

SECURITIES AND EXCHANGE COMMISSION

FORM N-1A

Initial registration statement filed on Form N-1A for open-end management investment companies

Filing Date: **1999-07-27**
SEC Accession No. **0000950155-99-000092**

([HTML Version](#) on secdatabase.com)

FILER

LEGACY FUNDS INC

CIK: **1090449** | State of Incorporation: **DE** | Fiscal Year End: **1031**
Type: **N-1A** | Act: **33** | File No.: **333-83871** | Film No.: **99671269**

| Mailing Address | Business Address |
|-------------------------------------|-------------------------------|
| <i>C/O INGALLS & SNYDER LLC</i> | <i>61 BROADWAY</i> |
| <i>61 BROADWAY</i> | <i>NEW YORK NY 10006-2802</i> |
| <i>NEW YORK NY 10006-2802</i> | <i>2122697862</i> |

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933 X
PRE-EFFECTIVE AMENDMENT NO.
POST-EFFECTIVE AMENDMENT NO.
AND/OR
REGISTRATION STATEMENT UNDER
THE INVESTMENT COMPANY OF 1940..... X
AMENDMENT NO.

THE LEGACY FUNDS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

61 BROADWAY
NEW YORK, NEW YORK 10006-2802
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (212) 269-7862

JAMES H. BLUCK
HUGHES HUBBARD & REED LLP
ONE BATTERY PARK PLAZA
NEW YORK, NEW YORK 10004
(NAME AND ADDRESS OF AGENT FOR SERVICE)

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING: As soon as practicable
after the effective date of the Registration Statement.

REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES
AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL
FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION
8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION
STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND
EXCHANGE COMMISSION, ACTUING PURSUANT TO SECTION 8(A), MAY DETERMINE.

TITLE OF SECURITIES BEING REGISTERED: CLASS A STOCK, PAR VALUE \$.001 PER
SHARE

=====

THE LEGACY FUNDS, INC.

CROSS REFERENCE SHEET

<TABLE>
<CAPTION>

N-1A ITEM NO.

LOCATION

<S>
PART A INFORMATION REQUIRED IN A PROSPECTUS

<C>

| | | |
|--|--|---|
| Item 1. | Front and Back Cover Pages..... | Front and Back Cover Pages of the Prospectus |
| Item 2. | Risk/Return Summary: Investments, Risks, and Performance..... | Investment Objective and Philosophy; Investment Process; Principal risk |
| Item 3. | Risk/Return Summary: Fee Table..... | Fees and Expenses |
| Item 4. | Investment Objectives, Principal Strategies, and Related Risks..... | Additional Information about the Fund's Investments; Additional Risk Information |
| Item 5. | Management's Discussion of Fund Performance..... | Not Applicable |
| Item 6. | Management, Organization, and Capital Structure..... | Investment Adviser; Portfolio Manager; Investment Performance of the Portfolio Manager |
| Item 7. | Shareholder Information..... | Purchasing Shares; Selling Shares; Retirement Investing; Account Instructions; Distributions and Taxation |
| Item 8. | Distribution Arrangements..... | Marketing, Distribution and Administration |
| Item 9. | Financial Highlights Information..... | Not Applicable |
| PART B INFORMATION REQUIRED IN A STATEMENT OF ADDITIONAL INFORMATION | | |
| Item 10. | Cover Page and Table of Contents..... | Cover Page and Table of Contents of the Statement of Additional Information |
| Item 11. | Fund History..... | General Information |
| Item 12. | Description of the Fund and Its Investments and Risks..... | Additional Information About the Fund's Investments; Investment Restrictions; Portfolio Transactions and Turnover |
| Item 13. | Management of the Fund..... | Management of the Trust |
| Item 14. | Control Persons and Principal Holders of Securities..... | Management of the Trust |
| Item 15. | Investment Advisory and Other Services..... | Management of the Trust; |

| | |
|---|---|
| Item 16. Brokerage Allocation and Other Practices..... | Service Agreements; Portfolio Transactions and Turnover |
| Item 17. Capital Stock and Other Securities..... | Shares of Beneficial Interest |
| Item 18. Purchase, Redemption and Pricing of Shares..... | Additional Information About Purchases and Sales |
| Item 19. Taxation of the Fund..... | Dividends |
| Item 20. Underwriters..... | Service Agreements |
| Item 21. Calculation of Performance Data..... | Investment Performance |
| Item 22. Financial Statements..... | Financial Statements |

PART C OTHER INFORMATION

</TABLE>

INFORMATION REQUIRED TO BE INCLUDED IN PART C IS SET FORTH UNDER THE APPROPRIATE ITEM, SO NUMBERED, IN PART C TO THIS REGISTRATION STATEMENT.

LEGACY GROWTH FUND

A diversified fund of quality growth oriented equities
having the objective of long term growth in value

PROSPECTUS

Dated

THE LEGACY FUNDS, INC.
61 Broadway
New York, NY 10006
(212) 269-7862

Shares of the Legacy Growth Fund are sold on a no-load basis through the Fund's Distributor, Ingalls & Snyder LLC. Shares are available for IRAs and retirement plans. The Fund is not available in all states; please call the Fund or your investment professional for details.

As with all mutual funds, the U.S. Securities and Exchange Commission has not approved or disapproved these securities and does not guarantee the accuracy or completeness of the Prospectus. It is a criminal offense to suggest otherwise.

<TABLE>
<CAPTION>

TABLE OF CONTENTS

| | | |
|-------------------------------------|--|-----|
| <S> | | <C> |
| Investment Objective and Philosophy | | 2 |
| Investment Process | | 2 |
| Principal risk | | 3 |
| Fees and Expenses | | 3 |

| | |
|---|----|
| Investment Adviser | 4 |
| Portfolio Manager | 4 |
| Investment Committee | 5 |
| Advisory Board | 7 |
| Investment Performance of the Portfolio Manager | 8 |
| Additional Information About the Fund's Investments | 9 |
| Additional Risk Information | 10 |
| Purchasing Shares | 10 |
| Selling Shares | 11 |
| Retirement Investing | 12 |
| Account Instructions | 15 |
| Marketing, Distribution and Administration | 16 |
| Distributions and Taxation | 16 |
| Inquiries | 17 |
| Additional Information | 18 |

</TABLE>

INVESTMENT OBJECTIVE AND PHILOSOPHY

The objective of the Fund is to achieve long-term growth of capital for shareholders, emphasizing quality companies having strong underlying financial attributes and potential for sustained above-average growth of earnings. The Fund looks to achieve its growth objective usually by purchasing and holding equities over an extended period, keeping turnover of its holdings limited.

The Fund seeks to invest principally in a well diversified portfolio of companies having strong balance sheets, highly capable managements, unique aspects to their businesses, significant international exposures, positive and growing cash flows, high returns on equity and superior rates of growth of earnings over an extended period.

INVESTMENT PROCESS

The Fund's investment adviser, Ingalls & Snyder LLC, which was founded in 1924. The adviser performs comprehensive research designed to identify companies with strong financial underpinnings and attractive growth prospects. The adviser seeks companies with superior management teams, and periodically meets with the management of companies followed to review meaningful developments. The adviser normally seeks companies that are leaders in markets and benefit from technological advantages and economies of scale.

The investment adviser normally selects companies for investment by the Fund which it believes will generate sustained earnings growth. The adviser also evaluates the financial characteristics of companies to identify those with strong cash flow and manageable levels of debt. The adviser believes that such characteristics assist companies in their efforts to sustain attractive growth rates. Once companies are identified for the Fund, the adviser uses fundamental and technical analysis to assist in its efforts to determine attractive, reasonable purchase prices.

The adviser regularly monitors the financial and investment outlook in the U.S. and abroad in an effort to anticipate and understand changing business, economic and political trends that may affect the Fund's investments. The Fund has a long-term investment outlook. If a stock held in the Fund moves up very sharply in a short period, the adviser normally trims the holding. Likewise, if a stock held in the portfolio drops in price, the adviser will likely look to add more shares to the holding. See More Information About the Fund's Investments on page 8.

PRINCIPAL RISK

The principal risk of investing in the Fund is that common stock prices

are subject to market, economic and business risks that will cause their prices to fluctuate over time. While common stocks have historically been a leading choice of long-term investors, stock prices may decline over short or even extended periods. Therefore, the value of your investment in the Fund may go up and down and you could lose money.

In addition, the Fund's investment success depends on the skill of the investment adviser in evaluating, selecting and monitoring the Fund's assets. If the Adviser's conclusions about growth rates or stock values are incorrect, the Fund may not perform as anticipated.

The Fund could be adversely affected if the computer systems used by the Fund or its service providers do not function properly when processing date-related information on or after January 1st, 2000. This is commonly known as the "Year 2000 Issue." The Fund is taking steps it believes are reasonably designed to address the Year 2000 Issue with respect to the computer systems it uses. The Fund is also obtaining reasonable assurances that comparable steps are being taken by the Fund's other major service providers. At this time, it is impossible to ensure that these steps will be sufficient to avoid any adverse impact to the Fund. See Additional Risk Information on page 9.

FEES AND EXPENSES

The following tables describe the fees and estimated expenses involved with an investment in the Fund.

Shareholder Transaction Fees..... None*
(Paid directly from your investment)

*Currently there is a \$25.00 wire redemption fee assessed by the Fund, which is subject to change. There is no fee for redemptions where proceeds are sent by check.

<TABLE>
<CAPTION>

| | |
|---|--------|
| Annual Fund Operating Expenses* (deducted from Fund assets) | |
| <S> | <C> |
| Management Fee..... | 1.0% |
| Distribution and Service (12b-1) Fees..... | 0.16% |
| OTHER EXPENSES..... | 0.96% |
| ----- | ----- |
| Total Fund Operating Expenses..... | 2.12%* |

</TABLE>

*Ingalls and Snyder has voluntarily agreed to waive its advisory fee or make payments to limit Fund expenses to the extent necessary to ensure that Total Fund Operating Expenses do not exceed 1.70% of average daily net assets for the first year of operations; this voluntary fee waiver may be discontinued at any time by Ingalls & Snyder. In addition, the Fund is new, so the amount of "Other Expenses" and "Total Operating Expenses" are based on estimated amounts for the first year of operations and do not reflect any fee waiver or expense limitation.

The following Expense Example shows the expenses you would pay over time and will help you to compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes you invest \$10,000 in the Fund and that you earn a 5% annual return, with no change in fund expense levels. The \$10,000 and 5% figures are required by SEC rules to aid in comparison between funds. Because actual return and expenses will be different, the Example is for comparison only.

<TABLE>
<CAPTION>

Expense Example

1 Year 3 Years

| <S> | <C> | <C> |
|---|-------|-------|
| Without Fee Waiver or Expense Limitation* | \$217 | \$664 |

</TABLE>

*These dollar amounts do not reflect Ingalls & Snyder's agreement to limit the Fund's Total Operating Expenses to 1.70% for the first year of operations. With such expense limit, the amount paid over 1 and 3 years would equal \$173 and \$536.

INVESTMENT ADVISER

Ingalls & Snyder LLC serves as the investment adviser for the Fund and is responsible for managing the Fund's portfolio of securities. As investment adviser, the firm identifies companies for investment, determines when securities should be purchased or sold by the Fund and selects brokers or dealers, including itself, to execute transactions for the Fund's portfolio.

Ingalls & Snyder was founded in 1924. Registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940, the firm provides investment services to clients of substance, including individual retirement plans, corporations, trusts, estates, and charitable organizations located in the United States and abroad. The firm is a member of the New York and American Stock Exchanges and the National Association of Securities Dealers.

The firm's investment objective is to maximize its clients' long term return, consistent with each client's objectives. Almost 6,000 client accounts, valued at \$3 billion are entrusted to Ingalls & Snyder for investment management, research, or the execution of transactions. Of that amount, approximately \$2 billion is managed on a discretionary or investment advisory basis. Ingalls & Snyder is wholly owned by its officers and directors, who are actively involved in all phases of the firm's operations.

PORTFOLIO MANAGER

The portfolio manager of the Fund is Robert E. Belknap, a Senior Director of Ingalls & Snyder LLC. He graduated from the University of Virginia in 1961, served as a line officer in the U.S. Navy and specialized in finance and investments at the New York University Graduate School of Business.

Mr. Belknap has over thirty-four years experience as an investment adviser to individuals, charitable organizations, corporations, trusts and retirement accounts in the United States and abroad. He is a Senior Security Analyst of the New York Society of Security Analysts, a North American Member of the International Society of Financial Analysts, and a Fellow Member of the Financial Analysts Federation and of the Association of Investment Management and Research. Prior to joining Ingalls & Snyder as a Principal in 1993, Mr. Belknap was a Senior Vice President of Seligman Securities, Inc., and concurrently Principal of Robert E. Belknap & Co.

INVESTMENT COMMITTEE

In the ongoing management of the Fund's investments Mr. Belknap consults with Ingalls & Snyder's Investment Committee, which consists of Lawton S. Lamb, D. Roger B. Liddell, Steven M. Foote, Joseph J. Cacciotti, Richard B. Thatcher and Mr. Belknap. The backgrounds of the members of the Committee, who have an average of over thirty years experience in the investment business, are as follows:

LAWTON S. LAMB

Managing Director

Mr. Lamb graduated from Princeton University and served as a Line Officer in the U.S. Navy. He joined Ingalls & Snyder in 1967, having formerly been with Scudder, Stevens & Clark, and has over forty years of investment experience. Mr. Lamb manages the portfolios of a number of individuals and is involved in the management of various charitable institutions.

D. ROGER B. LIDDELL

Managing Director

Mr. Liddell graduated from Princeton University, served as a Line Officer in the U.S. Navy, and graduated from the Columbia University Graduate Business School. He joined Ingalls & Snyder in 1988, having previously been with Alex Brown & Co., Inc., and has over twenty-seven years experience in research and portfolio management. Mr. Liddell manages individual, trust, and charitable portfolios, and actively researches utility, energy and selected special situations.

STEVEN M. FOOTE

Managing Director

Mr. Foote is a graduate of Dartmouth College. Formerly with Mabon Nugent & Co., where he specialized in high yield fixed income securities, he joined Ingalls & Snyder in 1991. Mr. Foote has over sixteen years of investment experience, and manages both individual and charitable investment portfolios.

JOSEPH J. CACCIOTTI

Director

Mr. Cacciotti graduated from Harvard University, served as an officer in the U.S. Coast Guard, and graduated from the Harvard Graduate School of Business. He has over forty-one years experience in the investment business. Prior to joining Ingalls & Snyder in 1993, he was head of Dominick & Dominick, Inc.'s International Department. Mr. Cacciotti manages institutional and individual accounts located mainly in Europe, using fundamental and proprietary technical analysis.

RICHARD B. THATCHER

Senior Vice President

Mr. Thatcher graduated from Princeton University and served as an Officer in the U.S. Navy. He has over twenty-nine years investment experience. Prior to joining Ingalls & Snyder in 1998 Mr. Thatcher was President and Chief Investment Officer of Capital Management Associates, Inc. (New York City), and at the same time acted as Principal and Chief Financial Officer of a sister company, Shields & Co. Mr. Thatcher manages retirement and other institutional portfolios as well as a number of individual accounts, trusts, and charitable organizations.

ADVISORY BOARD

The Advisory Board exists to assist the portfolio manager in the assessment of economic, political and social developments as they may effect the investment strategy of the Fund. The members of the Advisory Board do not give investment advice to the Fund, and are as follows:

Thomas H. Belknap, Esq.
Member
Hill & Barlow, A Professional
Corporation
Boston

Mr. C. P. T. Vaughan-Johnson
Deputy Chairman
Duncan Lawrie Limited
London

Mr. David G. Booth
Managing Director, Ret.
Morgan Stanley Dean Witter, Inc.
New York

Mr. Wynant D. Vanderpoel
President
The Vanderpoel Group
New York

Mr. Marc Declerck
Havaux & Cie
Brussels

Mr. Lewis M. Weston
Limited Partner
Goldman Sachs & Company
New York

Mr. Christopher Finn
Managing Director-International
The Carlyle Group
London

Mr. Christopher Wetherhill
Managing Director
Hemisphere Management Ltd.
Hamilton, Bermuda

Mr. Jolmer D. Gerritse
Managing Director
SNS Securities N.V.
Amsterdam

Mr. Edward Wheeler
Senior Vice President
The Buckingham Research Group,
Inc.
New York

Mr. John G. Hunter
Managing Director
The Management Exchange, Inc.
New York

Mr. Robert D. White
Chief Operating Officer
Investor Select Advisers, Inc.
New York, Dublin

Mr. William J. Loschert
Chairman
ACE UK Limited
London

Roger T. Wickers, Esq.
Senior Vice President and
General Counsel, Ret.
The Keystone Group
Boston

Mr. E. Lawrence Minard, III
Managing Editor
Forbes Global
New York

Mr. Henry K. Wingate
Educational Consultant
Sandisfield, Mass.

INVESTMENT PERFORMANCE OF THE PORTFOLIO MANAGER

The tables below show the annual returns and long-term performance record established by the Portfolio Manager while managing client accounts according to the same investment goals and strategies as those used for the Fund. Please note that the performance results shown are those of clients of the Portfolio Manager and not the investment results of the Fund. How the Portfolio Manager performed in the past is not necessarily an indication of how the Investment Manager will perform in the future. The results are not intended to predict or suggest the returns to be experienced by the Fund or the return an individual investor might achieve by investing in the Fund. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The tables below provide an indication of the risk of investment in the Fund by showing changes in the average annual returns and year-to-year performance of accounts managed pursuant to the same investment goals and strategies as those used for the Fund.

The Fund's results may be different from the composite performance figures shown because of, among other things, differences in fees and expenses. The Fund's overall expenses may be higher than the expenses of similarly managed private accounts of the adviser. If so, the performance of the Fund would be lower. The Fund's results may also be different because private accounts are not subject to certain investment limitations, diversification requirements and

other restrictions imposed on mutual funds by the Investment Company Act of 1940 or the Internal Revenue Code which, if applicable, could have adversely affected the performance of the client accounts.

<TABLE>
<CAPTION>

| | RECORD OF GROWTH-ORIENTED EQUITY ACCOUNT COMPOSITE | | | | | | | | | |
|----------|--|------|------|-------|------|------|------|------|------|---------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1998 | 6Mths99 |
| % Return | 37.9 | 13.7 | 21.5 | (6.3) | 31.6 | 20.1 | 32.4 | 30.5 | | 18.9 |

AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/99

| | 6 mo. | 1 Year | 3 Years | 5 Years | 8 Years |
|---|--------|--------|---------|---------|---------|
| Growth-Oriented Equity Account Composite(1) | +18.9% | +30.5% | +27.7% | +21.7% | +22.7% |
| Standard & Poors 500 Index(2) | +12.4% | +26.7% | +27.7% | +24.4% | +21.3% |

(1) The investment results shown are an unaudited composite of accounts with growth-oriented objectives under the Portfolio Manager's management that are over \$100,000 in size and that are at least 80% invested in growth-oriented equity securities. Dividends are included in the rates of return shown, which have been calculated utilizing the "Modified Dietz Method". Performance figures are net of fees charged to customers, assuming that each customer has been charged fees at the highest rate charged to any customer included in the composite. Actual fees varied depending on, among other things, the applicable fee schedule and portfolio size.

Included in the foregoing calculations are less than twelve portfolios which have utilized leverage since 1993. The returns of these accounts have been computed on an 'all-cash return' basis. These accounts were leveraged an average of 6.8%, 9.1%, 21.5%, 21.4% and 14.2% of total equity as of year-end 1998, 1997, 1996, 1995, 1994 and 1993, respectively. Accounts are excluded from the composite during any period in which the average of percentages that any margin borrowings comprise of the account's equity value as of the last day of each month during such period exceeds 30%.

(2) The S&P 500 Index is a capitalization weighted index of five hundred large capitalization stocks which is designed to measure broad domestic securities markets. The performance of the S&P 500 Index reflects the reinvestment of dividend and capital gains but does not reflect the deduction of any investment management fees.

ADDITIONAL INFORMATION ABOUT THE FUND'S INVESTMENTS

This section contains more detailed information about the Fund's Investments and its investment process. The Fund's investment objective is long-term capital appreciation. This objective may be changed or modified in the future by action of the Fund's Board. Shareholder approval is not required to modify the investment objective; however, shareholders would receive advanced written notice of any such change.

TYPES OF INVESTMENTS. The Fund invests primarily in companies having sound underlying financial characteristics and growing at above-average rates. Specifically, the Fund normally requires that such companies have a strong balance sheet, a highly capable management, a unique aspect to its business, a significant international exposure, a positive and growing cash flow, a high return on equity and a superior rate of growth of earnings over an extended period.

The Fund normally remains substantially fully invested in common stocks and other equity securities. However, the Fund may invest in money market instruments during times when excess cash is generated or when cash is held pending investment in suitable securities. Such money market investments include short-term obligations of the U.S. government or money market mutual funds. The Fund has authority to invest up to 100% of its assets in such short-term money market instruments for temporary or defensive purposes in response to extreme or adverse market, economic or other conditions.

STOCK SELECTION PROCESS. The investment adviser identifies stocks for investment using its own research and analysis techniques and the research and analysis of major U.S. investment and brokerage firms. When analyzing a company's outlook, the adviser considers the company's financial underpinnings, including its debt burden and ability to generate excess cash, as well as the company's prospects for generating sustained above-average growth of its business and earnings.

Once the Fund identifies a company meeting its criteria, it seeks to purchase the company's stock at reasonable prices. Using fundamental financial statement analysis, the adviser normally compares a company's price-to-earnings ratio with its growth rate and its sales-to-market capitalization ratio, as well as using other measurement methods, in order to evaluate the price of the stock relative to its future prospects. The Fund may from time to time purchase stocks having minimal or no current earnings or with high price-to-earnings ratios relative to their growth rates. The Fund normally seeks to reduce its exposure to risk by concentrating in larger companies, while also using selected medium and smaller sized companies which in the opinion of the adviser offer good prospects for future growth.

The Fund has a long-term investment policy under which stocks are normally held for extended periods of time. If the price of a stock owned in the Fund moves up sharply in a short period of time, the adviser normally trims the holding. Likewise if the price of a stock owned in the Fund moves down, the adviser would normally look to add to shares.

ADDITIONAL RISK INFORMATION

If the adviser determines that the condition of the financial markets calls for a temporary or defensive position to reduce risk through a substantial investment in cash and cash equivalents, such a position would make it difficult to achieve the objective of capital appreciation.

To the extent that the Fund invests in foreign companies, its investment may involve political, economic or currency risks not ordinarily associated with U.S. securities. The Fund may use certain techniques involving a form of leverage, which could have the effect of magnifying the Fund's gains or losses or could result in increased volatility of the Fund's share price. In order to limit such risks, the Fund normally limits the percentage of its assets that can be exposed to such leveraging techniques to ten percent of the asset value of the Fund.

PURCHASING SHARES

One may purchase shares of the Fund without any sales charge through Ingalls & Snyder LLC, the Fund's underwriter and distributor, by submitting a completed application to the Fund along with payment of the purchase price by check or wire. Please note that purchase instructions, mailing addresses and telephone numbers are set forth in the Account Instructions chart included on page 14 of this Prospectus as well as in the Fund's Shareholder Application. Please call with any questions.

MINIMUM INVESTMENTS. The minimum initial investment is \$5,000 and

additional investments must total at least \$1,000. The minimum initial investment for qualified retirement accounts is \$1,000 (\$500 for Educational IRAs) and there is no minimum for subsequent investments. The Fund may also change or waive its policies concerning minimum investment amounts at any time.

PURCHASE PRICE. One may purchase shares of the Fund at the Fund's net asset value per share (NAV), which is calculated as of the close of the New York Stock Exchange (usually 4:00PM eastern time) every day the exchange is open. Your order will be priced at the next NAV calculated after your order is accepted by the Fund.

The NAV is determined by dividing the value of the Fund's securities, cash and other assets, minus all expenses and liabilities, by the number of shares outstanding. The fund's securities are valued each day at their market value, which usually means the last quoted sale price on the security's principal exchange on that day. If market quotations are not readily available, securities will be priced at their fair value as determined in good faith by, or under procedures adopted by, the Board of Trustees. The Fund may use independent pricing services to assist in calculating the NAV.

IN KIND PURCHASES. At the time of the formation of the Fund the Fund may permit investors to purchase shares by transferring securities to the Fund. Under current IRS rules the tax cost of the shares being so purchased in kind will be the tax cost of the securities being transferred; the tax cost to the Fund of said securities being transferred to the Fund will be the same as that of the shareholder. Securities transferred to the Fund will be valued in the same way that securities in the Fund's portfolio are valued for purposes of calculating its NAV.

PLEASE BE SURE TO CONSULT YOUR TAX PROFESSIONAL REGARDING THE FEDERAL, STATE AND LOCAL TAX TREATMENT OF TRANSFERRING SECURITIES IN KIND TO THE FUND.

GENERAL POLICIES. Shares of the Fund may not be available in all states. Please ask your investment professional or a Fund representative if shares are available in your state. The fund reserves the right to reject any purchase order or to suspend the offering of its shares.

SELLING SHARES

Shares of the Fund may be sold at any time. The sale price will be the next NAV calculated after your order is accepted by the Fund's transfer agent. No fees are imposed by the Fund when shares are sold. Please note: selling instructions, mailing addresses and telephone numbers are set forth in the Account Instructions on page 14 of this Prospectus as well as in the Fund's Shareholder Application. Please call with any questions.

HOW TO SELL. Shares of the Fund may be sold by giving instructions to the Fund's transfer agent by mail. The Fund will use reasonable procedures to confirm that instructions communicated by telephone are genuine and, if the procedures are followed, will not be liable for any losses due to unauthorized or fraudulent telephone transactions. During times of drastic economic or market

changes, the telephone redemption privilege may be difficult to implement and the Fund reserves the right to suspend this privilege.

Certain written requests to sell shares require a signature guarantee. For example, a signature guarantee may be required for the sale of a large amount of shares if the address of record on the account application has been changed within the last 30 days, or if the shareholder asks that the proceeds be sent to a different person or address. A signature guarantee is used to help protect the shareholder and the Fund from fraud. A signature guarantee may be obtained from most banks and securities dealers, but not from a notary public. Please call the Fund to learn if a signature guarantee is needed or to make sure that it is completed appropriately in order to avoid any processing delays.

SALE PROCEEDS. The fund is responsible for processing requests to sell

shares on a timely basis. Checks are normally mailed or proceeds wired on the next day after receipt and acceptance of selling instructions (if received by Firststar before the close of regular trading on the NYSE). In no event will proceeds be mailed or wired later than 7 days following such receipt and acceptance (or earlier if required by applicable law). If the shares being sold have recently been purchased by check, the fund reserves the right not to make the sale proceeds available until it reasonably believes that the check has been collected. This could take up to 10 business days or more.

Sale proceeds may be wired to your predesignated bank account at any commercial bank in the United States or abroad if the amount is \$1,000 or more. The receiving bank may charge a fee for this service. Alternatively, proceeds may be mailed to your bank or to your account address if the address has been established for a minimum of 60 days.

GENERAL POLICIES. If the amount you are redeeming is large enough to affect the Fund operations or if the redemption would otherwise disrupt the Fund, the Fund reserves the right to make a "redemption in kind" or to delay forwarding payment. For example, the Fund may redeem shares in kind if the amount represents more than 2% of the Fund's assets or may delay forwarding funds for ten business days or longer. When the Fund makes a "redemption in kind" it pays the seller in portfolio securities rather than in cash. In addition, if your account balance falls below \$1,000, the Fund may request that you increase your balance. If it is still below \$1,000 after 60 days, the Fund may automatically close your account and send you the proceeds.

RETIREMENT INVESTING

Shares of the Fund may be purchased in all types of tax-deferred qualified plans such as Individual Retirement Accounts (IRAs), employer-sponsored retirement plans (including 401(K) Plans), and tax sheltered custodial accounts described in Section 403(b) of the Internal Revenue Code. Distribution of net investment income and capital gains will be automatically invested in such plans or accounts. Special applications are required for certain of these plans or accounts, which can be obtained by calling the Fund. The following is a brief description of the retirement investing options.

INDIVIDUAL RETIREMENT ACCOUNTS (IRAS): If you are not an active participant (and, if a joint return is filed, your spouse is not an active participant) in an employer-sponsored retirement plan, or if you have an adjusted gross income within certain specific limits, you are eligible to make a deductible contribution to an IRA account. If you are not eligible for deductible contributions, you may still make non-deductible IRA contributions. Distributions from qualified retirement plans may be rolled into an IRA account holding Fund shares. You can continue to defer Federal income taxes on your IRA account, on your rollover contribution, and on any income that is earned on that contribution.

Firststar Trust makes its services as an IRA Custodian available for each shareholder account that is established as an IRA. For these services, Firststar receives an annual fee of \$12.50 per account (maximum \$25.00 per social security number), which is paid directly to Firststar by the IRA shareholder. If the annual fee is not paid by the date due, shares of the Fund owned by the shareholder in the IRA account will be automatically sold to pay the annual fee. Firststar may, in its discretion, hold any initial contribution uninvested until the expiration of the seven-day revocation period. Firststar does not anticipate that it will exercise its discretion but reserves the right to do so.

TRADITIONAL IRA: In a Traditional IRA, amounts contributed to the IRA may be tax deductible at the time of contribution depending on your income and whether you are an "active participant" in an employer-sponsored retirement plan. Amounts invested are permitted to grow tax-free until they are distributed, and then distributions will be taxed except to the extent that the distribution represents a return of your own contributions for which you did not claim a deduction. If you take distributions before age 59 1/2 or fail to begin taking distributions after age 70 1/2, you may experience adverse tax

consequences.

ROTH IRA: In a Roth IRA, amounts contributed to the IRA are not tax deductible at the time of contribution. Amounts invested are permitted to grow tax-free and distributions from the IRA are not subject to tax if you have held the IRA for certain minimum periods of time (generally, until age 59 1/2).

EDUCATIONAL IRA: In an Educational IRA, nondeductible contributions of up to \$500 per year per child are permitted to grow tax-free. Distributions used to pay for secondary education expenses are not subject to tax.

SIMPLIFIED EMPLOYEE PENSION PLAN (SEP): A special IRA program is available for employers under which the employers may establish IRA accounts for their employees in lieu of establishing tax qualified retirement plans. Known as SEP-IRA's, they free the employer of many of the record keeping requirements of establishing and maintaining a tax qualified retirement plan trust.

SIMPLE IRA: An IRA may also be used in connection with a SIMPLE Plan established by employers or by a self-employed individual. Under a SIMPLE Plan, you may elect to have your employer make salary reduction contributions or as a non-elective contribution to all eligible participants whether or not making salary reduction contributions. A number of special rules apply to SIMPLE Plans,

including (1) a SIMPLE Plan generally is available only to employees with fewer than 100 employees; (2) contributions must be made on behalf of all employees of the employer, other than bargaining unit employees, who satisfy certain minimum participation requirements; (3) contributions are made to a special SIMPLE IRA that is separate and apart from the other IRAs of employees; (4) the distribution excise tax (if otherwise applicable) is increased to 25% on withdrawals during the first two years of participation in a SIMPLE IRA; and (5) amounts withdrawn during the first two years of participation may be rolled over tax-free only into another SIMPLE IRA and not to a Traditional IRA or to a Roth IRA.

403(B) PLANS: The Fund's shares are also available for use by schools, hospitals, and certain other tax-exempt organizations or association which wish to use shares of the Fund as a funding medium for a retirement plan for their employees. Contributions are made to the 403(b) Plan as a reduction to the employee's regular compensation. Such contributions, to the extent they do not exceed applicable limitations (including a generally applicable limitation of \$9,500 per year), are excludable from the gross income of the employee for Federal Income tax purposes.

401 (K) PLANS AND OTHER QUALIFIED PENSION OR PROFIT-SHARING PLANS: The Fund's shares may be used for investment in various employer-sponsored retirement plans by both self-employed individuals (sole proprietorships and partnerships) and corporations who wish to use shares of the Fund as a funding medium for a retirement plan qualified under the Internal Revenue Code. Such plans typically allow investors to make annual deductible contributions, which may be matched by their employers up to certain percentages based on the investor's pre-contribution earned income. Fund shares may be purchased by investors who wish to contribute to a 401(k) or similar Plan already established through their employer or otherwise. Please contact the Fund for information about establishing a 401(k) Plan for your company using the Legacy funds.

ACCOUNT INSTRUCTIONS

<TABLE>
<CAPTION>

TO OPEN AN ACCOUNT

TO ADD TO AN ACCOUNT

TO SELL SHARES

<S>

Regular Account Minimum: \$5,000

<C>

Regular Account Minimum: \$1,000

<C>

All requests to sell shares from

Retirement Account Minimum:
\$1,000

Retirement Account Minimum: None

IRA accounts must be in writing

</TABLE>

<TABLE>
<CAPTION>

IN WRITING

<S>
Complete the application.

Make your check* payable to:
"Legacy Growth Fund"

Mail your application and
check to:

Ingalls & Snyder LLC.
61 Broadway
New York, NY 10006
Attn: Legacy Growth Fund

IN WRITING

<C>
Write a letter of instruction that
includes:
- your name(s) and signature(s)
- your account number
- the Fund name
- the dollar amount you want to buy

Mail your letter, along
with your check made
payable to "Legacy Growth
Fund" to:

Ingalls & Snyder LLC
61 Broadway
New York, NY 10006
Attn: Legacy Growth Fund

IN WRITING

<C>
Write a letter of instruction that
includes:
- your name(s) and signature(s)
- your account number
- the Fund name
- the dollar amount you want to
sell Proceeds will be sent to
the address of record unless
specified in the letter and
accompanied by a signature
guarantee
Mail your letter to:
Ingalls & Snyder LLC
61 Broadway
New York, NY 10006
Attn: Legacy Growth Fund

</TABLE>

<TABLE>
<CAPTION>

BY WIRE

<S>
To obtain instructions for
Federal Funds wire
purchase for the Fund,
please call Ingalls &
Snyder LLC at 212-269-7862.

</TABLE>

BY WIRE

<C>
To obtain instructions for
Federal Funds wire
purchase for the Fund,
please call Ingalls &
Snyder LLC at 212-269-7862.

BY WIRE

<C>
Be sure the Fund has your bank
account information on file.
Proceeds will be wired to your
bank. There is a \$25.00 wire
fee charged for this service.

* All checks should be in U.S. Dollars and drawn in U.S. banks. If your
check is returned for any reason, you may be charged for any resulting fees
or losses. Third party checks will not be accepted.

MARKETING, DISTRIBUTION AND ADMINISTRATION

Shares of the Fund are offered through Ingalls & Snyder LLC, the Fund's
principal underwriter and distributor. The shares are offered and sold without
any sales charges imposed by the Fund or its distributor. Investment
professionals who offer the Fund's shares are generally paid separately by their
individual clients. If you invest through a third party, the fees may be
different than those described in this Prospectus. For example, third parties
may charge transaction fees or set different minimum investment amounts.

The Fund has adopted a Distribution and Shareholder Servicing Plan
pursuant to Rule 12b-1 under the investment Company act of 1940. Under this
plan, the Fund may reimburse the distributor or others for amounts spent in
connection with the sale and distribution of its shares or for shareholder
servicing activities. Distribution activities include the preparation, printing
and mailing of prospectuses, shareholder reports and sales material for

marketing purposes, marketing activities, advertising and payments to brokers or others who sell shares of the Fund. Shareholder service activities include ongoing maintenance and service of shareholder accounts for the Fund, responding to inquiries regarding shareholder accounts and acting as agent or intermediary between shareholders and the Fund or its service providers. The maximum amount that the Fund may pay for these services is 0.25% per year of the average daily net assets of the Fund. Because these fees are paid out of the Fund's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges. The Fund currently expects that the fees of the Plan will primarily be used to compensate mutual fund marketers or retirement plan record keepers for their activities on behalf of the Fund and its shareholders.

Firststar Mutual Fund Services, LLC serves as the administrator, transfer agent, and dividend disbursing agent for the Fund. The Fund may also compensate other parties who provide transfer agency services in addition to those provided by Firststar Mutual Fund Service, LLC. Firststar Bank Milwaukee, N.A. serves as the custodian for the Fund.

DISTRIBUTIONS AND TAXATION

The Fund will distribute substantially all of the net investment income and net capital gains that it has realized on the sale of securities. These income and gains distributions will generally be paid once each year, on or before December 31. Distributions will automatically be reinvested in additional shares of the Fund unless you elect to have the distributions paid to you in cash. There are no sales charges or transaction fees for reinvested dividends and all shares will be purchased at the NAV.

Distributions made by the Fund are taxable to most U.S. Shareholders whether received in cash or additional shares. Dividends and short-term capital gains are taxed to most U.S. shareholders as ordinary income while long-term capital gains are taxed as such, regardless of how long you own your shares of the Fund. The tax status of distributions made to you, whether ordinary income or long-term capital gain, will be detailed in your annual tax statement from

the Fund. If the Fund distributes unrealized gains soon after you purchase shares, a portion of your investment may be returned as a taxable distribution.

A sale or exchange of fund shares is a taxable event for most U.S. shareholders and may result in a capital gain or loss to you if you are subject to tax. Non-U.S. investors may be subject to U.S. withholding and state tax. In addition, distributions from the Fund or gains from the sale or exchange of Fund shares may be subject to state or local taxes. By law, the Fund must withhold 31% of your taxable distributions and proceeds if you do not provide a correct taxpayer identification number ("TIN") or certify that your TIN is correct, or if the IRS instructs the Fund to do so.

BECAUSE EVERYONE'S TAX SITUATION IS UNIQUE, PLEASE BE SURE TO CONSULT YOUR TAX PROFESSIONAL REGARDING FEDERAL, STATE AND LOCAL TAX CONSEQUENCES.

INQUIRIES

Please contact the Fund's Investment Adviser, Ingalls & Snyder LLC, regarding monthly portfolio updates and new prospectus/shareholder report information as soon as it is available. You may wish to check with Ingalls & Snyder for the latest information regarding the Legacy funds.

LEGACY GROWTH FUND
61 Broadway
New York, NY 10006
212-269-7862

INVESTMENT ADVISER
INGALLS & SNYDER LLC
61 Broadway
New York, NY 10006

DISTRIBUTOR
INGALLS & SNYDER LLC
61 Broadway
New York, NY 10006

ADMINISTRATOR, FUND ACCOUNTANT
& TRANSFER AGENT
FIRSTAR MUTUAL FUND SERVICE, LLC
615 East Michigan Street
Milwaukee, WI 53202

CUSTODIAN
FIRSTAR TRUST COMPANY
615 East Michigan Street
Milwaukee, WI 53202

LEGAL COUNSEL
HUGHES HUBBARD & REED LLP
One Battery Park Plaza
New York, NY 10004

AUDITORS

ADDITIONAL INFORMATION

A Statement of Additional Information (SAI) contains additional information about the Fund and is incorporated by reference into this Prospectus. The Fund's annual and semi-annual reports to shareholders will contain additional information about the Fund's investments. In the Fund's annual report you will find a discussion of the market conditions and investment strategies that impacted on the Fund's performance during each fiscal year.

You may obtain a free copy of these documents by calling or writing the Fund as shown above. You may also call the telephone number shown above to request other information about the Fund and to make shareholder inquiries.

You may review and copy the SAI and other information about the Fund by visiting the Securities and Exchange Commission's Public Reference Room in Washington, DC or by visiting the Commission's Internet site at <http://www.sec.gov>. Copies of this information may also be obtained, upon payment of a duplicating fee, by writing to the Public Reference Section of the Commission, Washington, DC 20549-6009. You may call the Commission at 1-800-SEC-0330 for information about the operation of the public reference room.

THE LEGACY FUNDS
61 Broadway
New York, NY 10006
(212) 269-7862

STATEMENT OF ADDITIONAL INFORMATION
DATED

This Statement of Additional Information (SAI) relates to The Legacy Growth Fund which is a series of The Legacy Funds, a registered open-end management investment company commonly known as a mutual fund. This SAI is not a Prospectus and should be read in conjunction with the Prospectus for the Fund dated . The Prospectus may be obtained by writing or calling the Fund at the address and number shown above.

<TABLE>
<CAPTION>

TABLE OF CONTENTS

| <S> | <C> |
|---|-----|
| ADDITIONAL INFORMATION ABOUT THE FUND'S INVESTMENTS | 2 |
| CONVERTIBLE SECURITIES | 3 |
| WARRANTS AND RIGHTS | 3 |
| ILLIQUID SECURITIES | 3 |
| RULE 144A SECURITIES | 4 |
| WHEN ISSUED, DELAYED DELIVERY SECURITIES AND FORWARD COMMITMENTS | 4 |
| AMERICAN DEPOSITORY RECEIPTS | 4 |
| U.S. GOVERNMENT SECURITIES | 5 |
| BANK OBLIGATIONS | 5 |
| LOANS OF PORTFOLIO SECURITIES | 5 |
| REPURCHASE AGREEMENTS | 6 |
| REVERSE REPURCHASE AGREEMENTS | 7 |
| BORROWING | 7 |
| FUTURES | 8 |
| OPTIONS | 9 |
| INDEX OPTIONS | 12 |
| RISKS OF OPTIONS | 12 |
| OTHER INVESTMENTS | 13 |
| INVESTMENT RESTRICTIONS | 14 |
| ADDITIONAL INFORMATION ABOUT PURCHASES AND SALES | 14 |
| MANAGEMENT OF THE TRUST | 17 |
| INVESTMENT ADVISER AND ADVISORY AGREEMENT | 21 |
| CODE OF ETHICS | 22 |
| SERVICE AGREEMENTS | 22 |
| PORTFOLIO TRANSACTIONS AND TURNOVER | 26 |
| DIVIDENDS | 27 |
| ADDITIONAL INFORMATION ON DISTRIBUTIONS AND TAXES | 28 |
| INVESTMENT PERFORMANCE | 29 |
| FINANCIAL STATEMENTS | 33 |

</TABLE>

(REV 6/23/99)

GENERAL INFORMATION

The Legacy Growth Fund (the "Fund") is a series of the Legacy Funds, a business trust organized in the state of Delaware on (the "Trust"). The Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), which is authorized to issue multiple series and classes of shares. Each series represents interests in a separate portfolio of investments. The Trust is authorized to issue an unlimited number of shares of beneficial interest, par value \$0.001. The Legacy Growth Fund is the first series of the Trust and is classified as a "diversified" series as that term is defined in the 1940 Act.

ADDITIONAL INFORMATION ABOUT THE FUND'S INVESTMENTS

The Fund's investment objective is long-term growth of capital. The Fund seeks to achieve its objective by investing primarily in a diversified portfolio of common stocks of companies having sound underlying financial characteristics

and growing at above-average rates. The Fund's investment objective is not fundamental, and therefore may be changed in the future by action of the Board of Trustees of the Trust. Shareholders would not be asked to vote on any change in the investment objective, but would receive written notice well in advance of any such change.

The following discussion of investment techniques and instruments supplements and should be read in conjunction with the investment information set forth in the Fund's Prospectus. The investment practices described below, except for the discussion of certain investment restrictions, are not fundamental and may be changed by the Board of Trustees without the approval of the shareholders. In seeking to meet its investment objective the Fund may invest in any type of security whose characteristics are consistent with the Fund's investment program. The securities in which the Fund may invest include those described below.

The Fund normally remains substantially fully invested in common stocks and other equity securities. However, the Fund may invest in money market instruments during times when excess cash is generated or when cash is held pending investment in suitable securities. Such money market investments include short-term obligations of the U.S. government or money market mutual funds. The Fund has authority to invest up to 100% of its assets in such short-term money market instruments for temporary or defensive purposes in response to extreme or adverse market, economic or other conditions.

CONVERTIBLE SECURITIES

Traditional convertible securities include corporate bonds, notes and preferred stocks that may be converted into or exchanged for common stock, and other securities that also provide an opportunity for equity participation. These securities are generally convertible either at a stated price or a stated rate (that is, for a specific number of shares of common stock or other security). As with other fixed income securities, the price of a convertible security to some extent varies inversely with interest rates. While providing a fixed-income stream (generally higher in yield than the income derivable from a common stock but lower than that afforded by a nonconvertible debt security), a convertible security also affords the investor an opportunity, through its conversion feature, to participate in the capital appreciation of the common stock into which it is convertible. 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 price of a convertible security tends to rise as a reflection of the value of the underlying common stock. To obtain such a higher yield, the Fund may be required to pay for a convertible security an amount in excess of the value of the underlying common stock. Common stock acquired by the Fund upon conversion of a convertible security will generally be held for so long as the Adviser anticipates such stock will provide the Fund with opportunities which are consistent with the Fund's investment objective and policies.

WARRANTS AND RIGHTS

The Fund may invest in warrants: however, not more than 5% of the Fund's total assets (at the time of purchase) will be invested in warrants other than warrants acquired in units or attached to other securities. Warrants are pure speculation in that they have no voting rights, pay no dividends and have no rights with respect to the assets of the corporation issuing them. Warrants basically are options to purchase equity securities at a specific price valid for a specific period of time. They do not represent ownership of the securities, but only the right to buy them. Warrants differ from call options in that warrants are issued by the issuer of the security which may be purchased on their exercise, whereas call options may be written or issued by anyone. The prices of warrants do not necessarily move in parallel with the prices of the underlying securities. Rights represent a preemptive right to purchase additional shares of stock at the time of new issuance, before stock is offered to the general public, so that the stockholder can retain the same ownership

percentage after the offering.

ILLIQUID SECURITIES

The Fund may invest up to 5% of its net assets in Illiquid securities. The term "Illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities. Illiquid securities are considered to include generally, among other things, certain written over-the-counter options, securities or other liquid assets being used as cover for such options, repurchase agreements with maturities in excess of seven days, certain loan participation interests and other securities whose disposition is restricted under the federal securities laws. The Fund's Illiquid

investments may include privately placed securities which are not registered for sale under the Securities Act of 1933, as amended (the "1933 Act").

RULE 144A SECURITIES

The Fund may invest in securities that are restricted as to resale, but which are regularly traded among qualified institutional buyers because they are exempt under Rule 144A from the registration requirements of the 1933 Act. The Board of Trustees of the Trust has instructed the Adviser to consider the following factors in determining the liquidity of a security purchased under Rule 144A: (i) the frequency of trades and trading volume for the security; (ii) whether at least three dealers are willing to purchase or sell the security and the number of potential purchasers; (iii) whether at least two dealers are making a market in the security, the method of soliciting offers and the mechanics of transfer. Although having delegated the day-to-day functions, the Board of Trustees will continue to monitor and periodically review the Adviser's selection of Rule 144A securities, as well as the Adviser's determinations as to their liquidity. Investing in securities under Rule 144A could affect the Fund's illiquidity to the extent that qualified institutional buyers become, for a time, uninterested in purchasing these securities. After the purchase of a security under Rule 144A, the Board of Trustees and the Adviser will continue to monitor the liquidity of that security to ensure that the Fund has no more than 5% of its net assets in Illiquid securities.

WHEN ISSUED, DELAYED DELIVERY SECURITIES AND FORWARD COMMITMENTS

The Fund may enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis in excess of customary settlement periods for the type of security involved. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger corporate reorganization or debt restructuring, i.e., a when, as and if issued security. When such transactions are negotiated, the price is fixed at the time of the commitment, with payment and delivery taking place in the future, generally a month or more after the date of the commitment. While the Fund will only enter into a forward commitment with the intention of actually acquiring the security, the Fund may sell the security before the settlement date if it is deemed advisable.

Securities purchased under a forward commitment are subject to market fluctuation, and no interest (or dividends) accrues to the Fund prior to the settlement date. The Fund will segregate with its Custodian cash or liquid high-grade debt securities in an aggregate amount at least equal to the amount of its outstanding forward commitments.

AMERICAN DEPOSITORY RECEIPTS

The Fund may make foreign investments through the purchase and sale of sponsored or unsponsored American Depositary Receipts ("ADRs"). ADRs are receipts typically issued by a U.S. bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. The Fund may

purchase ADRs whether they are "sponsored" or "unsponsored." "Sponsored" ADRs

are issued jointly by the issuer of the underlying security and a depository, whereas "unsponsored" ADRs are issued without participation of the issuer of the deposited security. Holders of unsponsored ADRs generally bear all the costs of such facilities and the depository 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. Therefore, there may not be a correlation between information concerning the issuer of the security and the market value of an unsponsored ADR. Ownership of ADRs may result in a withholding tax by the foreign country of source which will have the effect of reducing the income distributable to shareholders.

U.S. GOVERNMENT SECURITIES

U.S. Government securities are obligations of, or guaranteed by, the U.S. Government, its agencies or instrumentalities. The U.S. Government does not guarantee the net asset value of the Funds' shares. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ("GMNA"), are supported by the full faith and credit of the United States; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association ("FNMA"), are supported by the discretionary authority of the U.S. Government to purchase the agency's obligations; and still others, such as those of the Student Loan marketing Association, are supported only by the credit of the instrument. U.S. Government securities include securities that have no coupons, or have been stripped of their unmatured interest coupons, individual interest coupons from such securities that trade separately, and evidences of receipt of such securities. Such securities may pay no cash income, and are purchased at a deep discount from their value at maturity. Because interest on zero coupon securities is not distributed on a current basis but is, in effect, compounded, zero coupon securities tend to be subject to greater market risk than interest-payment securities, such as CATS and TIGRs, which are not issued by the U.S. Treasury, and are therefore not U.S. Government securities although the underlying bond represented by such receipt is a debt obligation of the U.S. Treasury. Other zero coupon Treasury securities (STRIPs and CUBEs) are direct obligations of the U.S. Government.

BANK OBLIGATIONS

Certificates of deposit are short-term obligations of commercial banks. A banker's acceptance is a time draft drawn on a commercial bank by a borrower, usually in connection with international commercial transactions. Certificates of deposit may have fixed or variable rates.

LOANS OF PORTFOLIO SECURITIES

The Fund may lend its investment securities to approved borrowers who need to borrow securities in order to complete certain transactions, such as covering short sales, avoiding failures to deliver securities or completing arbitrage operations. By lending its investment securities, the Fund attempts to increase its income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur during the term of the

loan would be for the account of the Fund. The Fund may lend its investment securities to qualified brokers, dealers, domestic and foreign banks or other financial institutions, so long as the terms, the structure and the aggregate amount of such loans are not inconsistent with the 1940 Act or the rules and regulations or interpretations of the Securities and Exchange Commission (the "SEC") thereunder, which currently require that: (a) the borrower pledge and maintain with a Fund collateral consisting of cash, an irrevocable letter of credit issued by a bank or securities issued or guaranteed by the United States

Government having a value at all times not less than 100% of the value of the securities loaned; (b) the borrower add to such collateral whenever the price of the securities loaned rises (i.e., the borrower "marks to the market" on a daily basis); the loan be made subject to termination by a Fund at any time; and (d) the Fund receives reasonable interest on the loan (which may include the Fund investing any cash collateral in interest bearing short-term investments). All relevant facts and circumstances, including the creditworthiness of the broker, dealer or institution, will be considered in making decisions with respect to the lending of securities, subject to review by the Board of Trustees.

At the present time, the staff of the SEC does not object if an investment company pays reasonable negotiated fees in connection with loaned securities so long as such fees are set forth in a written contract and approved by the investment company's Board of Trustees. In addition, voting rights may pass with the loaned securities, but if a material event occurs affecting an investment on a loan, the loan must be called and the securities voted.

REPURCHASE AGREEMENTS

When the Fund enters into a repurchase agreement, it purchases securities from a bank or broker-dealer which simultaneously agrees to repurchase the securities at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. As a result, a repurchase agreement provides a fixed rate of return insulated from market fluctuations during the term of the agreement. The term of a repurchase agreement generally is short, possibly overnight or for a few days, although it may extend over a number of months (up to one year) from the date of delivery. Repurchase agreements will be fully collateralized and the collateral will be marked-to-market daily. The Fund may not enter into a repurchase agreement having more than seven days remaining to maturity, if as a result, such agreement, together with any other illiquid securities held by the Fund, would exceed 5% of the value of the net assets of the Fund.

In the event of bankruptcy or other default by the seller of the security under a repurchase agreement, the Fund may suffer time delays and incur costs or possible losses in connections with the disposition of the collateral. In such event, instead of the contractual fixed rate of return, the rate of return to the Fund would be dependent upon intervening fluctuations of the market value of the underlying security and the accrued interest on the security. Although the Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform, the ability of the Fund to recover damages from a seller in bankruptcy or otherwise in default would be reduced.

Repurchase agreements are securities for purposes of the tax diversification requirements that must be met for pass-through treatment under

Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, the Fund will limit the value of its repurchase agreements, if any, on each of the quarterly testing dates to ensure compliance with Subchapter M of the Code.

REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements involve sales of portfolio securities of the Fund to member banks of the Federal Reserve System or securities dealers believed creditworthy, concurrently with an agreement by the Series to repurchase the same securities at a later date at a fixed price which is generally equal to the original sales price plus interest. The Fund retains record ownership and the right to receive interest and principal payments on the portfolio securities involved. In connection with each reverse repurchase transaction, the Fund will direct its custodian bank to place cash, U.S. government securities, equity securities and/or investment and non-investment grade debt securities in a segregated account of the Series in an amount equal to the repurchase price. Any assets held in any segregated securities, options, futures, forward contracts or other derivative transactions shall be liquid,

unencumbered and marked-to-market daily (any such assets held in a segregated account are referred to in this Statement of Additional Information as "Segregated Assets").

A reverse repurchase agreement involves the risk that the market value of the securities retained by the Fund may decline below the price of the securities the Series has sold but is obligated to repurchase under the agreement. In the event the buyer of securities under a reverse repurchase agreement files for the bankruptcy or becomes insolvent, the Fund's use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. Reverse repurchase agreements are considered borrowings and as such are subject to the same investment limitations.

BORROWING

The Fund may borrow money up to 33 1/3% of the value of its total assets (calculated at the time of the borrowing) from banks for temporary, extraordinary or emergency purposes, for the clearance of transactions or for investment purposes. The Fund may pledge up to 33 1/3% of its total assets to secure these borrowings. If the Fund's asset coverage for borrowings falls below 300%, the Fund will take prompt action to reduce its borrowings. If the 300% asset coverage should decline as a result of market fluctuations or other reasons, the Fund may be required to sell portfolio securities to reduce the debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time. The Fund will normally not purchase portfolio securities when borrowings exceed 15% of the value of its total assets.

Borrowing for investment purposes is generally known as "leveraging." Leveraging exaggerates the effect on net asset value of any increase or decrease in the market value of the Fund's portfolio. Money borrowed for leveraging will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased and may exceed the income from the securities

purchased. In addition, the Fund may be required to maintain minimum average balances in connection with such borrowing or pay a commitment fee to maintain a line of credit which would increase the cost of borrowing over the stated interest rate. On an ongoing basis the Fund's borrowing for investment purposes will not typically exceed 10% of the value of the Fund's assets.

FUTURES

The Fund may enter into contracts for the purchase or sale for future delivery of securities. A purchase of a futures contract means the acquisition of a contractual right to obtain delivery to the Fund of the securities or foreign currency called for by the contract at a specified price and future date. When the Fund enters into a futures transaction, it must deliver to the futures commission merchant selected by the Fund an amount referred to as "initial margin." This amount is maintained by the futures commission merchant in a segregated account at the custodian bank. Thereafter, a "variation margin" may be paid by the Fund to, or drawn by the Fund from, such account in accordance with controls set for such accounts, depending upon changes in the price of the underlying securities subject to the futures contract.

The Fund may enter into futures contracts and engage in options on futures to the extent that no more than 5% of the Fund's assets are required as futures contract margin deposits and premiums on options, and may engage in such transactions to the extent that obligations relating to such futures and related options on futures transactions represent not more than 10% of the Fund's assets.

The Fund may enter into futures transactions on domestic exchanges and, to the extent such transactions have been approved by the Commodity Futures Trading Commission for sale to customers in the United States, on foreign exchanges. In addition, the Fund may sell stock index futures in anticipation of or during a

market decline to attempt to offset the decrease in market value of its common stocks that might otherwise result; and it may purchase such contracts in order to offset increases in the cost of common stocks that it intends to purchase. Unlike other futures contracts, a stock index futures contract specifies that no delivery of the actual stocks making up the index will take place. Instead, settlement in cash must occur upon the termination of the contract. While futures contracts provide for the delivery of securities, deliveries usually do not occur. Contracts are generally terminated by entering into offsetting transactions.

The Fund may enter into futures contracts to protect against the adverse effects of fluctuations in security prices, interest or foreign exchange rates without actually buying or selling the securities or foreign currency. For example, if interest rates are expected to increase, the Fund might enter into futures contracts for the sale of debt securities. Such a sale would have much the same effect as selling an equivalent value of the debt securities owned by the Fund. If interest rates did increase, the value of the debt securities in the portfolio would decline, but the value of the futures contracts to the Fund would increase at approximately the same rate thereby keeping the net asset value of the Fund from declining as much as it otherwise would have. Similarly, when it is expected that interest rates will decline, futures contracts may be purchased to hedge in anticipation of subsequent purchases of securities at higher prices. Since the fluctuations in the value of futures contracts should

be similar to those of debt securities, the Fund could take advantage of the anticipated rise in value of debt securities without actually buying them until the market had stabilized. At that time, the futures contracts could be liquidated and the Fund could then buy debt securities on the cash market.

To the extent that market prices move in an unexpected direction, the Fund may not achieve the anticipated benefits of futures contracts or may realize a loss. For example, if the Fund is hedged against the possibility of an increase in interest rates which would adversely affect the price of securities held in its portfolio and interest rates decrease instead, the Fund would lose part or all of the benefit of the increased value which it has because it would have offsetting losses in its futures position. In addition, in such situations, if the Fund had insufficient cash, it may be required to sell securities from its portfolio to meet daily variation margin requirements. Such sales of securities may, but will not necessarily, be at increased prices which reflect the rising market. The Fund may be required to sell securities at a time when it may be disadvantageous to do so.

OPTIONS

The Fund may invest in options that are listed on U.S. exchanges or traded over-the-counter. Certain over-the-counter options may be illiquid. Thus, it may not be possible to close options positions and this may have an adverse impact on the Fund's ability to effectively hedge its securities. The Fund considers over-the-counter options to be illiquid. Accordingly, the Fund will only invest in such options to the extent consistent with its 5% limit on investments in illiquid securities. The Fund may purchase and write call or put options on securities but will only engage in option strategies for non-speculative purposes. In addition, the Fund will only engage in option transactions (other than index options) to the extent that no more than 10% of its total assets are subject to obligations relating to such options.

PURCHASING CALL OPTIONS - The Fund may purchase call options on securities. When the Fund purchases a call option, in return for a premium paid by the Fund to the writer of the option, the Fund obtains the right to buy the security underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option has the obligation to deliver the underlying security against payment of the exercise price. The advantage of purchasing call options is that the Fund may alter portfolio characteristics and modify portfolio maturities without incurring the cost associated with transactions.

The Fund may, following the purchase of a call option, liquidate its position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option previously purchased. The Fund will realize a profit from a closing sale transaction if the price received on the transaction is more than the premium paid to purchase the original call option; the Fund will realize a loss from a closing sale transaction if the price received on the transaction is less than the premium paid to purchase the original call option.

Although the Fund would generally purchase only those call options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange would exist for any particular option,

or at any particular time, and for some options no secondary market on an exchange may exist. In such event, it may not be possible to effect closing transactions in particular options, with the result that the Fund would have to exercise its options in order to realize any profit and would incur brokerage commissions upon the exercise of such options and upon the subsequent disposition of the underlying securities acquired through the exercise of such options. Further, unless the price of the underlying security changes sufficiently, a call option purchased by the Fund may expire without any value to the Fund, in which event it would realize a capital loss which will be short-term unless the option were held for more than one year.

COVERED CALL WRITING - The Fund may write covered call options from time to time on such portions of its portfolio, without limit, as the Adviser determines is appropriate in seeking to achieve the Fund's investment objective. The advantage to the Fund of writing covered calls is that it receives a premium which is additional income. However, if the security rises in value, the Fund may not fully participate in the market appreciation thereof.

During the option period for a covered call option, the writer may be assigned an exercise notice by the broker-dealer through whom such call option was sold, requiring the writer to deliver the underlying security against payment of the exercise price. This obligation is terminated upon the expiration of the option or upon entering a closing purchase transaction. A closing purchase transaction, in which the Fund, as writer of an option, terminates its obligation by purchasing an option of the same kind as the option previously written, cannot be effected with respect to an option once the option writer has received an exercise notice for such option.

Closing purchase transactions will ordinarily be effected to realize a profit on an outstanding call option, to prevent an underlying security from being called, to permit the sale of the underlying security or to enable the Fund to write another call option on the underlying security with either a different exercise price or expiration date or both. The Fund may realize a net gain or loss from a closing purchase transaction depending upon whether the net amount of the original premium received on the call option is more or less than the cost of effecting the closing purchase transaction. Any loss incurred in a closing purchase transaction may be partially or entirely offset by the premium received from a sale of a different call option on the same underlying security. Such a loss may also be wholly or partially offset by unrealized appreciation in the market value of the underlying security. Conversely, a gain resulting from a closing purchase transaction could be offset in whole or in part by a decline in the market value of the underlying security.

If a call option expires unexercised, the Fund will realize a short-term capital gain in the amount of the premium on the option less the commission paid. Such a gain, however, may be offset by depreciation in the market value of the underlying security during the option period. If a call option is exercised, the Fund will realize a gain or loss from the sale of the underlying security equal to the difference between the cost of the underlying security and the proceeds of the sale of the security plus the amount of the premium on the option less the commission paid.

The Fund may write call options only on a covered basis, which means that

the Fund would own the underlying security subject to a call option at all times

during the option period. Unless a closing purchase transaction is effected, the Fund would be required to continue to hold a security which it might otherwise wish to sell or deliver a security it would want to hold. The exercise price of a call option may be below, equal to or above the current market value of the underlying security at the time the option is written.

PURCHASING PUT OPTIONS - The Fund may purchase put options, in which event the Fund would, at all times during which it holds a put option, own the security covered by such option. The purchase of the put on substantially identical securities held would constitute a short sale for tax purposes, the effect of which would be to create short-term capital gain on the sale of the security and to suspend the running of its holding period (and treat it as commencing on the date of the closing of the short sale) or that of a security acquired to cover the same if at the time the put were acquired, the security had not been held for more than one year.

A put option purchased by the Fund would give it the right to sell one of its securities for an agreed price up to an agreed date. The Fund may purchase put options in order to protect against a decline in the market value of the underlying security below the exercise price less the premium paid for the option ("protective puts"). The ability to purchase put options would allow the Fund to protect unrealized gains in an appreciated security in its portfolio without actually selling the security. If the security does not drop in value, the Fund would lose the value of the premium paid. The Fund may sell a put option which it has previously purchased prior to the sale of the securities underlying such option. Such sale would result in a net gain or loss depending on whether the amount received on the sale is more or less than the premium and other transaction costs paid on the put option which is sold.

The Fund may sell a put option purchased on individual portfolio securities. Additionally, the Fund may enter into closing sale transactions. A closing sale transaction is one in which the Fund, when it is the holder of an outstanding option, liquidates its position by selling an option of the same series as the option previously purchased.

WRITING PUT OPTIONS - The Fund may also write put options on a secured basis which means that the Fund will maintain in a segregated account with its Custodian segregated assets in an amount not less than the exercise price of the option at all times during the option period. The amount of segregated assets held in the segregated account will be adjusted on a daily basis to reflect changes in the market value of the securities covered by the put option written by the Fund. Secured put options would generally be written in circumstances where the Fund wishes to purchase the underlying security for the Fund's portfolio at a price lower than the current market price of the security. In such event, the Fund would write a secured put option at an exercise price which, reduced by the premium received on the option, reflects the lower price it is willing to pay.

Following the writing of a put option, the Fund may wish to terminate the obligation to buy the security underlying the option by effecting a closing purchase transaction. This would be accomplished by buying an option of the same series as the option previously written. The Fund may not, however, effect such a closing transaction after it has been notified of the exercise of the option.

STRADDLES - The Fund may write covered straddles consisting of a combination of a call and a put written on the same underlying security. A straddle would be covered when sufficient assets are deposited to meet the Fund's immediate obligations. The Fund may use the same liquid assets to cover both the call and put options where the exercise price of the call and put are the same, or the exercise price of the call is higher than that of the put. In such cases, the Fund would also segregate liquid assets equivalent to the amount, if any, by which the put is "in the money."

INDEX OPTIONS

The Fund may purchase exchange-listed put and call options on stock indices and sell such options in closing sale transactions for hedging purposes. The Fund may purchase call options on broad market indices to temporarily achieve market exposure when the Fund is not fully invested. The Fund may also purchase exchange-listed call options on particular market segment indices to achieve temporary exposure to a specific industry. The Fund may purchase put options on broad market indices in order to protect its fully invested portfolio from a general market decline. Put options on market segments may be bought to protect the Fund from a decline in value of heavily weighted industries in the Fund's portfolio. Put options on stock indices may be used to protect the Fund's investments in the case of a major redemption. While the option is open, the Fund would maintain a segregated account with its Custodian in an amount equal to the market value of the option.

Options on indices are similar to regular options except that an option on an index gives the holder the right, upon exercise, to receive an amount of cash if the closing level of the index upon which the option is based is greater than (in the case of a call) or lesser than (in the case of a put) the exercise price of the option. This amount of cash is equal to the difference between the closing price of the index and the exercise price of the option expressed in dollars times a specified multiple (the "multiplier").

RISKS OF OPTIONS

The purchase and writing of options involves certain risks. During the option period, the covered call writer has, in return for the premium on the option, given up the opportunity to profit from a price increase in the underlying securities above the exercise price, but, as long as its obligation as a writer continues, has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying securities at the exercise price. If a put or call option purchased by the Fund is not sold when it has remaining value, and if the market price of the underlying security, in the case of a put, remains equal to or greater than the exercise price or, in the case of a call, remains less than or equal to the exercise price, the Fund will lose its entire investment in the option. Also where a put or call option on a particular security is purchased to hedge against price movements in a related security, the price of the put or call option may move more or less than the price of the related security. There can be no assurance that a liquid market will exist when

a Fund seeks to close out an option position. Furthermore, if trading restrictions or suspensions are imposed on the options markets, the Fund may be unable to close out a position.

The Fund's purchases of options on indices may subject it to the risks described below:

First, because the value of an index option depends upon movements in the level of the index rather than the price of a particular security, whether the Fund will realize a gain or loss on the purchase of an option on an index depends upon movements in the level of prices in the market generally or in an industry or market segment rather than movements in the price of a particular security. Accordingly, successful use by the Fund of options on indices is subject to the Fund's ability to predict correctly the direction of movements in the market generally or in a particular industry. This requires different skills and techniques than predicting changes in the prices of individual securities.

Second, index prices may be distorted if trading of a substantial number of securities included in the index is interrupted causing the trading of options on that index to be halted. If a trading halt were to occur, the Fund

would not be able to close put options which it had purchased and the Fund may incur losses if the underlying index moved adversely before trading resumed. If a trading halt were to occur and restrictions prohibiting the exercise of options were imposed through the close of trading on the last day before expiration, exercises on that day would be settled on the basis of a closing index value that may not reflect current price information for securities representing a substantial portion of the value of the index.

Third, if the Fund were to hold an index option and were to exercise it before final determination of the closing index value for that day, it would run the risk that the level of the underlying index may change before closing. If such a change were to cause the exercised option to fall "out-of-the-money," the Fund would be required to pay the difference between the closing index value and the exercise price of the option (times the applicable multiplier) to the assigned writer. Though the Fund may be able to minimize this risk by withholding exercise instructions until just before the daily cutoff time or by selling rather than exercising the option when the index level is close to the exercise price, it may not be possible to eliminate this risk entirely because the cutoff times for index options may be earlier than those fixed for other types of options and may occur before definitive closing index values are announced.

OTHER INVESTMENTS

The Board of Trustees may, in the future, authorize the Fund to invest in securities other than those listed in this SAI and in the prospectus, provided such investment would be consistent with the Fund's investment objective and that it would not violate any fundamental investment policies or restrictions.

INVESTMENT RESTRICTIONS

LENDING: The Fund may not make loans, provided that this restriction does not prevent the Fund from purchasing debt obligations, entering into repurchase agreements, loaning its assets to broker-dealers or institutional investors and investing in loans, including assignments and participation interests.

NON-FUNDAMENTAL POLICIES AND RESTRICTIONS: In addition to the fundamental policies and investment restrictions described above, and the various general investment policies described in the Prospectus the Fund will be subject to the following investment restrictions, which are considered non-fundamental and may be changed by the Board of Trustees without shareholder approval.

OTHER INVESTMENT COMPANIES: The Fund is permitted to invest in other investment companies, including open-end, closed-end or unregistered investment companies, either within the percentage limits set forth in the 1940 Act, any rule or order thereunder, or SEC staff interpretation thereof, or without regard to percentage limits in connection with a merger, reorganization, consolidation or other similar transaction. However, the Fund may not operate as a "fund of funds" which invests primarily in the shares of other investment companies as permitted by Section 12(d)(1)(F) or (G) of the 1940 Act, if its own shares are utilized as investments by such a "fund of funds."

ILLIQUID SECURITIES: The Fund may not invest more than 10% of its net assets in securities which it can not sell or dispose of in the ordinary course of business within seven days at approximately the value at which the Fund has valued the investment.

In applying the Fund's fundamental policy concerning concentration that is described above, it is a matter of non-fundamental policy that investments in certain categories of companies will not be considered to be investments in a particular industry. For example: (i) financial service companies will be classified according to the end users of their services, for example, automobile finance, bank finance and diversified finance will each be considered a separate industry; (ii) technology companies will be divided according to their products and services, for example, hardware, software, information services and outsourcing, or telecommunications will each be a separate industry; (iii)

asset-backed securities will be classified according to the underlying assets securing such securities; and (iv) utility companies will be divided according to their services, for example, gas, gas transmission, electric and telephone will each be considered a separate industry.

ADDITIONAL INFORMATION ABOUT PURCHASES AND SALES

PURCHASING SHARES

Shares of the Fund may be purchased without any sales charge through an investment adviser, financial planner, broker, dealer or other investment professional or through a fund supermarket or retirement plan. Shares of the Fund are offered on a continuous basis by the distributor. Other persons may

receive compensation for the marketing and shareholder servicing activities in the form of 12b-1 fees payable by the Fund under its 12b-1 Plan.

The Fund reserves the right to reject any purchase order and to suspend the offering of shares of the Fund. The minimum initial investment is \$5,000 and additional investments must total at least \$1,000. The minimum initial investment for qualified retirement accounts is \$1,000 (\$500 for Education IRAs) and there is no minimum for subsequent investments in these accounts. The Fund may change or waive its policies concerning minimum investment amounts at any time. The Fund's Transfer Agent maintains all shareholder and shareholder transaction(s) records for the Fund.

The Fund does not intend to issue certificates representing shares purchased. Shareholders will have the same rights of ownership with respect to such shares as if certificates had been issued.

Shares of the Fund may be purchased at the Fund's net asset value per share (NAV), which is calculated as of the close of the New York Stock Exchange ("NYSE") (usually 4:00 P.M. eastern time) every day the exchange is open. As of the date of this SAI, the Fund is informed that the NYSE observes the following holidays: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

The NAV is determined by dividing the value of the Fund's securities, cash and other assets, minus all expenses and liabilities, by the number of shares outstanding. The Fund's securities are valued each day at their market value, which usually means the last quoted sale price on the security's principal exchange on that day. Expenses and fees of the Fund, including management, distribution and shareholder servicing fees, are accrued daily and taken into account for the purpose of determining the net asset value.

Cash and any receivables are valued at their realizable amounts. Interest is recorded as accrued and dividends are recorded on the ex-dividend date. Portfolio securities listed on a securities exchange or on the NASDAQ National Market System for which market quotations are readily available are valued at the last quoted sale price of the day or, if there is no such reported sale, within the range of the most recent quoted bid and ask prices. The current market value of any option held by the Fund is its last sale price on the relevant exchange before the time when assets are valued. Lacking any sales that day or if the last sale price is outside the bid and ask prices, options are valued within the range of the current closing bid and ask prices if the valuation is believed to reflect the contract's market value. The value of a foreign security is determined as of the close of trading on the foreign exchange on which it is traded or as of the scheduled close of trading on the NYSE, if that is earlier. Generally, trading in corporate bonds, U.S. government securities and money market instruments is substantially completed each day at various times before the scheduled close of the NYSE. The value of these securities used in computing the NAV of each class is determined as of such time.

Upon purchasing shares of the Fund, if a check or draft is returned unpaid to the Fund the Fund may impose a \$10 charge for each returned item. All checks,

drafts, wires and other payment mediums used to buy or sell shares of the Fund must be denominated in U.S. dollars. The Fund may, in its sole discretion, either (a) reject any order to buy or sell shares denominated in any other currency or (b) honor the transaction or make adjustments to a shareholder's account for the transaction as of a date and with a foreign currency exchange factor determined by the drawee bank.

SELLING SHARES

Shares of the Fund may be redeemed on any business day that the Fund calculates its NAV. The sale price will be the next NAV calculated after the redemption order is accepted by the Fund's transfer agent. No fees are imposed by the Fund when shares are sold.

Shares of the Fund may be sold by giving instructions to the Fund's transfer agent by mail or by telephone. The Fund will use reasonable procedures to confirm that instructions communicated by telephone are genuine and, if such procedures are followed, will not be liable for any losses due to unauthorized or fraudulent telephone transactions. During times of drastic economic or market changes, the telephone redemption privilege may be difficult to implement and the Fund reserves the right to suspend this privilege.

Certain written requests to sell shares require a signature guarantee. For example, a signature guarantee may be required if shares are sold worth \$10,000 or more if your address of record on the account application has been changed within the last 30 days, or if you ask that the proceeds be sent to a different person or address. A signature guarantee is used to help protect you and the Fund from fraud. You can obtain a signature guarantee from most banks and securities dealers, but not from a notary public. Signature guarantees must appear together with the signature(s) of the registered owner(s), on: (1) a written request for redemption; or (2) a separate instrument of assignment, which should specify the total number of shares to be redeemed (this "stock power" may be obtained from the Fund or from most banks or stock brokers).

If shares are sold through a securities dealer or investment professional, it is such person's responsibility to transmit the order to the Fund in a timely fashion. Any loss to you resulting from failure to do so must be settled between you and such person.

Delivery of the proceeds of a redemption of shares purchased and paid for by check shortly before the receipt of the request may be delayed until the Fund determines that the Custodian has completed collection of the purchase check which may take up to 10 days. Also, redemption requests for accounts for which purchases were made by wire may be delayed until the Fund receives a completed application for the account. The Board of Trustees may suspend the right of redemption or postpone the date of payment during any period when (a) trading on the New York Stock Exchange is restricted as determined by the SEC or such exchange is closed for other than weekends and holidays, (b) the SEC has by order permitted such suspension, or (c) an emergency, as defined by rules of the SEC, exists during which time the sale of Fund shares or valuation of securities held by the Fund are not reasonably practicable.

If dividend checks are returned to the Fund marked "unable to forward" by the postal service, the Fund will consider this a request by the shareholder to change the dividend option to reinvest all contributions. The proceeds will be reinvested in additional shares at NAV until the Fund receives new instructions.

If mail is returned as undeliverable or the Fund is unable to locate you or verify your current mailing address, it may deduct the costs of any efforts to find you from your account. These costs may include a percentage of the account when a search company charges a percentage fee in exchange for its

location services.

Distribution or redemption checks sent to a shareholder do not earn interest or any other income during the time the checks remain uncashed. Neither the Fund nor its affiliates will be liable for any loss caused by a shareholder's failure to cash such checks.

The Fund also reserves the right to make a "redemption in kind" if the amount you are redeeming is large enough to affect Fund operations or if the redemption would otherwise disrupt the Fund. For example, the Fund may redeem shares in kind if the amount represents more than 1% of the Fund's assets. When the Fund makes a "redemption in kind" it pays the Seller in portfolio securities rather than cash. If shares are redeemed in kind, the redeeming shareholder may incur brokerage costs in converting the assets to cash. The method of valuing securities used to make redemptions in kind will be the same as the method of valuing portfolio securities is described above. Such valuation will be made as of the same time the redemption price is determined.

In addition, if a shareholder's account balance falls below \$1,000, the Fund may request the balance be increased. If it is still below \$1,000 after 60 days, the Fund may automatically close the account and forward the proceeds to the shareholder.

MANAGEMENT OF THE TRUST

TRUSTEES AND OFFICERS

The Trust is governed by a Board of Trustees which is responsible for protecting the interests of the Fund's shareholders. The Trustees are experienced business persons who meet throughout the year to oversee the Trust's activities, review contractual arrangements with companies that provide services to the Fund, and review performance. The names and business addresses of the Trustees and officers of the Trust, together with information as to their principal occupations during the past five years, are listed below. The Trustees who are considered "interested persons" of the investment adviser or of the Trust, as defined in Section 2(a)(19) of the 1940 Act, are noted with an asterisk (*).

<TABLE>
<CAPTION>

| NAME, ADDRESS AND AGE ----- | POSITION(S) HELD WITH REGISTRANT ----- | PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS ----- |
|---|--|---|
| <S> Theodore F. Ells, Esq. 28 West 44th Street New York, NY 10036 Age 59 | <C> Chairman of the Trustees | <C> Partner of the Law Firm of Craig & Ells |
| D. Roger B. Liddell* 61 Broadway New York, NY 10006 Age 54 | Trustee | Managing Director of Ingalls & Snyder LLC |
| Barnabas B. B. Breed, Esq. Tower Suite 3500 The French Building 551 Fifth Avenue New York, NY 10017 Age 55 | Trustee, Treasurer, Secretary | Principal of the Law Firm of Breed & Associates |
| Robert E. Belknap* 61 Broadway | Trustee | Principal and Senior Director of Ingalls & |

The following individuals have agreed to serve as Trustee of the Fund upon the effectiveness of the Registration Statement:

| | | |
|--|---------|---|
| Steven L. Wood 2250 Century Square 1501 Fourth Avenue Seattle, WA 98101 Age 52 | Trustee | Managing Director of the Real Estate Development Firm of Century Pacific, L.P. |
|--|---------|---|

| | | |
|-----|---|--|
| () | Trustee, Assistant Treasurer, Assistant Secretary | (Officer) of Firststar Bank, Administrator of the Fund |
|-----|---|--|

</TABLE>

ADVISORY BOARD

The Fund has an Advisory Board whose members are experienced in many different types of business and who assist the Fund's portfolio manager in the ongoing assessment of economic, political and social developments as they may

affect the investment strategy of the Fund. The members of the Advisory Board are not compensated, do not give investment advice to the Fund, and are as follows:

<TABLE>
<CAPTION>

| NAME, BUSINESS ADDRESS ----- | PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS ----- |
|---|--|
| <S> Thomas H. Belknap, Esq. One International Place Boston, MA 02110-2607 | <C> Partner of the Law Firm of Hill & Barlow |
| Mr. David G. Booth 15 Garden Place Brooklyn, NY 11201 | Managing Director, Ret., of the investment firm Morgan Stanley Dean Witter, Inc. |
| Mr. Marc Declerck Place du Champs de Mars 2 Marsveldplain Brussels 1050, Belgium | Partner of the investment firm of Havaux & Cie |
| Mr. Christopher Finn 20 Berkeley Square London W1X 6NB United Kingdom | Managing Director - International of the merchant banking firm The Carlyle Group |
| Mr. Jolmer D. Gerritse Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands | Managing Director of the investment firm SNS Securities N.V. |
| Mr. John G. Hunter 123 East 54th Street New York, NY 10022 | Managing Director of the conference management company The Management Exchange, Inc. |
| Mr. William J. Loschert | Chairman of the insurance company ACE |

Crosby Court
38 Bishopsgate
London EC2N 4DL
United Kingdom

UK Limited

Mr. E. Lawrence Minard, III
60 Fifth Avenue
New York, NY 10011

Managing Editor of Forbes Global
Business & Finance Magazine

NAME, BUSINESS ADDRESS

PRINCIPAL OCCUPATION(S)
DURING THE PAST 5 YEARS

Mr. C. P. T. Vaughan-Johnson
1 Hobart Place
London SW1W 0HU
England

Deputy Chairman of the private bank
Duncan Lawrie Limited

Mr. Wynant D. Vanderpoel
79 East 79th Street
New York, NY 10021

President of private investment
company The Vanderpoel Group

Mr. Lewis M. Weston
85 Broad Street
New York, NY 10004

Limited Partner of the investment firm
Goldman, Sachs & Company

Mr. Christopher Wetherhill
P. O. Box HM 951
Hamilton HM DX
Bermuda

Managing Director of the mutual fund
services firm Hemisphere Management
Ltd.

Mr. Edward W. Wheeler
630 3rd Avenue
New York, NY 10017

Senior Vice President of the
investment research firm The
Buckingham Research Group, Inc.

Mr. Robert D. White
414 East 75th Street
New York, NY 10021

Chief Operating Officer of the
investment firm Investor Select
Advisers, Inc.

Roger T. Wickers, Esq.
99 Springfield Point
Wolfeboro, NH 03894

Senior Vice President and General
Counsel, Ret., of the mutual fund
management company The Keystone Group

Mr. Henry K. Wingate
P.O. Box 197
Sandisfield, MA 01255

Independent Educational Consultant

</TABLE>

COMPENSATION OF TRUSTEES: The Trust does not compensate the Trustees who are officers or employees of the Adviser or its affiliates. The "independent" Trustees receive a fee of \$250 for each meeting of the Trustees which they attend in person or by telephone. Trustees are reimbursed for travel and other out-of-pocket expenses. The Board of Trustees is expected to hold regular quarterly meetings each year, and would receive the annual compensation shown below from the Trust for serving on the Board and attending such meetings. The Trust does not offer any retirement benefits for Trustees. As of July 15th,

1999, the officers and Trustees, individually and as a group, owned beneficially less than 1% of the outstanding shares of the Fund.

<TABLE>
<CAPTION>

AGGREGATE COMPENSATION

| NAME OF TRUSTEE | TITLE | FROM TRUST |
|------------------------|--------------------------|------------|
| <S> | <C> | <C> |
| Theodore F. Ells, Esq. | Chairman of the Trustees | \$1,000 |
| Steven L. Wood | Trustee | \$1,000 |
| D. Roger B. Liddell | Trustee | None |
| Barnabas B. B. Breed | Trustee | \$1,000 |
| Robert E. Belknap | Trustee | None |

</TABLE>

INVESTMENT ADVISER AND ADVISORY AGREEMENT: Ingalls & Snyder LLC ("Ingalls & Snyder" or the "Adviser"), having its principal offices located at 61 Broadway, New York, NY 10006, is the Fund's investment adviser. Ingalls & Snyder is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Ingalls & Snyder serves as investment adviser to the Fund pursuant to an Investment Advisory Agreement with the Trust dated as of _____ (the "Advisory Agreement"). Under the Advisory Agreement, the Adviser, subject to the supervision of the Trustees, provides a continuous investment program for the Fund, including investment research and management with respect to securities, investments and cash equivalents, in accordance with the Fund's investment objective, policies and restrictions as set forth in its prospectus, this SAI and the resolutions of the Trustees. The Adviser is responsible for effecting all security transactions on behalf of the Fund, including the allocation of principal business and portfolio brokerage and the negotiation of commissions. The Adviser also maintains books and records with respect to the securities transactions of the Fund and furnishes to the Trustees such periodic or other reports as the Trustees may request.

The Fund is obligated to pay the Adviser a monthly fee equal to an annual rate of 1.00% of the Fund's average daily net assets. The Adviser has voluntarily agreed to waive its advisory fee or make payments to limit Fund expenses to the extent necessary to ensure that total operating expenses of the Fund do not exceed 1.70% of average daily net assets during the Fund's first year of operations. This voluntary arrangement may be terminated by the Adviser at any time.

During the term of the Advisory Agreement, the Adviser will pay all expenses incurred by it in connection with its activities thereunder except the cost of securities (including brokerage commissions, if any) purchased for the Fund. The services furnished by the Adviser under the Advisory Agreement are not exclusive, and the Adviser is free to perform similar services for others. (Rev.d 7/9/99)

Ingalls & Snyder is an independent, privately owned firm. Its shareholders consist of twenty-five directors, none of whom owns 25% of its outstanding stock.

Unless sooner terminated in accordance with its terms, the Advisory Agreement is initially effective for a period of two years and may be continued from year to year, provided that such continuance is approved at least annually by a vote of the holders of a "majority" (as defined in the 1940 Act) of the outstanding voting securities of the Fund, or by the Trustees, and in either event by vote of a majority of the Trustees who are not parties to the Advisory Agreement or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval. The required shareholder approval of any continuance will be effective with respect to the Fund if a majority of the outstanding voting securities of the Fund votes to approve such continuance.

The Advisory Agreement will automatically terminate in the event of its "assignment" as that term is defined in the 1940 Act, and may be terminated without penalty at any time upon 60 days' written notice to the other party: (i) by the majority vote of all the Trustees or by majority vote of the outstanding

voting securities of the Fund; or (ii) by the Adviser.

The Advisory Agreement may be amended by the parties, provided, in most cases, that any such amendment is specifically approved by the vote of a majority of the outstanding voting securities of the Fund and by the vote of a majority of the Trustees who are not interested persons of the Fund or of the Adviser, cast in person at a meeting called for the purpose of voting upon such approval.

Under the terms of the Advisory Agreement, the Adviser will be liable to the Fund only for losses resulting from a breach of fiduciary duty with respect to the receipt of compensation for services, willful misfeasance, bad faith, gross negligence or reckless disregard of duty.

The Adviser and the Trustees have agreed that the Fund will use the name "Legacy," and that other funds with differing investment objectives may also be formed under the Legacy name.

CODE OF ETHICS

Both the Fund and the Adviser have adopted a Code of Ethics that governs the conduct of employees of the Fund and the Adviser who may have access to information about the Fund's securities transactions. The Code recognizes that such persons owe a fiduciary duty to the Fund's shareholders and must place the interests of shareholders ahead of their own interests. Among other things, the Code requires pre-clearance of personal securities transactions; certain blackout periods for personal trading of securities which may be considered for purchase or sale by the Fund or other clients of the adviser; and prohibitions against personal trading of initial public offerings. Violations of the code are subject to review by the Trustees and could result in severe penalties.

SERVICE AGREEMENTS

As more fully described below, the Trust has entered into a number of agreements with Firststar Mutual Funds Services, LLC ("Firststar"), a Wisconsin

limited liability company, pursuant to which management-related and other services are performed for the Fund. Firststar serves as the Administrator, Transfer and Dividend Disbursing Agent, and Fund Accountant. Firststar Trust Company serves as the Fund's Custodian. The principal offices of Firststar and Firststar Trust Company are located at 615 Michigan Avenue, Milwaukee, WI 53202.

ADMINISTRATOR

Pursuant to an Administration Agreement with the Trust dated as of _____ (the "Administration Agreement"), Firststar serves as Administrator of the Fund and subject to the direction and control of the Trustees, supervises all aspects of the operation of the Fund except those performed by the Fund's Adviser. As administrator, Firststar receives asset-based fees at the annual rates of 0.06% on the first \$200 million of average daily net assets, 0.05% on the next \$500 million of average daily net assets and 0.03% on average daily net assets above \$700 million, subject to a minimum amount of \$ _____ per year.

Under the Administration Agreement, Firststar provides certain administrative services and facilities for the Fund. These services include preparing and maintaining books, records, tax and financial reports, and monitoring compliance with state and federal regulatory requirements.

FUND ACCOUNTING

Pursuant to an Accounting Agreement with the Trust dated as of November 11, 1998 (the "Accounting Agreement"), Firststar is responsible for accounting relating to the Fund and its investment transactions; maintaining certain books

and records of the Fund; determining daily the net asset value per share of the Fund and calculating yield, dividends and capital gain distributions; and preparing security position, transaction and cash position reports.

Under the Accounting Agreement, Firststar maintains portfolio trading records and records of brokerage activity in order to provide monthly brokerage reports which identify brokers and set forth commission amounts. Firststar also monitors periodic distributions of gains or losses on portfolio sales and maintains a daily listing of portfolio holdings. Firststar is responsible for expenses accrued and payment reporting services. Firststar provides tax accounting services and tax-related financial information to the Trustees. Firststar also monitors compliance with the regulatory requirements relating to maintaining accounting records.

TRANSFER AGENT

Pursuant to a Transfer Agency Agreement with the Trust dated as of _____ (the "Transfer Agency Agreement"), Firststar acts as the Trust's transfer, dividend disbursing and redemption agent. Firststar provides certain shareholder and other services to the Trust, including: furnishing account and transaction information; providing mailing labels for the distribution to the Fund's shareholders of financial reports, prospectuses, proxy statements and other such materials; providing compliance reporting; calculating distribution plan and marketing expenses; and maintaining shareholder account records.

Firststar is responsible for processing orders for Fund shares and ensuring appropriate participation with the National Securities Clearing Corporation for transactions with Fund shares. If so requested by the Trustees, Firststar will produce shareholder lists and reports for proxy solicitations. Firststar receives and processes redemption requests and administers distribution of redemption proceeds. Firststar also handles shareholder inquiries and provides routine account information. In addition, Firststar prepares and files appropriate tax related information concerning dividends and distributions to shareholders.

CUSTODIAN

Pursuant to a Custodian Servicing Agreement with the Trust dated as of November 11, 1998 (the "Custodian Agreement"), Firststar Trust Company acts as the Custodian of the Fund's securities and cash. Portfolio securities purchased in the U.S. are maintained in the custody of the Custodian and may be entered into the Federal Reserve Book Entry System of the security depository system of the Depository Trust Corporation. Firststar Trust Company maintains one account in the name of the Fund. Firststar Trust Company is responsible for holding and making payments of all cash received for the account of the Fund.

From the Fund's account Firststar Trust Company may make payments for the purchase of securities, payment of interest, taxes, fees and other operating expenses. As the Custodian, Firststar Trust Company is authorized to endorse and collect checks, drafts or other orders for payment. Firststar Trust Company is responsible for the release or delivery of portfolio securities. Firststar Trust Company also monitors compliance with the regulatory requirements of the Treasury Department, Internal Revenue Service and the laws of the various states. Firststar Trust Company is compensated on the basis of an annual fee based on the market value of the assets of the Fund and on fees for certain transactions.

DISTRIBUTOR

Ingalls & Snyder LLC (the "Distributor"), located at 61 Broadway, New York, NY 10006, serves as the underwriter and distributor for the shares of the Fund pursuant to a Distribution Agreement with the Trust dated as of _____ (the "Distribution Agreement"). The distributor is registered as a broker-dealer under the 1934 Act and each state's securities laws and is a member of the National Association of Securities Dealers ("NASD"). The offering of the Fund's shares is continuous. The Distribution Agreement provides that the Distributor, as agent in connection with the distribution of Fund shares, will

use appropriate efforts to solicit orders for the sale of Fund shares and undertake such advertising and promotion as it deems reasonable, including, but not limited to, advertising, compensation to underwriters, dealers and sales personnel, printing and mailing prospectuses to persons other than current Fund shareholders, and printing and mailing sales literature.

DISTRIBUTION PLAN

The Board of Trustees has adopted a Distribution and Shareholder Servicing Plan ("the Plan") on behalf of the Fund, in accordance with Rule 12b-1 (the "Rule") under the 1940 Act. The Fund is authorized under the Plan to use the

assets of the Fund to reimburse the Distributor or others for certain activities relating to the distribution of shares of the Fund to investors and the provision of shareholder services. The maximum amount payable under the Plan is 0.25% of the Fund's average net assets on an annual basis. Because these fees are paid out of the Fund's assets on an ongoing basis, over time these fees will increase the cost of an investor's investment.

The NASD's maximum sales charge rule relating to mutual fund shares establishes limits on all types of sales charges, whether front-end, deferred or asset-based. This rule may operate to limit the aggregate distribution fees to which shareholders may be subject under the terms of the Plan.

The Plan authorizes the use of distribution fees to pay, or reimburse expenses incurred by, banks, broker-dealers and other institutions which provide distribution assistance and/or shareholder services including, but not limited to, printing and distributing prospectuses to persons other than Fund shareholders, printing and distributing advertising and sales literature and reports to shareholders used in connection with selling shares of the Fund, furnishing personnel and communications equipment to service shareholder accounts and prospective shareholder inquiries. Such services may be performed by the Distributor, the Adviser or others.

The Plan requires that any person authorized to direct the disposition of monies paid or payable by the Fund pursuant to the Plan or any related agreement prepare and furnish to the Trustees for their review, at least quarterly, written reports complying with the requirements of the Rule and setting out the amounts expended under the Plan and the purposes for which those expenditures were made. The Plan provides that so long as it is in effect the selection and nomination of Trustees who are not interested persons of the Trust will be committed to the discretion of the Trustees then in office who are not interested persons of the Trust.

Neither the Plan nor any related agreements can take effect until approved by a majority vote of both all the Trustees and those Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Plan or in any agreements related to the Plan cast in person at a meeting called for the purpose of voting on the Plan and the related agreements. The Trustees approved the Plan on
-----.

The Plan will continue in effect only so long as its continuance is specifically approved at least annually by the Trustees in the manner described above for Trustee approval of the Plan. The Plan for the Fund may be terminated at any time by a majority vote of the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the operations of the Plan or in any agreement related to the Plan or by vote of a majority of the outstanding voting securities of the Fund.

The Plan may not be amended so as to materially increase the amount of the distribution fees for the Fund unless the amendment is approved by a vote of at least a majority of the outstanding voting securities of the Fund. In addition, no material amendment may be made unless approved by the Trustees in the manner described above for Trustee approval of the Plan.

INDEPENDENT ACCOUNTANTS

The Fund's independent accountants, _____, will audit the Fund's annual financial statements and review the Fund's tax returns. _____ is located at _____.

PORTFOLIO TRANSACTIONS AND TURNOVER

The Fund's portfolio securities transactions are placed by the Investment Adviser. One of the main objectives of the Fund is to obtain the best available prices in its portfolio transactions, taking into account the costs, promptness of executions and other qualitative considerations. There is no pre-existing commitment to place orders with any broker, dealer or member of an exchange. The Investment Adviser evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions, including the broker's commission rate, execution capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinions pertaining to trading strategy, back office efficiency, ability to handle difficult trades, financial stability, and prior performance in servicing the Investment Adviser and its clients. In transactions on equity securities and U.S. Government securities executed in the over-the-counter market, purchases and sales are transacted directly with principal market-makers except in those circumstances where, in the opinion of the Investment Adviser, better prices and executions are available elsewhere.

The Investment Adviser, when effecting purchases and sales of portfolio securities for the account of the Fund, will seek execution of trades either (i) at the most favorable and competitive rate of commission charged by any broker, dealer or member of an exchange, or (ii) at a higher rate of commission charges, if reasonable, in relation to brokerage and research services provided to the Fund or the Investment Adviser by such member, broker, or dealer. Such services may include, but are not limited to, any one or more of the following: information as to the availability of securities for purchase or sale, statistical or factual information, or opinions pertaining to investments. The Investment Adviser may use research and services provided by brokers and dealers in servicing all its clients, including the Fund, and not all such services will be used by the Investment Adviser in connection with the Fund. In accordance with the provisions of Section 28(e) of the 1934 Act, the Adviser may from time to time receive services and products which serve both research and non-research functions. In such event, the Adviser makes a good faith determination of the anticipated research and non-research use of the product or service and allocates brokerage only with respect to the research component. Brokerage may be allocated to Ingalls & Snyder, in its capacity as broker-dealer. Brokerage may also be allocated to dealers in consideration of the Fund's share distribution but only when execution and price are comparable to that offered by other brokers.

The Investment Adviser provides investment advisory services to individuals and other institutional clients, including corporate pension plans, profit-sharing and other employee benefit trusts, and other investment pools. There may be occasions when other investment advisory clients advised by the

Investment Adviser may also invest in the same securities as the Fund. When these clients buy or sell the same securities at substantially the same time, the Investment Adviser may average the transactions as to price and allocate the amount of available investments in a manner which it believes to be equitable to each client, including the Fund. As well, to the extent permitted by law, the Investment Adviser may aggregate the securities to be sold or purchased for the Fund with those to be sold or purchased for other clients managed by it in order to obtain lower brokerage commissions.

The Fund does not normally engage in frequent trading activities for short-term gains; however, the Adviser will effect portfolio transactions

without regard to holding period if, in its judgment, such transactions are advisable in light of a change in circumstances of a particular company or within a particular industry or in general market, economic or financial conditions. While the Fund anticipates that its annual portfolio turnover rate should not exceed 50% under normal conditions, it is impossible to predict portfolio turnover rates. The portfolio turnover rate is calculated by dividing the lesser of the Fund's annual sales or purchases of portfolio securities (exclusive of purchases or sales of securities whose maturities at the time of acquisition were one year or less) by the monthly average value of the securities in the portfolio during the year.

SHARES OF BENEFICIAL INTEREST

The Trust is a series business trust that currently offers one series of shares. The beneficial interest of the Trust is divided into an unlimited number of shares, with a par value of \$0.001 each. Each share has equal dividend, voting, liquidation and redemption rights. There are no conversion or preemptive rights. Shares, when issued, will be fully paid and nonassessable. Fractional shares have proportional voting rights. Shares of the Fund do not have cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of trustees can elect all of the trustees if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any person to the Board of Trustees. Shares will be maintained in open accounts on the books of the Transfer Agent, and certificates for shares will generally not be issued.

If they deem it advisable and in the best interests of shareholders, the Trustees may create additional funds, each of which represents interests in a separate portfolio of investments and is subject to separate liabilities, and may create multiple classes of shares of such funds, which may differ from each other as to expenses and dividends. If additional funds are created, shares of each fund are entitled to vote only to the extent required by the 1940 Act or as permitted by the Trustees. Upon the Trust's liquidation, all shareholders of a fund would share pro-rata in the net ASSETS of such fund available for distribution to shareholders of the fund, but, as shareholders of such a fund, would not be entitled to share in the distribution of assets belonging to any other fund.

DIVIDENDS

A shareholder will automatically receive all dividend and capital gain distributions in additional full and fractional shares of the Fund at their net

asset value as of the date of payment unless the shareholder elects to receive such dividends or distributions in cash. The reinvestment date normally precedes the payment date by about seven days although the exact timing is subject to change. Shareholders will receive a confirmation of each new transaction in their account. The Fund will confirm all account activity, including the payment of dividend and capital gain distributions and all Fund share transactions. Shareholders may rely on these statements in lieu of stock certificates. Stock certificates representing shares of the Fund will not be issued.

ADDITIONAL INFORMATION ON DISTRIBUTIONS AND TAXES

DISTRIBUTIONS

DISTRIBUTIONS OF NET INVESTMENT INCOME. The Fund receives income generally in the form of dividends and interest on its investments. This income, less expenses incurred in the operation of the Fund, constitute its net investment income from which dividends may be paid to shareholders. Any distributions by the Fund from such income will be taxable to most U.S. shareholders as ordinary income, whether such income is taken in cash or in additional shares.

DISTRIBUTIONS OF CAPITAL GAINS. The Fund may derive capital gains and losses in connection with sales or other dispositions of its portfolio securities. Distributions derived from the excess of net short-term capital gain over net long-term capital loss will be taxable to most U.S. shareholders as ordinary income. Distributions paid from long-term capital gains realized by the Fund will be taxable to most U.S. shareholders as long-term capital gain, regardless of how long the shares have been held. Any net short-term or long-term capital gains realized by the Fund (net of any capital loss carryovers) generally will be distributed once each year, and may be distributed more frequently, if necessary, in order to reduce or eliminate federal excise or income taxes on the Fund.

INFORMATION ON THE TAX CHARACTER OF DISTRIBUTIONS. The Fund will inform all shareholders of the amount and character of all distributions at the time they are paid, and will advise shareholders of the tax status for federal income tax purposes of such distributions shortly after the close of each calendar year. If shareholders have not held Fund shares for a year, said shareholders may have designated and distributed to them as ordinary income or capital gain a percentage of income that is not equal to the actual amount of such income earned during the period of their investment in the Fund.

TAXES

ELECTION TO BE TAXED AS A REGULATED INVESTMENT COMPANY. The Fund intends to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code (the "Code"), and intends to so qualify during the current fiscal year. As a regulated investment company, the Fund generally pays no federal income tax on the income and gains it distributes to shareholders. The Board of Trustees reserves the right not to maintain the qualification of the Fund as a regulated investment company if it determines such course of action to be beneficial to the shareholders. In such case, the Fund would be subject to federal, and possibly state, corporate taxes on its taxable income and gains,

and distributions to shareholders would be taxed as ordinary dividend income to the extent of the Fund's available earnings and profits.

EXCISE TAX DISTRIBUTION REQUIREMENTS. The Code requires the Fund to distribute at least 98% of its taxable ordinary income earned during the calendar year and 98% of its net capital gain income earned during the twelve month period ending October 31 (in addition to undisputable amounts from the prior year) to shareholders by December 31 of each year in order to avoid federal excise taxes. The Fund intends to declare and pay sufficient dividends in December (or in January that are treated by shareholders as received in December) but does not guarantee and can give no assurances that such distributions will be sufficient to eliminate all such taxes.

REDEMPTION OF FUND SHARES. Redemptions and exchanges of Fund shares of U.S. shareholders are taxable transactions for federal and state income tax purposes which cause such shareholders to recognize a gain or loss. If shares are held as a capital asset, the gain or loss realized will be a capital gain or loss. Any loss incurred on the redemption or exchange of shares held for six months or less will be treated as a long-term capital loss to U.S. shareholders to the extent of any long-term capital gains distributed to such shareholders by the Fund on those shares.

All or a portion of any loss realized upon the redemption of Fund shares by U.S. shareholders will be disallowed to the extent that such shareholders purchase other shares in the Fund (through reinvestment of dividends or otherwise) within 30 days before or after said share redemption. Any loss disallowed under these rules will be added to the tax basis of the new shares purchased.

DIVIDENDS-RECEIVED DEDUCTION FOR CORPORATIONS. Dividends paid by the Fund will generally qualify in part for the 70% dividends-received deduction for U.S. corporations, but the portion of the dividends so qualifying depends on the aggregate taxable qualifying dividend income received by such corporation from

domestic (13.5.) sources. The Fund will send to shareholders a statement each year advising the amount designated by the Fund as eligible for such treatment. All dividends (including the deducted portion) must be included in any alternative minimum taxable income calculation.

INVESTMENT IN COMPLEX SECURITIES. The Fund may invest in complex securities. Such investments may be subject to numerous special and complicated tax rules. These rules could affect whether gains and losses recognized by the Fund are treated as ordinary income or capital gain and/or accelerate the recognition of income to the Fund or defer the Fund's ability to recognize losses. In turn, these rules may affect the amount, timing or character of the income distributed to shareholders by the Fund.

INVESTMENT PERFORMANCE

For purposes of quoting and comparing the performance of the Fund to other mutual funds and to relevant indices in advertisements or in reports to

shareholders, performance will be stated in terms of total return or yield. Both "total return" and "yield" figures are based on the historical performance of a fund, show the performance of a hypothetical investment and are not intended to indicate future performance.

YIELD INFORMATION

From time to time, the Fund may advertise a yield figure. A portfolio's yield is a way of showing the rate of income the portfolio earns on its investments as a percentage of the portfolio's share price. Under the rules of the SEC, yield must be calculated according to the following formula:

$$\text{YIELD} = \frac{2[(A-B + 1)6 - 1]}{cd}$$

Where:

- a = dividends and interest earned during the period.
- b = expenses accrued for the period (net of reimbursements).
- c = the average daily number of shares outstanding during the period that were entitled to receive dividends.
- d = the maximum offering price per share on the last day of the period.

Yields for the Fund used in advertising are computed by dividing the Fund's interest and dividend income for a given 30-day period, net of expenses, by the average number of shares entitled to receive distributions during the period, dividing this figure by a Fund's offering price at the end of the period and annualizing the result (assuming compounding of income) in order to arrive at an annual percentage rate. Income is calculated for purposes of yield quotations in accordance with standardized methods applicable to all stock and bond mutual funds. Dividends from equity investments are treated as if they were accrued on a daily basis, solely for the purposes of yield calculations. In general, interest income is reduced with respect to bonds trading at a premium over their par value by subtracting a portion of the premium from income on a daily basis, and is increased with respect to bonds trading at a discount by adding a portion of the discount to daily income. Capital gains and losses generally are excluded from the calculation. Income calculated for the purpose of calculating a Fund's yield differs from income as determined for other accounting purposes. Because of the different accounting methods used, and because of the compounding assumed in yield calculations, the yield quoted for a Fund may differ from the rate of distributions the Fund paid over the same period or the rate of income reported in the Fund's financial statements.

TOTAL RETURN PERFORMANCE

Under the rules of the SEC, funds advertising performance must include total return quotes, "T" below, calculated according to the following formula:

$$P(1+T)^N=ERV$$

Where:

P = a hypothetical initial payment of \$1,000

T = average annual total return

N = number of years (1, 5 or 10)

ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 or 10 year periods (or fractional portion thereof).

The average annual total return will be calculated under the foregoing formula and the time periods used in advertising will be based on rolling calendar quarters, updated to the last day of the most recent quarter prior to submission of the advertising for publication, and will cover prescribed periods. When the period since inception is less than one year, the total return quoted will be the aggregate return for the period. In calculating the ending redeemable value, the maximum sales load is deducted from the initial \$1,000 payment and all dividends and distributions by the Fund are assumed to have been reinvested at net asset value as described in the prospectuses on the reinvestment dates during the period. Total return, or "T" in the formula above, is computed by finding the average annual compounded rates of return over the prescribed periods (or fractional portions thereof) that would equate the initial amount invested to the ending redeemable value. Any sales loads that might in the future be made applicable at the time to reinvestment would be included as would any recurring account charges that might be imposed by the Fund.

The Fund may also from time to time include in such advertising an aggregate total return figure or an aggregate annual total return figure that is not calculated according to the formula set forth above in order to compare more accurately the Fund's performance with other measures of investment return. The Fund may quote an aggregate total return figure in comparing the Fund's total return with data published by Lipper Analytical Services, Inc. or with the performance of various indices including, but not limited to, the Dow Jones Industrial Average, the Standard & Poor's 500 Stock Index, Russell Indices, and the Value Line Composite Index. For such purposes, each Fund calculates its aggregate total return for the specified periods of time by assuming the investment of \$1,000 in Fund shares and assuming the reinvestment of each dividend or other distribution at net asset value on the reinvestment date. Percentage increases are determined by subtracting the initial value of the investment from the ending value and by dividing the remainder by the beginning value.

The Fund does not, for these purposes, deduct from the initial value invested any amount representing sales charges. The Fund would, however, disclose the maximum sales charge and would also disclose that the performance data does not reflect sales charges and that the inclusion of sales charges would reduce the performance quoted, if a sales charge is in effect. To calculate its average annual total return, the aggregate return is then annualized according to the SEC's formula for total return quotes, outlined above. When the period since inception is less than one year, the total return quoted will be the aggregate return for the period.

The Fund may also advertise the performance rankings assigned by various publications and statistical services, including but not limited to SEI, Lipper Mutual Fund Performance Analysis, Intersect Research Survey of Non-U.S. Equity Fund Returns, Frank Russell International Universe, and any other data which may be presented from time to time by such analysts as Dow Jones, Morningstar, Inc., Chase Investment Performance, Wilson Associates, Stanger, CDA Investment Technologies, Inc., the Consumer Price Index ("CPI"), The Bank Rate Monitor National Index, IBC/Donaghue's Average/U.S. Government and Agency, or as they

appear in various publications, including but not limited to, The Wall Street Journal, Forbes, Barron's, Fortune, Money Magazine, The New York Times, Financial World, Financial Services Week, USA Today and other regional publications.

FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

LEGACY GROWTH FUND
Statement of Assets and Liabilities

| <S> <C> | <C> |
|--|----------------|
| ASSETS | |
| Cash | \$ (-) |
| Receivable from sponsor | |
| Prepaid initial registration fees | |
| Prepaid insurance | ----- |
| Total Assets | \$ (-) |
| LIABILITIES | |
| Payable to sponsor | \$ |
| | ----- |
| Total Liabilities | \$ (-) |
| NET ASSETS | |
| | \$ (-) |
| Capital Shares, \$0.001 par value, unlimited shares authorized | (-) ----- |
| Net asset value offering and redemption price per share (net assets/shares outstanding) | \$ (-) |

</TABLE>

<TABLE>
<CAPTION>

LEGACY GROWTH FUND
Statement of Operations
For the Period _____ (inception) through _____

| <S> | <C> |
|---|-------|
| EXPENSES | |
| Organization | \$ |
| Less: Accrued expenses to be paid by sponsor | (\$) |
| Net Income (loss) | ----- |
| | \$0 |

</TABLE>

LEGACY GROWTH FUND
Notes to the Financial Statements

1. Organization

The Legacy Growth Fund (the "Fund") is a series of The Legacy Funds (the "Trust"), a business trust organized on _____ in the state of Delaware and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end diversified management investment company. The Legacy Growth Fund is currently the only series of the Trust. The Fund has had no operations other than those relating to organizational matters, including the sale of 10,000 shares for cash in the amount of \$100,000, which were sold to Ingalls & Snyder LLC (the "Adviser"), on _____.

2. Significant Accounting Policies

(a) Organization and Prepaid Initial Registration Expenses

Expenses incurred by the Trust in connection with the organization and the initial public offering of shares are expensed as incurred. These expenses were advanced by the Adviser, which voluntarily agreed to reimburse the Fund for such expenses, subject to potential recovery (see Note 3). Prepaid initial registration expenses are deferred and amortized over the period of benefit.

(b) Federal Income Taxes

The Fund intends to comply with those requirements of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all Federal income taxes.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the making of estimates and use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Investment Adviser

The Trust has an Investment Advisory Agreement (the "Agreement") with the Adviser, with whom certain officers and Trustees of the Trust are affiliated, to furnish advisory services to the Fund. Under the terms of the Agreement, the Trust, on behalf of the Fund, compensates the Adviser for its management services at the annual rate of 1% of the Fund's average daily assets.

The Adviser has agreed to voluntarily waive its management fee and/or reimburse the Fund's other expenses, including organization expenses, to the extent necessary to ensure that the Fund's operating expenses do not exceed 1.70% of its average daily net assets. Any such waiver or reimbursement is subject to later adjustment to allow the Adviser to recoup amounts waived or reimbursed to the extent actual fees and expenses for a period are less than the expense limitation caps, provided, however, that the Adviser shall only be entitled to recoup such amounts for a period of three years from the date such amount was waived or reimbursed.

4. Distribution Plan

The Trust, on behalf of the Fund, has adopted a distribution plan pursuant to Rule 12b-1 under the 1940 Act (the "12b-1 Plan"), which provides that

the Fund may reimburse the Fund's distributor or others at an annual rate of up to 0.25% of the average daily net assets attributable to its shares. Payments under the 12b-1 Plan shall be used to compensate or reimburse the Fund's distributor for services provided and expenses incurred in connection with the sale of shares and are tied to the amounts of actual expenses incurred.

INDEPENDENT ACCOUNTANTS' REPORT

To the Shareholder and Board of Trustees of the Legacy Growth Fund

We have audited the accompanying statement of assets and liabilities of the Legacy Growth Fund (the "Fund"), as of _____ and the related statement of operations for the period _____ (inception) through _____. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of _____ and the results of its operations for the period _____ (inception) through _____, in conformity with generally accepted accounting principles.

PART C. OTHER INFORMATION

Item 23. Exhibits

- (a) Certificate of Trust of the Registrant
 - (1) Agreement and Declaration of Trust of Registrant dated July 14, 1999 to be filed by Pre-Effective Amendment.
 - (2) Certificate of Trust of Registrant dated July 14, 1999 is filed herewith as Exhibit No. 23(a)(2).
- (b) By-Laws of the Registrant is filed herewith as Exhibit No. 23(b).
- (c) Instruments Defining Rights of Security Holders
 - (1) Agreement and Declaration of Trust to be filed by Pre-Effective Amendment.
 - (2) Certificate of Trust. (See Exhibit 23(a)(2).)
 - (3) By-Laws of Registrant. (See Exhibit 23(b).)
- (d) Investment Advisory Agreement dated as of _____, 1999 between the Registrant and Ingalls & Snyder, LLC is filed herewith as Exhibit No. 23(d).
- (e) Distribution Agreement dated as of _____, 1999 between the Registrant and Ingalls & Snyder, LLC is filed herewith as Exhibit No. 23(e).

- (f) Not Applicable
- (g) Custodian Services Agreement dated as of _____, 1999 between the Registrant and Firststar Trust Company is filed herewith as Exhibit No. 23(g)(1).
- (h) Other Material Contracts
 - (1) Fund Administration Servicing Agreement dated as of _____, 1999 between the Registrant and Firststar Mutual Fund Service, LLC is filed herewith as Exhibit No. 23(h)(1).
 - (2) Fund Accounting Servicing Agreement dated as of _____, 1999 between the Registrant and Firststar Mutual Fund Service, LLC is filed herewith as Exhibit No. 23(h)(2:).
 - (3) Transfer Agency Services Agreement dated as of _____, 1999 between the Registrant and Firststar Mutual Fund Service, LLC is filed herewith as Exhibit No. 23(h)(3).
- (i) Legal Opinion and Consent of Hughes Hubbard & Reed LLP to be filed by Pre-Effective Amendment.
- (j) Consent of independent auditors to be filed by Pre-Effective Amendment.
- (k) Omitted Financial Statements to be filed by Pre-Effective Amendment.
- (l) Initial Capital Agreements to be filed by Pre-Effective Amendment
- (m) Rule 12b-1 Plan is filed herewith as Exhibit No. 23(m).
- (n) Not Applicable
- (o) Not Applicable

Item 24. Persons Controlled by or under Common Control with Fund

[Not Applicable]

Item 25. Indemnification

Reference is made to Section 7.02 of the Registrant's Agreement and Declaration of Trust.

Pursuant to Rule 484 under the Securities Act of 1933, as amended, the Registrant furnishes the following undertaking: "Insofar as indemnification for liability arising under the Securities Act of 1933 (the "Act") may be permitted to trustees, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue."

Item 26. Business and Other Connections of Investment Adviser

[To be completed by amendment.]

Item 27. Principal Underwriters

- (a) Not Applicable
- (b) [To be completed by amendment.]

| NAME OF DIRECTOR OR OFFICER OF THE DISTRIBUTOR | PRINCIPAL BUSINESS ADDRESS | POSITIONS AND OFFICES WITH DISTRIBUTOR |
|---|----------------------------|---|
|---|----------------------------|---|

Item 28. Location of Accounts and Records

The books and other documents required to be maintained pursuant to Rule 31a-1(b) (4) and (b) (10) are in the physical possession of the Fund's Investment Adviser, Ingalls & Snyder LLC, 61 Broadway, New York, New York, 10006; accounts, books and other documents required by Rule 31a-1(b) (5) through (7) and (b) (11) and Rule 31a-1(f) are in the physical possession of Ingalls & Snyder LLC, 61 Broadway, New York, New York, 10006; all other books, accounts and other documents required to be maintained under Section 31(a) of the Investment Company Act of 1940 and the Rules promulgated thereunder are in the physical possession of Firststar Mutual Fund Services, LLC, 615 East Michigan Street, P.O. Box 701, Milwaukee, Wisconsin, 53201-0701.

Item 29. Management Services

[Not Applicable]

Item 30. Undertakings

[Not Applicable]

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized, in the City of New York, and State of New York, on July 24, 1999.

THE LEGACY FUNDS, INC.

By: /S/ THEODORE F. ELLS

 Theodore F. Ells, Esq.
 Chairman of the Board of
 Trustees

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

| | | |
|---|---|---------------|
| /S/ THEODORE F. ELLS ----- (Theodore F. Ells, Esq.) | Chairman of the Board of Trustees and Trustee (Principal Executive) | July 26, 1999 |
|---|---|---------------|

Officer)

/S/ BARNABAS B. B. BREED

(Barnabas B. B. Breed, Esq.)

Treasurer (Principal Financial Officer) and
Trustee

July 26, 1999

/S/ ROBERT E. BELKNAP

(Robert E. Belknap)

Trustee

July 26, 1999

/S/ D. ROGER B. LIDDELL

(D. Roger B. Liddell)

Trustee

July 26, 1999

EXHIBIT 23(A) (2)

CERTIFICATE OF TRUST

CERTIFICATE OF TRUST
OF
THE LEGACY FUNDS, INC.

a Delaware Business Trust

THIS Certificate of Trust of The Legacy Funds, Inc. (the "Trust"), dated as of this 14th day of July, 1999, is being duly executed and filed, in order to form a business trust pursuant to the Delaware Business Trust Act (the "Act"), Del. Code Ann. tit. 12, ss. 3801 eT Seq.

1. NAME. The name of the business trust formed hereby is "The Legacy Funds, Inc."

2. REGISTERED OFFICE AND REGISTERED AGENT. The Trust will become, prior to the issuance of shares of beneficial interest, a registered investment company under the Investment Company Act of 1940, as amended. Therefore, in accordance with section 3807(b) of the Act, the Trust has and shall maintain in the State of Delaware a registered office and a registered agent for service of process.

(a) REGISTERED OFFICE. The registered office of the Trust in Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

(b) REGISTERED AGENT. The registered agent for service of process on the Trust in Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

3. LIMITATION OF LIABILITY. Pursuant to section 3804(a) of the Act, the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to a particular series of the Trust, established pursuant to the terms of the Agreement and Declaration of Trust of the Trust, shall be enforceable against the assets of such series only, and not against the assets of the Trust generally.

4. EFFECTIVE DATE. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the Trustee named below does hereby execute this Certificate of Trust as of the date first-above written.

/S/ ROBERT E. BELKNAP

Robert E. Belknap

EXHIBIT 23(B)

BY-LAWS

BY-LAWS
OF
THE LEGACY FUNDS, INC.

ARTICLE I

Fiscal Year and Offices

Section 1.01. FISCAL YEAR. Unless otherwise provided by resolution of the Board of Trustees, the fiscal year of the Trust shall begin on the first day of November and end on the last day of October.

Section 1.02. DELAWARE OFFICE. The Board of Trustees shall establish a registered office in the State of Delaware and shall appoint as the Trust's registered agent for service of process in the State of Delaware an individual resident of the State of Delaware or a Delaware corporation or a foreign corporation authorized to transact business in the State of Delaware; in each case the business office of such registered agent for service of process shall be identical with the registered Delaware office of the Trust.

Section 1.03. OTHER OFFICES. The Board of Trustees may at any time establish branch or subordinate offices at any place or places where the Trust intends to do business.

ARTICLE II

Meetings of Shareholders

Section 2.01. PLACE OF MEETING. Meetings of the shareholders for the election of trustees shall be held in such place as shall be fixed by resolution of the Board of Trustees and stated in the notice of the meeting.

Section 2.02. ANNUAL MEETINGS. An Annual Meeting of shareholders will not be held unless the Investment Company Act of 1940 requires the election of trustees to be acted upon.

Section 2.03. SPECIAL MEETINGS. Special Meetings of the shareholders may be called at any time by the Chairman of the Board of Trustees, or by a majority of the Board of Trustees, and shall be called by the Secretary upon written request of the holders of shares entitled to cast not less than ten percent of all the votes entitled to be cast at such meeting provided that (a) such request shall state the purposes of such meeting and the matters proposed to be acted on

and (b) the shareholders requesting such meeting shall have paid to the Trust the reasonable estimated cost of preparing and mailing the notice thereof, which the Secretary shall determine and specify to such shareholders. No special meeting need be called upon the request of shareholders entitled to cast less than a majority of all votes entitled to be cast at such meeting to consider any matter which is substantially the same as a matter voted on at any meeting of the shareholders held during the preceding twelve months. The foregoing provisions of this section 3 notwithstanding a special meeting of shareholders shall be called upon the request of the holders of at least ten percent of the

shares entitled to vote for the purpose of consideration removal of a director from office as provided in section 16(c) of the Investment Company Act of 1940.

Section 2.04. NOTICE. Not less than ten, nor more than ninety days before the date of every Annual or Special Shareholders Meeting, the Secretary shall cause to be mailed to each shareholder entitled to vote at such meeting at his (her) address (as it appears on the records of the Trust at the time of mailing) written notice stating the time and place of the meeting and, in the case of a Special Meeting of Shareholders, shall be limited to the purposes stated in the notice. Notice of adjournment of a shareholders meeting to another time or place need not be given, if such time and place are announced at the meeting.

Section 2.05. RECORD DATE FOR MEETINGS. Subject to the provisions of the Declaration of Trust, the Board of Trustees may fix in advance a date not more than ninety, nor less than ten days, prior to the date of any annual or special meeting of the shareholders as a record date for the determination of the shareholders entitled to receive notice of, and to vote at any meeting and any adjournment thereof; and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to receive notice of and to vote at such meeting and any adjournment thereof as the case may be, notwithstanding any transfer of any stock on the books of the Trust after any such record date fixed as aforesaid.

Section 2.06. QUORUM. At any meeting of shareholders, the presence in person or by proxy of the holders of record of a majority of the shares issued and outstanding and entitled to vote there shall constitute a quorum for the transaction of any business at the meeting, except as otherwise provided by the Investment Company Act of 1940 or in the Trust's Declaration of Trust. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the holders of a majority of the shares present or in person or by proxy shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented to a date not more than 120 days after the original record date. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.07. VOTING. Each shareholder shall have one vote for each full share and a fractional vote for each fractional share of stock having voting

power held by such shareholder on the record date set pursuant to Section 5 on each matter submitted to a vote at a meeting of shareholders. Such vote may be made in person or by proxy. At all meetings of the shareholders, a quorum being present, all matters shall be decided by majority vote of the shares of beneficial interest entitled to vote held by shareholders present in person or by proxy, unless the question is one for which by express provision of the laws of the State of Delaware, the Investment Company Act of 1940, as from time to time amended, or the Declaration of Trust, a different vote is required, in which case such express provision shall control the decision of such question. At all meetings of shareholders, unless the voting is conducted by inspectors, all questions relating to the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the Chairman of the meeting.

Section 2.08. INSPECTORS. At any election of trustees, the Board of Trustees prior thereto may, or, if they have not so acted, the Chairman of the meeting may appoint one or more inspectors of election who shall first subscribe an oath of affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their ability, and shall after the election make a certificate of the result of the vote taken.

Section 2.09. STOCK LEDGER AND LIST OF SHAREHOLDERS. It shall be the duty of the Secretary or Assistant Secretary of the Trust to cause an original or duplicate share ledger to be maintained at the office of the Trust's transfer agent. Such share ledger may be in written form or any other form capable of being converted into written form within a reasonable time for visual inspection.

Section 2.10. ACTION WITHOUT MEETING. Any action to be taken by shareholders may be taken without a meeting if (a) all shareholders entitled to vote on the matter consent to the action in writing, and (b) all shareholders entitled to notice of the meeting but not entitled to vote at it sign a written waiver of any right to dissent, and (c) the written consents are filed with the records of the meetings of shareholders. Such consent shall be treated for all purposes as a vote at a meeting.

ARTICLE III

Trustees

Section 3.01. GENERAL POWERS. The business of the Trust shall be managed under the direction of its Board of Trustees, which may exercise all powers of the Trust, except such as are by statute, or the Declaration of Trust, or by these By-Laws conferred upon or reserved to the shareholders.

Section 3.02. NUMBER AND TERM OF OFFICE. The number of trustees which shall constitute the whole Board shall be determined from time to time by the Board of Trustees, but shall not be fewer than the minimum number permitted by

applicable laws, nor more than fifteen. Each trustee elected shall hold office until his successor is elected and qualified. Trustees need not be shareholders.

Section 3.03. ELECTIONS. Provided a quorum is present, the directors shall be elected by the vote of a plurality of the shares present in person or by proxy, except that any vacancy on the Board of Trustees may be filled by a majority vote of the Board of Trustees, although less than a quorum, subject to the requirements of Section 16(a) of the Investment Company Act of 1940.

Section 3.04. PLACE OF MEETING. Meetings of the Board of Trustees, regular or special, may be held at any place as the Board may from time to time determine.

Section 3.05. QUORUM. At all meetings of the Board of Trustees, one-third of the entire Board of Trustees shall constitute a quorum for the transaction of business provided that in no case may a quorum be less than two persons. The action of a majority of the trustees present at any meeting at which a quorum is present shall be the action of the Board of Trustees unless the concurrence of a

greater proportion is required for such action by the Investment Company Act of 1940, these By-Laws or the Declaration of Trust. If a quorum shall not be present at any meeting of trustees, the trustees present thereat may by a majority vote adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.06. REGULAR MEETINGS. Regular meetings of the Board of Trustees may be held without additional notice at such time and place as shall from time to time be determined by the Board of Trustees provided that notice of any change in the time or place of such meetings shall be sent promptly to each trustee not present at the meeting at which such change was made in the manner provided for notice of special meetings.

Section 3.07. SPECIAL MEETINGS. Special meetings of the Board of Trustees may be called by the Chairman of the Board of Trustees on one day's notice to each trustee; Special meetings shall be called by the Chairman of the Board of Trustees or Secretary in like manner and on like notice on the written request of two trustees.

Section 3.08. TELEPHONE MEETING. Members of the Board of Trustees or a committee of the Board of Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time.

Section 3.09. INFORMAL ACTIONS. Any action required or permitted to be taken at any meeting of the Board of Trustees or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Section 3.10. COMMITTEES. The Board of Directors may by resolution passed by a majority of the entire Board appoint from among its members an Executive Committee and other committees composed of two or more directors, and may delegate to such committees, in the intervals between meetings of the Board of Trustees, any or all of the powers of the Board of Trustees in the management of the business and affairs of the Trust.

Section 3.11. ACTION OF COMMITTEES. In the absence of an appropriate resolution of the Board of Trustees, each committee may adopt such rules and regulations governing its proceedings, quorum and manner of acting as it shall deem proper and desirable, provided that the quorum shall not be less than two trustees. The committees shall keep minutes of their proceedings and shall report the same to the Board of Trustees at the meeting next succeeding, and any action by the committee shall be subject to revision and alteration by the Board of Trustees, provided that no rights of third persons shall be affected by any such revision or alteration. In the absence of any member of such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a member of the Board of Trustees to act in the place of such absent member.

Section 3.12. COMPENSATION. Any trustee, whether or not he is a salaried officer or employee of the Trust, may be compensated for his services as trustee or as a member of a committee of trustees, or as Chairman of the Board of Trustees or chairman of a committee by fixed periodic payments or by fees for attendance at meetings or by both, and in addition may be reimbursed for transportation and other expenses, all in such manner and amounts as the Board of Trustees may from time to time determine.

ARTICLE IV

Notices

Section 4.01. FORM. Notices to shareholders shall be in writing and delivered personally or mailed to the shareholders at their addresses appearing on the books of the Trust. Notices to trustees shall be oral or by telephone or telegram or in writing delivered personally or mailed to the trustees at their addresses appearing on the books of the Trust. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Subject to the provisions of the Investment Company Act of 1940, notice to trustees need not state the purpose of a regular or special meeting.

Section 4.02. WAIVER. Whenever any notice of the time, place or purpose of any meeting of shareholders, trustees or a committee is required to be given under the provisions of the Declaration of Trust or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting of shareholders in person or by proxy, or at the meeting of Trustees or a committee in person, shall be deemed

equivalent to the giving of such notice to such persons.

ARTICLE V

Officers

Section 5.01. EXECUTIVE OFFICERS. The officers of the Trust shall be chosen by the Board of Trustees and shall include a Chairman of the Board of Trustees [(who shall be the Chief Executive Officer)], a Secretary and a Treasurer. The Board of Trustees may, from time to time, elect or appoint a Controller, one or more Assistant Secretaries and Assistant Treasurers. The same person may hold two or more offices, except that no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, the Declaration of Trust or these By-Laws to be executed, acknowledged or verified by two or more officers.

Section 5.02. ELECTION. The Board of Trustees shall choose a Chairman of the Board of Trustees, a Secretary and a Treasurer.

Section 5.03. OTHER OFFICERS. The Board of Trustees from time to time may appoint such other officers and agents as it shall deem advisable, who shall hold their offices for such terms and shall exercise powers and perform such duties as shall be determined from time to time by the Board. The Board of

Trustees from time to time may delegate to one or more officers or agents the power to appoint any such subordinate officers or agents and to prescribe their respective rights, terms of office, authorities and duties.

Section 5.04. COMPENSATION. The salaries or other compensation of all officers and agents of the Trust shall be fixed by the Board of Trustees, except that the Board of Trustees may delegate to any person or group of persons the power to fix the salary or other compensation of any subordinate officers or agents appointed pursuant to Section 3 of this Article V.

Section 5.05. TENURE. The officers of the Trust shall serve at the pleasure of the Board of Trustees. Any officer or agent may be removed by the affirmative vote of a majority of the Board of Trustees whenever, in its judgment, the best interests of the Trust will be served thereby. In addition, any officer or agent appointed pursuant to Section 3 may be removed, either with or without cause, by any officer upon whom such power of removal shall have been conferred by the Board of Trustees. Any vacancy occurring in any office of the Trust by death, resignation, removal or otherwise shall be filled by the Board of Trustees, unless pursuant to Section 3 the power of appointment has been conferred by the Board of Trustees on any other officer.

Section 5.06. CHAIRMAN OF THE BOARD OF TRUSTEES. The Chairman of the Board of Trustees shall be the Chief Executive Officer of the Trust and shall see that all orders and resolutions of the Board are carried into effect. The Chairman of the Board of Trustees shall also be the Chief Administrative Officer of the

Trust and shall perform and execute such other duties and have such other powers as the Board of Trustees may from time to time prescribe.

Section 5.07. SECRETARY. The Secretary shall attend all meetings of the Board of Trustees and all meetings of the shareholders and record all the proceedings thereof and shall perform like duties for any committee when required. He shall give, or cause to be given, notice of meetings of the shareholders and of the Board of Trustees, shall have charge of the records of the Trust, including the stock books, and shall perform such other duties as may be prescribed by the Board of Trustees or Chief Executive Officer, under whose supervision he shall be. He shall keep in safe custody the seal of the Trust and, when authorized by the Board of Trustees, shall affix and attest the same to any instrument requiring it. The Board of Trustees may give general authority to any other officer to affix the seal of the Trust and to attest the affixing by his signature.

Section 5.08. ASSISTANT SECRETARIES. The Assistant Secretaries in order of their seniority, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Trustees shall prescribe.

Section 5.09. TREASURER. The Treasurer, unless another officer has been so designated, shall be the Chief Financial Officer of the Trust. He shall have general charge of the finances and books of account of the Trust. Except as otherwise provided by the Board of Trustees, he shall have general supervision of the funds and property of the Trust and of the performance by the custodian of its duties with respect thereto. He shall render to the Board of Trustees, whenever directed by the Board, an account of the financial condition of the Trust and of all his transactions as Treasurer. He shall cause to be prepared

annually a full and correct statement of the affairs of the Trust, including a balance sheet and a statement of operations for the preceding fiscal year. He shall perform all the acts incidental to the office of Treasurer, subject to the control of the Board of Trustees.

Section 5.10. ASSISTANT TREASURER. The Assistant Treasurer shall in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Trustees may from time to time prescribe.

ARTICLE VI

Indemnification and Insurance

Section 6.01. AGENTS, PROCEEDINGS AND EXPENSES. For the purpose of this Article, "agent" means any person who is or was a Trustee or officer of this Trust and any person who, while a trustee or officer of this Trust, is or was serving at the request of this Trust as a Trustee, director, officer, partner, employee, or agent of another foreign or domestic corporation, partnership,

joint venture, trust or other enterprise; "Trust" includes any domestic or foreign predecessor entity of this Trust in a merger, consolidation, or other transaction in which the predecessor's existence ceased upon consummation of the transaction; "proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative; and "expenses" includes without limitation attorney's fees and any expenses of establishing a right to indemnification under this Article.

Section 6.02. ACTIONS OTHER THAN BY THE TRUST. This Trust shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of this Trust) by reason of the fact that such person is or was an agent of this Trust, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if it is determined that person acted in good faith and reasonably believed: (a) in the case of conduct in his official capacity as an agent of the Trust, that his conduct was in the Trust's best interests and (b) in all other cases, that his conduct was at least not opposed to the Trust's best interests and (c) in the case of a criminal proceeding, that he had no reasonable cause to believe the conduct of that person was unlawful. The termination of any proceeding by judgment, order or settlement shall not of itself create a presumption that the person did not meet the requisite standard of conduct set forth in this Section. The termination of any proceeding by conviction, or a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the person did not meet the requisite standard of conduct set forth in this Section.

Section 6.03. ACTIONS BY THE TRUST. This Trust shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding by or in the right of this Trust to procure a judgment in its favor by reason of the fact that that person is or was an agent of this Trust, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of that action if that person acted in good faith, in a manner that person believed to be in the best interests of this Trust and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 6.04. EXCLUSION OF INDEMNIFICATION. Notwithstanding any provision to the contrary contained herein, there shall be no right to indemnification for any liability arising by reason of willful misfeasance, bad faith, gross negligence, or the reckless disregard of the duties involved in the conduct of the agent's office with this Trust. No indemnification shall be made under Sections 2 or 3 of this Article:

(a) In respect of any proceeding as to which that person shall have been adjudged to be liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the person's official capacity; or

(b) In respect of any proceeding as to which that person shall have

been adjudged to be liable in the performance of that person's duty to this Trust, unless and only to the extent that the court in which that action was brought shall determine upon application that in view of all the relevant circumstances of the case, that person is fairly and reasonably entitled to indemnity for the expenses which the court shall determine; however, in such case, indemnification with respect to any proceeding by or in the right of the Trust or in which liability shall have been adjudged by reason of the disabling conduct set forth in the preceding paragraph shall be limited to expenses; or

(c) Of amounts paid in settling or otherwise disposing of a proceeding, with or without court approval, or of expenses incurred in defending a proceeding which is settled or otherwise disposed of without court approval, unless the required approval set forth in Section 6 of this Article is obtained.

Section 6.05. SUCCESSFUL DEFENSE BY AGENT. To the extent that an agent of this Trust has been successful, on the merits or otherwise, in the defense of any proceeding referred to in Sections 2 or 3 of this Article before the court or other body before whom the proceeding was brought, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith, provided that the Board of Trustees, including a majority who are disinterested, non-party Trustees, also determines that based upon a review of the facts, the agent was not liable by reason of the disabling conduct referred to in Section 4 of this Article.

Section 6.06. REQUIRED APPROVAL. Except as provided in Section 5 of this Article, any indemnification under this Article shall be made by this Trust only if authorized in the specific case on a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Sections 2 or 3 of this Article and is not prohibited from indemnification because of the disabling conduct set forth in Section 4 of this Article, by:

(a) A majority vote of a quorum consisting of Trustees who are not parties to the proceeding and are not interested persons of the Trust (as defined in the Investment Company Act of 1940);

(b) A written opinion by an independent legal counsel; or

(c) The shareholders; however, shares held by agents who are parties to the proceeding may not be voted on the subject matter under this Sub-Section.

Section 6.07. ADVANCE OF EXPENSES. Expenses incurred in defending any proceeding may be advanced by this Trust before the final disposition of the proceeding if (a) receipt of a written affirmation by the agent of his good faith belief that he has met the standard of conduct necessary for indemnification under this Article and a written undertaking by or on behalf of the agent, such undertaking being an unlimited general obligation to repay the amount of the advance if it is ultimately determined that he has not met those

requirements, and (b) a determination that the facts then known to those making the determination would not preclude indemnification under this Article. Determinations and authorizations of payments under this Section must be made in the manner specified in Section 6 of this Article for determining that the indemnification is permissible.

Section 6.08. OTHER CONTRACTUAL RIGHTS. Nothing contained in this Article shall affect any right to indemnification to which persons other than Trustees and officers of this Trust or any subsidiary hereof may be entitled by contract or otherwise.

Section 6.09. LIMITATIONS. No indemnification or advance shall be made under this Article, except as provided in Sections 5 or 6 in any circumstances where it appears:

(a) That it would be inconsistent with a provision of the Agreement and Declaration of Trust of the Trust, a resolution of the shareholders, or an agreement in effect at the time of accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 6.10. INSURANCE. Upon and in the event of a determination by the Board of Trustees of this Trust to purchase such insurance, this Trust shall purchase and maintain insurance on behalf of any agent or employee of this Trust against any liability asserted against or incurred by the agent or employee in such capacity or arising out of the agent's or employee's status as such to the fullest extent permitted by law.

Section 6.11. FIDUCIARIES OF EMPLOYEE BENEFIT PLAN. This Article does not apply to any proceeding against any Trustee, investment manager or other fiduciary of an employee benefit plan in that person's capacity as such, even though that person may also be an agent of this Trust as defined in Section 1 of this Article. Nothing contained in this Article shall limit any right to indemnification to which such a Trustee, investment manager, or other fiduciary may be entitled by contract or otherwise which shall be enforceable to the extent permitted by applicable law other than this Article.

ARTICLE VII

Shares of Beneficial Interest

Section 7.01. CERTIFICATES. A certificate or certificates representing and certifying the class and the full, but not fractional, number of shares of beneficial interest owned by each shareholder in the Trust shall not be issued except as the Board of Trustees may otherwise determine from time to time. Any

such certificate issued shall be signed by facsimile signature or otherwise by the Chairman of the Board of Trustees [or other such officer as the Board of Trustees shall name] and counter-signed by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer.

Section 7.02. SIGNATURE. In case any officer who has signed any certificate ceases to be an officer of the Trust before the certificate is issued, the certificate may nevertheless be issued by the Trust with the same effect as if the officer had not ceased to be such officer as of the date of its issue.

Section 7.03. RECORDING AND TRANSFER WITHOUT CERTIFICATES. The Trust shall have the full power to participate in any program approved by the Board of Trustees providing for the recording and transfer of ownership of the Trust's shares by electronic or other means without the issuance of certificates.

Section 7.04. LOST CERTIFICATES. The Board of Trustees may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Trust alleged to have been stolen, lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to have been stolen, lost or destroyed, or upon other satisfactory evidence of such theft, loss or destruction and may in its discretion and as a condition precedent to the issuance thereof, require the owner of such stolen, lost or destroyed certificate or certificates, or his legal representative, to give the Trust a bond with sufficient surety, to the Trust to indemnify it against any loss or claim that may be made by reason of the issuance of a new certificate.

Section 7.05. TRANSFER OF SHARES. Transfers of shares of beneficial interest of the Trust shall be made on the books of the Trust by the holder of record thereof (in person or by his attorney thereunto duly authorized by a power of attorney duly executed in writing and filed with the Secretary of the Trust) (i) if a certificate or certificates have been issued, upon the surrender of the certificate or certificates, properly endorsed or accompanied by proper instruments of transfer, representing such shares, or (ii) as otherwise prescribed by the Board of Trustees. Every certificate exchanged, surrendered for redemption or otherwise returned to the Trust shall be marked "Canceled" with the date of cancellation.

Section 7.06. REGISTERED SHAREHOLDERS. The Trust shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not

it shall have express or other notice thereof, except as otherwise provided by applicable law or the Declaration of Trust.

Section 7.07. TRANSFER AGENTS AND REGISTRARS. The Board of Trustees may, from time to time, appoint or remove transfer agents and or registrars of the Trust, and they may appoint the same person as both transfer agent and registrar. Upon any such appointment being made, all certificates representing shares of beneficial interest thereafter issued shall be countersigned by such transfer agent and shall not be valid unless so countersigned.

Section 7.08. STOCK LEDGER. The Trust shall maintain an original stock ledger containing the names and addresses of all shareholders and the number and class of shares held by each shareholder. Such stock ledger may be in written form or any other form capable of being converted into written form within reasonable time for visual inspection.

ARTICLE VIII

General Provisions

Section 8.01. CUSTODIANSHIP. Except as otherwise provided by resolution of the Board of Trustees, the Trust shall place and at all times maintain in the custody of a custodian (including any sub-custodian for the custodian) all funds, securities and similar investments owned by the Trust. Subject to the approval of the Board of Trustees, the custodian may enter into arrangements with securities depositories, provided such arrangements comply with the provisions of the Investment Company Act of 1940 and the rules and regulations promulgated thereunder.

Section 8.02. EXECUTION OF INSTRUMENTS. All deeds, documents, transfers, contracts, agreements and other instruments requiring execution by the Trust shall be signed by the Chairman of the Board of Trustees [or other such officer as the Board of Trustees shall name].

Section 8.03. NET ASSET VALUE. The net asset value per share shall be determined separately as to each class of the Trust's shares, by dividing the sum of the total market value of the class's investments and other assets, less any liabilities, by the total outstanding shares of such class, subject to the Investment Company Act of 1940 and any other applicable Federal securities law or rule or regulation currently in effect.

ARTICLE IX

Amendments

The Board of Trustees shall have the power to make, alter and repeal the By-Laws of the Trust.

EXHIBIT 23(D)

INVESTMENT ADVISORY AGREEMENT

INVESTMENT ADVISORY AGREEMENT

This Agreement made and entered into as of _____, 1999, by and between The LEGACY FUNDS, INC., a Delaware business trust (the "Fund"), and INGALLS & SNYDER LLC, a New York limited liability company (the "Adviser"):

WHEREAS, the Fund is an open-end diversified management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"); and

WHEREAS, the Fund desires to retain the Adviser to render investment advisory services to the Fund, and the Adviser is willing to render such services;

NOW, THEREFORE, in consideration of the premises and mutual promises hereinafter set forth the parties hereto agree as follows:

1. ADVISORY SERVICES. The Fund hereby appoints the Adviser to act as investment adviser to the Fund with respect to the assets belonging to the Fund's [Class A] stock, \$[___] par value, and to provide administration of the Fund not otherwise provided by third party service providers, subject to the discretion of the Board of Trustees, for the period and on the terms set forth in this Agreement. Shares of the Fund's [Class A] stock, \$[___] par value, are referred to herein as "Fund Shares." The Adviser accepts such appointment and agrees to render the services herein set forth, for the compensation herein provided. The Fund, at its option, may also appoint the Adviser to act as investment adviser to the Fund hereunder with respect to the assets belonging to any other class of capital stock of the Fund from time to time created, but the Adviser shall not be required to accept any such appointment. The Adviser shall furnish investment research and advice to the Fund and shall manage the investment and reinvestment of its assets and its business affairs and matters incidental thereto, all subject to the supervision of the Board of Trustees of the Fund and subject to the provisions of the Agreement and Declaration of Trust (as defined in paragraph 3(a) of this Agreement), Certificate of Trust (as defined in paragraph 3(b) of this Agreement) and By-Laws (as defined in paragraph 3(c) of this Agreement) of the Fund and any resolution, rules or regulations adopted by the Board of Trustees of the Fund. The Adviser shall for all purposes herein provided be deemed to be an independent contractor and shall, unless otherwise expressly provided herein or authorized by the Board of Trustees of the Fund from time to time, have no authority to act for or

represent the Fund in any way or otherwise be deemed an agent for the Fund. The Fund shall also be free to retain, at its own expense, other persons to provide it with any services whatsoever including, but not limited to, statistical, factual or technical information or advice. The services of the Adviser herein provided are not to be deemed exclusive and the Adviser shall be free to render similar services or other services to others.

[It is understood that Adviser performs investment advisory services for various clients and that several individuals perform advisory services on behalf

of Adviser for such clients (the "Advisory Representatives"). It is understood that Adviser does not require that the same advice be given by all Advisory Representatives with respect to a particular investment, and the Advisory Representative acting with respect to the Fund may give advice with respect to a particular investment different from other Advisory Representatives acting with respect to other clients of Adviser, depending upon each Advisory Representative's opinion with respect to the investment. The Fund agrees that Adviser may give advice and take action with respect to any of its clients which may differ from advice given or the timing or nature of action taken with respect to the Fund, so long as it is Adviser's policy, to the extent practical, to allocate investment opportunities to the Fund over a period of time on a fair and equitable basis relative to other clients. In addition, Adviser believes it to be proper that investment advisers invest their own personal funds in the same securities that are recommended to clients. Adviser, and Directors and employees of Adviser, do make investments for their own account, which may be in securities purchased, sold or held for the Fund. The Fund does not object to the fact that Adviser and Directors and employees of Adviser may purchase, sell or hold securities that are purchased, sold or held for the Fund in a manner (including timing, prices and quantities) that differs from action taken or advice given for the Fund. It is understood that Adviser shall not have any obligation to purchase or sell, or to recommend for purchase or sale, for the Fund any security which Adviser, its principals, affiliates or employees may purchase or sell for its or their own accounts or for the account of any other client.]

2. DUTIES OF THE ADVISER. Subject to the general supervision of the Board of Trustees of the Fund, the Adviser shall administer the Fund's corporate affairs and, in connection therewith, shall furnish the Fund with office facilities and with clerical, bookkeeping and recordkeeping services at such office facilities and shall, employing its discretion, manage the investment operations of the Fund and the composition of the portfolio of securities and investments (including cash) belonging to the Fund, including the purchase, retention and disposition thereof and the execution of agreements relating thereto, in accordance with the investment objective, policies and restrictions of the Fund as stated in the Prospectus (as defined in paragraph 3(f) of this Agreement), Registration Statement (as defined in paragraph 3(d) of this Agreement), Agreement and Declaration of Trust, Certificate of Trust and By-Laws of the Fund and subject to the following understandings:

(a) The Adviser shall furnish a continuous investment program for the Fund and determine from time to time what investments or securities will be purchased, retained or sold by the Fund, and what portion of the assets will be invested or held uninvested as cash.

(b) The Adviser shall use its best judgment in the performance of its duties under this Agreement.

(c) The Adviser, in the performance of its duties and obligations under this Agreement, shall act in conformity with the Agreement and Declaration

of Trust, the Certificate of Trust, the By-Laws and Prospectus of the Fund and with the instructions and directions of the Board of Trustees of the Fund and will conform to and comply with the requirements of the Investment Company Act of 1940, as amended from time to time, and the rules and regulations of the Securities and Exchange Commission thereunder (collectively, the "1940 Act") and all other applicable Federal and state laws and regulations, including without limitation the provisions of the Internal Revenue Code, as amended from time to time, applicable to the Fund as a regulated investment company.

(d) The Adviser shall determine the securities and other investments to be purchased or sold by the Fund and, as agent for the Fund, will effect transactions pursuant to its determinations either directly with the issuer or with any broker and/or dealer in such securities. In placing orders with brokers and/or dealers the Adviser will comply with such policies with respect to brokerage as are set forth in the Fund's Registration Statement and Prospectus or as the Fund's Board of Trustees may adopt from time to time. In providing the Fund with investment supervision, it is recognized that the Adviser will give primary consideration to securing the most favorable price and efficient execution. Consistent with this policy, the Adviser may consider the financial responsibility, research and investment information and other services provided by brokers, dealers or futures commission merchants who may effect or be a party to any such transaction or other transactions to which other clients of the Adviser may be a party. It is understood that Ingalls & Snyder LLC may be used as principal broker for securities transactions but that no formula has been adopted for allocation of the Fund's investment transaction business. The Adviser is authorized to direct portfolio transactions to a broker-dealer which is an affiliated person of the Adviser or the Fund in accordance with such standards and procedures as may be approved by the Board in accordance with the 1940 Act Rule 17e-1, or other rules promulgated by the Securities and Exchange Commission. It is also understood that it is desirable for the Fund that the Adviser have access to supplemental investment and market research and security and economic analysis provided by brokers or futures commission merchants and that such brokers may execute brokerage transactions at a higher cost to the Fund than may result when allocating brokerage to other brokers or futures commission merchants on the basis of seeking the most

favorable price and efficient execution. Therefore, the Adviser is authorized to pay higher brokerage commissions for the purchase and sale of securities and futures contracts for the Fund to brokers or futures commission merchants who provide such research and analysis, subject to review by the Fund's Board of Trustees from time to time with respect to the extent and continuation of this practice. It is understood that the services provided by such broker or futures commission merchant may be useful to the Adviser in connection with its services to other clients. On occasions when the Adviser deems the purchase or sale of a security to be in the best interest of the Fund as well as other customers, the Adviser may, to the extent permitted by applicable laws and regulations, but shall not be obligated to, aggregate the securities to be sold or purchased in order to obtain the best price and execution. In such event, allocation of the securities so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Adviser in a manner it considers to

be equitable and consistent with its fiduciary obligations to the Fund and, if applicable, to such other customers.

(e) The Adviser shall maintain books and records with respect to the portfolio transactions of the Fund and shall render to the Fund's Board of Trustees such periodic and special reports as the Board of Trustees may reasonably request.

(f) The Adviser shall be responsible for the financial and accounting records to be maintained by the Fund (including those being maintained by the Fund's custodian).

(g) The Adviser shall provide the Fund's custodian and administrator on each business day with information relating to all transactions concerning the assets of the Fund, except redemptions of and any subscriptions for Fund Shares, and will provide on a timely basis to the Fund's administrator and other persons providing services to the Fund such information as the administrator or such other persons may reasonably request in connection with the performance of their respective duties and obligations with respect to the Fund.

(h) The Adviser will report to the Board of Trustees of the Fund at each meeting thereof all changes in the investments and other assets of the Fund since the prior report, and will keep the Board of Trustees informed of material developments affecting the Fund and the Adviser, and on its own initiative, will furnish the Board of Trustees from time to time with such information as the Adviser may believe appropriate for this purpose, whether concerning the individual companies whose securities are included in the Fund's holdings, the industries in which they engage, or the economic, social or political conditions prevailing in each country in which the Fund maintains investments. The Adviser also will furnish the Board of Trustees with such statistical and analytical information with respect to securities and other investments of the Fund as the Adviser may

believe appropriate or as the Board of Trustees may reasonably request. The Adviser shall prepare and furnish to the Board of Trustees all such other written materials and documents as may be requested or as may otherwise be necessary or appropriate in connection with meetings of the Board of Trustees, and, if the Secretary of the Fund is an officer, director, or employee of the Adviser or any of its affiliated persons, the Adviser shall cause to be prepared and shall bear the costs of preparing and keeping the minutes of the meetings of the Board of Trustees and committees thereof and of meetings of the stockholders of the Fund.

(i) The Adviser shall furnish such office and other facilities as may be required by the Fund.

(j) Services of Personnel. The Adviser shall provide all necessary executive and administrative personnel for managing the affairs of the Fund, including personnel to perform clerical, bookkeeping, accounting and other office functions. These services are exclusive of the bookkeeping and accounting services of any dividend disbursing agent, transfer agent, registrar or custodian. The Adviser shall compensate all personnel, officers and Trustees of the Fund if such persons are also employees of the Adviser or its affiliates.

3. DELIVERY OF DOCUMENTS. The Fund has delivered, or will deliver promptly, copies of each of the following documents to the Adviser and will promptly notify and deliver to it all future amendments and supplements if any:

(a) Agreement and Declaration of Trust, as in effect on the date hereof and as amended or restated from time to time (the "Agreement and Declaration of Trust").

(b) Certificate of Trust of the Fund, as filed with the Secretary of State of the State of Delaware and in effect on the date hereof and as amended or restated from time to time (the "Certificate of Trust").

(c) By-Laws of the Fund, as in effect on the date hereof and as amended or restated from time to time (the "By-Laws").

(d) Certified resolutions of the Board of Trustees of the Fund and of the Fund's stockholders, respectively, authorizing the appointment of the Adviser and approving the form of this Agreement.

(e) Registration Statement under the 1940 Act and the Securities Act of 1933, as amended, on Form N-1A (the "Registration Statement") as filed with the Securities and Exchange Commission (the "Commission") and in effect on the date hereof relating to the Fund, and all subsequent amendments thereto.

(f) Notification of Registration under the 1940 Act on Form N-8A as filed with the Commission.

(g) Prospectus or Prospectuses and Statement or Statements of Additional Information of the Fund, if any, as currently in effect and as amended or supplemented from time to time, being herein called the "Prospectus".

4. EMPLOYEES OF THE ADVISER. The Adviser shall authorize and permit any of its directors, officers and employees who may be elected as Trustees or officers of the Fund to serve in the capacities in which they are elected.

5. BOOKS AND RECORDS. The Adviser shall keep the Fund's books and records required to be maintained by it pursuant to paragraph 2(e) of this Agreement. The Adviser agrees that all records which it maintains for the Fund are the property to the Fund and it will promptly surrender any of such records to the Fund upon the Fund's request. The Adviser further agrees to preserve for the period prescribed by Rule 31a-2 of the Commission under the 1940 Act any such records as are required to be maintained by the Adviser with respect to the Fund hereunder or by Rule 31a-1 of the Commission under the 1940 Act, as such rule may be amended from time to time, and any other applicable rule that may be adopted by the Commission.

6. EXPENSES. During the term of this Agreement the Adviser will pay all expenses (including without limitation the compensation of all its directors, officers and employees serving as Trustees or officers of the Fund pursuant to paragraph 4 of this Agreement) incurred by it in connection with its activities under this Agreement other than the cost of the securities and investments purchased for the Fund (including taxes and brokerage commissions, if any). The Adviser also shall pay the salaries, fees and expenses of Trustees, officers and employees of the Fund who are affiliated persons of the Adviser or affiliated persons of any affiliated person of the Adviser. The Adviser shall arrange for providing and maintaining a bond issued by a reputable insurance company authorized to do business in the place where the bond is issued against larceny and embezzlement covering each officer and employee of the Fund and/or the Adviser who may singly or jointly with others have access to funds or securities of the Fund, with direct or indirect authority to draw upon such funds or to direct generally the disposition of such funds. The bond shall be in such reasonable amount as a majority of the Trustees who are not "interested persons" of the Fund, as defined in the 1940 Act, shall determine, with due consideration given to the aggregate assets of the Fund to which any such officer or employee may have access. The insurance premiums on fidelity, errors and omissions and other coverages including the expense of obtaining and maintaining a fidelity bond as required by Section 17(g) of the 1940 Act shall be paid by the Fund. All other expenses shall be borne by the Fund, subject to the limitations and reimbursements provided for in paragraphs 7 and 8 hereof.

7. COMPENSATION AND GENERAL EXPENSE LIMITATION.

(a) For the services provided and expenses borne by the Adviser pursuant to this Agreement, the Fund shall pay to the Adviser compensation of 1.00% per annum of the Fund's average daily net assets paid monthly. The fee

payable to the Adviser pursuant to this paragraph 7 (the "Advisory Fee") shall commence on the date hereof (the "Effective Date") and shall be accrued daily, subject to adjustment as provided below in this paragraph 7 and subject to further adjustment as provided in paragraph 8, and the fee for each month will be paid to the Adviser during the succeeding month.

[(b) In the event this Agreement becomes effective on a date other than the first day of any fiscal year, solely for the purpose of computing the amount of the Advisory Fee for such fiscal year, such first fiscal year shall be deemed to begin on the Effective Date and to end on December 31 of such year. In the event this Agreement terminates on a date other than the last day of any fiscal year, solely for the purpose of computing the amount of the Advisory Fee for such fiscal year, such fiscal year shall be deemed to begin on January 1 of such year and to end on the date of the termination of this Agreement.]

[8. BLUE SKY LIMITATION ON EXPENSES.

(a) In the event the Expenses (as defined in paragraph 8(b) below) of the Fund for any fiscal year exceed the lowest applicable annual expense limitations, if any, established pursuant to the statutes or regulations of any jurisdictions in which Fund Shares are then qualified for offer and sale (such excess hereinafter called the "Blue Sky Excess Expense"), the compensation due to the Adviser under paragraph 7 for the fiscal year in question shall be reduced by an amount equal to the Blue Sky Excess Expense of the Fund, and if the Blue Sky Excess Expense of the Fund exceeds the fees of the Fund payable to the Adviser with respect to the Fund for the fiscal year in question, the Adviser shall, to the extent required by such statute or regulations, reimburse the Fund for the amount of such excess. If for any month the Expenses shall exceed 1/12th of the percentage of average daily net assets allowable as Expenses, the payment to the Adviser for that month shall be reduced, and, if necessary, the Adviser shall make a refund payment to the Fund so that the Expenses will not exceed such percentage. As of the end of the fiscal year, however, the foregoing computations shall be readjusted so that the aggregate compensation payable to the Adviser for the year is equal to the amount provided for in paragraph 7 hereof, reduced by an amount equal to the Blue Sky Excess Expense of the Fund. The aggregate of the repayments, if any, by the Adviser to the Fund for the year shall be the amount necessary to reimburse the Fund for the amount of such excess.

(b) For purposes of paragraph 8(a) of this Agreement, the term "Expenses" means the general expenses of the Fund, including without limitation fees payable to the Adviser, the Fund's administrator, if any, the Fund's transfer agent, if any, and to the Fund's custodian; but the Expenses shall exclude any interest, taxes, brokerage commissions and litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business.]

9. LIMITATION OF LIABILITY. The Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which this Agreement relates, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services (in which case any award of damages shall be limited to the period and the amount set forth in Section 36(b)(3) of the 1940 Act) or a loss resulting

from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement.

10. EFFECTIVE DATE AND TERM. This Agreement shall become effective on the date hereof. This Agreement shall remain in effect until _____, 2000, and shall continue in effect thereafter for successive twelve-month periods (or for such shorter periods as may be specified by the Fund's Board of Trustees) subject to termination as hereinafter provided, if such continuance is approved at least annually (a) by vote of the Fund's Board of Trustees, cast in person at a meeting called for the purpose of voting on such approval, and (b) by vote of a majority of the Trustees of the Fund who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any party to this Agreement, cast in person at a meeting called for the purpose of voting on such approval. The annual approvals provided for herein shall be effective to continue this Agreement from year to year (or for such shorter period referred to above) if given within a period beginning not more than ninety (90) days prior to (and including) the anniversary of the date upon which the most recent previous continuance of this Agreement became effective, notwithstanding the fact that more than three hundred sixty-five (365) days may have elapsed since the date on which such approval was last given. This Agreement may be terminated (i) by the Fund at any time, without the payment of any penalty, by the Board of Trustees of the Fund or by vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund, on 30 (thirty) days' written notice to the Adviser, or (ii) after [_____, 2000], by the Adviser at any time, without the payment of any penalty, on 90 (ninety) days' written notice to the Fund. This Agreement will automatically and immediately terminate in the event of its assignment (as defined in the 1940 Act).

11. AMENDMENT OF AGREEMENT. This Agreement may be amended by mutual consent, provided that the amendment is approved (a) by vote of a majority of those Trustees of the Fund who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such amendment, and (b), if required by the 1940 Act, by vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund.

12. NOTICES. Notices of any kind to be given to the Adviser by the Fund shall be in writing and shall be duly given if mailed or delivered to the Adviser at 61 Broadway, New York, NY 10006, Attention: [Executive Vice President], or at such other address or to such other individual as shall be

specified by the Adviser to the Fund in accordance with this paragraph 12. Notices of any kind to be given to the Fund by the Adviser shall be in writing and shall be duly given if mailed or delivered to the Fund at [c/o Ingalls & Snyder, LLC, 61 Broadway, New York, NY 10006], Attention: [President], or at such other address or to such other individual as shall be specified by the Fund to the Adviser in accordance with this paragraph 12, with copies to each of the Fund's Trustees at their respective addresses set forth in the Fund's Registration Statement and to the legal counsel to the Fund.

13. AUTHORITY. The Trustees have authorized the execution of this Agreement in their capacity as Trustees and not individually. The Adviser agrees that neither the stockholders nor the Trustees nor any officer, employee, representative or agent of the Fund shall be personally liable upon, nor shall resort be had to their private property for the satisfaction of, obligations given, executed or delivered on behalf of or by the Fund, that the stockholders, Trustees, officers, employees, representatives and agents of the Fund shall not be personally liable hereunder, and that the Adviser shall look solely to the property of the Fund for the satisfaction of any claim hereunder.

14. CONTROLLING LAW. This Agreement shall be governed by the construed in accordance with the laws of the state of New York.

15. MULTIPLE COUNTERPARTS. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed to be an original, but which together shall constitute one and the same instrument.

16. CAPTIONS. The captions of the paragraphs are for descriptive purposes only and they are not intended to limit or otherwise affect the content of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

THE LEGACY FUNDS, INC.

By:

Theodore F. Ells, Esq.
Chairman of the Board of Trustees

INGALLS & SNYDER LLC

By:

Edward Oberst
Managing Director

EXHIBIT 23(E)

DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT

This Distribution Agreement is made as of the ____ day of _____, 1999, between THE LEGACY FUNDS, INC., a Delaware business trust (herein called the "Fund"), and INGALLS & SNYDER, LLC, a New York limited liability company (herein called the "Distributor").

WHEREAS, the Fund is an open-end management investment company and is so registered under the Investment Company Act of 1940, and will register one or more distinct series of shares of beneficial interest ("Shares") for sale to the public under the Securities Act of 1933, as amended (the "1933 Act"), and will qualify its shares for sale to the public under various state securities laws; and

WHEREAS, the Distributor is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "1934 Act") and under the state securities laws of each state where such registration is required for the distribution of the Fund's Shares, and is also a member of the National Association of Securities Dealers, Inc. (the "NASD"); and

WHEREAS, the Fund desires to retain the Distributor as [the principal underwriter and [national] distributor in connection with the offering and sale of the [Class A] Shares [of each series listed on Schedule A (as amended from time to time) to this Agreement] and the Distributor is willing to act as principal underwriter and [national] distributor for the Fund on the terms and conditions hereinafter set forth];

NOW THEREFORE, in consideration of the premises and mutual covenants set forth herein the parties hereto agree as follows:

I. DELIVERY OF DOCUMENTS

The Fund has delivered to Distributor copies of each of the following documents and will deliver to it all future amendments and supplements thereto, if any:

(a) The Fund's Certificate of Trust and all amendments thereto (such Certificate of Trust, as currently in effect and as it shall from time to time be amended, herein called the Fund's "Certificate of Trust");

(b) The Fund's Agreement and Declaration of Trust and all amendments

thereto (such Agreement and Declaration of Trust, as currently in effect and as it shall from time to time be amended, herein called the "Agreement and Declaration of Trust");

(c) The By-Laws of the Fund (such By-Laws, as currently in effect and as it shall from time to time be amended, herein called the "By-Laws");

(d) Resolutions of the Board of Trustees of the Fund authorizing the execution and delivery of this Agreement;

(e) The Fund's initial Registration Statement under the Investment Company Act of 1940, as amended (the "1940 Act"), on Form N-1A as it is to be filed with the Securities and Exchange Commission (the "Commission"), said Registration Statement, as will be declared effective and as amended or supplemented from time to time, is herein called the "Registration Statement";

(f) Notification of Registration of the Fund under the 1940 Act on Form N-8A as filed with the Commission; and

(g) The Prospectus and Statement of Additional Information, if any, of the Fund (such prospectus and statement of additional information, as will be filed with the Securities and Exchange Commission and as they shall from time to time be amended and supplemented, herein called the "Prospectus").

II. DISTRIBUTION

1. APPOINTMENT OF DISTRIBUTOR. The Fund hereby appoints Distributor to serve as the [principal underwriter and] distributor of the Fund's Shares to sell Shares to the public on behalf of the Fund and Distributor hereby accepts such appointment and agrees to render the services and duties set forth in this Section II. The Fund hereby agrees during the term of this Agreement to sell Shares of the Fund through the Distributor on the terms and conditions set forth below.

2. SERVICES AND DUTIES.

(a) Except as provided below, the Fund agrees to offer for sale exclusively through Distributor as agent, from time to time during the term of this Agreement, Shares of the Fund (whether authorized but unissued or treasury shares, in the Fund's sole discretion) upon the terms and at the net asset value as described in the Prospectus. Distributor will act only in its own behalf as principal in making agreements with selected dealers or others for the sale of Shares, and shall offer Shares only at the net asset value thereof as set forth in the Prospectus. Distributor shall devote its best efforts to effect sales of Shares of the Fund, but shall not be obligated to sell any certain number of Shares. All subscriptions for Shares solicited by the Distributor shall be directed to the Fund for acceptance in the ordinary course of business following

the procedures set forth in the Fund's Prospectus as in effect from time to time. The Fund reserves the right to offer Shares directly to investors, including offers in connection with (i) the merger or consolidation of the Fund or its series or classes with any other investment company or series or class thereof, (ii) the Fund's acquisition by purchase or otherwise of all or substantially all of the assets or stock of any other investment company or (iii) reinvestment in Shares by the Fund's stockholders of dividends or other distributions or any other offering by the Fund of securities to its stockholders.

(b) In all matters relating to the sale of Shares, Distributor will act in conformity with the Fund's Certificate of Trust, Agreement and Declaration of Trust, By-Laws, and Prospectus and with the instructions and directions of the Board of Trustees of the Fund and will conform to and comply with the requirements of the 1933 Act, and the 1940 Act, the regulations of the

National Association of Securities Dealers, Inc. and all other applicable federal or state laws and regulations. In connection with such sales, Distributor acknowledges and agrees that it is not authorized to provide any information or make any representations other than as contained in the Fund's Registration Statement and Prospectus and any sales literature specifically approved by the Fund. The Distributor shall adopt and follow procedures for the confirmation of sales to investors and selected dealers, the collection of amounts payable by investors and selected dealers on such sales and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the National Association of Securities Dealers, Inc. (NASD). [The Distributor shall have the right to enter into selected dealer agreements with registered and qualified securities dealers and other financial institutions of its choice for the sale of Shares, provided that the Fund shall approve the forms of such agreements. Within the United States, the Distributor shall offer and sell Shares only to such selected dealers as are members in good standing of the NASD. Shares sold to selected dealers shall be for resale by such dealers only at the offering price determined as set forth in the Prospectus.]

(c) Distributor will bear the cost of (i) printing and distributing the Prospectus and Statement of Additional Information (including any supplement thereto) to persons who are not either shareholders of, or counsel, independent accountants or other persons providing similar services to, the Fund, and (ii) preparing, printing and distributing any literature, advertisement or material which is primarily intended to result in the sale of the Shares; PROVIDED, HOWEVER, that Distributor shall not be obligated to bear the expenses incurred by the Fund in connection with the preparation and printing of any amendment to any Registration Statement or Prospectus necessary for the continued effective registration of the Shares under the 1933 Act.

(d) All Shares of the Fund offered for sale by Distributor shall be offered for sale to the public at the net asset value (determined in the manner set forth in the Fund's Certificate of Trust and then current Prospectus). No

broker-dealer or other person who enters into a selling agreement with Distributor shall be authorized to act as agent for the Fund in connection with the offering or sale of its Shares to the public or otherwise.

[The Distributor in its sole discretion may repurchase Shares offered for sale by the shareholders. Repurchase of Shares by the Distributor shall be at the price determined in accordance with, and in the manner set forth in, the most current Prospectus. At the end of each business day, the Distributor shall notify, by any appropriate means, the Fund and its transfer agent of the orders for repurchase of Shares received by the Distributor since the last such report, the amount to be paid for such Shares, and the identity of the shareholders offering Shares for repurchase. The Fund reserves the right to suspend such repurchase right upon written notice to the Distributor. The Distributor further agrees to act as agent for the Fund to receive and transmit promptly to the Fund's transfer agent shareholder requests for redemption of Shares.]

[The Distributor shall prepare reports for the Board regarding its activities under this Agreement as from time to time shall be reasonably requested by the Board.]

[The Distributor shall at all times during the term of this Agreement remain registered as a broker-dealer under the 1934 Act and with each state where such registration is required for the distribution of the Fund's Shares,

and shall also remain a member in good standing of the NASD. The Distributor shall immediately notify the Fund in writing if it receives written notification that such registrations or membership have been temporarily or permanently suspended, limited or terminated.]

3. SALES OF SHARES.

(a) The Fund shall pay all costs and expenses in connection with the registration of the Shares under the 1933 Act, and all expenses in connection with maintaining facilities for the issue and transfer of the Shares and for supplying information, prices and other data to be furnished by the Fund hereunder, and all expenses in connection with preparing, printing and distributing the Prospectus except as set forth in subsection 2(c) of Section II hereof and except for those costs and expenses borne by the Distributor pursuant to a Distribution Plan and subject to the requirements of Rule 12b-1 under the 1940 Act.

(b) The Fund shall execute all documents, furnish all information and otherwise take all actions which may be reasonably necessary in the discretion of the Fund's officers in connection with the qualification of the Shares for sale in such states as Distributor may designate to the Fund and the Fund may approve, and the Fund shall pay all filing fees which may be incurred in connection with such qualification. Distributor shall pay all expenses connected with its qualification as a dealer under state or federal laws and,

except as otherwise specifically provided in this Agreement, all other expenses incurred by Distributor in connection with the sale of the Shares as contemplated in this Agreement.

(c) The Fund shall have the right to suspend the offering and sale of Shares of the Fund at any time in the absolute discretion of the Fund in response to conditions in the securities markets or otherwise, and to suspend the redemption of Shares of the Fund at any time permitted by the 1940 Act or the rules of the commission ("Rules"). Upon notice of any such suspension of the offering and sale of Shares, the Distributor shall cease to offer Shares. The Distributor shall not make or cause to be made any offers of Shares in any state or other jurisdiction where such Shares are not then qualified for offer or sale or exempt from such qualification.

(d) All orders for the Fund's Shares shall be transmitted promptly to the Fund's transfer agent, unless otherwise directed by the Fund.

(e) The Fund reserves the right to reject any order for Shares.

IIA. COMPENSATION

[The Fund shall pay to the Distributor as compensation for services under the Rule 12b-1 Plan(s) adopted by the Fund and this Agreement a distribution fee with respect to the Fund's classes and/or series of Shares as described in each of the Fund's respective Plans and this Agreement.]

[So long as a Plan or any amendment thereto is in effect, the Distributor shall inform the Board of Trustees of the commissions with respect to the

relevant class and/or series of Shares to be paid by the Distributor to account executives of the Distributor and to broker-dealers and financial institutions which have dealer agreements with the Distributor. So long as a Plan (or any amendment thereto) is in effect, at the request of the Board of Trustees or any agent or representative of the Fund, the Distributor shall provide such additional information as may reasonably be requested concerning the activities of the Distributor hereunder and the costs incurred in performing such activities with respect to the relevant class and/or series of Shares.]

[As compensation for the services performed and the expenses assumed by the Distributor under this Agreement including, but not limited to, any commissions paid for sales of Shares, the Distributor shall be entitled to [the] fees and expenses [set forth in Schedule B to this Agreement] which are payable [promptly after the last day of each month]. Such fees shall be paid to the Distributor by the Fund pursuant to its Rule 12b-1 plan or, if Rule 12b-1 payments are not sufficient to pay such fees and expenses, or if the Rule 12b-1 plan is discontinued, or if the [Fund or the] Fund's sponsor otherwise determines that Rule 12b-1 fees shall not, in whole or in part, be used to pay the Distributor, the [Fund or the] Fund's sponsor shall be responsible for the

payment of the amount of such fees not covered by Rule 12b-1 payments.]

III. LIMITATION OF LIABILITY

Distributor shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement.

IV. CONFIDENTIALITY

Distributor will treat confidentially and as proprietary information of the Fund all records and other information relative to the Fund, to the Fund's prior or present shareholders and to those persons or entities who respond to Distributor inquiries concerning investment in the Fund, and, except as provided below, will not use such records and information for any purpose other than the performance of its responsibilities and duties hereunder or the performance of its responsibilities and duties with regard to sales of the shares of any portfolio which may be added to the Fund in the future. Any other use by Distributor of the information and records referred to above may be made only after prior notification to and approval in writing by the Fund. Such approval shall not be unreasonably withheld and may not be withheld where (i) Distributor may be exposed to civil or criminal contempt proceedings for failure to divulge such information; (ii) Distributor is requested to divulge such information by duly constituted authorities; or (iii) Distributor is so requested by the Fund.

V. INDEMNIFICATION

1. FUND REPRESENTATIONS. The Fund represents and warrants to Distributor that at all times the Registration Statement and Prospectus will, in all material respects, conform to the applicable requirements of the 1933 Act and the rules thereunder, that the Registration Statement did not contain at the

time it became effective and will not contain at the time any subsequent amendment thereto becomes effective any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements contained therein not misleading and that the Prospectus does not contain and will not contain at any time when it is authorized for use any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation or warranty in this subsection shall apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Fund by or on behalf of or otherwise approved by and with respect to Distributor or its affiliates expressly for use in the Registration

2. DISTRIBUTOR REPRESENTATIONS. Distributor represents and warrants to the Fund that it is duly incorporated as a New York limited liability company and is registered as a broker-dealer under the Securities Exchange Act of 1934 and the laws of each state where such registration is required for the distribution of the Fund's Shares and is and at all times will remain duly authorized and licensed to carry out its services as contemplated herein.

3. FUND INDEMNIFICATION. The Fund will indemnify, defend and hold harmless Distributor, its several directors and officers, and any person who controls Distributor within the meaning of Section 15 of the 1933 Act, from and against any losses, claims, damages or liabilities, joint or several, to which any of them may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Prospectus or in any application or other document executed by or on behalf of the Fund, or arise out of, or are based upon, information furnished by or on behalf of the Fund filed in any state in order to qualify the Shares under the securities or blue sky laws thereof ("Blue Sky Application"), or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse Distributor, its several directors and officers, and any person who controls Distributor within the meaning of Section 15 of the 1933 Act, for any legal or other expenses reasonably incurred by any of them in investigating, defending or preparing to defend any such action, proceeding or claim; PROVIDED, HOWEVER, that the Fund shall not be liable in any case to the extent that such loss, claim, damage or liability arises out of, or is based upon, any untrue statement, alleged untrue statement, or omission or alleged omission made in the Registration Statement, the Prospectus, any Blue Sky Application or any application or other document executed by or on behalf of the Fund in reliance upon and in conformity with written information furnished to the Fund by or on behalf of or otherwise approved by and with respect to Distributor or its affiliates specifically for inclusion therein.

The Fund shall not indemnify any person pursuant to this subsection 3 unless the court or other body before which the proceeding was brought has rendered a final decision on the merits that such person was not liable by reason of his willful misfeasance, bad faith or gross negligence in the performance of his duties, or his reckless disregard of obligations and duties,

under this Agreement ("disabling conduct") or, in the absence of such a decision, a reasonable determination (based upon a review of the facts) that such person was not liable by reason of disabling conduct has been made by the vote of a majority of a quorum of trustees of the Fund who are neither "interested persons" of the Fund (as defined in the 1940 Act) nor parties to the proceeding, or by an independent legal counsel in a written opinion.

The Fund shall advance reasonable attorneys' fees and other expenses incurred by any person in defending any claim, demand, action or suit which is the subject of a claim for indemnification pursuant to this subsection 3, so long as: (i) such person shall undertake to repay all such advances unless it is ultimately determined that he is entitled to indemnification hereunder; and (ii) such person shall provide security for such undertaking, or the Fund shall be insured against losses arising by reason of any lawful advances, or a majority of a quorum of the disinterested, non-party trustees of the Fund (or an independent legal counsel in a written opinion) shall determine based on a review of readily available facts (as opposed to a full trial-type inquiry) that there is a reasonable likelihood that such person ultimately will be found entitled to indemnification hereunder.

4. DISTRIBUTOR INDEMNIFICATION. Distributor will indemnify, defend and hold harmless the Fund, the Fund's several officers and trustees and any person who controls the Fund within the meaning of Section 15 of the 1933 Act, from and against any losses, claims, damages or liabilities joint or several, to which any of them may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect hereof) arise out of, or are based upon, any breach of its representations and warranties in subsection 2 of this Section V or its agreements in subsection 2 or 3 of Section II hereof, or which arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Prospectus, any Blue Sky Application or any application or other document executed by or on behalf of the Fund, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, which statement or omission was made in reliance upon or in conformity with information furnished in writing to the Fund or any of its several officers and trustees by or on behalf of or otherwise approved by and with respect to Distributor specifically for inclusion therein, and will reimburse the Fund, the Fund's several officers and trustees, and any person who controls the Fund or any Fund within the meaning of Section 15 of the 1933 Act, for any legal or other expenses reasonably incurred by any of them in investigating, defending or preparing to defend any such action, proceeding or claim.

The Distributor shall advance reasonable attorneys' fees and other expenses incurred by any person in defending any claim, demand, action or suit which is the subject of a claim for indemnification pursuant to this subsection 4, so long as: (i) such person shall undertake to repay all such advances unless it is ultimately determined that he is entitled to indemnification hereunder; and (ii) such person shall provide security for such undertaking, or the Fund shall be insured against losses arising by reason of any lawful advances, or a majority of a quorum of the disinterested, non-party trustees of the Fund (or an independent legal counsel in a written opinion) shall determine based on a review of readily available facts (as opposed to a full trial-type inquiry) that there is a reasonable likelihood that such person ultimately will be found entitled to indemnification hereunder.

5. GENERAL INDEMNITY PROVISIONS. No indemnifying party shall be liable under its indemnity agreement contained in subsection 3 or 4 hereof with respect to any claim made against such indemnifying party unless the indemnified party shall have notified the indemnifying party in writing within twenty (20) days after the summons or other first legal process giving information of the nature of the claim shall have been served upon the indemnified party (or after the indemnified party shall have received notice of such service on any designated agent), but failure to notify the indemnifying party of any such claim shall not relieve it from any liability which it may otherwise have to the indemnified party. The indemnifying party will be entitled to participate at its own expense in the defense or, if it so elects, to assume the defense of any suit brought to enforce any such liability, and if the indemnifying party elects to assume the defense, such defense shall be conducted by counsel chosen by it and reasonably satisfactory to the indemnified party. In the event the indemnifying party elects to assume the defense of any such suit and retain such counsel, the indemnified party shall bear the fees and expenses of any additional counsel retained by the indemnified party.

[6. INDEMNITY IN CONNECTION WITH THE ACCEPTANCE OF ORDERS TO PURCHASE FUND SHARES PRIOR TO RECEIPT OF PAYMENT (NEXT DAY SETTLEMENT). The Prospectus of the Fund, as amended or supplemented from time to time, may authorize the Fund to accept orders to purchase shares of the Fund prior to receipt of payment therefor in Federal funds. The parties recognize that in the event any such purchase order is canceled as a result of the failure of the investor to make timely payment for such shares, the Fund may suffer dilution in the event the net asset value per share of the Fund applicable on the date such purchase order is canceled is less than the purchase price per share applicable to such purchase order and that the Fund may incur fees and other losses and expenses in connection with the processing and cancellation of such purchase order. In the event of any such cancellation of any such purchase order, the Distributor will (i) pay to the Fund an amount equal to the decline in the price of the shares from price applicable at the time the purchase order was accepted (i.e. the net asset value per share of the Fund next determined after the acceptance of such purchase order) to the price applicable at the time the purchase order was canceled (i.e. the net asset value per share of the Fund next determined after the cancellation of such purchase order), less the net amount, if any, of any Gain on Canceled Shares (as defined below) accrued from the beginning of the fiscal year of the Fund in which the cancellation takes place to the date of such cancellation, (ii) reimburse the Fund for any and all fees and other losses and expenses incurred in connection with the processing and cancellation of such purchase order and (iii) pay all legal fees incurred in connection with any legal action taken against an investor for nonpayment or taken by an investor against the Fund as a result of the cancellation. As used herein, "Gain on Canceled Shares" shall mean the amount, if any, by which the aggregate purchase price applicable to all orders to purchase shares of the Fund that are accepted but subsequently canceled for nonpayment (measured by the respective net asset values per share of the Fund next determined after the acceptance of such purchase orders) exceeds the aggregate value of such shares at the time of cancellation (measured by the respective net asset values per share of the Fund

next determined after the cancellation of such purchase orders).]

VI. DURATION AND TERMINATION

This Agreement shall become effective as of the date first above written, and, unless sooner terminated as provided herein, shall remain in effect until [_____, 2000]. Thereafter, if not terminated, this Agreement shall continue automatically for successive terms of one year expiring on _____ of each year, provided that such continuance is specifically approved at least annually (a) by a majority of those members of the Board of Trustees of the Fund who are not "interested persons" of the Fund and who have no direct or indirect financial interest in the operation of this Distribution Agreement (the "Disinterested Trustees"), pursuant to a vote cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Board of Trustees of the Fund or by vote of a majority of the outstanding voting securities of the Fund; PROVIDED, HOWEVER, that this Agreement shall automatically terminate in the event of its assignment and may be terminated by the Fund at any time, without the payment of any penalty, by vote of a majority of the Disinterested Trustees or by a vote of a majority of the outstanding voting securities on 60 days' written notice to, or by the Distributor at any time, without the payment of any penalty, on 60 days' written notice to the Fund. The terms "assignment" and "vote of a majority of the outstanding voting securities" shall have the meanings set forth in the 1940 Act and the rules and regulations thereunder.

VII. AMENDMENT OF THIS AGREEMENT

No provision of this Agreement may be changed, waived, discharged, or terminated except by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge, or termination is sought. This Agreement may be amended with the approval of the Board of Trustees of the Fund, or of a majority of the outstanding voting securities of the [applicable class and/or series of the] Fund; provided, that in either case, such amendment also shall be approved by a majority of the Independent Trustees.

VIII. NOTICES

Notice of any kind to be given to the Distributor by the Fund shall be in writing and shall be duly given if mailed or delivered to the Distributor at 61 Broadway, New York, NY 10006, Attention: [Edward Oberst, Managing Director], or at such other address or to such other individual as shall be specified by the Distributor to the Fund in accordance with this Section VIII. Notices of any kind to be given to the Fund by the Distributor shall be in writing and shall be duly given if mailed or delivered to the Fund at its address set forth in the then-current Prospectus, Attention: [Chairman of the Board of Trustees], or at such other address or to such other individual as shall be specified by the Fund to the Distributor in accordance with this Section, with copies to each of the

Fund's Trustees at their respective addresses set forth in the Fund's Registration Statement and to the legal counsel to the Fund.

IX. CONSTRUCTION; GOVERNING LAW

The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby. Subject to the provisions of Section VI hereof, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and

shall be governed by New York law; PROVIDED, however, that nothing herein shall be construed in a manner inconsistent with the 1940 Act or any rule or regulation of the Commission thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their officers designated below as of the day and year first above written.

THE LEGACY FUNDS, INC.

By:

Theodore F. Ells, Esq.
Chairman of the Board of Trustees

INGALLS & SNYDER, LLC

By:

Edward Oberst
Managing Director

EXHIBIT 23(G)

CUSTODIAN SERVICING AGREEMENT

CUSTODIAN SERVICING AGREEMENT

THIS AGREEMENT made as of August 2, 1999, between XYZ Funds, Inc., a Maryland corporation (hereinafter called the "Company"), and Firststar Bank Milwaukee, N.A., a Wisconsin corporation (hereinafter called "Custodian").

WHEREAS, the Company is an open-end management investment company which is registered under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, the Company is authorized to create separate series, each with its own separate investment portfolio; and

WHEREAS, the Company desires that the securities and cash of the XYZ Fund and each additional series of the Company listed on Exhibit A attached hereto (each, a "Fund"), as may be amended from time to time, shall be hereafter held and administered by Custodian pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein made, the Company and Custodian agree as follows:

1. DEFINITIONS

The word "securities" as used herein includes stocks, shares, bonds, debentures, notes, mortgages or other obligations, and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same, or evidencing or representing any other rights or interests therein, or in any property or assets.

The words "officers' certificate" shall mean a request or direction or certification in writing signed in the name of the Company by any two of the President, a Vice President, the Secretary and the Treasurer of the Company, or any other persons duly authorized to sign by the Board of Directors.

The word "Board" shall mean the Board of Directors of the Company.

2. NAMES, TITLES, AND SIGNATURES OF THE COMPANY'S OFFICERS

An officer of the Company will certify to Custodian the names and signatures of those persons authorized to sign the officers' certificates described in Section 1 hereof, and the names of the members of the Board of

Directors, together with any changes which may occur from time to time.

3. RECEIPT AND DISBURSEMENT OF MONEY

A. Custodian shall open and maintain a separate account or accounts in the name of the Company, subject only to draft or order by Custodian acting pursuant to the terms of this Agreement. Custodian shall hold in such account or accounts, subject to the provisions hereof, all cash received by it from or for the account of the Company. Custodian shall make payments of cash to, or for the account of, the Company from such cash only:

- (a) for the purchase of securities for the portfolio of the Fund upon the delivery of such securities to Custodian, registered in the name of the Company or of the nominee of Custodian referred to in Section 7 or in proper form for transfer;
- (b) for the purchase or redemption of shares of the common stock of the Fund upon delivery thereof to Custodian, or upon proper instructions from the Company;
- (c) for the payment of interest, dividends, taxes, investment adviser's fees or operating expenses (including, without limitation thereto, fees for legal, accounting, auditing and custodian services, expenses for printing and postage and payments under any Rule 12b-1 plan);
- (d) for payments in connection with the conversion, exchange or surrender of securities owned or subscribed to by the Fund held by or to be delivered to Custodian; or
- (e) for other proper corporate purposes certified by resolution of the Board of Directors of the Company.

Before making any such payment, Custodian shall receive (and may rely upon) an officers' certificate requesting such payment and stating that it is for a purpose permitted under the terms of items (a), (b), (c), or (d) of this Subsection A, and also, in respect of item (e), upon receipt of an officers' certificate specifying the amount of such payment, setting forth the purpose for which such payment is to be made, declaring such purpose to be a proper corporate purpose, and naming the person or persons to whom such payment is to be made, provided, however, that an officers' certificate need not precede the disbursement of cash for the purpose of purchasing a money market instrument, or any other security with same or next-day settlement, if the President, a Vice President, the Secretary or the Treasurer of the Company issues appropriate oral or facsimile instructions to Custodian and an appropriate officers' certificate is received by Custodian within two business days thereafter.

B. Custodian is hereby authorized to endorse and collect all checks, drafts or other orders for the payment of money received by Custodian for the

account of the Company.

C. Custodian shall, upon receipt of proper instructions, make federal funds available to the Company as of specified times agreed upon from time to time by the Company and the Custodian in the amount of checks received in payment for shares of the Fund which are deposited into the Fund's account.

D. If so directed by the Company, Custodian will invest any and all available cash in overnight cash-equivalent investments as specified by the investment manager.

4. SEGREGATED ACCOUNTS

Upon receipt of proper instructions, the Custodian shall establish and maintain a segregated account(s) for and on behalf of the Fund, into which account(s) may be transferred cash and/or securities.

5. TRANSFER, EXCHANGE, REDELIVERY, ETC. OF SECURITIES

Custodian shall have sole power to release or deliver any securities of the Company held by it pursuant to this Agreement. Custodian agrees to transfer, exchange or deliver securities held by it hereunder only:

- (a) for sales of such securities for the account of the Fund upon receipt by Custodian of payment therefore;
- (b) when such securities are called, redeemed or retired or otherwise become payable;
- (c) for examination by any broker selling any such securities in accordance with "street delivery" custom;
- (d) in exchange for, or upon conversion into, other securities alone or other securities and cash whether pursuant to any plan of merger, consolidation, reorganization, recapitalization or readjustment, or otherwise;
- (e) upon conversion of such securities pursuant to their terms into other securities;
- (f) upon exercise of subscription, purchase or other similar rights represented by such securities;
- (g) for the purpose of exchanging interim receipts or temporary securities for definitive securities;
- (h) for the purpose of redeeming in kind shares of common stock of the Fund upon delivery thereof to Custodian; or

(i) for other proper corporate purposes.

As to any deliveries made by Custodian pursuant to items (a), (b), (d), (e), (f), and (g), securities or cash receivable in exchange therefor shall be deliverable to Custodian.

Before making any such transfer, exchange or delivery, Custodian shall receive (and may rely upon) an officers' certificate requesting such transfer, exchange or delivery, and stating that it is for a purpose permitted under the terms of items (a), (b), (c), (d), (e), (f), (g), or (h) of this Section 5 and also, in respect of item (i), upon receipt of an officers' certificate specifying the securities to be delivered, setting forth the purpose for which such delivery is to be made, declaring such purpose to be a proper corporate purpose, and naming the person or persons to whom delivery of such securities shall be made, provided, however, that an officers' certificate need not precede any such transfer, exchange or delivery of a money market instrument, or any other security with same or next-day settlement, if the President, a Vice President, the Secretary or the Treasurer of the Company issues appropriate oral or facsimile instructions to Custodian and an appropriate officers' certificate is received by Custodian within two business days thereafter.

6. CUSTODIAN'S ACTS WITHOUT INSTRUCTIONS

Unless and until Custodian receives an officers' certificate to the contrary, Custodian shall: (a) present for payment all coupons and other income items held by it for the account of the Fund, which call for payment upon presentation and hold the cash received by it upon such payment for the account of the Fund; (b) collect interest and cash dividends received, with notice to the Company, for the account of the Fund; (c) hold for the account of the Fund hereunder all stock dividends, rights and similar securities issued with respect to any securities held by it hereunder; and (d) execute, as agent on behalf of the Company, all necessary ownership certificates required by the Internal Revenue Code of 1986, as amended (the "Code") or the Income Tax Regulations (the "Regulations") of the United States Treasury Department (the "Treasury Department") or under the laws of any state now or hereafter in effect, inserting the Company's name on such certificates as the owner of the securities covered thereby, to the extent it may lawfully do so.

7. REGISTRATION OF SECURITIES

Except as otherwise directed by an officers' certificate, Custodian shall register all securities, except such as are in bearer form, in the name of a registered nominee of Custodian as defined in the Code and any Regulations of the Treasury Department issued thereunder or in any provision of any subsequent federal tax law exempting such transaction from liability for stock transfer taxes, and shall execute and deliver all such certificates in connection therewith as may be required by such laws or regulations or under the laws of any state. All securities held by Custodian hereunder shall be at all times identifiable in its records as being held in an account or accounts of Custodian

containing only the assets of the Company.

The Company shall from time to time furnish to Custodian appropriate instruments to enable Custodian to hold or deliver in proper form for transfer, or to register in the name of its registered nominee, any securities which it

may hold for the account of the Company and which may from time to time be registered in the name of the Company.

8. VOTING AND OTHER ACTION

Neither Custodian nor any nominee of Custodian shall vote any of the securities held hereunder by or for the account of the Fund, except in accordance with the instructions contained in an officers' certificate. Custodian shall deliver, or cause to be executed and delivered, to the Company all notices, proxies and proxy soliciting materials with respect to such securities, such proxies to be executed by the registered holder of such securities (if registered otherwise than in the name of the Company), but without indicating the manner in which such proxies are to be voted.

9. TRANSFER TAX AND OTHER DISBURSEMENTS

The Company shall pay or reimburse Custodian from time to time for any transfer taxes payable upon transfers of securities made hereunder, and for all other necessary and proper disbursements and expenses made or incurred by Custodian in the performance of this Agreement.

Custodian shall execute and deliver such certificates in connection with securities delivered to it or by it under this Agreement as may be required under the provisions of the Code and any Regulations of the Treasury Department issued thereunder, or under the laws of any state, to exempt from taxation any exempt transfers and/or deliveries of any such securities.

10. CONCERNING CUSTODIAN

Custodian shall be paid as compensation for its services pursuant to this Agreement such compensation as may from time to time be agreed upon in writing between the two parties. Until modified in writing, such compensation shall be as set forth in Exhibit A attached hereto.

Custodian shall not be liable for any action taken in good faith upon any certificate herein described or certified copy of any resolution of the Board, and may rely on the genuineness of any such document which it may in good faith believe to have been validly executed.

The Company agrees to indemnify and hold harmless Custodian and its nominee from all taxes, charges, expenses, assessments, claims and liabilities (including reasonable counsel fees) incurred or assessed against it or by its nominee in connection with the performance of this Agreement, except such as may

arise from its or its nominee's own bad faith, negligent action, negligent failure to act or willful misconduct. Custodian is authorized to charge any account of the Fund for such items. In the event of any advance of cash for any purpose made by Custodian resulting from orders or instructions of the Company, or in the event that Custodian or its nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Agreement, except such as may arise from its or its nominee's own bad faith, negligent action, negligent failure to act or willful

misconduct, any property at any time held for the account of the Company shall be security therefor.

Custodian agrees to indemnify and hold harmless the Company from all charges, expenses, assessments, and claims/liabilities (including reasonable counsel fees) incurred or assessed against it in connection with the performance of this Agreement, except such as may arise from the Fund's own bad faith, negligent action, negligent failure to act, or willful misconduct.

11. SUBCUSTODIANS

Custodian is hereby authorized to engage another bank or trust company as a subcustodian for all or any part of the Company's assets, so long as any such bank or trust company is itself qualified under the 1940 Act and the rules and regulations thereunder and provided further that, if the Custodian utilizes the services of a subcustodian, the Custodian shall remain fully liable and responsible for any losses caused to the Company by the subcustodian as fully as if the Custodian was directly responsible for any such losses under the terms of this Agreement.

Notwithstanding anything contained herein, if the Company requires the Custodian to engage specific subcustodians for the safekeeping and/or clearing of assets, the Company agrees to indemnify and hold harmless Custodian from all claims, expenses and liabilities incurred or assessed against it in connection with the use of such subcustodian in regard to the Company's assets, except as may arise from Custodian's own bad faith, negligent action, negligent failure to act or willful misconduct.

12. REPORTS BY CUSTODIAN

Custodian shall furnish the Company periodically as agreed upon with a statement summarizing all transactions and entries for the account of Company. Custodian shall furnish to the Company, at the end of every month, a list of the portfolio securities for the Fund showing the aggregate cost of each issue. The books and records of Custodian pertaining to its actions under this Agreement shall be open to inspection and audit at reasonable times by officers of, and by auditors employed by, the Company.

13. TERMINATION OR ASSIGNMENT

This Agreement may be terminated by the Company, or by Custodian, on ninety (90) days notice prior to the two year anniversary, given in writing and sent by registered mail to:

Firststar Bank Milwaukee, N.A.
777 East Wisconsin Avenue
Milwaukee, WI 53202

or to the Company at:

Legacy Funds, Inc.
61 Broadway
New York, NY 10006-2802
Attn: Corporate Secretary

as the case may be. Upon any termination of this Agreement, pending appointment of a successor to Custodian or a vote of the shareholders of the Fund to dissolve or to function without a custodian of its cash, securities and other property, Custodian shall not deliver cash, securities or other property of the Fund to the Company, but may deliver them to a bank or trust company of its own selection that meets the requirements of the 1940 Act as a Custodian for the Company to be held under terms similar to those of this Agreement, provided, however, that Custodian shall not be required to make any such delivery or payment until full payment shall have been made by the Company of all liabilities constituting a charge on or against the properties then held by Custodian or on or against Custodian, and until full payment shall have been made to Custodian of all its fees, compensation, costs and expenses, subject to the provisions of Section 10 of this Agreement.

If the Company elects to terminate this Agreement prior to the two year anniversary of this Agreement, for reasons other than unacceptable service levels, the Company agrees to reimburse Firststar for the difference between the termination date and the anniversary date in the two year fees based on the current fees of the Company.

This Agreement may not be assigned by Custodian without the consent of the Company, authorized or approved by a resolution of its Board of Directors.

14. DEPOSITS OF SECURITIES IN SECURITIES DEPOSITORIES

No provision of this Agreement shall be deemed to prevent the use by Custodian of a central securities clearing agency or securities depository, provided, however, that Custodian and the central securities clearing agency or securities depository meet all applicable federal and state laws and regulations, and the Board of Directors of the Company approves by resolution the use of such central securities clearing agency or securities depository.

15. RECORDS

Custodian shall keep records relating to its services to be performed hereunder, in the form and manner, and for such period, as it may deem advisable and is agreeable to the Company but not inconsistent with the rules and regulations of appropriate government authorities, in particular Section 31 of the 1940 Act and the rules thereunder. Custodian agrees that all such records prepared or maintained by the Custodian relating to the services performed by Custodian hereunder are the property of the Company and will be preserved, maintained, and made available in accordance with such section and rules of the 1940 Act and will be promptly surrendered to the Company on and in accordance with its request.

16. GOVERNING LAW

This Agreement shall be governed by Wisconsin law. However, nothing herein shall be construed in a manner inconsistent with the 1940 Act or any rule or regulation promulgated by the Securities and Exchange Commission thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by a duly authorized officer in one or more counterparts as of the day and year first written above.

XYZ FUNDS, INC.

FIRSTAR BANK MILWAUKEE, N.A.

By: _____

By: _____

Print: _____

Print: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attest: _____

Attest: _____

CUSTODY SERVICES
ANNUAL FEE SCHEDULE - DOMESTIC FUNDS

EXHIBIT A

Separate Series of XYZ Funds, Inc.

NAME OF SERIES

DATE ADDED

XYZ Fund
Class A

August 2, 1999

Annual fee based upon market value

2 basis points (.0002) on assets of the the fund
Minimum annual fee per fund - \$3,000

Investment transactions (purchase, sale, exchange, tender, redemption, maturity, receipt, delivery):

\$10.00 per book entry security (depository or Federal Reserve system)
\$25.00 per definitive security (physical)
\$25.00 per mutual fund trade
\$75.00 per Euroclear
\$ 8.00 per principal reduction on pass-through certificates
\$35.00 per option/futures contract
\$15.00 per variation margin
\$15.00 per Fed wire deposit or withdrawal

Variable Amount Demand Notes: Used as a short-term investment, variable amount notes offer safety and prevailing high interest rates. Our charge, which is 1/4 of 1%, is deducted from the variable amount note income at the time it is credited to your account.

Plus out-of-pocket expenses. Foreign securities custody services quoted separately.

Fees and out-of-pocket expenses are billed to the Fund monthly, based upon market value at the beginning of the month.

EXHIBIT 23(H) (1)

FUND ADMINISTRATION SERVICING AGREEMENT

FUND ADMINISTRATION SERVICING AGREEMENT

THIS AGREEMENT is made and entered into as of this 2nd day of August, 1999, by and between XYZ Funds, Inc., a Maryland corporation (hereinafter referred to as the "Company"), and Firststar Mutual Fund Services, LLC, a Wisconsin limited liability company (hereinafter referred to as "Firststar").

WHEREAS, the Company is an open-end management investment company which is registered under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, the Company is authorized to create separate series, each with its own separate investment portfolio;

WHEREAS, Firststar is in the business of providing, among other things, fund administration services to investment companies; and

WHEREAS, the Company desires to retain Firststar to act as Administrator for the XYZ Fund and for each additional series of the Company listed on Exhibit A attached hereto (each, a "Fund"), as may be amended from time to time.

NOW, THEREFORE, in consideration of the mutual agreements herein made, the Company and Firststar agree as follows:

1. APPOINTMENT OF ADMINISTRATOR

The Company hereby appoints Firststar as Administrator of the Company on the terms and conditions set forth in this Agreement, and Firststar hereby accepts such appointment and agrees to perform the services and duties set forth in this Agreement in consideration of the compensation provided for herein.

2. DUTIES AND RESPONSIBILITIES OF FIRSTAR

A. General Fund Management

1. Act as liaison among all Fund service providers
2. Coordinate board communication by:
 - a. Assisting Company counsel in establishing meeting agendas
 - b. Preparing board reports based on financial and administrative data
 - c. Evaluating independent auditor
 - d. Securing and monitoring fidelity bond and director and officer liability coverage, and making the necessary SEC filings relating thereto
 - e. Preparing minutes of meetings of the board and shareholders
3. Audits
 - a. Prepare appropriate schedules and assist independent auditors
 - b. Provide information to SEC and facilitate audit process
 - c. Provide office facilities
4. Assist in overall operations of the Fund
5. Pay Fund expenses upon written authorization from the Company

B. Compliance

1. Regulatory Compliance
 - a. Monitor compliance with 1940 Act requirements, including:
 - 1) Asset diversification tests
 - 2) Total return and SEC yield calculations
 - 3) Maintenance of books and records under Rule 31a-3
 - 4) Code of Ethics for the disinterested directors of the Fund (if requested by the Fund)
 - b. Monitor Fund's compliance with the policies and investment limitations of the Company as set forth in its Prospectus and Statement of Additional Information
2. Blue Sky Compliance
 - a. Prepare and file with the appropriate state securities authorities any and all required compliance filings relating to the registration of the securities of the

Company so as to enable the Company to make a continuous offering of its shares in all states

b. Monitor status and maintain registrations in each state

3. SEC Registration and Reporting

a. Assist Company counsel in updating Prospectus and Statement of Additional Information and in preparing proxy statements and Rule 24f-2 notices

b. Prepare annual and semiannual reports

c. Coordinate the printing of publicly disseminated Prospectuses and reports

d. File fidelity bond under Rule 17g-1

e. File shareholder reports under Rule 30b2-1

4. IRS Compliance

a. Monitor Company's status as a regulated investment company under Subchapter M through review of the following:

1) Asset diversification requirements

2) Qualifying income requirements

3) Distribution requirements

b. Calculate required distributions (including excise tax distributions)

C. Financial Reporting

1. Provide financial data required by Fund's Prospectus and Statement of Additional Information

2. Prepare financial reports for shareholders, the board, the SEC, and independent auditors

3. Supervise the Company's Custodian and Company Accountants in the maintenance of the Company's general ledger and in the preparation of the Fund's financial statements, including oversight of expense accruals and payments, of the determination of net asset value of the Company's net assets and of the Company's shares, and of the declaration and payment of dividends and other distributions to shareholders

D. Tax Reporting

1. Prepare and file on a timely basis appropriate federal and state tax returns including Forms 1120/8610 with any necessary

schedules

2. Prepare state income breakdowns where relevant
3. File Form 1099 Miscellaneous for payments to directors and other service providers
4. Monitor wash losses
5. Calculate eligible dividend income for corporate shareholders

3. COMPENSATION

The Company, on behalf of the Fund, agrees to pay Firststar for the performance of the duties listed in this Agreement, the fees and out-of-pocket expenses as set forth in the attached Exhibit A.

These fees may be changed from time to time, subject to mutual written Agreement between the Company and Firststar.

The Company agrees to pay all fees and reimbursable expenses within ten (10) business days following the receipt of the billing notice.

4. PERFORMANCE OF SERVICE; LIMITATION OF LIABILITY

A. Firststar shall exercise reasonable care in the performance of its duties under this Agreement. Firststar shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Company in connection with matters to which this Agreement relates, including losses resulting from mechanical breakdowns or the failure of communication or power supplies beyond Firststar's control, except a loss resulting from Firststar's refusal or failure to comply with the terms of this Agreement or from bad faith, negligence, or willful misconduct on its part in the performance of its duties under this Agreement. Notwithstanding any other provision of this Agreement, the Company shall indemnify and hold harmless Firststar from and against any and all claims, demands, losses, expenses, and liabilities (whether with or without basis in fact or law) of any and every nature (including reasonable attorneys' fees) which Firststar may sustain or incur or which may be asserted against Firststar by any person arising out of any action taken or omitted to be taken by it in performing the services hereunder (i) in accordance with the foregoing standards, or (ii) in reliance upon any written or oral instruction provided to Firststar by any duly authorized officer of the Company, such duly authorized officer to be included in a list of authorized officers furnished to Firststar and as amended from time to time in writing by resolution of the Board of Directors of the Company.

Firststar shall indemnify and hold the Company harmless from and against any and all claims, demands, losses, expenses, and liabilities (whether with or without basis in fact or law) of any and every nature (including reasonable attorneys' fees) which the Company may sustain or incur or which may be asserted against the Company by any person arising out of any action taken or omitted to be taken by Firststar as a result of Firststar's refusal or failure to comply with the terms of this Agreement, its bad faith, negligence, or willful misconduct.

In the event of a mechanical breakdown or failure of communication or power supplies beyond its control, Firststar shall take all reasonable steps to minimize service interruptions for any period that such interruption continues beyond Firststar's control. Firststar will make every reasonable effort to restore any lost or damaged data and correct any errors resulting from such a breakdown at the expense of Firststar. Firststar agrees that it shall, at all times, have reasonable contingency plans with appropriate parties, making reasonable provision for emergency use of electrical data processing equipment to the extent appropriate equipment is available. Representatives of the Company shall be entitled to inspect Firststar's premises and operating capabilities at any time during regular business hours of Firststar, upon reasonable notice to Firststar.

Regardless of the above, Firststar reserves the right to reprocess and correct administrative errors at its own expense.

B. In order that the indemnification provisions contained in this section shall apply, it is understood that if in any case the indemnitor may be asked to indemnify or hold the indemnitee harmless, the indemnitor shall be fully and promptly advised of all pertinent facts concerning the situation in question, and it is further understood that the indemnitee will use all reasonable care to notify the indemnitor promptly concerning any situation which presents or appears likely to present the probability of a claim for indemnification. The indemnitor shall have the option to defend the indemnitee against any claim which may be the subject of this indemnification. In the event that the indemnitor so elects, it will so notify the indemnitee and thereupon the indemnitor shall take over complete defense of the claim, and the indemnitee shall in such situation initiate no further legal or other expenses for which it shall seek indemnification under this section. The indemnitee shall in no case confess any claim or make any compromise in any case in which the indemnitor will be asked to indemnify the indemnitee except with the indemnitor's prior written consent.

5. PROPRIETARY AND CONFIDENTIAL INFORMATION

Firststar agrees on behalf of itself and its directors, officers, and employees to treat confidentially and as proprietary information of the Company all records and other information relative to the Company and prior, present, or potential shareholders of the Company (and clients of said shareholders), and

not to use such records and information for any purpose other than the performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Company, which approval shall not be unreasonably withheld and may not be withheld where Firststar may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Company.

6. DATA NECESSARY TO PERFORM SERVICES

The Company or its agent, which may be Firststar, shall furnish to Firststar the data necessary to perform the services described herein at times and in such form as mutually agreed upon.

7. TERM OF AGREEMENT

This Agreement shall become effective as of the date hereof and, unless sooner terminated as provided herein, shall continue automatically in effect for successive two year periods. The Agreement may be terminated by either party upon giving ninety (90) days prior written notice to the two year anniversary to the other party.

If the Company elects to terminate this Agreement prior to the two year anniversary of this Agreement, for reasons other than unacceptable service levels, the Company agrees to reimburse Firststar for the difference between the termination date and the anniversary date in the two year fees based on the current fees of the Company.

8. NOTICES

Notices of any kind to be given by either party to the other party shall be in writing and shall be duly given if mailed or delivered as follows: Notice to Firststar shall be sent to:

Firststar Mutual Fund Services, LLC
615 East Michigan Street
Milwaukee, WI 53202

and notice to the Company shall be sent to:

Legacy Funds, Inc.
61 Broadway
New York, NY 10006-2802
Attn: Corporate Secretary

9. DUTIES IN THE EVENT OF TERMINATION

In the event that, in connection with termination, a successor to any of Firststar's duties or responsibilities hereunder is designated by the Company by written notice to Firststar, Firststar will promptly, upon such termination and at the expense of the Company, transfer to such successor all relevant books, records, correspondence, and other data established or maintained by Firststar under this Agreement in a form reasonably acceptable to the Company (if such form differs from the form in which Firststar has maintained, the Company shall pay any expenses associated with transferring the data to such form), and will cooperate in the transfer of such duties and responsibilities, including provision for assistance from Firststar's personnel in the establishment of books, records, and other data by such successor.

10. GOVERNING LAW

This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of Wisconsin. However, nothing herein shall be construed in a manner inconsistent with the 1940 Act or any rule or regulation promulgated by the Securities and Exchange Commission thereunder.

11. RECORDS

Firststar shall keep records relating to the services to be performed hereunder, in the form and manner, and for such period as it may deem advisable and is agreeable to the Company but not inconsistent with the rules and regulations of appropriate government authorities, in particular, Section 31 of the 1940 Act and the rules thereunder. Firststar agrees that all such records prepared or maintained by Firststar relating to the services to be performed by Firststar hereunder are the property of the Company and will be preserved, maintained, and made available in accordance with such section and rules of the 1940 Act and will be promptly surrendered to the Company on and in accordance with its request.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by a duly authorized officer in one or more counterparts as of the day and year first written above.

XYZ FUNDS, INC.

FIRSTAR MUTUAL FUND

By:

By:

Print:

Print:

Title:

Title:

Date:

Date:

Attest:

Attest:

FUND ADMINISTRATION AND COMPLIANCE
ANNUAL FEE SCHEDULE - DOMESTIC FUNDS

EXHIBIT A

Separate Series of XYZ Funds, Inc.

| NAME OF SERIES | DATE ADDED |
|----------------|------------|
| ----- | |

| | |
|----------|----------------|
| XYZ Fund | August 2, 1999 |
| Class A | |

Annual fee based upon average assets per Fund

- 7 basis points on the first \$200 million
- 6 basis points on the next \$500 million
- 4 basis points on the balance
- Minimum annual fee: \$30,000 per Fund or Class

Plus out-of-pocket expense reimbursements, including but not limited to:

- Postage
- Programming
- Stationery
- Proxies
- Retention of records
- Special reports
- Federal and state regulatory filing fees
- Certain insurance premiums
- Expenses from board of directors meetings
- Auditing and legal expenses

Fees and out-of-pocket expense reimbursements are billed to the Fund monthly.

EXHIBIT 23(H) (2)

FUND ACCOUNTING SERVICING AGREEMENT

FUND ACCOUNTING SERVICING AGREEMENT

THIS AGREEMENT is made and entered into as of this 2nd day of August, 1999, by and between XYZ Funds, Inc., a Maryland corporation (hereinafter referred to as the "Company"), and Firststar Mutual Fund Services, LLC, a Wisconsin limited liability company (hereinafter referred to as "Firststar").

WHEREAS, the Company is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, the Company is authorized to create separate series, each with its own separate investment portfolio;

WHEREAS, Firststar is in the business of providing, among other things, mutual fund accounting services to investment companies; and

WHEREAS, the Company desires to retain Firststar to provide accounting services to the XYZ Fund and each additional series of the Company listed on Exhibit A attached hereto (each, a "Fund"), as it may be amended from time to time.

NOW, THEREFORE, in consideration of the mutual agreements herein made, the Company and Firststar agree as follows:

1. APPOINTMENT OF FUND ACCOUNTANT

The Company hereby appoints Firststar as Fund Accountant of the Company on the terms and conditions set forth in this Agreement, and Firststar hereby accepts such appointment and agrees to perform the services and duties set forth in this Agreement in consideration of the compensation provided for herein.

2. DUTIES AND RESPONSIBILITIES OF FIRSTAR

A. Portfolio Accounting Services:

(1) Maintain portfolio records on a trade date +1 basis using security trade information communicated from the investment manager.

(2) For each valuation date, obtain prices from a pricing source approved by the Board of Directors of the Company and apply those prices to the portfolio positions. For those securities where market

quotations are not readily available, the Board of Directors of the Company shall approve, in good faith, the method for determining the fair value for such securities.

(3) Identify interest and dividend accrual balances as of each valuation date and calculate gross earnings on investments for the accounting period.

(4) Determine gain/loss on security sales and identify them as, short-term or long-term; account for periodic distributions of gains or losses to shareholders and maintain undistributed gain or loss balances as of each valuation date.

B. Expense Accrual and Payment Services:

(1) For each valuation date, calculate the expense accrual amounts as directed by the Company as to methodology, rate or dollar amount.

(2) Record payments for Fund expenses upon receipt of written authorization from the Company.

(3) Account for Fund expenditures and maintain expense accrual balances at the level of accounting detail, as agreed upon by Firststar and the Company.

(4) Provide expense accrual and payment reporting.

C. Fund Valuation and Financial Reporting Services:

(1) Account for Fund share purchases, sales, exchanges, transfers, dividend reinvestments, and other Fund share activity as reported by the transfer agent on a timely basis.

(2) Apply equalization accounting as directed by the Company.

(3) Determine net investment income (earnings) for the Fund as of each valuation date. Account for periodic distributions of earnings to shareholders and maintain undistributed net investment income balances as of each valuation date.

(4) Maintain a general ledger and other accounts, books, and financial records for the Fund in the form as agreed upon.

(5) Determine the net asset value of the Fund according to the accounting policies and procedures set forth in the Fund's Prospectus.

(6) Calculate per share net asset value, per share net earnings, and other per share amounts reflective of Fund operations at

such time as required by the nature and characteristics of the Fund.

(7) Communicate, at an agreed upon time, the per share price for each valuation date to parties as agreed upon from time to time.

(8) Prepare monthly reports which document the adequacy of accounting detail to support month-end ledger balances.

D. Tax Accounting Services:

(1) Maintain accounting records for the investment portfolio of the Fund to support the tax reporting required for IRS-defined regulated investment companies.

(2) Maintain tax lot detail for the investment portfolio.

(3) Calculate taxable gain/loss on security sales using the tax lot relief method designated by the Company.

(4) Provide the necessary financial information to support the taxable components of income and capital gains distributions to the transfer agent to support tax reporting to the shareholders.

E. Compliance Control Services:

(1) Support reporting to regulatory bodies and support financial statement preparation by making the Fund's accounting records available to the Company, the Securities and Exchange Commission, and the outside auditors.

(2) Maintain accounting records according to the 1940 Act and regulations provided thereunder.

3. PRICING OF SECURITIES

For each valuation date, obtain prices from a pricing source selected by Firststar but approved by the Company's Board of Directors and apply those prices to the portfolio positions of the Fund. For those securities where market quotations are not readily available, the Company's Board of Directors shall approve, in good faith, the method for determining the fair value for such securities.

If the Company desires to provide a price which varies from the pricing source, the Company shall promptly notify and supply Firststar with the valuation of any such security on each valuation date. All pricing changes made by the Company will be in writing and must specifically identify the securities to be changed by CUSIP, name of security, new price or rate to be applied, and, if applicable, the time period for which the new price(s) is/are effective.

4. CHANGES IN ACCOUNTING PROCEDURES

Any resolution passed by the Board of Directors of the Company that affects accounting practices and procedures under this Agreement shall be effective upon written receipt and acceptance by the Firststar.

5. CHANGES IN EQUIPMENT, SYSTEMS, SERVICE, ETC.

Firststar reserves the right to make changes from time to time, as it deems advisable, relating to its services, systems, programs, rules, operating schedules and equipment, so long as such changes do not adversely affect the service provided to the Company under this Agreement.

6. COMPENSATION

Firststar shall be compensated for providing the services set forth in this Agreement in accordance with the Fee Schedule attached hereto as Exhibit A and as mutually agreed upon and amended from time to time. The Company agrees to pay all fees and reimbursable expenses within ten (10) business days following the receipt of the billing notice.

7. PERFORMANCE OF SERVICE; LIMITATION OF LIABILITY

A. Firststar shall exercise reasonable care in the performance of its duties under this Agreement. Firststar shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Company in connection with matters to which this Agreement relates, including losses resulting from mechanical breakdowns or the failure of communication or power supplies beyond Firststar's control, except a loss resulting from Firststar's refusal or failure to comply with the terms of this Agreement or from bad faith, negligence, or willful misconduct on its part in the performance of its duties under this Agreement. Notwithstanding any other provision of this Agreement, the Company shall indemnify and hold harmless Firststar from and against any and all claims, demands, losses, expenses, and liabilities (whether with or without basis in fact or law) of any and every nature (including reasonable attorneys' fees) which Firststar may sustain or incur or which may be asserted against Firststar by any person arising out of any action taken or omitted to be taken by it in performing the services hereunder (i) in accordance with the foregoing standards, or (ii) in reliance upon any written or oral instruction provided to Firststar by any duly authorized officer of the Company, such duly authorized officer to be included in a list of authorized officers furnished to Firststar and as amended from time to time in writing by resolution of the Board of Directors of the Company.

Firststar shall indemnify and hold the Company harmless from and against any and all claims, demands, losses, expenses, and liabilities (whether with or without basis in fact or law) of any and every nature (including reasonable attorneys' fees) which the Company may sustain or

incur or which may be asserted against the Company by any person arising out of any action taken or omitted to be taken by Firststar as a result of Firststar's refusal or failure to comply with the terms of this Agreement, its bad faith, negligence, or willful misconduct.

In the event of a mechanical breakdown or failure of communication or power supplies beyond its control, Firststar shall take all reasonable steps to minimize service interruptions for any period that such interruption continues beyond Firststar's control. Firststar will make every reasonable effort to restore any lost or damaged data and correct any errors resulting from such a breakdown at the expense of Firststar. Firststar agrees that it shall, at all times, have reasonable contingency plans with

appropriate parties, making reasonable provision for emergency use of electrical data processing equipment to the extent appropriate equipment is available. Representatives of the Company shall be entitled to inspect Firststar's premises and operating capabilities at any time during regular business hours of Firststar, upon reasonable notice to Firststar.

Regardless of the above, Firststar reserves the right to reprocess and correct administrative errors at its own expense.

B. In order that the indemnification provisions contained in this section shall apply, it is understood that if in any case the indemnitor may be asked to indemnify or hold the indemnitee harmless, the indemnitor shall be fully and promptly advised of all pertinent facts concerning the situation in question, and it is further understood that the indemnitee will use all reasonable care to notify the indemnitor promptly concerning any situation which presents or appears likely to present the probability of a claim for indemnification. The indemnitor shall have the option to defend the indemnitee against any claim which may be the subject of this indemnification. In the event that the indemnitor so elects, it will so notify the indemnitee and thereupon the indemnitor shall take over complete defense of the claim, and the indemnitee shall in such situation initiate no further legal or other expenses for which it shall seek indemnification under this section. Indemnitee shall in no case confess any claim or make any compromise in any case in which the indemnitor will be asked to indemnify the indemnitee except with the indemnitor's prior written consent.

8. NO AGENCY RELATIONSHIP

Nothing herein contained shall be deemed to authorize or empower Firststar to act as agent for the other party to this Agreement, or to conduct business in the name of, or for the account of the other party to this Agreement.

9. RECORDS

Firststar shall keep records relating to the services to be performed

hereunder, in the form and manner, and for such period as it may deem advisable and is agreeable to the Company but not inconsistent with the rules and regulations of appropriate government authorities, in particular, Section 31 of the 1940 Act, and the rules thereunder. Firststar agrees that all such records prepared or maintained by Firststar relating to the services to be performed by Firststar hereunder are the property of the Company and will be preserved, maintained, and made available in accordance with such section and rules of the 1940 Act and will be promptly surrendered to the Company on and in accordance with its request.

10. DATA NECESSARY TO PERFORM SERVICES

The Company or its agent, which may be Firststar, shall furnish to Firststar the data necessary to perform the services described herein at such times and in such form as mutually agreed upon. If Firststar is also acting as the transfer

agent for the Company, nothing herein shall be deemed to relieve Firststar of any of its obligations under the Transfer Agent Servicing Agreement.

11. NOTIFICATION OF ERROR

The Company will notify Firststar of any balancing or control error caused by Firststar within three (3) business days after receipt of any reports rendered by Firststar to the Company, or within three (3) business days after discovery of any error or omission not covered in the balancing or control procedure, or within three (3) business days of receiving notice from any shareholder.

12. PROPRIETARY AND CONFIDENTIAL INFORMATION

Firststar agrees on behalf of itself and its directors, officers, and employees to treat confidentially and as proprietary information of the Company all records and other information relative to the Company and prior, present, or potential shareholders of the Company (and clients of said shareholders), and not to use such records and information for any purpose other than the performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Company, which approval shall not be unreasonably withheld and may not be withheld where Firststar may be exposed to civil or criminal contempt proceedings for failure to comply, when requested to divulge such information by duly constituted authorities, or when so requested by the Company.

13. TERM OF AGREEMENT

This Agreement shall become effective as of the date hereof and, unless sooner terminated as provided herein, shall continue automatically in effect for successive two year periods. This Agreement may be terminated by either party upon giving ninety (90) days prior written notice to the two year anniversary to the other party.

If the Company elects to terminate this Agreement prior to the two year anniversary date of this Agreement, for reasons other than unacceptable service levels, the Company agrees to reimburse Firststar for the difference between the termination date and the anniversary date in the two year fees based on the current fees of the Company.

14. NOTICES

Notices of any kind to be given by either party to the other party shall be in writing and shall be duly given if mailed or delivered as follows: Notice to Firststar shall be sent to:

Firststar Mutual Fund Services, LLC
615 East Michigan Street
Milwaukee, WI 53202

and notice to the Company shall be sent to:

Legacy Funds, Inc.
61 Broadway
New York, N.Y. 10006-2802
Attn: Corporate Secretary

15. DUTIES IN THE EVENT OF TERMINATION

In the event that in connection with termination, a successor to any of Firststar's duties or responsibilities hereunder is designated by the Company by written notice to Firststar, Firststar will promptly, upon such termination and at the expense of the Company transfer to such successor all relevant books, records, correspondence and other data established or maintained by Firststar under this Agreement in a form reasonably acceptable to the Company (if such form differs from the form in which Firststar has maintained the same, the Company shall pay any expenses associated with transferring the same to such form), and will cooperate in the transfer of such duties and responsibilities, including provision for assistance from Firststar's personnel in the establishment of books, records and other data by such successor.

16. GOVERNING LAW

This Agreement shall be construed in accordance with the laws of the State of Wisconsin. However, nothing herein shall be construed in a manner inconsistent with the 1940 Act or any rule or regulation promulgated by the SEC thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by a duly authorized officer in one or more counterparts as of the day and year first written above.

XYZ FUNDS, INC.

FIRSTAR MUTUAL FUND SERVICES, LLC

By:

By:

Print:

Print:

Title:

Title:

Date:

Date:

Attest:

Attest:

FUND ACCOUNTING SERVICES

ANNUAL FEE SCHEDULE

EXHIBIT A

Separate Series of XYZ Funds, Inc.

NAME OF SERIES

DATE ADDED

XYZ Fund

August 2, 1999

Domestic Equity Funds

\$22,000 for the first \$40 million

1 basis point on the next \$200 million

1/2 basis point on the balance

Each class is an additional 25% of the charge of the initial class.

Fees and out-of-pocket expenses are billed to the Fund monthly.

EXHIBIT 23(H) (3)

TRANSFER AGENT SERVICING AGREEMENT

TRANSFER AGENT SERVICING AGREEMENT

THIS AGREEMENT is made and entered into as of this 2nd day of August, 1999, by and between XYZ Funds, Inc., a Maryland corporation (hereinafter referred to as the "Company"), and Firststar Mutual Fund Services, LLC, a Wisconsin limited liability company (hereinafter referred to as the "Firststar").

WHEREAS, the Company is an open-end management investment company which is registered under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, the Company is authorized to create separate series, each with its own separate investment portfolio;

WHEREAS, Firststar is in the business of administering transfer and dividend disbursing agent functions for investment companies; and

WHEREAS, the Company desires to retain Firststar to provide transfer and dividend disbursing agent services to the XYZ Fund and each additional series of the Company listed on Exhibit A attached hereto (each, a "Fund"), as may be amended from time to time.

NOW, THEREFORE, in consideration of the mutual agreements herein made, the Company and Firststar agree as follows:

1. APPOINTMENT OF TRANSFER AGENT

The Company hereby appoints Firststar as Transfer Agent of the Company on the terms and conditions set forth in this Agreement, and Firststar hereby accepts such appointment and agrees to perform the services and duties set forth in this Agreement in consideration of the compensation provided for herein.

2. DUTIES AND RESPONSIBILITIES OF FIRSTAR

Firststar shall perform all of the customary services of a transfer agent and dividend disbursing agent, and as relevant, agent in connection with accumulation, open account or similar plans (including without limitation any periodic investment plan or periodic withdrawal program), including but not limited to:

- A. Receive orders for the purchase of shares;

- B. Process purchase orders with prompt delivery, where appropriate, of payment and supporting documentation to the Company's custodian, and issue the appropriate number of uncertificated shares with such uncertificated shares being held in the appropriate shareholder account;
- C. Process redemption requests received in good order and, where relevant, deliver appropriate documentation to the Company's custodian;
- D. Pay monies upon receipt from the Company's custodian, where relevant, in accordance with the instructions of redeeming shareholders;
- E. Process transfers of shares in accordance with the shareholder's instructions;
- F. Process exchanges between funds and/or classes of shares of funds both within the same family of funds and with the Firststar Money Market Funds, if applicable;
- G. Prepare and transmit payments for dividends and distributions declared by the Company with respect to the Fund;
- H. Make changes to shareholder records, including, but not limited to, address changes in plans (i.e., systematic withdrawal, automatic investment, dividend reinvestment, etc.);
- I. Record the issuance of shares of the Fund and maintain, pursuant to Rule 17ad-10(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), a record of the total number of shares of the Fund which are authorized, issued and outstanding;
- J. Prepare shareholder meeting lists and, if applicable, mail, receive and tabulate proxies;
- K. Mail shareholder reports and prospectuses to current shareholders;
- L. Prepare and file U.S. Treasury Department Forms 1099 and other appropriate information returns required with respect to dividends and distributions for all shareholders;
- M. Provide shareholder account information upon request and prepare and mail confirmations and statements of account to shareholders for all purchases, redemptions and other confirmable transactions as agreed upon with the Company;
- N. Provide a Blue Sky System which will enable the Company to

monitor the total number of shares of the Fund sold in each state. In addition, the Company or its agent, including Firststar, shall identify to Firststar in writing those transactions and assets to be treated as exempt from the Blue Sky reporting for each state. The responsibility of Firststar for the Company's Blue Sky state registration status under this Agreement is solely limited to the initial compliance by the Company and the reporting of such transactions to the Company or its agent.

- O. Answer telephone calls and correspondence from shareholders relating to their accounts during Firststar's normal business hours. Firststar shall strive to promptly respond to all such telephone or written inquiries from shareholders. Copies of all correspondence from shareholders involving complaints about the management of the Company, services provided by or for the Company, Firststar or others, shall be promptly forwarded to the Company. Firststar shall keep records of substantive shareholder telephone calls and correspondence and replies thereto, and of the lapse of time between receipt of such calls and correspondence and replies.
- P. Prepare such reports as may be reasonably requested from time to time by the Company or its Board of Directors relating to fees paid out under a Fund's Rule 12b-1 plan.

3. COMPENSATION

The Company agrees to pay Firststar for the performance of the duties listed in this Agreement as set forth on Exhibit A attached hereto; the fees and out-of-pocket expenses include, but are not limited to the following: printing, postage, forms, stationery, record retention (if requested by the Company), mailing, insertion, programming (if requested by the Company), labels, shareholder lists and proxy expenses.

These fees and reimbursable expenses may be changed from time to time subject to mutual written agreement between the Company and Firststar.

The Company agrees to pay all fees and reimbursable expenses within ten (10) business days following the receipt of the billing notice.

4. REPRESENTATIONS OF FIRSTAR

Firststar represents and warrants to the Company that:

- A. It is a limited liability company duly organized, existing and in good standing under the laws of Wisconsin;
- B. It is a registered transfer agent under the Exchange Act.

- C. It is duly qualified to carry on its business in the State of Wisconsin;
- D. It is empowered under applicable laws and by its charter and bylaws to enter into and perform this Agreement;
- E. All requisite corporate proceedings have been taken to authorize it to enter and perform this Agreement;
- F. It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement; and
- G. It will comply with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, the 1940 Act, and any laws, rules, and regulations of governmental authorities having jurisdiction.

5. REPRESENTATIONS OF THE COMPANY

The Company represents and warrants to Firststar that:

- A. The Company is an open-end diversified investment company under the 1940 Act;
- B. The Company is a corporation organized, existing, and in good standing under the laws of Maryland;
- C. The Company is empowered under applicable laws and by its Articles of Incorporation and Bylaws to enter into and perform this Agreement;
- D. All necessary proceedings required by the Articles of Incorporation have been taken to authorize it to enter into and perform this Agreement;
- E. The Company will comply with all applicable requirements of the Securities Act, the Exchange Act, the 1940 Act, and any laws, rules and regulations of governmental authorities having jurisdiction; and
- F. A registration statement under the Securities Act will be made effective and will remain effective, and appropriate state securities law filings have been made and will continue to be made, with respect to all shares of the Company being offered for sale.

6. COVENANTS OF THE COMPANY AND FIRSTAR

The Company shall furnish Firststar a certified copy of the resolution of the Board of Directors of the Fund authorizing the appointment of Firststar and

the execution of this Agreement. The Company shall provide to Firststar a copy of its Articles of Incorporation and Bylaws, and all amendments thereto.

Firststar shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable and as required under the Exchange Act. To the extent required by Section 31 of the 1940 Act, and the rules thereunder, Firststar agrees that all such records prepared or maintained by Firststar relating to the services to be performed by Firststar hereunder are the property of the Company and will be preserved, maintained and made available in

accordance with such section and rules and will be surrendered to the Company on and in accordance with its request.

7. PERFORMANCE OF SERVICE; LIMITATION OF LIABILITY

Firststar shall exercise reasonable care in the performance of its duties under this Agreement. Firststar shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Company in connection with matters to which this Agreement relates, including losses resulting from mechanical breakdowns or the failure of communication or power supplies beyond Firststar's control, except a loss resulting from Firststar's refusal or failure to comply with the terms of this Agreement or from bad faith, negligence, or willful misconduct on its part in the performance of its duties under this Agreement. Notwithstanding any other provision of this Agreement, the Company shall indemnify and hold harmless Firststar from and against any and all claims, demands, losses, expenses, and liabilities (whether with or without basis in fact or law) of any and every nature (including reasonable attorneys' fees) which Firststar may sustain or incur or which may be asserted against Firststar by any person arising out of any action taken or omitted to be taken by it in performing the services hereunder (i) in accordance with the foregoing standards, or (ii) in reliance upon any written or oral instruction provided to Firststar by any duly authorized officer of the Company, such duly authorized officer to be included in a list of authorized officers furnished to Firststar and as amended from time to time in writing by resolution of the Board of Directors of the Company.

Firststar shall indemnify and hold the Company harmless from and against any and all claims, demands, losses, expenses, and liabilities (whether with or without basis in fact or law) of any and every nature (including reasonable attorneys' fees) which the Company may sustain or incur or which may be asserted against the Company by any person arising out of any action taken or omitted to be taken by Firststar as a result of Firststar's refusal or failure to comply with the terms of this Agreement, its bad faith, negligence, or willful misconduct.

In the event of a mechanical breakdown or failure of communication or power supplies beyond its control, Firststar shall take all reasonable steps to minimize service interruptions for any period that such interruption continues beyond Firststar's control. Firststar will make every reasonable effort to restore any lost or damaged data and correct any errors resulting from such a breakdown

at the expense of Firststar. Firststar agrees that it shall, at all times, have reasonable contingency plans with appropriate parties, making reasonable provision for emergency use of electrical data processing equipment to the extent appropriate equipment is available. Representatives of the Company shall be entitled to inspect Firststar's premises and operating capabilities at any time during regular business hours of Firststar, upon reasonable notice to Firststar.

Regardless of the above, Firststar reserves the right to reprocess and correct administrative errors at its own expense.

In order that the indemnification provisions contained in this section shall apply, it is understood that if in any case the indemnitor may be asked to

indemnify or hold the indemnitee harmless, the indemnitor shall be fully and promptly advised of all pertinent facts concerning the situation in question, and it is further understood that the indemnitee will use all reasonable care to notify the indemnitor promptly concerning any situation which presents or appears likely to present the probability of a claim for indemnification. The indemnitor shall have the option to defend the indemnitee against any claim which may be the subject of this indemnification. In the event that the indemnitor so elects, it will so notify the indemnitee and thereupon the indemnitor shall take over complete defense of the claim, and the indemnitee shall in such situation initiate no further legal or other expenses for which it shall seek indemnification under this section. The indemnitee shall in no case confess any claim or make any compromise in any case in which the indemnitor will be asked to indemnify the indemnitee except with the indemnitor's prior written consent.

8. PROPRIETARY AND CONFIDENTIAL INFORMATION

Firststar agrees on behalf of itself and its directors, officers, and employees to treat confidentially and as proprietary information of the Company all records and other information relative to the Company and prior, present, or potential shareholders (and clients of said shareholders) and not to use such records and information for any purpose other than the performance of its responsibilities and duties hereunder, except after prior notification to and approval in writing by the Company, which approval shall not be unreasonably withheld and may not be withheld where Firststar may be exposed to civil or criminal contempt proceedings for failure to comply after being requested to divulge such information by duly constituted authorities, or when so requested by the Company.

9. TERM OF AGREEMENT; AMENDMENT

This Agreement shall become effective as of the date hereof and, unless sooner terminated as provided herein, shall continue automatically in effect for successive two year periods. The Agreement may be terminated by either party upon giving ninety (90) days prior written notice to the two year anniversary date.

If the Company elects to terminate this Agreement prior to the two year anniversary of this Agreement, for reasons other than unacceptable service levels, the Company agrees to reimburse Firststar for the difference between the termination date and the anniversary date in two year fees based on the current fees of the Company.

10. NOTICES

Notices of any kind to be given by either party to the other party shall be in writing and shall be duly given if mailed or delivered as follows: Notice to Firststar shall be sent to:

Firststar Mutual Fund Services, LLC
615 East Michigan Street
Milwaukee, WI 53202

and notice to the Company shall be sent to:

Legacy Funds, Inc.
61 Broadway
New York, NY 10006-2802
Attention: Corporate Secretary

11. DUTIES IN THE EVENT OF TERMINATION

In the event that, in connection with termination, a successor to any of Firststar's duties or responsibilities hereunder is designated by the Company by written notice to Firststar, Firststar will promptly, upon such termination and at the expense of the Company, transfer to such successor all relevant books, records, correspondence, and other data established or maintained by Firststar under this Agreement in a form reasonably acceptable to the Company (if such form differs from the form in which Firststar has maintained, the Company shall pay any expenses associated with transferring the data to such form), and will cooperate in the transfer of such duties and responsibilities, including provision for assistance from Firststar's personnel in the establishment of books, records, and other data by such successor.

12. GOVERNING LAW

This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of Wisconsin. However, nothing herein shall be construed in a manner inconsistent with the 1940 Act or any rule or regulation promulgated by the Securities and Exchange Commission thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed

by a duly authorized officer in one or more counterparts as of the day and year first written above.

XYZ FUNDS, INC.

FIRSTAR MUTUAL FUND
SERVICES, LLC

By: _____

By: _____

Print: _____

Print: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attest: _____

Attest: _____

TRANSFER AGENT AND SHAREHOLDER SERVICING
LOAD FUND ANNUAL FEE SCHEDULE

EXHIBIT A

Separate Series of XYZ Funds, Inc.

| NAME OF SERIES | DATE ADDED |
|---------------------|----------------|
| XYZ Fund Class A | August 2, 1999 |

Annual Fee

\$16.00 per shareholder account
Minimum annual fees of \$25,000 for the first fund and \$15,000 for each additional fund

Plus Out-of-Pocket Expenses, including but not limited to:

- | | |
|-----------------------------------|---|
| Telephone - toll-free lines | Proxies |
| Postage | Retention of records (with prior approval) |
| Programming (with prior approval) | Microfilm/fiche of records |
| Stationery/envelopes | Special reports |
| Mailing | ACH fees |

ACH Shareholder Services

\$125.00 per month per Fund group
 \$.50 per account setup and/or change
 \$.50 per ACH item
 \$.50 per item for EFT payments and purchases
 \$ 3.50 per correction, reversal, return item
 \$1.00 per shareholder call

Qualified Plan Fees (Billed to Investors)

| | |
|------------------------------------|--|
| Annual maintenance fee per account | \$12.50/acct. (Cap at \$25.00 per SSN) |
| Transfer to successor trustee | \$15.00/trans. |
| Distribution to participant | \$15.00/trans. (Exclusive of SWP) |
| Refund of excess contribution | \$15.00/trans. |

Additional Shareholder Fees (Billed to Investors)

| | |
|---|------------------------------|
| Any outgoing wire transfer | \$12.00/wire |
| Telephone Exchange | \$ 5.00/exchange transaction |
| Return check fee | \$20.00/item |
| Stop payment | \$20.00/stop |
| (Liquidation, dividend, draft check) | |
| Research fee | \$ 5.00/item |
| (For requested items of the second calendar year [or previous] to the request) (Cap at \$25.00) | |

NSCC

OUT-OF-POCKET CHARGES

NSCC Interfaces

| | |
|--|---------------------------------|
| Setup | |
| Fund/SERV, Networking ACATS, Exchanges | \$5,000 setup (one time) |
| DCCS, RAT | |
| Commissions | \$5,000 setup (one time) |
| Processing | |
| Fund/SERV | \$ 50/month |
| Networking | \$250/month |
| CPU Access | \$ 40/month |
| Fund/SERV Transactions | \$.350/trade |
| Networking - per item | \$.025/monthly dividend fund |
| Networking - per item | \$.015/non-mo. dividend fund |
| First Data | \$.100/next-day Fund/SERV trade |

NSCC Implementation

8 to 10 weeks lead time

Fees and out-of-pocket expenses are billed to the Fund monthly.

ADDITIONAL OUT-OF-POCKET EXPENSES

| | |
|-------------------------------------|--|
| Database Select Requests | \$200 per select request |
| Postage | \$.31 per one ounce pre-sort first class envelope |
| Shareholder Records Search | \$3.00 per search of lost shareholder (based upon 2 returned mail items) |
| PAR System Restore | \$1,500 per restore |
| Data and Report Transmission | |
| Monthly Service and Support | \$160 per month |
| Per Record Transmitted | \$.01 per record |
| New Fund Programming | |
| Fund Group Setup | \$2,000 per fund group |
| Fund Addition to Existing Group | \$1,000 per fund |
| Additional Classes of Existing Fund | \$250 per class |
| Additional Programming | \$150 per hour |

EXHIBIT 23 (M)

DISTRIBUTION PLAN

THE LEGACY FUNDS, INC.

DISTRIBUTION PLAN

Introduction

The Distribution and Service Plan (the Plan) set forth below which is designed to conform to the requirements of Rule 12b-1 under the Investment Company Act of 1940 (the Investment Company Act) and Rule 2830 of the Conduct Rules of the National Association of Securities Dealers, Inc. (NASD) has been adopted by The Legacy Funds, Inc. (the Fund) and by Ingalls & Snyder LLC, the Fund's distributor (the Distributor).

The Fund has entered into a distribution agreement pursuant to which the Fund will employ the Distributor to distribute [Class A] shares issued by the Fund ([Class A] shares). Under the Plan, the Fund wishes to pay to the Distributor, as compensation for its services, a distribution and service fee with respect to [Class A] shares.

A majority of the Board of Trustees of the Fund, including a majority who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that adoption of the Plan would be prudent and in the best interest of the Fund and its shareholders. Such approval included a determination that, in the exercise of their reasonable business judgment and in light of their fiduciary duties, there is a reasonable likelihood that adoption and continuation of this Plan will benefit the Fund and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) are primarily intended to result in the sale of [Class A] shares of the Fund within the meaning of paragraph (a) (2) of Rule 12b-1 promulgated under the Investment Company Act.

The purpose of the Plan is to create incentives to the Distributor and/or other qualified broker-dealers and their account executives to provide distribution assistance to their customers who are investors in the Fund, to defray the costs and expenses associated with the preparation, printing and distribution of prospectuses and sales literature and other promotional and distribution activities and to provide for the servicing and maintenance of shareholder accounts.

The material aspects of the Plan are as follows:

1. Distribution Activities

The Fund shall engage the Distributor to distribute [Class A] shares of the Fund and to service shareholder accounts using all of the facilities of the

Distributor's distribution network including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the Distributor may select, including Ingalls & Snyder LLC (Ingalls & Snyder). Services provided and activities undertaken to distribute [Class A] shares of the Fund are referred to herein as "Distribution Activities."

[2. Reimbursement of Expenses]

[(a) The Fund shall reimburse the Investment Adviser, the Distributor or others for expenses incurred by such parties in the promotion and distribution of the shares of the Fund, including but not limited to, the printing of prospectuses and reports used for sales purposes, expenses of preparation of sales literature and related expenses, advertisements, and other distribution-related expenses, as well as any distribution fees paid to securities dealers or others who have executed a servicing agreement with the Fund or the Distributor on behalf of the Fund, which form of agreement has been approved from time to time by the Board, including the Rule 12b-1 Trustees.]

[(b) The maximum amount which may be reimbursed by the Fund pursuant to this Plan shall be 0.25% per annum of the Fund's average daily net assets. Such reimbursement shall be paid on a monthly or quarterly basis as determined by the Board. In no event, shall the payments made under this Plan, plus any other payments deemed to be made pursuant to the Plan, exceed the amount permitted to be paid pursuant to the Conduct Rules of the National Association of Securities Dealers, Inc.]

3. Payment for Distribution Activities

The Fund shall pay to the Distributor as compensation for its services a distribution fee [of .75] of 1% per annum of the average daily net assets of the [Class A] shares of the Fund for the performance of Distribution Activities. The Fund shall calculate and accrue daily amounts payable by the [Class A] shares of the Fund hereunder and shall pay such amounts monthly or at such other intervals as the Board of Trustees may determine. Amounts payable under the Plan shall be subject to the limitations of Rule 2830 of the NASD Conduct Rules.

Amounts paid to the Distributor by the [Class A] shares of the Fund will not be used to pay the distribution expenses incurred with respect to any other

class of shares of the Fund except that distribution expenses attributable to the Fund as a whole will be allocated to the [Class A] shares according to the ratio of the sale of [Class A] shares to the total sales of the Fund's shares over the Fund's fiscal year or such other allocation method approved by the Board of Trustees. The allocation of distribution expenses among classes will be subject to the review of the Board of Trustees. [Payments hereunder will be applied to distribution expenses in the order in which they are incurred, unless otherwise determined by the Board of Trustees.]

The Distributor shall spend such amounts as it deems appropriate on Distribution Activities which include, among others:

(a) sales commissions (including trailer commissions) paid to, or on account of, account executives of the Distributor;

(b) indirect and overhead costs of the Distributor associated with performance of Distribution Activities including central office and branch expenses;

[(c) amounts paid to Ingalls & Snyder for performing services under a selected dealer agreement between Ingalls & Snyder and the Distributor for sale of [Class A] shares of the Fund, including sales commissions and trailer commissions paid to, or on account of, agents and indirect and overhead costs associated with Distribution Activities;]

(d) advertising for the Fund in various forms through any available medium, including the cost of printing and mailing Fund prospectuses, statements of additional information and periodic financial reports and sales literature to persons other than current shareholders of the Fund; and

(e) sales commissions (including trailer commissions) paid to, or on account of, broker-dealers and other financial institutions (other than Ingalls & Snyder) which have entered into selected dealer agreements with the Distributor with respect to [Class A] shares of the Fund.

4. Quarterly Reports; Additional Information

[An appropriate officer of the Fund or The Investment Adviser and Distributor] will provide to the Board of Trustees of the Fund for review, at least quarterly, a written report specifying in reasonable detail the amounts expended for Distribution Activities ([including payment of reimbursements]) and the purposes for which such expenditures were made in compliance with the requirements of Rule 12b-1. The Distributor will provide to the Board of Trustees of the Fund such additional information as they shall from time to time reasonably request, including information about Distribution Activities undertaken or to be undertaken by the Distributor.

The Distributor will inform the Board of Trustees of the Fund of the commissions and account servicing fees to be paid by the Distributor to account executives of the Distributor and to broker-dealers and other financial institutions which have selected dealer agreements with the Distributor.

5. Effectiveness; Continuation

The Plan shall continue in effect for a period of more than one year only so long as such continuance is specifically approved at least annually by the Fund's Board of Trustees, including the Rule 12b-1 Trustees, cast in person at a meeting called for the purpose of voting on the Plan.

[If approved by a vote of a majority of the outstanding voting securities of the [Class A] shares of the Fund, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Board of Trustees of the Fund and a majority of the Rule 12b-1 Trustees by votes cast in person at a meeting called for the purpose of voting on the continuation of the Plan.]

6. Termination

This Plan may be terminated at any time [on not more than sixty (60) days' written notice] by (a) the vote of a majority of the Rule 12b-1 Trustees, [(b) the vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the [Class A] shares of the Fund, or (c) the Distributor, and shall terminate automatically in the event of any act that constitutes an assignment of the investment management agreement between the Fund on behalf of the Fund and the Investment Adviser.]

7. Amendments

The Plan may not be amended to change the distribution expenses to be paid so as to increase materially the amounts payable under this Plan unless such amendment shall be approved by the vote of a majority of the outstanding voting securities (as defined in the Investment Company Act) of the [Class A] shares of the Fund. All material amendments of the Plan shall be approved by a majority of the Board of Trustees of the Fund and a majority of the Rule 12b-1 Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. Rule 12b-1 Trustees.

While the Plan is in effect, the selection and nomination of the Rule 12b-1 Trustees shall be committed to the discretion of the Rule 12b-1 Trustees.

9. Records

The Fund shall preserve copies of the Plan and any related agreements and all reports made pursuant to Section 5 hereof, for a period of not less than six years from the date of effectiveness of the Plan, such agreements or reports, and for at least the first two years in an easily accessible place.

10. Effective Date

This Plan shall take effect on the ____ day of _____, 1999.