**Dreyfus Funds Auction Rate Preferred Shares Q&A**
**As of February 4, 2009**

# IMPORTANT INFORMATION REGARDING INQUIRIES ON DREYFUS FUNDS AUCTION RATE PREFERRED SHARES

**The Dreyfus funds that are organized as closed-end funds are subject to the requirements of Regulation FD, which prohibits the selective disclosure of material non-public information to (1) market professionals; and (2) shareholders where it is reasonably foreseeable that the shareholder will purchase or sell the funds' securities on the basis of the information. In keeping with Regulation FD, absolutely no information beyond what is currently posted on this public website can be discussed or provided. The Dreyfus funds comply with the requirements of Regulation FD and, as such, can not disclose information unless it is made available to the public at large or is otherwise provided in accordance with the provisions of Regulation FD.**

**Is Dreyfus considering options to address the failed auctions?**
*Dreyfus continues to assess the current failure of auctions of the funds' auction rate preferred shares. In reviewing the situation, Dreyfus is seeking to mitigate the potential long-term impact to the funds and their common shareholders of ongoing dividend payments at maximum rates to preferred shareholders while also creating greater liquidity for the funds' preferred shareholders.*

**What are auction rate securities?**
*Auction rate securities include preferred shares of closed-end funds, long-term debt issued by municipalities and many other taxable and tax-exempt issuers. The dividend rates on these securities generally reset through bank-managed auctions periodically, including periods ranging from 7 days to 35 days.*

**How do closed-end funds use the auction rate markets?**
*Closed-end funds may issue preferred shares to raise capital in order to leverage the funds' investment portfolios. This works as essentially a "carry trade", as if the funds are borrowing money (by issuing these auction rate preferred shares) at a short-term rate and investing that money in longer-term issues. The difference in the long-term rate earned by the funds and the short-term rate paid to the preferred shareholders seeks to enhance the yield to the common shareholders.*

**What has been going on in the tax-exempt auction rate markets?**
*When not enough buyers bid to buy securities at an auction, the auction is said to have "failed". Auctions for various securities, including preferred shares issued by closed-end funds have failed due to lack of investor interest. A failed auction is **not** a default.*

*Common shareholders of these closed-end funds have not had their liquidity affected by the continuing failure of the auction rate market; they can still sell their shares in the open market at the current market price, which may be higher or lower than the fund's NAV per share.*

**What has caused so many auctions to fail?**
*Simply put, there weren't enough buyers to accommodate sellers, and therefore not all securities offered for sale were bought. Brokerage firms whose clients participate in these auctions have in the past stepped-in, although they are not required to do so, and purchased shares for their own account to prevent a failed auction. The credit crunch in the broader markets has caused these brokerage firms to be unwilling to commit their own capital to prevent auctions from failing.*

**When will these auctions stop failing?**
*Although we continue to monitor the marketplace and the events taking place in this space, we cannot predict when buyers will come back to this market to provide liquidity.*

**Are the failed auctions related to credit issues with the preferred shares?**
*No. Dreyfus believes that this is a liquidity issue. This is not a credit issue that is impacting these auction rate preferred shares. The Dreyfus funds' auction rate preferred shares are currently rated "AAA" by S&P. Auction rate preferred shares, unlike other auction rate securities, do not rely on credit enhancements from insurance providers. Their ratings are backed by the over-collateralization and quality of the underlying closed-end fund portfolio. Under the Investment Company Act of 1940, as amended, this over-collateralization means that for every dollar issued of auction rate preferred shares a closed-end fund must have at least two dollars in fund assets to back its issues.*

**What happens after a failed auction?**
*Current holders of preferred shares have to hold their securities until the next auction date, when they can again try to sell them at auction, unless they are able to sell such securities in the secondary market. Auctions can occur at various intervals, generally 7, 28, or 35 day intervals. Issuers of auction rate securities are obligated to pay a dividend rate (determined pursuant to a formula set in the securities offering documents) called the "maximum applicable rate" to holders in a failed auction.*

**Are failed auctions common?**
*The auction rate market has worked efficiently for roughly two decades. While there have been some failed auctions over the years, the marketplace has not previously experienced failed auctions of this magnitude. These widespread failures are a result of lack of demand; therefore, lack of liquidity is what is impacting this market. The liquidity has deteriorated mainly because of the credit market issues affecting the broader markets. Although preferred shares do not have these same credit issues, their auctions have been failing as investors are avoiding all types of auctions.*

**Did any of the Dreyfus funds' preferred shares have failed auctions?**
*All of the Dreyfus funds' preferred shares are currently experiencing failures in the auction rate market.*

**How have the auction failures adversely affected the Dreyfus funds' preferred and common shareholders?**
*Preferred shareholders will receive the maximum applicable rate until at least the next auction. Common shareholders can still sell their shares in the open market.*

**Are there any other ways for preferred shareholders to sell their shares?**
*Preferred shareholders will have to wait until the next auction to attempt to sell their shares, when enough bidders may enter the market. Holders who were trying to sell their securities in the failed auctions will not have any advantages over anyone else in the next auction.*

*Preferred shareholders may attempt to sell their shares in the secondary market, but there is no guarantee that they will be able to do so. Brokerage firms may, but are not required to, make a secondary market in these securities for their customers. However, the price a shareholder receives may not be equal to what the shareholder may have received at an auction.*