or for the account of any minor children, or a trustee or other fiduciary purchasing securities for a single trust estate or a single fiduciary account although more than one beneficiary is involved; or a group of accounts established by or on behalf of the employees of an employer or affiliated employers pursuant to a Retirement Plan</td>
</tr>
<tr>
<td>Rating Agencies</td>
<td>S&amp;P, Moody's, Fitch and, with respect to money market funds, DBRS</td>
</tr>
<tr>
<td>Redwood</td>
<td>Redwood Investments, LLC</td>
</tr>
<tr>
<td>REIT</td>
<td>Real estate investment trust</td>
</tr>
<tr>
<td>REMIC</td>
<td>Real estate mortgage investment conduit</td>
</tr>
<tr>
<td>Retirement Plans</td>
<td>Qualified or non-qualified employee benefit plans, such as 401(k), 403(b)(7), Keogh, pension, profit-sharing and other deferred compensation plans, whether established by corporations, partnerships, sole proprietorships, non-profit entities, trade or labor unions, or state and local governments, but not including IRAs</td>
</tr>
<tr>
<td>Retail MMFs</td>
<td>Dreyfus AMT-Free Municipal Cash Management Plus,</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>AMT-Free</td>
<td>Fund and General New York AMT-Free Municipal Money Market Fund</td>
</tr>
<tr>
<td>RHJ</td>
<td>Rice Hall James &amp; Associates, LLC</td>
</tr>
<tr>
<td>RIC</td>
<td>Regulated investment company, as defined in the Code</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>Standard &amp; Poor's Ratings Services</td>
</tr>
<tr>
<td>Sarofim &amp; Co.</td>
<td>Fayez Sarofim &amp; Co.</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>Securities Act</td>
<td>Securities Act of 1933, as amended</td>
</tr>
<tr>
<td>Service Agents</td>
<td>Certain financial intermediaries (which may include banks), securities dealers and other industry professionals that have entered into an agreement with the Distributor</td>
</tr>
<tr>
<td>Standish</td>
<td>Standish Mellon Asset Management Company LLC, a predecessor company of Mellon</td>
</tr>
<tr>
<td>State Municipal Bonds</td>
<td>Municipal Bonds of the state after which the relevant fund is named that provide income exempt from federal and such state's personal income taxes (also referred to as &quot;New York Municipal Bonds,&quot; &quot;New Jersey Municipal Bonds,&quot; etc., depending on the state in the name of the relevant fund); New York Municipal Bonds also are exempt from New York City personal income taxes</td>
</tr>
<tr>
<td>State Municipal Funds</td>
<td>A fund that normally invests at least 80% of its net assets, plus borrowings for investment purposes, in State Municipal Bonds or State Municipal Obligations</td>
</tr>
<tr>
<td>State Municipal Obligations</td>
<td>Municipal Obligations of the state after which the relevant fund is named, and the state's political subdivisions, authorities and corporations, and certain other specified securities, that provide income exempt from federal and such state's personal income taxes (also referred to as &quot;New York Municipal Obligations,&quot; &quot;New Jersey Municipal Obligations,&quot; etc., depending on the state in the name of the relevant fund); New York Municipal Obligations also are exempt from New York City personal income taxes</td>
</tr>
<tr>
<td>Sub-Adviser</td>
<td>A fund's sub-investment adviser, if any, as described in the prospectus; certain funds have more than one Sub-Adviser</td>
</tr>
<tr>
<td>Sub-Advised Funds</td>
<td>Funds that use a Sub-Adviser, unless such Fund is a Multi-Manager Fund or a Multi-Strategy Fund</td>
</tr>
<tr>
<td>Subsidiary</td>
<td>For BNY Mellon Dynamic Total Return Fund: DTR Commodity Fund Ltd., a company (1) organized under the laws of the Cayman Islands, (2) whose registered office is located at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and (3)</td>
</tr>
<tr>
<td>Term</td>
<td>Meaning</td>
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<td>-------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>which is wholly-owned and controlled by BNY Mellon Dynamic Total Return Fund.</td>
<td>For BNY Mellon Global Real Return Fund: GRR Commodity Fund Ltd., a company (1) organized under the laws of the Cayman Islands, (2) whose registered office is located at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and (3) which is wholly-owned and controlled by BNY Mellon Global Real Return Fund.</td>
</tr>
<tr>
<td>Sustainable Funds</td>
<td>BNY Mellon Sustainable U.S. Equity Fund, Inc. and BNY Mellon Sustainable Balanced Fund</td>
</tr>
<tr>
<td>TBCAM</td>
<td>The Boston Company Asset Management, LLC, a predecessor company of Mellon</td>
</tr>
<tr>
<td>TIPS</td>
<td>Treasury Inflation-Protection Securities</td>
</tr>
<tr>
<td>Transfer Agent</td>
<td>BNY Mellon Transfer, Inc.</td>
</tr>
<tr>
<td>Treasury</td>
<td>U.S. Department of the Treasury</td>
</tr>
<tr>
<td>Underlying Funds</td>
<td>BNY Mellon funds (or other funds as may be permitted by a Fund of Funds' prospectus) in which a Fund of Funds invests</td>
</tr>
<tr>
<td>USA PATRIOT Act</td>
<td>Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001</td>
</tr>
<tr>
<td>Walter Scott</td>
<td>Walter Scott &amp; Partners Limited</td>
</tr>
<tr>
<td>Walthausen</td>
<td>Walthausen &amp; Co., LLC</td>
</tr>
<tr>
<td>Wealth Management</td>
<td>BNY Mellon Wealth Management</td>
</tr>
<tr>
<td>Weekly Liquid Assets</td>
<td>(i) Cash; (ii) direct obligations of the U.S. government; (iii) securities issued by U.S. government agencies at a discount and have a remaining maturity of 60 days or less; (iv) securities that will mature or are subject to a demand feature that is exercisable and payable within five business days; and (v) amounts receivable and due unconditionally within five business days on pending sales of portfolio securities</td>
</tr>
</tbody>
</table>
APPENDIX A

PROXY VOTING POLICIES AND PROCEDURES OF FIRMS DELEGATED FUND PROXY VOTING AUTHORITY

(Effective April 1, 2020)

Alcentra NY, LLC

Scope

This Policy applies to all strategies across both legal entities; Alcentra NY, LLC and Alcentra Limited (collectively, "Alcentra" or the Firm).

Alcentra generally will not be called upon to vote proxies for its syndicated loan and direct lending investments because of the nature of the instruments involved in the investment strategy (i.e. loans rather than securities). An exception is when Alcentra may hold loan investments which could be converted to voting securities.

Proxy votes are also not generally conducted for corporate bonds. In addition, proxy votes may take place from time to time on structured credit investments where the firm holds the equity tranche.

Purpose

When engaged by a client to provide discretionary advisory services, Alcentra is typically delegated the responsibility to vote on matters considered at portfolio companies' shareholder meetings, usually by means of a proxy ballot ("proxy voting").

In these instances, Alcentra has a duty to monitor corporate events and to vote proxies in the best interest of its client and not subrogate the interests of its clients to its own interests. This generally means voting with a view toward enhancing the economic value of the investment. In the case of social and political responsibility issues that, in Alcentra opinion, do not primarily involve financial considerations, it is the Firm's objective to support shareholder proposals that the Firm believes promote good corporate citizenship while enhancing long-term shareholder value.

When it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so. However, there may be instances when the Firm is unable or unwilling to vote because of legal or operational difficulties or because it believes the administrative burden and/or associated cost exceeds the expected benefit to a client.

Regulatory Context

The SEC has taken the position that proxy voting is only required where the adviser exercises discretion over advisory assets and the adviser's contract is silent on proxy voting responsibilities or specifically provides that the adviser will vote proxies.

The Department of Labor's (DOL's) ERISA rules require an adviser to vote proxies for ERISA clients unless the plan administrator or other fiduciary has expressly precluded such responsibilities.

For most other clients, unless another service provider is delegated proxy voting responsibilities, the adviser's role as an adviser with investment discretion would include proxy voting responsibilities.

Alcentra NY, Advisers Act Requirements

In line with the requirements of section 206(4) of the Adviser's act, it is Alcentra's policy to

- Adopt and implement written policies and procedures that are reasonably designed to ensure that the adviser votes client securities in the best interest of clients, which procedures must include how the adviser addresses material conflicts that may arise between the adviser's interests and those of the adviser's clients;
- Disclose to clients via the Form ADV Part 2A, how they may obtain information from the adviser about how the adviser voted with respect to their securities; and
Describe to clients via Form ADV Part 2A the adviser's proxy voting policies and procedures and, upon request, furnishes a copy of the policies and procedures to the requesting client.

**Alcentra NY, ERISA Requirements**

Following from the DOL’s guidance on proxy voting in respect of ERISA pension plan funds, it is Alcentra policy to:

- Clearly delineated responsibility for voting between Alcentra NY and the trustee or other plan fiduciary that appointed Alcentra NY, possibly through the IMA.
- Take reasonable steps to ensure that it has received all proxies for which it has voting authority and implemented appropriate reconciliation procedures.
- In voting, act prudently and solely in the interests of pension plan participants and beneficiaries. In so doing we consider factors that would affect the value of the plan's investments and may not subordinate the interests of plan participants and beneficiaries in their retirement income to unrelated objectives, such as social considerations. However, other DOL pronouncements in the context of investment decisions indicate that social considerations may be used in making investment decisions to select among investments of equal risk and return.
- The plan administrator will periodically monitor Alcentra's voting activities, and both the client's monitoring activities and Alcentra's voting activities (including the votes cast in each particular case) must be documented.

**Voting**

Alcentra reviews the circumstances for each vote to determine which stance would best serve its clients and votes accordingly. Alcentra votes and documents its vote as follows:

- A Voting File has been established to document how Alcentra NY voted on each proxy vote.
- While Alcentra expects to vote all identical client proxies in the same manner across each client account, the relevant Portfolio Manager or Investment Committee may vote certain client accounts differently than others if it is determined that it is in the best interest of the respective clients to do so.
- Alcentra Portfolio Manager or Investment Committee for the particular Investment Vehicle, or designee, will decide, on a case-by-case, how each vote should be cast in order to best serve the interest of each respective client.
- A record noting the details of the vote, as well as an assessment as to whether a material conflict of interest exists, is maintained in the Voting File.
- Copies of actual voting records will be maintained.

**Non-Voting of Proxies**

When it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so. However, there may be instances when the Firm is unable or unwilling to vote because of legal or operational difficulties or because it believes the administrative burden and/or associated cost exceeds the expected benefit to a client.

**Conflicts of Interest**

While, Alcentra does not anticipate that it will regularly face a material conflict of interest in the exercise of its voting responsibilities, Alcentra has developed a Proxy Voting Form (Appendix A to this policy) which has been designed to identify and document conflicts of interest. Based on the responses to the Form, the Portfolio Manager or designee, will determine if there is any actual or perceived conflict of interest. If a conflict exists, the Portfolio Manager or designee, will determine whether the conflict is *material* based on the nature of the business or personal relationship, the specific proxy proposal and such other factors or criteria as the Portfolio Manager or designee determine are relevant.

In the event of any uncertainty relating to the presence of a conflict of interest or whether a conflict is material, the Portfolio Manager or designee, may consult with others as appropriate. Employees involved in the decision making
process or administration of proxy votes are prohibited from revealing how Alcentra intends to vote on a proposal in order to reduce any attempted influence from interested parties.

If a material conflict of interest is found to exist, the Chief Investment Officer and Chief Compliance Officer will be consulted to ensure that the vote is cast in a manner that is in the best interest of the client(s). Alcentra may seek an independent third party to recommend how to vote the proposal. Such recommendation may be based on the third party's predetermined voting policies (so long as the subject matter of the proposal is specifically addressed in the guidelines) or independent research conducted by the third party.

In an effort to minimize the appearance that certain relationships or situations may inappropriately influence its voting decisions, Alcentra has determined that when presented with the opportunity to vote on shareholder proposals issued by an "Affiliated Fund", it will vote in the same proportion as all other voting shareholders of such Affiliated Fund ("echo voting"). If "echo voting" is not operationally feasible, the vote recommendations of an independent third party shall be applied. The independent third party shall be Institutional Shareholder Services ("ISS"), if available, or Glass Lewis, if ISS is not available.

Notwithstanding the foregoing, Alcentra also may resolve any material conflict in such other manner as Alcentra believes is in the best interest of the client.

Record Keeping

In line with the record-keeping requirements in Rule 204-2 under the Advisers Act, it is Alcentra policy to maintain the following books and records:

- Copies of the adviser's proxy voting policies and procedures
- A copy of each proxy statement that the adviser receives regarding client securities. Advisers may rely upon third-party service providers to maintain such records. For example, if an adviser uses a third-party proxy voting service to vote client proxies, that company may maintain copies of the proxy statements on behalf of the adviser. The proxy voting service must agree to provide the statements to the adviser promptly upon request. Alternatively, the adviser could rely upon obtaining a copy of a proxy statement from the SEC's EDGAR system.
- A record of each vote cast by the adviser on behalf of a client. Advisers may rely upon the records maintained by a third-party proxy voting service, if the records can be obtained by the adviser promptly upon request.
- A copy of any document created by the adviser that was material to making a decision on how to vote proxies on behalf of clients or that memorializes the bases for that decision. For example, some advisers adopt general policies on how they will vote on certain issues.

A copy of each written client request for information on how the adviser voted proxies on behalf of the client, and a copy of any written response by the adviser to any written or oral request for information regarding how the adviser votes proxies on behalf of the requesting client.

Amherst Capital Management LLC

Policy

In the investment management agreement which it executes with each client, including private funds, Amherst Capital clearly specifies whether the client has retained the authority to vote proxies or whether this power has been delegated to Amherst Capital. For clients that have delegated proxy authority to Amherst Capital, Amherst Capital will make every reasonable effort to ensure that proxies are received and are voted in accordance with these policies and procedures adopted by Amherst Capital.

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1 For purposes of this policy, any pooled investment vehicle that is sponsored by a subsidiary of The Bank of New York Mellon Corporation shall be considered an "Affiliated Fund."
As a result of the investment strategies employed by Amherst Capital, Amherst Capital does not anticipate receiving proxy ballots. In the unusual circumstance that it receives proxy ballots, Amherst Capital will generally abstain from voting any proxies if it determines that the costs associated with exercising the proxy outweigh the benefits. If not, Amherst Capital will follow the following policy.

In voting proxies, Amherst Capital seeks to act solely in the best financial and economic interest of the applicable client while taking into consideration various factors including environmental, social and governance issues.

Amherst Capital will furnish a copy of its Proxy Voting Policy, any related procedures, and its Proxy Voting Guidelines upon request to each advisory client that delegates voting authority to Amherst Capital. Upon request, Amherst Capital will also disclose to an advisory client the proxy voting history for its account after the votes have been recorded.

**Procedures**

In addition to voting proxies for Amherst Capital's private funds, at account opening all contracts are reviewed to determine if Amherst Capital has been delegated proxy voting authority by the client. Upon receiving proxy voting ballots, Amherst Capital reviews the circumstances for each vote to determine which stance would best serve its clients and votes accordingly. A record noting the details of the vote, as well as an assessment as to whether a material conflict of interest exists, will be maintained in the voting file.

Amherst Capital does not anticipate having a conflict of interest in the exercising of its voting responsibilities. However, if a material conflict of interest is found to exist, the Chief Compliance Officer will be consulted to ensure that the vote is cast in a manner that is in the best interest of the client. Amherst Capital may seek an independent third party to recommend how to vote the proposal.

**BNY Mellon Asset Management Japan Limited**

**Purpose**

BNY Mellon Asset Management Japan Limited ("BNYMAM Japan") has enacted these rules with the aim of appropriately and smoothly exercising voting rights on shares for the benefit of investment trust beneficiaries and discretionary investment clients. The interests of beneficiaries and customers shall mean an increase in corporate value (stock value) or prevention of loss of that value.

**Exercise of Voting Instructions**

BNYMAM Japan shall instruct the exercise of voting rights as specified in the following items.

1. Exercise of voting rights will be in writing.
2. Exercise voting rights for each of the agenda items set forth in the Notice of Convocation of the General Meeting of Shareholders, by choosing either yes, no, or abstaining.

**Standards for Exercising Voting Rights**

In exercising voting rights, we will give special consideration to the following viewpoints

1. The right size of the board to make efficient decisions
2. Appropriate human resources as directors and corporate auditors
3. Balance of executive compensation with total revenue
4. Timely and appropriate disclosure of corporate activities
5. Changes in financial and business content will increase shareholder value in the future
6. Anti-social behavior (illegal or illegal transactions by executives and employees)

**Conflicts of Interest in Exercising Voting Rights and their Management**

The Company recognizes that a conflict of interest may occur, particularly under the conditions specified in the following items. In this case, you will not exercise your voting rights or will follow the recommendations of the independent third party. However, if there are written voting guidelines in advance, we will exercise your voting rights in accordance with these guidelines.

1. Exercise of voting rights over The Bank of New York Mellon Corporation (BNY Mellon)
2. BNY Mellon Executive Committee members voting on companies for which they are directors
3. Exercising voting rights in companies in which BNY Mellon's directors hold important positions (Chairman of the Board, CEO, President, CFO, COO, etc.)
4. Decision on a BNY Mellon director or a company in which a BNY Mellon director plays a significant role (Chairman of the Board, CEO, President, CFO, COO, etc.) Exercise of rights
5. Voting for customers who are currently BNY Mellon customers and account for more than 5% of BNY Mellon revenue at the end of the previous quarter
6. Exercise of voting rights over investment media established and managed by BNY Mellon and its subsidiaries

Even if it does not fall under any of the above items, if it meets the conditions specified in each of the following items, it shall report to the Voting Rights Working Group and request consideration of countermeasures. The Voting Rights Working Group will report to the Fiduciary Duty Oversight Group any countermeasures that have been discussed and decided:

1. BNY Mellon's directors exercise voting rights over companies for which they are directors
2. Exercise of voting rights on proposals that have a direct impact on BNY Mellon's directors or on companies in which BNY Mellon's directors hold significant positions (Chairman of the Board, CEO, President, CFO, COO, etc.)
3. Exercise voting rights in investment media managed and operated by other than the BNY Mellon Group, for which the BNY Mellon Group conducts investment management and advises, and which directly affects BNY Mellon affiliates (for example, approval of investment advisory agreements) Exercise of voting rights
4. Exercise voting rights to customers who are currently our customers and represent a significant percentage of our revenues

**BNY Mellon Wealth Management**

BNY Mellon Wealth Management, through its Proxy Voting and Governance Committee (the "Proxy Voting Committee"), will apply detailed, pre-determined, written proxy voting guidelines for specific types of proposals and matters commonly submitted to shareholders of U.S. and Japanese companies (the "BNY Mellon Wealth Management Voting Guidelines"). BNY Mellon Wealth Management, in voting proxies, will seek to act solely in the best financial and economic interests of its clients, including the Funds.

**Securities of Non-U.S. Companies and Securities Out on Loan.** It is BNY Mellon Wealth Management's policy to seek to vote all proxies for securities held in the Funds' portfolios for which BNY Mellon Wealth Management has voting authority. However, situations may arise in which BNY Mellon Wealth Management cannot, or has adopted a policy not to, vote certain proxies, such as refraining from voting certain non-U.S. securities or securities out on loan in instances in which the costs are believed to outweigh the benefits, such as when share blocking (discussed below) is required, the matters presented are not likely to have a material impact on shareholder value or clients' voting will not impact the outcome of the vote.

**Securities of Non-U.S. Companies.** With regard to voting proxies with respect to shares of non-U.S. companies, BNY Mellon Wealth Management will weigh the cost of voting, and potential inability to sell, the shares against the benefit of voting the shares to determine whether or not to vote. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the markets in which the Funds may invest. In these markets, BNY Mellon Wealth Management will seek to submit proxy votes in a manner consistent with the ISS Voting Guidelines, while taking into account the different legal and regulatory requirements. For example, proxy voting in certain countries requires "share blocking" pursuant to which a Fund must deposit before the meeting date its holdings of securities with a designated depositary in order to vote proxies with respect to such securities. During this time, the shares cannot be sold until the meeting has taken place and the shares are returned to the Fund's custodian bank. BNY Mellon Wealth Management generally believes that the benefit of exercising the vote in these countries is outweighed by the cost of voting (i.e., the Funds' portfolio managers not being able to sell the Funds' shares of such securities while the shares are blocked). Therefore, if share blocking is required, BNY

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2 There are separate guidelines for securities of non-U.S. companies (ex-Japan), with respect to which BNY Mellon Wealth Management seeks to vote proxies through application of the ISS Global Voting Principles and Regional Policies/Principles (the "ISS Voting Guidelines" and, collectively with the BNY Mellon Wealth Management Voting Guidelines, each as in effect from time-to-time, the "Voting Guidelines").
Mellon Wealth Management typically elects not to vote the shares. Voting proxies of issuers in non-U.S. markets also raises administrative issues that may prevent voting such proxies. For example, meeting notices may be received with insufficient time to fully consider the proposal(s) or after the deadline for voting has passed. Other markets require the provision of local agents with a power of attorney before acting on the voting instructions. In some cases the power of attorney may be unavailable prior to the meeting date or rejected by the local agent on a technical basis. Additionally, the costs of voting in certain non-U.S. markets may be substantially higher than in the United States.

**Securities Out on Loan.** For securities that a Fund has loaned to another party, any voting rights that accompany the loaned securities generally pass to the borrower of the securities, but the Fund retains the right to recall a security and may then exercise the security's voting rights. In order to vote the proxies of securities out on loan, the securities must be recalled prior to the established record date. A Fund may recall the loan to vote proxies if a material issue affecting the Fund's investment is to be voted upon.

**Material Conflicts of Interest.** BNY Mellon Wealth Management seeks to avoid material conflicts of interest between the Funds and Fund shareholders, on the one hand, and BNY Mellon Adviser, BNY Mellon Wealth Management, the Fund's principal underwriter (the "Distributor"), or any affiliated person of the Fund, BNY Mellon Adviser, BNY Mellon Wealth Management or the Distributor, on the other, through its participation in the Proxy Voting Committee. The Proxy Voting Policy of the Proxy Voting Committee (the "Voting Policy") states that the Proxy Voting Committee seeks to avoid material conflicts of interest through the establishment of the committee structure, which applies detailed, predetermined proxy voting guidelines (the applicable Voting Guidelines) in an objective and consistent manner across client accounts, based on, as applicable, internal and external research and recommendations provided by third party proxy advisory services (including ISS and Glass Lewis & Co., LLC (together with ISS, the "Proxy Advisors")) and without consideration of any client relationship factors. When proxies are voted in accordance with these pre-determined Voting Guidelines, it is BNY Mellon Wealth Management's view that these votes do not present the potential for a material conflict of interest and no additional safeguards are needed. In addition, BNY Mellon Wealth Management will engage a third party as an independent fiduciary to vote all proxies for securities of The Bank of New York Mellon Corporation ("BNY Mellon"), and may engage an independent fiduciary to vote proxies as a further safeguard to avoid potential conflicts of interest or as otherwise required by applicable law. These instances typically arise due to relationships between proxy issuers or companies and BNY Mellon, a BNY Mellon affiliate, a BNY Mellon executive, or a member of BNY Mellon's Board of Directors, but material conflicts of interests may also arise due to relationships involving BNY Mellon Wealth Management and/or BNY Mellon Wealth Management employees, officers and directors. When an independent fiduciary is engaged, the fiduciary either will vote the involved proxy, or provide BNY Mellon Wealth Management with instructions as to how to vote such proxy. In the latter case, BNY Mellon Wealth Management will vote the proxy in accordance with the independent fiduciary's determination. Other possible conflict resolutions may include: (1) voting in proportion to other shareholders ("mirror voting"); (2) erecting informational barriers around, or recusal from the vote decision making process by, the person or persons making voting decisions; and (3) voting in other ways that are consistent with our obligation to vote in our clients' best interest.

**Operations of the Proxy Voting Committee.** The Proxy Voting Committee also has engaged ISS as its proxy voting agent to administer the ministerial, non-discretionary elements of proxy voting and reporting. In that role, ISS is required to follow the Voting Guidelines and apply them to the corresponding proxy proposals or matters on which a shareholder vote is sought. Accordingly, proxies that can be appropriately categorized and matched will be voted in accordance with the applicable Voting Guideline, or a proxy proposal will be referred to the Proxy Voting Committee if the Voting Guidelines so require, and generally for those proxy proposals or shareholder voting matters that are contested or similarly controversial and require a case-by-case analysis, as determined by the Committee in its discretion (e.g., proxy contests, potentially excessive executive compensation issues, or certain shareholder proposals). In addition, the Proxy Voting Committee will direct ISS to refer to it for discussion and vote all proxy proposals of those issuers: (1) where the percentage of their outstanding voting securities held in the aggregate in accounts managed BNY Mellon Wealth Management is deemed significant or (2) that are at or above a certain specified market capitalization size (each, as determined by the Proxy Voting Committee in its discretion). For items referred to it, the Proxy Voting Committee may determine to accept or reject any recommendation based on the Voting Guidelines, research and analysis provided by its Proxy Advisors, or on any independent research and analysis obtained or generated by BNY Mellon Wealth Management. Each Fund bears an equal share of ISS's fees in connection with the proxy agency, reporting and
Voting Proxies of Designated BHCs

BNY Mellon is subject to the requirements of the Bank Holding Company Act of 1956, as amended (the "BHCA"). Among other things, the BHCA prohibits BNY Mellon, funds that BNY Mellon "controls" by virtue of share ownership ("Bank Controlled Funds"), and any fund or other investment account over which BNY Mellon exercises sole voting discretion (collectively, the "BNYM Entities"), in the aggregate, from owning or controlling or holding sole voting discretion with respect to 5% or more of any class of voting stock of any BHC without the prior approval of the Board of Governors of the Federal Reserve System (the "BHCA Rules").

Because ISS has sole voting authority over voting securities issued by the Designated BHCs, the holdings of such securities by the Funds (other than Bank Controlled Funds) are excluded from the 5% aggregate computation under the BHCA Rules and the Funds (other than Bank Controlled Funds) are permitted to purchase and hold securities of BHCs without limits imposed by the BHCA. (Voting securities of BHCs held by Funds that are Bank Controlled Funds, however, continue to be aggregated with the holdings of other BNYM Entities because of BNY Mellon's share ownership in those Funds.) An issuer that is a BHC will be identified as a Designated BHC (and voting authority over its voting securities will be delegated to ISS) when BNYM Entities in the aggregate own, control or hold sole voting discretion with respect to approximately 4.9% of any class of voting securities issued by the BHC. If such aggregate level of ownership, control or voting discretion decreases to approximately 3%, the issuer will no longer be considered a Designated BHC and BNY Mellon Wealth Management will be redelegated sole voting authority over the BHC's voting securities held by a Fund. BNY Mellon's Global Holdings Reporting Group is primarily responsible for monitoring (i) investments in BHCs for compliance with the 5% ownership limit under the BHCA Rules and (ii) the determination of the application of the delegation to ISS, and reappointment of BNY Mellon Wealth Management, with respect to voting authority over Designated BHC securities.

CenterSquare Investment Management LLC

Introduction

Pursuant to the adoption by the Securities and Exchange Commission of Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Act"), it is a fraudulent, deceptive, or manipulative act, practice or course of business, within the meaning of Section 206(4) of the Act, for an investment adviser to exercise voting authority with respect to client securities, unless (1) the adviser has adopted and implemented written policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interest of its clients, (2) the adviser describes its proxy voting procedures to its clients and provides copies on request, and (3) the adviser discloses to the clients how they may obtain information on how the adviser voted their proxies. This privacy policy ("Proxy Voting Policy") documents CenterSquare's proxy voting policies and procedures.

Proxy Committee

CenterSquare's Proxy Committee ("Proxy Committee") is responsible for overseeing the proxy voting process and for establishing and maintaining the Proxy Voting Policy, which is reviewed and updated annually. The Proxy Committee is comprised of the Chief Operating Officer, Director – Head of Securities Operations, and designated members of CenterSquare's investment teams. The CenterSquare Compliance team will participate as a non-voting member of the Committee. At a minimum, the Proxy Committee will meet no less than annually to review and update the Proxy Voting Policy, if necessary, and to review other proxy voting topics as needed.

Policy Details

As a registered investment adviser, CenterSquare Investment Management LLC ("CenterSquare") has a fiduciary duty to act solely in the best interest of its clients. This duty requires CenterSquare to vote proxies in a timely manner and make voting decisions that are in the best interests of its clients. All proxies received by CenterSquare are voted in accordance with these procedures and are intended to comply with Rule 206(4)-6 of the Advisers Act. This Proxy Voting Policy applies only to those CenterSquare clients who in their investment advisory contract have chosen to have us vote their proxies. At account start-up, upon amendment of an investment advisory agreement ("IMA") or upon a letter of instruction, the applicable client IMA is reviewed to determine whether CenterSquare
has authority to vote client proxies. As a UNPRI Signatory, CenterSquare has chosen to use the Institutional Shareholder Services ("ISS") Sustainability Proxy Voting Guidelines as the default proxy policy for its clients. A client of CenterSquare may elect to use other ISS general or customized proxy voting guidelines through ISS. However, CenterSquare does not attempt to reconcile individual client proxy policies to the ISS Sustainability policy. A client may change their proxy-voting decision at any time. Clients who have delegated voting responsibilities to CenterSquare with respect to their account may direct CenterSquare to vote in a particular manner for a specific ballot. CenterSquare will use reasonable efforts to vote according to the client's request in these circumstances, however our ability to implement such voting instructions will be dependent on operational matters such as the timing of the request.

A. Retention and Oversight of Proxy Service Provider

CenterSquare's proxy voting policies and procedures are intended to meet the objective to act in its clients' best interests. The sheer number of proxy votes related to client holdings makes it impossible for CenterSquare to research each and every proxy issue. Recognizing the importance of informed and responsible proxy voting, CenterSquare has retained an independent third party service provider, ISS, to analyze proxy issues, provide proxy research and recommendations on how to vote those issues, provide assistance in the administration of the proxy process, including maintaining complete proxy voting records.

CenterSquare monitors the capacity, competency, and conflicts of interest of ISS to ensure that CenterSquare continues to vote proxies in the best interest of its clients. On an annual basis, CenterSquare conducts a due diligence review of ISS regarding their proxy voting services as part of its investment advisory duty to perform oversight over the proxy voting firm. This review includes updates and discussion over the following areas of ISS:

- Firm level initiatives and status updates
- Research process
- Legal and Compliance
- Conflicts of Interest
- Information security and IT security controls

B. Decision Methods

ISS' Global Voting Principles, launched in December 2013, provide for four key tenets on accountability, stewardship, independence, and transparency, which underlie their approach to developing recommendations on management and shareholder proposals at publicly traded companies. ISS uses a bottom-up policy formulation process which collects feedback from a diverse range of market participants through multiple channels including an annual Policy Survey. The ISS Policy Board uses the input to develop its draft policy updates each year. Before finalizing these updates, ISS publishes draft updates for an open review and comment period. Beginning in 2008, all comments received are posted verbatim to the Policy Gateway, in order to provide additional transparency into the feedback ISS has received. Final updates are published in November, to apply to meetings held after February of the following year. ISS research analysts apply more than 400 policies to shareholder meetings. As part of the research process, ISS analysts interact with company representatives, institutional shareholders, shareholder proponents and other parties to gain deeper insight into key issues.2 ISS reviews and updates their proxy polices on an annual basis. The ISS Policy Information is located under Policy Gateway at https://www.issgovernance.com.

When determining whether to invest in a company, one of the many factors CenterSquare may consider is the quality and depth of the company's management. As a result, CenterSquare believes that recommendations of management on any issue (particularly routine issues) should be given a fair amount of weight in determining how proxy issues should be voted. Thus, on many issues, votes are cast in accordance with the recommendations of the company's management. CenterSquare reviews all ballot items where ISS is recommending voting against the management of the issuer. Generally, CenterSquare will not override the ISS specific policy vote recommendations but reserves the right to change that vote when a CenterSquare Portfolio Manager disagrees with an ISS recommendation and feels it is in the best interest of all clients to change the proxy vote. CenterSquare Compliance ("Compliance") is notified when an override of the ISS vote is proposed by a CenterSquare Portfolio Manager. Compliance will ascertain that appropriate justification for the override is reasonable and appropriately documented in the ISS voting records prior to the actual proxy vote. A rationale of our decision is noted within the ISS system when we override ISS' specific policy recommendation and is included in the ballot summary reports. Proxy voting
reports are available to clients upon request. For clients that have provided CenterSquare authority to vote proxies and have not otherwise selected other ISS general or customized proxy voting guidelines, proxy voting will be made on behalf of all client accounts in accordance with ISS Sustainability Proxy Voting Guidelines.

C. CenterSquare Conflicts of Interest

In certain instances, a conflict of interest may arise when CenterSquare votes a proxy. CenterSquare will deem to have a potential conflict of interest when voting proxies including, but not limited to, one or more of the following:

- CenterSquare or one of its affiliates manages assets for that issuer or an affiliate of that issuer and also recommends that its other client's investment in such issuer's securities.
- A director, trustee or officer of the issuer or affiliate of the issuer is an employee of CenterSquare or a director of CenterSquare or its affiliates, or a fund sub-advised by CenterSquare.
- CenterSquare is actively soliciting that issuer or an affiliate of the issuer as a client
- A director or executive officer of the issuer has a personal relationship with a member of the relevant investment team or other employee of CenterSquare that may affect the outcome of the proxy vote.

Each person who serves as a proxy administrator (“Proxy Administrator) as further defined below, is a member of an investment team, or serves on the Proxy Voting Committee shall, on at least an annual basis, certify:

- a list of any portfolio companies with or in which he or she has a relationship or could otherwise be deemed to have a conflict and;
- They have not been unduly influenced by an issuer or other third party to vote in a particular manner.

In situations where CenterSquare perceives a material conflict of the interest, the conflict is reported to the Chief Compliance Officer. It is expected that CenterSquare will abstain from making a vote decision and allow ISS to vote to mitigate the material conflict of interest.

D. Securities Lending

Some clients have, at their discretion, elected to participate in security lending programs. CenterSquare is unable to vote securities that are on loan under these types of arrangements.

E. Decisions not to Vote Proxies

CenterSquare fully recognizes its responsibility to process proxies and maintain proxy records pursuant to applicable rules and regulations. CenterSquare will therefore attempt to process every vote it receives for all domestic and foreign proxies. There may be situations in which CenterSquare cannot vote proxies. For example, the client or custodian does not forward the ballots in a timely manner.

Proxy voting in certain countries requires shareblocking. Shareblocking in general refers to restrictions on the sale or transfer of securities between the execution of the vote instruction and the tabulation of votes at the shareholder meeting. During the blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the client's custodian bank. The blocking period may last from several days to several weeks depending upon the market, the security and the custodian. CenterSquare believes that in these situations, the benefit of maintaining liquidity during the share blocking period outweighs the benefit of exercising our right to vote. In order to preserve the account's liquidity, CenterSquare will generally instruct ISS to "DO NOT VOTE" these shares.

Proxies relating to foreign securities may also be subject to additional documentation. Such documentation may be difficult to obtain or produce as a condition of voting or requires additional costs that generally outweigh the benefit to be gained by voting. Therefore, in some cases, those shares will not be voted.

F. Reporting

ISS provides CenterSquare on-line access to client proxy voting records. A summary of the proxy votes cast by CenterSquare is available to clients upon request for their specific portfolio. Due to confidentially and conflict of interest concerns, CenterSquare does not disclose to third parties how it votes client proxies.
CenterSquare's proxy voting policies are disclosed in Form ADV Part 2A. A copy of this Proxy Voting Policy and the ISS Proxy Voting Guidelines is available to our clients, without charge, upon request. All requests may be sent to Liz Conklin, Director, Head of Securities Operations, CenterSquare Investment Management LLC, 630 West Germantown Pike, Suite 300, Plymouth Meeting, PA 19462 or at lconklin@CenterSquare.com.

G. Proxy Administration and Recordkeeping

Members of CenterSquare's securities operations department are responsible for the administration ("Proxy Administrator") of the proxy voting process. Both ISS and the client's custodian monitor corporate events for CenterSquare. CenterSquare gives an authorization and letter of instruction to the client's custodian who then forwards proxy material it receives to ISS so that ISS may vote the proxies. On a regular basis, CenterSquare sends ISS an updated list of client accounts and the security holdings in those accounts so that ISS can update its database and is aware of which proxies it will need to vote.

The Proxy Administrator is responsible for:

- monitoring reports identifying pending meetings and due dates for ballots
- monitoring reports to ensure that clients are coded to the appropriate ISS policy,
- ensuring ballots are voted according the ISS policy assigned to the client,
- monitoring for share blocking ballots
- monitoring reports for votes against management
- reviewing user access and new / close account setups
- performing vote overrides as required by Portfolio Managers and document changes and rationale for each vote override

CenterSquare or ISS also maintains the following records:

- ballot summary reports for each client indicating which ballots were votes, number of shares voted, description of the proposal, how the shares were voted and the date on which the proxy was returned, and the policy applied
- ballot summary reports for vote overrides with the Portfolio Managers rationale
- meeting-level statistical reports
- copy of each proxy statement received, provided that no copy needs to be retained of a proxy statement found on the SEC's EDGAR website

H. Compliance Oversight

CenterSquare Compliance is responsible for testing compliance with the firm's proxy voting policies and procedures set forth in this Proxy Voting Policy. As part of its annual testing program, CenterSquare Compliance testing procedures relating to proxy voting include:

- annual review of the Proxy Voting Policy
- annual review of proxy voting policies and procedures described in the firm's ADV Form Part 2A
- sampling of proxy voting records to ensure voting was complete in the best interest of clients and in accordance with the ISS Sustainability Proxy Voting Guidelines
- sampling of proxy vote overrides and review of documentation supporting such overrides
- participate in and review of the firm's annual due diligence over the third-party proxy voting firm, ISS

Insight North America

I. Introduction

Insight North America ("Insight") has adopted this Proxy Voting Policy ("Policy") for the purpose of establishing formal policies and procedures for performing and documenting its fiduciary duty with respect to the voting of client proxies. Insight serves as investment adviser and sub-adviser to institutional separate accounts, private funds, and registered investment companies (collectively, "Clients").
Pursuant to this Policy, Insight shall vote proxies on behalf of Clients for whom Insight has been given and agreed to accept voting authority. The fundamental guideline followed by Insight in voting proxies is to ensure that the manner in which shares are voted is in the best interests of Clients and the values of their investments. Any general or specific proxy voting guidelines provided by a Client or its designated agent in writing will supersede the specific guidelines in this Policy.

Additionally, the Department of Labor ("DOL") views the fiduciary act of managing ERISA plan assets to include the voting of proxies. Proxy voting decisions must be made solely in the best interests of the pension plan's participants and beneficiaries. The DOL has interpreted this requirement as prohibiting a fiduciary from subordinating the retirement income interests of participants and beneficiaries to unrelated objectives. The guidelines in this Policy have been formulated to ensure decision-making consistent with these fiduciary responsibilities.

Note: this Proxy Voting Policy will be reviewed at least annually.

II. Client Disclosure and Recordkeeping

1. In addition to this Policy, Clients may obtain information on how Insight voted their proxies.

2. Additionally, Insight will maintain proxy voting records for its advisory clients, consistent with the Investment Advisers Act of 1940, as amended (the "Advisers Act").

3. For Clients that are registered investment companies, Insight will disclose this Policy to the shareholders of such funds and make filings with the Securities and Exchange Commission ("SEC") with regard to the specific proxy votes that Insight cast as shareholders of portfolio securities in accordance with the rules and regulations under the Investment Company Act of 1940, as amended (the "Investment Company Act").

4. Certain Clients may participate in securities lending programs. If Insight is aware that a material event will occur affecting securities on loan, Insight will be obligated to call such loan in time to vote the proxies; however, with respect to other voting matters involving securities on loan, Insight would generally not vote with respect to such securities.

III. General Policy Regarding Proxy Voting

Implicit in the initial decision to retain or invest in the security of a corporation is approval of its existing corporate ownership structure, its management, and its operations. Accordingly, proxy proposals that would change the existing status of a corporation will be reviewed carefully and supported only when it seems clear that the proposed changes are likely to benefit the corporation and its shareholders. Notwithstanding this favorable predisposition, management will be assessed on an ongoing basis both in terms of its business capability and its dedication to the shareholders to ensure that, our continued confidence remains warranted. If it is determined that management is acting on its own behalf instead of for the well-being of the corporation, Insight will vote to support shareholder proposals, unless other mitigating circumstances are present. Additionally, situations may arise that involve an actual or perceived conflict of interest. For example, Insight may manage assets of a pension plan of a company whose management is soliciting proxies, or an employee may have a close relative who serves as a director or executive of a company that is soliciting proxies. In all cases, the manner in which Insight votes proxies must be based on Clients' best interests and not the product of the conflict.

In furtherance of Insight's goal to vote proxies in the best interests of clients, Insight follows procedures designed to identify and address material conflicts that may arise between Insight's interests and those of its Clients before voting proxies for Client securities.

Insight's detailed policies and procedures with respect to conflicts of interest and specific proxy voting guidelines can be found in Sections V. and VI. of this Policy, below.

IV. Procedures for Identifying Conflicts of Interest

Insight will monitor the potential for conflicts of interest with respect to proxy voting recommendations or directions both as a result of personal relationships, significant Client relationships (those accounting for greater than 15% of annual revenues), or special circumstances that may arise during the conduct of Insight's or its affiliates' business.
1. The Chief Compliance Officer ("CCO") or her designee will determine whether a conflict of interest is material. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence Insight's decision-making. Further, a conflict of interest shall be deemed material in the event the issuer that is the subject of the proxy or any executive officer of that issuer has a Client relationship with Insight or its affiliates, of the type described above. All other materiality determinations will be based on an assessment of the particular facts and circumstances. The CCO or her designee shall maintain a written record of all materiality determinations in addition to the method used to resolve a material conflict of interest.

2. If it is determined that a conflict of interest is not material, Insight will vote proxies in accordance with the specific voting policy detailed in Section V, below.

3. If it is determined that a conflict of interest is material, one or more methods may be used to resolve the conflict, including:
   - disclosing the conflict to the client and obtaining its consent before voting;
   - suggesting to the client that it engage another party to make a recommendation;
   - engaging a third party to recommend a vote with respect to the proxy based on application of the policies set forth herein; or
   - utilizing such other method as is deemed appropriate under the circumstances given the nature of the conflict.

V. Specific Proxy Voting Guidelines

This Policy and its attendant recommendations attempt to generalize a complex subject. It should be clearly understood that specific fact situations, including differing voting practices in jurisdictions outside the United States, might warrant departure from these guidelines. In such instances, the relevant facts will be considered, and if a vote contrary to these guidelines is indicated it will be cast and the reasons therefore recorded in writing.

1. Routine Matters

Routine proxy proposals, amendments, or resolutions are typically proposed by management and meet the following criteria:
   a. They do not measurably change the structure, management control, or operation of the corporation.
   b. They are consistent with industry standards as well as the corporate laws of the state of incorporation.

   **Voting Recommendation**

   Insight will normally support the following routine proposals:
   a. To increase authorized common shares.
   b. To increase authorized preferred shares as long as there are not disproportionate voting rights per preferred share.
   c. To elect or re-elect directors.
   d. To appoint or elect auditors.
   e. To approve indemnification of directors and limitation of directors' liability.
   f. To establish compensation levels.
   g. To establish employee stock purchase or ownership plans.
   h. To set time and location of annual meeting.

2. Non-Routine Proposals

   a. Social Issues

   Proposals in this category involve issues of social conscience. They are typically proposed by shareholders who believe that the corporation's internally adopted policies are ill advised or misguided. If Insight has determined that management is generally socially responsible, we typically vote against the following shareholder proposals:
1) To enforce restrictive energy policies.
2) To place arbitrary restrictions on military contracting.
3) To bar or place arbitrary restrictions on trade with other countries.
4) To restrict the marketing of controversial products.
5) To limit corporate political activities.
6) To bar or restrict charitable contributions.
7) To enforce a general policy regarding human rights based on arbitrary parameters.
8) To enforce a general policy regarding employment practices based on arbitrary parameters.
9) To enforce a general policy regarding animal rights based on arbitrary parameters.
10) To place arbitrary restrictions on environmental practices.

b. Financial/Corporate Issues

Proposals in this category are usually offered by management and seek to change a corporation's legal, business or financial structure. Insight will generally vote in favor of the following management proposals provided the position of current shareholders is preserved or enhanced:

1) To change the state of incorporation.
2) To approve mergers, acquisitions or dissolution.
3) To institute indenture changes.
4) To change capitalization.

Proposals in this category are made regularly both by management and shareholders. They can be generalized as involving issues that transfer or realign board or shareholder voting power. Insight typically would oppose any proposal aimed solely at thwarting potential takeover offers by requiring, for example, super-majority approval. At the same time, we believe stability and continuity promote profitability. The guidelines in this area seek to find a middle road, and they are no more than guidelines. Individual proposals may have to be carefully assessed in the context of their particular circumstances.

Insight will generally vote in favor of the following management proposals:

1) To require majority approval of shareholders in acquisitions of a controlling share in the corporation.
2) To institute staggered board of directors.
3) To require shareholder approval of not more than 66-2/3% for a proposed amendment to the corporation's by-laws.
4) To eliminate cumulative voting.
5) To adopt anti-greenmail charter or by-law amendments or to otherwise restrict a company's ability to make greenmail payments.
6) To create a dividend reinvestment program.
7) To eliminate preemptive rights.
8) To eliminate any other plan or procedure designed primarily to discourage a takeover or other similar action (commonly known as a "poison pill").

Insight will generally vote against the following management proposals:

1) To require greater than 66-2/3% shareholder approval for a proposed amendment to the corporation's by-laws ("super-majority provisions").
2) To require an arbitrary fair price be offered to all shareholders that is derived from a fixed formula ("fair price amendments").
3) To authorize a new class of common stock or preferred stock which may have more votes per share than the existing common stock.
4) To prohibit replacement of existing members of the board of directors.
5) To eliminate shareholder action by written consent without a shareholder meeting.
6) To allow only the board of directors to call a shareholder meeting or to propose amendments to the articles of incorporation.
7) To implement any other action or procedure designed primarily to discourage a takeover or other similar action (commonly known as a "poison pill").
8) To limit the ability of shareholders to nominate directors.

Insight will generally vote in favor of the following shareholder proposals:

1) To rescind share purchases rights or require that they be submitted for shareholder approval, but only if the vote required for approval is not more than 66-2/3%.
2) To opt out of state anti-takeover laws deemed to be detrimental to the shareholder.
3) To change the state of incorporation for companies operating under the umbrella of anti-shares holder state corporation laws if another state is chosen with favorable laws in this and other areas.
4) To eliminate any other plan or procedure designed primarily to discourage a takeover or other similar action.
5) To permit shareholders to participate in formulating management's proxy and the opportunity to discuss and evaluate management's director nominees, and/or to nominate shareholder nominees to the board.
6) To require that the board's audit, compensation, and/or nominating committees be comprised exclusively of independent directors.
7) To adopt anti-greenmail charter or by-law amendments or otherwise restrict a company's ability to make greenmail payments.
8) To create a dividend reinvestment program.
9) To recommend that votes to "abstain" not be considered votes "cast" at an annual meeting or special meeting, unless required by state, law.
10) To require that "golden parachutes" be submitted for shareholder ratification.

Insight will generally vote against the following shareholder proposals:

1) To restore preemptive rights.
2) To restore cumulative voting.
3) To require annual election of directors or to specify tenure.
4) To eliminate a staggered board of directors.
5) To require confidential voting.
6) To require directors to own a minimum amount of company stock in order to qualify as a director or to remain on the board.
7) To dock director pay for failing to attend board meetings.

VI. Voting Process

The CCO is responsible for voting proxies on behalf of Clients for whom Insight has been given and agreed to accept voting authority, and will generally vote proxies in accordance with these guidelines. In circumstances in which the subject matter of the vote is not covered by these guidelines, or Insight believes it may be necessary, in the best interests of shareholders, to vote contrary to our general guidelines, the CCO will discuss the matter with the CEO and General Counsel of Insight, who will be responsible for making the definitive determination as to how the proxy matter will be voted.

Any questions regarding this Policy may be directed to the CCO of Insight.

VII. Trust Indentures

From time to time, Insight is asked to consent to an amendment to or grant a waiver under a trust indenture or other governing document of a specific financial instrument held by Clients. Such consents or waivers may cover corporate actions such as tenders, exchanges, registration rights, restructurings and other transactions relating to fixed income holdings of client accounts.

Insight will generally treat such requests for consents not as proxies subject to these proxy voting policies and procedures, but as investment matters to be dealt with by the investment professional covering such instruments, provided that such consents (i) do not relate to the election of a board of directors or appointment of auditors for a public company, (ii) would not otherwise materially affect the structure, management or control of a public company, and (iii) relate to a company in which Clients hold only interests in bank loans or debt securities and are consistent with customary standards and practices for such instruments. Determinations on voting consents or waivers to these matters are generally driven by Insight's view of whether the proposed action will result in an economic benefit for the affected Client(s).
VIII. Recordkeeping

Insight shall maintain the following records relating to proxy voting:

1. a copy of these policies and procedures;
2. a copy of each proxy solicitation (including proxy statements) and related materials with regard to each recommendation;
3. documentation relating to the identification and resolution of conflicts of interest; and
4. any documents created by Insight that were material to a proxy voting recommendation or that memorialized the basis for that recommendation.

Such records shall be maintained and preserved in an easily accessible place for a period of not less than six years from the time the last entry was made on such record, the first two years in Insight's office.

Dreyfus Cash Investment Strategies

Dreyfus Cash Investment Strategies ("CIS") seek to make voting decisions that are consistent with this policy and its procedures.

CIS recognizes its duty to vote proxies in a manner consistent with the best financial and economic interests of its clients. CIS seeks to avoid material conflicts of interest through the application of its adopted detailed, pre-determined proxy voting guidelines (the "Voting Guidelines") in an objective and consistent manner across client accounts. The Voting Guidelines were developed based on internal and external research and recommendations provided by an independent proxy advisor, and without consideration of any BNY Mellon client relationship factors. The Voting Guidelines are designed to effect voting recommendations which over time seek to maximize the economic value of the securities of companies held in client accounts (viewed collectively and not individually) as determined in CIS's discretion.

On behalf of CIS, BNY Mellon Investment Advisers, Inc. ("BNYMIA") has retained the services of Institutional Shareholder Services Inc. ("ISS") and Glass Lewis & Co. LLC ("Glass Lewis"), each an independent proxy advisor (the "Proxy Advisors"), to provide comprehensive research, analysis, and voting recommendations. These services are used most frequently in connection with proposals or matters that may be controversial or require a case-by-case analysis in accordance with the Voting Guidelines. BNYMIA has engaged ISS proxy voting agent (the "Proxy Agent") to administer the mechanical, non-discretionary elements of proxy voting and reporting for CIS clients. ISS is directed, in an administrative role, to follow the specified Voting Guideline and apply it to each applicable proxy proposal or matter where a shareholder vote is sought. Accordingly, proxy items that can be appropriately categorized and matched either will be voted in accordance with the applicable Voting Guideline or will be referred to CIS if the Voting Guideline so requires. The Voting Guidelines require referral to CIS of all proxy proposals or shareholder voting matters for which there is not an established applicable Voting Guideline, and generally for those proxy proposals or shareholder voting matters that are contested or similarly controversial (as determined by the firm in its discretion).

For items referred to CIS, the firm may determine to accept or reject any recommendation based on the Voting Guidelines, research and analysis provided by the Proxy Advisors, or on any independent research and analysis obtained or generated by our portfolio managers, analysts and involved proxy administrative support personnel.

Clients that have not granted CIS voting authority over securities held in their accounts and choose either to retain proxy voting authority or to delegate proxy voting authority to another firm (whether such retention or delegation applies to all or only a portion of the securities within the client's account), either the client's or such other entity's chosen proxy voting guidelines will apply to those securities. CIS generally does not provide proxy voting recommendations to clients who have not granted the firm voting authority over their securities.

If CIS receives a proxy from a non-U.S. company, the firm will seek to effect a vote decision through the application of the Voting Guidelines. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the various non-U.S. markets in which clients may invest. In these markets, CIS may face regulatory, compliance, legal or logistical limits with respect to voting securities held in client accounts which can
affect the firm's ability to vote such proxies, as well as the desirability of voting such proxies. Non-U.S. regulatory restrictions or company-specific ownership limits, as well as legal matters related to consolidated groups, may restrict the total percentage of an issuer's voting securities that CIS can hold for clients and the nature of our voting in such securities. The firm's ability to vote proxies may also be affected by, among other things: (1) late receipt of meeting notices; (2) requirements to vote proxies in person; (3) restrictions on a foreigner's ability to exercise votes; (4) potential difficulties in translating the proxy; (5) requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions; and (6) requirements that investors who exercise their voting rights surrender the right to dispose of their holdings for some specified period in proximity to the shareholder meeting. Absent an issue that is likely to impact clients' economic interest in a company, CIS generally will not subject clients to the costs (which may include a loss of liquidity) that could be imposed by these requirements. In these markets, CIS will weigh the associative costs against the benefit of voting and may refrain from voting certain non-U.S. securities in instances where the items presented are not likely to have a material impact on shareholder value.

CIS will furnishing a copy of its Proxy Voting Policy, any related procedures, and its Voting Guidelines to each advisory client upon request. Upon request, CIS will also disclose to an advisory client the proxy voting history for its account after the shareholder meeting has concluded.

Mellon Investments Corporation

Mellon, through its participation in Mellon's Proxy Voting and Governance Committee (the "Proxy Voting Committee"), applies detailed, pre-determined, written proxy voting guidelines for specific types of proposals and matters commonly submitted to shareholders of U.S. and Japanese companies (the 11Mellon Voting Guidelines").3 Mellon, in voting proxies, will seek to act solely in the best financial and economic interests of its clients, including the Funds.

Securities of Non-U.S. Companies and Securities Out on Loan. It is Mellon's policy to seek to vote all proxies for securities held in the Funds' portfolios for which Mellon has voting authority. However, situations may arise in which Mellon cannot, or has adopted a policy not to, vote certain proxies, such as refraining from voting certain non-U.S. securities or securities out on loan in instances in which the costs are believed to outweigh the benefits, such as when share blocking (discussed below) is required, the matters presented are not likely to have a material impact on shareholder value or clients' voting will not impact the outcome of the vote.

Securities of Non-U.S. Companies. With regard to voting proxies with respect to shares of non-U.S. companies, Mellon weighs the cost of voting, and potential inability to sell, the shares against the benefit of voting the shares to determine whether or not to vote. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the markets in which the Funds may invest. In these markets, Mellon seeks to submit proxy votes in a manner consistent with the ISS Voting Guidelines, while taking into account the different legal and regulatory requirements. For example, proxy voting in certain countries requires "share blocking" pursuant to which a Fund must deposit before the meeting date its holdings of securities with a designated depositary in order to vote proxies with respect to such securities. During this time, the shares cannot be sold until the meeting has taken place and the shares are returned to the Fund's custodian bank. Mellon generally believes that the benefit of exercising the vote in these countries is outweighed by the cost of voting (i.e., the Funds' portfolio managers not being able to sell the Funds' shares of such securities while the shares are blocked). Therefore, if share blocking is required, Mellon typically elects not to vote the shares. Voting proxies of issuers in non-U.S. markets also raises administrative issues that may prevent voting such proxies. For example, meeting notices may be received with insufficient time to fully consider the proposal(s) or after the deadline for voting has passed. Other markets require the provision of local agents with a power of attorney before acting on the voting instructions. In some cases the power of attorney may be unavailable prior to the meeting date or rejected by the local agent on a technical basis. Additionally, the costs of voting in certain non-U.S. markets may be substantially higher than in the United States.

Securities Out on Loan. For securities that a Fund has loaned to another party, any voting rights that accompany the loaned securities generally pass to the borrower of the securities, but the Fund retains the right to recall a security

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3 There are separate guidelines for securities of non-U.S. companies (ex-Japan), with respect to which Mellon seeks to vote proxies through application of the ISS Global Voting Principles and Regional Policies/Principles (the "ISS Voting Guidelines" and, collectively with the Mellon Voting Guidelines, each as in effect from time-to-time, the "Voting Guidelines").
and may then exercise the security's voting rights. In order to vote the proxies of securities out on loan, the securities must be recalled prior to the established record date. A Fund may recall the loan to vote proxies if a material issue affecting the Fund's investment is to be voted upon.

Material Conflicts of Interest. Mellon seeks to avoid material conflicts of interest between the Funds and Fund shareholders, on the one hand, and BNY Mellon Adviser, Mellon, the Fund's principal underwriter (the "Distributor"), or any affiliated person of the Fund, BNY Mellon Adviser, Mellon or the Distributor, on the other, through its participation in the Proxy Voting Committee. The Proxy Voting Policy of the Proxy Voting Committee (the "Voting Policy") states that the Proxy Voting Committee seeks to avoid material conflicts of interest through the establishment of the committee structure, which applies detailed, pre-determined proxy voting guidelines (the applicable Voting Guidelines) in an objective and consistent manner across client accounts, based on, as applicable, internal and external research and recommendations provided by third party proxy advisory services (including ISS and Glass Lewis & Co., LLC (together with ISS, the "Proxy Advisors")) and without consideration of any client relationship factors. When proxies are voted in accordance with these pre-determined Voting Guidelines, it is Mellon's view that these votes do not present the potential for a material conflict of interest and no additional safeguards are needed. In addition, Mellon engages a third party as an independent fiduciary to vote all proxies for securities of The Bank of New York Mellon Corporation ("BNY Mellon"), and may engage an independent fiduciary to vote proxies as a further safeguard to avoid potential conflicts of interest or as otherwise required by applicable law. These instances typically arise due to relationships between proxy issuers or companies and BNY Mellon, a BNY Mellon affiliate, a BNY Mellon executive, or a member of BNY Mellon's Board of Directors, but material conflicts of interests may also arise due to relationships involving Mellon and/or Mellon employees, officers and directors. When an independent fiduciary is engaged, the fiduciary either will vote the involved proxy, or provide Mellon with instructions as to how to vote such proxy. In the latter case, Mellon will vote the proxy in accordance with the independent fiduciary's determination. Other possible conflict resolutions may include: (1) voting in proportion to other shareholders ("mirror voting"); (2) erecting informational barriers around, or recusal from the vote decision making process by, the person or persons making voting decisions; and (3) voting in other ways that are consistent with our obligation to vote in our clients' best interest.

Operations of the Proxy Voting Committee. The Proxy Voting Committee also has engaged ISS as its proxy voting agent to administer the ministerial, non-discretionary elements of proxy voting and reporting. In that role, ISS is required to follow the Voting Guidelines and apply them to the corresponding proxy proposals or matters on which a shareholder vote is sought. Accordingly, proxies that can be appropriately categorized and matched will be voted in accordance with the applicable Voting Guideline, or a proxy proposal will be referred to the Proxy Voting Committee if the Voting Guidelines so require, and generally for those proxy proposals or shareholder voting matters that are contested or similarly controversial and require a case-by-case analysis, as determined by the Committee in its discretion (e.g., proxy contests, potentially excessive executive compensation issues, or certain shareholder proposals). In addition, the Proxy Voting Committee has directed ISS to refer to it for discussion and vote all proxy proposals of those issuers: (1) where the percentage of their outstanding voting securities held in the aggregate in accounts managed Mellon is deemed significant or (2) that are at or above a certain specified market capitalization size (each, as determined by the Proxy Voting Committee in its discretion). For items referred to it, the Proxy Voting Committee may determine to accept or reject any recommendation based on the Voting Guidelines, research and analysis provided by its Proxy Advisors, or on any independent research and analysis obtained or generated by Mellon. Each Fund bears an equal share of ISS's fees in connection with the proxy agency, reporting and related services that ISS provides to the Proxy Voting Committee in respect of the Funds.

Voting Proxies of Designated BHCs

BNYM is subject to the requirements of the Bank Holding Company Act of 1956, as amended (the "BHCA"). Among other things, the BHCA prohibits BNYM, funds that BNYM "controls" by virtue of share ownership ("Bank Controlled Funds"), and any fund or other investment account over which BNYM exercises sole voting discretion (collectively, the "BNYM Entities"), in the aggregate, from owning or controlling or holding sole voting discretion with respect to 5% or more of any class of voting stock of any BHC without the prior approval of the Board of Governors of the Federal Reserve System (the "BHCA Rules").

Because ISS has sole voting authority over voting securities issued by the Designated BHCs, the holdings of such securities by the Funds (other than Bank Controlled Funds) are excluded from the 5% aggregate computation under
the BHCA Rules and the Funds (other than Bank Controlled Funds) are permitted to purchase and hold securities of BHCs without limits imposed by the BHCA. (Voting securities of BHCs held by Funds that are Bank Controlled Funds, however, continue to be aggregated with the holdings of other BNYM Entities because of BNYM's share ownership in those Funds.)

An issuer that is a BHC will be identified as a Designated BHC (and voting authority over its voting securities will be delegated to ISS) when BNYM Entities in the aggregate own, control or hold sole voting discretion with respect to approximately 4.9% of any class of voting securities issued by the BHC. If such aggregate level of ownership, control or voting discretion decreases to approximately 3%, the issuer will no longer be considered a Designated BHC and Mellon will be redelegated sole voting authority over the BHC's voting securities held by a Fund. BNY Mellon's Global Holdings Reporting Group is primarily responsible for monitoring (i) investments in BHCs for compliance with the 5% ownership limit under the BHCA Rules and (ii) the determination of the application of the delegation to ISS, and reappointment of Mellon, with respect to voting authority over Designated BHC securities.

**Newton Investment Management Limited**

Newton has adopted and implemented the Proxy Voting Policies and Procedures (the "Policy"), which it believes is reasonably designed to:

- Ensure that voting rights are exercised;
- Ensure voting decisions are in the best interests of clients;
- Address potential material conflicts of interest that may arise; and
- Meet disclosure requirements and expectations in connection with voting responsibilities and activities undertaken.

**Voting Guidelines**

Newton does not employ a prescriptive voting policy across all voting matters. Rather, overarching principles have been established that guide the ultimate voting decision – these are described in Newton's publicly available Responsible Investment Policies and Procedures. Voting decisions are taken on a case-by-case basis, which ensures that a company's individual circumstances and the nature of the resolution are taken into account together with relevant governing laws, guidelines and established best practices.

Each voting decision is based on Newton's belief that it supports the best interests of its clients.

It is Newton's intention to exercise voting rights in all markets where it retains voting authority. This may be hindered by various practical considerations. For instance, in certain markets, shares are 'blocked' before the exercise of voting rights. Blocking consists of placing the stock on a register for a number of days spanning the meeting. During the share-blocked period, the shares cannot be traded freely. In markets where share blocking is practised, Newton will vote only when the resolution is not in shareholders' best interests and where restricting the ability to trade does not risk adversely affecting the value of clients' holdings.

Newton seeks to make proxy voting decisions that are in the best interest of its clients. Viewed broadly, these proxy voting guidelines seek to maximize investor value by promoting sound ESG policies, procedures and practices through the support of proposals that are consistent with four key objectives:

- The alignment of the interests of a company's management and board of directors with those of the company's investors;
- To promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's shareholders;
- To uphold the rights of a company's investors to affect change by voting on those matters submitted for approval; and
- To promote adequate disclosure about a company's business operations and financial performance in a timely manner.

The following are summaries of how Newton generally views certain matters in connection with the voting of proxies as a fiduciary for clients:
Boards

A board is charged with the responsibility and authority to sanction and decide all significant matters relating to a company's activities. Newton believes it is essential to have an appropriate balance between executive and independent non-executive (or outside) directors - (NEDs) to ensure that the interests of shareholders are represented. A company's board should have an effective structure, have access to adequate training, undertake suitable recruitment to ensure the maintenance of appropriate skills and breadth of experience, and have planned succession. It should undertake its own annual valuation and assess the suitability of an external evaluation. At least annually, the board should review the effectiveness of the company's internal controls and appropriateness of its risk profile. Directors should also be available to meet with investors when required.

Independence

Newton believes that NEDs play a vital role of counsel and oversight of executive management, while also representing and safeguarding the interests of investors. It is therefore important that a board maintains an appropriate level of independence. When reviewing the independence of NEDs, Newton looks unfavourably on directors having a recent relationship with the company, involved in related-party transactions, or receiving performance-based remuneration, as well as where a NED's length of service suggests that the board lacks fresh experience, insight and judgement. Generally, Newton will vote against where board independence does not meet the local corporate governance code requirements or best practice expectations.

Chair and Chief Executive Officer (CEO)

Newton believes that it is in the best interests of stakeholders for the roles of CEO and chair to be separate and defined. The division of chair and CEO should ensure a balance of power and authority, such that no one individual has unfettered powers of decision. In general, Newton is opposed to a CEO becoming chair of the same company, and has a preference for the chair to be considered independent at the time of appointment.

Senior Independent Director (SID) or Lead Director

A senior independent director or lead director should act as a conduit between the NEDs and the stakeholders, and ensure that the views of the independent NEDs play a prominent role in board deliberations. Where a chair is not considered independent, Newton expects the responsibilities, authorities and powers of the SID, such as the SID's role in approving the board agenda and calling board meetings, to be explained clearly.

Board Committees

Newton favors the establishment of key board committees with oversight of a board's audit, risk, remuneration and nomination functions. For many companies, it is good practice for a separate board committee to be established and charged with oversight of the company's environmental and social policies. Ideally, each committee should consist of a majority of independent directors, with the audit committee and remuneration committee consisting solely of independent directors.

Board Diversity

A board should contain a wide variety of experience and skills. Consideration of board diversity should include, but not be limited to, gender, age, nationality, race, religion, skill, experience and knowledge. Investors, companies and boards are not best served by a board that is overly homogeneous. In an effort to establish a breadth of expertise, knowledge and skill, and to stimulate constructive challenging debate, boards should be constituted of members that are sufficiently well diversified and experienced to meet the individual needs of the company.

A board's nominations committee should be charged with the responsibility of ensuring that a good balance of board diversity is achieved. An effective succession-planning policy will aid a nomination committee in its efforts to address this matter.

Newton will engage with companies and vote against board directors where there is an absence of a robust policy and a low level of gender diversity on the board.

Auditors

III-19
The quality and independence of auditors plays a crucial role in protecting shareholders’ interests. Remuneration of auditors for non-audit services should be kept under review by the audit committee and should not be excessive. Newton expects non-audit fees to be disclosed and justified in the auditor's remuneration section of a company's annual report and accounts. Companies should assess the appropriateness of changing their auditor periodically (at least every 25 years) and/or the lead audit partner managing the company's audit. Newton would be concerned if a company accepts a monetary cap on its auditor's liability. Also, Newton expects to see a detailed explanation should any other type of liability limitation be adopted.

**Remuneration**

Levels of remuneration should be appropriate to attract, motivate and retain suitable staff. A significant proportion of remuneration should be subject to the creation of sustainable long-term value and aligned with the company's strategy.

Variable remuneration should be structured so that it does not reward individuals for poor performance. Should performance metrics governing the vesting of variable remuneration awards not be representative of the underlying performance of the business, Newton would expect an independent remuneration committee to exercise discretion. Generally, Newton subscribes to the remuneration principles and guidelines as published by the UK Investment Association and the International Corporate Governance Network.

**Dividend Policies**

Dividend payments are an important source of income for investors. A consistent policy is appreciated given that it promotes financial discipline. Newton is cautious of companies with a consistently low dividend payout ratio that have not identified suitable investment opportunities or developed a strategic investment plan.

**Share Buy-Backs**

The practice of companies buying back and cancelling their shares can be a valid method of increasing shareholder value. However, a decision to buy back shares should be considered in the context of alternative uses of capital, such as acquisitions or a special dividend. Investors should be mindful that share buy-backs can be used to fulfil the vesting of remuneration arrangements and may artificially improve performance metrics that govern the vesting of remuneration awards. In addition, investors should also be mindful that buying back shares can result in creeping control of the company by a significant shareholder.

**Related-Party Transactions**

Related-party transactions encompass a wide variety of dealings. These can include a company trading assets with one of its directors, the issuance of capital to a 'friendly' investor, and agreements between a parent company and a subsidiary. Newton recognizes that, while a company can benefit from related-party transactions, investors' best interests are not always the primary reason for such transactions. Newton expects companies to explain the necessity for a related-party transaction together with justification that the decision to enter into such an arrangement was taken independently of the related party.

**Voting Rights**

Newton supports the principle that a company's shares carry equal rights. An investor's control of a company should correlate with the level of its economic interest and be in line with the company's other investors. Newton is unfavorably disposed towards companies that give disproportionate influence to selected investors.

**Schemes of Arrangement and Amendments to Articles of Association**

Resolutions that seek approval of schemes of arrangement and changes to articles of association cover a wide remit of corporate events, including mergers, acquisitions and change of domicile. Given the individual nature of such events, it is important that each incident is considered on its own merits. As with other voting resolutions, Newton will exercise voting rights in line with its investment rationale and in the best interests of our clients.

**Anti-Takeover Mechanisms/Poison Pills**
Newton is unlikely to support arguments for approving the introduction or continuation of an anti-takeover mechanism. Such devices can lead to the entrenchment of a poorly performing management team and inhibit the creation of shareholder value.

**Shareholder Rights**

Shareholder rights differ greatly across jurisdictions. In the US, for example, shareholders have little control over the appointment of directors or allocation of capital. In the UK, shareholders elect company directors and have control of significant capital allocation proposals. Newton acknowledges that shareholders should not necessarily be involved in the detail of company management, but will not support companies seeking to reduce shareholder rights and will support shareholder proposals that seek to strengthen shareholder rights.

**Capital Structure Alterations**

A key strategic objective for a company is the efficient use of its capital structure. Companies should ensure that the value and rights of shareholders and bondholders are not diluted unnecessarily. Newton expects companies to communicate their intentions clearly and provide rationale for any changes to their capital structure.

**Controlling and Influential Shareholders**

Care must be taken when investing in a company with a controlling or influential shareholder. Companies should disclose the detail behind any special relationships or agreements that are in place with such shareholders. Newton will seek to understand the investment expectations of these investors and place greater emphasis on the company conforming to corporate governance best practice in an effort to limit the possibility of our clients being disadvantaged by the situation.

**Voting Procedures**

All voting opportunities are communicated to Newton's Corporate Actions Team and the Responsible Investment Team by way of an electronic voting platform.

The Responsible Investment Team reviews all resolutions for matters of concern; for example, egregious compensation arrangements. Any such contentious issues identified may be referred to the appropriate Global Sector Analyst or Portfolio Manager for comment. Where an issue remains contentious, Newton may also decide to confer or engage with the company or other interested parties.

An electronic voting service is employed to submit voting decisions. Each voting decision taken by a member of the Responsible investment team has to be approved by an alternate member of the team.

The Corporate Actions Department is responsible for administrative elements surrounding the exercise of voting rights by ensuring the right to exercise clients' votes is available and that these votes are exercised.

**Monitoring**

The monitoring of investee companies is undertaken principally by our Global Sector Analysts and members of our Responsible Investment Team. A bespoke research database maintains proprietary information on key securities, including analysts' comments on these securities, meeting notes and Newton's proprietary Responsible Investment analysis, as well as voting and engagement information.

**Escalation**

The process of monitoring, voting and engaging can highlight areas of concern. If it is not in the best interests of Newton's clients to sell the security, Newton will engage with the company or, occasionally, its advisers. Newton may also share its concerns with other investors or investment representative bodies. As a last resort, the tabling of resolutions at a general meeting would be considered.

The decision to escalate a concern lies with the relevant members of Newton's Investment Team.

**Acting Collectively**
Subject to applicable law and reporting regulations, Newton will work collectively with other investors as well as trade associations, government bodies and non-governmental organizations to develop best practice, raise awareness of a concern or enhance the effectiveness of engagement activities. When considering action and also when acting collectively on a specific issue of concern with a company, we exercise caution in order to avoid situations of being unintentionally in receipt of Material Non-Public Information, breaching relevant anti-trust or anti-competitive rules and regulations, or being considered acting in concert with one or more other investors. To avoid issues related to securities reporting rules, Newton will not act collectively with respect to a specific company matter for companies whose shares are subject to reporting requirements in the United States.

I. Voting Service Providers

Newton utilizes the services of an electronic voting service provider to aid the efficiency and effectiveness of lodging voting instructions, and also as one of a variety of information sources used when determining voting decisions.

Newton employs Institutional Shareholder Services (ISS) for the purposes of managing upcoming meetings, instructing voting decisions and providing research. ISS is an independent adviser that specializes in providing fiduciary-level proxy related services to institutional investment managers. The voting recommendations of ISS are not routinely followed; it is only in the event of Newton recognizing a potential material conflict of interest (as described above) when the voting recommendations of ISS are followed explicitly.

ISS is subject to the policy and procedures of Newton's Outsourcing Activities Oversight Group. As such, regular due diligence of ISS is conducted, which includes reviewing ISS's operational performance, service quality, robustness of research and the service provider's internal controls, including management of its potential material conflicts of interest.

Conflicts of Interest

Newton has in place procedures for ensuring potential material conflicts of interests are mitigated, while its clients voting rights are exercised in their best interests. Newton seeks to avoid material conflicts of interest through the establishment of these proxy voting guidelines, the Responsible Investment Team and the oversight boards, and the application of the proxy voting guidelines in an objective and consistent manner across client accounts, based on, as applicable, internal and external research and recommendations provided by third party proxy advisory services and without consideration of any BNY Mellon client relationship factors. Where a potential material conflict of interest exists between Newton, the company and/or a client, the voting recommendations of an independent third party proxy service provider will be instructed.

A potential material conflict of interest could exist in the following situations, among others:

1. Where Newton acts as a proxy for its clients, a conflict could arise between Newton (including BNY Mellon funds or affiliate funds), the investee company and/or a client when exercising voting rights
2. The securities which Newton invest in or the proponent of a proxy proposal may have a business relationship with BNY Mellon or any of its affiliates.
3. An employee, officer or director of BNY Mellon or one of its affiliated companies has a personal interest in the outcome of a particular proxy proposal. The proxy relates to a security where Newton has invested in two or more companies that are subject to the same merger or acquisition.

Where Newton engages its proxy voting service provider, or votes against a management recommendation this would be reported separately in Newton's publicly available Responsible Investment Quarterly Reports. These include the voting decisions taken and the voting rationale should the voting decision not be aligned with the recommendations of the underlying company's management.

Newton employees are required to identify any potential or actual conflicts of interest and take appropriate action to avoid or manage these and report them to Newton's TCF and Conflicts of Interest Committee for review.

Disclosures and Reporting

Newton publishes publicly on its website its Responsible Investment Policies and Principles, which describes Newton's approach to Responsible Investment including the exercise of voting rights. In addition, Responsible
Investment quarterly reports are published publicly, which include examples of ESG engagement and records all voting activity undertaken during the quarter, including the rationale for decisions to vote against management.

Newton's Proxy Voting Policy and procedures is also summarized in its Form ADV, which is filed with the SEC and furnished to clients. In addition, Newton will provide clients with a copy of its policies upon request. Also, upon request, clients may obtain information on how their proxies were voted by Newton.

**Securities Lending**

Newton does not engage in securities lending on behalf of its clients.

**Controls, Record Keeping and Auditing**

II. Internal procedure documents are reviewed and approved at least annually. These are overseen by Newton's Responsible and Ethical Investment Oversight Group. Records are kept of all voting decisions, including evidence of the approval process; which are subject to external audit. In addition, the Corporate Actions Team reports monthly on Critical Risk Indicators in relation to voting matters.

**Sarofim Fayez & Co.**

Proxies are assets of Sarofim's Clients that must be voted with diligence, care, and loyalty. Sarofim will vote each proxy in accordance with its fiduciary duty to its Clients. Sarofim will generally seek to vote proxies in a way that maximizes the value of Clients' assets. However, Sarofim will document and abide by any specific proxy voting instructions conveyed by a Client with respect to that Client's securities. However, there is an exception for proxies relating to securities that are held at the time Sarofim commences active management of the client's account and are sold immediately after Sarofim commences such active management and with respect to which no other accounts actively managed by Sarofim already hold that security (such securities being referred to as "Zero Holder Securities"). The policy of Sarofim is not to vote Zero Holder Securities.

The Proxy Coordinator coordinates Sarofim's proxy voting process.

Paragraph (c)(ii) of Rule 204-2 under the Advisers Act requires Sarofim to maintain certain books and records associated with its proxy voting policies and procedures. Sarofim's recordkeeping obligations are described in the Maintenance of Books and Records section of this Manual. The Proxy Coordinator will ensure that Sarofim complies with all applicable recordkeeping requirements associated with proxy voting.

Sarofim has retained Glass Lewis & Co. ("Glass") to assist in the proxy voting process. Charles Sheedy, Chairman of the Proxy Committee, manages Sarofim's relationship with Glass. Glass provides the following in connection with the voting of proxies by Sarofim: (i) analyses of proposals, (ii) vote recommendations, (iii) vote execution services and (iv) record keeping services. Glass provides its analyses of proposals and vote recommendations pursuant to and in accordance with the proxy voting guidelines furnished to it by Sarofim.

The Proxy Coordinator ensures that Glass votes all proxies according to Clients' specific instructions and Sarofim's general guidance, and retains all required documentation associated with proxy voting.

Absent specific Client instructions, Sarofim has adopted the following proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately.

The Proxy Coordinator receives an email notification when there is a new Client that needs to be added to Sarofim's proxy voting. The Proxy Coordinator also receives a monthly list of all such new Clients. The Proxy Coordinator receives the paper ballots or notification through Glass for specific opportunities to vote proxies. The Proxy Coordinator then downloads the recommendations from Glass for each proxy vote and forwards them to the individual analyst for voting direction.

In deciding how to vote proxies, Sarofim relies, for the most part, on (i) the business judgment of the management and directors of the issuer of the security ("Issuer") and (ii) the fiduciary responsibilities that the Issuer's directors have with respect to the Issuer's shareholders. However, whenever Sarofim determines, based upon the information
available to it, that management's recommendations do not appear to be in the best interests of the Issuer's shareholders, management's recommendations will not be followed in voting the proxies.

The analyst who is responsible for the research coverage of the Issuer reviews the particular proxy statement. Such review includes, but is not limited to, consideration of the Glass analyses and the Glass vote recommendations. Upon completion of the review, the analyst determines how the proxy vote should be cast. In the event that the analyst's vote recommendation differs from the Glass vote recommendation, the analyst must provide a written explanation of why the analyst's vote recommendation differs from the Glass vote recommendation. The written explanation of the vote recommendation difference must be reviewed and accepted by the Chairman of the Proxy Committee. If Chairman of the Proxy Committee and the analyst agree on the vote recommended by the analyst, the analyst's vote recommendation shall be final and binding.

If the Chairman of the Proxy Committee and the analyst cannot reach agreement on the vote recommended by the analyst, the matter is then considered by the Proxy Committee as a whole, and the decision of such group with respect to the vote becomes final and binding.

The Chairman of the Proxy Committee or Proxy Committee members will review any documentation associated with the proxy vote and evaluate the analyst's proposal. The Chairman of the Proxy Committee or Proxy Committee members may wish to consider, among other things:

- A vote's likely short-term and long-term impact on the Issuer;
- Whether the Issuer has responded to the subject of the proxy vote in some other manner;
- Whether the issues raised by the proxy vote would be better handled by some other action by, for example, the government or the Issuer;
- Whether implementation of the proxy proposal appears likely to achieve the proposal's stated objectives; and
- Whether the analyst's proposal appears consistent with Clients' best interests.

After taking a reasonable amount of time to consider the analyst's proposal, each of the Proxy Committee members will make a recommendation regarding the proxy vote. The Chairman of the Proxy Committee will record each member's recommendation, and the proxy will be voted according the recommendations of a majority of the Committee's members.

Neither the analyst nor any member of the Proxy Committee involved in the consideration of the vote may be a person (an "Interested Person") who is (i) an officer or director of the Issuer, (ii) a shareholder beneficially owning 5% or more of the outstanding securities of any class of the Issuer or (iii) otherwise interested in any way (other than beneficial ownership of less than 5% of the outstanding securities of any class of the Issuer) in the outcome of the vote to be held with respect to that security.

The following examples are meant to help identify other potential conflicts:

- Sarofim provides investment advice to an Issuer (i.e., publicly traded company). Sarofim receives a proxy solicitation from that Issuer, or from a competitor of that Issuer;
- Sarofim provides investment advice to an officer or director of an Issuer. Sarofim receives a proxy solicitation from that Issuer, or from a competitor of that Issuer;
- Sarofim or an affiliate has a financial interest in the outcome of a proxy vote, such as when Sarofim is asked to vote on a change in Rule 12b-1 fees paid by a mutual fund to investment advisers, including Sarofim;
- An issuer or some other third party offers Sarofim or an Employee compensation in exchange for voting a proxy in a particular way;
- An Employee, or a member of an Employee's household, has a personal or business relationship with an Issuer. Sarofim receives a proxy solicitation from that Issuer; and
- Sarofim or its Covered Persons have a short position in an Issuer, but Sarofim's Clients have a long position in the same Issuer. Sarofim receives a proxy solicitation from the Issuer.

When making any voting recommendation, the analyst must certify that he or she is not an Interested Person. If the analyst is an Interested Person, the Proxy Committee shall appoint another analyst who is not an Interested Person to
conduct the review. If all investment members of the Proxy Committee are all Interested Persons, the Board of Directors of Sarofim shall appoint an individual who is not an Interested Person to participate in the required review of an analyst's vote recommendation. The individual making the voting recommendation must certify that he or she is not an Interested Person.

Sarofim will not neglect its proxy voting responsibilities, but Sarofim may abstain from voting if it deems that abstaining is in its Clients’ best interests. For example, Sarofim may be unable to vote securities that have been lent by the custodian. The Chairman of the Proxy Committee will prepare and maintain memoranda describing the rationale for any instance in which Sarofim does not vote a Client's proxy.

The final proxy voting decision is provided to the Proxy Coordinator who places the vote online through Glass. The Proxy Coordinator or Glass will retain the following information in connection with each proxy vote:

- The Issuer's name;
- The security's ticker symbol or CUSIP, as applicable;
- The shareholder meeting date;
- The number of shares that Sarofim voted;
- A brief identification of the matter voted on;
- Whether the matter was proposed by the Issuer or a security-holder;
- Whether Sarofim cast a vote;
- How Sarofim cast its vote (for the proposal, against the proposal, or abstain);
- Whether Sarofim cast its vote with or against management; and
- A list of ballots and shares voted
- Any back-up documentation.

Sarofim may vote the same proxy in two directions only if a Client has specifically asked Sarofim to vote his/her shares a certain way. If Sarofim votes the same proxy in two directions, the Proxy Coordinator will maintain documentation describing the reasons for each vote (e.g., Sarofim believes that voting with management is in Clients' best interests, but Client X gave specific instructions to vote against management) in the file of the Client that requested the specific vote.

Any attempt to influence the proxy voting process by Issuers or others not identified in these policies and procedures should be promptly reported to the CCO. Similarly, any Client's attempt to influence proxy voting with respect to other Clients' securities should be promptly reported to the CCO.

Proxies received after a Client terminates its advisory relationship with Sarofim will not be voted. The Proxy Coordinator will promptly return such proxies to the sender, along with a statement indicating that Sarofim's advisory relationship with the Client has terminated, and that future proxies should not be sent to Sarofim.

Walter Scott & Partners Limited

Policy

Walter Scott exercises discretionary proxy voting authority with a view to safeguarding its clients' best interests where authorized to do so. The firm owes its clients a duty of care to monitor proxy voting notifications and materials and to take timely action when they are received. It is also Walter Scott's duty to vote client proxies in a manner consistent with the client's best interests without regard for any interest Walter Scott may have in the matter.

Proxy voting by Walter Scott is undertaken on a "best endeavors" basis as the votes instructed may not be cast in certain circumstances including, without limitation, the following examples:

1) The proxy documentation is not delivered timeously to the manager by the relevant custodian or ISS.

2) The client has a stock lending program in place. Any such arrangement rests with clients and their appointed custodian. Walter Scott generally does not ask clients to recall stock on loan in order to vote. Walter Scott does not undertake stock lending.

3) Jurisdictional restrictions, split voting, excluded markets.
4) The instructions from the custodian to the voting entity are incomplete.

**Authority to Vote in Certain Markets**

In certain markets a Power of Attorney (POA) is a legal requirement for executing voting instructions on behalf of a third party. For all clients, with the exception of the private placement funds, the Beneficial Owner/Authorised Signatory is required to execute a valid POA with their appointed custodian bank. BNYM Investment Management Cayman Limited executes such POAs on behalf of the private placement funds.

**Notice of Proxy Activity**

Administration Corporate Governance team delivers proxies to the Investment Operations team to facilitate the proxy voting process for members of the Research

**Discretionary Proxy Voting**

The Investment Operations team provides structured support such as gathering all relevant documentation and discussing the information with Stock Champions. The decision on how to vote a particular proxy is generally made by Stock Champions. Walter Scott receives third party research from ISS however, the recommendations from any intermediary have no bearing on how Walter Scott votes. All proxy votes are signed off by any of the following, the Executive Director Investment Operations, the Head of Investment Operations, an Investment Director or a nominated Senior Investment Manager. The Client Administration Corporate Governance team administers the proxy vote.

If there is uncertainty as to how to vote a particular item, a sub-group of the Investment Management Committee (IMC), the Proxy Voting sub-group, will meet to decide how the item is to be voted. Any contentious issues and sub-group meetings are reviewed by the Investment Management Group (IMG) which meets weekly and all proxy voting activity is formally reviewed on a quarterly basis by the IMC. The Investment Operations team reviews all outcomes, where possible, of the AGM/EGM meetings and notifies the Stock Champions where appropriate.

**Clients with Specific Proxy Voting Guidelines**

In cases where a client has given Walter Scott specific proxy guidelines, these take precedence over Walter

**Resolving Potential Material Conflicts of Interest**

Potential conflicts of interest may arise, such as:

- Walter Scott manages assets for a company whose management is soliciting proxies.
- Walter Scott or its personnel have a direct or indirect material business relationship with a proponent of a proxy proposal.
- Walter Scott or its personnel have a business or personal relationship with participants in a proxy contest.
  Where a potential conflict of interest arises, the Proxy Voting sub-group reviews the voting instructions and verifies that the voting instructions are necessary, the voting instructions would be changed accordingly.
  A member of the Walter Scott Risk & Compliance team, which is independent of the Investment and Operations functions of the firm, also attends the meeting to ensure the Proxy Voting Policy and Procedures are followed.

**Reporting**

Where requested, clients are regularly provided with proxy voting records. Walter Scott discloses proxy voting www.walterscott.com) together with this Policy.

**Record Keeping**

Walter Scott maintains records of, including but not limited to, (a) the Proxy Voting Policy and Procedures;(b) proxy statements received for all securities held; (c) all votes cast; (d) client requests for proxy voting information; (e) Walter Scott's response to these requests; and (f) documents material to the voting decision.

**Current Guidelines**
Walter Scott votes on all issues on a case by case basis. Walter Scott believes that the quality of a company's management is an important consideration in determining whether the company is a suitable investment. Accordingly, Walter Scott gives careful consideration to management's views in determining how to vote a proxy, subject in all events to Walter Scott's overall analysis of the likely effect of the vote on clients' interests. The firm's guidelines on certain specific issues are given below. Where the Stock Champion chooses not to follow these guidelines he/she must specify his/her reason for doing so and the decision will be reviewed by the Proxy Voting sub-group.

Corporate Governance Issues

Walter Scott generally votes in favor of a management sponsored proposal to improve corporate governance and increase disclosure, unless the proposal is likely to have a materially negative effect on the interests of shareholders.

Compensation and Stock Option Plans

Walter Scott generally votes for compensation plans that are reasonable. Remuneration should be aligned with the interests of long term shareholders. Consideration is given to factors such as proportionality and structure. Walter Scott typically votes against plans that would result in excessive dilution to shareholders.

Disclosure of Board Remuneration

Walter Scott opposes proposals to allow the non-disclosure of individual board member's remuneration and will generally vote against resolutions seeking approval of remuneration where no information is provided.

Say on Pay

In accordance with Walter Scott's long term investment approach, a more frequent advisory vote on pay is preferred. This provides shareholders with discretion to ensure remuneration is aligned with those of shareholders over the long term.

Directors

Walter Scott generally supports the election of directors. In the interests of long term shareholders, the board and its committees should ideally comprise of a cross-section of directors with suitable experience and tenure. The firm is cognizant of different corporate governance standards across the globe and welcomes the increasing prevalence of independent directors on boards.

Consideration is given to individuals' other commitments which may affect their ability to carry out their function at the investee company. Where Walter Scott is of the opinion that the individual is not committing enough time to their role, in the first instance, the firm will typically seek to engage with management. If a director persistently fails to attend board and/or committee meetings, Walter Scott may consider abstaining or voting against re-election of that individual.

Classified/Staggered Boards

Walter Scott generally supports declassification of boards as the provision for annual election of directors is typically in the best interests of shareholders over the long term.

Related Party Transactions

Walter Scott considers each proposal on a case by case basis, taking into consideration management's guidance and whether the resolution is aligned with Walter Scott's long term investment approach.

Changes to Capital Structure

Walter Scott evaluates each proposal separately. Generally Walter Scott votes for changes such as stock splits and open market share repurchase plans where all shareholders can participate pro rata. The firm typically votes against proposals designed to discourage mergers and acquisitions of the company soliciting the proxy and other measures which do not provide shareholders with economic value.

Raising Equity
The firm tends to vote against proposals that allow management to raise equity if the potential increase in the share count is more than 10% and no specific reason for the capital increase is given. If a specific reason is given Walter Scott will evaluate each proposal on its merits. Consideration is also given to potential dilution from outstanding incentive plans and the time frame for these awards.

**Pre-Emptive Rights**

Walter Scott generally votes against proposals to waive shareholders' pre-emptive rights to participate in a capital increase if the dilution potentially exceeds 10%. Situations where Walter Scott might accept waiving pre-emptive rights include, but are not limited to, the creation of shares to pay for acquisitions or to reward staff.

**Share Repurchases and Reissuance**

Walter Scott generally approves proposals asking for permission to repurchase shares. The firm generally approves proposals asking for permission to reissue previously repurchased shares as long as the change in capital structure is in line with section 9.2.1.

**Poison Pills**

Walter Scott opposes proposals to create or extend the duration of poison pills. Typically, the firm encourages companies whose board is authorized to issue blank-check preferred stock to cancel this facility.

**Pledging of Shares**

Where directors of investee companies pledge a significant amount of their shareholding, Walter Scott will generally seek to engage with management to discourage this practice.

**Allocation of Income and Dividends**

Walter Scott evaluates each proposal separately but generally votes against proposals where the dividend allocation is persistently very low and the company retains significant cash on its balance sheet without adequate explanation. The firm may abstain if the dividend allocation has not been specified and have reasons to doubt that the ultimate amount is not in the interest of shareholders.

**Vague or Poorly-Defined Proposals**

Where proposals are vague or poorly-defined, Walter Scott generally seeks clarification from the company. If this is not forthcoming the firm will generally abstain.

**Political Donations**

Walter Scott opposes proposals asking for permission to make political donations.

**Bundled Resolutions**

Walter Scott will generally abstain on bundled resolutions.

**Appointment of External Auditor**

Walter Scott generally approves resolutions regarding the appointment of the external auditor. Each proposal is assessed on a case by case basis giving consideration to the balance between audit and no-audit fees and tenure.

**Ad-Hoc Items**

Walter Scott abstains on proposals requesting approval for "ad hoc" items.

**Environmental, Social and Corporate Responsibility Issues**

Walter Scott evaluates each proposal separately but generally votes against proposals that involve a material economic cost to the company if it is not considered to be in the long term interests of shareholders or restricts the freedom of management to operate in the best interests of shareholders.

**Shareholder Proposals**
The firm evaluates each proposal separately, taking into consideration management's guidance and whether it is aligned with Walter Scott's long term investment approach.

**Material Votes**

Where the firm believes a resolution is material, in that the outcome could significantly affect the long term investment return, on a best efforts basis, Walter Scott will generally seek to ask clients who lend stock to recall any stock on loan. For those clients where Walter Scott does not have discretionary voting authority, on a best efforts basis, the firm will generally seek to contact clients to convey its views on the resolution.