

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

**WILSHIRE VARIABLE INSURANCE TRUST**

CIK: **1026708** | IRS No.: **000000000** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **485BPOS** | Act: **40** | File No.: **811-07917** | Film No.: **05791433**

Mailing Address  
760 MOORE ROAD  
KING OF PRUSSIA PA 19406

Business Address  
760 MOORE ROAD  
KING OF PRUSSIA PA 19406  
6103828667

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CIK: **1026708** | IRS No.: **000000000** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **485BPOS** | Act: **33** | File No.: **333-15881** | Film No.: **05791434**

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KING OF PRUSSIA PA 19406

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6103828667

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-1A  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. \_\_\_\_

Post-Effective Amendment No. 18

and/or

REGISTRATION STATEMENT  
Under the Investment Company Act of 1940

Amendment No. 19

WILSHIRE VARIABLE INSURANCE TRUST  
(Exact Name of Registrant as Specified in Charter)

1299 Ocean Avenue, Suite 700  
Santa Monica, California 90401  
(Address of Principal Executive Offices, including Zip Code)

Registrant's Telephone Number, Including Area Code: (310) 451-3051

<TABLE>

<CAPTION>

(Name and Address of Agent for Service)	Copy to:
<S> Lawrence Davanzo c/o Wilshire Associates Incorporated 1299 Ocean Avenue, Suite 700 Santa Monica, California 90401	<C> Cathy G. O'Kelly Vedder, Price, Kaufman & Kammholz, P.C. 222 North LaSalle Street Chicago, Illinois 60601

</TABLE>

It is proposed that this filing will become effective (check appropriate box)

immediately upon filing pursuant to paragraph (b); or  
 on May 2, 2005 pursuant to paragraph (b); or  
 60 days after filing pursuant to paragraph (a)(1); or  
 on (date) pursuant to paragraph (a)(1); or  
 75 days after filing pursuant to paragraph (a)(2); or  
 on (date) pursuant to paragraph (a)(2) of Rule 485.

If appropriate, check the following box:

this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

[LOGO]  
W I L S H I R E  
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VARIABLE INSURANCE TRUST  
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Prospectus

May 2, 2005

Wilshire Variable Insurance Trust Equity Fund -- Horace Mann Shares  
Wilshire Variable Insurance Trust Balanced Fund -- Horace Mann Shares  
Wilshire Variable Insurance Trust Income Fund -- Horace Mann Shares  
Wilshire Variable Insurance Trust Short-Term Investment Fund -- Horace Mann

Shares  
 Wilshire Variable Insurance Trust Small Cap Growth Fund -- Horace Mann Shares  
 Wilshire Variable Insurance Trust International Equity Fund -- Horace Mann  
 Shares  
 Wilshire Variable Insurance Trust Socially Responsible Fund -- Horace Mann  
 Shares

Prospectus

May 2, 2005

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 WILSHIRE VARIABLE INSURANCE TRUST  
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EQUITY FUND  
 BALANCED FUND  
 INCOME FUND  
 SHORT-TERM INVESTMENT FUND  
 SMALL CAP GROWTH FUND  
 INTERNATIONAL EQUITY FUND  
 SOCIALLY RESPONSIBLE FUND

-----  
 Shares of the Wilshire Variable Insurance Trust are sold only as the underlying  
 investment for variable annuity contracts issued by insurance companies.

Wilshire Variable Insurance Trust  
 760 Moore Road  
 King of Prussia, Pennsylvania 19406

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 The Securities and Exchange Commission has not approved or disapproved these  
 securities or passed upon the adequacy of this prospectus. Any representation  
 to the contrary is a criminal offense.  
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#### SUMMARY

Wilshire Associates Incorporated ("Wilshire") serves as the investment adviser to the Wilshire Variable Insurance Trust (the "Trust"). The Trust is registered under the Investment Company Act of 1940 (the "1940 Act") and is made up of a series of portfolios (the "Funds"). In its oversight of the investment program of the Funds, Wilshire selects investment managers as subadvisers to manage each Fund's assets, and determines the allocation of each Fund's assets among those selected subadvisers. Wilshire selects subadvisers based upon a due diligence process that focuses on, but is not limited to, the managers' philosophy and process, people and organization, resources and performance. Wilshire has discretion to select, retain and discharge the subadvisers with approval from the Fund's Board of Trustees. Wilshire may take these actions at any time without shareholder approval.

#### EQUITY FUND -----

**Investment Objective:** The Equity Fund seeks long-term capital growth. As a secondary objective, the Equity Fund seeks conservation of principal and production of income.

**Main Investment Strategies:** The Equity Fund invests, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in equity securities. The Equity Fund ordinarily invests in common stocks of domestic companies. These companies vary in size and operating history, they may or may not be listed on a stock exchange and they may be in any industry. On average, the Fund will have a value-bias, generally exhibiting an average price to earnings ratio lower than, and an average dividend yield higher than, that of the market as measured by the S&P 500. The Equity Fund may also invest in preferred stocks. Additionally, up to 10% of the Equity Fund's assets may be invested in U.S. dollar-denominated securities of foreign issuers, including common stock, preferred stock, convertible securities and American Depository Receipts. Included within the definition of "domestic companies" are companies that are not incorporated in the U.S. but have one or more of the following attributes: principal place of business in the U.S., substantial portion of income derived from activities in the U.S., equity securities traded on a major U.S. stock exchange or included in a recognized index of U.S. stocks or complies with U.S. accounting standards. Thus, securities of such issuers are not subject to the 10% limitation on securities of foreign issuers.

Currently, Wilshire has retained the Bernstein Investment Research and Management Unit ("Bernstein") of Alliance Capital Management L.P. ("Alliance"), Mellon Equity Associates, LLP ("Mellon Equity") and Wellington Management Company, LLP ("Wellington Management") to manage the Equity Fund. The basic investment philosophy of each subadviser is described below.

In managing its portion of the Equity Fund, Bernstein uses traditional methods of stock selection -- research and analysis -- to identify undervalued stocks. In addition, Bernstein employs quantitative valuation tools to identify attractive stocks and the most opportune time to purchase them.

Mellon Equity believes that stock returns are a function of a security's exposure to numerous fundamental factors that move in and out of favor over time. By emphasizing those stocks with favorable attributes and de-emphasizing those without, Mellon Equity seeks to purchase the better performing stocks within a sector and attempts to neutralize risk through a well diversified portfolio construction.

Wellington Management employs a conservative approach to investing in large capitalization, quality companies which it believes have long-term growth potential. Using a blend of top-down sector analysis and bottom-up security selection, Wellington Management's growth and income style emphasizes fundamental analysis in security selection, and attempts to identify long lasting broad themes based on demographic trends, technological changes and political and social developments. Wellington Management will look to sell a security when downside risk equals upside potential, when a decreasing trend of earnings growth is exhibited, or when excessive valuations are realized.

Under normal circumstances, the Equity Fund intends to be fully invested. Pending investment to meet anticipated redemption requests, or as a temporary defensive measure if a subadviser determines that market conditions warrant, the Equity Fund may also invest, without limitation, in high quality, U.S. dollar-denominated money market instruments. To the extent the Equity Fund is in a defensive position, its ability to achieve its investment objective may be

Main Risks of Investing: Since the Equity Fund invests most of its assets in common stocks, one of the primary risks is that the value of the stocks it holds might decrease in response to the activities of the company that issued the stock, or general economic and market conditions. More information about the risks of investing in the Equity Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. The Equity Fund's returns will vary, and you could lose money by investing in the Equity Fund. There can be no assurance that the Equity Fund will meet its investment objectives.

BALANCED FUND

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Investment Objective: The Balanced Fund seeks to realize a high long-term total rate of return consistent with prudent investment risks. Total rate of return consists of current income, which includes dividends, interest, discount accruals and capital appreciation.

Main Investment Strategies: The Balanced Fund operates under a fund of funds structure. The Balanced Fund invests substantially all of its assets in shares of the Equity Fund and Income Fund. In addition, the Balanced Fund may also invest in certain individual securities, including money market instruments and U.S. government securities.

The summaries for the Equity Fund and Income Fund include descriptions of the types of stocks and bonds in which those Funds are permitted to invest.

Wilshire allocates the Balanced Fund's assets between shares of the Equity Fund and Income Fund. This mixture reduces the volatility of investment returns while still providing the potential for higher long-term total returns that can be achieved only by including some exposure to stocks. As a matter of investment policy, 50% to 75% of the Balanced Fund's total assets will be invested in the Equity Fund and 25% to 50% of the value of its assets will be invested in the Income Fund. Under normal circumstances, the target asset mix is 60% to the equity sector and 40% to the fixed income sector. The mix of assets is regularly adjusted between the equity sector and the fixed income sector to maintain policy targets. Major changes in the investment mix may occur several times within a year or over several years, depending upon market and economic conditions. In general, however, Wilshire does not anticipate making frequent changes in asset allocation and will not attempt to time the market.

Pending investment to meet anticipated redemption requests, or as a temporary defensive measure if it is determined that market conditions warrant, the Fund may also invest, without limitation, in high quality, U.S. dollar-denominated money market instruments. To the extent the Fund is in a defensive position, its ability to achieve its investment objective may be limited.

An investor in the Balanced Fund should understand that alternatively he or she could allocate investments directly to the Equity Fund and Income Fund. By investing indirectly in these Funds through the Balanced Fund, an investor bears not only his or her proportionate share of certain expenses of the Balanced Fund (such as operating costs), but also, indirectly, similar expense of the underlying Funds. However, shareholders of the Balanced Fund will not be subject to duplicative advisory or administrative service fees as a result of the "fund of funds" arrangement, as discussed below in "Management."

Main Risks of Investing: By investing in the Balanced Fund, an investor assumes the same types of risks, either directly or indirectly, as investing in the Equity Fund and Income Fund, which are described in this prospectus. For assets allocated to the Equity Fund, the primary risk is that the value of stocks it holds might decrease in response to the activities of the company that issued the stock or general economic and market conditions. For assets allocated to the Income Fund, the primary risk is interest rate risk. The assets allocated to the Income Fund are also subject to credit risk. More information about the risks of investing in the Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. There can be no assurance that the Fund will meet its investment objective. The Fund's returns will vary, and you could lose money.

INCOME FUND

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Investment Objective: The Income Fund seeks to achieve a long-term total rate of return in excess of the U.S. bond market over a full market cycle.

Main Investment Strategies: The Income Fund invests, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in fixed income securities. These securities are primarily U.S. investment grade fixed income securities, including government and corporate securities, agency mortgage pass-through securities and asset-backed securities.

The Income Fund invests at least 75% of its total assets in:

- o investment grade publicly offered debt securities, including mortgage-backed and other asset-backed securities (within the four highest ratings as determined by Moody's or by S&P at the time of purchase)
- o securities issued or guaranteed by the U.S. Government or its agencies
- o high quality commercial paper (within the two highest grades as determined by both Moody's and S&P), repurchase and reverse repurchase agreements, time deposits with maturities less than seven days and cash or cash equivalents
- o high grade U.S. dollar-denominated debt obligations of foreign governments, foreign corporations, foreign branches of U.S. banks and foreign banks (limited to the three highest ratings as determined by Moody's or S&P at the time of purchase and to 15% of the Income Fund's total assets)
- o highest quality non-U.S. dollar-denominated debt obligations of foreign issuers (limited to the highest rating as determined by Moody's or S&P at the time of purchase) which are fully hedged back into U.S. dollars and do not exceed 15% of the Income Fund's total assets

Generally, the average duration of the U.S. portion of the portfolio will range between -25% of the Lehman Brothers Aggregate Bond Index's duration. There are no maximum maturity limits on individual securities. For defensive purposes, the duration and maturity of the Fund may be shortened. The Fund will maintain a high grade average quality for the portfolio (third highest rating as determined by Moody's or S&P).

Up to 25% of the Income Fund's total assets may be invested in securities not described above, including preferred stock, convertible securities, securities carrying warrants to purchase equity securities, U.S. dollar-denominated debt obligations of U.S. and non-U.S. issuers rated below A (by Moody's or S&P) and non-U.S. debt obligations rated below the highest quality (as determined by Moody's or S&P) and derivatives.

Currently, Wilshire has retained Western Asset Management Company ("Western Asset"), its affiliate Western Asset Management Company Limited ("WAML") and BlackRock Financial Management, Inc. ("BlackRock") to manage the Income Fund. The basic investment philosophies of Western Asset, WAML and BlackRock are described below.

Western Asset's core plus strategy seeks to provide investment results that exceed the performance of the Lehman Brothers Aggregate Index. This Index is a widely recognized measure of the aggregate U.S. bond market. This strategy seeks to maximize total return by investing primarily in U.S. dollar-denominated fixed income securities and other debt instruments of domestic and foreign entities, including corporate bonds, securities issued or guaranteed as to principal and interest by the U.S. government, its agencies and instrumentalities, mortgage-related securities and money market instruments.

Western Asset will determine the relative portion of the Fund's assets allocated to foreign securities. These foreign assets will be invested at the discretion of WAML. WAML will select the foreign country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances and any other specific factors WAML believes relevant.

In managing its portion of the Income Fund, BlackRock evaluates sectors of the bond market and individual securities within these sectors. BlackRock selects bonds from several sectors, including U.S. Treasuries and agency securities, commercial and residential mortgage-backed securities, collateralized mortgage obligations, asset-backed securities and corporate bonds. Securities are purchased for the Income Fund when BlackRock believes that they have the potential for above-average total return. A

security will be sold if, in the opinion of BlackRock, the risk of continuing to hold the security is unacceptable when compared to its total return potential.

Under normal circumstances, the Income Fund intends to be fully invested. Pending investment, to meet anticipated redemption requests, or as a temporary defensive measure if a subadviser determines that market conditions warrant, the Fund may also invest, without limitation, in high quality, U.S. dollar-denominated money market instruments. To the extent the Fund is in a defensive position, its ability to achieve its investment objective may be limited.

**Main Risks of Investing:** The primary risk of investing in the Income Fund is interest rate risk. Changes in interest rates may cause changes in the Income Fund's yield, net asset value and total return. These changes can have a more dramatic impact on investments with longer maturities. The Income Fund is also subject to credit risk. The Income Fund's net asset value and total return may be adversely affected by the inability of the issuers of the Income Fund's securities to make payment at maturity. More information about the risks of investing in the Income Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. There can be no assurance that the Income Fund will meet its investment objective. The Fund's returns will vary, and you could lose money by investing in the Income Fund.

#### SHORT-TERM INVESTMENT FUND

**Investment Objective:** The Short-Term Investment Fund seeks to realize maximum current income to the extent consistent with liquidity. Preservation of principal is a secondary objective. The Short-Term Investment Fund is not a money market fund and does not maintain a stable net asset value per share.

**Main Investment Strategies:** The Short-Term Investment Fund primarily invests in the following types of short-term debt instruments with maturities generally not exceeding one year:

- o U.S. Treasury Bills and other obligations of or guaranteed by the U.S. Government or its agencies
- o commercial paper (within the two highest ratings as determined by Moody's or S&P)
- o U.S. dollar-denominated debt obligations of foreign governments, foreign corporations, foreign branches of U.S. banks and foreign banks (limited to the three highest ratings as determined by Moody's or S&P and to 10% of the Short-Term Investment Fund's total assets)
- o publicly traded bonds, debentures and notes (with a rating within the four highest ratings as determined by Moody's or S&P)
- o repurchase and reverse repurchase agreements
- o cash or cash equivalents

Currently, Wilshire has retained Western Asset to manage the Short-Term Investment Fund. The basic investment philosophy of Western Asset is described below.

In seeking to achieve the Short-Term Investment Fund's investment objective, Western Asset uses a multi-stage process. In the first stage, Western Asset analyzes general economic and market factors, such as interest rate forecasts and anticipated interest rate spreads among various sectors of money market instruments, and sets broad strategies for the Short-Term Investment Fund. In the second stage, Western Asset evaluates individual securities. Western Asset uses proprietary quantitative and qualitative techniques to create and maintain a list of issuers whose securities are approved for purchase. In the third stage, Western Asset determines the structure and composition of the portfolio. In doing so, Western Asset seeks to minimize exposure to credit risk and market risk. The Short-Term Investment Fund attempts to maximize return to take advantage of changing money market conditions and trends. The Short-Term Investment Fund also trades to take advantage of disparities in yield relationships between money market instruments.

Under normal circumstances, the Short-Term Investment Fund intends to be fully invested. Pending investment to meet anticipated redemption requests, or as a temporary defensive measure if its subadviser determines that market conditions warrant, the Short-Term Investment Fund may also invest, without limitation, in

high quality, U.S. dollar-denominated money market instruments. To the extent

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the Short-Term Investment Fund is in a defensive position, its ability to achieve its investment objective may be limited.

**Main Risks of Investing:** The primary risk of investing in the Short-Term Investment Fund is interest rate risk. Changes in interest rates may cause changes in the Short-Term Investment Fund's yield, net asset value and total return. The Short-Term Investment Fund is also subject to credit risk. More information about the risks of investing in the Short-Term Investment Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. There can be no assurance that the Short-Term Investment Fund will meet its investment objectives. The Short-Term Investment Fund's returns will vary and you could lose money by investing in the Fund.

#### SMALL CAP GROWTH FUND

**Investment Objective:** The Small Cap Growth Fund seeks long-term capital appreciation.

**Main Investment Strategies:** The Small Cap Growth Fund invests, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in securities of small cap companies. The Small Cap Growth Fund ordinarily invests in small cap equity securities (less than \$2.5 billion at the time of investment) which the subadvisers believe have earnings growth potential. Such securities would be considered by the subadvisers to have favorable and above-average earnings growth prospects; that is, securities with growth rate estimates in excess of the average for the Small Cap Growth Fund's benchmark, the Russell 2000 Growth Index. The Russell 2000 Growth Index is composed of those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index generally have higher price-to-book and price-to-earnings ratios than those in the Russell 2000 Value Index.

Currently, Wilshire has retained BlackRock and Mazama Capital Management, Inc. ("Mazama") to manage the Small Cap Growth Fund. The basic investment philosophy of each subadviser is described below.

BlackRock's small and mid cap growth team seeks to identify early stage companies with above average revenue and earnings per share growth potential. BlackRock focuses on companies with market capitalizations greater than \$200 million and less than \$2 billion. The team utilizes a bottom-up research process focusing on growth sectors and industries. Additionally, the team's strategy focuses on maintaining a valuation discipline to avoid over-paying for growth.

BlackRock generally will sell a stock when, in its opinion, the fundamentals deteriorate, when the stock's relative price momentum declines, or upon an earnings disappointment.

In managing its portion of the Small Cap Growth Fund, Mazama employs a proprietary model that incorporates both quantitative and qualitative inputs to identify growth companies with market capitalizations under \$2.5 billion that trade at attractive valuations and are likely to exceed current market expectations. Mazama then conducts in-depth research on these candidates before making purchase decisions.

Mazama will sell a stock when its proprietary model composite ranking declines substantially due to price appreciation or deterioration in fundamentals.

Under normal circumstances, the Small Cap Growth Fund intends to be fully invested. Pending investment to meet anticipated redemption requests, or as a temporary defensive measure if a subadviser determines that market conditions warrant, the Small Cap Growth Fund may also invest, without limitation, in high quality, U.S. dollar-denominated money market instruments. To the extent the Small Cap Growth Fund is in a defensive position, its ability to achieve its investment objective may be limited. The reason for acquiring money market securities would be to avoid market losses. However, if market conditions improve, this strategy could result in reducing the potential gains from market upswing, thus reducing the Small Cap Growth Fund's opportunity to achieve its investment objective.

**Main Risks of Investing:** Since the Small Cap Growth Fund invests most of its

assets in common stocks, the primary risk is that value of the stocks it holds might decrease in response to the activities of the company that issued the stock or general economic and market conditions. Investments in securities of companies with small-sized market capitalizations generally involve greater risk than investment in

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larger, more established companies. This is because small companies may be in an earlier stage of development, may be dependent on a small number of products or services, may lack substantial capital reserves and/or do not have proven track records. Smaller companies may be more adversely affected by poor economic or market conditions. In addition, small companies may be traded in low volumes, which can increase volatility and liquidity risks. More information about the risks of investing in the Small Cap Growth Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. There can be no assurance that the Small Cap Growth Fund will meet its investment objective. The Small Cap Growth Fund's returns will vary, and you could lose money by investing in the Fund.

#### INTERNATIONAL EQUITY FUND

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Investment Objective: The International Equity Fund seeks long-term growth of capital primarily through diversified holdings of marketable foreign equity investments.

Main Investment Strategies: The International Equity Fund invests, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in equity securities. The International Equity Fund invests in companies, wherever organized, which do business primarily outside the United States. The International Equity Fund intends to diversify investments among several countries and to have represented in its holdings business activities in not less than three different countries. The International Equity Fund invests primarily in equity securities of established companies that the subadviser believes have favorable characteristics and that are listed on foreign exchanges. It may also invest in fixed-income securities of foreign governments and companies.

Currently, Wilshire has retained New Star Institutional Managers Limited ("New Star") and The Boston Company Asset Management, LLC (the "Boston Company") to manage the International Equity Fund. The basic investment philosophy of each subadviser is described below.

New Star is a research-driven, active manager that compliments its bottom-up fundamental company analysis with industry, sector and regional analyses. New Star believes that earnings are driven by growth and management while valuations move with liquidity and sentiment. New Star maintains a strategic bias to those companies, industries and countries that have superior long-term growth potential. Additionally, New Star believes liquidity and the supply and demand for equity drives markets, and New Star closely monitors real money flows. The firm's overall objective is to maximize exposure to the best market opportunities, while keeping its portion of the International Equity Fund portfolio within acceptable risk tolerance levels and ensuring proper diversification of investment ideas. New Star endeavors to make small gains throughout its portion of the portfolio with tight risk control.

The Boston Company's investment philosophy is value-oriented, research-driven and risk-averse. The Boston Company evaluates traditional measures of value, overall business health and positive changes in business momentum. Security selection is the cornerstone of the investment philosophy. The Boston Company uses traditional measures of value to screen for inexpensive securities on a country-by-country basis. The Boston Company seeks securities that exhibit low price/book value, low price/earnings and low price/cash flow ratios. The investment process blends both quantitative and fundamental security analyses. The Boston Company emphasizes individual security selection rather than economic and industry trends, and the firm buys high quality undervalued companies with strong balance sheets. The Boston Company identifies catalysts that can unlock the valuation potential of portfolio securities. These may include positive earnings surprises or a positive trend in company profitability or growth. This helps to avoid the "value trap" -- securities that appear statistically inexpensive but perform poorly due to lack of business momentum.

The International Equity Fund has no present intention of altering its general policy of being primarily invested in foreign securities under normal conditions. However, in the event of exceptional conditions abroad, the International Equity Fund may temporarily invest all or a portion of its assets in Canadian or U.S. Government obligations or currencies, or securities of

companies incorporated in and having their principal activities in Canada or the United States. To the extent the International Equity Fund is in a defensive position, its ability to achieve its investment objective may be limited.

For hedging purposes, the International Equity Fund may purchase forward foreign currency exchange contracts, foreign currency options and futures contracts and foreign currencies in the form of bank

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deposits. The International Equity Fund may also purchase other foreign money market instruments, including, but not limited to, bankers' acceptances, certificates of deposit, commercial paper, short-term government and corporate obligations and repurchase agreements.

**Main Risks of Investing:** Because the International Equity Fund invests most of its assets in common stocks, the primary risk is that the value of the stocks it holds might decrease in response to the activities of those companies or market and economic conditions. Foreign investments often involve additional risks including political instability, differences in financial reporting standards and less stringent regulation of securities markets. These risks are magnified in less-established, emerging markets. Because the securities held by the International Equity Fund usually will be denominated in currencies other than the U.S. dollar, changes in foreign currency exchange rates may adversely affect the value of the International Equity Fund's investments. In addition, the International Equity Fund may invest in the securities of small companies, which may be more volatile and less liquid than securities of large companies. More information about the risks of investing in the International Equity Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. There can be no assurance that the International Equity Fund will meet its investment objective. The International Equity Fund's returns will vary, and you could lose money by investing in the Fund.

#### SOCIALLY RESPONSIBLE FUND

**Investment Objective:** The Socially Responsible Fund seeks long-term growth of capital, current income and growth of income.

**Main Investment Strategies:** The Socially Responsible Fund pursues its objective through a diversified portfolio composed primarily of marketable equity securities (including common stocks, preferred stocks and debt securities convertible into common stocks of seasoned U.S.-traded companies). The Socially Responsible Fund seeks to achieve its objective by investing in issuers that meet certain socially responsible criteria. Investments in equity securities are limited to issuers which, in the subadviser's judgment, meet the following criteria:

- o do not produce tobacco products;
- o do not produce alcoholic beverages;
- o do not own and/or operate casinos or manufacture gaming devices;
- o do not produce pornographic materials;
- o do not produce nuclear weapons or guidance and/or delivery systems specifically for nuclear weapons;
- o by popular standards, maintain non-discriminatory employment practices throughout a company's facilities; and
- o by popular standards, maintain environmental policies, practices and procedures that are currently acceptable, or that are exhibiting improvement.

Currently, Wilshire has retained Bernstein to manage the Socially Responsible Fund. The basic investment philosophy of the subadviser is described below.

Bernstein uses traditional methods of stock selection -- research and analysis -- to identify undervalued stocks that meet the socially responsible screening criteria. The subadviser will review the Socially Responsible Fund's investment universe quarterly for purposes of adding or eliminating stocks that meet or fail to meet the socially responsible screening criteria. All stocks purchased by the Socially Responsible Fund will meet such criteria at the time of purchase. Stocks held by the Socially Responsible Fund may be divested prior to reaching fair value, as determined by the subadviser, if during the quarterly

review of the Socially Responsible Fund's investment universe, the subadviser determines that a stock no longer meets the socially responsible screening criteria. The portfolio will consist primarily of stocks with market capitalizations greater than \$1 billion. In addition, the subadviser employs quantitative valuation tools to identify attractive stocks and the most opportune time to purchase them.

In addition, from time to time, for temporary defensive purposes, when the Socially Responsible Fund's subadviser determines such a position is advisable in light of economic or market conditions, the Socially Responsible Fund may invest a portion of its assets in cash and cash equivalents. Pending investment to meet anticipated redemption requests, or as a temporary defensive measure if its subadviser determines that market conditions warrant, the Socially Responsible Fund may also invest, without limitation, in high quality, U.S. dollar-denominated money market instruments. To the extent the Socially Responsible Fund is in a defensive position, its ability to achieve its investment objective may be limited.

Main Risks of Investing: The Socially Responsible Fund only invests in companies that meet its criteria for socially responsible investing. Because of this restriction, the investments that the Socially Responsible Fund's portfolio managers may choose from may be more limited than those of a fund that is not restricted to investing in companies that meet social criteria. In addition, since the Socially Responsible Fund invests most of its assets in common stocks, one of the primary risks is that the value of the stocks it holds might decrease in response to the activities of the company that issued the stock or general economic and market conditions. More information about the risks of investing in the Socially Responsible Fund is located in the sections entitled "More About Risks" and "Types of Investments and Associated Risks" below. There can be no assurance that the Socially Responsible Fund will meet its investment objective. The Socially Responsible Fund's returns will vary, and you could lose money by investing in the Socially Responsible Fund.

FUND PERFORMANCE HISTORY

The information below provides an illustration of how each Fund's performance has varied over time. The bar charts and tables provide some indication of the risks of investing in the Funds by showing the changes in the performance from year to year during the periods indicated and by showing how the average annual total returns for the periods indicated compare with a broad-based securities market index(es). The total return figures do not reflect expenses that apply to the separate account or related annuity contracts. The inclusion of these charges would reduce the total return figures for all periods shown. A Fund's past performance does not necessarily indicate how it will perform in the future.

-----  
Equity Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE>  
<CAPTION>

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
33.67%	25.28%	23.45%	7.64%	-2.54%	-4.64%	-4.21%	-19.43%	27.57%	10.15%

</TABLE>

<TABLE>  
<CAPTION>

Best Quarter	Worst Quarter
-----	-----
<S>	<C>
15.72% (2Q03)	-18.05% (3Q02)

</TABLE>

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE>  
<CAPTION>

	1 Year	5 Years	10 Years
	-----	-----	-----
<S>	<C>	<C>	<C>
Equity Fund .....	10.15%	0.67%	8.40%
S&P 500* .....	10.88%	-2.29%	12.07%
(reflects no deduction for fees, expenses or taxes)			

</TABLE>

\* The Standard and Poor's 500 Stock Index (the "S&P 500"). The S&P 500 is an unmanaged index that is generally considered to be representative of the United States equity market.

11

-----  
Balanced Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE>  
<CAPTION>

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
27.12%	18.27%	19.04%	7.68%	-1.11%	0.93%	1.39%	-8.27%	19.56%	8.18%

</TABLE>

<TABLE>  
<CAPTION>

Best Quarter	Worst Quarter
-----	-----
<S>	<C>
11.05% (2Q03)	-9.51% (3Q02)

</TABLE>

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE>  
<CAPTION>

	1 Year	5 Years	10 Years
	-----	-----	-----
<S>	<C>	<C>	<C>
Balanced Fund .....	8.18%	3.94%	8.73%
S&P 500* .....	10.88%	-2.29%	12.07%
(reflects no deduction for fees, expenses or taxes)			
Lehman Intermediate/Aggregate** .....	3.04%	5.69%	7.21%
(reflects no deduction for fees, expenses or taxes)			
Stock/Bond Composite*** .....	8.27%	1.71%	10.29%
(reflects no deduction for fees, expenses or taxes)			

</TABLE>

\* The Standard and Poor's 500 Stock Index (the "S&P 500"). The S&P 500 is an unmanaged index that is generally considered to be representative of the United States equity market.

\*\* Lehman Brothers Intermediate Government/Corporate Bond Index through April 30, 1997, Lehman Brothers Aggregate Bond Index thereafter.

\*\*\* Sixty percent S&P 500 Index, forty percent Lehman Brothers Intermediate Government/Corporate Bond Index through April 30, 1997; forty percent Lehman Brothers Aggregate Bond Index thereafter.

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-----  
Income Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE> <CAPTION>									
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
14.93%	3.50%	9.42%	8.09%	-1.57%	8.89%	8.88%	9.20%	7.25%	4.94%

<TABLE> <CAPTION>	
Best Quarter	Worst Quarter
<S>	<C>
4.64% (2Q95)	-2.07% (2Q04)

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE> <CAPTION>			
	1 Year	5 Years	10 Years
<S>	<C>	<C>	<C>
Income Fund .....	4.94%	7.82%	7.27%
Lehman Intermediate/Aggregate* .....	3.04%	5.69%	7.21%
(reflects no deduction for fees, expenses or taxes)			

\* Lehman Brothers Intermediate Government/Corporate Bond Index through April 30, 1997, Lehman Brothers Aggregate Bond Index thereafter.

-----  
Short-Term Investment Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE> <CAPTION>									
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<S>	<C>								
5.25%	5.02%	5.09%	4.97%	4.77%	5.81%	5.17%	1.72%	1.03%	1.22%

<TABLE> <CAPTION>	
Best Quarter	Worst Quarter
<S>	<C>
1.71% (1Q01)	0.00% (3Q03)

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE> <CAPTION>			
	1 Year	5 Years	10 Years
<S>	<C>	<C>	<C>
Short-Term Investment Fund .....	1.22%	2.96%	3.99%
Treasury Bill Index* .....	1.30%	2.95%	4.19%
(reflects no deduction for fees, expenses or taxes)			

</TABLE>

\* Treasury Bill Index: an unmanaged index consisting of U.S. Treasury Bills with 90-day maturities.

-----  
Small Cap Growth Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE>  
<CAPTION>

1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>
5.81%	71.55%	-10.84%	-29.89%	-38.93%	58.95%	4.40%

</TABLE>

<TABLE>  
<CAPTION>

Best Quarter	Worst Quarter
<S>	<C>
44.56% (4Q99)	-28.92% (3Q01)

</TABLE>

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE>  
<CAPTION>

	1 Year	5 Years	Since Inception (3/10/97)
<S>	<C>	<C>	<C>
Small Cap Growth Fund .....	4.40%	-8.68%	4.88%
Russell 2000 Growth* .....	14.31%	-3.57%	7.11%

(reflects no deduction for fees, expenses or taxes)

</TABLE>

\* The Russell 2000 Growth Index (the "Russell 2000 Growth") is an unmanaged securities index composed of those Russell 2000 securities with a greater-than-average growth orientation.

-----  
International Equity Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE>  
<CAPTION>

1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>
18.95%	51.83%	-17.51%	-26.35%	-20.99%	32.49%	10.61%

</TABLE>

<TABLE>  
<CAPTION>

Best Quarter	Worst Quarter
<S>	<C>
28.45% (4Q99)	-22.22% (3Q02)

</TABLE>

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE>  
<CAPTION>

	1 Year	5 Years	Since Inception (3/10/97)
<S>	<C>	<C>	<C>
International Equity Fund .....	10.61%	-6.79%	3.92%
MSCI EAFE* .....	20.24%	-1.13%	5.61%
(reflects no deduction for fees, expenses or taxes)			

\* The Morgan Stanley Capital International Europe, Australasia, Far East Index. The index reflects performance from February 28, 1997 through December 31, 2003.

-----  
Socially Responsible Fund  
-----

[THE FOLLOWING DATA IS REPRESENTED BY A BAR CHART IN THE PRINTED DOCUMENT]

<TABLE>  
<CAPTION>

1998	1999	2000	2001	2002	2003	2004
<S>	<C>	<C>	<C>	<C>	<C>	<C>
9.80%	8.39%	8.79%	-7.30%	-13.48%	28.45%	13.30%

<TABLE>  
<CAPTION>

Best Quarter	Worst Quarter
<S>	<C>
16.04% (2Q03)	-18.10% (3Q02)

Average Annual Total Returns  
(periods ended December 31, 2004)

<TABLE>  
<CAPTION>

	1 Year	5 Years	Since Inception (3/10/97)
<S>	<C>	<C>	<C>
Socially Responsible Fund .....	13.30%	4.86%	9.21%
Russell 1000 Value Index* .....	16.49%	5.27%	9.12%
(reflects no deduction for fees, expenses or taxes)			
Blended Index* .....	16.49%	0.45%	9.82%
(reflects no deduction for fees, expenses or taxes)			

\* The Russell 1000 Value Index is an unmanaged index that measures the performance of those Russell 1000 Index companies that are value-oriented, and generally have lower price-to-earnings and price-to-book ratios, and higher dividend yields than the average Russell 1000 Value Index company. Historical index results in the prospectus show a blended return that combines the S&P 500 history until the benchmark was changed (August 23, 2001), and the Russell 1000 Value Index from that point forward. For reporting periods after August 23, 2001 that do not include August 23,

Fees and Expenses. This section describes the fees and expenses that you may pay if you buy and hold shares of the Fund. Fund shares are no-load investments, so you will not pay any sales loads, redemption fees or exchange fees. However, you will indirectly pay annual Fund operating expenses, which vary from year to year. In addition, the separate account and annuity contracts involve other charges and expenses not described below. The Fund's expenses would be higher if these other charges and expenses associated with the separate account or annuity contracts were included in the expense table below.

Annual Operating Expenses  
(expenses that are deducted from Fund assets)

<TABLE>  
<CAPTION>

	Equity Fund	Balanced Fund*	Income Fund	Short-Term Investment Fund	Small Cap Growth Fund	International Equity Fund	Socially Responsible Fund
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Management Fee .....	0.55%	0.55%	0.55%	0.275%	1.15%	1.00%	0.85%
Distribution (12b-1) Fees	0.25%	0.25%	0.25%	0.250%	0.25%	0.25%	0.25%
Other Expenses .....	0.11%	0.05%	0.13%	0.84%	0.37%	0.35%	0.11%
Gross Annual Operating Expenses .....	0.91%	0.85%	0.93%	1.365%	1.77%	1.60%	1.21%
Less Expense .....							
Reimbursement(1).....	0.07%	0.00	0.05%	1.365%	0.23%	0.02%	0.22%
Net Annual Operating Expenses .....	0.84%	0.85%	0.88%	0.00%	1.54%	1.58%	0.99%

</TABLE>

(1) Wilshire has contractually agreed to reimburse each Fund for fees and expenses payable to the Funds' third party administrator, transfer agent and principal underwriter through December 31, 2006. In addition, Wilshire has voluntarily waived management fees for all Funds and has reimbursed the Short-term Investment Fund for all expenses.

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The example assumes that you invest \$10,000 in the Fund, redeem all of your shares at the end of the periods shown, earn a 5% return each year and incur the same operating expenses as shown above. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<TABLE>  
<CAPTION>

	1 Year	3 Years	5 Years	10 Years
<S>	<C>	<C>	<C>	<C>
Equity Fund .....	\$ 86	\$283	\$497	\$1113
Balanced Fund* .....	\$ 93	\$302	\$530	\$1187
Income Fund .....	\$ 90	\$291	\$510	\$1138
Short-Term Investment Fund .....	\$ 0	\$242	\$504	\$1252
Small Cap Growth Fund .....	\$157	\$535	\$938	\$2065
International Equity Fund .....	\$161	\$503	\$869	\$1898
Socially Responsible Fund .....	\$101	\$362	\$644	\$1446

</TABLE>

\* The Balanced Fund operates under a "fund of funds" structure. The expenses table and example include expenses of the underlying funds. Wilshire only receives directly from the Balanced Fund a fee of 0.55% of the average daily net assets of the Balanced Fund that are not invested in another Fund, and the Balanced Fund only pays directly a distribution (12b-1) fee

of 0.25% of the average daily net assets of the Balanced Fund that are not invested in another Fund. If the expenses of the underlying funds were not included, expenses of the Balanced Fund would be 0.05%.

MORE ABOUT RISKS

The Funds have principal investment strategies that come with inherent risks. The following is a list of the principal risks associated with those strategies. Because the Balanced Fund invests in the shares of the Equity Fund and Income Fund, the Balanced Fund will be subject to the risks of those Funds. The following table summarizes the types of risks described below that each Fund may experience:

<TABLE>  
<CAPTION>

Fund	Currency Risk	Derivatives Risk	Credit Risk	Interest Rate Risk	Investment Style Risk
<S>	<C>	<C>	<C>	<C>	<C>
Equity .....		X	X		X
Balanced .....	X	X	X	X	X
Income .....	X	X	X	X	X
Short-Term Investment .....		X	X	X	X
Small Cap Growth .....		X	X	X	X
International Equity .....	X	X	X	X	X
Socially Responsible .....		X	X		X

<CAPTION>

Fund	Liquidity Risk	Market Risk	Portfolio Strategy Risk	Prepayment Risk	Reinvestment Risk	Turnover Risk	Valuation Risk
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Equity .....	X	X	X				
Balanced .....	X	X	X	X	X		X
Income .....	X	X	X	X	X	X	X
Short-Term Investment .....		X	X			X	X
Small Cap Growth .....	X	X	X			X	X
International Equity .....	X	X	X				X
Socially Responsible .....	X	X	X				

</TABLE>

**Currency Risk.** Non-U.S. dollar-denominated securities are subject to fluctuations in the exchange rates between the U.S. dollar and foreign currencies which may negatively affect an investment. Adverse changes in exchange rates may erode or reverse any gains produced by foreign currency denominated investments, and may widen any losses.

**Derivatives Risk.** When a fund uses derivatives (securities whose value is based upon the value of another security or an index) to hedge positions in the portfolio, any loss generated by the derivative security should be substantially offset by gains on the hedged investment and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. To the extent that a derivative is not used as a hedge (i.e., for speculation), the fund is directly exposed to the potential gains and losses of that derivative. Gains and losses from non-hedging derivative positions may be substantially greater than the derivative's original cost.

**Credit Risk.** For debt securities, credit risk is the possibility that an issuer or counterparty to a contract will fail to make timely payments of interest or principal to a fund. The credit risk of a fund depends on the credit quality of its underlying securities. In general, for debt securities, the lower the credit quality of a fund's securities, the higher a fund's risk, all other factors such as maturity being equal.

**Interest Rate Risk.** For debt securities, interest rate risk is the possibility that the price will fall because of changing interest rates. In general, debt securities' prices vary inversely with changes in interest rates. If interest rates rise, bond prices generally fall; if interest rates fall, bond prices generally rise. In addition, for a given change in interest rates, longer-maturity bonds fluctuate more in price (gaining or losing more in value) than shorter-maturity bonds.

Investment Style Risk. During certain market conditions, funds with more specific investment styles (such as value or growth) may perform less well than funds that allow greater flexibility in the investment of assets.

Liquidity Risk. A fund may invest in certain securities that may be difficult or impossible to sell at a certain time and at a price that the fund finds to be favorable. A fund may have to accept an unfavorable price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on fund management or performance.

Market Risk. For equity securities, stock market movements will affect a fund's share price on a daily basis. Declines in value are possible because of declines in the stock market in general or because of a decline in the specific securities held by a fund. There is also the possibility that the price of the security will fall because the market perceives that there is or will be a deterioration in the fundamental value of the issuer or poor earnings performance by the issuer. Market risk may affect a single company, industry, sector or the market as a whole. For debt securities, the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the bond market as a whole.

Portfolio Strategy Risk. The performance of each fund is in part dependent upon the subadviser's skill in making appropriate investments. To the extent that a subadviser's investments differ from the

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portfolio represented by the benchmark, there exists the potential for volatility of the return of the fund relative to its index. As the industry and sector composition of the market or index changes over time, the implementation of a fund's strategy can lead to substantial differences in the sector or industry allocation of the Fund relative to the market or index.

Prepayment Risk. Mortgage-backed securities are subject to the risk of unanticipated prepayments of principal with respect to mortgages in the security's underlying pool of assets. While principal prepayments are passed through to the holders of the securities, prepayments also reduce the future payments on such securities and may reduce their value. Mortgage-backed securities are subject to the risk that an unexpected rise in interest rates will extend the life of a mortgage-backed security beyond the expected prepayment time, typically reducing the security's value. Mortgage-backed securities are subject to the risk that an unexpected decline in interest rates will contract the life of a mortgage-backed security, thereby affecting its prepayment schedule, which may affect the value of the security.

Reinvestment Risk. During periods of falling interest rates, a debt security with a high stated interest rate may be prepaid (or "called") prior to its expected maturity date. If, during periods of falling interest rates, a debt security with a high stated interest rate is called, the unanticipated proceeds would likely be invested at lower interest rates, and a fund's income or yield may decline. Call provisions, which may lead to reinvestment risk, are most common for intermediate- and long-term municipal, corporate and mortgage-backed securities. To the extent securities subject to call were acquired at a premium, the potential for appreciation in the event of a decline in interest rates may be limited and may even result in losses.

Turnover Risk. The Income Fund and the Small Cap Growth Fund may trade aggressively and thus experience high portfolio turnover and relatively high brokerage and other transaction costs. Such transaction costs may lower a fund's effective return.

Valuation Risk. A fund may invest in securities that are difficult to value and may inadvertently value certain of its securities at a higher price than the market will bear.

#### TYPES OF INVESTMENTS AND ASSOCIATED RISKS

Shareholders of each of the Equity Fund, Income Fund, Small Cap Growth Fund and International Equity Fund will be provided with at least 60 days prior notice of any change in the 80% investment policy of the fund.

The following provides additional information on various types of instruments in which the funds may invest and their associated risks. Because the Balanced Fund invests in shares of the Equity Fund and Income Fund, the Balanced Fund indirectly invests in the same investments as listed for the Equity Fund and Income Fund. For a more detailed description of the various types of instruments in which the funds may invest and their associated risks, please see the section entitled "Description of Securities and Risks" in the Statement

of Additional Information ("SAI").

Portfolio Holdings. A description of the policies and procedures with respect to the disclosure of the Funds' portfolio securities is available in the Statement of Additional Information.

ADRS, EDRS and GDRS. The Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund may invest in both sponsored and unsponsored American Depository Receipts ("ADRs"), European Depository Receipts ("EDRs"), Global Depository Receipts ("GDRs") and other similar global instruments. The Equity Fund may invest in ADRs. ADRs typically are issued by an American bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. EDRs, which are sometimes referred to as Continental Depository Receipts, are receipts issued in Europe, typically by foreign banks and trust companies, that evidence ownership of either foreign or domestic underlying securities. GDRs are depository receipts structured like global debt issues to facilitate trading on an international basis. Unsponsored ADR, EDR and GDR programs are organized independently and without the cooperation of the issuer of the underlying securities. As a result, available information concerning the issuer may not be as current as for sponsored ADRs, EDRs and GDRs, and the prices of unsponsored ADRs, EDRs and GDRs may be more volatile than if such

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instruments were sponsored by the issuer. Investments in ADRs, EDRs and GDRs present additional investment considerations, as described below under "Foreign Securities."

Foreign Securities. The Equity Fund, International Equity Fund, Small Cap Growth Fund, Socially Responsible Fund, Income Fund and Short-Term Investment Fund may invest in foreign securities. Global investing involves economic and political considerations not typically applicable to U.S. markets. These considerations, which may favorably or unfavorably affect a Fund's performance, include, but are not limited to, changes in exchange rates and exchange rate controls (which may include suspension of the ability to transfer currency from a given country), costs incurred in conversions between currencies, nonnegotiable brokerage commissions, different accounting standards, lower trading volume and greater market volatility, the difficulty of enforcing obligations in other countries, less securities regulation, different tax provisions (including withholding on interest and dividends paid to the Fund), war, expropriation, political and social instability and diplomatic developments. Further, the settlement period of securities transactions in foreign markets may be longer than in domestic markets. These considerations generally are heightened in developing countries. For example, the possibility of political upheaval and the dependence on foreign economic assistance may be greater in these countries than in developed countries. Wilshire and the subadvisers seek to mitigate the risks associated with these considerations through diversification and active professional management. For a more detailed description of foreign securities, see the SAI.

Forward Foreign and Currency Exchange Contracts. The International Equity Fund may invest in foreign currencies. The Income Fund may enter into forward foreign currency exchange contracts ("forward contracts") up to 15% of the value of its total assets, for hedging purposes only. A forward contract involves an obligation to purchase or sell a specific currency for an agreed price at a future date, which may be any fixed number of days from the date of the contract. The agreed price may be fixed or within a specified range of prices. The Income Fund also may enter into foreign currency futures contracts and foreign currency options up to 15% of the value of total assets, for hedging purposes only. Foreign currency futures contracts are standardized contracts traded on commodities exchanges that involve an obligation to purchase or sell a predetermined amount of currency at a predetermined date at a specified price. For a more detailed description of foreign currencies, see the SAI.

High-Yield (High-Risk) Securities. The Income Fund may invest in fixed income or convertible securities rated lower than "Baa" by Moody's or "BBB" by S&P, or unrated securities of comparable quality, which are commonly referred to as "junk bonds" or "high-yield/high-risk" securities. These securities are considered speculative and generally involve a higher risk of loss of principal and income than higher-rated, investment grade securities. The value of these securities generally fluctuate more than those of higher-rated securities. The value of high-yield, high-risk securities may also be influenced by the bond market's perception of an issuer's credit quality or its outlook for economic growth. As with any other asset in the Fund's portfolio, any reduction in the value of such securities would be reflected in the net asset value of the Fund. In addition, a fund that invests in lower-quality securities may incur

additional expenses to the extent it is required to seek recovery upon a default in the payment of principal and interest on its holdings. As a result of the associated risks, successful investments in high-yield (high-risk) securities will be more dependent on Wilshire's and the subadvisers' credit analysis than generally would be the case with investments in investment grade securities. Lower-quality securities tend to be less liquid than higher-quality debt securities because the market for them is not as broad or active. The lack of a liquid secondary market may have an adverse effect on market price and the Fund's ability to sell particular securities. For a description of ratings, and a more detailed description of high-yield (high-risk) securities, see the SAI.

Illiquid Securities. The Income Fund may invest up to 10% of its net assets in securities that are illiquid. Variable and floating rate instruments that cannot be disposed of within seven days and repurchase agreements and time deposits that do not provide for payment within seven days after notice, without taking a reduced price, are subject to these limits. The Small Cap Growth Fund, International Equity Fund, Socially Responsible Fund and Income Fund may purchase securities which are not registered under the Securities Act of 1933 (the "1933 Act") but which can be sold to "qualified institutional buyers" in accordance with Rule 144A under the 1933 Act if they are determined to be liquid. Any such security will be considered liquid so long as it is determined by a subadviser that an

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adequate trading market exists for that security. This investment practice could have the effect of increasing the level of illiquidity in a Fund during any period that qualified institutional buyers become uninterested in purchasing these restricted securities. As a matter of operating policy, each Fund will invest only in Rule 144A securities that are deemed to be liquid, and will limit its investment in Rule 144A securities to 20% of its net assets. The Equity Fund and Short-Term Investment Fund may not invest in restricted securities or securities not fully marketable.

Mortgage- and Asset-backed Securities. The Income Fund may invest in mortgage- and asset-backed securities which represent shares in a pool of mortgages or other debt. These securities are generally pass-through securities, which means that principal and interest payments on the underlying securities (less servicing fees) are passed through to shareholders on a pro rata basis. These securities involve prepayment risk, which is the risk that the underlying mortgages or other debt may be refinanced or paid off before they mature, particularly during periods of declining interest rates. In that case, a subadviser may have to reinvest the proceeds from the securities at a lower rate. This could lower the Fund's return and result in losses to the Fund if some securities were acquired at a premium. Potential market gains on a security subject to prepayment risk may be more limited than potential market gains on a comparable security that is not subject to prepayment risk. The Income Fund may also invest in collateralized mortgage obligations ("CMOs"). In a CMO, a series of bonds or certificates is issued in multiple classes, which have varying levels of risks. For a more detailed description of mortgage- and asset-backed securities, see the SAI.

Adjustable Rate Mortgage Securities. The Income Fund may invest in adjustable rate mortgage securities. Adjustable rate mortgage securities are pass-through mortgage securities collateralized by mortgages with adjustable rather than fixed rates. For a more detailed description of adjustable rate mortgage securities, see the SAI.

Options and Futures Contracts. Options are the right, but not the obligation to buy or sell a specified amount of securities or other assets on or before a fixed date. Futures contracts are contracts that obligate the buyer to receive and the seller to deliver an instrument or money at a specified price on a specified date. The Funds may write covered call options, buy put options, buy call options and write secured put options for the purpose of hedging or earning additional income, which may be deemed speculative or, with respect to the International Equity Fund, cross-hedging. The Funds may also invest in financial futures contracts and options on futures contracts to commit funds awaiting investment in securities or maintain cash liquidity or for other risk management purposes. For a more detailed description of options and futures contracts and their associated risks, see the SAI.

Securities Lending. The Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund may seek additional income by lending securities on a short-term basis. The securities lending agreements will require that the loans be secured by collateral in cash, U.S. Government securities or irrevocable bank letters of credit maintained on a current basis equal in value to at least the market value of the loaned securities. Each of these Funds may not make such loans in excess of 331/3% of the value of its total assets, including collateral received. Loaned securities involve risks of delay in receiving

additional collateral or in recovering the loaned securities, or possibly loss of rights in the collateral if the borrower of the securities becomes insolvent. The Equity Fund, Balanced Fund, Income Fund and Short-Term Investment Fund may not make loans to other persons, except by the purchase of obligations in which the Fund is authorized to invest.

When-Issued Purchases and Forward Commitments. The Small Cap Growth Fund, International Equity Fund, Socially Responsible Fund and Income Fund each may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis. These transactions involve a commitment by a Fund to purchase or sell particular securities with payment and delivery taking place at a future date (perhaps one or two months later), and permit a Fund to lock in a price or yield on a security it owns or intends to purchase, regardless of future changes in interest rates. When-issued and forward commitment transactions involve the risk, however, that the price or yield obtained in a transaction may be less favorable than the price or yield available in the market when the securities delivery takes place. The Funds do not intend to engage in when-issued purchases and forward commitments for speculative purposes but only in furtherance of their investment objectives. For a more detailed description of when-issued purchases and forward commitments, see the SAI.

#### MANAGEMENT

The overall responsibility for the supervision of the affairs of the Funds rests with the Board of Trustees. As described below, the Board has approved contracts with others to provide certain services to the Funds.

Investment Adviser. Since March 1, 1999, the Trust has employed Wilshire to manage the investment and reinvestment of the assets of the Funds and to continuously review, supervise and administer the Funds' investment programs under an Investment Advisory Agreement dated March 1, 1999, as amended September 30, 2004 (the "Investment Advisory Agreement"). Wilshire's principal office is located at 1299 Ocean Avenue, Santa Monica, California 90401-1085.

Wilshire's duties under the Investment Advisory Agreement include recommending to the Board of Trustees one or more unaffiliated subadvisers to provide a continuous investment program for each Fund or a portion of such Fund's assets designated from time to time by Wilshire, including investment, research and management with respect to all securities and investments and cash equivalents for the Fund or a designated portion of such Fund's assets. Wilshire also reviews, monitors and reports to the Board of Trustees regarding the performance and investment procedures of each subadviser and assists and consults with each subadviser in connection with the Fund's continuous investment program. In addition, Wilshire maintains books and records with respect to its services under the Investment Advisory Agreement and furnishes the Board of Trustees with such periodic special reports as the Board may request.

Wilshire selects subadvisers based on a continuing quantitative and qualitative evaluation of their skills and proven abilities in managing assets pursuant to a particular investment style. Short-term performance is not by itself a significant factor in selecting or terminating subadvisers, and therefore Wilshire does not anticipate frequent changes in the subadvisers. Criteria for employment of subadvisers includes, but is not limited to, the subadvisers' philosophy and process, people and organization, resources and performance. Subadvisers may have different investment styles and security selection disciplines.

Wilshire monitors the performance of each subadviser of the Funds and, to the extent it deems appropriate to achieve the Funds' investment objectives, reallocates assets among individual subadvisers or recommends the employment or termination of particular subadvisers.

Pursuant to an exemptive order from the SEC, Wilshire, without shareholder approval, as normally would be required under the 1940 Act, may replace or add subadvisers and enter into sub-advisory agreements with these subadvisers upon approval of the Board of Trustees. Within 90 days of the hiring of any new subadviser or the implementation of any proposed material change to a sub-advisory agreement, shareholders will be furnished with an information statement that contains all information that would be included in a proxy statement regarding the new subadviser or sub-advisory agreement, except as modified by exemptive relief. Moreover, Wilshire will not enter into a sub-advisory agreement with any subadviser that is an "affiliated person," as defined in the 1940 Act, of the Trust or the Adviser, other than by reason of serving as a subadviser to one or more of the Funds, without shareholder approval. In addition, whenever a subadviser is hired or fired, Wilshire will

provide the Board of Trustees with information showing the expected impact on Wilshire's profitability and will report such impact quarterly.

Each subadviser's fees will be paid by Wilshire out of the advisory fees that it receives from each of the Funds. Fees paid to a subadviser of a Fund with multiple subadvisers will depend upon the fee rate negotiated with Wilshire and upon the percentage of the Fund's assets allocated to that subadviser by Wilshire, which may vary from time to time. Thus, the basis for fees paid to any such subadviser will not be constant, and the relative amounts of fees paid to the various subadvisers of a Fund will fluctuate. These internal fluctuations, however, will not affect the total advisory fees paid by a Fund, which will remain fixed based on the terms described above. Wilshire may, however, determine in its discretion to waive a portion of its fee if internal fluctuations in the fee to be paid to the subadvisers results in excess profit to Wilshire. Because Wilshire will pay each subadviser's fees out of its own fees from the Funds, there will not be any "duplication" of advisory fees paid by the Funds.

Shareholders should recognize, however, that in engaging new subadvisers and entering into sub-advisory agreements, Wilshire will negotiate fees with those subadvisers and, because these fees are paid by Wilshire and not directly by each Fund, any fee reduction negotiated by Wilshire may inure to Wilshire's benefit and any increase may inure to its detriment. However, Wilshire has voluntarily agreed to waive its fee to the extent any fee reduction is negotiated with a subadviser. Wilshire has also agreed to reimburse the Fund for fees and expenses payable to the Funds' third party administrator, transfer agent and principal underwriter through December 31, 2006. The fees paid to Wilshire by the Funds and the fees paid to the subadvisers by Wilshire are considered by the Board in approving the Funds' advisory and sub-advisory arrangements. Any change in fees paid by a Fund to Wilshire would require shareholder approval.

For the services provided and the expenses assumed pursuant to the Investment Advisory Agreement, Wilshire receives a fee based on each Fund's average daily net assets, computed daily and payable monthly, at the following annual rates:

<TABLE>  
<CAPTION>

Fund	Rate on the First \$1 Billion of Aggregate Fund Assets	Rate on Aggregate Fund Assets in Excess of \$1 Billion
Equity Fund	0.550%	0.450%
Balanced Fund	0.550%*	0.450%*
Income Fund	0.550%	0.450%
Short-Term Investment Fund	0.275%	0.175%
Small Cap Growth Fund	1.150%	1.150%
International Equity Fund	1.000%	0.900%
Socially Responsible Fund	0.850%	0.750%

For the fiscal year ended December 31, 2003, Wilshire was entitled to receive a fee based on each Fund's average daily net assets, compounded daily and payable monthly, at the following rates:

<TABLE>  
<CAPTION>

Fund	Rate
Equity Fund	0.550%
Balanced Fund	0.550%*
Income Fund	0.550%
Short-Term Investment Fund	0.275%
Small Cap Growth Fund	1.150%
International Equity Fund	1.000%
Socially Responsible Fund	0.850%

\* The Balanced Fund operates under a "fund of funds" structure, primarily investing in shares of the Equity Fund and the Income Fund. Under the "fund of funds" arrangement, Wilshire receives directly from the Balanced Fund a fee based on the average daily net assets of the Balanced Fund that are not invested in another Fund.

Through consulting and other arrangements similar to the Funds' "manager of managers" approach, Wilshire has also provided the same types of services to registered investment companies as are provided under the Investment Advisory Agreement. As of March 31, 2005, Wilshire's consulting division had approximately 200 clients with approximately \$1.2 trillion in assets for which Wilshire provides a variety of services, very often including evaluation, selection and monitoring of investment advisers, as well as negotiating investment advisory contracts for the management of clients' assets.

The Subadvisers. Each subadviser serves pursuant to a subadvisory agreement with Wilshire. Wilshire uses a "manager of managers" approach for the Funds by which Wilshire allocates each Fund's assets among one or more "specialist" subadvisers. The assets of the Equity Fund are managed in part by Bernstein, in part by Mellon Equity and in part by Wellington Management. The assets of the Income Fund are managed by Western Asset, WAML and BlackRock. WAML will manage the Income Fund's assets allocated by Western Asset to foreign securities. Western Asset also serves as the subadviser for the Short-Term Investment Fund. BlackRock and Mazama serve as the subadvisers for the Small Cap Growth Fund. New Star and the Boston Company serve as the subadvisers for the International Equity Fund. Bernstein serves as the subadviser for the Socially Responsible Fund. Substantially all of the

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Balanced Fund's assets are allocated between shares of the Equity Fund and Income Fund. See information on the Equity Fund and Income Fund for the relevant subadvisers of the Balanced Fund.

For Funds with multiple subadvisers, Wilshire has discretion over the percentage of assets allocated to each subadviser, and to the extent Wilshire deems appropriate to achieve a Fund's investment objective, may reallocate the percentage of the Fund's assets overseen by each subadviser at any time.

The Statement of Additional Information provides additional information about each Fund's portfolio managers, including their compensation, other accounts they manage, and their ownership of securities in the Fund they manage.

Alliance is managing its portion of the Equity Fund through Bernstein. Alliance, 1345 Avenue of the Americas, New York, NY 10105 is a leading global investment management firm supervising client accounts with assets as of March 31, 2005, totaling approximately \$534 billion. Alliance, an investment adviser registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), provides investment management services for many of the largest U.S. public and private employee benefit plans, endowments, foundations, public employee retirement funds, banks, insurance companies and high net worth individuals worldwide. Alliance is also one of the largest mutual fund sponsors, with a diverse family of globally distributed mutual fund portfolios.

Two managers are primarily responsible for overseeing the Socially Responsible Fund and Bernstein's portion of the Equity Fund.

Marilyn G. Fedak, Executive Vice President and Chief Investment Officer -- U.S. Value Equities at Alliance since October 2, 2000 and prior to that Chief Investment Officer and Chairman of the U.S. Equity Investment Policy Group at Sanford Bernstein since 1993; has managed portfolio investments since 1976; joined Sanford Bernstein in 1984; B.A., Smith College; M.B.A., Harvard Business School.

Ranji H. Nagaswami, Senior Portfolio Manager and member of the U.S. Value Equity Policy Group and the Risk Investment Policy Group at Alliance since 1999; from 1986 to 1999, Ms. Nagaswami progressed from quantitative analyst to managing director and co-head of U.S. Fixed Income at UBS Brinson and its predecessor firms; bachelor's degree, Bombay University; M.B.A., Yale University; Chartered Financial Analyst.

Mellon Equity, 500 Grant Street, Suite 4200, Pittsburgh, Pennsylvania 15258, is a Pennsylvania limited liability partnership founded in 1987 and is an affiliate of the Boston Company. Mellon Equity is a professional investment counseling firm that provides investment management services to the equity and balanced pension, public fund and profit-sharing investment management markets, and is an investment adviser registered under the Advisers Act. Mellon Equity has discretionary management authority with respect to approximately \$19.95 billion of assets as of March 31, 2005.

Jocelin A. Reed, CFA, Vice President and Portfolio Manager, joined Mellon Equity's staff in 1996. Prior to joining Mellon Equity, Ms. Reed was a Corporate Banking Relationship Manager in Mellon Bank's utilities lending group. In addition, Ms. Reed worked for J.P. Morgan and Deloitte & Touche. She earned her M.B.A. from the Joseph M. Katz School of Business at the University of Pittsburgh, following a B.S. in finance from The Pennsylvania State University. She is a member of the Pittsburgh Society of Financial Analysts and the Association of Investment Management and Research.

Wellington Management, 75 State Street, Boston, Massachusetts 02109, is a registered investment adviser and has approximately \$470.4 billion under management as of March 31, 2005.

Matthew E. Megargel, CFA and Senior Vice President of Wellington Management, serves as the portfolio manager for the portion of the Equity Fund's assets managed by Wellington Management. Mr. Megargel began providing investment advice to the Equity Fund on March 1, 1999. Mr. Megargel has been a portfolio manager with Wellington Management since 1991 and has 20 years of professional experience.

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He is supported by the U.S. Core Equity team and Wellington Management's 41 global industry analysts, along with specialized fundamental, quantitative, and technical analysts, macroanalysts and traders.

Western Asset, a wholly owned subsidiary of Legg Mason, Inc., acts as investment adviser to institutional accounts, such as corporate pension plans, mutual funds and endowment funds. Total assets under management were approximately \$157.9 billion as of March 31, 2005. Western Asset is located at 385 East Colorado Boulevard, Pasadena, California 91105.

Western Asset uses a centralized strategy group comprised of professionals who are expert in various investment disciplines to determine the investments for the Short-Term Investment Fund and the Income Fund. Western uses a team approach to investment management, which revolves around the decisions of the group with expertise in all areas of the fixed-income market. The strategy group lays out basic parameters which are then executed by teams of professionals dedicated to specific sectors of the market.

WAML, an indirect, wholly owned subsidiary of Legg Mason, Inc., and an affiliate of Western Asset, 155 Bishopsgate, London EC2M 3XG, is a registered investment adviser founded in 1984 by the American Express organization. WAML is responsible for the management of global and international fixed income mandates including the non-U.S. portion of Western Asset's U.S. domestic clients' portfolios. WAML has approximately \$52.3 billion under management as of March 31, 2005. WAML uses a strategy group comprised of professionals who are expert in various investment disciplines to determine the investments for its portion of the Income Fund.

BlackRock, 40 East 52nd Street, New York, New York 10022, is a subsidiary of PNC Bank and a registered investment adviser. BlackRock has approximately \$391 billion under management as of March 31, 2005.

Members of BlackRock's Investment Strategy Group are responsible for the day-to-day management of BlackRock's portion of the Income Fund. BlackRock's Investment Strategy Group includes the following individuals:

Keith Anderson, Managing Director, Chief Investment Officer for Fixed Income, member of Management Committee, co-head of the Fixed Income Operating Committee, Chairman of the Investment Strategy Group and member of the Treasury Borrowing Advisory Committee, is responsible for global fixed income strategy, asset allocation and the overall management of client portfolios at BlackRock. Prior to founding BlackRock in 1988, Mr. Anderson was a Vice President in Fixed Income Research at The First Boston Corporation. Mr. Anderson earned a B.S. in economics and finance from Nichols College and a M.B.A. in business administration from Rice University.

Scott Amero, Managing Director, co-head of fixed income portfolio management, co-head of taxable credit research and a member of BlackRock's Management Committee and Fixed Income Operating Committee, is a senior strategist and portfolio manager with specific responsibility for overseeing all credit-related

fixed income sectors, and the short duration and corporate bond portfolios. Prior to joining BlackRock in 1990, Mr. Amero was a Vice President in Fixed Income Research at The First Boston Corporation. Mr. Amero earned a B.A. in applied math and economics from Harvard University and an M.B.A. in finance from New York University.

Andrew J. Phillips, Managing Director, portfolio manager and member of the Fixed Income Operating Committee, is primarily responsible for the consistent implementation of investment strategies across all total return accounts with a sector emphasis on mortgage securities. Prior to joining BlackRock in 1991, Mr. Phillips was a portfolio manager at Metropolitan Life Insurance Company. Mr. Phillips earned a B.S. in industrial and labor relations and an M.B.A. in finance, both from Cornell University.

BlackRock's portion of the Small Cap Growth Fund is managed by BlackRock's Small and Mid Cap Growth Team. The team is supported by BlackRock's Small Cap Growth research analysts along with quantitative analysts and traders. The Small and Mid Cap Growth Team includes the following individuals:

Neil D. Wagner, Director, is the Fund's lead portfolio manager. Prior to joining BlackRock in 2002, Mr. Wagner managed small and mid cap growth portfolios at MFS Investment Management since 1998. Mr. Wagner received a B.A. degree, summa cum laude, with high honors in mathematics and physics from Colgate University.

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Andrew F. Thut, Vice President and research analyst, is a member of the Small and Mid Cap Growth Team as well as the back-up portfolio manager. Prior to joining BlackRock in 2002, Mr. Thut was an equity analyst at MFS Investment Management since 1998. Prior to joining MFS, Mr. Thut worked in the technology banking group at BT Alex Brown. Mr. Thut earned a B.A. degree in history from Dartmouth College.

Mazama, One Southwest Columbia Street, Suite 1500, Portland, Oregon 97258, is a registered investment adviser. Mazama has approximately \$5.5 billion under management as of March 31, 2005.

Mazama's portion of the Small Cap Growth Fund is managed by the Small Cap Growth team, which is supported by Mazama's research analysts and traders and includes the following individuals:

Ronald A. Sauer is the senior portfolio manager. Mr. Sauer has over 23 years of investment experience, has been a portfolio manager at Mazama since founding the firm in 1997 and was previously President and Director of Research for Black and Company, Inc., a leading Northwest investment firm.

Steven C. Brink, CFA, is a portfolio manager and is responsible for overseeing research. He has been at Mazama since its founding in 1997 and was previously chief investment officer at U.S. Trust. Mr. Brink has over 26 years of investment experience.

New Star, 1 Knightsbridge Green, London, England SW1X7NE, is a registered investment adviser. New Star had approximately \$22 billion in assets under management as of March 31, 2005. Two portfolio managers are responsible for the day-to-day management of New Star's portion of the International Equity Fund.

Tim Bray, Equity Investment Manager, has been with New Star and its predecessor firms since 1985. He was previously with Coutts & Company. Mr. Bray has a BSc from the University of London.

Brian Coffey, Investment Manager, has been with New Star and its predecessor firms since 1988. Mr. Coffey has a BSc from University of London and a BSc from University College Galway.

The Boston Company, One Boston Place, Boston, Massachusetts 02108, is a registered investment adviser founded in 1970. The Boston Company is an indirect, wholly-owned subsidiary of Mellon Financial Corporation and is an affiliate of Mellon Equity. The Boston Company provides investment management services to tax-exempt institutional plan sponsors, endowment trusts and mutual funds. The Boston Company had approximately \$49.7 billion in assets under management as of March 31, 2005.

Two portfolio managers are responsible for the day-to-day management of the Boston Company's portion of the International Equity Fund.

D. Kirk Henry, CFA, is Senior Vice President and Director of International Equities. He has been with the Boston Company for nine years and has twenty years of investment experience, including with Cseh International & Associates, Inc., Provident Capital Management, Inc., First Chicago Investment Advisors and Sears Investment Management Company. Mr. Henry has a B.A. from Stanford University and an M.B.A. from the University of Chicago.

Clifford A. Smith, CFA, is Senior Vice President and has been with the Boston Company for five years. Previously he was an analyst for the Corporate Banking Division of Mellon Bank and before that as a project manager for the U.S. Department of Energy. Mr. Smith has a B.S. in Engineering from Pennsylvania State University, an M.S. in Engineering from Princeton University and an M.B.A. from Carnegie Mellon University.

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#### DISTRIBUTION PLAN

The Funds have adopted a plan under Rule 12b-1 of the Investment Company Act that provides for a fee of 0.25% or each Fund's average net assets payable to compensate PFPC Distributors, Inc. for distributions and other services provided to shareholders. Because 12b-1 fees are paid out of Fund assets on an ongoing basis, they will, over time, increase the cost of investment and may cost more than other types of sales charges. Long-term shareholders may pay more than the economic equivalent of the maximum initial sales charge permitted by the NASD.

#### PURCHASES AND REDEMPTIONS

Shares of each Fund are currently sold only to insurance company separate accounts. Previously, shares of the Equity Fund were available to the public. While Equity Fund shares may no longer be purchased by the general public, existing public shareholders may acquire additional shares through the automatic reinvestment of dividends and distributions.

Each Fund sells and redeems its shares at net asset value per share, without a sales or redemption charge. The net asset value of each Fund's shares is determined on each day the New York Stock Exchange ("NYSE") is open for trading at the close of regular trading on the NYSE (normally 3:00 p.m. Central Time). No valuations are made for any day that the NYSE is closed. The computation is made by dividing the net assets by the number of outstanding shares. Net assets are equal to the total assets of the Fund, less its liabilities.

A purchase is effected at the price based on the next calculation of net asset value per share after receipt of a request. A security listed or traded on a domestic exchange is valued at its last sales price on the exchange where it is principally traded. In the absence of a current quotation, the security is valued at the mean between the last bid and asked prices on the exchange. Securities traded on Nasdaq are valued at the Nasdaq official closing price. Securities traded over-the-counter (other than on Nasdaq) in the United States are valued at the last current sale price. Equity securities primarily traded on a foreign exchange or market are valued daily at the price, which is an estimate of the fair value price, as provided by an independent pricing service. Debt securities that have a remaining maturity of 60 days or less are valued at cost, plus or minus any amortized discount or premium. When market quotations are not readily available, securities are valued according to procedures established by the Board of Trustees or are valued at fair value as determined in good faith by the Pricing Committee, whose members are representatives of the Funds' adviser, or the Funds' Valuation Committee. Securities whose value does not reflect fair value because a significant valuation event has occurred may be valued at fair value by the Pricing Committee or the Valuation Committee. The value of fair valued securities may be different from the last sale price (or the mean between the last bid and asked prices), and there is no guarantee that a fair valued security will be sold at the price at which a Fund is carrying the security.

Except in extraordinary circumstances and as permissible under the 1940 Act, redemption proceeds are paid on or before the third business day following the date the request for redemption is received.

Redemption of Equity Fund Shares by Existing Public Shareholders -- The Equity

Fund will redeem shares from public shareholders at the net asset value per share next determined after receipt of a redemption request. If stock certificates have been issued, the signature of each party must be medallion guaranteed. If certificates are lost, the shareholder will need to submit an Affidavit of Loss form and a Lost Instrument Bond will be required. Documents may be obtained by calling the Transfer Agent at 1-888-200-6796. The cost for this bond must be paid by the shareholder. For redemption and re-registration requests of \$50,000 and greater, the signature of each party must be medallion guaranteed. For redemption and re-registration requests of any amount being sent to a payee or address other than that of record, the signature of each party must be medallion guaranteed.

If no certificates have been issued to the shareholder, redemption may be accomplished by signing a written request. The request should be sent to the Wilshire Variable Insurance Trust, P.O. Box 9807, Providence, Rhode Island 02940, and should identify the account by number and the name(s) in which the account is registered. The request must be signed exactly as the account is registered. On a jointly held account, all owners must sign. Provided the request is received in good form, payment for shares redeemed will be made by the Fund within three business days of the receipt.

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Systematic Cash Withdrawal Plan -- When an Equity Fund public shareholder has accumulated \$5,000 or more of Equity Fund shares in his or her account, shares may be withdrawn automatically through the Systematic Cash Withdrawal Plan (the "Plan"). A shareholder may receive checks monthly, quarterly, semi-annually or annually in any amount requested, but not less than \$25. In determining eligibility for the Plan, the value of a public shareholder's account is determined at the net asset value on the date the Plan request is received in good order. Payments under the Plan will be made either on the 1st or 15th of the month, as selected by the shareholder. A sufficient number of shares will be redeemed from the shareholder's account at the net asset value on the specified date to provide funds for payments under the Plan, thus reducing the shareholder's account value. Depending on the amount and frequency of withdrawals, payments under the Plan may exhaust the shareholder's account. There is no redemption charge with respect to the shares redeemed from the shareholder's account. A Plan may be terminated upon written request. Shares issued in certificate form are not eligible for participation in the Plan.

Short-Term and Excessive Trading - The Trust and its Funds are designed for long-term investors. The Funds discourage and do not accommodate short-term or excessive trading. Such trading may present risks to other shareholders in the Fund, including disruption of portfolio investment strategies, with potential resulting harm to performance, and increased trading costs or Fund expenses. Thus, such trading may negatively impact a Fund's net asset value and result in dilution to long-term shareholders.

In an effort to protect long-term shareholders, the Board of Trustees has adopted policies and procedures which seek to deter short-term and excessive trading. Shares of the Funds are only held as the underlying investment for variable annuity contracts issued by insurance companies, and, as a result, the participating insurance companies, rather than the underlying contract owners, are the shareholders of the Funds. Accordingly, the Funds do not have access to information regarding trading activity by individual contract owners and therefore are unable to monitor individual contract owners for violations of the Funds' policy. The Board has directed Wilshire to seek to have the participating insurance companies monitor the trading activity of the individual contract owners to detect and deter market timing and encourages such insurance companies to take appropriate actions to deter market timing.

#### DIVIDENDS, DISTRIBUTIONS AND FEDERAL TAXES

Each Fund distributes substantially all of its net investment income and net capital gains to shareholders each year. All dividends or distributions paid on Fund shares held by a separate account, net of separate account contract charges, are automatically reinvested in shares of the respective Fund at the net asset value determined on the dividend payment date.

Under the Internal Revenue Code of 1986, as amended, the life insurance company issuing your variable contract is taxed as a life insurance company and the operations of its separate accounts are taxed as part of its total operations. Under current interpretations of existing federal income tax law, investment income and capital gains of separate accounts are not subject to federal income tax to the extent applied to increase the value of variable annuity contracts. Tax consequences to variable annuity contract holders are

described in your variable annuity contract prospectus issued by the applicable insurance company separate account.

Public shareholders of the Equity Fund may elect to receive cash dividends and will be notified of the amount and type of distribution. If a shareholder elects to receive a cash dividend and the dividend check is returned by the postal service, attempts will be made to locate the shareholder. If the attempts to locate are unsuccessful, the shareholder's dividend option will be changed to reinvestment. Dividends will be taxable to the shareholder whether paid in cash or reinvested in additional shares. When new shares are added to an Equity Fund public shareholder's account through the reinvestment of dividends or when distributions occur, a confirmation statement is sent to the public shareholder showing the number of shares that were credited to the account, the net asset value per share and the total number of shares in the account.

A dividend or capital gain distribution will reduce the per share net asset value by the amount of the dividend or distribution. Shortly after the end of each year, Equity Fund shareholders will be informed of the amount of and the federal income tax treatment of all distributions made during the year. If not otherwise subject to tax on their income, public shareholders will not be required to pay tax on amounts distributed to them. Shareholders must determine for themselves the applicability of state and local taxes to dividends and distributions received on Equity Fund shares.

By law, a Fund must withhold 28% of your distributions and proceeds paid to you if you do not provide your correct taxpayer identification number, or certify that such number is correct, or if the IRS instructs the Fund to do so. The tax discussion set forth above is included for general information only. Investors and prospective investors should consult their own tax advisers concerning the federal, state, local or foreign tax consequences of an investment in a Fund.

Additional information on these and other tax matters relating to the Funds and their shareholders is included in the section entitled "Tax Matters" in the SAI.

FINANCIAL HIGHLIGHTS

The financial highlights tables are intended to help you understand each Fund's financial performance for the past five fiscal years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in each Fund (assuming reinvestment of all dividends and distributions). The information for the past five fiscal years has been audited by KPMG LLP, whose report, along with each Fund's financial statements, is included in the annual report, which is available upon request.

EQUITY FUND

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 19.63	\$ 15.56	\$ 19.57	\$ 20.65	\$ 21.92
Net Investment Income <sup>1</sup> .....	0.26	0.21	0.21	0.21	0.21
Net Realized and Unrealized Gain (Loss) (1) .....	1.73	4.08	(4.01)	(1.08)	(1.23)
Total Income (Loss) From Investment Operations(1) .....	1.99	4.29	(3.80)	(0.87)	(1.02)
Less Distributions From:					
Net Investment Income .....	0.28	0.22	0.21	0.21	0.25
Net Realized Gains .....	--	0.00	0.00	0.00	0.00

Total Distributions .....	0.28	0.22	0.21	0.21	0.25
Net Asset Value End of Period .....	\$ 21.34	\$ 19.63	\$ 15.56	\$ 19.57	\$ 20.65
Total Return (%) (2,3) .....	10.15%	27.57%	(19.43)%	(4.21)%	(4.64)%
Net Assets, End of Period (in thousands) .....	\$535,028	\$531,511	\$449,559	\$600,016	\$667,731
Ratio of Expenses to Average Net Assets(4) .....	0.87%	0.87%	0.82%	0.82%	0.82%
Ratio of Net Investment Income to Average Net Assets(4) .....	1.30%	1.17%	1.13%	1.04%	1.05%
Portfolio Turnover Rate .....	35.44%	43.25%	35.83%	38.13%	116.56%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	0.91%	0.91%	0.86%	0.87%	0.87%
Ratio of Net Investment Income .....	1.26%	1.13%	1.09%	0.99%	0.98%

</TABLE>

- 
- (1) The "Net Investment Income (Loss)" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
  - (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
  - (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
  - (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not reflect commissions credits and earnings credits on cash balances.

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BALANCED FUND(5)

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 17.02	\$ 14.52	\$ 16.34	\$ 16.76	\$ 17.27
Net Investment Income(1) .....	0.38	0.33	0.43	0.65	0.58
Net Realized and Unrealized Gain (Loss)1 .....	1.01	2.51	(1.79)	(0.41)	(0.42)
Total Income (Loss) From Investment Operations(1) .....	1.39	2.84	(1.36)	0.24	0.16
Less Distributions From:					
Net Investment Income .....	0.40	0.34	0.46	0.66	0.67
Net Realized Gains .....	--	0.00	0.00	0.00	0.00
Total Distributions .....	0.46	0.34	0.46	0.66	0.67
Net Asset Value End of Period .....	\$ 17.95	\$ 17.02	\$ 14.52	\$ 16.34	\$ 16.76
Total Return (%) (2,3) .....	8.18%	19.56%	(8.27)%	1.39%	0.93%
Net Assets, End of Period (in thousands) .....	\$269,488	\$270,261	\$240,562	\$292,176	\$314,728
Ratio of Expenses to Average Net Assets(4) .....	0.04%	0.05%	0.04%	0.05%	0.06%
Ratio of Net Investment Income to Average Net Assets(4) .....	2.20%	2.14%	2.77%	3.79%	3.38%
Portfolio Turnover Rate .....	5.96%	9.31%	13.20%	9.81%	120.51%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	0.04%	0.05%	0.04%	0.05%	0.07%
Ratio of Net Investment Income .....	2.20%	2.14%	2.77%	3.79%	3.37%

</TABLE>

- (1) The "Net Investment Income (Loss)" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
- (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
- (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
- (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not reflect commissions credits and earnings credits on cash balances.
- (5) Effective January 19, 2000, the Balanced Fund began operating under a "fund of funds" structure. The ratio of expenses does not include expenses of the underlying funds.

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INCOME FUND

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 12.26	\$ 12.43	\$ 12.30	\$ 12.39	\$ 12.24
Net Investment Income <sup>1</sup> .....	0.41	0.55	0.69	0.78	0.82
Net Realized and Unrealized Gain (Loss) (1) .....	0.19	0.35	0.42	0.33	0.27
Total Income (Loss) From Investment Operations(1) .....	0.60	0.90	1.11	1.11	1.09
Less Distributions From:					
Net Investment Income .....	0.47	0.33	0.57	0.85	0.94
Net Realized Gains .....	0.23	0.74	0.41	0.35	--
Total Distributions .....	0.70	1.07	0.98	1.20	0.94
Net Asset Value End of Period .....	\$ 12.16	\$ 12.26	\$ 12.43	\$ 12.30	\$ 12.39
Total Return (%) (2,3) .....	4.94%	7.25%	9.20%	8.88%	8.89%
Net Assets End of Period (in thousands) .....	\$127,557	\$125,148	\$114,935	\$126,045	\$137,184
Ratio of Expenses to Average Net Assets(4) .....	0.91%	0.89%	0.85%	0.81%	0.88%
Ratio of Net Investment Income to Average Net Assets(4) .....	3.25%	4.25%	5.41%	5.96%	7.02%
Portfolio Turnover Rate .....	594.73%	482.33%	315.70%	348.18%	422.38%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	0.93%	0.93%	0.90%	0.88%	0.92%
Ratio of Net Investment Income .....	3.23%	4.21%	5.36%	5.89%	6.98%

</TABLE>

- (1) The "Net Investment Income (Loss)" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
- (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
- (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
- (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not

SHORT-TERM INVESTMENT FUND

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 10.10	\$ 10.09	\$ 10.08	\$ 9.92	\$ 9.89
Net Investment Income (Loss) (1) .....	0.13	0.12	0.18	0.39	0.57
Net Realized and Unrealized Gain (Loss) (1) .....	(0.01)	(0.02)	(0.01)	0.12	0.01
<b>Total Income (Loss) From Investment Operations(1) .....</b>	<b>0.12</b>	<b>0.10</b>	<b>0.17</b>	<b>0.51</b>	<b>0.58</b>
<b>Less Distributions From:</b>					
Net Investment Income .....	0.11	0.09	0.16	0.33	0.55
Net Realized Gains .....	--	0.00	0.00	0.02	0.00
<b>Total Distributions .....</b>	<b>0.11</b>	<b>0.09</b>	<b>0.16</b>	<b>0.35</b>	<b>0.55</b>
Net Asset Value End of Period .....	\$ 10.11	\$ 10.10	\$ 10.09	\$ 10.08	\$ 9.92
<b>Total Return(2,3) .....</b>	<b>1.22%</b>	<b>1.03%</b>	<b>1.72%</b>	<b>5.17%</b>	<b>5.81%</b>
Net Assets, End of Period (in thousands) .....	\$ 3,182	\$ 4,843	\$ 4,183	\$ 2,796	\$1,982
Ratio of Expenses to Average Net Assets(4) .....	0.17%	0.17%	0.33%	0.33%	0.49%
Ratio of Net Investment Income to Average Net Assets(4) .....	1.19%	1.16%	1.76%	4.20%	5.62%
Portfolio Turnover Rate .....	0.00%	0.00%	0.00%	0.00%	0.00%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	1.11%	1.07%	1.16%	1.36%	1.81%
Ratio of Net Investment Income .....	0.25%	0.18%	0.93%	3.17%	4.30%

</TABLE>

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- (1) The "Net Investment Income (Loss)" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
- (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
- (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
- (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not reflect earnings credits on cash balances.

SMALL CAP GROWTH FUND

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000

<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 11.81	\$ 7.43	\$ 12.15	\$ 17.31	\$ 19.76
Net Investment Income (Loss)(1) .....	(0.16)	(0.14)	(0.15)	(0.12)	(0.12)
Net Realized and Unrealized Gain (Loss)(1) .....	0.68	4.52	(4.57)	(5.04)	(2.03)
<b>Total Income (Loss) From Investment Operations(1) .....</b>	<b>0.52</b>	<b>4.38</b>	<b>(4.72)</b>	<b>(5.16)</b>	<b>(2.15)</b>
<b>Less Distributions From:</b>					
Net Investment Income .....	0.00	0.00	0.00	0.00	0.00
Net Realized Gains .....	0.00	0.00	0.00	0.00	0.30
<b>Total Distributions .....</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.30</b>
Net Asset Value End of Period .....	\$ 12.33	\$ 11.81	\$ 7.43	\$ 12.15	\$ 17.31
<b>Total Return(2,3) .....</b>	<b>4.40%</b>	<b>58.95%</b>	<b>(38.93)%</b>	<b>(29.81)%</b>	<b>(10.84)%</b>
Net Assets End of Period (in thousands) .....	\$56,286	\$ 57,193	\$ 34,768	\$ 58,437	\$ 83,597
Ratio of Expenses to Average Net Assets(4) .....	1.58%	1.66%	1.66%	1.54%	1.50%
Ratio of Net Investment Income to Average Net Assets(4) .....	(1.38)%	(1.52)%	(1.61)%	1.14%	(0.57)%
Portfolio Turnover Rate .....	95.98%	205.59%	234.03%	318.83%	233.11%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	1.77%	1.79%	1.82%	1.71%	1.67%
Ratio of Net Investment Income .....	(1.57)%	(1.65)%	(1.77)%	1.31%	(0.74)%

</TABLE>

- 
- (1) The "Net Investment Income (Loss)" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
  - (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
  - (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
  - (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not reflect earnings credits on cash balances.

INTERNATIONAL EQUITY FUND

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 10.91	\$ 8.30	\$ 10.52	\$ 14.27	\$ 17.52
Net Investment Income (Loss)(1) .....	0.03	0.05	(0.01)	--	0.03
Net Realized and Unrealized Gain (Loss)(1) .....	1.13	2.64	(2.21)	(3.75)	(3.10)
<b>Total Income (Loss) From Investment Operations(1) .....</b>	<b>1.16</b>	<b>2.69</b>	<b>(2.22)</b>	<b>(3.75)</b>	<b>(3.07)</b>
<b>Less Distributions From:</b>					
Net Investment Income .....	0.16	0.08	0.00	0.00	0.00
Net Realized Gains .....	--	0.00	0.00	0.00	0.18
<b>Total Distributions .....</b>	<b>0.16</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>0.18</b>
Net Asset Value End of Period .....	\$ 11.91	\$ 10.91	\$ 8.30	\$ 10.52	\$ 14.27

	=====	=====	=====	=====	=====
Total Return (%) (2,3) .....	10.61%	32.49%	(20.99)%	(26.35)%	(17.51)%
Net Assets, End of Period (in thousands) .....	\$39,276	\$35,741	\$26,286	\$33,544	\$42,689
Ratio of Expenses to Average Net Assets(4) .....	1.55%	1.46%	1.58%	1.53%	1.47%
Ratio of Net Investment Income to Average Net Assets(4) .....	0.26%	0.59%	(0.08)%	0.00%	0.18%
Portfolio Turnover Rate .....	161.16%	68.48%	139.45%	103.42%	69.30%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	1.60%	1.51%	1.62%	1.54%	1.51%
Ratio of Net Investment Income .....	0.21%	0.54%	(0.12)%	(0.01)%	0.14%

</TABLE>

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- (1) The "Net Investment Income (Loss)" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
- (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
- (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
- (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not reflect earnings credits on cash balances.

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SOCIALLY RESPONSIBLE FUND

<TABLE>  
<CAPTION>

	Years Ended December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value Beginning of Period .....	\$ 13.79	\$ 10.87	\$ 12.75	\$ 14.11	\$ 13.81
Net Investment Income (Loss)(1) .....	0.19	0.17	0.16	0.14	0.13
Net Realized and Unrealized Gain (Loss)(1) .....	1.64	2.92	(1.88)	(1.17)	1.07
Total Income (Loss) From Investment Operations(1) .....	1.83	3.09	(1.72)	(1.03)	1.20
Less Distributions From:					
Net Investment Income .....	0.20	0.17	0.16	0.14	0.14
Net Realized Gains .....	--	--	--	0.19	0.76
Total Distributions .....	0.20	0.17	0.16	0.33	0.90
Net Asset Value End of Period .....	\$ 15.42	\$ 13.79	\$ 10.87	\$ 12.75	\$ 14.11
Total Return(2,3) .....	13.30%	28.45%	(13.48)%	(7.30)%	8.79%
Net Assets End of Period (in thousands) .....	\$80,336	\$73,965	\$ 58,960	\$71,644	\$76,011
Ratio of Expenses to Average Net Assets(4) .....	1.01%	1.03%	0.99%	1.04%	1.07%
Ratio of Net Investment Income to Average Net Assets(4) .....	1.35%	1.39%	1.35%	1.05%	0.96%
Portfolio Turnover Rate .....	31.58%	36.67%	27.34%	141.96%	99.11%
Ratio to Average Net Assets Before Waived and Reimbursed Expenses:					
Ratio of Expenses .....	1.21%	1.22%	1.19%	1.20%	1.20%
Ratio of Net Investment Income .....	1.15%	1.20%	1.15%	0.89%	0.83%

</TABLE>

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- (1) The "Net Investment Income" per share and the "Net Realized and Unrealized Gain (Loss)" per share represent a proportionate share respective to the increase in net assets as presented in the Statement of Operations and are calculated using the average outstanding share balance for the year. Distributions from "Net Investment Income" and "Net Realized Gains" are based on actual outstanding shares on the ex-date.
- (2) The total return is determined by the ratio of ending net asset value to beginning net asset value, adjusted for reinvestment of dividends from net investment income and net realized capital gains.
- (3) If you are an annuity contract owner, the above total return does not reflect expenses that apply to the separate account or related policies. The inclusion of these charges would reduce the total return figures for all periods shown.
- (4) Ratios of Expenses and Net Investment Income to Average Net Assets do not reflect earnings credits on cash balances.

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OTHER INFORMATION

PUBLIC SHAREHOLDER COMMUNICATIONS

-----  
 To ensure receipt of communications related to investments in the Equity Fund, public shareholders must notify the Equity Fund of address changes. Notice of a change in address may be sent to the Wilshire Variable Insurance Trust, P.O. Box 9807, Providence, Rhode Island 02940.

RATINGS OF DEBT OBLIGATIONS

<TABLE>

<CAPTION>

Definition	Moody's Investors Service, Inc.	Standard & Poor's Ratings Group
<S>	<C>	<C>
Long-Term Highest Quality	Aaa	AAA
High quality	Aa	AA
Upper medium grade	A	A
Medium grade	Baa	BBB
Low Grade	Ba	BB
Speculative	B	B
Submarginal	Caa, CA, C	CCC, CC, C
Probably in default	D	D

<TABLE>

<CAPTION>

	Moody's	S&P
<S>	<C>	<C>
Short-Term	MIG1/VMIG1 Best Quality	SP-1+ Very Strong Quality
MIG2/VMIG2 High Quality	SP-1 Strong Quality	
	MIG3/VMIG3 Favorable Quality	SP-2 Satisfactory Grade
	SG Speculative Grade	SP-3 Speculative grade
Commercial Paper	P-1 Superior quality	A-1+ Extremely strong quality
	A-1 Strong quality	
	P-2 Strong quality	A-2 Satisfactory quality
	P-3 Acceptable quality	A-3 Adequate quality
	B Speculative quality	
	Not Prime	C Doubtful quality

</TABLE>

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SHAREHOLDERS' INQUIRIES

-----  
 For questions concerning investments in the Funds through your variable annuity contract, call your insurance company.

Equity Fund public shareholders may contact the Equity Fund by mail at Wilshire Variable Insurance Trust, P.O. Box 9807, Providence, Rhode Island 02940.

ADDITIONAL INFORMATION

Additional information about the Funds' investments is available in the Funds' annual and semi-annual reports to Shareholders. In the Funds' annual report, you will find a discussion of the market conditions and investment strategies that significantly affected each Fund's performance during its last fiscal year. The financial statements included in the Funds' annual reports are incorporated by reference into this Prospectus, which means that they are part of this Prospectus for legal purposes.

The SAI contains more detailed information about the Funds. The current SAI has been filed with the Securities and Exchange Commission and is incorporated by reference into this Prospectus, which means that it is part of this Prospectus for legal purposes.

To receive, without charge, a copy of the annual and/or semi-annual reports of the Wilshire Variable Insurance Trust and/or a copy of the Statement of Additional Information for the Wilshire Variable Insurance Trust, please write to the address indicated below or call 1-888-200-6796.

Wilshire Variable Insurance Trust  
760 Moore Road  
King of Prussia, Pennsylvania 19406

The Funds' annual and semi-annual reports and SAI are not available on a fund website since the Funds do not have a website.

Information about the funds (including the SAI) can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Also, information on the operation of the public reference room may be obtained by calling the Commission at 1-202-942-8090. Reports and other information about the funds are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov> and copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Public Reference Section of the SEC, Washington, D.C. 20549-0102.

No person has been authorized to give any information or to make any representations not contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Funds. The Prospectus does not constitute an offering by the Funds in any jurisdiction in which such offering may not lawfully be made.

Investment Company Act File No. 811-07917

STATEMENT OF ADDITIONAL INFORMATION

WILSHIRE VARIABLE INSURANCE TRUST

May 2, 2005

This Statement of Additional Information is not a prospectus, but should be read in conjunction with the current Prospectus, dated May 2, 2005, as supplemented from time to time. The financial statements for the Equity Fund, Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund for the year ended December 31, 2004, and the Report of Independent Auditors thereon, are incorporated herein by reference from the Funds' Annual Report dated December 31, 2004. Copies of the Prospectus and the Funds' financial statements may be obtained by writing to the Wilshire Variable Insurance Trust, 760 Moore Road, King of Prussia, Pennsylvania 19406, or by telephoning 1-888-200-6796.

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THE TRUST AND THE FUNDS

The Wilshire Variable Insurance Trust (the "Trust") is an open-end, diversified management investment company organized as a Delaware statutory trust under a Declaration of Trust dated November 7, 1996. The Trust is registered under the Investment Company Act of 1940 (the "1940 Act") and is made up of a series of portfolios (the "Funds"). The Declaration of Trust permits the Trust to offer

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shares of separate funds. All consideration received by the Trust for shares of any fund and all assets of such fund belong to that fund and would be subject to liabilities related thereto. The Trust reserves the right to create and issue shares of funds in addition to the Funds described herein.

The Trust employs Wilshire Associates Incorporated (the "Adviser") to manage the investment and reinvestment of the assets of the Funds and to continuously review, supervise and administer the Funds' investment programs. The Adviser has entered into agreements with Alliance Capital Management, L.P. ("Alliance") acting through its Bernstein Investment Research and Management unit ("Bernstein"), Mellon Equity Associates, LLP ("Mellon Equity") and Wellington Management Company, LLP ("Wellington Management") to act as subadvisers for the Equity Fund, with Western Asset Management Company ("Western Asset"), Western Asset Management Company Limited ("WAML"), and BlackRock Financial Management, Inc. ("BlackRock") to act as the subadvisers for the Income Fund, with Western Asset to act as the subadviser for the Short-Term Investment Fund, with BlackRock and Mazama Capital Management, Inc. ("Mazama") to act as the subadvisers for the Small Cap Growth Fund, with New Star Institutional Managers Limited ("New Star") and The Boston Company Asset Management, LLC (the "Boston Company") to act as the subadvisers for the International Equity Fund and with Bernstein to act as the subadvisers for the Socially Responsible Fund. Under the fund of funds structure the Adviser allocates the Balanced Fund's assets between the Equity Fund and Income Fund.

The investment objectives and policies of each Fund are described in the prospectus. Prospective purchasers should recognize that there are risks in the ownership of any security and that there can be no assurance that the objectives of the Funds will be realized.

Each Fund seeks to attain its objective by pursuing investment policies that call for investments in certain types of securities and by employing various investment strategies. These investment policies and strategies may be changed without shareholder approval. However, each Fund will not, as a matter of policy, change its investment policies without notice to its shareholders.

Each Fund has also adopted certain fundamental investment limitations that, along with its objective, may be changed only with the approval of a "majority of the outstanding shares of a Fund" as defined in the 1940 Act.

ADDITIONAL INVESTMENT POLICIES

The following is a discussion of additional investment policies not discussed in the Trust's Prospectus.

EQUITY FUND. The portfolio investments of the Equity Fund are not concentrated in any one industry or group of industries, but are varied according to what is judged advantageous under varying economic conditions. While the portfolio is diversified by investment in a cross-section of businesses and industries, the Equity Fund follows a policy of flexibility. The Equity Fund does not invest in companies for the purpose of exercising control of management. Moreover, the Fund will not invest in securities subject to restrictions on disposition under the Securities Act of 1933 (the "1933 Act") or purchase securities not freely marketable.

It is the policy of the Equity Fund to purchase and hold securities believed to have potential for long-term capital growth. Investment income is a secondary consideration in the selection of portfolio securities. The Equity Fund does not buy and sell for short-term trading profits. Therefore, portfolio changes usually are accomplished gradually. However, Fund management is not restricted and may effect short-term transactions when subsequent events make an investment undesirable for long-term holding.

The Equity Fund may invest a portion of its assets in U.S. dollar-denominated investment grade fixed-income securities. Debt securities must be rated within the four highest ratings as determined by Moody's Investors Service, Inc. ("Moody's") or by Standard and Poor's Corporation ("S&P") except that up to 10% of the Fund's assets may be invested in U.S. dollar-denominated foreign debt securities within the three highest ratings as determined by Moody's or S&P.

INCOME FUND. As a matter of investment policy, the Income Fund will not invest more than 10% of its net assets in illiquid securities or invest in restricted securities, except securities eligible for resale under Rule 144A under the 1933 Act.

The Income Fund will not invest in common stocks directly, but may retain up to 25% of its total assets in common stocks acquired upon conversion of convertible debt securities or preferred stock, or upon exercise of warrants acquired with debt securities. Currently, the Fund intends to limit its investment in derivatives pursuant to guidelines established by the Adviser.

The Income Fund may invest in repurchase and reverse repurchase agreements, provided that the market value of the underlying security is at least 102% of the price of the repurchase agreement.

Instead of holding its entire portfolio to maturity, the Income Fund will engage in portfolio trading when trading will help achieve its investment objective. Portfolio turnover is expected to be moderate to high.

During the past five years, the Income Fund's portfolio turnover rates have been in excess of 300%, due to the subadviser's trading in mortgage TBAs (To Be Announced). A TBA is defined as an underlying contract on a mortgage-backed security (MBS) to buy or sell a MBS which will be delivered at an agreed-upon date in the future. The turnover calculation includes the continual maturity of TBA securities that are held within the portfolio prior to their issuance. TBAs rollover every 30, 45 or 60 days until maturity, sometimes in perpetuity. As a result, investing in TBAs increases a fund's portfolio turnover rate. TBAs allow the subadvisers to gain exposure to the mortgage-backed market without losing out on any liquidity.

SHORT-TERM INVESTMENT FUND. The Short-Term Investment Fund will not invest in securities subject to restriction on disposition under the 1933 Act nor purchase securities not freely marketable. The Short-Term Investment Fund intends generally to purchase securities that mature within one year, but will not purchase securities with maturities that exceed two years except for securities subject to repurchase agreements and reverse repurchase agreements.

SMALL CAP GROWTH FUND. During the four years ended December 31, 2003 the Small Cap Growth Fund had high portfolio turnover rates in excess of 200%. The high turnover rates are primarily due to the extreme volatility in the market as the subadvisers used individual security price fluctuations as opportunities to buy or sell. The high turnover rate in 2003 was due in part to the addition of a new subadviser.

INTERNATIONAL EQUITY FUND. The International Equity Fund may engage in so-called "strategic transactions" as described in the prospectus under the heading "Types of Investments and Associated Risks" and below in the SAI under the heading "Description of Securities and Risks - Strategic Transactions and Derivatives."

SOCIALLY RESPONSIBLE FUND. The Socially Responsible Fund may engage in so-called "strategic transactions" as described in the prospectus under the heading "Types of Investments and Associated Risks" and below in the SAI under the heading "Description of Securities and Risks - Strategic Transactions and Derivatives."

#### INVESTMENT RESTRICTIONS

Each Fund operates under its respective fundamental investment restrictions, set forth below, which, along with each Fund's objective, cannot be changed without the approval of a "majority of the outstanding voting securities." A "majority of the outstanding voting securities" of a Fund is defined in the 1940 Act to mean the lesser of (i) 67% of the Fund's shares present at a meeting where more than 50% of the outstanding shares are present in person or by proxy or (ii) more than 50% of the Fund's outstanding shares.

The Equity Fund, Balanced Fund, Income Fund and Short-Term Investment Fund each may not:

- (1) purchase securities other than the securities in which a Fund is authorized to invest;
- (2) issue senior securities except that a Fund may borrow money or enter into reverse repurchase agreements in an amount not to exceed 15% of its total assets taken at market value and then only for short-term credits as may be necessary for the clearance of transactions, and from banks as a temporary measure for extraordinary or emergency purposes (moreover, in the event that the asset coverage for such borrowings may fall below 300%, the Fund will reduce, within three days, the amount of its borrowings in order to provide for 300% asset coverage); a Fund will not borrow to increase income (leveraging) but only to facilitate redemption requests that might otherwise require untimely dispositions of the Fund's portfolio securities; a Fund will repay all borrowings before making additional investments, and interest paid on borrowings will reduce net income;
- (3) make loans to other persons (except by the purchase of obligations in which the Fund is authorized to invest); provided, however, that the Fund will not enter into repurchase agreements if, as a result thereof, more than 10% of the total assets of the Fund (taken at current value) would be subject to repurchase agreements maturing in more than seven (7) days;

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- (4) purchase the securities of any issuer (other than obligations issued or guaranteed as to principal and interest by the Government of the United States, its agencies or instrumentalities, or, for the Balanced Fund only, any security issued by an investment company or series thereof) if, as a result, (a) more than 5% of the Fund's total assets (taken at current value) would be invested in the securities of that issuer, or (b) a Fund would hold more than 10% of any class of securities of that issuer (for this purpose, all debt obligations of an issuer maturing in less than one year are treated as a single class of securities);
- (5) write, or invest in, straddle or spread options or invest in interests in oil, gas or other mineral exploration or development programs;
- (6) purchase securities on margin or sell any securities short;
- (7) invest in the securities of any issuer, any of whose officers, directors or security holders is an officer of a Fund if at the time of or after such purchase any officer or director of that Fund would own more than 1/2 of 1% of the securities of that issuer or if that Fund's officers and directors together would own more than 5% of the securities of that issuer;
- (8) purchase any securities that would cause more than 25% of the value of a Fund's total net assets at the time of purchase to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that there is no limitation with respect to investments in U.S. Treasury Bills, other obligations issued or guaranteed by the federal government, its agencies and instrumentalities, certificates of deposit, commercial paper and bankers' acceptances, or any obligations of U.S. branches of foreign banks and foreign branches of U.S. banks, except as these investments may be limited by the Treasury regulations under section 817(h) of the Internal Revenue Code;
- (9) invest more than 5% of the value of the Fund's total assets at the time of investment in the securities of any issuer or issuers which have records of less than three years' continuous operation, including the operation of any predecessor, but this limitation does not apply to securities issued or guaranteed as to interest and principal by the United States Government or its agencies or instrumentalities;
- (10) mortgage, pledge or hypothecate its assets except in an amount up to 15% (10% so long as the Fund's shares are registered for sale in certain states) of the value of the Fund's total assets but only to secure borrowings for temporary or emergency purposes;

(11) purchase or sell real estate, real estate investment trust securities, commodities or commodity contracts;

(12) invest in companies for the purpose of exercising control; or

(13) invest in securities of other investment companies, except as they may be acquired as part of a merger, consolidation or acquisition of assets, and except that during any period in which the Balanced Fund operates as a "fund of funds" in accordance with the Prospectus and applicable law,

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the Balanced Fund may purchase without limit shares of the Equity Fund, the Income Fund, and any other mutual fund currently existing or hereafter created whose investment adviser is the Balanced Fund's adviser or an affiliate thereof, or the respective successors in interest of any such mutual fund or adviser.

Dollar rolls are not considered borrowing and therefore are not subject to investment restriction 2 above. For the purposes of investment restriction 9 above, the entity sponsoring a mortgage or asset backed security will be considered the issuer. For the purposes of investment restriction 11 above, commodities and commodity contracts are interpreted as physical commodities and therefore financial futures contracts and related options will not be considered commodities or commodity contracts under the restriction.

The Equity Fund and Short-Term Investment Fund each may not:

(14) underwrite the securities of other issuers, purchase securities subject to restrictions on disposition under the 1933 Act (so-called "restricted securities") or purchase securities not freely marketable.

The Balanced Fund and Income Fund each may not:

(15) Underwrite the securities of other issuers, invest more than 10% of its net assets in illiquid securities or invest in securities subject to restriction on disposition under the 1933 Act, except for securities eligible for resale pursuant to Rule 144A under the 1933 Act.

The Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund each may not:

(1) act as an underwriter of securities, except insofar as it may be deemed an underwriter for purposes of the 1933 Act on disposition of securities acquired subject to legal or contractual restrictions on resale;

(2) purchase or sell real estate (although it may purchase securities secured by real estate or interests therein, or securities issued by companies which invest in real estate or interests therein), commodities, or commodity contracts, except that it may enter into (a) futures and options on futures and (b) forward currency contracts;

(3) make loans, but this restriction shall not prevent the Fund from (a) buying a part of an issue of bonds, debentures, or other obligations, (b) investing in repurchase agreements or (c) lending portfolio securities, provided that it may not lend securities if, as a result, the aggregate value of all securities loaned would exceed 33 1/3% of its total assets (taken at market value at the time of such loan);

(4) borrow, except that it may (a) borrow up to 33 1/3% of its total assets, taken at market value at the time of such borrowing, as a temporary measure for extraordinary or emergency purposes, but not to increase portfolio income (the total of reverse repurchase agreements and such borrowings will not exceed 33 1/3% of its total assets, and the Fund will not purchase additional securities

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when its borrowings, less proceeds receivable from sales of portfolio securities, exceed 5% of its total assets) and (b) enter into transactions in options, futures and options on futures;

(5) invest in a security if 25% or more of its total assets (taken at market value at the time of a particular purchase) would be invested in the securities of issuers in any particular industry, except that this restriction does not apply to securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities; or

(6) issue any senior security except to the extent permitted under the 1940 Act.

The Small Cap Growth Fund, International Equity Fund and Socially Responsible

Funds are also subject to the following nonfundamental restrictions and policies, which may be changed by the Board of Trustees. Each Fund may not:

- (1) invest in companies for the purpose of exercising control or management;
- (2) purchase, except for securities acquired as part of a merger, consolidation or acquisition of assets, more than 3% of the stock of another investment company or purchase stock of other investment companies equal to more than 5% of the Fund's total assets (valued at time of purchase) in the case of any one other investment company and 10% of such assets (valued at time of purchase) in the case of all other investment companies in the aggregate;
- (3) mortgage, pledge or hypothecate its assets, except as may be necessary in connection with permitted borrowings or in connection with options, futures and options on futures;
- (4) purchase securities on margin (except for use of short-term credits as are necessary for the clearance of transactions), or sell securities short unless
  - (i) the Fund owns or has the right to obtain securities equivalent in kind and amount to those sold short at no added cost or (ii) the securities sold are "when issued" or "when distributed" securities which the Fund expects to receive in a recapitalization, reorganization or other exchange for securities the Fund contemporaneously owns or has the right to obtain and provided that transactions in options, futures and options on futures are not treated as short sales;
- (5) invest more than 15% of its net assets (taken at market value at the time of a particular investment) in illiquid securities, including repurchase agreements maturing in more than seven days; and
- (6) hedge by purchasing put and call options, futures contracts or derivative instruments on securities, in an aggregate amount equivalent to more than 10% of its total assets.

For the Balanced Fund and Income Fund, the Board has adopted guidelines regarding investment in derivatives (such as CMOs), which among other things, establish certain minimum criteria for the types of derivative securities

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that may be purchased. Under such guidelines, fixed income derivatives purchased for the Funds must have low to moderate volatility and must perform consistently across a wide range of interest rate scenarios. They also must exhibit little excess interest rate risk relative to Treasuries of comparable duration.

The Equity Fund, Income Fund, Small Cap Growth Fund and International Equity Fund are also subject to the following nonfundamental investment policies, which may be changed by the Board of Trustees.

The Equity Fund will invest, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in equity securities.

The Income Fund will invest, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in fixed income securities.

The Small Cap Growth Fund will invest, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in securities of small cap companies.

The International Equity Fund will invest, under normal circumstances, at least 80% of net assets (plus the amount of any borrowings for investment purposes) in equity securities.

Shareholders of a Fund will be provided with at least 60 days prior notice of any change in the 80% investment policy of the Fund.

#### DESCRIPTION OF SECURITIES AND RISKS

This section should be read in conjunction with each Fund's description in the Prospectus and each Fund's fundamental and nonfundamental investment policies. Because the Balanced Fund invests in shares of the Equity Fund and Income Fund, the Balanced Fund indirectly invests in the same investments as listed for the Equity Fund and Income Fund.

REPURCHASE AGREEMENTS. Each Fund may invest in repurchase agreements. The Equity Fund, Income Fund and Short-Term Investment Fund will not enter into repurchase agreements if, as a result, more than 10% of the Fund's total assets would be

subject to repurchase agreements maturing in more than seven days. Repurchase agreements are agreements under which a Fund acquires ownership of an obligation (debt instrument or time deposit) and the seller agrees, at the time of the sale, to repurchase the obligation at a mutually agreed upon time and price, thereby determining the yield during the purchaser's holding period. This results in a fixed rate of return insulated from market fluctuations during such period. If the seller of a repurchase agreement fails to repurchase this obligation in accordance with the terms of the agreement, the investing Fund will incur a loss to the extent that the proceeds on the sale are less than the repurchase price. Repurchase agreements usually involve United States Government or federal agency securities and, as utilized by the Funds, include only those securities in which the Funds may otherwise invest. Repurchase

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agreements are for short periods, most often less than 30 days and usually less than one week. The Funds intend to enter into repurchase agreements only with domestic commercial and savings banks and savings and loan associations with total assets of at least one billion dollars, or with primary dealers in United States Government securities. In addition, the Funds will not enter into repurchase agreements unless (a) the agreement specifies that the securities purchased, and interest accrued thereon, will have an aggregate value in excess of the price paid and (b) the Funds take delivery of the underlying instruments pending repurchase. In entering into a repurchase agreement, a Fund is exposed to the risk that the other party to the agreement may be unable to keep its commitment to repurchase. In that event, a Fund may incur disposition costs in connection with liquidating the collateral (i.e., the underlying security). Moreover, if bankruptcy proceedings are commenced with respect to the selling party, receipt of the value of the collateral may be delayed or substantially limited and a loss may be incurred if the collateral securing the repurchase agreement declines in value during the bankruptcy proceedings. The Funds believe that these risks are not material inasmuch as a Fund will evaluate the creditworthiness of all entities with which it proposes to enter into repurchase agreements, and will seek to assure that each such arrangement is adequately collateralized.

REVERSE REPURCHASE AGREEMENTS AND OTHER BORROWINGS. Each Fund is authorized to borrow money and may invest in reverse repurchase agreements. If the securities held by a Fund should decline in value while borrowings are outstanding, the net asset value of the Fund's outstanding shares will decline in value by proportionately more than the decline in value suffered by the Fund's securities. Each Fund may borrow through reverse repurchase agreements under which a Fund sells portfolio securities to financial institutions such as banks and broker-dealers and agrees to repurchase them at a particular date and price. Reverse repurchase agreements involve the sale of money market securities held by a Fund, with an agreement to repurchase the securities at an agreed upon price, date and interest payment. If it employs reverse repurchase agreements, a Fund will use the proceeds to purchase other money market securities and instruments eligible for purchase by that Fund either maturing, or under an agreement to resell, at a date simultaneous with or prior to the expiration of the reverse repurchase agreement. At the time it enters into a reverse repurchase agreement, a Fund will segregate cash, U.S. Government or other appropriate liquid high-grade debt securities having a value at least equal to the repurchase price. A Fund will generally utilize reverse repurchase agreements when the interest income to be earned from the investment of the proceeds of the transactions is greater than the interest expense incurred as a result of the reverse repurchase transactions. Reverse repurchase agreements involve the risk that the market value of securities purchased by the Fund with the proceeds of the transaction may decline below the repurchase price of the securities that the Fund is obligated to repurchase. As a matter of operating policy, the aggregate amount of illiquid repurchase and reverse repurchase agreements will not exceed 10% of any of the Funds' total net assets at the time of initiation. For the Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund, reverse repurchase agreements, together with any other borrowings, will not exceed, in the aggregate, 33 1/3% of the value of their total assets. In addition, whenever borrowings exceed 5% of a Fund's total assets, these Funds will not make any additional investments. For the Equity Fund, Balanced Fund, Income Fund and Short-Term Investment Fund, reverse repurchase agreements, together with other borrowings, will not exceed 15% of a Fund's total assets taken at market value. If the asset coverage for such borrowings falls below 300%, these Funds will reduce, within three days, the amount of its borrowings to

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provide for 300% asset coverage. The Equity Fund, Balanced Fund, Income Fund and Short-Term Investment Fund will repay all borrowings before making additional investments.

HIGH-YIELD (HIGH-RISK) SECURITIES. To the extent the Income Fund can invest in

high-yield (high-risk) securities, the following sections are applicable. High-yield (high-risk) securities (hereinafter referred to as "lower-quality securities") include (i) bonds rated as low as "C" by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P") or by Fitch Ratings ("Fitch"); (ii) commercial paper rated as low as "C" by S&P, "Not Prime" by Moody's, or "Fitch 4" by Fitch; and (iii) unrated debt obligations of comparable quality. Lower-quality securities, while generally offering higher yields than investment grade securities with similar maturities, involve greater risks, including the possibility of default or bankruptcy. They are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. The special risk considerations in connection with investments in these securities are discussed below.

**EFFECT OF INTEREST RATES AND ECONOMIC CHANGES.** Interest-bearing securities typically experience appreciation when interest rates decline and depreciation when interest rates rise. The market values of lower-quality and comparable unrated securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates. Lower-quality and comparable unrated securities also tend to be more sensitive to economic conditions than are higher-rated securities. As a result, they generally involve more credit risks than securities in the higher-rated categories. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of lower-quality and comparable unrated securities may experience financial stress and may not have sufficient funds to meet their payment obligations. The issuer's ability to service its debt obligations may also be adversely affected by specific corporate developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by an issuer of these securities is significantly greater than by issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. Further, if the issuer of a lower-quality or comparable unrated security defaulted, a fund might incur additional expenses to seek recovery. Periods of economic uncertainty and changes would also generally result in increased volatility in the market prices of these securities and thus in a fund's net asset value.

As previously stated, the value of a lower-quality or comparable unrated security will generally decrease in a rising interest rate market, and accordingly, so will a fund's net asset value. If a fund experiences unexpected net redemptions in such a market, it may be forced to liquidate a portion of its portfolio securities without regard to their investment merits. Due to the limited liquidity of lower-quality and comparable unrated securities in the marketplace (discussed below in "Liquidity and Valuation"), a fund may be forced to liquidate these securities at a substantial discount. Any such liquidation would force a fund to sell the more liquid portion of its portfolio.

**PAYMENT EXPECTATIONS.** Lower-quality and comparable unrated securities typically contain redemption, call or prepayment provisions which permit the issuer of such securities containing such provisions to, at its discretion, redeem the securities. During periods of falling interest rates, issuers of these securities are likely to redeem or prepay the securities and refinance them with

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debt securities with a lower interest rate. To the extent an issuer is able to refinance the securities, or otherwise redeem them, a fund may have to replace the securities with a lower-yielding security, which would result in a lower return for a fund.

**CREDIT RATINGS.** Credit ratings issued by credit rating agencies are designed to evaluate the safety of principal and interest payments of rated securities. They do not, however, evaluate the market value risk of lower-quality securities and, therefore, may not fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the condition of the issuer that affect the market value of the security. Consequently, credit ratings are used only as a preliminary indicator of investment quality. Investments in lower-quality and comparable unrated obligations will be more dependent on the subadvisers' credit analysis than would be the case with investments in investment-grade debt obligations. The subadvisers employ their own credit research and analysis, which includes a study of existing debt, capital structure, ability to service debt and to pay dividends, the issuer's sensitivity to economic conditions, its operating history and the current trend of earnings. The subadvisers continually monitor the investments in the Income Fund's portfolio and carefully evaluate whether to dispose of or to retain lower-quality and comparable unrated securities whose credit ratings or credit quality may have changed.

**LIQUIDITY AND VALUATION.** A fund may have difficulty disposing of certain lower-quality and comparable unrated securities because there may be a thin

trading market for such securities. Because not all dealers maintain markets in all lower-quality and comparable unrated securities, there is no established retail secondary market for many of these securities. The Income Fund anticipates that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market does exist, it is generally not as liquid as the secondary market for higher-rated securities. The lack of a liquid secondary market may have an adverse impact on the market price of the security. As a result, a fund's net asset value and ability to dispose of particular securities, when necessary to meet a fund's liquidity needs or in response to a specific economic event, may be impacted. The lack of a liquid secondary market for certain securities may also make it more difficult for a fund to obtain accurate market quotations for purposes of valuing the Fund's portfolio. Market quotations are generally available on many lower-quality and comparable unrated issues only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales. During periods of thin trading, the spread between bid and asked prices is likely to increase significantly. In addition, adverse publicity and investor perception, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-quality and comparable unrated securities, especially in a thinly traded market.

**WARRANTS.** Each Fund may invest in warrants. Warrants are instruments that provide the owner with the right to purchase a specified security, usually an equity security such as common stock, at a specified price (usually representing a premium over the applicable market value of the underlying equity security at the time of the warrant's issuance) and usually during a specified period of time. While warrants may be traded, there is often no secondary market for them. Moreover, they are usually issued by the issuer of the security to which they relate. The Funds will invest in publicly traded warrants only. Warrants do not have any inherent value. To the extent that the market value of the security that may be purchased upon exercise of the warrant rises above the exercise price, the value of the warrant will tend to rise. To the extent that the exercise price equals or exceeds the

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market value of such security, the warrants will have little or no market value. If warrants remain unexercised at the end of the specified exercise period, they lapse and the investing Fund's investment in them will be lost. In view of the highly speculative nature of warrants, as a matter of operating policy, the Equity Fund, International Equity Fund, Socially Responsible Fund, Income Fund and Short-Term Investment Fund will not invest more than 5% of their respective net assets in warrants.

**RIGHTS OFFERINGS.** The Small Cap Growth Fund may participate in rights offerings, which are privileges issued by corporations enabling the owners to subscribe to and purchase a specified number of shares of the corporation at a specified price during a specified period of time. Subscription rights normally have a short life span to expiration. The purchase of rights involves the risk that the Fund could lose the purchase value of a right if the right to subscribe to additional shares is not exercised prior to the rights' expiration. Also, the purchase of rights involves the risk that the effective price paid for the right added to the subscription price of the related security may exceed the value of the subscribed security's market price such as when there is no movement in the level of the underlying security.

**CONVERTIBLE PREFERRED STOCKS AND DEBT SECURITIES.** The Equity Fund, International Equity Fund, Socially Responsible Fund, Income Fund and Short-Term Investment Fund may invest in convertible preferred stock and debt securities. Certain preferred stocks and debt securities include conversion features allowing the holder to convert securities into another specified security (usually common stock) of the same issuer at a specified conversion ratio (e.g., two shares of preferred for one share of common stock) at some specified future date or period. The market value of convertible securities generally includes a premium that reflects the conversion right. That premium may be negligible or substantial. To the extent that any preferred stock or debt security remains unconverted after the expiration of the conversion period, the market value will fall to the extent represented by that premium.

**PREFERRED EQUITY REDEMPTION CUMULATIVE STOCK.** The Equity Fund, International Equity Fund, Socially Responsible Fund, Income Fund and Short-Term Investment Fund may invest in preferred equity redemption cumulative stock. Preferred Equity Redemption Cumulative Stock (PERCS) is a form of convertible preferred stock which automatically converts into shares of common stock on a predetermined conversion date. PERCS pays a fixed annual dividend rate which is higher than the annual dividend rate of the issuing company's common stock. However, the terms of PERCS limit an investor's ability to participate in the appreciation of the common stock (usually capped at approximately 40%). Predetermined redemption dates and prices set by the company upon the issuance of the securities provide the mechanism for limiting the price appreciation of

ADJUSTABLE RATE MORTGAGE SECURITIES. The Equity Fund, International Equity Fund, Socially Responsible Fund, Income Fund and Short-Term Investment Fund may invest in adjustable rate mortgage securities. Adjustable rate mortgage securities (ARMs) are pass-through mortgage securities collateralized by mortgages with adjustable rather than fixed rates. ARMs eligible for inclusion in a mortgage pool generally provide for a fixed initial mortgage interest rate for either the first three, six, twelve, thirteen, thirty-six or sixty scheduled monthly payments. Thereafter, the interest rates are subject to periodic adjustment based on changes to a designated benchmark index.

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ARMs contain maximum and minimum rates beyond which the mortgage interest rate may not vary over the lifetime of the security. In addition, certain ARMs provide for limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. Alternatively, certain ARMs contain limitations on changes in the required monthly payment. In the event that a monthly payment is not sufficient to pay the interest accruing on an ARM, any such excess interest is added to the principal balance of the mortgage loan, which is repaid through future monthly payments. If the monthly payment for such an instrument exceeds the sum of the interest accrued at the applicable mortgage interest rate and the principal payment required at such point to amortize the outstanding principal balance over the remaining term of the loan, the excess is utilized to reduce the then-outstanding principal balance of the ARM.

TYPES OF CREDIT ENHANCEMENT. Mortgage-backed securities and asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. To lessen the effect of failures by obligors on underlying assets to make payments, these securities may contain elements of credit support which fall into two categories: (i) liquidity protection and (ii) protection against losses resulting from ultimate default by an obligor on the underlying assets. Liquidity protection refers to the provision of advances, generally by the entity administering the pool of assets, to seek to ensure that the receipt of payments on the underlying pool occurs in a timely fashion. Protection against losses resulting from default seeks to ensure ultimate payment of the obligations on at least a portion of the assets in the pool. This protection may be provided through guarantees, insurance policies or letters of credit obtained by the issuer or sponsor from third parties, through various means of structuring the transaction or through a combination of such approaches. The degree of credit support provided for each issue is generally based on historical information respecting the level of credit risk associated with the underlying assets. Delinquencies or losses in excess of those anticipated could adversely affect the return on an investment in a security. A Fund will not pay any additional fees for credit support, although the existence of credit support may increase the price of a security.

FOREIGN SECURITIES. The Income Fund and International Equity Fund may invest in foreign securities. Investors should recognize that investing in foreign securities involves certain special considerations, including those set forth below, which are not typically associated with investing in U.S. securities and which may favorably or unfavorably affect a fund's performance. As foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to domestic companies, there may be less publicly available information about a foreign company than about a domestic company. Many foreign securities markets, while growing in volume of trading activity, have substantially less volume than the U.S. market, and securities of some foreign issuers are less liquid and more volatile than securities of domestic issuers. Similarly, volume and liquidity in most foreign bond markets is less than in the U.S. and, at times, volatility of prices can be greater than in the U.S. Fixed commissions on some foreign securities exchanges and bid-to-asked spreads in foreign bond markets are generally higher than commissions or bid-to-asked spreads on U.S. markets, although a fund will endeavor to achieve the most favorable net results on its portfolio transactions. There is generally less government supervision and regulation of securities exchanges, brokers and listed companies than in the U.S. It may be more difficult for a fund's agents to keep currently informed about corporate actions which may affect the prices of portfolio securities. Communications between the U.S. and foreign countries may be less reliable than within the U.S., thus increasing the risk of

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delayed settlements of portfolio transactions or loss of certificates for portfolio securities. Payment for securities without delivery may be required in certain foreign markets. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability or diplomatic developments which could affect U.S.

investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. The management of the Funds seeks to mitigate the risks associated with the foregoing considerations through continuous professional management.

**FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS.** The Small Cap Growth Fund and International Equity Fund may invest in foreign currencies. The Income Fund may enter into forward foreign currency exchange contracts to the extent of 15% of the value of its total assets for hedging purposes. Forward foreign currency exchange contracts involve an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Forward currency contracts do not eliminate fluctuations in the values of fund securities but rather allow a fund to establish a rate of exchange for a future point in time. A fund may use forward foreign currency exchange contracts to hedge against movements in the value of foreign currencies (including the "Euro" used by certain European Countries) relative to the U.S. dollar in connection with specific fund transactions or with respect to fund positions.

The Small Cap Growth Fund may enter into forward foreign currency exchange contracts when deemed advisable by its subadvisers under two circumstances. First, when entering into a contract for the purchase or sale of a security, the Fund may enter into a forward foreign currency exchange contract for the amount of the purchase or sale price to protect against variations, between the date the security is purchased or sold and the date on which payment is made or received, in the value of the foreign currency relative to the U.S. dollar or other foreign currency. Second, when the Fund's adviser or a subadviser anticipates that a particular foreign currency may decline relative to the U.S. dollar or other leading currencies, in order to reduce risk, the Fund may enter into a forward contract to sell, for a fixed amount, the amount of foreign currency approximating the value of some or all of the Fund's securities denominated in such foreign currency. With respect to any forward foreign currency contract, it will not generally be possible to match precisely the amount covered by that contract and the value of the securities involved due to the changes in the values of such securities resulting from market movements between the date the forward contract is entered into and the date it matures. In addition, while forward contracts may offer protection from losses resulting from declines in the value of a particular foreign currency, they also limit potential gains which might result from increases in the value of such currency. The Fund will also incur costs in connection with forward foreign currency exchange contracts and conversions of foreign currencies and U.S. dollars. The Small Cap Growth Fund may also engage in proxy hedging transactions to reduce the effect of currency fluctuations on the value of existing or anticipated holdings of Fund securities. Proxy hedging is often used when the currency to which the Fund is exposed is difficult to hedge or to hedge against the dollar. Proxy hedging entails entering into a forward contract to sell a currency whose changes in value are generally considered to be linked to a currency or currencies in which some or all of the Fund's securities are, or are expected to be, denominated, and to buy U.S. dollars. Proxy hedging involves some of the same risks and considerations as other transactions with similar instruments. Currency transactions can result in losses to the Fund if the currency being hedged

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fluctuates in value to a degree or in a direction that is not anticipated. In addition, there is the risk that the perceived linkage between various currencies may not be present or may not be present during the particular time that the Fund is engaging in proxy hedging. The Fund may also cross hedge currencies by entering into forward contracts to sell one or more currencies that are expected to decline in value relative to other currencies to which the Fund has or in which the Fund expects to have Fund exposure. In general, currency transactions are subject to risks different from those of other Fund transactions, and can result in greater losses to the Fund than would otherwise be incurred, even when the currency transactions are used for hedging purposes. Because investments in foreign securities usually will involve currencies of foreign countries and to the extent a Fund may hold foreign currencies and forward contracts, futures contracts and options on foreign currencies and foreign currency futures contracts, the value of the assets of such Fund as measured in dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and the Fund may incur costs in connection with conversions between various currencies. Although each Fund values its assets daily in terms of U.S. dollars, it does not intend to convert its holdings of foreign currencies into U.S. dollars on a daily basis. It will do so from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency to the Fund at

one rate, while offering a lesser rate or exchange should the Fund desire to resell that currency to the dealer. The Fund will conduct its foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into options or forward or futures contracts to purchase or sell foreign currencies.

A separate account of the Small Cap Growth Fund consisting of liquid assets equal to the amount of the Fund's assets that could be required to consummate forward contracts entered into under the second circumstances, as set forth above, will be established with the Fund's custodian. For the purpose of determining the adequacy of the securities in the account, the deposited securities will be valued at market or fair value. If the market or fair value of such securities declines, additional cash or securities will be placed in the account daily so that the value of the account will equal the amount of such commitments by the Fund.

STRATEGIC TRANSACTIONS AND DERIVATIVES. The Income Fund, International Equity Fund and Socially Responsible Fund may, but are not required to, utilize various other investment strategies as described below to hedge various market risks (such as interest rates and broad or specific equity or fixed-income market movements), to manage the effective maturity or duration of fixed-income securities in such Fund's portfolio or to enhance potential gain. These strategies may be executed through the use of derivative contracts. Such strategies are generally accepted as a part of modern portfolio management and are regularly utilized by many mutual funds and other institutional investors. Techniques and instruments may change over time as new instruments and strategies are developed or regulatory changes occur.

In the course of pursuing these investment strategies, the Funds may purchase and sell exchange-listed and over-the-counter put and call options on securities, equity and fixed-income indices and other financial instruments, purchase and sell financial futures contracts and options thereon; enter into various interest rate transactions such as swaps, caps, floors or collars; and enter into various

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currency transactions such as currency forward contracts, currency futures contracts, currency swaps or options on currencies or currency futures (collectively, all the above are called "Strategic Transactions"). Strategic Transactions may be used without limit to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes, to manage the effective maturity or duration of fixed-income securities in a Fund's portfolio or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities. Some Strategic Transactions may also be used to enhance potential gain although no more than 5% of a Fund's assets will be committed to Strategic Transactions entered into for non-hedging purposes. Any or all of these investment techniques may be used at any time and in any combination, and there is no particular strategy that dictates the use of one technique rather than another, as use of any Strategic Transaction is a function of numerous variables including market conditions. The ability of a Fund to utilize these Strategic Transactions successfully will depend on the subadviser's ability to predict pertinent market movements, which cannot be assured. The Fund will comply with applicable regulatory requirements when implementing these strategies, techniques and instruments. Strategic Transactions involving financial futures and options thereon will be purchased, sold or entered into only for bona fide hedging, risk management or portfolio management purposes and not for speculative purposes.

Strategic Transactions, including derivative contracts, have risks associated with them, including possible default by the other party to the transaction, illiquidity and, to the extent the subadviser's view as to certain market movements is incorrect, the risk that the use of such Strategic Transactions could result in losses greater than if they had not been used. Use of put and call options may result in losses to a Fund, force the sale or purchase of portfolio securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation a Fund can realize on its investments or cause the Fund to hold a security it might otherwise sell. The use of currency transactions can result in a Fund incurring losses as a result of a number of factors including the imposition of exchange controls, suspension of settlements or the inability to deliver or receive a specified currency. The use of options and futures transactions entails certain other risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of a Fund creates the possibility that losses on the hedging instrument may be greater than gains in the value of the Fund's position. In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter options may have

no markets. As a result, in certain markets, a Fund might not be able to close out a transaction without incurring substantial losses, if at all. Although the use of futures and options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in value of such position. Finally, the daily variation margin requirements for futures contracts would create a greater ongoing potential financial risk than would purchases of options, where the exposure is limited to the cost of the initial premium. Losses resulting from the use of Strategic Transactions would reduce net asset value, and possibly income, and such losses can be greater than if the Strategic Transactions had not been utilized.

GENERAL CHARACTERISTICS OF OPTIONS. To the extent consistent with their respective investment objectives, the Small Cap Growth Fund, International Equity Fund and Socially

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Responsible Fund may invest in options. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instruments on which they are purchased or sold. Thus, the following general discussion relates to each of the particular types of options discussed in greater detail below. In addition, many Strategic Transactions involving options require segregation of Fund assets in special accounts.

A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. For instance, a Fund's purchase of a put option on a security might be designed to protect its holdings in the underlying instrument (or, in some cases, a similar instrument) against a substantial decline in the market value by giving the Fund the right to sell such instrument at the option exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. A Fund's purchase of a call option on a security, financial future, index, currency or other instrument might be intended to protect the Fund against an increase in the price of the underlying instrument that it intends to purchase in the future by fixing the price at which it may purchase such instrument. An American-style put or call option may be exercised at any time during the option period thereto. A Fund is authorized to purchase and sell exchange-listed options and over-the-counter options ("OTC options"). Exchange-listed options are issued by a regulated intermediary such as the Options Clearing Corporation ("OCC"), which guarantees the performance of the obligations of the parties to such options. The discussion below uses the OCC as an example, but is also applicable to other financial intermediaries.

With certain exceptions, OCC issued and exchange listed options generally settle by physical delivery of the underlying security or currency, although in the future cash settlement may become available. Index options and Eurodollar instruments are cash settled for the net amount, if any, by which the option is "in-the-money" (i.e., where the value of the underlying instrument exceeds, in the case of a call option, or is less than, in the case of a put option, the exercise price of the option) at the time the option is exercised. Frequently, rather than taking or making delivery of the underlying instrument through the process of exercising the option, listed options are closed by entering into offsetting purchase or sale transactions that do not result in ownership of the underlying instrument.

A Fund's ability to close out its position as a purchaser or seller of an OCC or exchange listed put or call option is dependent, in part, upon the liquidity of the option market. Among the possible reasons for the absence of a liquid option market on an exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities including reaching daily price limits; (iv) interruption of the normal operations of the OCC or an exchange; (v) inadequacy of the facilities of an exchange or OCC to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options for a particular class or series of options, in which event the relevant market for that option on that exchange would cease to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

The hours of trading for listed options may not coincide with the hours during which the underlying financial instruments are traded. To the extent that the option markets close before the markets for

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the underlying financial instruments, significant price and rate movements can take place in the underlying markets that cannot be reflected in the option markets.

OTC options are purchased from or sold to securities dealers, financial institutions or other parties ("Counterparties") through direct bilateral agreement with the Counterparty. In contracts to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by negotiation of the parties. A Fund will only sell OTC options (other than OTC currency options) that are subject to a buy-back provision permitting the Fund to require the Counterparty to sell the option back to the Fund at a formula price within seven days. The Funds expect generally to enter into OTC options that have cash settlement provisions, although they are not required to do so.

Unless the parties provide for it, there is no central clearing or guaranty function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with a Fund or fails to make a cash settlement payment due in accordance with the terms of that option, the Fund will lose any premium it paid for the option as well as any anticipated benefit of the transaction. Accordingly, the subadviser must assess the creditworthiness of each such Counterparty or any guarantor or credit enhancement of the Counterparty's credit to determine the likelihood that the terms of the OTC option will be satisfied. A Fund will engage in OTC option transactions only with U.S. Government securities dealers recognized by the Federal Reserve Bank of New York as "primary dealers" or broker/dealers, domestic or foreign banks or other financial institutions which have received (or the guarantors of the obligation of which have received) a short-term credit rating of A-1 from S&P or P-1 from Moody's or an equivalent rating from any nationally recognized statistical rating organization ("NRSRO") or, in the case of OTC currency transactions, are determined to be of equivalent credit quality by the subadviser. The staff of the SEC currently takes the position that OTC options purchased by a Fund, and portfolio securities "covering" the amount of a Fund's obligation pursuant to an OTC option sold by it (the cost of the sell-back plus the in-the-money amount, if any), are illiquid, and are subject to the Fund's limitation on investing no more than 15% of its net assets in illiquid securities.

If a Fund sells a call option, the premium that it receives may serve as a partial hedge, to the extent of the option premium, against a decrease in the value of the underlying securities or instruments in its portfolio, or will increase the Fund's income. The sale of put options can also provide income. The Funds may purchase and sell call options on securities including U.S. Treasury and agency securities, mortgage-backed securities, corporate debt securities, equity securities (including convertible securities) and Eurodollar instruments that are traded on U.S. and foreign securities exchanges and in the over-the-counter markets, and on securities indices, currencies and futures contracts. All calls sold by a Fund must be "covered" (i.e., the Fund must own the securities or futures contract subject to the call) or must meet the asset segregation requirements described below as long as the call is outstanding. Even though a Fund will receive the option premium to help protect it against loss, a call sold by the Fund exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or instrument and may require the Fund to hold a security or instrument which it might otherwise have sold.

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The Funds may purchase and sell put options on securities including U.S. Treasury and agency securities, mortgage-backed securities, foreign sovereign debt, corporate debt securities (including convertible securities) and Eurodollar instruments (whether or not they hold the above securities in their portfolios), and on securities indices, currencies and futures contracts other than futures on individual corporate debt and individual equity securities. The Funds will not sell put options if, as a result, more than 50% of a Fund's assets would be required to be segregated to cover its potential obligations under such put options other than those with respect to futures and options thereon. In selling put options, there is a risk that the Fund may be required to buy the underlying security at a disadvantageous price above the market price.

When a Fund purchases a put option, the premium paid by it is recorded as an asset of the Fund. When a Fund writes an option, an amount equal to the net premium (the premium less the commission) received by the Fund is included in the liability section of the Fund's statement of assets and liabilities as a deferred credit. The amount of this asset or deferred credit will be subsequently marked to market to reflect the current value of the option

purchased or written. The current value of the traded option is the last sale price or, in the absence of sale, the mean between the last bid and asked price. If an option purchased by a Fund expires unexercised, the Fund realizes a loss equal to the premium paid. If a Fund enters into a closing sale transaction on an option purchased by it, the Fund will realize a gain if the premium received by the Fund on the closing transaction is more than the premium paid to purchase the option, or a loss if it is less. If an option written by a Fund expires on the stipulated expiration date or if a Fund enters into a closing purchase transaction, it will realize a gain (or loss if the cost of a closing purchase transaction exceeds the net premium received when the option is sold) and the deferred credit related to such option will be eliminated. If an option written by a Fund is exercised, the proceeds of the sale will be increased by the net premium originally received and the Fund will realize a gain or loss.

There are several risks associated with transactions in options on securities and indexes. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. In addition, a liquid secondary market for particular options, whether traded over-the-counter or on a national securities exchange ("Exchange"), may be absent for reasons which include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an Exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; unusual or unforeseen circumstances may interrupt normal operations on an Exchange; the facilities of an Exchange or the OCC may not at all times be adequate to handle current trading volume; or one or more Exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that Exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by the OCC as a result of trades on that Exchange would continue to be exercisable in accordance with their terms.

GENERAL CHARACTERISTICS OF FUTURES. To the extent consistent with their respective investment objectives, the Equity Fund, Small Cap Growth Fund, International Equity Fund and

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Socially Responsible Fund may enter into financial futures contracts or purchase or sell put and call options on such futures as a hedge against anticipated interest rate, currency or equity market changes, for duration management and for risk management purposes. Futures are generally bought and sold on the commodities exchanges where they are listed with payment of initial and variation margin as described below.

The sale of a futures contract creates a firm obligation by a fund, as seller, to deliver to the buyer the specific type of financial instrument called for in the contract at a specific future time for a specified price (or, with respect to index futures and Eurodollar instruments, the net cash amount). Options on futures contracts are similar to options on securities except that an option on a futures contract gives the purchaser the right in return for the premium paid to assume a position in a futures contract and obligates the seller to deliver such position.

The Funds' use of financial futures and options thereon will in all cases be consistent with applicable regulatory requirements and in particular the rules and regulations of the Commodity Futures Trading Commission and will be entered into only for bona fide hedging, risk management (including duration management) or other portfolio management purposes. Typically, maintaining a futures contract or selling an option thereon requires a Fund to deposit with a financial intermediary as security for its obligations an amount of cash or other specified assets (initial margin) which initially is typically 1% to 10% of the face amount of the contract (but may be higher in some circumstances). Additional cash or assets (variation margin) may be required to be deposited thereafter on a daily basis as the mark-to-market value of the contract fluctuates. The purchase of an option on financial futures involves payment of a premium for the option without any further obligation on the part of the Funds. If a Fund exercises an option on a futures contract it will be obligated to post initial margin (and potential subsequent variation margin) for the resulting futures position just as it would for any position. Futures contracts and options thereon are generally settled by entering into an offsetting transaction, but there can be no assurance that the position can be offset prior to settlement at an advantageous price, nor that delivery will occur.

A Fund will not enter into a futures contract or related option (except for closing transactions) if, immediately thereafter, the sum of the amount of its initial margin and premiums on open futures contracts and options thereon would

exceed 5% of a Fund's total assets (taken at current value); however, in the case of an option that is in-the-money at the time of the purchase, the in-the-money amount may be excluded in calculating the 5% limitation. The segregation requirements with respect to futures contracts and options thereon are described below.

OPTIONS ON SECURITIES INDICES AND OTHER FINANCIAL INDICES. The Funds also may purchase and sell call and put options on securities indices and other financial indices and in so doing can achieve many of the same objectives it would achieve through the sale or purchase of options on individual securities or other instruments. Options on securities indices and other financial indices are similar to options on a security or other instrument except that, rather than settling by physical delivery of the underlying instrument, they settle by cash settlement, i.e., an option on an index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the index upon which the option is based exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option (except if, in the case of an OTC option, physical delivery is specified). This amount of cash is equal to the excess of the closing price

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of the index over the exercise price of the option, which also may be multiplied by a formula value. The seller of the option is obligated, in return for the premium received, to make delivery of this amount. The gain or loss on an option on an index depends on price movements in the instruments making up the market, market segment, industry or other composite on which the underlying index is based, rather than price movements in individual securities, as is the case with respect to options on securities.

CURRENCY TRANSACTIONS. The Funds may engage in currency transactions with Counterparties in order to hedge the value of portfolio holdings denominated in particular currencies against fluctuations in relative value. Currency transactions include forward currency contracts, exchange listed currency futures, exchange listed and OTC options on currencies, and currency swaps. A forward currency contract involves a privately negotiated obligation to purchase or sell (with delivery generally required) a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. A currency swap is an agreement to exchange cash flows based on the notional difference among two or more currencies and operates similarly to an interest rate swap, which is described below. The Funds may enter into currency transactions with Counterparties which have received (or the guarantors of the obligations which have received) a credit rating of A-1 or P-1 by S&P or Moody's, respectively, or that have an equivalent rating from an NRSRO or are determined to be of equivalent credit quality by the adviser.

The Funds' dealings in forward currency contracts and other currency transactions such as futures, options, options on futures and swaps will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is entering into a currency transaction with respect to specific assets or liabilities of a Fund, which will generally arise in connection with the purchase or sale of its portfolio securities or the receipt of income therefrom. Position hedging is entering into a currency transaction with respect to portfolio security positions denominated or generally quoted in that currency.

The Funds will not enter into a transaction to hedge currency exposure to an extent greater, after all transactions intended wholly or partially to offset other transactions, than the aggregate market value (at the time of entering into the transaction) of the securities held in its portfolio that are denominated or generally quoted in or currently convertible into such currency, other than with respect to proxy hedging or cross-hedging as described below.

The Funds may also cross-hedge currencies by entering into transactions to purchase or sell one or more currencies that are expected to decline in value relative to other currencies to which a Fund has or in which a Fund expects to have portfolio exposure.

To reduce the effect of currency fluctuations on the value of existing or anticipated holdings of portfolio securities, the Funds may also engage in proxy hedging. Proxy hedging is often used when the currency to which a Fund's portfolio is exposed is difficult to hedge or to hedge against the dollar. Proxy hedging entails entering into a commitment or option to sell a currency whose changes in value are generally considered to be correlated to a currency or currencies in which some or all of a Fund's portfolio securities are or are expected to be denominated, in exchange for U.S. dollars. The amount of the commitment or option would not exceed the value of a Fund's securities denominated

in correlated currencies. Currency hedging involves some of the same risks and considerations as other transactions with similar instruments. Currency transactions can result in losses to a Fund if the currency being hedged fluctuates in value to a degree or in a direction that is not anticipated. Further, there is the risk that the perceived correlation between various currencies may not be present, or may not be present during the particular time that a Fund is engaging in proxy hedging. If a Fund enters into a currency hedging transaction, the Fund will comply with the asset segregation requirements described below.

**RISKS OF CURRENCY TRANSACTIONS.** Currency transactions are subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages and manipulations or exchange restrictions imposed by governments. These can result in losses to a Fund if it is unable to deliver or receive currency or funds in settlement of obligations, and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Further, settlement of currency futures contracts for the purchase of most currencies must occur at a bank based in the issuing nation. The ability to establish and close out positions on options on currency futures is subject to the maintenance of a liquid market which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

**COMBINED TRANSACTIONS.** The Funds may enter into multiple transactions, including multiple options transactions, multiple futures transactions, multiple currency transactions (including forward currency contracts) and multiple interest rate transactions and any combination of futures, options, currency and interest rate transactions ("component" transactions), instead of a single Strategic Transaction, as part of a single or combined strategy when, in the opinion of a subadviser, it is in the best interests of a Fund to do so. A combined transaction will usually contain elements of risk that are present in each of its component transactions. Although combined transactions are normally entered into based on the subadviser's judgment that the combined strategies will reduce risk or otherwise more effectively achieve the desired portfolio management goal, it is possible that the combination will instead increase such risks or hinder achievement of the portfolio management objective.

**SWAPS, CAPS, FLOORS AND COLLARS.** Among the Strategic Transactions into which the Funds may enter are interest rate, currency and index swaps and the purchase or sale of related caps, floors and collars. The Funds expect to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio, to protect against currency fluctuations, as a duration management technique or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Funds intend to use these transactions as hedges and not as speculative investments and will not sell interest rate caps or floors where it does not own securities or other instruments providing the income stream the Fund may be obligated to pay. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. A currency swap is an agreement to exchange cash flows on a notional amount of two or more currencies based on the relative value

differential among them and an index swap is an agreement to swap cash flows on a notional amount based on change in the values of the reference indices. The purchase of a cap entitles the purchaser to receive payments on a notional principal amount from the party selling such cap to the extent that a specific index exceeds a predetermined interest rate or amount. The purchase of a floor entitles the purchaser to receive payments on a notional principal amount from the party selling such floor to the extent that a specified index falls below a predetermined interest rate or amount. A collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates or values.

The Funds will usually enter into swaps on a net basis, i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Inasmuch as these swaps, caps, floors and collars are entered into for good-faith hedging purposes, the subadviser and the Funds believe such obligations do not constitute senior

securities under the 1940 Act, and, accordingly, will not treat them as being subject to the 1940 Act's borrowing restrictions. The Funds will not enter into any swap, cap, floor or collar transaction unless, at the time of entering into such transaction, the unsecured long-term debt of the Counterparty, combined with any credit enhancements, is rated at least A by S&P or Moody's or has an equivalent rating from an NRSRO or is determined to be of equivalent credit quality by the subadviser. If there is a default by the Counterparty, the Funds may have contractual remedies pursuant to the agreements related to the transaction.

**EURODOLLAR INSTRUMENTS.** The Funds may make investments in Eurodollar instruments. Eurodollar instruments are U.S. dollar-denominated futures contracts or options thereon which are linked to the London Interbank Offered Rate ("LIBOR"), although foreign currency-denominated instruments are available from time to time. Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowing. The Funds might use Eurodollar futures contracts and options thereon to hedge against changes in LIBOR, to which many interest rate swaps and fixed income instruments are linked.

**RISKS OF STRATEGIC TRANSACTIONS OUTSIDE THE U.S.** When conducted outside the U.S., Strategic Transactions may not be regulated as rigorously as in the U.S., may not involve a clearing mechanism and related guarantees and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of such positions also could be adversely affected by (i) other complex foreign, political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in a Fund's ability to act upon economic events occurring in foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S. and (v) lower trading volume and liquidity.

**USE OF SEGREGATED AND OTHER SPECIAL ACCOUNTS.** Many Strategic Transactions, in addition to other requirements, require that a Fund segregate liquid, high-grade assets to the extent Fund obligations are not otherwise "covered" through ownership of the underlying security, financial instrument or currency. In general, either the full amount of any obligation by a Fund to pay or deliver securities or assets must be covered at all times by the securities, instruments or currency required to be delivered, or, subject to any regulatory restrictions, an amount of cash or liquid high-

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grade securities at least equal to the current amount of the obligation must be segregated with the custodian. The segregated assets cannot be sold or transferred unless equivalent assets are substituted in their place or it is no longer necessary to segregate them. For example, a call option written by a Fund will require the Fund to hold the securities subject to the call (or securities convertible into the needed securities without additional consideration) or to segregate liquid high-grade securities sufficient to purchase and deliver the securities if the call is exercised. A call option sold by a Fund on an index will require the Fund to own portfolio securities which correlate with the index or to segregate liquid high-grade assets equal to the excess of the index value over the exercise price on a current basis. A put option written by a Fund requires the Fund to segregate liquid high-grade assets equal to the exercise price.

Except when the Funds enter into a forward contract for the purchase or sale of a security denominated in a particular currency, which requires no segregation, a currency contract which obligates a Fund to buy or sell currency will generally require the Fund to hold an amount of that currency or liquid securities denominated in that currency equal to the Fund's obligations or to segregate liquid high-grade assets equal to the amount of the Fund's obligation.

OTC options entered into by the Funds, including those on securities, currency, financial instruments or indices and OCC-issued and exchange listed index options, will generally provide for cash settlement. As a result, when a Fund sells these instruments, it will only segregate an amount of assets equal to its accrued net obligations, as there is no requirement for payment or delivery of amounts in excess of the net amount. These amounts will equal 100% of the exercise price in the case of a non-cash-settled put, the same as an OCC-guaranteed listed option sold by a Fund, or the in-the-money amount plus any sell-back formula amount in the case of a cash-settled put or call. In addition, when a Fund sells a call option on an index at a time when the in-the-money amount exceeds the exercise price, the Fund will segregate, until the option expires or is closed out, cash or cash equivalents equal in value to such excess. OCC-issued and exchange listed options sold by a Fund other than those above generally settle with physical delivery, or with an election of either physical delivery or cash settlement, and the Fund will segregate an amount of assets equal to the full value of the option. OTC options settling with physical

delivery, or with an election of either physical delivery or cash settlement, will be treated the same as other options settling with physical delivery.

In the case of a futures contract or an option thereon, a Fund must deposit initial margin and possible daily variation margin in addition to segregating assets sufficient to meet its obligation to purchase or provide securities or currencies, or to pay the amount owed at the expiration of an index-based futures contract. Such assets may consist of cash, cash equivalents, liquid debt or equity securities or other acceptable assets.

With respect to swaps, a Fund will accrue the net amount of the excess, if any, of its obligations over its entitlements with respect to each swap on a daily basis and will segregate an amount of cash or liquid high-grade securities having a value equal to the accrued excess. Caps, floors and collars require segregation of assets with a value equal to the Fund's net obligations, if any.

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Strategic Transactions may be covered by other means when consistent with applicable regulatory policies. Each Fund may also enter into offsetting transactions so that its combined position, coupled with any segregated assets, equals its net outstanding obligations in related options and Strategic Transactions. For example, a Fund could purchase a put option if the strike price of that option is the same as or higher than the strike price of a put option sold by the Fund. Moreover, instead of segregating assets if a Fund held a futures or forward contract, it could purchase a put option on the same futures or forward contract with a strike price as high or higher than the price of the contract held. Other Strategic Transactions may also be offset in combinations. If the offsetting transaction terminates at the time of or after the primary transaction, no segregation is required, but if it terminates prior to such time, assets equal to any remaining obligation would need to be segregated.

The Funds' activities involving Strategic Transactions may be limited by the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company. (See "TAX STATUS").

VARIABLE AND FLOATING RATE INSTRUMENTS. The Income Fund and Small Cap Growth Fund may invest in variable and floating rate instruments. With respect to purchasable variable and floating rate instruments, the subadvisers will consider the earning power, cash flows and liquidity ratios of the issuers and guarantors of such instruments and, if the instruments are subject to a demand feature, will monitor their financial status to meet payment on demand. Such instruments may include variable amount demand notes that permit the indebtedness thereunder to vary in addition to providing for periodic adjustments in the interest rate. The absence of an active secondary market with respect to particular variable and floating rate instruments could make it difficult for a Fund to dispose of a variable or floating rate note if the issuer defaulted on its payment obligation or during periods that a Fund is not entitled to exercise its demand rights, and a Fund could, for these or other reasons, suffer a loss with respect to such instruments. In determining average-weighted Fund maturity, an instrument will be deemed to have a maturity equal to either the period remaining until the next interest rate adjustment or the time a Fund involved can recover payment of principal as specified in the instrument, depending on the type of instrument involved.

MONEY MARKET OBLIGATIONS OF DOMESTIC BANKS, FOREIGN BANKS AND FOREIGN BRANCHES OF U.S. BANKS. The Short-Term Investment Fund, Income Fund and Small Cap Growth Fund may purchase bank obligations, such as certificates of deposit, bankers' acceptances and time deposits, including instruments issued or supported by the credit of U.S. or foreign banks or savings institutions having total assets at the time of purchase in excess of \$1 billion. The assets of a bank or savings institution will be deemed to include the assets of its domestic and foreign branches for purposes of a Fund's investment policies. Investments in short-term bank obligations may include obligations of foreign banks and domestic branches of foreign banks, and also foreign branches of domestic banks.

MORTGAGE-BACKED SECURITIES. The Small Cap Growth Fund and Income Fund may invest in mortgage-backed securities. Mortgage-backed securities represent interests in pools of mortgage loans made by lenders such as commercial banks and savings and loan institutions. Pools of mortgage loans are assembled for sale to investors by various government-related organizations. There are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-backed securities and among the securities that they issue.

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Mortgage-backed securities guaranteed by the Government National Mortgage

Association ("GNMA") include GNMA Mortgage Pass-Through Certificates (also known as "Ginnie Maes") which are guaranteed as to the timely payment of principal and interest by GNMA and such guarantee is backed by the full faith and credit of the United States. GNMA is a wholly-owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA certificates also are supported by the authority of GNMA to borrow funds from the U.S. Treasury to make payments under its guarantee. Mortgage-backed securities issued by the Federal National Mortgage Association ("FNMA") include FNMA-guaranteed Mortgage Pass-Through Certificates (also known as "Fannie Maes") which are solely the obligations of the FNMA, are not backed by or entitled to the full faith and credit of the United States and are supported by the right of the issuer to borrow from the Treasury. FNMA is a government-sponsored organization owned entirely by private stockholders. Fannie Maes are guaranteed as to timely payment of principal and interest by FNMA. Mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation ("FHLMC") include FHLMC Mortgage Participation Certificates (also known as "Freddie Macs" or "PCs"). FHLMC is a corporate instrumentality of the United States, created pursuant to an Act of Congress, which is owned entirely by Federal Home Loan Banks. Freddie Macs are not guaranteed by the United States or by any Federal Home Loan Banks and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by the FHLMC. FHLMC guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. When FHLMC does not guarantee timely payment of principal, FHLMC may remit the amount due on account of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one year after it becomes payable.

Mortgage-backed securities differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. Since prepayment rates vary widely, it is not possible to accurately predict the average maturity of a particular mortgage-backed pool; however, statistics published by the Federal Housing Authority indicate that the average life of mortgages with 25- to 30-year maturities (the type of mortgages backing the vast majority of mortgage-backed securities) is approximately 12 years. Mortgage-backed securities may decrease in value as a result of increases in interest rates and may benefit less than other fixed-income securities from declining interest rates because of the risk of prepayment.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs) AND MULTICLASS PASS-THROUGH SECURITIES. CMOs are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by GNMA, FNMA or FHLMC Certificates, but also may be collateralized by whole loans or private mortgage pass-through securities ("Mortgage Assets"). Multiclass pass-through securities are equity interests held in a trust composed of Mortgage Assets. Payments of principal and of interest on the Mortgage Assets, and any reinvestment income thereon, provide the capital to pay debt service on the CMOs or make

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scheduled distributions on the multiclass pass-through securities. CMOs may be issued by agencies or instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans, including depository institutions, mortgage banks, investment banks and special purpose subsidiaries of the foregoing.

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs is issued at a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Principal prepayments on the Mortgage Assets may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates. Interest is paid or accrued on all classes of CMOs on a monthly, quarterly or semi-annual basis. The principal of and interest on the Mortgage Assets may be allocated among the several classes of a CMO series in a number of different ways. Generally, the purpose of the allocation of the cash flow of a CMO to the various classes is to obtain a more predictable cash flow to the individual class than exists with the underlying collateral of the CMO. As a general rule, the more predictable the cash flow to a particular CMO the lower the anticipated yield will be on that class at the time of issuance relative to prevailing market yields on mortgage-backed securities.

The Income Fund may invest in, among other things, parallel pay CMOs and Planned Amortization Class CMOs ("PAC Bonds"). Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO structures, must be retired by its stated maturity date or final distribution

date but may be retired earlier. PAC Bonds generally require payments of a specified amount of principal on each payment date. PAC Bonds always are parallel pay CMOs with the required principal payment on such securities having the highest priority after interest has been paid to all classes.

ASSET-BACKED SECURITIES. The Small Cap Growth Fund and Income Fund may invest in asset-backed securities. Asset-backed securities are generally issued as pass-through certificates, which represent undivided fractional ownership interests in an underlying pool of assets, or as debt instruments, which are also known as collateralized obligations, and are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are pooled and securitized. Asset-backed securities generally do not have the benefit of the same security interest in the related collateral as is the case with mortgage-backed securities. There is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, the security interest in the underlying automobiles is often not transferred when the pool is created, with the resulting possibility that the collateral could be resold. In general, these types of loans are of shorter average life than mortgage loans and are less likely to have substantial prepayments.

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In general, the collateral supporting asset-backed securities is of shorter maturity than mortgage-related securities. Like other fixed-income securities, when interest rates rise, the value of an asset-backed security generally will decline; however, when interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities.

U.S. GOVERNMENT OBLIGATIONS. Each Fund may invest in U.S. Government Obligations. U.S. Government Obligations are direct obligations of the U.S. Government and are supported by the full faith and credit of the U.S. Government. U.S. Government agency securities are issued or guaranteed by U.S. Government-sponsored enterprises and federal agencies. Some of these securities are backed by the full faith and credit of the U.S. Government; others are backed by the agency's right to borrow a specified amount from the U.S. Treasury; and still others, while not guaranteed directly or indirectly by the U.S. Government, are backed with collateral in the form of cash, Treasury securities or debt instruments that the lending institution has acquired through its lending activities. Examples of the types of U.S. Government Obligations which the Funds may hold include U.S. Treasury bills, Treasury instruments and Treasury bonds and the obligations of Federal Home Loan Banks, Federal Farm Credit Banks, Federal Land Banks, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank of the United States, the Small Business Administration, FNMA, GNMA, the General Services Administration, the Student Loan Marketing Association, the Central Bank for Cooperatives, FHLMC, the Federal Intermediate Credit Banks, the Maritime Administration, the International Bank of Reconstruction and Development (the "World Bank"), the Asian-American Development Bank and the Inter-American Development Bank.

SUPRANATIONAL ORGANIZATION OBLIGATIONS. The Small Cap Growth Fund and Socially Responsible Fund may purchase debt securities of supranational organizations such as the European Coal and Steel Community, the European Economic Community and the World Bank, which are chartered to promote economic development.

LEASE OBLIGATIONS. The Small Cap Growth Fund may hold participation certificates in a lease, an installment purchase contract or a conditional sales contract ("Lease Obligations"). The subadviser will monitor the credit standing of each municipal borrower and each entity providing credit support and/or a put option relating to lease obligations. In determining whether a lease obligation is liquid, the subadviser will consider, among other factors, the following: (i) whether the lease may be canceled; (ii) the degree of assurance that assets represented by the lease could be sold; (iii) the strength of the lessee's general credit (e.g., its debt, administrative, economic, and financial characteristics); (iv) the likelihood that the municipality would discontinue appropriating funding for the lease property because the property is no longer deemed essential to the operations of the municipality (e.g., the potential for an "event of nonappropriation"); (v) legal recourse in the event of failure to appropriate; (vi) whether the security is backed by a credit enhancement such as insurance; and (vii) any limitations which are imposed on the lease obligor's

ability to utilize substitute property or services other than those covered by the lease obligation.

Municipal leases, like other municipal debt obligations, are subject to the risk of non-payment. The ability of issuers of municipal leases to make timely lease payments may be adversely impacted in general economic downturns and as relative governmental cost burdens are allocated and reallocated among federal, state and local governmental units. Such non-payment would result in a reduction of

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income to the Fund, and could result in a reduction in the value of the municipal lease experiencing non-payment and a potential decrease in the net asset value of the Fund. Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, the Fund could experience delays and limitations with respect to the collection of principal and interest on such municipal leases and the Fund may not, in all circumstances, be able to collect all principal and interest to which it is entitled. To enforce its rights in the event of a default in lease payments, the Fund might take possession of and manage the assets securing the issuer's obligations on such securities, which may increase the Fund's operating expenses and adversely affect the net asset value of the Fund. When the lease contains a non-appropriation clause, however, the failure to pay would not be a default and the Fund would not have the right to take possession of the assets. Any income derived from the Fund's ownership or operation of such assets may not be tax-exempt. In addition, the Fund's intention to qualify as a "regulated investment company" under the Code, may limit the extent to which the Fund may exercise its rights by taking possession of such assets, because as a regulated investment company the Fund is subject to certain limitations on its investments and on the nature of its income.

COMMERCIAL PAPER. The Small Cap Growth Fund, Socially Responsible Fund, Income Fund and Short-Term Investment Fund may purchase commercial paper rated (at the time of purchase) A-1 by S&P or Prime-1 by Moody's or, when deemed advisable by the Fund's adviser or subadviser, "high quality" issues rated A-2 or Prime-2 by S&P or Moody's, respectively. These ratings symbols are described in Appendix A.

Commercial paper purchasable by the Funds includes "Section 4(2) paper," a term that includes debt obligations issued in reliance on the "private placement" exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) paper is restricted as to disposition under the Federal securities laws, and is frequently sold (and resold) to institutional investors such as the Fund through or with the assistance of investment dealers who make a market in the Section 4(2) paper, thereby providing liquidity. Certain transactions in Section 4(2) paper may qualify for the registration exemption provided in Rule 144A under the Securities Act of 1933.

INVESTMENT GRADE DEBT OBLIGATIONS. The Equity Fund, Income Fund and Short-Term Investment Fund may invest in "investment grade securities," which are securities rated in the four highest rating categories of an NRSRO. It should be noted that debt obligations rated in the lowest of the top four ratings (i.e., Baa by Moody's or BBB by S&P) are considered to have some speculative characteristics and are more sensitive to economic change than higher rated securities. See Appendix A to this Statement of Additional Information for a description of applicable securities ratings.

WHEN-ISSUED PURCHASE AND FORWARD COMMITMENTS. The Small Cap Growth Fund, International Equity Fund, Socially Responsible Fund and Income Fund may enter into "when-issued" and "forward" commitments, including, for the Small Cap Growth Fund only, "TBA" (to be announced) purchase commitments, to purchase or sell securities at a fixed price at a future date. When a Fund agrees to purchase securities on this basis, liquid assets equal to the amount of the commitment will be set aside in a separate account. Normally Fund securities to satisfy a purchase commitment will be set aside, and in such a case a Fund may be required subsequently to place additional assets in the separate account in order to ensure that the value of the account remains equal to the amount of the Fund's commitments. It may be expected that the market value of a Fund's

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net assets will fluctuate to a greater degree when it sets aside Fund securities to cover such purchase commitments than when it sets aside cash. Because a Fund's liquidity and ability to manage its portfolio might be affected when it sets aside cash or Fund securities to cover such purchase commitments, each Fund expects that its forward commitments and commitments to purchase when-issued or, in the case of the Small Cap Growth Fund, TBA securities will not exceed 25% of the value of its total assets absent unusual market conditions.

If deemed advisable as a matter of investment strategy, a Fund may dispose of or

renegotiate a commitment after it has been entered into and may sell securities it has committed to purchase before those securities are delivered to the Fund on the settlement date. In these cases, a Fund may realize a taxable capital gain or loss. When a Fund engages in when-issued, TBA or forward commitment transactions, it relies on the other party to consummate the trade. Failure of such party to do so may result in a Fund incurring a loss or missing an opportunity to obtain a price considered to be advantageous. The market value of the securities underlying a commitment to purchase securities, and any subsequent fluctuations in their market value, is taken into account when determining the market value of each Fund starting on the day the Fund agrees to purchase the securities. A Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date.

STAND-BY COMMITMENTS. The Small Cap Growth Fund may invest in stand-by commitments. Under a stand-by commitment for a Municipal Obligation, a dealer agrees to purchase at the Fund's option a specified Municipal Obligation at a specified price. Stand-by commitments for Municipal Obligations may be exercisable by the Fund at any time before the maturity of the underlying Municipal Obligations and may be sold, transferred or assigned only with the instruments involved. It is expected that such stand-by commitments will generally be available without the payment of any direct or indirect consideration. However, if necessary or advisable, the Fund may pay for such a stand-by commitment either separately in cash or by paying a higher price for Municipal Obligations which are acquired subject to the commitment for Municipal Obligations (thus reducing the yield to maturity otherwise available for the same securities). The total amount paid in either manner for outstanding stand-by commitments for Municipal Obligations held by the Fund will not exceed 1/2 of 1% of the value of the Fund's total assets calculated immediately after each stand-by commitment is acquired.

Stand-by commitments will only be entered into with dealers, banks and broker-dealers which, in a subadviser's opinion, present minimal credit risks. The Fund will acquire stand-by commitments solely to facilitate Fund liquidity and not to exercise its rights thereunder for trading purposes. Stand-by commitments will be valued at zero in determining net asset value. Accordingly, where the Fund pays directly or indirectly for a stand-by commitment, its cost will be reflected as an unrealized loss for the period during which the commitment is held by the Fund and will be reflected as a realized gain or loss when the commitment is exercised or expires.

STANDARD & POOR'S DEPOSITORY RECEIPTS (SPDRs). The Socially Responsible Fund may, consistent with its investment objectives, purchase Standard & Poor's Depository Receipts ("SPDRs"). SPDRs are American Stock Exchange-traded securities that represent ownership in the SPDR Trust, a trust which has been established to accumulate and hold a portfolio of common stocks that is intended to track the price performance and dividend yield of the S&P 500. The trust is

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a regulated investment company that is sponsored by a subsidiary of the American Stock Exchange. SPDRs may be used for several reasons, including but not limited to facilitating the handling of cash flows, trading or reducing costs.

Investment Companies. In connection with the management of its daily cash position, the Small Cap Growth Fund may invest in securities issued by other investment companies which invest in short-term debt securities and which seek to maintain a \$1.00 net asset value per share. The International Equity Fund may purchase shares of investment companies investing primarily in foreign securities, including so-called "country funds." Country funds have portfolios consisting exclusively of securities of issuers located in one foreign country. As a shareholder of another investment company, the Fund would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the expenses the Fund bears directly in connection with its own operations.

#### MANAGEMENT OF THE FUNDS

A listing of the Trustees and Officers of the Trust, their ages and their principal occupations for the past five years is presented below. The address of each Trustee and Officer is 1299 Ocean Avenue, Suite 700, Santa Monica, California 90401.

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#### NON-INTERESTED TRUSTEES

<TABLE>  
<CAPTION>

NAME AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED(1)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR
<S> Roger A. Formisano, 56	<C> Trustee	<C> Since 2002	<C> Professor of Executive Education, UW-Madison School of Business; Principal, R.A. Formisano & Company, LLC; Executive Vice President and Chief Operating Officer, United Wisconsin Services, Inc. (1992-1999)	<C> 7	<C> Integrity Mutual Insurance Company
Cynthia A. Hargadon, 48	Trustee	Since 2004	Senior Consultant, SPG & Associates (consulting firm) (since May 2002); President, Potomac Asset Management (May 2000 to May 2002); Director of Investments, National Automobile Dealers Association (July 1998 to May 2000)	7	Wilshire Mutual Funds, Inc. (5 portfolios); Allmerica Investment Trust (9 portfolios)
Richard A. Holt, 63(2)	Trustee	Since 1998	Retired; formerly Senior Relationship Manager, Scudder Insurance Asset Management	7	N/A
Harriet A. Russell, 63	Trustee	Since 1996; Trustee of Predecessor Funds from 1974 to 1983 and 1992 to 1996	Vice President, Cincinnati Board of Education; President, Greater Cincinnati Credit Union; formerly teacher, Walnut Hills High School	7	Greater Cincinnati Credit Union Board
George J. Zock, 54	Trustee and Chairman	Since 1996; Trustee of Predecessor Funds from 1995 to 1996	Consultant, Horace Mann Service Corporation; Formerly Executive Vice President, Horace Mann Life Insurance Company and Horace Mann Service Corporation (1997 to 2003); Formerly held positions with Horace Mann Educators Corporation and its subsidiaries	7	N/A

</TABLE>

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INTERESTED TRUSTEE AND OFFICERS

<TABLE>  
<CAPTION>

NAME AND AGE	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED(1)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR	OTHER DIRECTORSHIPS HELD BY DIRECTOR
<S> Lawrence Davanzo, 52(3)	<C> Trustee,	<C> Since 2005	<C> Senior Managing Director,	<C> 7	<C> Wilshire

President

Wilshire Associates Inc. (since 2004); Managing Director, Guggenheim Partners (August 2004 to October 2004); Independent Investor (August 2001 to August 2004); President, InvestorForce Securities (February 2000 to August 2001); Managing Director and Founder, Asset Strategy Consultants (investment consulting firm) (February 1991 to February 2000)

Associates Inc.; Wilshire Mutual Funds, Inc. (5 portfolios)

</TABLE>

<TABLE>  
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
Alex Chaloff, 34	Treasurer	Since 2004	Managing Director (since 2005), Vice President (2002 to 2004), Senior Associate (2001 to 2002), Wilshire Associates, Inc.; Director of Product Development, Investec Asset Management (2000 to 2001); Client Manager (1997 to 1999) and Accounting Supervisor and Manager (1994 to 1997), Investors Bank & Trust Company		
Helen Thompson, 37	Chief Compliance Officer and Secretary	Since 2004	Vice President, Wilshire Associates, Inc. (since 2003); Associate Director, First Quadrant, L.P. (2001 to 2003); Chief Investment Accountant, Financial Controller, Company Secretary, Associate Director, Compliance Officer (1996 to 2003), First Quadrant Limited		

</TABLE>

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- (1) Each Trustee serves until the next shareholders' meeting (and until the election and qualification of a successor), or until death, resignation, removal (as provided in the Trust's Declaration of Trust) or retirement which takes effect no later than the May 1 following his or her 70th birthday. Officers are elected by the Board of Trustees on an annual basis to serve until their successors are elected and qualified.
  - (2) Mr. Holt employs Bernstein, subadviser to the Equity Fund and the Socially Responsible Fund, to manage assets that he controls.
  - (3) Mr. Davanzo is an interested Trustee of the Trust due to his position with the Adviser.

Under the Trust's Declaration of Trust and the laws of the State of Delaware, the Board of Trustees is responsible for managing the Trust's business and affairs. The Board is currently comprised of six trustees, five of whom are classified under the 1940 Act as "non-interested" persons of the Trust and are often referred to as "independent trustees." The Board has three standing committees - an Audit Committee, a Nominating Committee and a Valuation Committee.

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The Audit Committee monitors the Trust's accounting policies, financial reporting and internal control systems, as well as the work of the independent auditors. The members of the Audit Committee, all of whom are independent trustees, include Messrs. Formisano (Chairman), Holt, and Zock and Meses. Hargadon and Russell. The Audit Committee held two meetings in 2004.

The Nominating Committee is primarily responsible for the identification and recommendation of individuals for Board membership. The members of the Nominating Committee, all of whom are independent trustees, include Messrs. Zock (Chairman), Formisano, and Holt and Meses. Hargadon and Russell. The Nominating Committee held two meetings in 2004. Pursuant to the Trust's Governance Procedures, shareholders may submit suggestions for Board Candidates to the Nominating Committee, which will evaluate candidates for Board membership.

The Valuation Committee oversees the activities of the Pricing Committee and fair values Fund securities. The members of the Valuation Committee, all of whom are independent trustees (except for Mr. Napoli), include Messrs. Holt (Chairman), Napoli, Zock, and Formisano (alternate) and Mess. Hargadon (alternate) and Russell (alternate). The Valuation Committee held one meeting in 2004.

The officers of the Trust receive remuneration from the Adviser. The Trust does not pay any remuneration to its officers. The Trust pays each Independent Trustee a \$5,000 annual retainer, \$1,500 for each Board meeting, a \$2000 annual committee retainer and a \$2,000 annual Committee chairperson retainer.

## COMPENSATION TABLE

The following table sets forth the compensation earned from the Trust for the fiscal year ended December 31, 2004 by the current trustees entitled to receive compensation from the Trust.

<TABLE>  
<CAPTION>

Trustee	Aggregate Compensation From the Trust	Pension Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation from the Trust
<S>	<C>	<C>	<C>	<C>
Roger A Formisano	\$14,000	N/A	N/A	\$14,000
Cynthia A. Hargadon	3,250	N/A	N/A	3,250
Richard A. Holt	14,000	N/A	N/A	14,000
Harriet A. Russell	12,000	N/A	N/A	12,000
George J. Zock	3,750	N/A	N/A	3,750

</TABLE>

(1) Ms. Hargadon was elected to the Board of Trustees effective September 30, 2004.

(2) Mr. Zock was not entitled to receive compensation from the Trust until September 30, 2004 because he is an employee of an affiliate of the Trust's former administrator.

TRUSTEES' HOLDINGS OF FUND SHARES The following table sets forth, for each trustee, the dollar range of shares owned in each Fund as of December 31, 2003, as well as the aggregate dollar range of shares in the Trust as of the same date. Values in the table are as of December 31, 2004.

<TABLE>  
<CAPTION>

AGGREGATE DOLLAR RANGE OF TRUST SHARES OWNED

Name of Fund	INTERESTED TRUSTEE		NON-INTERESTED TRUSTEES			
	Lawrence Davanzo	Roger A. Formisano	Cynthia A. Hargadon	Richard A. Holt	Harriet A. Russell	George J. Zock
<S> Equity Fund	<C> None	<C> None	<C> None	<C> None	<C> None	<C> \$10,001-\$50,000
Balanced Fund	None	None	None	None	None	\$10,001-\$50,000
Income Fund	None	None	None	None	None	None
Short-Term Investment Fund	None	None	None	None	None	None
Small Cap Growth Fund	None	None	None	None	None	\$50,001-\$100,000
International Equity Fund	None	None	None	None	None	\$10,001-\$50,000
Socially Responsible Fund	None	None	None	None	None	\$10,001-\$50,000
AGGREGATE DOLLAR RANGE	None	None	None	None	None	Over \$100,000

</TABLE>

As of the date of this Statement of Additional Information, the Trustees and Officers of the Trust held in the aggregate directly and beneficially less than 1% of the outstanding shares of the Equity Fund. Trustees and officers do not directly own any shares of the Balanced Fund, Income Fund, Short-Term Fund, Small Cap Growth Fund, International Equity Fund or Socially Responsible Fund; however, they may invest indirectly in the Equity Fund, Balanced Fund, Income Fund, Short-Term Fund, Small Cap Growth Fund, International Equity Fund and/or Socially Responsible Fund through annuity contracts issued by Horace Mann Life Insurance Company and the 401(k) plan of Horace Mann Service Corporation of which no one person beneficially owns more than 1%.

INVESTMENT ADVISORY AGREEMENTS

INVESTMENT ADVISORY AGREEMENT. As stated in the Prospectus, the Trust employs the Adviser to manage the investment and reinvestment of the assets of the Funds and to continuously review, supervise and administer the Funds' investment programs under an Investment Advisory Agreement dated March 1, 1999, as amended September 30, 2004 (the "Investment Advisory Agreement"). The Adviser is controlled by Dennis A. Tito who beneficially owns a majority of the outstanding shares of the Adviser. The Adviser's duties under the Investment Advisory Agreement include recommending to the Board of Trustees one or more unaffiliated subadvisers to provide a continuous investment program for each Fund or a portion of such Fund's assets designated from time to time by the Adviser, including

investment, research, and management with respect to all securities and investments and cash equivalents for the Fund or a designated portion of such Fund's assets. The Adviser also reviews, monitors and reports to the Board of Trustees regarding the performance and investment procedures of each subadviser and assists and consults with each subadviser in connection with the Fund's continuous investment program. In addition, the Adviser maintains books and records with respect to its services under the Investment Advisory Agreement and furnishes the Board of Trustees with such periodic special reports as the Board may request.

The Adviser selects subadvisers based on a continuing quantitative and qualitative evaluation of their skills and proven abilities in managing assets pursuant to a particular investment style. Short-term performance is not by itself a significant factor in selecting or terminating subadvisers, and therefore the Adviser does not anticipate frequent changes in the subadvisers. These subadvisers have been selected upon the basis of a due diligence process which focuses upon, but is not limited to, the subadvisers' philosophy and process, people and organization, resources and performance.

The Adviser monitors the performance of each subadviser of the Funds and, to the extent it deems appropriate to achieve the Funds' investment objective, reallocates assets among individual subadvisers or recommends that the Funds employ or terminate particular subadvisers.

Each subadviser's fees will be paid by the Adviser out of the advisory fees that it receives from each of the Funds. Fees paid to a subadviser of a Fund with multiple subadvisers will depend upon the fee rate negotiated with the Adviser and upon the percentage of the Fund's assets allocated to that subadviser by the Adviser, which may vary from time to time. Thus, the basis for fees paid to any such subadviser will not be constant, and the relative amounts of fees paid to the various subadvisers of a Fund will fluctuate. These internal fluctuations, however, will not affect the total advisory fees paid by a Fund, which will remain fixed based on the terms described below. The Adviser may, however, determine in its discretion to waive a portion of its fee if internal fluctuations in the fee to be paid to the subadvisers results in excess profit to the Adviser. Because the Adviser will pay each subadviser's fees out of its own fees from the Funds, there will not be any "duplication" of advisory fees paid by the Funds.

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The Investment Advisory Agreement continues in effect for each Fund from year to year for so long as its continuation is approved at least annually (a) by a majority of the trustees who are not parties to such agreement or interested persons of any such party except in their capacity as trustees of the Fund and (b) by the shareholders of the Fund or the Board of Trustees. The agreement may be terminated at any time upon 60 days notice by either party; the Trust may so terminate the agreement either by vote of the Board of Trustees or by a majority vote of the outstanding voting shares of the subject Fund if the Adviser were determined to have breached the agreement. The agreement terminates automatically upon assignment.

For the services provided and the expenses assumed pursuant to the Investment Advisory Agreement, the Adviser receives a fee based on each Fund's average daily net assets, computed daily and payable monthly, at the following annual rates:

FUND ----	RATE ON THE FIRST \$1 BILLION OF AGGREGATE FUND ASSETS -----	RATE ON AGGREGATE FUND ASSETS IN EXCESS OF \$1 BILLION -----
Equity Fund .....	0.550%	0.450%
Balanced Fund .....	0.550%*	0.450%
Income Fund .....	0.550%	0.450%
Short-Term Investment Fund .....	0.275%	0.175%
Small Cap Growth Fund .....	1.150%	1.150%
International Equity Fund .....	1.000%	0.900%
Socially Responsible Fund .....	0.850%	0.750%

\* As discussed in the Prospectus, the Balanced Fund operates under a fund of funds structure, primarily investing in shares of the Equity Fund and the Income Fund. The Adviser will only receive directly from the Balanced Fund a fee based on the average daily net assets of the Balanced Fund that are not invested in another Fund.

Wilshire has contractually agreed to reimburse the Funds for their third party service provider expenses through December 31, 2006.

For the fiscal year ended December 31, 2002, the Equity Fund, Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund paid the Adviser \$2,083,473, \$0.00, \$488,397, \$4,549, \$499,237, \$255,462 and \$461,789, respectively. The Adviser paid the subadvisers \$1,114,151, \$244,136, \$4,658, \$377,294, \$197,112

and \$230,791, with respect to the Equity Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund, respectively.

For the fiscal year ended December 31, 2003, the Equity Fund, Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund paid the Adviser \$1,902,466, \$0.00, \$475,811, \$4,704, \$504,618, \$246,995 and \$446,684 respectively. The Adviser paid the subadvisers \$1,021,152, \$247,158, \$4,682, \$372,708, \$189,076 and \$223,512 with respect to the Equity Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund, respectively.

For the fiscal year ended December 31, 2004, the Equity Fund, Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund paid the Adviser \$2,091,494 (of which the Adviser waived \$185,306), \$0 (due to the Adviser waiving \$11,927), \$526,809 (of which the Adviser waived \$31,387), \$0, \$535,092 (of which the Adviser waived \$101,514), \$305,469 (of which the Adviser waived \$17,868) and \$409,621 (of which the Adviser waived \$148,675). The Adviser paid the subadvisers \$1,114,747, \$287,425, \$4,104, \$452,357, \$236,471 and \$264,495 with respect to the Equity Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund, respectively.

SUBADVISERS. Each of the Investment Subadvisory Agreements provides that neither the subadviser nor any of its directors, officers, stockholders, agents or employees shall have any liability to the Fund or any shareholder of the Fund for any error of judgment, mistake of law, or any loss arising out of any investment, or for any other act or omission in the performance by the subadviser of its duties under the Agreement except for liability resulting from willful misfeasance, bad faith, or negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under the Agreement. Each of the Investment Subadvisory Agreements continues for the same term as the Investment Advisory Agreement and is subject to the same requirements for renewal.

For the services provided pursuant to the Investment Subadvisory Agreements, the Adviser pays the subadvisers a fee based on each Fund's average daily net assets, computed daily and payable monthly, at the following annual rates:

FUND	RATE
Equity Fund.....	0.20%-0.325% on the first \$50 million 0.20%-0.275% on the next \$150 million 0.20%-0.225% on the next \$300 million 0.175%-0.20% on the balance
Balanced Fund.....	*
Income Fund.....	0.20%
Short-Term Investment Fund.....	0.125% on the first \$100 million 0.100% on the next \$100 million 0.75% on the balance
Small Cap Growth Fund.....	0.75%-1.00% on the first \$25 million 0.75% on the balance
International Equity Fund.....	0.65% on the first \$40 million 0.60%-0.65% on the next \$10 million 0.45%-0.60% on the next \$50 million 0.40%-0.45% on the balance
Socially Responsible Fund.....	0.35%

\* Due to the Balanced Fund's fund of funds structure, the subadvisers are not paid for managing the Balanced Fund.

The following information supplements the information regarding certain subadvisers in the Funds' Prospectus:

Alliance, is a Delaware limited partnership, of which Alliance Capital Management Corporation ("ACMC"), an indirect wholly-owned subsidiary of AXA Financial, Inc. ("AXA Financial"), is the general partner. At March 31, 2005, Alliance Capital Management Holding L.P. ("Alliance Holding") owned

approximately 31.9% of the Alliance Capital Units. AXA Financial was the beneficial owner of approximately 60.2% of the outstanding Alliance Capital Units at March 31, 2005 (including those held indirectly through its ownership of 1.8% of the outstanding Alliance Holding Units), which, including the general partnership interests in Alliance Capital and Alliance Holding, represent an approximate 61.2% economic interest in Alliance Capital. AXA Financial, Inc. is a wholly-owned subsidiary of AXA, one of the largest global financial services organizations.

Mellon Bank, N.A., is the 99% limited partner and MMIP, Inc. is the 1% general partner of Mellon Equity Associates, LLP. MMIP, Inc. is a wholly owned subsidiary of Mellon Bank, N.A., which itself is a wholly-owned subsidiary of the Mellon Financial Corporation.

Marilyn G. Fedak and Ranji H. Nagaswami, portfolio managers of the Socially Responsible Fund and Alliance Capital's portion of the Equity Fund, are primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	7	\$ 665,000,000	0	0
Other pooled investment vehicles	2	\$ 240,000,000	0	0
Other advisory accounts	344	\$10,625,000,000	1	\$636,000,000

</TABLE>

As an investment adviser and fiduciary, Alliance Capital owes its clients and shareholders an undivided duty of loyalty. Alliance Capital recognizes that conflicts of interest are inherent in its business and accordingly have developed policies, procedures and disclosures reasonably designed to detect, manage and mitigate the effects of potential conflicts of interest in the area of employee personal trading, managing multiple accounts for multiple clients, including Funds and allocating investment opportunities. Investment professionals, including portfolio managers and research analysts, are subject to the above-mentioned policies and oversight to help ensure that all clients are treated equitably. As stated in these conflicts-related policies, Alliance Capital places the interests of its clients first and expects all of its employees to live up to its fiduciary duty.

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Alliance Capital has policies to avoid conflicts of interest when investment professionals and other personnel of Alliance Capital own, buy or sell securities also owned by, or bought or sold for clients. Alliance Capital permits its employees to engage in personal securities transactions. Personal securities transactions by an employee may raise a potential conflict of interest when an employee owns or trades in a security that is owned or considered for purchase or sale by a client, or recommended for purchase or sale by an employee to a client. Alliance Capital has adopted a Code of Business Conduct and Ethics that is designed to detect and prevent such conflicts of interest.

The investment professional teams for each Fund have responsibilities for managing all or a portion of the investments of multiple accounts with a common investment strategy, including other registered investment companies, unregistered investment vehicles, such as hedge funds, pension plans, separate accounts, collective trusts and charitable foundations. Potential conflicts of interest may arise when an investment professional has responsibilities for the investments of more than one account because the investment professional may be unable to devote equal time and attention to each account. Accordingly, Alliance Capital has compliance policies and oversight to manage these conflicts.

In addition, the investment professionals may have to decide how to select and allocate investment opportunities among accounts. Portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar accounts, which minimizes the potential for conflicts of interest. Nevertheless, investment opportunities may be allocated differently among accounts due to the particular characteristics of an account, such as cash position, tax status,

risk tolerance and investment restrictions or for other reasons. Potential conflicts of interest may also occur where Alliance would have an incentive, such as a performance-based management fee, relating to an account. An investment professional may devote more time to developing and analyzing investment strategies and opportunities or allocating securities preferentially to the account for which Alliance Capital could share in investment gains. As referenced above, Alliance Capital has procedures designed to ensure that information relevant to investment decisions are disseminated fairly and investment opportunities are allocated equitably among different clients.

Alliance Capital's compensation program for investment professionals (which include portfolio managers and research analysts) is designed to be competitive and appropriate to attract and retain the highest caliber employees. Compensation of investment professionals primarily reflects their ability to generate long-term investment success for Alliance Capital's clients.

Investment professionals are compensated on an annual basis through a combination of the following: (i) fixed base salary; (ii) discretionary incentive compensation in the form of an annual cash bonus; (iii) discretionary incentive compensation in the form of awards under Alliance Capital's Partners Compensation Plan ("deferred awards") and (iv) discretionary long-term incentive compensation in the form of restricted unit grants. Investment professionals also receive contributions under Alliance Capital's Profit Sharing/401(k) Plan. Alliance Capital's overall profitability determines the total amount of incentive compensation available to investment professionals. Deferred awards, for which there are various investment options, vest over a four-year period and are generally forfeited if the employee resigns or Alliance Capital terminates his/her employment. Investment options under the deferred awards plan include many of the same Alliance Bernstein Mutual Funds offered to mutual fund investors, thereby creating a closer alignment between the investment professionals and Alliance Capital's clients and mutual fund shareholders. Alliance Capital also permits deferred award recipients to allocate up to 50% of their award to investments in Alliance Capital's publicly traded equity securities.

An investment professional's total compensation is determined through a subjective process that evaluates numerous quantitative and qualitative factors, including the investment success of the portfolios managed by the individual. Investment professionals do not receive any direct compensation based upon the investment returns of any individual client account. Not all factors apply to each investment professional and there is no particular weighting or formula for considering certain factors.

Among the factors considered are: relative investment performance of portfolios (although there are no specific benchmarks or periods of time used in measuring performance); complexity of investment strategies; participation in the investment team/discipline's dialogue; contribution to business results and overall business strategy; success of marketing/business development efforts and client servicing; seniority/length of service with the firm; management and supervisory responsibilities and fulfillment of Alliance Capital's leadership criteria.

As of December 31, 2004, Ms. Fedak and Mr. Nagaswami beneficially owned no securities of the Equity Fund or the Socially Responsible Fund.

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Jocelin A. Reed, portfolio manager of Mellon Equity's portion of the Equity Fund, is primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account	Number	Total Assets	Number Charged Performance Fees	Total Assets Charged Performance Fees
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	3	\$ 460,778,260	0	0
Other pooled investment vehicles	1	\$ 36,272,236	0	0
Other advisory accounts	19	\$1,194,412,129	0	0

</TABLE>

Mellon Equity has represented that there are no material conflicts of interest that may arise in connection with the portfolio manager's management of the Equity Fund's investments and the investments of other accounts managed by

Mellon Equity.

Mellon Equity provides market-based compensation and incentives that promote individual accountability and commitment to the firm. All investment professionals receive competitive salaries supplemented by a profit-based bonus. Bonus payments may be substantial and are based on the pre-tax net income of Mellon Equity. In calculating bonus payments consideration is given to individual performance (45% of total) and contribution to the firm (40% of total), with the remaining 15% left to the discretion of the President of Mellon Equity as a subjective component. Bonuses are partially deferred with ultimate payment linked to continued employment.

As of December 31, 2004, Ms. Reed beneficially owned no securities of the Fund.

Matthew E. Megargel, portfolio manager of Wellington Management's portion of the Equity Fund, is primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account	Number	Total Assets	Number Charged Performance Fees	Total Assets Charged Performance Fees
<S>	<C>	<C>	<C>	<C>
Registered investment companies	19	\$5,332,400,000	0	0
Other pooled investment vehicles	15	\$1,036,900,000	0	0
Other advisory accounts	33	\$2,824,400,000	4	\$358,000,000

</TABLE>

Individual investment professionals manage multiple portfolios for multiple clients. These accounts may include mutual funds, separate accounts (assets managed on behalf of institutions such as pension funds, insurance companies, foundations), bank common trust accounts, and hedge funds. Mr. Megargel manages portfolios in several different investment styles. These portfolios may have investment objectives, strategies and risk profiles that differ from those of the Fund. Mr. Megargel makes investment decisions for each portfolio based on the investment objectives, policies, practices, benchmarks, cash flows, tax and other relevant investment considerations applicable to that portfolio. Consequently, Mr. Megargel may purchase or sell securities, including IPOs, for one portfolio and not another portfolio, and the performance of securities purchased for one portfolio may vary from the performance of securities purchased for other portfolios. Mr. Megargel or other investment professionals at Wellington Management may place transactions on behalf of other accounts that are directly or indirectly contrary to investment decisions made on behalf of the Fund, or make investment decisions that are similar to those made for the Fund, both of which have the potential to adversely impact the Fund depending on market conditions. For example, Mr. Megargel may purchase a security in one portfolio while appropriately selling that same security in another portfolio. In addition, some of these portfolios have fee structures, including performance fees, that are or have the potential to be higher, in some cases significantly higher, than the fees paid by the Fund to Wellington Management. Because incentive payments are tied to revenues earned by Wellington Management and, where noted, to the performance achieved by the manager in each account, the incentives associated with any given portfolio may be significantly higher or lower than those associated with other accounts managed by Mr. Megargel.

Wellington Management's goal is to meet its fiduciary obligation to treat all clients fairly and provide high quality investment services to all of its clients. Wellington Management has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, that it believes address the conflicts associated with managing multiple accounts for multiple clients. In addition, Wellington Management monitors a variety of areas, including compliance with primary fund guidelines, the allocation of IPOs, and compliance with the firm's Code of Ethics, and places additional investment restrictions on Portfolio Managers who manage hedge funds and certain other accounts. Furthermore, senior investment and business personnel at Wellington Management periodically review the performance of Mr. Megargel. Although Wellington Management does not track the time Mr. Megargel spends on a single portfolio, Wellington Management does periodically assess whether an Mr. Megargel has adequate time and resources to effectively manage the Mr. Megargel various client mandates.

The Fund pays Wellington Management a fee based on the assets under management of the Fund as set forth in the Investment Sub-advisory Agreement between Wellington Management and Wilshire on behalf of the Fund. Wellington Management pays its investment professionals out of its total revenues and other resources, including the advisory fees earned with respect to the Fund. The following information relates to the period ended December 31, 2004.

Wellington Management's compensation structure is designed to attract and retain high-caliber investment professionals necessary to deliver high quality investment management services to its clients. Wellington Management's compensation of Mr. Megargel includes a base salary and incentive components. The base salary for Mr. Megargel who is a partner of Wellington Management is determined by the Managing Partners of the firm. A partner's base salary is generally a fixed amount that may change as a result of an annual review. Mr. Megargel is eligible to receive an incentive payment based on the revenues earned by Wellington Management from the Fund managed by the Investment Professional and generally each other portfolio managed by such Investment Professional. Mr. Megargel's incentive payment relating to the Fund is linked to the gross pre-tax performance of the portion of the Fund compared to the Lipper Large Cap Core Index (50%)/S&P 500 Index (50%) over one and three year periods, with an emphasis on three year results. Wellington Management applies similar incentive compensation structures (although the benchmarks and/or peer groups may differ) to other portfolios managed by Mr. Megargel, including portfolios with performance fees. The performance-based incentive compensation component across all portfolios managed by an investment professional can, and typically does, represent a significant portion of an investment professional's overall compensation; incentive compensation varies significantly by individual and can vary significantly from year to year. Mr. Megargel may also be eligible for bonus payments based on his overall contribution to Wellington Management's business operations. Senior management at Wellington Management may reward individuals as it deems appropriate based on factors other than performance. Each partner of Wellington Management is eligible to participate in a partner-funded retirement plan. Mr. Megargel is a partner of the firm.

As of December 31, 2004, Mr. Megargel beneficially owned no securities of the Equity Fund.

Keith Anderson, portfolio manager of BlackRock's portion of the Income Fund, is primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	30	\$15 billion	0	0
Other pooled investment vehicles	35	\$10.3 billion	3	\$2.6 billion
Other advisory accounts	366	\$90.7 billion	20	\$5.9 billion

</TABLE>

Scott Amero, portfolio manager of BlackRock's portion of the Income Fund, is primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	35	\$17.2 billion	0	0
Other pooled investment vehicles	42	\$11.5 billion	3	\$2.6 billion
Other advisory accounts	384	\$96.3 billion	20	\$5.9 billion

</TABLE>

Andrew J. Phillips, portfolio manager of BlackRock's portion of the Income Fund, is primarily responsible for the day-to-day management of other registered investment companies, and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	30	\$14 billion	0	0
Other pooled investment vehicles	31	\$10 billion	3	\$2.6 billion
Other advisory accounts	345	\$92.9 billion	18	\$5.6 billion

</TABLE>

As of December 31, 2004, Messrs. Anderson, Amero and Phillips beneficially owned no securities of the Income Fund.

Neil D. Wagner, portfolio manager of BlackRock's portion of the Small Cap Growth Fund, is primarily responsible for the day-to-day management of other registered investment companies and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	4	\$694 million	0	0
Other pooled investment vehicles	0	0	0	0
Other advisory accounts	5	\$217 million	0	0

</TABLE>

Andrew F. Thut, portfolio manager of BlackRock's portion of the Small Cap Growth Fund, is primarily responsible for the day-to-day management of other registered investment companies and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	2	\$553 million	0	0
Other pooled investment vehicles	0	0	0	0
Other advisory accounts	5	\$217 million	0	0

</TABLE>

As of December 31, 2004, Messrs. Wagner and Thut beneficially owned no securities of the Small Cap Growth Fund.

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Income and Small Cap Growth Funds, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees) which may be the same as or different from those made to the Funds. In addition, BlackRock, its affiliates, and any officer, director, stockholder, or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Funds. Actions with respect to securities of the same kind may be the same as or

different from the action which BlackRock, any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates') officers, directors, or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. In addition to its various policies and procedures designed to address these issues, BlackRock includes disclosure regarding these matters to its clients in both its Form ADV and investment management agreements.

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Circumstances may arise under which BlackRock determines that, while it would be both desirable and suitable that a particular security or other investment be purchased or sold for the account of more than one of its clients accounts, there is a limited supply or demand for the security or other investment. Under such circumstances, BlackRock will seek to allocate the opportunity to purchase or sell that security or other investment among those accounts on an equitable basis but shall not be required to assure equality of treatment among all of its clients (including that the opportunity to purchase or sell that security or other investment will be proportionally allocated among those clients according to any particular or predetermined standards or criteria). Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for the Funds, BlackRock may, consistent with its allocation procedures and applicable law, average the various prices and charge or credit the Funds with the average price. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Funds. Finally, Messrs. Amero, Anderson and Phillips manage certain accounts (including hedge funds) that are subject to a performance fee. Although Mr. Wagner and Mr. Thut do not currently manage accounts (including hedge funds) that are subject to a performance fee, they may do so in the future.

BlackRock's financial ties with its portfolio managers, its competitive compensation, and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a discretionary bonus, various retirement benefits and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan and Restricted Stock Program.

Base compensation. Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm, which may include the amount of assets supervised and other management roles within the firm.

Discretionary compensation. In addition to base compensation, portfolio managers may receive discretionary compensation, which can be a substantial portion of total compensation. Discretionary compensation can include a discretionary cash bonus as well as one or more of the following:

Long-Term Retention and Incentive Plan (LTIP) - The LTIP is a long-term incentive plan that seeks to reward certain key employees. The plan provides for the grant of awards that are expressed as an amount of cash that, if properly vested and subject to the attainment of certain performance goals, will be settled in part in cash and in part in BlackRock common stock. Each of Messrs. Amero, Anderson, Phillips, Wagner and Thut has received awards under the LTIP.

Deferred Compensation Program - A portion of the compensation paid to each portfolio manager may be voluntarily deferred by the portfolio manager into an account that tracks the performance of certain of the firm's investment products. Each portfolio manager is permitted to allocate his deferred amounts among various options, including to certain of the firm's hedge funds and other unregistered products. In addition, a portion of the annual compensation of certain senior managers, including certain of the portfolio managers, is mandatorily deferred in a similar manner for a number of years.

Options and Restricted Stock Awards - While incentive stock options are not presently being awarded to BlackRock employees, BlackRock previously granted stock options to key employees, including certain portfolio managers who may still hold unexercised or unvested options. BlackRock also has a restricted stock award program designed to reward certain key employees as an incentive to contribute to the long-term success of BlackRock. These awards vest over a period of years. Messrs. Amero, Anderson and Phillips have been granted stock options in prior years, and participate in BlackRock's restricted stock program. Mr. Wagner has been granted stock options in prior years.

Incentive Savings Plans - The PNC Financial Services Group, Inc., which owns approximately 71% of BlackRock's common stock, has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including an Employee Stock Purchase Plan (ESPP) and a 401(k) plan. The 401(k) plan may involve a company match of the employee's contribution of up to 6% of the employee's salary. The company match is made using BlackRock common stock. The firm's 401(k) plan offers a range of investment options, including registered investment companies managed by the firm. Each of the portfolio managers is eligible to participate in these plans.

Annual incentive compensation for each portfolio manager is a function of two components: the investment performance of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's teamwork and contribution to the overall performance of these portfolios. Unlike many other firms, portfolio managers at BlackRock compete against benchmarks, rather than each other. In most cases, including for the portfolio managers of the Portfolio, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Portfolio or other accounts are measured. For Messrs. Amero, Anderson and Phillips, the relevant benchmark is a combination of market benchmarks (e.g., the Lehman Brothers Aggregate Index, Lehman Brothers Intermediate Aggregate Index and others) and client specific benchmarks (in this case, the Lehman Brothers Aggregate Index). In addition, some of the annual incentive compensation of Messrs. Amero, Anderson and Phillips may include a portion of the performance fees paid by certain accounts and funds that they manage. For Messrs. Thut and Wagner, the relevant benchmark is the Russell 2000 Growth Index.

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Senior portfolio managers who perform additional management functions within BlackRock may receive additional compensation in these other capacities. Compensation is structured such that key professionals benefit from remaining with the firm. BlackRock's Management Committee determines all compensation matters for portfolio managers. BlackRock's basic compensation structure has been in place since its inception.

Ronald A. Sauer and Stephen C. Brink, portfolio managers of Mazama's portion of the Small Cap Growth Fund, are primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----
<S>	<C>	<C>
Registered investment companies	10	\$1.22 billion
Other pooled investment vehicles	2	\$115 million
Other advisory accounts	67	\$4.3 billion
Accounts charging performance fees	1	\$114 million

</TABLE>

Mazama has represented that there are no material conflicts of interests between the portfolio managers' management of the Small Cap Growth Fund's investments and the investments of the other accounts.

Mazama's compensation structure is designed to attract and retain highly skilled investment professionals. The compensation is structured to maximize performance and keep the interests of each member of our portfolio management team aligned with those of our clients.

Each Portfolio Manager and Research Analyst ("Investment Team") receives a base salary representing 20-30% of cash compensation and a performance based incentive representing 70-80% of cash compensation. The performance based incentive compensation is based on the portfolio management fees received by Mazama for all accounts under management. The Investment Team manages the portfolios in aggregate terms, focusing on the overall strategy, which is then implemented at the portfolio level. In other words, the Investment Team does not distinguish between different accounts within each investment style/strategy with respect to compensation. Instead, they are compensated based on overall fees received by the firm. This incentive compensation structure keeps each member of the team focused on the relative performance of the aggregate portfolio versus its benchmark. Cash compensation increases as assets under

management increase, whether by appreciation or by attracting new clients, both of which are accomplished by achieving higher than average excess returns. Excess returns are measured as the difference between our portfolio returns and those of the Russell 2000 Growth Index.

Equity incentives have been a significant part of Mazama's compensation plan since the firm's inception. In total, including founding equity, our Investment Team represents over 70% of the equity of the firm on a fully diluted basis. Every member of the Investment Team is either a direct equity owner or an option holder or both.

As of December 31, 2004, Messrs. Sauer and Brink beneficially owned no securities of the Fund.

Tim Bray, portfolio manager of New Star's portion of the International Equity Fund, is primarily responsible for the day-to-day management of other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	0	0	0	0
Other pooled investment vehicles	6	\$1,430,842,994	1	\$27,548,685
Other advisory accounts	1	\$ 8,329,973	0	\$ 0

</TABLE>

Brian Coffey, portfolio manager of New Star's portion of the International Equity Fund, is primarily responsible for the day-to-day management of other registered investment companies and other pooled investment vehicles. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	7	\$768,409,114	0	\$0
Other pooled investment vehicles	8	\$218,610,844	0	\$0
Other advisory accounts	0	\$ 0	0	\$0

</TABLE>

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In order to minimize any conflicts of interest, for hedge funds where the portfolio manager shares in the performance fee, the manager is required to document the rationale for any transaction for the hedge fund, where the manager's long only funds do not participate. This includes providing a reason for the non-participation of the long only accounts. These rationales are retained by New Star's Parent Office and are subject to monitoring by Compliance.

Portfolio managers and research analysts are paid competitive salaries plus equity participation. Direct share ownership rather than performance-based bonuses ensures that the key driver of the business -- long-term performance -- is uppermost in their minds. Investment professionals will ultimately only be rewarded if the business is successful and the performance is solid. Employee ownership varies based on tenure and level of contribution to the firm.

As of December 31, 2004, Messrs. Bray and Coffey beneficially owned no securities of the International Equity Fund.

D. Kirk Henry, portfolio manager of the Boston Company's portion of the International Equity Fund, is primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	18	\$6.4 billion	0	0
Other pooled investment vehicles	7	\$6.9 billion	0	0
Other advisory accounts	72	\$13.4 billion	0	0

Clifford A. Smith, portfolio manager of the Boston Company's portion of the International Equity Fund, is primarily responsible for the day-to-day management of other registered investment companies, other pooled investment vehicles and other advisory accounts. As of December 31, 2004, information on these other accounts is as follows:

<TABLE>  
<CAPTION>

Type of Account -----	Number -----	Total Assets -----	Number Charged Performance Fees -----	Total Assets Charged Performance Fees -----
<S>	<C>	<C>	<C>	<C>
Registered investment companies	18	\$6.4 billion	0	0
Other pooled investment vehicles	7	\$13.4 billion	0	0
Other advisory accounts	68	\$13.2 billion	0	0

The Boston Company has represented that there are no material conflicts between the portfolio managers' management of the International Equity Fund's investments and the investments of the other accounts they manage.

The portfolio managers' cash compensation is comprised primarily of a market-based salary and incentive compensation plans (annual and long term incentive). Funding for the Boston Company Annual Incentive Plan and Long Term Incentive Plan is through a pre-determined fixed percentage of overall Boston Company profitability. Therefore, all bonus awards are based initially on the Boston Company's financial performance. The portfolio managers are eligible to receive annual cash bonus awards from the Annual Incentive Plan. Annual incentive opportunities are pre-established for each individual, expressed as a percentage of base salary ("target awards"). Annual awards are determined by applying multiples to this target award (0-2 times target award represents a portfolio manager's range of opportunity) and are capped at a maximum range of incentive opportunity for the job category. Awards are 100% discretionary and regardless of performance will be subject to pool funding availability. Awards are paid in cash on an annual basis. A significant portion of the target opportunity awarded is based upon the one-year (weighted 50%) and three-year (weighted 50%) pre-tax performance of the portfolio manager's accounts relative to the performance of the appropriate Lipper and Callan peer groups. Other factors considered in determining the award are individual qualitative performance and the asset size and revenue growth of the products managed.

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For research analysts and other investment professionals, awards are distributed to the respective product teams (in the aggregate) based upon product performance relative to Boston Company-wide performance measured on the same basis as described above. Further allocations are made to specific team members by the product portfolio manager based upon sector contribution and other qualitative factors.

All portfolio managers and analysts are also eligible to participate in the Boston Company Long Term Incentive Plan. This plan provides for an annual award, payable equally in Mellon Financial restricted stock and Boston Company phantom stock. Both the restricted stock and phantom stock cliff vest after three years. The value of the phantom stock award changes during the vesting period based upon changes in the Boston Company operating income.

As of December 31, 2004, Messrs. Henry and Smith beneficially owned no securities of the International Equity Fund.

The Investment Advisory Agreement between the Trust and the Adviser and the Investment Subadvisory Agreements between the Adviser and Alliance Capital

Management LP (subadviser to the Equity Fund and Socially Responsible Fund), Mellon Equity Associates, LLP (subadviser to the Equity Fund), Wellington Capital Management LLP (subadviser to the Equity Fund), Western Asset Management Company (subadviser to the Income Fund and Short-Term Investment Fund), Western Asset Management Limited (subadviser to the Income Fund), BlackRock Financial Management, Inc. (subadviser to the Income Fund and Small Cap Growth Fund) and Mazama Capital Management, Inc. (subadviser to the Small Cap Growth Fund) were last approved by the Board of Trustees, including all of the Trustees who are not parties to such agreement or interested persons of any such party, on October 29, 2005 at a meeting called for that purpose. In approving the Investment Advisory and Investment Subadvisory Agreements, the Board considered, among other factors, the nature and quality of the services provided under the Investment Advisory and Investment Subadvisory Agreements and the overall fairness of the Investment Advisory and Investment Subadvisory Agreements to the Trust. The Board received information from the Adviser describing: (i) the nature, extent and quality of services provided, (ii) the investment performance of the Funds and the subadvisers, (iii) the costs of services provided and profits realized by the Adviser and the subadvisers, (iv) the extent to which economies of scale are realized as the Funds grow, (v) whether fee levels reflect any possible economies of scale for the benefit of Fund shareholders, (vi) comparisons of services rendered and amounts paid to other advisers in a manager of managers structure similar to that of the Trust and, with respect to the subadvisers, to other accounts managed by the subadvisers and other mutual funds, and (vii) benefits received by the Adviser and Alliance Capital from their relationship with the Funds. The independent trustees also received a memorandum from counsel to the Trustees describing their duties in connection with contract renewals.

With respect to the nature, extent and quality of services provided by the Adviser and the subadvisers, the Board reviewed the relevant personnel at each firm responsible for providing services to the Trust, financial statements of each firm, each firm's registration statement and a summary of each firm's compliance policies and procedures. The Board of Trustees noted that no firm had any material compliance issues and concluded that the services provided by the Adviser and the subadvisers in this regard were good.

The Board of Trustees also reviewed and discussed the short- and long-term performance of each Fund and each subadviser. The Board reviewed profitability information provided by the Adviser and each subadviser. The Board discussed the small size of the Funds and the small dollar amount of profit generated to the Adviser and the subadvisers. In addressing economies of scale, the Board noted the small size of the Funds. The Board also noted that, for all Funds (except for the Small Cap Growth Fund), the advisory fee payable to the Adviser decreases as Fund assets reach \$1 billion. The Board concluded that this breakpoint in the advisory fee would benefit Fund shareholders. In addition, the Board noted the Adviser's efforts to achieve economies of scale by negotiating service provider contracts, as well as the Adviser's agreement to reimburse through December 31, 2006 each Fund's third party administration, transfer agency and distribution expenses and for the Short-Term Investment Fund to reimburse all expenses except for Trustee and custodian expenses. With respect to fall-out benefits, the Board considered Alliance Capital's ability to use an affiliate as broker, and confirmed that, as a result, Alliance Capital's subadvisory fee is lower than it would otherwise charge for this account.

With respect to the overall fairness of the Investment Advisory and Investment Subadvisory Agreements, the Board primarily considered the fee structure of the Agreements. With respect to Wilshire, the Trustees considered advisory fees received by other advisers in a manager of managers structure similar to that of the Trust, as well as the overall expense ratio of each Fund as compared to a peer group of funds. The Trustees determined that the fees retained by Wilshire are very reasonable and noted that economies of scale will insure to the benefit of Fund shareholders. In considering each of the Investment Subadvisory Agreements, the Trustees considered comparison of the services to be rendered and amounts to be paid under the Investment Subadvisory Agreements to services rendered and amounts to be paid to the subadvisers under other advisory contracts, including, where applicable, accounts similar to the Fund and other mutual funds.

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In considering renewal of the Investment Subadvisory Agreement with Alliance Capital, subadviser of the Equity and Socially Responsible Funds, the Board compared each Fund's sub-advisory fee to fees charged by Alliance Capital to other accounts managed in a similar manner. The Board concluded, with respect to the Equity Fund, that the Fund's sub-advisory fee is reasonable as compared to other accounts and that Alliance Capital's investment performance was good. With respect to the Socially Responsible Fund, the Board concluded that the Fund's sub-advisory fee is reasonable and that Alliance Capital's investment performance was satisfactory.

In considering renewal of the Investment Subadvisory Agreement with BlackRock, subadviser of the Income and Small Cap Growth Funds, the Board compared the Fund's sub-advisory fee to fees charged by BlackRock to other income and small cap growth separate accounts, respectively, managed in accordance with investment strategies similar to those of the Funds. The Board concluded, with respect to the Income Fund, that the Fund's sub-advisory fee is reasonable as compared to other income separate accounts managed by BlackRock and that BlackRock's investment performance was satisfactory. With respect to the Small Cap Growth Fund, the Board concluded that the Fund's sub-advisory fee is reasonable and that BlackRock's investment performance was good.

In considering renewal of the Investment Subadvisory Agreement with Mazama, a subadviser of the Small Cap Growth Fund, the Board compared the Fund's sub-advisory fee to fees charged by Mazama to other accounts managed in a similar manner. The Board concluded that Mazama's fees are reasonable and Mazama's investment performance was satisfactory.

In considering renewal of the Investment Subadvisory Agreement with Mellon Equity, a subadviser to the Equity Fund, the Board compared the Fund's sub-advisory fee to Mellon Equity's standard fee schedule for individually managed large capitalization equity and balanced accounts. The Board concluded that the Fund's sub-advisory fee is reasonable but that the performance of Mellon Equity has not met expectations. Nevertheless, the Board concluded that at this time it was in the best interests of shareholders to approve renewal of the Investment Subadvisory Agreement so that the assets were managed in a consistent manner while options were pursued for alternative managers and a possible change in the Fund's value tilt.

In considering renewal of the Investment Subadvisory Agreement with Wellington, a subadviser of the Equity Fund, the Board compared the Fund's sub-advisory fee to fees charged by Wellington to other mutual funds it subadvisees. The Board concluded that the Fund's sub-advisory fee is reasonable and that Wellington's investment performance was satisfactory.

In considering renewal of the Short-Term Investment Fund's Investment Subadvisory Agreement with Western Asset, the Board compared the Fund's sub-advisory fee to fees charged to a comparable account managed by Western Asset. The Board concluded that the Fund's sub-advisory fee is reasonable and that the Fund's performance was satisfactory.

In considering renewal of the Income Fund's Investment Subadvisory Agreements with Western Asset and WAML, the Board compared the Fund's sub-advisory fee to fees charged to a comparable account managed by Western Asset and WAML. The Board concluded that the Fund's sub-advisory fee is reasonable and that Western Asset and WAML's investment performance was satisfactory.

In considering renewal of the Investment Advisory Agreement with the Adviser, the Board concluded that the fee charged to each Fund was reasonable, taking into account any fallout benefits, and the performance was satisfactory. In addition, the Board concluded that economies of scale were reasonably shared with shareholders, and that profitability was reasonable.

Based on all of the information considered and the conclusions reached, the Board determined to approve the Agreements.

The Investment Subadvisory Agreements between the Adviser and New Star and the Boston Company (subadvisers to the International Equity Fund) were approved by the Board of Trustees, including all of the Trustees who are not parties to such agreements or interested persons of any such party, on September 24, 2004 at a meeting called for that purpose. In approving the Investment Subadvisory Agreements, the Board considered, among other factors, the nature and quality of the services provided under the Investment Subadvisory Agreements and the overall fairness of the Investment Subadvisory Agreements to the Trust. The Board reviewed materials prepared by the Adviser, including information on New Star and the Boston Company's performance, the proposed subadvisory fees, expenses of the Fund and profitability to New Star and the Boston Company. The Adviser discussed its process for selecting new subadvisers and recommended the approval of the Investment Subadvisory Agreements. As a result, the Board determined that approval of the Investment Subadvisory Agreements with New Star and the Boston Company was in the best interests of the International Equity Fund and its shareholders.

CODE OF ETHICS. The Trust, the Adviser and the subadvisers have adopted Codes of Ethics (the "Codes") which substantially comply with Rule 17j-1 under the 1940 Act. The Codes permit personnel who are subject to the Codes to make personal securities transactions, including in securities that may be purchased or held by the funds, subject to the requirements and restrictions set forth in such Codes. The Codes contain provisions and requirements designed to identify and

address certain conflicts of interest between personal investment activities and the interests of investment advisory clients such as those of the Trust.

**DISCLOSURE OF PORTFOLIO HOLDINGS.** Each Fund's portfolio holdings as of the end of each calendar quarter will be posted on the Adviser's website, [www.wilshire.com](http://www.wilshire.com), on or about the 30th day after the quarter-end (beginning with the quarter ending June 30, 2005). Portfolio holdings information is made available to investors and to rating agencies and companies that collect information about mutual funds (such as Morningstar, S&P and Lipper Analytical Services) only after its public disclosure.

The Trust's policies and procedures governing disclosure of portfolio holdings permit nonpublic portfolio holding information to be shared with the Trust's service providers and others who generally need access to such information in the performance of their duties and responsibilities, such as the Trust's Adviser, subadvisers, administrator, custodian, pricing services, fund accountants, independent public accountants, attorneys, officers and trustees. In addition, the Funds' portfolio holdings may be discussed with third parties (e.g., broker/dealers) for the purpose of analyzing or trading such securities. Such parties are subject to duties of confidentiality, including a duty not to trade on nonpublic information. Nonpublic portfolio holdings information may also be disclosed by the Funds or the Adviser to certain third parties, provided that (i) a good faith determination is made that the Fund has a legitimate business purpose to provide the information and the disclosure is in the Fund's best interests; (ii) the recipient does not distribute the portfolio holdings or results of the analysis to third parties, or persons who are likely to use the information for purposes of purchasing or selling shares of the Fund prior to the portfolio holdings becoming public information; (iii) the recipient signs a written confidentiality agreement; and (iv) the Chief Compliance Officer of the Trust approves of the disclosure. These conditions do not apply to portfolio holdings information released to such third parties after it is posted on the Adviser's website. Currently, there are no arrangements to which these conditions apply.

The Funds' portfolio holdings and characteristics may be disclosed in other circumstances if reviewed and approved by the Trust's Chief Compliance Officer. Any disclosure of portfolio holdings or characteristics not addressed by the Trust's policies and procedures must be submitted to the Chief Compliance Officer for review before dissemination. No compensation or other consideration is received by the Trust or any affiliates of the Trust for disclosure of portfolio holdings information. The CCO provides the Board of Trustees with reports of any potential exceptions to, or violations of, the Trust's policies and procedures governing disclosure of portfolio holdings that are deemed to constitute a material compliance matter. The Chief Compliance Officer is responsible for monitoring compliance with these procedures, including requesting information from service providers.

The Funds disclose their portfolio holdings to the extent required by law.

**PROXY VOTING POLICIES.** The subadvisers of the Funds have been delegated the responsibility for voting the Funds' proxies pursuant to the Investment Subadvisory Agreements. Each subadviser votes proxies according to proxy voting policies, which are summarized below. The Adviser monitors the subadvisers' compliance with their stated policies and reports to the Board annually on any proxies that were not voted in accordance with a subadviser's stated policy and any circumstances in which a conflict of interest was identified and how the proxies were voted.

Alliance's proxy voting policy provides that Alliance will vote proxies in a timely manner and make voting decisions that are in the best interests of its clients. Although Alliance reserves the right to depart from its established guidelines in order to avoid voting decisions believed to be contrary to its clients' best interest, Alliance's policy sets forth its general position on frequent proxy proposals, such as elections of directors, appointment of auditors, changes in capital structure, corporate restructurings/mergers/acquisitions, shareholder rights, corporate governance, anti-takeover measures, executive compensation and social and corporate responsibility. Alliance's proxy voting committees, which include senior investment personnel and representatives of the corporate legal department, evaluate proposals not covered by its policy and recommend how shares should be voted on such issues. Alliance's policy addresses conflicts of interest that may arise between the interests of Alliance, its affiliates or other clients and the Trust and includes procedures to ensure that votes are not the product of a conflict of interest. Where a material conflict of interest exists, Alliance will review the proposed vote by applying a series of objective tests, and where

necessary, considering the views of a third party research service. If the proposed vote is contrary to Alliance's stated policy or is not covered by the policy, is consistent with management's recommendation and is contrary to the views of an independent service, the proposal is reviewed by the appropriate proxy committee for final determination. In certain countries where "share blocking" is required, Alliance may abstain from voting if it determines that the cost of voting exceeds the expected benefit to the client. Where share blocking applies, in order to vote, shares may not be sold during a certain period of time before the shareholders meeting.

BlackRock's proxy voting policy provides that BlackRock will vote proxies in the best interests of its clients. BlackRock has established proxy guidelines which list examples of the types of proposals BlackRock typically supports and provides general voting guidelines. These guidelines address proposals that may be characterized as routine, as well as various types of non-routine proposals, which include social issues, financial/corporate issues and shareholder rights. BlackRock provides these guidelines to a third-party service provider who analyzes all proxy solicitations received for BlackRock clients and makes recommendations as to how, based upon these guidelines, BlackRock should vote. These recommendations are reviewed by the relevant Portfolio Management Group team, who must approve the recommendations or provide a written explanation for any matter in which a team member desires to vote differently. If a vote involves a potential material conflict of interest because, for example, the issuer soliciting the vote is a BlackRock client or the matter being voted on involves an affiliate of BlackRock, BlackRock's Brokerage Allocation Committee must be consulted before the vote is approved. The Brokerage Allocation Committee, in

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consultation with the Legal and Compliance Department, determines whether the conflict is material and, if so, the appropriate method to resolve the conflict, based on the particular facts and circumstances, the importance of the proxy issue, whether the Portfolio Management Group team proposes a vote that differs from the third-party service provider's recommendation and the nature of the conflict, so as to ensure that the voting of the proxy is not affected by the conflict. With respect to votes in connection with securities held on a particular record date but sold prior to the holding of the shareholders meeting, BlackRock may opt to take no action on proposals to be voted at such meeting. In addition, with respect to voting proxies of non-U.S. companies, BlackRock may determine not to vote proxies if it believes that the restrictions or other detriments associated with such vote outweigh the benefits that will be derived by voting on the proposal.

Mazama's proxy voting policy provides that Mazama takes an active role in voting proxies on behalf of its clients. Mazama's policy provides that Mazama will generally vote with management on routine issues, unless the issue contains overly restrictive anti-takeover provisions, in which case Mazama may vote against management. Mazama's policy contains a list of routine issues of which Mazama generally votes in favor. It also contains guidelines for voting on various non-routine issues. Mazama portfolio managers or their designees are responsible for voting proxies and are required to justify and document votes against management. Mazama's policy seeks to identify and resolve all material proxy-related conflicts of interest between it and its clients in the best interests of its client. If a material conflict of interest is identified, Mazama will vote consistent with its policy. If the matter is not clearly addressed in its policy, Mazama will rely on ISS, a third-party service to provide guidance on the matter.

The proxy voting policy of Mellon Equity and the Boston Company (each a "Mellon Entity") provides that, in voting proxies, the Mellon Entity will seek to act solely in the best financial interests of its clients. The Mellon Entity reviews, categorizes and analyzes every voting proposal in accordance with its written guidelines, which address proxy issues relating to boards of directors, corporate governance, executive compensation, shareholder proposals and social issues. Items that can be categorized are voted in accordance with any applicable guidelines or referred to the Proxy Policy Committee, if required. Proposals that cannot be categorized under the guidelines are referred to the Proxy Policy Committee for discussion and vote. In addition, the Proxy Policy Committee may review any proposal where it has identified a particular company, industry or issue for special scrutiny. The Mellon Entity seeks to avoid material conflicts of interest through the Proxy Policy Committee structure, which applies detailed, pre-determined proxy voting guidelines in an objective and consistent manner across client accounts, based on internal and external research and recommendations provided by a third party vendor, and without consideration of any client relationship factors. In addition, the Mellon Entity engages a third party as an independent fiduciary to vote all proxies for securities of Mellon Financial Corporation, the parent of each Mellon Entity. With respect to voting proxies of foreign companies, in determining whether or

the Mellon Entity weighs the cost of voting, and the potential inability to sell, the shares against the benefit of voting the shares.

New Star's proxy voting policies and procedures provide that portfolio managers will decide how to vote proxies on a case-by-case basis with the intention to vote proxies in the best interest of client accounts. In general, routine and non-contentious issues are voted with management. Any non-routine issues are assessed by the portfolio management team and voted in a manner that best protects shareholder rights and value. New Star does not generally become involved in social issues. If a vote involves a conflict of interest between New Star and the client or where New Star has a separate interest in the outcome of the vote, New Star will vote the securities based on a pre-determined voting policy if the application of the policy to the matter presented involves little discretion on New Star's part; vote the securities in accordance with a pre-determined policy based upon the recommendations of an independent third party, such as a proxy voting service; refer the proxy to the client or to a fiduciary of the client for voting purposes; suggest that the client engage another party to determine how the proxy should be voted; or disclose the conflict to the client or, in the case of mutual funds, the relevant fund's board (or its delegate), and obtain the client's or board's direction to vote the proxies.

Wellington Management's proxy policies and procedures provide that Wellington Management votes all proxies in the best interests of its clients or shareholders, i.e., to maximize value. Wellington Management has established proxy voting guidelines, which address matters such as composition and role of the board of directors, management compensation, reporting of results, shareholder voting rights, capital structure and social issues. Issues addressed by the guidelines are reviewed by the Wellington Management's Proxy Committee and generally voted in accordance with the guidelines. Issues identified as "case-by-case" in the guidelines are reviewed by the Proxy Committee and may be forwarded to the relevant research analyst and/or portfolio manager for further input. Absent a material conflict of interest, portfolio managers have the authority to decide the final vote. If a proxy is identified as a material conflict of interest, the matter is reviewed by designated members of the Proxy Committee or the entire Committee to resolve the conflict and direct the vote. Wellington Management may determine not to vote proxies when the underlying securities have been lent, share blocking exists or re-registration is required for foreign securities, the vote would have an immaterial impact, the costs of voting are deemed to be excessive, or Wellington Management has a lack of adequate information or did not receive proxy materials in a timely manner.

Western Asset and WAML are fixed income only managers. As a result, the occasions to vote proxies are rare. In the unlikely event that Western Asset or WAML holds a security that requires a proxy vote, their proxy voting policies provide that the subadviser will vote solely in the

best interests of its clients. Research analysts and portfolio managers determine votes on a case-by-case basis in accordance with the subadviser's voting guidelines and the basis for their decision is documented and maintained by the subadviser. If a material conflict of interest exists, the subadvisor seeks voting instructions from an independent third party.

#### BROKERAGE ALLOCATION

The Investment Advisory Agreement and the Investment Subadvisory Agreements authorize the Adviser and the subadvisers, respectively (collectively, the "Advisers") (subject to the discretion and control of the Trust's Board of Trustees), to select the brokers or dealers that will execute the purchases and sales of portfolio securities and direct the Advisers to use their best efforts to obtain the best available price and most favorable execution. Subject to policies established by the Trustees of the Trust, the Advisers may also be authorized to effect individual securities transactions at commission rates in excess of the minimum commission rates available, if an Adviser determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage or research services provided, viewed in terms of either the particular transaction or the Adviser's overall responsibilities with respect to the Fund and other clients.

In placing portfolio transactions, each of the Advisers will use its best judgment to choose the broker most capable of providing the brokerage services necessary to obtain the best available price and most favorable execution. The full range and quality of brokerage services available will be considered in

making these determinations. In those instances where it is reasonably determined that more than one broker can offer the brokerage services needed to obtain the best available price and most favorable execution, consideration may be given to those brokers which supply investment research and other services in addition to execution services. Such services may include factual and statistical information or other items of supplementary research assistance.

Each of the Advisers considers such information useful in the performance of its obligations under the advisory agreements, but is unable to determine the amount by which such services may reduce its expenses. Research services provided by brokers through which the Funds effect securities transactions may be used by an Adviser in servicing all of its accounts; not all of these services may be used by the Adviser in connection with the Funds. In addition, within the parameters of achieving best price and execution, brokerage services may be used to generate commission credits which are used to pay for pricing agent and custodial services. See "Other Services--Fund Pricing Agreements and Custodial Agreement."

Each of the Advisers is authorized to consider for investment by a Fund securities that may also be appropriate for other mutual funds and/or clients served by the Advisers. To assure fair treatment of each Fund and all clients of the Advisers in situations in which two or more clients' accounts participate simultaneously in a buy or sell program involving the same security, such transactions will be allocated among the Funds and clients in a manner deemed equitable by the Advisers.

To the extent directed by management of the Funds in writing, the Adviser will direct one or more subadvisers to execute purchases and sales of portfolio securities for a Fund through brokers or dealers designated by management of the Fund to the Adviser for the purpose of providing direct

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benefits to the Fund, subject to the subadviser seeking best execution. However, brokerage commissions or transaction costs in such transactions may be higher, and the Fund may receive less favorable prices, than those which a subadviser could obtain from another broker or dealer, in order to obtain such benefits for the Fund.

Alliance may use an affiliate to place the orders for the purchase and sale of the Socially Responsible Fund's securities and for its portion of the Equity Fund's securities. In order for Alliance's affiliate to effect any such transaction for the Equity Fund or the Socially Responsible Fund, the commissions, fees or other remuneration received by Alliance's affiliate must be reasonable and fair, compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities, futures or options on futures being purchased or sold on an exchange during a comparable period of time. This standard would allow Alliance's affiliate to receive no more than the remuneration that would be expected to be received by an unaffiliated broker in a commensurate arm's-length transaction. Furthermore, the Board of Trustees, including a majority of the trustees who are not "interested" trustees, has adopted procedures that are reasonably designed to provide that any commissions, fees or other remuneration paid to Alliance's affiliate are consistent with the foregoing standard. For the fiscal year ended December 31, 2002, the Equity Fund paid brokerage commissions of \$130,343 (19.30% of the Equity Fund's aggregate brokerage commissions, representing 6.90% of the Equity Fund's aggregate dollar amount of transactions involving the payment of commissions) to Alliance's affiliate. In addition, for the fiscal year ended December 31, 2002 the Socially Responsible Fund paid brokerage commissions of \$60,677 (68.89 % of the Socially Responsible Fund's aggregate brokerage representing 64.53% of the Socially Responsible Fund's aggregate dollar amount of transactions involving the payment of commissions) to Alliance's affiliate. For the fiscal year ended December 31, 2003, the Equity Fund paid brokerage commissions of \$119,318 (16.92% of the Equity Fund's aggregate brokerage commissions, representing 10.23% of the Equity Fund's aggregate dollar amount of transactions involving the payment of commissions) to Alliance's affiliate. In addition, for the fiscal year ended December 31, 2003 the Socially Responsible Fund paid brokerage commissions of \$70,445 (70.08% of the Socially Responsible Fund's aggregate brokerage representing 78.03% of the Socially Responsible Fund's aggregate dollar amount of transactions involving the payment of commissions) to Alliance's affiliate. For the fiscal year ended December 31, 2004, the Equity Fund paid brokerage commissions of \$107,363 (19.9% of the Equity Fund's aggregate brokerage commissions, representing 15.52% of the Equity Fund's aggregate dollar amount of transactions involving the payment of commissions) to Alliance's affiliate. In addition, for the fiscal year ended December 31, 2004 the Socially Responsible Fund paid brokerage commissions of \$39,488 (48.9% of the Socially Responsible Fund's aggregate brokerage representing of 47.43% of the Socially Responsible Fund's aggregate dollar amount of transactions involving the payment of commissions). The following

table describes the brokerage fees paid by each Fund during its three most recent fiscal years ended December 31.

<TABLE>

<CAPTION>

Name of Fund	2002	2003	2004
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Equity Fund	\$675,504	\$705,316	\$539,188
Balanced Fund	--	--	--
Income Fund	--	--	123
Short-Term Investment Fund	--	--	--
Small Cap Growth Fund	391,354	361,105	233,625
International Equity Fund	105,711	68,880	130,457
Socially Responsible Fund	88,081	100,524	80,674

</TABLE>

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There are generally no brokerage fees for the Balanced Fund, Income Fund or Short-Term Investment Fund because these funds do not directly own any equity securities or make equity trades. Where multiple brokers are deemed to be able to provide best execution, brokerage commissions may be allocated to brokers on the basis of their ability to provide research. For the fiscal year ended December 31, 2004 the Equity Fund paid commission dollars to such brokers in the amount of \$81,602. Total brokerage fees paid during a year will vary with turnover rates.

#### DISTRIBUTOR

Pursuant to an Underwriting Agreement, PFPC Distributors, Inc., 760 Moore Road, King of Prussia, Pennsylvania 19406, is the distributor (the "Distributor") for the continuous offering of shares of the Trust and acts as agent of the Trust in the sale of its shares. The Underwriting Agreement provides that the Distributor will use its best efforts to distribute the Trust's shares.

The Underwriting Agreement continues in effect from year to year so long as such continuance is approved at least annually by a vote of the Board of Trustees of the Trust, including the Trustees who are not interested persons of the Trust and who have no direct or indirect financial interest in the Underwriting Agreement. The Underwriting Agreement automatically terminates in the event of its assignment and may be terminated with respect to a Fund at any time without penalty by the Fund or by the Distributor upon 60 days' notice. Termination by the Trust with respect to a Fund may be by vote of a majority of the Board of Trustees, including a majority of the Trustees who are not interested persons of the Trust and who have no direct or indirect financial interest in the Underwriting Agreement, or a "majority of the outstanding voting securities" of the Fund, as defined under the 1940 Act. The Underwriting Agreement may not be amended with respect to a Fund to increase the fee to be paid by the Fund without approval by a majority of the outstanding voting securities of such Fund and all material amendments must in any event be approved by the Board of Trustees in the manner described above with respect to the continuation of the Underwriting Agreement.

The Trust has also adopted a plan under Rule 12b-1 (the "Distribution Plan") that provide for fees to compensate the Distributor for distribution and services. For its services under the Distribution Plan, the Distributor receives a distribution fee from each Fund, payable monthly, at the annual rate of 0.25% of average daily net assets attributable to each Fund. During 2004 the Distributor received the following in distribution fees from the Funds:

<TABLE>

<S>	<C>
Equity Fund	\$292,442
Balanced Fund	\$0*
Income Fund	\$74,407
Short-Term Investment Fund	\$0*
Small Cap Growth Fund	\$30,490
International Equity Fund	\$20,483
Socially Responsible Fund	\$43,478

</TABLE>

-----

\* The Balanced Fund was not assessed distribution fees due to the "fund of funds" structure. The Distributor waived the Income Fund's distribution fees during 2004.

The Distributor paid all of the distribution fees or compensation to insurance companies of their affiliates.

The Distribution Plan is a compensation plan, which means that the Distributor is compensated regardless of its expenses, as opposed to reimbursement plans which reimburse only for expenses incurred. The Distributor may, and it is expected that the Distributor will, pay all or a portion of its fee to insurance companies or their affiliates or financial services firms who assist in distributing or promoting the sale of Fund shares. It is expected that such insurance companies and financial services firms will provide certain shareholders account services, periodic information reporting and telephone support for contract owners with respect to inquiries about the Funds.

From time to time, the Distributor and financial service firms it appoints may engage in activities which jointly promote the sales of shares of multiple Funds, the cost of which may not be readily identifiable or related to any one Fund. Generally, the distribution expenses attributed to such joint distribution activities will be allocated among each Fund on the basis of its respective net assets.

The Distribution Plan continues in effect from year to year so long as such continuance is approved at least annually by a vote of the Board of Trustees of the Trust, including the Trustees who are not interested persons of the Trust and who have no direct or indirect financial interest in the Distribution Plan. The Distribution Plan may be terminated with respect to a Fund at any time without penalty or by vote of a majority of the Trustees who are not interested persons of the Trust and who have no direct or indirect financial interest in the Distribution Plan or by vote

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of a majority of the outstanding securities of a class of the Fund. If the Distribution Plan is terminated in accordance with its terms, the obligation of a Fund to make payments to the Distributor pursuant to the Distribution Plan will cease and the Fund will not be required to make any payments past the termination date. Thus, there is no legal obligation for the Fund to pay any expenses incurred by the Distributor in excess of its fees under the Distribution Plan, if for any reason the Plan is terminated in accordance with its terms. Future fees under the Distribution Plan may or may not be sufficient to reimburse the Distributor for its expenses incurred. The Distribution Plan may not be amended with respect to a Fund to increase the fee to be paid by the Fund without approval by a majority of the outstanding voting securities of such Fund and all material amendments must in any event be approved by the Board of Trustees in the manner described above with respect to the continuation of the Distribution Plan.

The Board of Trustees considered various factors in making the determination that the Distribution Plan is reasonably likely to benefit the Funds and their respective shareholders, including: (1) the fact that the Funds would be primarily dependent for sales of their shares on insurance companies including the Funds as underlying investment vehicles for their insurance products and that in order to be competitive, the Funds must offer compensation to the insurance companies to help defray distribution costs; (2) the likelihood that the Distribution Plan would stimulate sales of shares of the Funds and assist in increasing the asset base of the Funds; (3) the potential advantages to shareholders of the Funds of prompt and significant growth of the asset base of the Funds, including reaching certain breakpoints and achieving other economies of scale; (4) the formula pursuant to which the payment of fees under the Distribution Plan is determined; (5) the reasonableness of the fees to be paid under the Distribution Plan; (6) the lack of reasonable alternative methods of distribution and payments thereof which would be equally effective; and (7) the fact that any significant increase in the asset value of the Funds would benefit the Adviser by increasing the advisory fees payable to it.

With the exception of the Adviser, in its capacity as the Trust's investment adviser, the Distributor, in its capacity of distributor of Fund shares, and Mr. Zock, a non-interested Trustee of the Trust who is a consultant to an affiliate of a party to a related distribution agreement, no interested person of the Trust and none of the Trustees who are not interested persons of the Trust have any direct or indirect financial interest in the Distribution Plan and any related distribution agreement.

PAYMENTS TO INSURANCE COMPANIES. The Adviser will pay insurance companies or their affiliates servicing fees based on shares held by variable annuity products issued by such insurance companies. In return for receiving these fees, such insurance companies or their affiliates will provide certain shareholder account services, periodic information reporting and telephone support for contract owners with respect to inquiries about the Funds.

OTHER SERVICES

ADMINISTRATOR AND TRANSFER AGENT. PFPC Inc. ("PFPC"), 760 Moore Road, King of Prussia, Pennsylvania 19406, serves as administrator, transfer agent and dividend paying agent to the Funds under a Transfer Agency, Regulatory Administration Services and Fund Administration Services Agreement pursuant to which PFPC provides regulatory administration to the Funds and acts as transfer agent, registrar, dividend disbursing agent and shareholder servicing agent. For providing transfer agency services, PFPC receives \$36,000 per year from the Equity Fund and \$24,000 per year from each Fund other than the Equity Fund, plus a one-time fee for account conversion, a \$3,000 one-time print/mail fee and out-of-pocket expenses. For providing regulatory administration services, PFPC receives a \$60,000 annual fee from the Trust and a \$1,000 annual fee per Fund (both of which PFPC has agreed to waive through May 31, 2005), plus out-of-pocket expenses. For fund administration services, PFPC receives \$750 from the Trust per month, plus out-of-pocket expenses. The Adviser has contractually agreed to reimburse the Funds for PFPC's fees and expenses through December 31, 2006.

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Prior to September 30, 2004, Horace Mann Investors, Inc. ("HM Investors") served as administrator to the Funds under an Administration Agreement. For providing such services, HM Investors receives a fee, accrued daily and paid monthly, based upon the combined assets of the Funds as follows: 0.25% on the first \$1 billion of assets and 0.20% on assets over \$1 billion. The following table describes the administration fees paid by each Fund during 2002, 2003 and the period ended September 30, 2004:

<TABLE>  
<CAPTION>

NAME OF FUND	2002	2003	2004
Equity Fund	\$1,212,547	\$1,188,913	\$1,010,077
Balanced Fund	*	*	*
Income Fund	\$ 292,413	\$ 297,424	\$ 245,391
Short-Term Investment Fund	\$ 9,304	\$ 9,368	*
Small Cap Growth Fund	\$ 96,998	\$ 109,698	\$ 108,119
International Equity Fund	\$ 66,504	\$ 72,654	\$ 70,059
Socially Responsible Fund	\$ 148,227	\$ 159,528	\$ 145,644

</TABLE>

\* The Balanced Fund was not charged an administration fee due to the "fund of funds" structure. HM Investor waived the Short-Term Investment Fund's administration fees during 2004.

Prior to September 30, 2004, Horace Mann Life Insurance Company provided certain services to the Funds necessary to coordinate the Funds' activities with those of the Separate Account of Horace Mann Life Insurance Company. Pursuant to a Support Services Agreement, Horace Mann Life Insurance Company received a fee, accrued daily and paid monthly, based upon the combined assets of the Funds as follows: 0.15% on the first \$1 billion of assets and 0.10% on assets over \$1 billion.

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<TABLE>  
<CAPTION>

NAME OF FUND	2002	2003	Period Ended September 30, 2004
Equity Fund	\$ 737,500	\$ 712,718	\$585,797

Balanced Fund		*	*	*
Income Fund	\$ 175,894	\$ 178,455	\$ 144,143	
Short-Term Investment Fund	\$ 5,583	\$ 5,621		*
Small Cap Growth Fund	\$ 60,226	\$ 65,819	\$ 63,011	
International Equity Fund	\$ 39,739	\$ 43,593	\$ 40,612	
Socially Responsible Fund	\$ 89,837	\$ 95,716	\$ 84,493	

</TABLE>

\* The Balanced Fund was not charged a support services fee due to the "fund of funds" structure. Horace Mann Life Insurance Company waived the Short-Term Investment Fund's support services fee during 2004.

FUND PRICING AGREEMENTS. Effective January 1, 1997, the Trust entered into an agreement with State Street Bank and Trust Company ("State Street"), a national banking association located at 801 Pennsylvania Avenue, Kansas City, MO 64105, to calculate the daily net asset value per share for each Fund and to maintain certain required accounting records.

The Equity Fund and International Equity Fund may compensate State Street Bank for these services directly or through a commission credit arrangement with Frank Russell Securities, Inc. The advisor places trades for the Equity Fund with Frank Russell Securities, Inc. subject to its obligation to obtain the best available price and most favorable execution. The Adviser directly compensates State Street for pricing and accounting services provided to the Short-Term Investment Fund. The Balanced Fund, Income Fund, Small Cap Growth Fund and the Socially Responsible Fund pay for these services directly.

CUSTODIAL AGREEMENT. State Street Bank also serves as custodian of the assets of each Fund, including foreign securities through a subcustodian relationship. Under the Custodial Agreement, State Street maintains each Fund's portfolio securities, administers the purchases and sales of portfolio securities, collects interest and dividends and other distributions made on portfolio securities and performs other ministerial duties as outlined in the Custodial Agreement.

The Equity Fund and International Equity Fund may compensate State Street for these services directly or through a commission credit arrangement with Frank Russell Securities, Inc. The subadvisers place trades for the Equity Fund with Frank Russell Securities, Inc. subject to its obligation to obtain the best available price and most favorable execution. The Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund and the Socially Responsible Fund pay for these services directly.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. KPMG LLP, 303 East Wacker Drive, Chicago, Illinois 60601, served as the Trust's Independent Registered Public Accounting Firm with respect to audit and other services for the fiscal year ended December 31, 2004. PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1700, 2001 Market Street, Philadelphia, Pennsylvania 19103-7042, serves as the Trust's Independent Registered Public Accounting Firm. The Independent Registered Public Accounting Firm performs an annual audit of the financial statements of each Fund and provides services related to Securities and Exchange Commission filings throughout the year.

LEGAL COUNSEL. Vedder, Price, Kaufman & Kammholz, P.C., 222 North LaSalle Street, Chicago, Illinois 60601, serves as legal counsel to the Trust and the independent trustees of the Trust.

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#### VOTING RIGHTS

Each Fund is authorized by the Declaration of Trust to issue an unlimited number of shares. Shares of each Fund are of the same class with equal rights and privileges with respect to liquidation of a Fund. Each share is entitled to vote on all matters submitted to a vote of shareholders. The shares of each Fund are fully paid and non-assessable, and have no preference as to conversion, exchange, dividends, retirement or other features. The shares of each Fund have no pre-exemptive rights. The shares of each Fund have noncumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of trustees can elect 100% of the trustees if they choose to do so.

Each person with voting rights will be provided with reports and proxy materials relating to the applicable Fund(s). To be entitled to vote, a shareholder (either a public shareholder of the Equity Fund or an insurance company separate

account) must have been a shareholder on the record date. The number of Fund shares for which a shareholder may vote is determined by dividing the value of an interest in a Fund by the net asset value of one share of the Fund, as of the same date.

#### PURCHASE, REDEMPTION AND PRICING OF FUND SHARES

Each Fund sells and redeems its shares at net asset value per share, without a sales or redemption charge. No minimum purchase or redemption amounts apply. The daily net asset value of each Fund's shares is determined by dividing the net assets by the number of outstanding shares. Net assets are equal to the total assets of the Fund less its liabilities. The price at which a purchase is effected is based on the next calculated net asset value after the order is received by your insurance company, as described in the product prospectus describing your particular variable annuity contract. A security listed or traded on a domestic exchange is valued at its last sales price on the exchange where it is principally traded. In the absence of a current quotation, the security is valued at the mean between the last bid and asked prices on the exchange. Securities traded over-the-counter in the United States are valued at the last current sale price. If there are no such sales, the most recent bid quotation is used. Securities quoted on the NASD Automatic Quotation (NASDAQ) System, for which there have been sales, are valued at the NASDAQ Official Closing Price. If there are no such sales, the value is the bid quotation. Equity Securities primarily traded on a foreign exchange or market are valued daily at the price, which is an estimate of the fair value price, as provided by an independent pricing service. Foreign securities are converted to United States dollars using exchange rates at the close of the New York Stock Exchange. In the event market quotations are not readily available, securities are valued according to procedures established by the Board of Trustees or are valued at fair value as determined in good faith by the Pricing Committee,

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whose members are representatives of the Adviser, or the Trust's Valuation Committee. Securities whose value does not reflect fair value because a significant valuation event has occurred may be valued at fair value by the Pricing Committee or the Valuation Committee.

Debt securities that have a remaining maturity of 60 days or less are valued at cost, plus or minus any amortized discount or premium. Under the amortized cost method of valuation, the security is initially valued at cost. Then, the Fund assumes a constant proportionate amortization in value until maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the security. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price that would be received upon the sale of the security. When market quotations are not available, securities are valued at fair value as discussed above.

#### TAX MATTERS

The following is intended to be a general summary of certain federal income tax consequences of investing in a Fund. It is not intended to be a complete discussion of all such federal income tax consequences, nor does it purport to deal with all categories of investors. INVESTORS ARE THEREFORE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN A FUND.

Each Fund qualifies and intends to continue to qualify as a regulated investment company under the Code. In order to qualify as a regulated investment company under the Code, a Fund must, among other things, (a) derive at least 90% of its gross income from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stocks, securities, or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in these stocks, securities or foreign currencies; (b) distribute at least 90% of its net investment income which includes short-term capital gains, and (c) diversify its holdings so that, at the end of each fiscal quarter, (i) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, Government securities, the securities of other regulated investment companies and other securities limited in respect of any one issuer to 5% of the Fund's total assets and to not more than 10% of the outstanding voting securities of that issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities of any one issuer (other than Government securities or the securities of other regulated investment companies)

or of two or more issuers controlled by the Fund and engaged in the same, similar or related trades or businesses.

The Funds are investment vehicles for the variable contracts of life insurance companies. The separate accounts which maintain the variable contracts must satisfy quarterly diversification requirements under Section 817(h) of the Code. These diversification requirements, which apply in addition to the diversification requirements imposed on the Funds by the 1940 Act, place limitations on the investments of each Fund that can be made in the securities of certain issuers. If Fund investments are not adequately diversified under Section 817(h), the earnings of all

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variable contracts invested, in whole or in part, in the Fund will be currently taxable to the variable contract owners.

As a regulated investment company, a Fund is not subject to federal income tax on its net investment income (including short-term capital gains) if it distributes all net investment income to its shareholders. A Fund will not be subject to federal income tax on any net capital gains (the excess of net long-term capital gains over net short-term capital losses) that are distributed as capital gain dividends. If, however, shares of a Fund are sold at a loss after being held six months or less, such loss will be considered a long-term capital loss to the extent of any capital gains distributions on such shares. However, a Fund would be subject to corporate income tax (currently imposed at a maximum rate of 35%) on any undistributed income. Each Fund intends to distribute to its shareholders, at least annually, all or substantially all of its investment company taxable income and net capital gains. Amounts not distributed on a timely basis may be subject to a nondeductible 4% federal excise tax. To prevent imposition of this excise tax, each Fund must distribute, or be deemed to have distributed, during each calendar year an amount equal to the sum of (1) at least 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) at least 98% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for the twelve month period ending on October 31 of the calendar year, and (3) all such ordinary income and capital gains for previous years that were not distributed during such years. Each Fund intends to make sufficient distributions on a timely basis to avoid the imposition of the excise tax.

A distribution will be treated as having been paid on December 31 if it is declared by a Fund in October, November or December and is paid in January of the following year. Accordingly, such distributions will be taxable to shareholders in the calendar year in which the distributions are declared.

If in any taxable year a Fund fails to qualify as a regulated investment company under the Code, such Fund would be taxed in the same manner as an ordinary corporation and distributions to its shareholders would not be deductible by the Fund in computing its taxable income. In addition, in the event of a failure to qualify as a regulated investment company, the Fund's distributions, to the extent derived from the Fund's current or accumulated earnings and profits, would generally constitute ordinary dividends, which although eligible for the dividends received deduction available to corporate holders, would be taxable to all shareholders as ordinary income, even though such distributions might otherwise, at least in part, have been treated as long-term capital gains in such shareholders' hands.

A Fund's transactions, if any, in options, futures and foreign currency transactions are subject to special tax provisions that may accelerate or defer recognition of certain gains or losses, change the character of certain gains or losses or alter the holding periods of certain of the Fund's securities.

The mark-to-market rules of the Code may require a Fund to recognize unrealized gains and losses on certain options and futures held by the Fund at the end of the fiscal year. Under these provisions, 60% of any capital gain net income or loss recognized will generally be treated as long-term and 40% as short-term. However, although certain forward contracts and futures contracts on foreign currency are marked to market, the gain or loss is generally ordinary under Section 988 of the Code. In addition, the straddle rules of the Code would require deferral of certain losses realized on

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positions of a straddle to the extent that a Fund had unrealized gains in offsetting positions at year end.

Foreign exchange gains and losses realized by the International Equity Fund in

connection with certain transactions that involve foreign currency-denominated debt securities, certain foreign currency options, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Section 988 of the Code, which generally causes such gains and losses to be treated as ordinary income and losses and may affect the amount, timing, and character of distributions to shareholders. For example, if the Fund sold a foreign stock or bond and part of the gain or loss on the sale was attributable to an increase or decrease in the value of a foreign currency, then the currency gain or loss may be treated as ordinary income or loss. The International Equity Fund may qualify for and make an election permitted under the "pass through" provisions of Section 853 of the Code, which allows a regulated investment company to have its foreign tax credit taken by its shareholders instead of on its own tax return. To be eligible for this credit, more than 50% of the value of the Fund's total assets at the close of its taxable year must consist of stock or other securities in foreign corporations, and the Fund must have distributed at least 90% of its taxable income. If the International Equity Fund makes this election, it may not take any foreign tax credit, and may not take a deduction for foreign taxes paid. However, the Fund is allowed to include the amount of foreign taxes paid in a taxable year in its dividends-paid deduction. Each shareholder would then include in its gross income, and treat as paid by it, its proportionate share of the foreign taxes paid by the Fund.

Investment income derived from foreign securities may be subject to foreign income taxes withheld at the source. Because the amount of a Fund's investments in various countries will change from time to time, it is not possible to determine the effective rate of such taxes in advance.

If the U.S. government were to impose any restrictions, through taxation or other means, on foreign investments by U.S. investors such as those to be made through the portfolio, the Board of Trustees of the Fund will promptly review the policies of the International Equity Fund to determine whether significant changes in its investments are appropriate.

Public shareholders of the Equity Fund who sell or exchange their shares in such Fund will generally have a taxable transaction for federal income tax purposes. Holders who sell such shares will generally recognize gain or loss in an amount equal to the difference between the net proceeds of the sale and their adjusted tax basis in the shares sold. If such shares are held as a capital asset at the time of the sale, the gain or loss will be a capital gain or loss. Similarly, a redemption by the Equity Fund (including a redemption resulting from liquidation of the Fund), if any, of all the Fund's shares actually and constructively held by a shareholder generally will give rise to capital gain or loss, provided that the redemption proceeds do not represent declared but unpaid dividends. Other redemptions may also give rise to capital gain or loss, but certain conditions imposed by the Code must be satisfied to achieve such treatment.

Non-U.S. investors not engaged in a U.S. trade or business with which their investment in a Fund is effectively connected will be subject to U.S. federal income tax treatment that is different from that described above and in the prospectus. Such investors may be subject to nonresident alien withholding tax at the rate of 30% (or a lower rate under an applicable tax treaty) on amounts

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treated as ordinary dividends from the Fund and, unless an effective IRS Form W-8 or authorized substitute for Form W-8 is on file, to 30% backup withholding on certain other payments from the Fund. Non-U.S. investors should consult their tax advisers regarding such treatment and the application of foreign taxes to an investment in the Fund.

Additionally, U.S. investors may be subject to a 28% "backup withholding" on distributions and proceeds payable to each investor who fail to provide such Fund with their correct taxpayer identification number or who fail to make required certifications or if the IRS instructs the Fund to do so.

The Equity Fund, Balanced Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund intend to utilize provisions of the federal income tax laws which allow them to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At December 31, 2004, the Equity Fund and Balanced Fund had an accumulated capital loss carry forward for tax purposes of \$47,514,075 and \$6,156,867, respectively, which will expire on December 31, 2008. At December 31, 2004, the Small Cap Growth Fund and International Equity Fund had an accumulated capital loss carry forward for tax purposes of \$11,897,109 and \$4,337,950, respectively, which will expire on December 31, 2009. At December 31, 2004, the Equity Fund, Small Cap Growth Fund and International Equity Fund had an accumulated capital loss carry forward for

tax purposes of \$42,546,430, \$9,619,277 and \$7,076,246, respectively, which will expire on December 31, 2010. At December 31, 2004 the Equity Fund and Socially Responsible Fund had an accumulated capital loss carry forward for tax purposes of \$5,637,907 and \$1,306,850, respectively, which will expire on December 31, 2011. At December 31, 2004, the Short-Term Investment Fund had an accumulated capital loss carry forward for tax purposes of \$586, which will expire on December 31, 2012.

The above discussion is only an abbreviated summary of the applicable provisions of the Code and is not intended as tax advice.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth, as of April 15, 2005, the holdings of the capital stock of each of the Funds known by the respective Fund to own, control or hold with power to vote 5% or more of its outstanding securities. Since the listed insurance company registered separate accounts' voting rights are passed through to contract owners, the insurance companies themselves do not exercise voting control over the shares held in those accounts.

<TABLE>  
<CAPTION>

	% of Shares Type of Ownership -----	Shares Owned -----	Outstanding -----
EQUITY FUND:			
<S>	<C>	<C>	<C>
Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715 (a) Horace Mann Life Insurance Company Separate Account	Record	21,184,741	87.4%

</TABLE>

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BALANCED FUND:

<TABLE>

<S>	<C>	<C>	<C>
Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715 (a) Horace Mann Life Insurance Company Separate Account	Record	14,208,100	97.0%

INCOME FUND:

Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715 (a) Horace Mann Life Insurance Company Separate Account	Record	10,423,504	98.9%
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SHORT-TERM INVESTMENT FUND:

Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715 (a) Horace Mann Life Insurance Company Separate Account	Record	278,208	93.0%
(b) Horace Mann Service Corporation 401(k)	Record	20,978	7.0%

SMALL CAP GROWTH FUND:

Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715 (a) Horace Mann Life Insurance Company Separate Account	Record	4,054,297	91.1%
(b) Horace Mann Service Corporation 401(k)	Record	394,851	8.9%

INTERNATIONAL EQUITY FUND:

<TABLE>

<S>	<C>		<C>
Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715			
(a) Horace Mann Life Insurance Company Separate Account	Record	3,017,617	91.9%
(c) Horace Mann Service Corporation 401(k)	Record	264,247	8.1%

SOCIALLY RESPONSIBLE FUND:

Horace Mann Life Insurance Company One Horace Mann Plaza Springfield, Illinois 62715			
(a) Horace Mann Life Insurance Company Separate Account	Record	4,907,091	95.3%

</TABLE>

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Horace Mann Life Insurance Company is organized under the laws of the State of Illinois and is a wholly-owned subsidiary of Allegiance Life Insurance Company, an Illinois-domiciled life insurance company. One hundred percent of the stock of Allegiance Life Insurance Company is held by Horace Mann Educators Corporation, an insurance holding company incorporated in Delaware.

GENERAL INFORMATION

As a Delaware statutory trust, the Trust is not required to hold annual shareholder meetings. However, special meetings may be called for purposes such as electing or removing trustees, changing fundamental policies or approving an investment advisory contract. If requested to do so by the holders of at least 10% of the Trust's outstanding shares, the Trust will call a special meeting for the purpose of voting upon the question of removal of a trustee or trustees and will assist in the communications with other shareholders as if the Trust were subject to Section 16(c) of the 1940 Act. All shares of all series of the Trust are voted together in the election of trustees. On any other matter submitted to a vote of shareholders, shares are voted in the aggregate and not by the individual series, except that shares are voted by the individual series when required by the 1940 Act or other applicable law or when the Board of Trustees determines that the matter affects only the interests of one or more series, in which case shareholders of the unaffected series are not entitled to vote on such matters.

FINANCIAL STATEMENTS

The financial statements for the Equity Fund, Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund, and the Report of Independent Auditors thereon, are incorporated herein by reference from the Funds' Annual Report dated December 31, 2004. A copy of the Annual Report must be accompanied by or preceded by the Prospectus. Additional copies of the Annual Report, including the Report of Independent Public Accounting Firm, or the Semi-Annual Report may be obtained, upon request and without charge, by contacting the offices of the Funds at 760 Moore Road, King of Prussia, Pennsylvania, 19406 or by telephoning 1-888-200-6796.

APPENDIX A

DESCRIPTION OF COMMERCIAL PAPER AND BOND RATINGS

COMMERCIAL PAPER RATINGS. Moody's Investors Service, Inc., employs the designations "Prime-1", "Prime-2" and "Prime-3" to indicate commercial paper having the highest capacity for timely repayment. Issuers rated Prime-1 have a

superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well-established industries; high rates of return on funds employed; conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earnings coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity. Issues rated Prime-2 have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above, but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Standard & Poor's Corporation's ratings of commercial paper are graded into four categories ranging from "A" for the highest quality obligations to "D" for the lowest.

A - Issues assigned its highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are delineated with numbers 1, 2 and 3 to indicate the relative degree of safety.

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

A-2 - Capacity for timely payments on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated "A-1."

Corporate Debt Securities. Moody's Investors Service, Inc., rates the long-term debt securities issued by various entities from "Aaa" to "D."

Aaa - Best quality. These securities carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large, or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, these changes are most unlikely to impair the fundamentally strong position of such issues.

Aa - High quality by all standards. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities, fluctuation of protective elements may be of greater amplitude or there may be other elements present that make the long-term risks appear somewhat greater.

A-1

A - Upper medium grade obligations. These bonds possess many favorable investment attributes. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa - Medium grade obligations. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and, in fact, have speculative characteristics as well.

Standard & Poor's Corporation also rates the long-term securities debt of various entities in categories ranging from "AAA" to "D" according to quality.

AAA - Highest grade. They possess the ultimate degree of protection as to principal and interest. Marketwise, they move with interest rates and provide the maximum safety on all counts.

Aa - High grade. Generally, these bonds differ from AAA issues only in a small degree. Here, too, prices move with the long-term money market.

A - Have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Regarded as having adequate capacity to pay interest and repay principal. These bonds normally exhibit adequate protection parameters, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for debt in higher-rated categories.

PART C

OTHER INFORMATION

ITEM 22. EXHIBITS

(a) Declaration of Trust and Certificate of Trust.(1)/

(b) By-Laws.(1)/

(c) Not applicable.

(d) Investment Advisory Contracts.

(i) Form of Amended Investment Advisory Agreement with Wilshire Associates Incorporated.(11)

(ii) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and Wellington Management Company, LLP.(4)/

(iii) Amended Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and BlackRock Financial Management, Inc.(10)

(iv) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and Mellon Equity Associates, LLP.(4)/

(v) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and Western Asset Management Company.(6)/

(vi) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and Western Asset Management Limited.(6)/

(vii) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and Alliance Capital Management, Inc.(7)/

(viii) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and Mazama Capital Management(8)/

(ix) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and New Star Institutional Managers Limited.(11)

(x) Form of Investment Sub-Advisory Agreement between Wilshire Associates Incorporated and The Boston Company Asset Management, LLC.(11)

(e) (i) Form of Underwriting Agreement with PFPC Distributors, Inc.(11)

(ii) Form of Selling / Services Agreement.(11)

(f) Not applicable.

(g) (i) Custodian Services Agreement.(2)/

(ii) Foreign Custody Amendment(8)/

(iii) Amended Fee Schedule to Custody Agreement(9)/

(h) (i) Form of Transfer Agency, Regulatory Administration Services and Fund Administration Services Agreement with PFPC Inc.(11)

(ii) Money Transfer Services Agreement.(2)/

(iii) Participation Agreement with Horace Mann Life Insurance Company.(10)

(iv) Form of Expense Reimbursement Agreement with Wilshire Associates Incorporated.(11)

- (v) Form of Fee Letter Agreement with PFPC Inc.(11)
- (i) Opinion and Consent of Vedder, Price, Kaufman & Kammholz, P.C.\*
- (j) Consent of KPMG LLP.\*
- (k) Not applicable.
- (l) Investment Letter from initial investor to the Registrant.(1)/
- (m) Distribution Plan.(11)
- (n) Not applicable.
- (o) Reserved.
- (p) Codes of Ethics
  - (i) Wilshire Variable Insurance Trust and Wilshire Associates Incorporated\*
  - (ii) Mazama Capital Management\*
  - (iii) Wellington Management Company\*
  - (iv) BlackRock Financial Management, Inc.\*
  - (v) Mellon Equity Associates, LLP and The Boston Company Asset Management, LLC\*
  - (vi) Western Asset and WAML\*
  - (vii) Alliance Capital Management, L.P.\*
  - (viii) New Star Institutional Managers Limited.\*
- (q) Powers of Attorney for George J. Zock, Richard A. Holt, Harriet A. Russell, Roger A. Formisano and Cynthia A. Hargadon(12)

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- (1)/ Incorporated by reference to the initial Registration Statement filed on November 8, 1996.
- (2)/ Incorporated by reference to Registrant's Pre-Effective Amendment No. 1 filed on or about February 20, 1997.
- (3)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 1 filed on Form N-1A on or about March 19, 1997.
- (4)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 4 filed on Form N-1A on or about February 26, 1999.
- (5)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 7 filed on Form N-1A on or about March 1, 2000.
- (6)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 8 filed on Form N-1A on or about April 28, 2000.
- (7)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 10 filed on Form N-1A on or about April 28, 2001.
- (8)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 11 filed on Form N-1A on or about April 24, 2002.
- (9)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 12 filed on Form N-1A on or about April 30, 2003.
- (10)/ Incorporated by reference to Registrant's Post-Effective Amendment No. 13 filed on Form N-1A on or about April 30, 2004.
- (11) Incorporated by reference to Registrant's Post-Effective Amendment No.15 filed on or about September 30, 2004.

(12) Incorporated by reference to Registrant's Post-Effective Amendment No.16 filed on or about February 28, 2005.

\* Filed herewith

ITEM 23. Persons Controlled By or Under Common Control with Registrant

Not applicable.

ITEM 24. Indemnification

Article V of Registrant's Declaration of Trust, provides for the indemnification of Registrant's trustees, officers, employees and agents against liabilities incurred by them in connection with the defense or disposition of any action or proceeding in which they may be involved or with which they may be threatened, while in office or thereafter, by reason of being or having been in such office, except with respect to matters as to which it has been determined that they acted with willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of their office ("Disabling Conduct").

Registrant has obtained from a major insurance carrier a trustees' and officers' liability policy covering certain types of errors and omissions.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities 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 Securities 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 Securities Act and will be governed by the final adjudication of such issue.

ITEM 25. Business and Other Connections of Investment Adviser

Wilshire Associates Incorporated (the "Adviser") is the investment adviser to the Registrant. The Adviser has entered into investment subadvisory agreements with Alliance Capital Management, LP., Mellon Equity Associates, LLP, Wellington Management Company, LLP, BlackRock Financial Management, Inc., Mazama Capital Management, Inc., Western Asset Management Company, Western Asset Management Limited, New Star Institutional Managers Limited and The Boston Company Asset Management, LLC.

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF REGISTRANT'S INVESTMENT ADVISER, WILSHIRE ASSOCIATES INCORPORATED, ("WILSHIRE").

Set forth below is information as to any other business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address of Wilshire is 1299 Ocean Avenue, Santa Monica, California 90401-1085. Wilshire is registered under the Investment Advisers Act of 1940. Information as to the directors and officers of Wilshire is as follows:

NAME AND POSITION WITH WILSHIRE	NATURE OF COMPANY AND/OR PRINCIPAL BUSINESS	CAPACITY
Robert John Raab, Director	Investment Management	Senior Managing Director
Dennis Anthony Tito, Director & Chief Executive Officer	Investment Management	Chief Executive Officer
Rosalind Margaret Hewsenian, Director	Investment Management	Managing Director
Robert Charles Kuberek, Director	Investment Management	Senior Managing Director

Howard Tamotsu Yata, Director	Investment Management	Managing Director
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NAME AND POSITION WITH WILSHIRE	NATURE OF COMPANY AND/OR PRINCIPAL BUSINESS	CAPACITY
-----	-----	-----
Cecilia Infee Loo, Director	Investment Management	Managing Director
Alan Lawrence Manning, Chief Legal Officer & Chief Compliance Officer	Investment Management	General Counsel
San Olivia Slawson, Principal Financial Officer & Chief Operations Officer	Investment Management	Chief Financial Officer
Julia Kathleen Bonafede, Director	Investment Management	Managing Director
Thomas Kevin Lynch, Director	Investment Management	Managing Director

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF REGISTRANT'S INVESTMENT SUBADVISER, WELLINGTON MANAGEMENT COMPANY, LLP ("WELLINGTON MANAGEMENT").

Set forth below is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address of Wellington Management is 75 State Street, Boston, Massachusetts 02109. Wellington Management is an investment adviser registered under the Investment Advisers Act of 1940. Information as to the directors and officers of Wellington Management is as follows:

NAME AND POSITION WITH INVESTMENT ADVISER	NAME OF OTHER COMPANY	CONNECTION WITH OTHER COMPANY
-----	-----	-----
Kenneth Lee Abrams Partner	--	--
Nicholas Charles Adams Partner	--	--
Rand Lawrence Alexander Partner	--	--
Deborah Louise Allinson Partner	--	--
Steven C. Angeli Partner	--	--
James Halsey Averill Partner	--	--
John F. Averill Partner	--	--

NAME AND POSITION WITH INVESTMENT ADVISER	NAME OF OTHER COMPANY	CONNECTION WITH OTHER COMPANY
-----	-----	-----
Karl E. Bandtel Partner	--	--
David W. Barnard Partner	--	--
Mark James Beckwith Partner	--	--

James A. Bevilacqua Partner	--	--
Kevin J. Blake Partner	--	--
William Nicholas Booth Partner	--	--
Michael J. Boudens Partner	--	--
Paul Braverman Partner	--	--
Robert A. Bruno Partner	--	--
Michael T. Carmen Partner	--	--
Maryann Evelyn Carroll Partner	--	--
William R.H. Clark Partner	--	--
Cynthia M. Clarke Partner	--	--
Richard M. Coffman Partner	--	--
John DaCosta Partner	--	--
Pamela Dippel Partner	--	--

NAME AND POSITION WITH INVESTMENT ADVISER	NAME OF OTHER COMPANY	CONNECTION WITH OTHER COMPANY
-----	-----	-----
Scott M. Elliott Partner	--	--
Robert Lloyd Evans Partner	--	--
David R. Fassnacht Partner	--	--
Lisa de la Fuente Finkel Partner	--	--
Mark T. Flaherty Partner	--	--
Charles Townsend Freeman Partner	--	--
Laurie Allen Gabriel Managing Partner	--	--
Ann C. Gallo Partner	--	--
Subbiah Gopalraman Partner	--	--
Paul J. Hamel Partner	--	--

NAME AND POSITION WITH INVESTMENT ADVISER	NAME OF OTHER COMPANY	CONNECTION WITH OTHER COMPANY
-----	-----	-----

William J. Hannigan Partner	--	--
Lucius Tuttle Hill, III Partner	--	--
James P. Hoffmann Partner	--	--
Jean M. Hynes Partner	--	--
Steven T. Irons Partner	--	--
Paul David Kaplan Partner	--	--
Lorraine A. Keady Partner	--	--
John Charles Keogh Partner	--	--
George Cabot Lodge, Jr. Partner	--	--
Nancy Therese Lukitsh Partner	--	--
Mark Thomas Lynch Partner	--	--
Mark D. Mandel Partner	--	--
Christine Smith Manfredi Partner	--	--
Earl Edward McEvoy Partner	--	--
Duncan Mathieu McFarland Managing Partner	--	--
Matthew Edward Megargel Partner	--	--
James Nelson Mordy Partner	--	--
Diane Carol Nordin Partner	--	--
Stephen T. O'Brien Partner	--	--
Andrew S. Offit Partner	--	--
Edward Paul Owens Partner	--	--
Saul Joseph Pannell Partner	--	--
Thomas Louis Pappas Partner	--	--
Jonathan Martin Payson Partner	--	--
Philip H. Perelmuter Partner	--	--
Robert Douglas Rands Partner	--	--

NAME AND POSITION WITH

NAME OF

CONNECTION WITH

INVESTMENT ADVISER	OTHER COMPANY	OTHER COMPANY
James Albert Rullo Partner	--	--
John Robert Ryan Managing Partner	--	--
Joseph Harold Schwartz Partner	--	--
James H. Shakin Partner	--	--
Theodore Shasta Partner	--	--
Andrew J. Shilling Partner	--	--
Binkley Calhoun Shorts Partner	--	--
Scott E. Simpson Partner	--	--
Trond Skramstad Partner	--	--
Stephen Albert Soderberg Partner	--	--
Haluk Soykan Partner	--	--
Eric Stromquist Partner	--	--
Brendan James Swords Partner	--	--
Harriett Tee Taggart Partner	--	--
Frank L. Teixeira Partner	--	--
Perry Marques Traquina Partner	--	--
Nilesh P. Undavia Partner	--	--
Clare Villari Partner	--	--
Kim Williams Partner	--	--
Itsuki Yamashita Partner	--	--
David S. Zimble Partner	--	--

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF REGISTRANT'S INVESTMENT SUBADVISER, BLACKROCK FINANCIAL MANAGEMENT, INC. ("BLACKROCK").

Set forth below is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. BlackRock is an indirect majority-owned subsidiary of The PNC Financial Services Group, Inc. The principal business address of BlackRock is 40 East 52nd Street, New York, NY 10022. BlackRock is registered under the Investment Advisers Act of 1940. Information as to the directors and officers of BFM is as follows:

NAME AND POSITION WITH BLACKROCK	OTHER COMPANY	POSITION WITH OTHER COMPANY
Paul L. Audet Chief Financial Officer & Managing Director	BlackRock Liquidity Funds Wilmington, DE	Treasurer
	BlackRock Funds Wilmington, DE	Treasurer
	BlackRock Capital Management, Inc. Wilmington, DE	Director
	BlackRock Institutional Management Corporation Wilmington, DE	Director
	BlackRock Advisors, Inc. Wilmington, DE	Chief Financial Officer & Managing
	BlackRock (Japan) Inc. New York, NY	Director
	BlackRock International, Ltd. Edinburgh, Scotland	Chief Financial Officer & Managing Director
	BlackRock, Inc. New York, NY	Chief Financial Officer & Managing Director

Robert P. Connolly Managing Director, General Counsel and Secretary	BlackRock Capital Management, Inc. Wilmington, DE	Managing Director, General Counsel & Secretary
	BlackRock, Inc. New York, NY	Managing Director, General Counsel & Secretary
	BlackRock International, Ltd. Edinburgh, Scotland	Managing Director, General Counsel & Secretary
	BlackRock (Japan) Inc. New York, NY	Managing Director, General Counsel & Secretary

NAME AND POSITION WITH BLACKROCK	OTHER COMPANY	POSITION WITH OTHER COMPANY
	BlackRock Institutional Management Corporation Wilmington, DE	Managing Director, General Counsel & Secretary
	BlackRock Advisors, Inc. Wilmington, DE	Managing Director, General Counsel & Secretary
	BlackRock Investments, Inc. New York, NY	General Counsel & Secretary

Laurence D. Fink Chairman and Chief Executive Officer	BlackRock Funds Wilmington, DE	President & Trustee
	BlackRock Capital Management, Inc. Wilmington, DE	Chief Executive Officer
	BlackRock, Inc. New York, NY	Chairman & CEO

BlackRock International, Ltd. Edinburgh, Scotland	Chairman & CEO
BlackRock (Japan), Inc. New York, NY	Chairman & CEO
BlackRock Investments, Inc. New York, NY	Chairman & CEO
BlackRock Institutional Management Corporation Wilmington, DE	Chief Executive Officer
BlackRock Advisors, Inc. Wilmington, DE	CEO
Anthracite Capital, Inc.	Chairman & Director

NAME AND POSITION WITH BLACKROCK	OTHER COMPANY	POSITION WITH OTHER COMPANY
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Robert S. Kapito Vice Chairman and Director	BlackRock Capital Management, Inc. Wilmington, DE	Vice Chairman & Director
	BlackRock International, Ltd. Edinburgh, Scotland	Vice Chairman & Director
	BlackRock, Inc. New York, NY	Vice Chairman
	BlackRock Institutional Management Corporation Wilmington, DE	Vice Chairman & Director
	BlackRock (Japan) Inc. New York, NY	Vice Chairman & Director
	BlackRock Investments, Inc. New York, NY	Director
	BlackRock Advisors, Inc. Wilmington, DE	Vice Chairman & Director
	BlackRock Closed-End Funds	President & Trustee

Ralph L. Schlosstein President and Director	BlackRock Liquidity Wilmington, DE	Chairman & President
	BlackRock Capital Management, Inc. Wilmington, DE	President & Director
	BlackRock, Inc. New York, NY	President & Director
	BlackRock International, Ltd. Edinburgh, Scotland	President & Director
	BlackRock (Japan) Inc. New York, NY	President & Director
	BlackRock Investments, Inc. New York, NY	Director

NAME AND POSITION	POSITION WITH
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WITH BLACKROCK

OTHER COMPANY

OTHER COMPANY

BlackRock Institutional Management Corporation Wilmington, DE	President & Director
BlackRock Advisors, Inc. Wilmington, DE	President & Director
BlackRock Closed-End Funds	Chairman & Trustee
Anthracite Capital, Inc.	Director

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF REGISTRANT'S INVESTMENT SUBADVISER, MELLON EQUITY ASSOCIATES, LLP ("MELLON EQUITY").

Set forth below is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address for Mellon Equity is 500 Grant Street, Suite 4200, Pittsburgh, Pennsylvania 15258. Mellon Equity is registered under the Investment Advisers Act of 1940. Information as to the directors and officers of Mellon Equity is as follows:

Guy Hudson	Franklin Portfolio Holdings, LLC Boston, MA	Director
	Mellon Equity Associates, LLP Pittsburgh, PA	Executive Committee
	Mellon HBV Advisors LLC New York, NY	Manager
	Mellon HBV Alternative Strategies New York, NY	Manager
	Mellon HBV Alternative Strategies LLC New York, NY	Manager
	Mellon HBV Alternative Strategies UK London, England	Director
	Mellon HBV Company LTD Grand Cayman, Cayman Islands	Director
	Mellon HBV II LLC New York, NY	Manager
	Newton Management LTD (UK) London, England	Director
John J. Nagorniak	Foxstone Financial, Inc. Walpole, MA	Chairman/ President
	Franklin Portfolio Associates, LLC Boston, MA	Chairman
	Franklin Portfolio Holdings, Inc. Boston, MA	Chairman/ Director
	LifeHarbor, Inc. Cambridge, MA	Director
	Mellon Capital Management Corporation San Francisco, CA	Director
	Mellon Equity Associates, LLP Pittsburgh, PA	Executive Committee Member, Vice

		President
	Mellon HBV Advisors LLC New York, NY	Manager
	Mellon HBV Alternative Strategies New York, NY	Manager
	Mellon HBV Alternative Strategies LLC New York, NY	Manager
	Mellon HBV Company LTD Grand Cayman, Cayman Islands	Manager
	Mellon HBV II LLC New York, NY	Manager
	Standish-Mellon Asset Management Boston, MA	Member of Board of Managers
	TBCAM Holdings, LLC Boston, MA	Director
Patrick James Sheppard	Mellon Capital Management Corporation Boston, MA	Treasurer
	Mellon Equity Associates, LLP Pittsburgh, PA	Executive Committee Member, Treasurer
	Mellon HBV Advisors LLC New York, NY	Manager
	Mellon HBV Alternative Strategies New York, NY	Manager
	Mellon HBV Alternative Strategies UK London, England	Director
	Mellon HBV Company LTD Grand Cayman, Cayman Islands	Director
	Mellon HBV II LLC New York, NY	Manager
	Standish Mellon Asset Management Boston, MA	Board Member
Ronald Philip O'Hanley III	Buck Consultants, Inc. New York, NY	Director
	Franklin Portfolio Associates, LLC Boston, MA	Director
	Franklin Portfolio Holdings, Inc. Boston, MA	Director
	Mellon Bank, N.A. Pittsburgh, PA	Vice Chairman
	Mellon Capital Management Corporation San Francisco, CA	Director
	Mellon Equity Associates, LLP Pittsburgh, PA	Executive Committee Member, Chairman
	Mellon Financial Corporation	Vice

	Pittsburgh, PA	Chairman
	Mellon Global Investing Corporation Pittsburgh, PA	Director, Chairman, Chief Executive Officer
	Mellon Global Investments Japan Co. Tokyo, Japan	Non- Resident Director
	Newton Management LTD (UK) London, England	Executive Committee Member
	Pareto Partners London, England	Partner Representative
	Pareto Partners New York, NY	Partner Representative
	Standish Mellon Asset Management Boston, MA	Board Member
	TBCAM Holdings, Inc. Boston, MA	Director
	The Boston Company Asset Management Boston, MA	Chairman Director
	The Dreyfus Corporation New York, NY	Director Vice Chairman
William Paul Rydell	Mellon Equity Associates, LLP Pittsburgh, PA	Executive Committee Member, President and CEO
	The Dreyfus Corporation New York, NY	Group Manager
Patricia Kay Nichols	Mellon Equity Associates, LLP Pittsburgh, PA	Executive Committee Member, Executive Vice President and Chief Operating Officer

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF REGISTRANT'S INVESTMENT SUBADVISER, WESTERN ASSET MANAGEMENT COMPANY ("WESTERN ASSET").

Set forth below is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address of Western Asset is 385 East Colorado Boulevard, Pasadena, California 91105. Western Asset is registered under the Investment Advisers Act of 1940. Information as to the directors and officers of Western Asset is as follows:

NAME AND POSITION WITH WESTERN ASSET	NATURE OF COMPANY AND/OR PRINCIPAL BUSINESS	CAPACITY
Bruce Daniel Alberts, Chief Financial Officer	--	--
Gregory B. McShea, Director of Compliance	--	--

& Controls

James William Hirschmann, Director, President & CEO	Medical Simulation Corporation	Member of the Board of Directors
	Widener College	Treasurer, Chairman and Member of the Board of Trustees, Member of the Finance & Investment Committee
Stephen Kenneth Leech, Chief Investment Officer	--	--
Peter L. Bain, Non-Employee Director	Walters Art Museum	Member of the Board of Directors
Edward Albert Taber, Non-Employee Director	--	--

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 BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF  
 REGISTRANT'S INVESTMENT SUBADVISER, WESTERN ASSET MANAGEMENT LIMITED ("WAML").

Set forth below is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address of WAML is 155 Bishopsgate, London EC2M 3XG. WAML is registered under the Investment Advisers Act of 1940. Information as to the directors and officers of WAML is as follows:

NAME AND POSITION WITH WAML	NATURE OF COMPANY AND/OR PRINCIPAL BUSINESS	CAPACITY
-----	-----	-----
Alison Moitysee, Compliance Officer and Company Secretary	--	--
James William Hirschmann, Managing Director and Director	Medical Simulation Corporation	Member of the Board of Directors
	Widener College	Treasurer, Chairman and Member of the Board of Trustees, Member of the Finance & Investment Committee
Peter L. Bain, Director	Walters Art Museum	Member of the Board of Directors
Edward Albert Taber, Director	--	--
Suzanne Taylor-King, Finance Officer	--	--
Michael Baruch Zelouf, Director and Senior Executive Officer	--	--

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 BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF  
 REGISTRANT'S INVESTMENT SUBADVISER, ALLIANCE CAPITAL MANAGEMENT, LP ("ALLIANCE")

Set forth below is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address of Alliance is 1345 Avenue of the Americas, New York, NY 10105. Alliance is registered under the Investment Advisers Act of 1940. Information as to the directors and officers of Alliance is as follows:

NAME AND POSITION WITH INVESTMENT ADVISER	OTHER COMPANY	POSITION WITH OTHER COMPANY
Donald Hood Brydon Director	AXA Investment Managers S.A.	Chairman & Chief Executive Officer
Bruce William Calvert Chairman of the Board & CEO	AXA	Director
	ELAS	Director
	ACMC	Director/Executive Officer
Henri de Castries Director	AXA	Chairman, Management Board
	ELAS	Director
	AXF	Chairman of the Board
	ACMC	Director/Executive Officer
Christopher M. Condron Director	AXF	Director, President, Chief Executive Officer
	ELAS	Chairman, CEO
Denis Duverne Director	AXA	Group Executive Vice President Finance, Control and Strategy
	ACMC	Director/Executive Officer
Richard S. Dziadzio Director	ACMC	Director/Executive Officer
Alfred Harrison Vice Chairman/Director	ACMC	Director/Executive Officer
Roger Hertog Vice Chairman/Director	ACMC	Director/Executive Officer
Benjamin Duke Holloway Director	Continental Companies	Financial Consultant
	ACMC	Director

NAME AND POSITION WITH INVESTMENT ADVISER	OTHER COMPANY	POSITION WITH OTHER COMPANY
Robert Henry Joseph, Jr. Senior Vice President, CFO	ACMC	Director/Executive Officer
W. Edwin Jarmain Director	Jarmain Group Inc.	President
Lewis A. Sanders Vice Chairman, Chief Executive Officer/Director	ACMC	Director/Executive Officer
Peter J. Tobin Director	St. John's University Tobin College of Business Administration	Special Assistant to the President
Peter D. Noris Director	AXF	Executive Vice President, Chief Investment Officer
	ELAS	Executive Vice President, Chief Investment Officer
	ACMC	Director/Executive Officer

Gerald M. Lieberman Executive Vice President, Chief Operating Officer	ACMC	Director/Executive Officer
Frank Savage Director	Savage Holdings LLC  ACMC	Chief Executive Officer  Director
Stanley B. Tulin Director	AXF  ACMC	Vice Chairman & Chief Financial Officer  Director/Executive Officer
	ELAS	Vice Chairman & CFO
Dave Harrel Williams Chairman Emeritus	White Williams Private Equity Partners GmbH  ACMC	Director  Director
Lorie Slutsky Director	The New York Community Trust	President
John Blundin Executive Vice President	ACMC	Executive Officer

NAME AND POSITION WITH INVESTMENT ADVISER -----	OTHER COMPANY -----	POSITION WITH OTHER COMPANY -----
Sharon Fay Executive Vice President & Chief Investment Officer	ACMC	Executive Officer
Marilyn Fedak Executive Vice President & Chief Investment Officer	ACMC	Executive Officer
Thomas S. Hexner Executive Vice President	ACMC	Executive Officer
Mark R. Manley Senior Vice President, Acting General Counsel and Chief Compliance Officer	ACMC	Executive Officer
Seth Masters Senior Vice President	ACMC	Executive Officer
Marc Mayer Executive Vice President	ACMC	Executive Officer
James Reilly Executive Vice President	ACMC	Executive Officer
Paul Rissman Executive Vice President	ACMC	Executive Officer
David Steyn Executive Vice President	ACMC	Executive Officer
Christopher Toub Executive Vice President	ACMC	Executive Officer
Lisa Shalett Chairman/CEO of Sanford C. Bernstein	ACMC	Executive Officer
Doug Peebles Executive Vice President	ACMC	Executive Officer
Jeff Phlegar, Executive Vice President	ACMC	Executive Officer

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF  
REGISTRANT'S INVESTMENT SUBADVISER, MAZAMA CAPITAL MANAGEMENT, INC. ("MAZAMA").



	Jupiter Extra Income Securities Limited	Director
Deborah Weekes, Director and Secretary	New Star Administration Services Limited Worldinvest Management Ltd. New Star Institutional Managers Holdings Limited New Star Nominees (2) Limited	Director and Secretary Secretary Secretary Secretary
Rupert Ruvigny, Director	New Star Asset Management Group Limited New Star Asset Management Limited Worldinvest Management Ltd. New Star Institutional Managers Holdings Limited New Star Investment Funds Limited New Star Administration Services Limited	Director and Secretary Director and Secretary Director Director Director and Secret Director
Howard Covington, Director	New Star Investment Funds Limited New Star Asset Management Limited Worldinvest Management Ltd. New Star Institutional Managers Limited New Star Institutional Managers Holdings Limited New Star International Investment Products Limited New Star Administration Services Limited CIFT Limited	Director and Secretary Director and Secretary Director Director Director Alternate Director Director and Secret Director
Christine Barnes Sanders, Director	Constantia Consulting (UK) Limited	Director
Mark Beale, Director	New Star Institutional Managers Holdings Limited Worldinvest Management Ltd. New Star Asset Management Limited	Director Director Director
Richard Lewis, Director	Worldinvest Management Ltd. 69 Church Road Flats Management Limited	Director Director
Keith Brown, Director	Worldinvest Management Ltd. New Star Institutional Managers Holdings Limited New Star Administration Services Limited New Star Nominees (2) Limited Conel Services Limited Union Fund Management Limited	Director Director Chairman Director Director Director
Anna Kirk, Director	New Star Institutional Managers Holdings Limited New Star Administration Services Limited Eyescan CCTV Limited	Director Director Director
Ian Beattie, Director	--	--
Timothy Bray, Director	--	--
Michelle Sanders, Director	--	--

BUSINESS AND OTHER CONNECTIONS OF OFFICERS AND DIRECTORS OF REGISTRANT'S INVESTMENT SUBADVISER, THE BOSTON COMPANY ASSET MANAGEMENT, LLC ("BOSTON COMPANY").

Set forth is information as to any business, profession, vocation or employment of substantial nature engaged in by such officers and directors during the past two fiscal years. The principal business address of the Boston Company is One Boston Place, Boston, Massachusetts 02108. The Boston Company is registered under the Investment Advisers Act of 1940. Information as to the officers and directors of the Boston Company is as follows:

NAME AND POSITION WITH THE BOSTON COMPANY	NATURE OF COMPANY AND/OR PRINCIPAL BUSINESS	CAPACITY
Marie Welch Stewart, Chief Administration Officer		
Jennifer Cassedy, Director of Compliance		
Corey Griffin, President, Chief Executive Officer and Director of Manager		

Kraig Struglia,  
Director of Technology

Paul Leahy,  
Director of Client  
Service

Stephen Canter,  
Director of Manager

John Nagoniak,  
Director of Manager

Ronald O'Hanley,  
Chairman of the Board

Peter Higgins,  
Director of Manager

Richard Watson,  
Director of Marketing

Patrick Sheppard,  
Director of Manager

Edward Ladd,  
Director of Manager

William Adam,  
Director of Manager

Francis Antin,  
Director of Manager

ITEM 26. Principal Underwriters

(a) Registrant's principal underwriter, PFPC Distributors, Inc., also acts as principal underwriter or investment adviser to the following other investment companies:

AB Funds Trust  
AFBA 5 Star Funds, Inc.  
Atlantic Whitehall Funds Trust  
ASA Hedged Equity Fund LLC  
ASA Debt Arbitrage Fund LLC  
ASA Market Neutral Equity Fund LLC  
ASA Managed Futures Fund LLC  
Columbia Floating Rate Fund  
Columbia Floating Rate Advantage Fund  
Columbia Institutional Floating Rate Fund  
Forward Funds, Inc  
Harris Insight Funds Trust  
Hillview Investment Trust II  
Kalmar Pooled Investment Trust  
Matthews Asian Funds  
Metropolitan West Funds  
The RBB Fund, Inc.  
RS Investment Trust  
Scudder Investments VIT Funds  
Stratton Growth Fund, Inc.  
Stratton Monthly Dividend REIT Shares, Inc.  
The Stratton Funds, Inc.  
Trainer, Wortham First Mutual Funds  
Van Wagoner Funds  
Weiss, Peck & Greer Funds Trust  
Wilshire Mutual Funds, Inc.  
WPG Large Cap Growth Fund  
WPG Tudor Fund

(b) Information regarding the directors and officers of PFPC Distributors, Inc. is as follows:

<TABLE>  
<CAPTION>

NAME AND PRINCIPAL BUSINESS ADDRESS -----	POSITIONS AND OFFICES WITH PFPC DISTRIBUTORS, INC. -----	POSITIONS AND OFFICES WITH REGISTRANT -----
<S> Brian Burns	<C> Chairman, Chief Executive Officer, Director and President	<C> None

Michael Denofrio	Director	None
Nick Marsini	Director	None
Rita G. Adler	Chief Compliance Officer	None
Christine A. Ritch	Chief Legal Officer, Assistant Secretary and Assistant Clerk	None
Steven B Sunnerberg	Secretary and Clerk	None
Christopher S. Conner	Vice President and Anti-Money Laundering Officer	None
Julie Bartos	Assistant Secretary and Assistant Clerk	None
Bradley A. Stearns	Assistant Secretary and Assistant Clerk	None
Kristen Nolan	Assistant Secretary and Assistant Clerk	None
Craig Stokarski	Treasurer and Financial & Operations Principal	None
Douglas D. Castagna	Controller and Assistant Treasurer	None
Bruno Di Stefano	Vice President	None
Susan K. Moscaritolo	Vice President	None

</TABLE>

(c) Not applicable.

ITEM 27. Location of Accounts and Records

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the rules thereunder are maintained (i) at the offices of the Registrant; (ii) at the offices of Registrant's administrator, PFPC, Inc., 760 Moore Road, King of Prussia, Pennsylvania 19406; at the offices of Registrant's principal underwriter, PFPC Distributors, Inc., 760 Moore Road, King of Prussia, Pennsylvania 19406; (iv) at the offices of Registrant's investment adviser or subadvisers, Wilshire Associates, Incorporated, 1299 Ocean Avenue, Santa Monica, California 90401-1085; Wellington Management Company, LLP, 75 State Street, Boston, Massachusetts 02109; BlackRock Financial Management Inc., 1600 Market Street, 27th Floor, Philadelphia, Pennsylvania 19103; Western Asset Management Company, 117 E. Colorado Blvd., Pasadena, California 91105; Western Asset Management Limited, 155 Bishopsgate, London EC2M 3XG England; Alliance Capital Management, L.P., 1345 Avenue of the Americas, New York, New York 10105; Mellon Equity Associates, LLP, 500 Grant Street, Suite 4200, Pittsburgh, Pennsylvania 15258; Mazama Capital Management, Inc., One Southwest Columbia, Suite 1860, Portland, OR 97258; New Star Institutional Managers Limited, 1 Knightsbridge Green, London, England SW1X7NE; and The Boston Company Asset Management, LLC, One Boston Place, Boston, Massachusetts 02108; or (v) at the offices of Registrant's custodian, State Street Bank and Trust Company, 801 Pennsylvania Avenue, Kansas City, MO 64105.

ITEM 28. Management Services

Not applicable.

ITEM 29. Undertakings

Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of Registrant's latest annual report to shareholders, upon request and without charge.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the registrant certifies that it meets all of the requirements for effectiveness of this registration statement under Rule 485(b) of the Securities Act of 1933 and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Monica, and State of California, on the 29th day of April, 2005.

WILSHIRE VARIABLE INSURANCE TRUST

By: /s/ LAWRENCE E. DAVANZO

-----  
Lawrence E. Davanzo, President

Pursuant to the requirements of the Securities Act of 1933, this amendment to the registration statement has been signed below on April 29, 2005 by the following persons in the capacities indicated.

Signature	Title
-----	-----
/s/ LAWRENCE E. DAVANZO	President (Principal Executive Officer) and

----- Trustee  
Lawrence E. Davanzo

/s/ ALEX CHALOFF Treasurer (Principal Financial and  
----- Accounting Officer)  
Alex Chaloff

/s/ ROGER A. FORMISANO\* Trustee  
-----  
Roger A. Formisano

/s/ CYNTHIA A. HARGADON\* Trustee  
-----  
Cynthia A. Hargadon

/s/ RICHARD A. HOLT\* Trustee  
-----  
Richard A. Holt

/s/ HARRIET A. RUSSELL\* Trustee  
-----  
Harriet A. Russell

/s/ GEORGE J. ZOCK\* Trustee  
-----  
George J. Zock

-----  
\* Lawrence E. Davanzo signs this document pursuant to powers of attorney  
previously filed.

By: /s/ LAWRENCE E. DAVANZO  
-----  
Lawrence E. Davanzo, Attorney-in-Fact

EXHIBIT INDEX

NUMBER	NAME
-----	----
(i)	Opinion and Consent of Vedder, Price, Kaufman & Kammholz, P.C.
(j)	Consent of KPMG LLP
(p)	Code of Ethics
(i)	Wilshire Variable Insurance Trust and Wilshire Associates Incorporated
(ii)	Mazama Capital Management
(iii)	Wellington Management Company
(iv)	BlackRock Financial Management, Inc.
(v)	Mellon Equity Associates, LLP and The Boston Company Asset Management, LLC
(vi)	Western Asset and WAML
(vii)	Alliance Capital Management, L.P.
(viii)	New Star Institutional Managers Limited

[LOGO]  
VEDDERPRICE

VEDDER, PRICE, KAUFMAN & KAMMHOLZ, P.C  
222 NORTH LASALLE STREET  
CHICAGO, ILLINOIS 60601  
312-609-7500  
FACSIMILE: 312-609-5005

OFFICES IN CHICAGO, NEW YORK AND LIVINGSTON, NEW JERSEY

April 28, 2005

Wilshire Variable Insurance Trust  
1299 Ocean Avenue  
Santa Monica, CA 90401

Ladies and Gentlemen:

We have acted as counsel to Wilshire Variable Insurance Trust, a Delaware statutory trust (the "Trust"), in connection with the filing with the Securities and Exchange Commission ("SEC") of Post-Effective Amendment No. 18 to the Trust's Registration Statement on Form N-1A (the "Post-Effective Amendment"), registering an indefinite number of units of beneficial interest, no par value ("Shares"), in each of the Equity Fund, Balanced Fund, Income Fund, Short-Term Investment Fund, Small Cap Growth Fund, International Equity Fund and Socially Responsible Fund, series of the Trust of which the sole class of Shares of each such series has been designated as Horace Mann Shares, under the Securities Act of 1933, as amended (the "1933 Act").

You have requested our opinion as to the matters set forth below in connection with the filing of the Post-Effective Amendment. In connection with rendering that opinion, we have examined the Post-Effective Amendment, the Declaration of Trust, as amended, the Certificate of Trust of the Trust, as amended, the Trust's Amended and Restated Bylaws, the actions of the Trustees of the Trust that authorize the approval of the foregoing documents, securities matters and the issuance of the Shares, and such other documents as we, in our professional opinion, have deemed necessary or appropriate as a basis for the opinion set forth below. In examining the documents referred to above, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of documents purporting to be originals and the conformity to originals of all documents submitted to us as copies. As to questions of fact material to our opinion, we have relied (without investigation or independent confirmation) upon the representations contained in the above-described documents and on certificates and other communications from public officials and officers and Trustees of the Trust.

Our opinion, as set forth herein, is based on the facts in existence and the laws in effect on the date hereof and is limited to the federal laws of the United States of America and the Delaware Statutory Trust Act. We express no opinion with respect to any other laws.

Based upon and subject to the foregoing and the qualifications set forth below, we are of the opinion that (a) the Shares to be issued pursuant to the Post-Effective Amendment have been duly authorized for issuance by the Trust; and (b) when issued and paid for upon the terms provided in

[LOGO]  
VEDDERPRICE

Wilshire Variable Insurance Trust  
April 28th, 2005  
Page 2

the Post-Effective Amendment, subject to compliance with the 1933 Act, the Investment Company Act of 1940, as amended, and applicable state laws regulating the offer and sale of securities, the Shares to be issued pursuant to the Post-Effective Amendment will be validly issued, fully paid and non-assessable.

This opinion is rendered solely for your use in connection with the filing of the Post-Effective Amendment and supersedes any previous opinions of this firm in connection with the issuance of the Shares. We hereby consent to the filing of this opinion with the SEC in connection with the Post-Effective Amendment. In giving our consent we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the 1933 Act or the rules and regulations of the SEC thereunder. The opinions expressed herein are matters of professional judgment and are not a guarantee of result.

Very truly yours,

/s/ Vedder, Price, Kaufman & Kammholz, P.C.

VEDDER, PRICE, KAUFMAN & KAMMHOLZ, P.C.

COK/RMH

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholders of  
The Wilshire Variable Insurance Trust:

We consent to the use of our report incorporated by reference herein and to the references to our Firm above the headings "Financial Highlights" in the Prospectus and "Other Services--Independent Registered Public Accounting Firm" in the Statement of Additional Information.

/s/ KPMG LLP  
Chicago, Illinois  
May 2, 2005

January 2005

PART 1. GENERAL PRINCIPLES

Wilshire Associates Incorporated's ("Wilshire") Standards of Business Conduct and Code of Ethics ("Code") is being adopted in compliance with the requirements of the Investment Advisers Act Rule 204A-1 and Investment Company Act Rule 17j-1. The principles emphasize Wilshire's overarching fiduciary duty to our investment management and consulting clients and the obligation of our firm's personnel to uphold that fundamental duty. The Code includes securities-related conduct and focus principally on personal securities transactions, insider trading, outside activities, gifts, conflicts of interest, and employee reporting requirements.

The general principles include:

1. The duty at all times to place the interests of clients first;
2. The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
3. The principle that investment adviser personnel should not take inappropriate advantage of their positions;
4. The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
5. The principle that independence in the investment decision-making process is paramount.

In addition, Wilshire places great importance on the firm's reputation, as well as principles of honesty, integrity, and professionalism. Failure to comply with Wilshire's Code may result in disciplinary action, including termination of employment.

The Code is not exhaustive; it provides guidance for all employees (including officers and directors) to carry out their responsibilities on behalf of Wilshire and observe the highest standards of ethical conduct. Because the Code does not address every possible situation, it is important that all employees exercise good judgment, apply ethical principles and raise questions when in doubt.

PART 2. SCOPE OF THE CODE

A. Persons Covered by the Code. Wilshire has designated two categories of persons covered by the Code. Rule 204A-1 requires the Code to cover an adviser's "supervised persons." A subset of these supervised persons, "access persons," are required to comply with specific reporting requirements under both Rule 204A-1 and Rule 17j-1.

1. Supervised Persons include:

- a. Directors and officers of Wilshire (or other persons occupying a similar status or performing similar functions);
- b. Employees of Wilshire; and
- c. Any other person who provides advice on behalf of Wilshire and is subject to Wilshire's supervision and control (including temporary workers; consultants; certain employees of affiliates; or particular persons designated by the Chief Compliance Officer ("CCO")).

2. Access Persons include:

- a. Any supervised person who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund; or
- b. Any supervised person who is involved in making securities recommendations to clients, or has access to such recommendations that are nonpublic.
- c. All members of Wilshire's Board of Directors.

3. Access Persons for Mutual Funds include:

- a. Directors, officers and trustees of the Investment Companies; and
- b. "Advisory persons" -employees and certain control persons (and their employees) who make, participate in, or obtain information regarding fund securities transactions or whose functions relate to the making of recommendations with respect to Investment Company transactions.
- c. Exempt from this definition are Directors of the Wilshire's advised Investment Companies who are not employees of Wilshire or the Investment Companies, within the meaning of the Investment Company Act, and who do not have access to confidential information regarding client security transactions or recommendations ("Fund Independent Directors").

B. Securities Covered by the Code. Covered Security means any stock, bond, future, investment contract or any other instrument that is considered a "security" under the Investment Advisers Act. The term "covered security" is very broad and includes items you might not ordinarily think of as "securities," such as:

1. Options on securities, on indexes, and on currencies;
2. All kinds of limited partnerships;
3. Foreign unit trusts and foreign mutual funds; and
4. Private investment funds, hedge funds, and investment clubs.

Covered Security does not include:

1. Direct obligations of the U.S. government (e.g., treasury securities);
2. Bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt obligations, including repurchase agreements;
3. Shares issued by money market funds;
4. Shares of open-end mutual funds that are not advised or sub-advised by Wilshire (or certain affiliates, where applicable); and
5. Shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are funds advised or sub-advised by Wilshire (or certain affiliates, where applicable).

### PART 3. STANDARDS OF BUSINESS CONDUCT

A. Compliance with Laws and Regulations. The foundation of Wilshire's ethical standards is compliance with federal securities law. All supervised persons must respect and obey all of the laws, rules and regulations applicable to our business, including among others, investment advisers, investment company, federal securities, and other federal and state laws. Wilshire's Compliance Manual is designed specifically to meet applicable laws and regulations and all supervised persons are required to be familiar and comply with the requirements in that manual. Likewise, all supervised persons are responsible for being familiar and complying with the procedures applicable to their division. Although you are not expected to know the details of each law governing our business, you are expected to be familiar with and comply with the company-wide policies and procedures and those that apply to your division and when in doubt, to seek advice from supervisors, managers or other appropriate personnel as outlined in the Code.

1. As part of this requirement, supervised persons are not permitted, in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by an Investment Company, as defined by the Investment Company Act, to which Wilshire is an investment adviser or other client:
  - a. To defraud such client in any manner;
  - b. To mislead such client, including by making a statement that omits material facts;
  - c. To engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon such client;
  - d. To engage in any manipulative practice with respect to such client; or
  - e. To engage in any manipulative practice with respect to securities, including price manipulation.

B. Personal Securities Transactions. All access persons are subject to

the following provisions of Wilshire's personal securities transactions policy:

1. Initial Public Offerings - Pre-clearance. The rule requires pre-clearance of an access person's participation in all IPOs. The CCO, or in his absence the General Counsel, shall review all such requests and render a decision to approve or decline the request. Documentation of any approvals and the reason supporting the approvals will be maintained in the Compliance Department files.
2. Limited or Private Offerings - Pre-Clearance. The rule mandates the Code require express prior approval of any acquisition of securities by access persons in a limited

offering (e.g., private placement). Prior approval should take into account, among other factors, whether the opportunity is being offered to an individual by virtue of his or her position with the adviser. The CCO, or in his absence the General Counsel, shall review all such requests and render a decision to approve or decline the requests. Documentation of any approvals and the reason supporting the approvals will be maintained in the Compliance Department files.

- C. Insider Trading. All supervised persons are prohibited from trading, either personally or on behalf of others, on material, nonpublic information. Further, supervised persons are prohibited from communicating material nonpublic information to others in violation of the law. Detailed policies and procedures on Insider Trading are found in Wilshire's Compliance Manual.
- D. Outside Activities. Any non-Wilshire employment or other outside activity by a supervised person may result in possible conflicts of interests for the employee or for the firm and therefore must be reviewed and approved by the employee's Division Manager and the firm's CCO or General Counsel. Detailed policies and procedures regarding Outside Activities are found in Wilshire's Compliance Manual.
- E. Gifts. No supervised person may give or receive any gift, service, or other thing of more than de minimis value from any person or entity that does business with or on behalf of Wilshire. Detailed policies and procedures regarding Gifts are found in Wilshire's Compliance Manual.
- F. Conflicts of Interest. Wilshire's general policy is to try to avoid conflicts of interest when possible and to fully disclose all material facts concerning any conflicts that do arise with respect to any client.
- G. Confidentiality. All confidentiality provisions start with the basic fiduciary premise that information concerning the identity of security holdings and financial circumstances of clients is confidential.
1. Wilshire's Duties. Wilshire keeps all information about clients (including former clients) in strict confidence, including the client's identity (unless the client consents), the client's financial circumstances, the client's security holdings, and advice furnished to the client by the firm.
  2. Supervised Persons' Duties. Supervised persons are prohibited from disclosing to persons outside the firm any material nonpublic information about any client, the securities investments made by the firm on behalf of a client, information about contemplated securities transactions, or information regarding the firm's trading strategies, except as required to effectuate securities transactions on behalf of a client or for other legitimate business purposes (including adherence to Investment Company policies).
  3. Internal Walls. Access persons are prohibited from disclosing nonpublic information concerning clients or securities transactions and holdings to non-access persons within the firm, except for legitimate business purposes (including adherence to Investment Company policies).

#### PART 4. COMPLIANCE PROCEDURES

##### A. Certification of Compliance.

1. Initial Certification. Wilshire is required to provide all supervised persons with a copy of the Code. All supervised persons shall certify in writing that they have: (a) received a copy of the Code; (b) read and understand all provisions of the Code; and (c) agreed to comply with the terms of the Code.

2. Acknowledgement of Amendments. Wilshire shall provide supervised persons with any amendments to the Code and supervised persons shall be required to submit a written acknowledgement that they have received, read, and understood the amendments to the Code.
3. Annual Certification. All supervised persons shall annually certify that they have read, understood, and complied with the Code. In addition, the certification shall include a representation that the supervised person has made all of the reports required by the Code and has not engaged in any prohibited conduct. Conversely, if the employee is unable to make such a representation, the employee is required to self-report any violations.

B. Personal Securities Transaction Procedures and Reporting.

1. Pre-Clearance Procedures. All access persons are subject to pre-clearance procedures as noted in Part 3, Section B of the Code for all Initial Public Offerings and Limited (or Private) Offerings transactions. Additional policies and procedures regarding Personal Securities Transactions are found in Wilshire's Compliance Manual.

2. Reporting Requirements

- a. Holdings Reports. All access persons are required to submit to the CCO a report of all holdings in covered securities within 10 days of becoming an access person and thereafter on an annual basis. The holdings report must include: (i) the title and exchange ticker symbol or CUSIP number, type of security, number of shares and principal amount (if applicable) of each covered security in which the access person has any direct or indirect beneficial ownership; (ii) the name of any broker, dealer or bank with which the access person maintains an account in which any securities are held for the access person's direct or indirect benefit; and (iii) the date the report is submitted. Information in the holding report must be current as of a date no more than 45 days prior to the date the person became an access person or the date the report was submitted, as applicable.
- b. Quarterly Transaction Reports. All access persons are required to submit to the CCO transaction reports no later than 30 days after the end of each calendar quarter covering all transactions in covered securities during the quarter. The transaction reports must include information about each transaction involving a covered security in which the access person had, or as a result of the transaction acquired, any direct or indirect beneficial ownership. The reports must include: (i) the date of the transaction, the title and exchange ticker symbol or CUSIP number, the interest

rate and maturity date (if applicable), the number of shares and the principal amount (if applicable) of each covered security involved; (ii) the nature of the transaction (e.g., purchase, sale); (iii) the price of the security at which the transaction was effected; (iv) the name of the broker, dealer, or bank with or through which the transaction was effected; and (v) the date the report is submitted.

- c. Quarterly Brokerage Account Reports. Access persons for mutual funds shall disclose the following information about any account opened during the quarter containing securities held for the direct or indirect benefit of the access person: (i) the name of the broker, dealer or bank with whom the access person established the account; (ii) the date the account was established; and (iii) the date the report is submitted. Additional policies and procedures regarding Brokerage Accounts are found in Wilshire's Compliance Manual.
  - d. Funds Independent Directors need only to report a transaction in a security if such director, at the time of the transaction knew, or, in the ordinary course of fulfilling his official duties as a director, should have known that, during the 15-day period immediately preceding or after the date of the transaction by the director, such security is or was purchased or sold by the Investment Company or is or was being considered for purchase or sale by the Investment Company or its investment adviser. Such reports will include the information described in sub-section b above.
3. Monitoring of Personal Securities Transactions. The CCO is responsible to review personal securities transactions and holdings reports periodically and the General Counsel reviews the CCO transactions. Detailed procedures are found in Wilshire's

PART 5. ADMINISTRATION AND ENFORCEMENT OF THE CODE

- A. Form ADV Disclosure. Wilshire shall include on Schedule F of Form ADV, Part II a description of the firm's Code along with a statement that Wilshire will provide a copy of the Code to any client or prospective client upon request. In addition, Wilshire shall review and update the firm's Part II disclosure in connection with making amendments to the Code.
- B. Training and Education. The CCO is the designated individual responsible for training and educating supervised persons regarding the Code. Training will occur periodically and all supervised persons shall be required to attend any training sessions or read any applicable materials.
- C. Annual Review. The CCO shall review at least annually the adequacy of the Code and the effectiveness of its implementation.
- D. Board Approval. The Wilshire Board of Directors shall approve the Code and Wilshire shall have the Code approved by the board of directors of any mutual funds it advises or sub-advises. The boards shall also approve any material amendments to the Code.
- E. Report to Board. The CCO shall provide an annual written report to the board of the directors of Wilshire and of the funds it advises or sub-advises that describes any issues

arising under the Code since the last report, including information about material violations of the Code and sanctions imposed in response to such violations. The report will include a discussion of whether any waivers that might be considered important by the board were granted during the period. The report will also certify that the adviser has adopted procedures reasonably necessary to prevent access persons from violating the Code.

- F. Reporting Violations. All supervised persons are required to report violations of the firm's Code promptly to the CCO or in his absence, to the General Counsel, with a copy to the CCO.
  - 1. Confidentiality. Such reports shall be treated confidentially to the extent permitted by law and investigated promptly and appropriately.
  - 2. Alternate Designee. General Counsel is designated as the alternate person to whom employees may report violations in case the CCO is involved in the violation or is unreachable. If unreachable, the CCO shall be copied on any report submitted to the General Counsel.
  - 3. Types of Reporting. Examples of the types of reporting required, include, but is not limited to: noncompliance with applicable laws, rules, and regulations; noncompliance with the Code; fraud or illegal acts involving any aspect of the firm's business; material misstatements in regulatory filings, internal books and records, clients records or reports; activity that is harmful to clients, including fund shareholders; and deviations from required controls and procedures that safeguard clients and the firm.
- G. Sanctions. Any violation of the Code may result in disciplinary action deemed appropriate, including but not limited to a warning, fines, disgorgement, suspension, demotion, or termination of employment. In addition to sanctions, violations may result in referral to civil or criminal authorities where appropriate.
- H. Recordkeeping. Wilshire shall maintain the following records in a readily accessible place:
  - 1. A copy of each Code that has been in effect at any time during the past five years;
  - 2. A record of any violation of the Code and any action taken as a result of such violation for five years from the end of the fiscal year in which the violation occurred;
  - 3. A record of all written acknowledgements of receipt of the Code and amendments for each person who is currently, or within the past five years was, a supervised person;
  - 4. Holdings and transactions reports made pursuant to the Code;
  - 5. A list of the names of persons who are currently, or within the past five years were, access persons
  - 6. A record of any decision, and the reason support the decision, to approve the acquisition



STANDARDS OF BUSINESS CONDUCT AND CODE OF ETHICS  
ANNUAL CERTIFICATION AND HOLDINGS REPORT

To the Compliance Officer:

I. For each Supervised Person (please check a box for each statement below):

Yes/No

1. I hereby acknowledge receipt of a copy of the Standards of Business Conduct and Code of Ethics ("Code") for Wilshire Associates Incorporated ("Wilshire" or "Company").
2. I have read and understand all the provisions of the Code.
3. I have complied with the terms of the Code, have made all required reports and have not engaged in any prohibited conduct.
4. I have the following violations to report. (Please attach a separate memo detailing any self-reported violations.)

II. For Access Persons only:

1. As an Access Person I have a direct or indirect beneficial ownership in the following covered securities:

Holdings Report

<TABLE>  
<CAPTION>  
<S>

Name of Securities	Ticker	Number of Shares/ Principal Amount	Type of Security	Broker/Dealer/Bank
--------------------	--------	---------------------------------------	------------------	--------------------

</TABLE>

Date: \_\_\_\_\_ Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit C

WILSHIRE ASSOCIATES INCORPORATED  
STANDARDS OF BUSINESS CONDUCT AND CODE OF ETHICS  
QUARTERLY TRANSACTIONS REPORT

Securities Transactions Report For the Calendar Quarter Ended \_\_\_\_\_

To the Compliance Officer:

1. During the quarter referred to above, the following transactions were effected in securities in which I had, or by reason of such transaction acquired, direct or indirect beneficial ownership, and which are required to be reported pursuant to the Code of Ethics adopted by the Company.

<TABLE>

<CAPTION>

<S> Security	<C> Date of Transaction	<C> Number of Shares	<C> Dollar Amount of Transaction	<C> Nature of Transaction (Purchase, Sale, Other)	<C> Price	<C> Broker/Dealer or Bank through Whom Effected

2. During the quarter referred to above, the following are new accounts with all brokers, dealers or banks with which I hold securities whether or not transactions in such securities are reportable under the Code:

Broker/Dealer/Bank -----	Date Account Established -----
-----------------------------	-----------------------------------

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

</TABLE>

MAZAMA CAPITAL MANAGEMENT  
Code of Ethics

1. BACKGROUND

Rule 17j-1 (the "Rule") under the Investment Company Act of 1940 (the "Investment Company Act") requires that Mazama Capital Management, Inc. ("Mazama"), if it serves as a subadviser or adviser to a registered investment company (a "Trust"), to adopt a written Code of Ethics and to report to the Board of Trustees of a Trust (the "Board") any material compliance violations. The Board may approve a Code of Ethics only after it has made a determination that the Code of Ethics contains provisions designed to prevent "Access Persons" (summarized below and further defined in Appendix 1) from engaging in fraud. In addition, certain key "Investment Personnel" (summarized below and defined in Appendix 1) of Mazama are subject to further pre-clearance procedures with respect to their investment in securities offered through an initial public offering (an "IPO") or private placement (a "Limited Offering").

2. KEY DEFINITIONS

For other definitions, see Appendix 1

The term "Access Person" is generally defined by the Rule to include: (i) any director, trustee, officer, general partner or key investment personnel of a Trust or an investment adviser to a Trust; and (ii) any director, officer, or general partner of a principal underwriter who has knowledge of the investment activities of a series of a Trust. Because Mazama is only one of the investment advisers to a Trust, Access Persons under this Code will include only Mazama personnel. The Mazama Compliance Officer (defined below) will notify an employee if that person fits the above definition and maintain a list of all Access Persons (see Appendix 2).

The term "Investment Personnel" is generally defined by the Rule to include (i) any employee of a Trust or an investment adviser to a Trust who regularly participates in making recommendations regarding the purchase or sale of securities of a series of a Trust (a "Fund"); and (ii) any natural person who controls a Trust or an investment adviser to a Trust who obtains information concerning recommendations made to a Fund or other client account regarding the purchase or sale of securities by a Fund or other client account. As in the case of Access Persons, Investment Personnel under this Code will include only Mazama personnel. The Compliance Officer (defined below) will notify an employee if that person fits the above definition and maintain a list of all

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Mazama Capital Management, Inc.  
Code of Ethics

- 1 -

Investment Personnel (see Appendix 2). Investment Personnel are also Access Persons.

The term "Personal Account" shall include each and every account wherein a Mazama employee influences or controls the investment decisions. A Mazama employee is deemed to influence or control the investment decisions if the account is for the benefit of (i) any employee; (ii) a spouse of any employee; (iii) any child under the age of 22 of an employee, whether or not residing with the employee; (iv) any other dependent of an employee residing in the same household with the employee; (v) any other account in which an employee has a beneficial interest. The employee may obtain a written exemption from the Personal Account designation by the Compliance Officer if the Officer determines that (i) the certifying employee does not influence the investment decisions for any specified account of such spouse, child, or dependent person; and (ii) the person or persons making the investment decisions for such account do not make such decisions, in whole or in part, upon information that the certifying employee has provided.

The term "Publicly Traded Securities" includes (i) any equity or debt instrument traded on an exchange, through NASDAQ or through the "pink sheets;" (ii) any options to purchase or sell such equity or debt instrument; (iii) any index stock or bond group options that include such equity or debt instrument; and (iv) any option on such futures contracts; provided that the Publicly Traded Securities shall not include (a) equity securities issued by mutual funds (other than mutual funds for which Mazama acts as adviser) having total assets of at least \$100,000,000; and (2) certificates of deposit, U.S. treasury bills and other U.S. government-issued debt instruments.

### 3. GENERAL PROHIBITIONS UNDER THE RULE

The Rule prohibits fraudulent activities by affiliated persons of Mazama. Specifically, it is unlawful for any of these persons to:

- (a) employ any device, scheme or artifice to defraud a Fund or other client account;
- (b) make any untrue statement of a material fact to a Fund or omit to state a material fact necessary in order to make the statements made to a Fund, in light of the circumstances under which they are made, not misleading;
- (c) to engage in any act, practice or course of business that operates or would operate as a fraud or deceit on a Fund or other client account;  
or
- (d) to engage in any manipulative practice with respect to a Fund or other client account.

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### 4. COMPLIANCE OFFICERS

In order to meet the requirements of the Rule, this Code of Ethics includes

a procedure for detecting and preventing material trading abuses and requires all Access Persons to report personal securities transactions on an initial, quarterly and annual basis (the "Reports"). Mazama has appointed the following person to serve as the compliance officer (the "Compliance Officer"):

<TABLE>

<CAPTION>

Name	Title
Brian Alfrey	Chief Operating Officer

The Compliance Officer will receive and review Reports delivered in accordance with Section 5 below. In turn, the Compliance Officer will report to the Board any material violations of the Code of Ethics in accordance with Section 6 below.

Any questions regarding Mazama's policies or procedures regarding insider trading, confidential information and conflicts of interest should be referred to the Compliance Officer.

#### 5. ACCESS PERSON REPORTS

All Access Persons are required to submit the following reports to the Compliance Officer for themselves and any immediate family member residing at the same address. In lieu of providing the Quarterly Transaction Report, an Access Person may submit brokerage statements or transaction confirmations that contain duplicate information. The Access Person should arrange to have brokerage statements and transaction confirmations sent directly to the Compliance Officer (see Appendix 3 for the form of an Authorization Letter):

(a) Employee Certification. Within ten days of beginning employment and within the first thirty days of each year, each Access Person must report the following information:

- (1) The title, number of shares and principal amount of each Covered Security in which the Access Person had any direct or indirect beneficial ownership when the person became an Access Person;

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- (2) The name of any broker, dealer or bank with whom the Access Person maintained an account in which any securities were held for the direct or indirect benefit of the Access Person; and

- (3) The date the report is submitted by the Access Person.

A form of the Employee Certification is attached as Appendix 4.

- (b) Quarterly Transaction Reports. Within ten days of the end of each calendar quarter, each Access Person must report the following information:
- (1) With respect to any transaction during the quarter in a Covered Security in which the Access Person had any direct or indirect beneficial ownership:
    - (i) The date of the transaction, the title, the interest rate and maturity date (if applicable), the number of shares and the principal amount of each Covered Security involved;
    - (ii) The nature of the transaction (i.e., purchase, sale);
    - (iii) The price of the Covered Security at which the transaction was effected;
    - (iv) The name of the broker, dealer or bank with or through which the transaction was effected; and
    - (v) The date that the report is submitted by the Access Person.
  - (2) With respect to any account established by the Access Person in which any securities were held during the quarter for the direct or indirect benefit of the Access Person:
    - (i) The name of the broker, dealer or bank with whom the Access Person established the account;
    - (ii) The date the account was established; and
    - (iii) the date that the report is submitted by the Access Person.

A form of the Quarterly Transaction Report is attached as Appendix 5.

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6. ADMINISTRATION OF THE CODE OF ETHICS - REPORTING VIOLATIONS AND CERTIFYING COMPLIANCE
- (a) Mazama must use reasonable diligence and institute policies and procedures reasonably necessary to prevent its Access Persons from violating this Code of Ethics;
  - (b) The Compliance Officer shall circulate the Code of Ethics and receive an acknowledgement from each Access Person that the Code of Ethics has been read and understood;
  - (c) The Compliance Officer shall review all Reports to determine whether a possible violation of the Code of Ethics and/or other applicable

trading policies and procedures may have occurred.

No Access Person shall review his or her own Report(s). The Compliance Officer shall appoint an alternative to review his or her own Reports if the Compliance Officer is also an Access Person.

- (d) On an annual basis, the Compliance Officer shall prepare a written report describing any issues arising under the Code of Ethics or procedures, including information about any material violations of the Code of Ethics or its underlying procedures and any sanctions imposed due to such violations and submit the information to the Compliance Officer for review by the Board; and
- (e) On an annual basis, Mazama shall certify to the Board of Trustees of any Fund for which it serves as an adviser or subadviser that it has adopted procedures reasonably necessary to prevent its Access Persons from violating the Code of Ethics.

## 7. COMPLIANCE WITH OTHER SECURITIES LAWS

This Code of Ethics is not intended to cover all possible areas of potential liability under the Investment Company Act or under the federal securities laws in general. For example, other provisions of Section 17 of the Investment Company Act prohibit various transactions between a registered investment company and affiliated persons, including the knowing sale or purchase of property to or from a registered investment company on a principal basis, and joint transactions (i.e., combining to achieve a substantial position in a security or commingling of funds) between an investment company and an affiliated person. Access Persons covered by this Code of Ethics are advised to seek advice before engaging in any transactions involving securities held or under consideration for purchase or sale by a Fund or other client account or if a transaction directly or indirectly involves

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themselves and a Trust other than the purchase or redemption of shares of a Fund or other client account or the performance of their normal business duties.

In addition, the Securities Exchange Act of 1934 may impose fiduciary obligations and trading restrictions on access persons and others in certain situations. It is expected that access persons will be sensitive to these areas of potential conflict, even though this Code of Ethics does not address specifically these other areas of fiduciary responsibility.

## 8. PROHIBITED TRADING PRACTICES

- (a) No Access Person may purchase or sell directly or indirectly, any security in which he or she has, or by reason of such transactions acquires, any direct or indirect beneficial ownership if such security

to his or her actual knowledge at the time of such purchase or sale:

- (1) is being considered for purchase or sale by a Fund or other client account;
  - (2) is in the process of being purchased or sold by a Fund or other client account (except that an Access Person may participate in a bunched transaction with a Fund or other client account if the price terms are the same in accordance with trading policies and procedures adopted by Mazama); or
  - (3) is in the process of being purchased or sold for a Fund or other client account, or for which an opposing transaction (purchase versus sale) is underway or has transpired within the prior 7 days. Access persons may purchase or sell securities immediately following transactions on behalf of a Fund or other client account if the transaction is on the same side of the market (i.e. purchasing a security that has been purchased by a Fund or other client account), subject to all other restrictions and requirements set forth in this Code and Mazama's policies and procedures governing trades by Investment Personnel.
- (b) Investment Personnel Mazama must obtain approval from the Compliance Officer before directly or indirectly acquiring beneficial ownership in any securities in an IPO or Limited Offering.
  - (c) No Access Person may trade ahead of a Fund or other client account in violation of this Code - a practice known as "frontrunning."
  - (d) If both an officer, director or employee of Mazama and a client of Mazama are engaging in transactions involving a Publicly Traded Security

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an actual or apparent conflict of interest could arise. In any situation where the potential for conflict exists, transactions for client accounts take precedence over transactions for Personal Accounts.

- (e) Before an officer, director or employee buys or sells a Publicly Traded Security for a Personal Account, he or she must; (i) confirm that he or she is not in receipt of any material, nonpublic information that would affect the price of that Publicly Traded Security; (ii) obtain approval of the Compliance Officer if the employee is purchasing or selling a security issued by a company with a total market capitalization less than \$3 billion.
- (f) Employee trades may be aggregated with client trades only if; (i) aggregation is consistent with Mazama's duty to seek best execution; (ii) no account will be favored over any other account; (iii) an

allocation report will be produced before entering an aggregated order; and (v) if an order is only partially filled, it will be allocated on a pro-rata basis.

- (g) The Compliance Officer shall review all employee transactions on a daily basis. Any transactions which are found to be in conflict with Mazama's fiduciary obligation to its clients will be subject to cancellation. The Compliance Officer shall retain all employee trading records as part of the books and records as required by the Advisers Act and the rules promulgated thereunder.

## 9. SANCTIONS

As to any material violation of this Code of Ethics, Mazama shall adopt trading policies and procedures that provide for sanctions of the Access Persons. Such sanctions may include, but are not limited to: (1) a written reprimand in the Access Person's employment file; (2) a suspension from employment; and/or (3) dismissal from employment.

### ACKNOWLEDGED AND AGREED:

I have read, and I understand the terms of, this Code of Ethics.

By: \_\_\_\_\_

Private Name: \_\_\_\_\_

Date: \_\_\_\_\_

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Note: Employee Acknowledgements are held on file at Mazama.

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### Appendix 1 Definitions

Access Person (i) any director, trustee, officer, general partner or Advisory Person of Mazama or a Fund; and (ii) any director, officer or general partner of a principal underwriter who, in the ordinary course of business, makes, participates in or obtains information regarding, the purchase or sale of Covered Securities by a Fund for which the principal underwriter acts, or whose functions or duties in the ordinary course of business relate to the making of any

recommendation to a Fund regarding the purchase or sale of Covered Securities. For purposes of this Code, only personnel of Mazama are Access Persons.

Advisory Person	(i) any employee of a Fund or Mazama (or of any company in a control relationship to a Fund or Mazama) who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by a Fund, or whose functions relate to the making of any recommendations with respect to the purchases or sales; and (ii) any natural person in a control relationship to a Fund or investment adviser who obtains information concerning recommendations made to a Fund with regard to the purchase or sale of Covered Securities by a Fund.
Control	The power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company.
Covered Security	Includes any Security (see below) but does not include (i) direct obligations of the Government of the United States; (ii) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; and (iii) shares issued by open-end investment companies (i.e., mutual funds).
Fund	An investment company registered under the Investment Company Act.
Investment Personnel	(i) any employee of a Fund or Mazama (or of any company in a control relationship to a Fund or investment adviser) who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of security by a Fund; and (ii) any natural person who controls a Fund or Mazama and who obtains information concerning recommendations made to a Fund regarding the purchase or sale of securities by a Fund. For purposes of this Code, only personnel of Mazama are Investment Personnel.
Limited Offering	An offering that is exempt from registration under the Securities Act of 1933 (the "Securities Act") pursuant to Section 4(2) or Section 4(6) or pursuant to Rule 504, Rule 505, or Rule 506 under the Securities Act.

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Personal Account	Includes each and every account wherein a Mazama employee influences or controls the investment decisions. A Mazama employee is deemed to influence or control the investment decisions if the account is for the benefit of (i) any employee; (ii) a spouse of any employee; (iii) any child under the age of 22 of an employee, whether or not residing with the employee; (iv) any other dependent
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of an employee residing in the same household with the employee; (v) any other account in which an employee has a beneficial interest. The employee may obtain a written exemption from the Personal Account designation by the Compliance Officer if the Officer determines that (i) the certifying employee does not influence the investment decisions for any specified account of such spouse, child, or dependent person; and (ii) the person or persons making the investment decisions for such account do not make such decisions, in whole or in part, upon information that the certifying employee has provided.

Publicly Traded Securities Includes (i) any equity or debt instrument traded on an exchange, through NASDAQ or through the "pink sheets;" (ii) any options to purchase or sell such equity or debt instrument; (iii) any index stock or bond group options that include such equity or debt instrument; and (iv) any option on such futures contracts; provided that the Publicly-Traded Securities shall not include (a) equity securities issued by mutual funds (other than mutual funds for which the Company acts as adviser) having total assets under management of at least \$100,000,000; and (2) certificates of deposit, U.S. treasury bills and other U.S. government-issued debt instruments.

Purchase or Sale of a Covered Security Includes, among other things, the writing of an option to purchase or sell a Covered Security.

Any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

Security Held or to be Acquired by a Fund (i) any Covered Security which, within the most recent [15] days: (a) is or has been held by a Fund; or (b) is being or has been considered by a Fund or Mazama for purchase by a Fund; and (ii) any option to purchase or sell, and any security convertible into or exchangeable for, a Covered Security described in paragraphs (a) or (b) above.

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Appendix 2  
List of Access Persons and Investment Personnel

<TABLE>  
<CAPTION>

Name	Title	Acknowledge- ment of Receipt of Code of Ethics	Is this Person also an Investment Personnel?
<S>	<C>	<C>	<C>
Ronald A. Sauer	President	Y	Y
Helen M. Degener	Chief Investment Officer	Y	Y
Brian P. Alfrey	Vice President / Chief Operating Officer	Y	Y
Stephen C. Brink	Vice President / Director Of Research	Y	Y
Jill R. Collins	Vice President / Marketing And Client Service	Y	N
Claudette deBruin	Assistant Vice President / Equity Trader	Y	Y
Gretchen Schroeder	Assistant Vice President / Equity Analyst	Y	Y

</TABLE>

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Appendix 3  
Form of Authorization Letter

Date

Name of Broker  
Address

Re: Brokerage Statements of [name of employee]

Ladies and Gentlemen:

The above referenced person is an employee of Mazama Capital Management, Inc. Federal securities laws require that we monitor the personal securities transactions of certain key personnel. By this Authorization Letter, and the acknowledgement of the employee below, please forward duplicate copies of the employee's brokerage statements and transaction confirmations to:

Brian Alfrey  
Mazama Capital Management, Inc.

Should you have any questions, please contact the undersigned at  
503-944-6245.

Very truly yours,

AUTHORIZATION:

I hereby authorize you to release duplicate brokerage statements and  
transaction confirmations to my employer.

Signature: \_\_\_\_\_

Name:

SSN:

Account Number:

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Appendix 4

Employee Certification

(complete within ten days of employment and the first thirty days of each year)

Date Submitted: \_\_\_\_\_

I hereby certify that I have read and understand and agree to abide by the  
policies set forth in the Mazama Capital Management Compliance Manual and Code  
of Ethics.

To meet the disclosure requirements of SEC Rule 206(4)-4 under the Advisers  
Act, I further certify that I have disclosed all legal and disciplinary events  
for which I am, or have been, personally involved, including information  
regarding any actions or fines by any Self-Regulatory Organization.

To comply with the Personal Securities Transactions & Records Policy of the  
Compliance Manual and, if applicable, the Access Person reporting requirements  
of the firm's Code of Ethics, I further certify that I have directed each broker  
with whom I have an account to send to the Mazama Capital Management designated  
compliance officer duplicate copies of all confirmations and periodic statements  
relating to my account(s) and have complied with the reporting requirements of  
the policy and code of ethics. My initials below indicate my status in reporting  
personal securities transactions and holdings:

\_\_\_\_\_ No member of my immediate family or household maintains any  
brokerage accounts or beneficially owns any securities that require reporting as  
indicated in the Personal Securities Transactions & Records Policy of the  
Compliance Manual.

\_\_\_\_\_ Information regarding all securities accounts maintained by me or  
any member of my immediate family or household accompanies this certificate.



Appendix 6  
Annual Holdings Report  
(to be completed within thirty days of each year)  
Date: \_\_\_\_\_

Note: In lieu of this Report, you may submit duplicate copies of your brokerage statements

1. HOLDINGS

Name of Covered Security	Number of Shares	Value of Security

2. BROKERAGE ACCOUNTS

Name of Institution and Account Holders' Name (i.e., you, spouse, child)	Account Number	Have You Requested Duplicate Statements?

Reviewed: \_\_\_\_\_  
(compliance officer signature)

Date: \_\_\_\_\_

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Wellington Trust Company, NA  
Wellington Management International Ltd  
Wellington International Management Company Pte Ltd

## Code of Ethics

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### Summary

Wellington Management Company, LLP and its affiliates have a fiduciary duty to investment company and investment counseling clients which requires each employee to act solely for the benefit of clients. Also, each employee has a duty to act in the best interest of the firm. In addition to the various laws and regulations covering the firm's activities, it is clearly in the firm's best interest as a professional investment advisory organization to avoid potential conflicts of interest or even the appearance of such conflicts with respect to the conduct of the firm's employees. Wellington Management's personal trading and conduct must recognize that the firm's clients always come first, that the firm must avoid any actual or potential abuse of our positions of trust and responsibility, and that the firm must never take inappropriate advantage of its positions. While it is not possible to anticipate all instances of potential conflict, the standard is clear.

In light of the firm's professional and legal responsibilities, we believe it is appropriate to restate and periodically distribute the firm's Code of Ethics to all employees. It is Wellington Management's aim to be as flexible as possible in its internal procedures, while simultaneously protecting the organization and its clients from the damage that could arise from a situation involving a real or apparent conflict of interest. While it is not possible to specifically define and prescribe rules regarding all possible cases in which conflicts might arise, this Code of Ethics is designed to set forth the policy regarding employee conduct in those situations in which conflicts are most likely to develop. If an employee has any doubt as to the propriety of any activity, he or she should consult the the Operational Risk Management and Compliance Group (the "Compliance Group").

The Code reflects the requirements of United States law, Rule 17j-1 of the Investment Company Act of 1940,

as amended on October 29, 1999, as well as the recommendations issued by an industry study group in 1994, which were strongly supported by the SEC. The term "Employee" includes all employees and Partners.

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Policy on Personal  
Securities Transactions

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Essentially, this policy requires that all personal securities transactions (including acquisitions or dispositions other than through a purchase or sale) by all Employees must be cleared prior to execution. The only exceptions to this policy of prior clearance are noted below.

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Definition of "Personal Securities Transactions"  
The following transactions by Employees are considered "personal" under applicable SEC rules and therefore subject to this statement of policy:

1  
Transactions for an Employee's own account, including IRA's.

2  
Transactions for an account in which an Employee has indirect beneficial ownership, unless the Employee has no direct or indirect influence or control over the account. Accounts involving family (including husband, wife, minor children or other dependent relatives), or accounts in which an Employee has a beneficial interest (such as a trust of which the Employee is an income or principal beneficiary) are included within the meaning of "indirect beneficial interest".

If an Employee has a substantial measure of influence or control over an account, but neither the Employee nor the Employee's family has any direct or indirect beneficial interest (e.g., a trust for which the Employee is a trustee but not a direct or indirect

beneficiary), the rules relating to personal securities transactions are not considered to be directly applicable. Therefore, prior clearance and subsequent reporting of such transactions are not required. In all transactions involving such an account an Employee should, however, conform to the spirit of these rules and avoid any activity which might appear to conflict with the investment company or counseling clients or with respect to the Employee's position within Wellington Management. In this regard, please note "Other Conflicts of Interest", found later in this Code of Ethics, which does apply to such situations.

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Preclearance  
Required

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Except as specifically exempted in this section, all Employees must clear personal securities transactions prior to execution. This includes bonds, stocks (including closed end funds), convertibles, preferreds, options on securities, warrants, rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The only exceptions to this requirement are automatic dividend reinvestment and stock purchase plan acquisitions, broad-based stock index and US government securities futures and options on such futures, transactions in open-end mutual funds, US Government securities, commercial paper, or non-volitional transactions. Non-volitional transactions include gifts to an Employee over which the Employee has no control of the timing or transactions which result from corporate action applicable to all

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similar security holders (such as splits, tender offers, mergers, stock dividends, etc.). Please note, however, that most of these transactions must be reported even though they do not have to be precleared. See the following section on reporting obligations.

Clearance for transactions must be obtained by contacting the Director of Global Equity Trading or those personnel designated by him for this purpose. Requests for clearance and approval for transactions may be communicated orally or via email. The Trading Department will maintain a log of all requests for approval as coded confidential records of the firm. Private placements (including both securities and partnership interests) are subject to special clearance by the Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee, and the clearance will remain in effect for a reasonable period thereafter, not to exceed 90 days.

Clearance for personal securities transactions for publicly traded securities will be in effect for one trading day only. This "one trading day" policy is interpreted as follows:

- o If clearance is granted at a time when the principal market in which the security trades is open, clearance is effective for the remainder of that trading day until the opening of that market on the following day.
- o If clearance is granted at a time when the principal market in which the security trades is closed, clearance is effective for the next trading day until the opening of that market on the following day.

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## Filing of Reports

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Records of personal securities transactions by Employees will be maintained. All Employees are subject to the following reporting requirements:

1

### Duplicate Brokerage Confirmations

All Employees must require their securities brokers to send duplicate confirmations of their securities transactions to the Compliance Group. Brokerage firms are accustomed to providing this service. Please contact the Compliance Group to obtain a form letter to request this service. Each employee must return to the Compliance Group a completed form for each brokerage account that is used for personal securities transactions of the Employee. Employees should not send the completed forms to their brokers directly.

The form must be completed and returned to the Compliance Group prior to any transactions being placed with the broker. The Compliance Group will

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process the request in order to assure delivery of the confirms directly to the Compliance Group and to preserve the confidentiality of this information. When possible, the transaction confirmation filing requirement will be satisfied by electronic filings from securities depositories.

2

Filing of Quarterly Report of all "Personal Securities Transactions" SEC rules require that a quarterly record of all personal securities transactions be submitted by each person subject to the Code's requirements and that this record be available for inspection. To comply with these rules, every Employee must file a quarterly personal securities transaction report within 10 calendar days after the end of each calendar quarter. Reports are filed electronically utilizing the firm's proprietary Personal Securities Transaction Reporting System (PSTRS) accessible to all Employees via the Wellington Management Intranet.

At the end of each calendar quarter, Employees will be notified of the filing requirement. Employees are responsible for submitting the quarterly report within the deadline established in the notice.

Transactions during the quarter indicated on brokerage confirmations or electronic filings are displayed on the Employee's reporting screen and must be affirmed if they are accurate. Holdings not acquired through a broker submitting confirmations must be entered manually. All Employees are required to submit a quarterly report, even if there were no reportable transactions during the quarter.

Employees must also provide information on any new brokerage account established during the quarter including the name of the broker, dealer or bank and

the date the account was established.

IMPORTANT NOTE: The quarterly report must include the required information for all "personal securities transactions" as defined above, except transactions in open-end mutual funds, money market securities, US Government securities, and futures and options on futures on US government securities. Non-volitional transactions and those resulting from corporate actions must also be reported even though preclearance is not required and the nature of the transaction must be clearly specified in the report.

3

Certification of Compliance

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As part of the quarterly reporting process on PSTRS, Employees are required to confirm their compliance with the provisions of this Code of Ethics.

4

Filing of Personal Holding Report  
Annually, all Employees must file a schedule indicating their personal securities holdings as of December 31 of each year by the following January 30. SEC Rules require that this report include the title, number of shares and principal amount of each security held in an Employee's personal account, and the name of any broker, dealer or bank with whom the Employee maintains an account.

"Securities" for purposes of this report are those which must be reported as indicated in the prior paragraph. Newly hired Employees are required to file a holding report within ten (10) days of joining the firm. Employees may indicate securities held in a brokerage account by attaching an account statement, but are not required to do so, since these statements contain additional information not required by the holding report.

Review of Reports

All reports filed in accordance with this section will be maintained and kept confidential by the Compliance Group. Reports will be reviewed by the Director of Operational Risk Management and Compliance or personnel designated by her for this purpose.

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Restrictions on  
"Personal Securities  
Transactions"

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While all personal securities transactions must be cleared prior to execution, the following guidelines indicate which transactions will be prohibited, discouraged, or subject to nearly automatic clearance. The clearance of personal securities transactions may also depend upon other circumstances, including the timing of the proposed transaction relative to transactions by our investment counseling or investment company clients; the nature of the securities and the parties involved in the transaction; and the percentage of securities involved in the transaction relative to ownership by clients. The word "clients" refers collectively to investment company clients and counseling clients. Employees are expected to be particularly sensitive to meeting the spirit as well as the letter of these restrictions. Please note that these restrictions apply in the case of debt securities to the specific issue and in the case of common stock, not only to the common stock, but to any equity-related security of the same issuer including preferred stock, options, warrants, and convertible bonds. Also, a gift or transfer from you (an Employee) to a third party shall be subject to these restrictions, unless the donee

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or transferee represents that he or she has no present intention of selling the donated security.

1  
No Employee may engage in personal transactions involving any securities which are:

- o being bought or sold on behalf of clients until one trading day after such buying or selling is completed or canceled. In addition, no Portfolio Manager may engage in a personal transaction involving any security for 7 days prior to, and 7 days following, a transaction in the same security for a client account managed by that Portfolio Manager without a special exemption. See "Exemptive Procedures" below. Portfolio Managers include all designated portfolio managers and others who have direct authority to make investment decisions to buy or sell securities, such as investment team members and analysts involved in Research Equity portfolios. All Employees who are considered Portfolio Managers will be so notified by the Compliance Group.
- o the subject of a new or changed action recommendation from a research analyst until 10 business days following the issuance of such recommendation;
- o the subject of a reiterated but unchanged recommendation from a research analyst until 2 business days following reissuance of the recommendation
- o actively contemplated for transactions on behalf of clients, even though no buy or sell orders have been placed. This restriction applies from the moment that an Employee has been informed in any fashion that any Portfolio Manager intends to purchase or sell a specific security. This is a particularly sensitive area and one in which each Employee must exercise caution to avoid actions which, to his or her knowledge, are in conflict or in competition with the interests of clients.

2

The Code of Ethics strongly discourages short term trading by Employees. In addition, no Employee may take a "short term trading" profit in a security, which means the sale of a security at a gain (or closing of a short position at a gain) within 60 days of its purchase, without a special exemption. See "Exemptive Procedures". The 60 day prohibition does not apply to transactions resulting in a loss, nor to futures or options on futures on broad-based securities indexes or US government securities.

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Wellington Trust Company, NA  
Wellington Management International Ltd  
Wellington International Management Company Pte Ltd.

Code of Ethics

3

No Employee engaged in equity or bond trading may engage in personal transactions involving any equity securities of any company whose primary business is that of a broker/dealer.

4

Subject to preclearance, Employees may engage in short sales, options, and margin transactions, but such transactions are strongly discouraged, particularly due to the 60 day short term profit-taking prohibition. Any Employee engaging in such transactions should also recognize the danger of being "frozen" or subject to a forced close out because of the general restrictions which apply to personal transactions as noted above. In specific case of hardship an exception may be granted by the Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee with respect to an otherwise "frozen" transaction.

5

No Employee may engage in personal transactions involving the purchase of any security on an initial public offering. This restriction also includes new issues resulting from spin-offs, municipal securities and thrift conversions, although in limited cases the purchase of such securities in an offering may be approved by the Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee upon determining that approval would not violate any policy reflected in this Code. This restriction does not apply to open-end mutual funds, U. S. government issues or money market investments.

6

Employees may not purchase securities in private placements unless approval of the Director of

Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee has been obtained. This approval will be based upon a determination that the investment opportunity need not be reserved for clients, that the Employee is not being offered the investment opportunity due to his or her employment with Wellington Management and other relevant factors on a case-by-case basis. If the Employee has portfolio management or securities analysis responsibilities and is granted approval to purchase a private placement, he or she must disclose the privately placed holding later if asked to evaluate the issuer of the security. An independent review of the Employee's analytical work or decision

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Code of Ethics

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to purchase the security for a client account will then be performed by another investment professional with no personal interest in the transaction.

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Gifts and Other  
Sensitive Payments

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Employees should not seek, accept or offer any gifts or favors of more than minimal value or any preferential treatment in dealings with any client, broker/dealer, portfolio company, financial institution or any other organization with whom the firm transacts business. Occasional participation in lunches, dinners, cocktail parties, sporting activities or similar gatherings conducted for business purposes are not prohibited. However, for both the Employee's protection and that of the firm it is extremely important that even the appearance of a possible conflict of interest be avoided. Extreme caution is to be exercised in any instance in which business related travel and lodgings are paid for other than by Wellington Management, and prior approval must be obtained from the Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee..

Any question as to the propriety of such situations

should be discussed with the Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee and any incident in which an Employee is encouraged to violate these provisions should be reported immediately. An explanation of all extraordinary travel, lodging and related meals and entertainment is to be reported in a brief memorandum to the Director of Operational Risk Management and Compliance.

Employees must not participate individually or on behalf of the firm, a subsidiary, or any client, directly or indirectly, in any of the following transactions:

1  
Use of the firm's funds for political purposes.

2  
Payment or receipt of bribes, kickbacks, or payment or receipt of any other amount with an understanding that part or all of such amount will be refunded or delivered to a third party in violation of any law applicable to the transaction.

3  
Payments to government officials or employees (other than disbursements in the ordinary course of business for such legal purposes as payment of taxes).

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4  
Payment of compensation or fees in a manner the purpose of which is to assist the recipient to evade taxes, federal or state law, or other valid charges or restrictions applicable to such payment.

5  
Use of the funds or assets of the firm or any subsidiary for any other unlawful or improper purpose.

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Other Conflicts  
of Interest

Employees should also be aware that areas other than personal securities transactions or gifts and sensitive payments may involve conflicts of interest. The following should be regarded as examples of situations involving real or potential conflicts rather than a complete list of situations to avoid.

"Inside Information"

Specific reference is made to the firm's policy on the use of "inside information" which applies to personal securities transactions as well as to client transactions.

Use of Information

Information acquired in connection with employment by the organization may not be used in any way which might be contrary to or in competition with the interests of clients. Employees are reminded that certain clients have specifically required their relationship with us to be treated confidentially.

Disclosure of Information

Information regarding actual or contemplated investment decisions, research priorities or client interests should not be disclosed to persons outside our organization and in no way can be used for personal gain.

Outside Activities

All outside relationships such as directorships or trusteeships of any kind or membership in investment organizations (e.g., an investment club) must be cleared by the Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee prior to the acceptance of such a position. As a general matter, directorships in unaffiliated public companies or companies which may reasonably be expected to become public companies will not be authorized because of the potential for conflicts which may impede our freedom to act in the best interests of clients. Service with charitable organizations generally will be authorized, subject to considerations

Code of Ethics

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related to time required during working hours and use of proprietary information.

Exemptive Procedure

The Director of Operational Risk Management and Compliance, the General Counsel or the Chair of the Ethics Committee can grant exemptions from the personal trading restrictions in this Code upon determining that the transaction for which an exemption is requested would not result in a conflict of interest or violate any other policy embodied in this Code. Factors to be considered may include: the size and holding period of the Employee's position in the security, the market capitalization of the issuer, the liquidity of the security, the reason for the Employee's requested transaction, the amount and timing of client trading in the same or a related security, and other relevant factors.

Any Employee wishing an exemption should submit a written request to the Director of Operational Risk Management and Compliance setting forth the pertinent facts and reasons why the employee believes that the exemption should be granted. Employees are cautioned that exemptions are intended to be exceptions, and repetitive exemptive applications by an Employee will not be well received.

Records of the approval of exemptions and the reasons for granting exemptions will be maintained by the Compliance Group.

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Compliance with the  
Code of Ethics

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Adherence to the Code of Ethics is considered a basic condition of employment with our organization. The Ethics Committee monitors compliance with the Code and reviews violations of the Code to determine what action or sanctions are appropriate.

Violations of the provisions regarding personal trading will presumptively be subject to being reversed in the case of a violative purchase, and to disgorgement of any profit realized from the position (net of transaction costs and capital gains taxes payable with respect to the transaction) by payment of

the profit to any client disadvantaged by the transaction, or to a charitable organization, as determined by the Ethics Committee, unless the Employee establishes to the satisfaction of the Ethics Committee that under the particular circumstances disgorgement would be an unreasonable remedy for the violation.

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Code of Ethics

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Violations of the Code of Ethics may also adversely affect an Employee's career with Wellington Management with respect to such matters as compensation and advancement.

Employees must recognize that a serious violation of the Code of Ethics or related policies may result, at a minimum, in immediate dismissal. Since many provisions of the Code of Ethics also reflect provisions of the US securities laws, Employees should be aware that violations could also lead to regulatory enforcement action resulting in suspension or expulsion from the securities business, fines and penalties, and imprisonment.

Again, Wellington Management would like to emphasize the importance of obtaining prior clearance of all personal securities transactions, avoiding prohibited transactions, filing all required reports promptly and avoiding other situations which might involve even an apparent conflict of interest. Questions regarding interpretation of this policy or questions related to specific situations should be directed to the Compliance Group or Ethics Committee.

Revised: April 30, 2003

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## BLACKROCK, INC.

## CODE OF BUSINESS CONDUCT AND ETHICS

## Introduction

BlackRock, Inc. and its subsidiaries (including BlackRock Financial Management, Inc., BlackRock Institutional Management Corporation, BlackRock Advisors, Inc., BlackRock Capital Management, Inc., BlackRock International, Ltd., BlackRock (Japan), Inc., BlackRock Asia Limited, and BlackRock Investments, Inc. (collectively, "BlackRock" or the "Company")) have maintained a reputation for conducting their business activities in the highest ethical and professional manner. Indeed, BlackRock's reputation for integrity is one of its most important assets and has been instrumental in its business success. Each BlackRock employee - whatever his or her position - is responsible for continuing to uphold these high ethical and professional standards.

This Code of Business Conduct and Ethics covers a wide range of business activities, practices and procedures. It does not cover every issue that may arise in the course of BlackRock's many business activities, but it sets out basic principles designed to guide employees, officers and directors of BlackRock. All of our employees, officers and directors must conduct themselves in accordance with this Code, and seek to avoid even the appearance of improper behavior.

Any employee who violates the requirements of this Code will be subject to disciplinary action. If you are in a situation which you believe may violate or lead to a violation of this Code, you should follow the guidelines described in Section 13 of this Code.

## 1. Compliance With Laws and Regulations

BlackRock's business activities are subject to extensive governmental regulation and oversight. In particular, as an investment adviser and sponsor of investment companies and other investment products, BlackRock is subject to regulation under the Investment Advisers Act of 1940, the Investment Company Act of 1940, various securities laws, ERISA, and the Commodity Exchange Act, as well as the laws and regulations of certain jurisdictions within and outside the U.S. In addition, BlackRock is subject to regulation and oversight, as a public company, by the Securities and Exchange Commission and the New York Stock Exchange and, as an affiliated company of The PNC Financial Services Group, Inc., ("PNC"), the Federal Reserve Board and the Office of the Comptroller of the Currency.

It is, of course, essential that BlackRock comply with the laws and regulations applicable to its business activities. Although you are not expected to know the details of these laws and regulations, it is important to know

enough about them to determine when to seek advice from supervisors and BlackRock's Legal Department.

To assist in this effort, BlackRock has provided to all employees its Compliance Manual and various policies and procedures which provide guidance for complying with these laws and regulations. In addition, the Company holds information and training sessions, including annual compliance meetings conducted by BlackRock's Legal Department, to assist employees in achieving compliance with the laws and regulations applicable to BlackRock and its activities.

In addition, as a public company, BlackRock is required to file periodic reports with the SEC. It is BlackRock's policy to make full, fair, accurate, timely and understandable disclosure in compliance with applicable rules and regulations in all periodic reports required to be filed by the Company.

## 2. Statement of Principles

Employees of BlackRock are subject to the Statement of Principles ("Statement of Principles") adopted by PNC and these Principles are hereby incorporated by reference into this Code. The Statement of Principles provides guidance for handling a wide range of ethical, legal and compliance matters. Any questions regarding the application of the Statement of Principles to particular matters should be directed to the General Counsel of BlackRock.

## 3. Conflicts of Interest

A potential "conflict of interest" may arise under various circumstances. A potential conflict of interest may arise when a person's private interest interferes in some way with the interests of the Company. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, employees, directors or their family members may create conflicts of interest.

Potential conflicts of interest also arise when a BlackRock employee, officer or director works in some manner for a competitor, client or vendor. Thus, you are not allowed to work for a competitor as a consultant or board member, except as approved by BlackRock's General Counsel. In addition, potential conflicts of interests may arise between the interests of BlackRock on the one hand and the interests of one or more of its clients on the other hand. As an investment adviser and fiduciary, BlackRock has a duty to act solely in the best interests of its clients and to make full and fair disclosure to its clients.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult your supervisor, the Company's General Counsel or another member of the Legal Department. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or a member of the BlackRock Legal Department.

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#### 4. Insider Trading

Employees, officers and directors who have access to confidential information about BlackRock, our clients or issuers in which we invest client assets are not permitted to use or share that information for stock trading purposes or for any other purpose except the proper conduct of our business. All non-public information about BlackRock or any of our clients or issuers should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal.

In this regard, BlackRock has adopted the BlackRock Insider Trading Policy and the BlackRock Employee Investment Transaction Policy. Under the Employee Investment Transaction Policy, BlackRock employees are required to pre-clear all transactions in securities (except for certain exempt securities such as mutual funds and treasury bills). In addition, BlackRock employees are subject to PNC's policies and procedures regarding transactions in PNC's securities. These policies provide employees with specific procedures and guidance regarding trading of BlackRock's and PNC's securities. If you have any questions regarding the use of confidential information or any of the above securities trading policies, please consult a member of BlackRock's Legal Department.

#### 5. Corporate Opportunities

Employees, officers and directors are prohibited from taking for themselves personal opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors or, in some cases, the General Counsel. No employee, officer or director may use corporate property, information, or position for improper personal gain, and no employee, officer or director may compete with the Company directly or indirectly. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

#### 6. Competition, Fair Dealing and Gratuities

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Misappropriating proprietary information, possessing

trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. We should each endeavor to respect the rights of and deal fairly with the Company's clients, vendors and competitors. No one in the course of conducting BlackRock's business should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with clients or vendors. No gift or entertainment should ever be offered, given, provided or accepted by any BlackRock employee, officer, or director, or members of their family unless it: (i) is not a cash gift, (ii) is consistent with customary business practices, (iii) is not excessive in value (not more

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than \$150), (iv) cannot be construed as a bribe or payoff and (v) does not violate any laws or regulations. Additional guidance regarding gifts and gratuities is contained in the Compliance Manual and BlackRock's Policy Regarding Entertainment and Gifts. Please discuss with your supervisor any gifts or proposed gifts which you are not certain are appropriate.

## 7. Discrimination and Harassment

The diversity of BlackRock's employees is a tremendous asset. BlackRock is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. In particular, it is BlackRock's policy to comply with the law by affording equal opportunity to all qualified applicants and existing employees without regard to race, religion, color, national origin, sex, age (over 40), disability, status as a Vietnam-era veteran or any other basis that would be in violation of any applicable ordinance or law. All personnel actions, including but not limited to recruitment, selection, hiring, training, transfer, promotion, termination, compensation, and benefits conform to this policy. In addition, BlackRock will not tolerate harassment, bias or other inappropriate conduct on the basis of race, color, religion, national origin, sex, disability, age (over 40), status as a Vietnam-era veteran or any other basis by a manager, supervisor, employee, customer, vendor or visitor that would be in violation of any applicable ordinance or law. BlackRock's Equal Opportunity Policy and other employment policies are available on the Company's internal website.

## 8. Record-keeping

The Company requires honest and accurate recording and reporting of information in order to conduct its business and to make responsible business decisions. In addition, since BlackRock is engaged in a variety of financial services activities and is a public company, it is subject to extensive regulations regarding maintenance and retention of books and records.

Generally, all of BlackRock's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to BlackRock's system of internal controls.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is proper, ask your supervisor or the Finance Department. BlackRock's Employee Expense Reimbursement Policies and Procedures are available from the Finance Department and on the Company's internal website.

Business records and communications often become public, and employees should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. Finally, in the event of litigation or governmental

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investigations, please consult BlackRock's Legal Department regarding any specific record-keeping requirements or obligations.

## 9. Confidentiality

Generally, BlackRock employees, officers and directors must maintain the confidentiality of confidential information entrusted to them by the Company or its clients, except when disclosure is authorized by the Legal Department or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its clients, if disclosed. It also includes information that clients and other parties have entrusted to us. The obligation to preserve confidential information continues even after employment ends. All employees of BlackRock have signed a Confidentiality and Employment Policy which sets forth specific obligations regarding confidential information. Any questions regarding such Policy or other issues relating to confidential information, should be directed to a member of the Legal Department.

## 10. Protection and Proper Use of Blackrock Assets

You should endeavor to protect BlackRock's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported to your supervisor or a member of the Legal Department for investigation. Company technology, equipment or other resources should not be used for non-Company business, though incidental personal use may be permitted.

Your obligation to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property

such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy, and it could also be illegal and result in civil and/or criminal penalties.

#### 11. Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits offering or giving anything of value, directly or indirectly, to officials of foreign governments, foreign political candidates or foreign political parties in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country or secure any improper advantage.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate BlackRock's policy but could also be a criminal offense. Various state and local governments, as well as foreign governments, have similar rules regarding gratuities and payments.

Additionally, U.S. federal, state, and local law as well as foreign laws govern contributions to political candidates and parties, as well as the employment of former

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governmental personnel. Guidance regarding political contributions is contained in the Compliance Manual and BlackRock's Policy Regarding Political Contributions and Gifts to Public Officials.

#### 12. Drugs and Alcohol

The Company prohibits the use, possession or distribution of illegal drugs by employees while working for BlackRock. Also, the Company prohibits any use of alcohol by employees that might affect their fitness for duty or job performance, the operations of the Company, and/or their security or safety or that of others. All newly hired employees must submit to a drug screening test on a timely basis and must pass it in order to be employed by BlackRock. A current employee may also be asked to submit to and pass drug screening and alcohol detection tests under certain circumstances.

#### 13. Waivers of the Code of Business Conduct and Ethics

Any waiver of this Code for executive officers or directors may be made only by BlackRock's Board of Directors or a committee of the Board and will be promptly disclosed as required by law or stock exchange regulation.

## 14. Reporting Any Illegal or Unethical Behavior

You should talk to supervisors, managers or members of BlackRock's Legal Department about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. In addition, employees of BlackRock may utilize (on an anonymous basis if desired) a hotline (1-866-785-9753) maintained by PNC for reporting ethical or compliance violations. It is the policy of the Company not to allow retaliation for reports of misconduct by others made in good faith by employees. Employees are expected to cooperate in internal investigations of misconduct.

The General Counsel of BlackRock will report material violations of this Code or the policies and procedures referenced herein to the Board of Directors of BlackRock (or a committee thereof), to the Chief Executive Officer of BlackRock or to the Audit Committee of PNC's Board of Directors.

## 15. Compliance Procedures

We must all work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- o Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- o Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives

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you have. Use your judgment and common sense; if something seems unethical or improper, seek guidance before acting.

- o Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- o Discuss the issue with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- o Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your office manager, your Human Resources manager or a member

of BlackRock's Legal Department. If you prefer to write, address your concerns to your Human Resource manager or the General Counsel of BlackRock, as appropriate.

- o You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- o Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

#### 16. Acknowledgement

Each employee of BlackRock is required to sign a written acknowledgement that he or she has received a copy of this Code, has carefully read the Code and will abide by its terms. A violation of this Code may be cause for significant sanctions including termination of employment.

[MELLON LOGO]

[GRAPHIC]

Securities Trading Policy  
General Edition

[MELLON LOGO]

September 2003

Dear Employee:

From Mellon's first day of business, in 1869, we have maintained an uncompromising culture that practices the highest standards of business ethics. We have built a system of guiding principles, Mellon's Shared Values, and have encouraged employees to live those values each day. For the benefit of our customers, our shareholders, our communities and each other, we expect no less than honorable behavior from one another when conducting Mellon business.

Over the last couple of years, we have seen dramatic examples of the damage irresponsible or unethical business behavior can have on an individual or a corporation. To help employees make the right decisions for Mellon and our constituents, we have developed a comprehensive Code of Conduct and Corporate Policies and Procedures that help guide our actions.

One of our most important policies, the Securities Trading Policy, is intended to secure each employee's commitment to continued service with integrity. Because your personal investments can lead to conflicts of interest, you must fully understand and comply with the investment guidelines contained in Mellon's Securities Trading Policy.

In business, building a reputation of integrity can take the hard work of many employees over many years. As recent high-profile business failures have demonstrated, it doesn't take nearly as much time or as many employees to damage or altogether destroy that reputation.

At Mellon, maintaining the reputation we've earned for more than 130 years of honest, open business practices is the responsibility of every employee. We can do so by remaining diligent in our strict adherence to Mellon's Code of Conduct and all of Mellon's Corporate Policies and Procedures, particularly the Securities Trading Policy. If you are new to Mellon, please take the time to fully understand the policy, and consult it whenever you are unsure about appropriate activity. If you have seen the policy before, I urge you to renew your understanding of the entire document and the ways in which it applies to you.

Sincerely yours,

/s/ Marty McGuinn  
Marty McGuinn  
Chairman and Chief Executive Officer

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Introduction

The Securities Trading Policy (the "Policy") is designed to reinforce Mellon Financial Corporation's ("Mellon's") reputation for integrity by avoiding even the appearance of impropriety in the conduct of Mellon's business. The Policy sets forth procedures and limitations which govern the personal securities transactions of every Mellon employee.

Mellon and its employees are subject to certain laws and regulations governing personal securities trading. Mellon has developed this Policy to promote the highest standards of behavior and ensure compliance with applicable laws.

This Policy covers the personal trading activities of all employees in their own accounts and in accounts in which they have indirect ownership. While employees should consult the Glossary for a complete definition of the terms "security" and "indirect ownership", in general they mean:

- o security - any investment that represents an ownership stake or debt stake in a company or government. While the Policy provides for exemptions for certain securities, if not expressly exempt in the Policy, all securities are covered (see Glossary for definition of Exempt securities)
- o indirect ownership - you are presumed to have indirect ownership of accounts held by members of your family with whom you share a household. This includes your spouse, your children, and any other family members in your home. Generally, you are deemed to be the indirect owner of securities if you have the opportunity to directly or indirectly share, at any time, in profits derived from transactions in such securities

Employees should be aware that they may be held personally liable for any improper or illegal acts committed during the course of their employment and that "ignorance of the law" is not a defense. Employees may be subject to civil penalties such as fines, regulatory sanctions including suspensions, as well as criminal penalties.

The provisions of the Policy have worldwide applicability and cover trading in

any part of the world. Employees are also subject to applicable laws of jurisdictions in those countries in which they conduct business. To the extent any particular portion of the Policy is inconsistent with, or in particular less restrictive than such laws, employees should consult the General Counsel or the Manager of the Ethics Office.

The Policy may be amended and any provision waived or exempted only at the discretion of the Manager of the Ethics Office. Any such waiver or exemption will be evidenced in writing and maintained in the Ethics Office.

Employees must read the Policy and must comply with it - in this regard, employees should comply with the spirit of the Policy as well as the strict letter of its provisions. Failure to comply with the Policy may result in the imposition of serious sanctions, including but not limited to disgorgement of profits, dismissal, substantial personal liability and referral to law enforcement agencies or other regulatory agencies. Employees should retain the Policy in their records for future reference. Any questions regarding the Policy should be referred to the Manager of the Ethics Office or his/her designee.

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## Classification of Employees

The Policy is applicable to all employees of Mellon and all of its subsidiaries which are more than 50% owned by Mellon. This includes all full-time, part-time, benefited and non-benefited, exempt and non-exempt employees. In general, it does not include employees of subsidiaries which are 50% or less owned by Mellon. The Policy's applicability to consultants and contract or temporary employees will be determined on a case-by-case basis.

Employees are engaged in a wide variety of activities for Mellon. In light of the nature of their activities and the impact of various laws and regulations, the Policy imposes different requirements and limitations on employees based on the nature of their activities for Mellon. To assist employees in complying with the requirements and limitations imposed on them in light of their activities, employees are classified into one of four categories:

- o Insider Risk Employee
- o Investment Employee
- o Access Decision Maker
- o Other Employee

Appropriate requirements and limitations are specified in the Policy based upon an employee's classification.

Business line management, in conjunction with the Manager of the Ethics Office, will determine the classification of each employee based on the following guidelines. Employees should confirm their classification with their Preclearance Compliance Officer or the Manager of the Ethics Office.

## Insider Risk Employee

You are considered to be an Insider Risk Employee if, in the normal conduct of your Mellon responsibilities, you are likely to receive or be perceived to possess or receive, material nonpublic information concerning Mellon's customers. This will typically include certain employees in the Corporate & Institutional Services business group, certain members of Corporate Support Departments, and

all members of the Senior Management Committee who are not Investment Employees.

#### Investment Employee

You are considered to be an Investment Employee if, in the normal conduct of your Mellon responsibilities, you are likely to receive or be perceived to possess or receive, material nonpublic information concerning Mellon's trading in securities for the accounts of others and/or if you provide investment advice.

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#### Classification of Employees

##### Investment Employee (continued)

This will typically include employees in the Asset Management business group, such as:

- o certain employees in fiduciary securities sales and trading, investment management and advisory services, investment research and various trust or fiduciary functions; an employee of a Mellon entity regulated by certain investment company laws. Examples are:
  - in the US, includes employees who are advisory persons (see Glossary) or employees who are access persons (see Glossary) as defined by Rule 17j-1 of the Investment Company Act of 1940
  - in the UK, includes employees in companies undertaking specified activities under the Financial Services and Markets Act 2000 (Regulated Activities), Order 2001 and therefore regulated by the Financial Services Authority
- o any member of Mellon's Senior Management Committee who, as part of his/her usual duties, has management responsibility for fiduciary activities or routinely has access to information about customers' securities transactions.

##### Access Decision Maker (ADM)

A person designated as such by the Investment Ethics Committee. Generally, this will be portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt, and non-investment grade debt securities for mutual funds and other managed accounts. See further details in the Access Decision Maker edition of the Policy.

##### Other Employee

You are considered to be an Other Employee if you are an employee of Mellon Financial Corporation or any of its direct or indirect subsidiaries who is not an Insider Risk Employee, Investment Employee, or an ADM.

##### Consultants, Independent Contractors and Temporary Employees

Managers should inform consultants, independent contractors and temporary employees of the general provisions of The Policy (such as the prohibition on trading while in possession of material nonpublic information). Whether or not a consultant, independent contractor or temporary employee will be required to preclear trades or report their personal securities

holdings will be determined on a case-by-case basis. If one of these persons would be considered an Insider Risk Employee, Investment Employee or Access Decision Maker if the person were a Mellon employee, the person's manager should advise the Manager of the Ethics Office who will determine whether such individual should be subject to the preclearance and reporting requirements of the Policy.

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Personal Securities Trading Practices

Section One - Applicable to Insider Risk Employees

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## Quick Reference-Insider Risk Employees

Duplicate Statements & Confirmations - Instruct your broker, trust account manager or other entity through which you have a securities trading account to send directly to the Preclearance Compliance Officer or his/her designee:

- o trade confirmations summarizing each transaction
- o periodic statements

Exhibit A can be used to notify your broker. Contact the Preclearance Compliance Officer for the correct address. This applies to all accounts in which you have direct or indirect ownership (see Glossary).

Preclearance - Before initiating a securities transaction, written preclearance must be obtained from the Preclearance Compliance Officer. Contact the Preclearance Compliance Officer for applicable approval procedures.

If preclearance approval is received, the trade must be executed before the end of the 3rd business day (with the date of approval being the 1st business day), at which time the preclearance approval will expire.

## Special Approvals

Private Placements - Acquisition of securities in a Private Placement must be precleared by the Mellon Senior Management Committee Member who represents the employee's line of business or department, the Manager of the Ethics Office and the Preclearance Compliance Officer. To initiate approval, contact the Ethics Office

IPOs - Acquisition of securities through an allocation by the underwriter of an Initial Public Offering (IPO) is prohibited without the approval of the Manager of the Ethics Office. Approval can be given only when the allocation is the result of a direct family relationship

## Some Things You Must Not Do

Mellon Securities - The following transactions in Mellon securities are prohibited for all Mellon employees:

- o short sales
- o purchasing and selling or selling and purchasing within 60 days
- o margin purchases or options other than employee options

Non-Mellon Securities - New investments in financial services organizations are prohibited for certain employees only - see Page 15

Other restrictions are detailed throughout Section One. Read the Policy!

## Exemptions

Preclearance is NOT required for:

- o transactions in Exempt securities (see Glossary)
- o transactions in municipal bonds
- o transactions in closed-end investment companies
- o transactions in non-financial commodities (such as agricultural futures, metals, oil, gas, etc.), currency futures, financial futures
- o transactions in index securities
- o transactions in approved accounts in which the employee has no direct or indirect influence or control over the investment decision making process
- o involuntary transactions on the part of an employee (such as stock dividends or sales of fractional shares)

- o changes in elections under Mellon's 401(k) Retirement Savings Plan
- o enrollment, changes in salary withholding percentages and sales of shares held in Mellon's Employee Stock Purchase Plan (ESPP); sales of shares previously withdrawn from the ESPP do require preclearance
- o receipt and exercise of an employee stock option administered through Human Resources
- o automatic reinvestment of dividends under a Dividend Reinvestment Plan (DRIP) or Automatic Investment Plan (AIP); initial share purchase and optional cash purchases under a DRIP or Direct Purchase Plan (DPP) do require preclearance as do sales of shares acquired through a DRIP, DPP or AIP
- o sales pursuant to bona fide tender offers and sales or exercises of "rights" (see Page 8)

Questions?

Contact Mellon's Ethics Office at:

- o Securities Trading Policy Help Line: 412-234-1661
- o Mellon's Ethics Help Line
  - Toll Free Telephone
    - o Asia (except Japan): 001-800-710-63562
    - o Australia: 0011-800-710-63562
    - o Brazil: 0800-891-3813
    - o Europe: 00-800-710-63562
    - o Japan: appropriate international access code + 800-710-63562 (Access codes are: 0061010, 001010, 0041010 or 0033010)
    - o US and Canada: 1-888-MELLON2 (1-888-635-5662)
    - o All other locations: call collect to 412-236-7519
  - Email: [ethics@mellon.com](mailto:ethics@mellon.com)
  - Postal Mail: P.O. Box 535026, Pittsburgh, PA 15253-5026 USA

This page is for reference purposes only. Employees are reminded they must read the Policy and comply with its provisions.

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#### Personal Securities Trading Practices-Insider Risk Employees

#### STANDARDS OF CONDUCT FOR INSIDER RISK EMPLOYEES

Because of their particular responsibilities, Insider Risk Employees are subject to preclearance and personal securities reporting requirements, as discussed below.

Every Insider Risk Employee must follow these procedures or risk serious sanctions, including dismissal. If you have any questions about these procedures, you should consult the Ethics Office or your Preclearance Compliance Officer. Interpretive issues that arise under these procedures shall be decided by, and are subject to the discretion of, the Manager of the Ethics Office.

#### Conflict of Interest

No employee may engage in or recommend any

securities transaction that places, or appears to place, his or her own interests above those of any customer to whom financial services are rendered, including mutual funds and managed accounts, or above the interests of Mellon.

Material Nonpublic Information No employee may engage in or recommend a securities transaction, for his or her own benefit or for the benefit of others, including Mellon or its customers, while in possession of material nonpublic information regarding such securities or the issuer of such securities. No employee may communicate material nonpublic information to others unless it is properly within his or her job responsibilities to do so.

Personal Securities Transaction Reports Statements and Confirmations - All Insider Risk Employees are required to instruct their broker, trust account manager or other entity through which they have a securities trading account to submit directly to the Preclearance Compliance Officer or his/her designee, copies of all trade confirmations and statements relating to each account of which they are an owner (direct or indirect) regardless of what, if any, securities are maintained in such accounts. Thus, even if the account contains only mutual funds or other Exempt securities as that term is defined by the Policy, but the account has the capability to have reportable securities traded in it, the Insider Risk Employee must arrange for duplicate account statements and trade confirmations to be sent to the Preclearance Compliance Officer or his/her designee. An example of an instruction letter to a broker is contained in Exhibit A.

Other securities transactions which were not completed through an account, such as gifts, inheritances, spin-offs from securities held outside accounts, or other transfers must be reported to the Preclearance Compliance Officer or his/her designee within 10 days of the transaction.

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Personal Securities Trading Practices-Insider Risk Employees

Preclearance for  
Personal Securities  
Transactions

Insider Risk Employees must notify the Preclearance Compliance Officer in writing and receive preclearance before they engage in any purchase or sale of a security for their own accounts or in accounts in which they are an indirect owner. Insider Risk Employees should refer to the provisions under "Ownership" on Page 9, which are applicable to these provisions.

All requests for preclearance for a securities transaction shall be submitted by completing a Preclearance Request Form.

The Preclearance Compliance Officer will notify the Insider Risk Employee whether the request is approved or denied, without disclosing the

reason for such approval or denial.

Notifications may be given in writing or verbally by the Preclearance Compliance Officer to the Insider Risk Employee. A record of such notification will be maintained by the Preclearance Compliance Officer. However, it shall be the responsibility of the Insider Risk Employee to obtain a written record of the Preclearance Compliance Officer's notification within 24 hours of such notification. The Insider Risk Employee should retain a copy of this written record for at least two years.

As there could be many reasons for preclearance being granted or denied, Insider Risk Employees should not infer from the preclearance response anything regarding the security for which preclearance was requested.

Although making a preclearance request does not obligate an Insider Risk Employee to do the transaction, it should be noted that:

- o preclearance requests should not be made for a transaction that the Insider Risk Employee does not intend to make
- o preclearance authorization will expire at the end of the third business day after it is received. The day authorization is granted is considered the first business day
- o Insider Risk Employees should not discuss with anyone else, inside or outside Mellon, the response they received to a preclearance request. If the Insider Risk Employee is preclearing as an indirect owner of another's account, the response may be disclosed to the other owner
- o standard orders to trade at certain prices (sometimes called "limit", "stop-loss", "good-until-cancelled", or "standing buy/sell" orders) must be precleared, and security transactions receiving preclearance authorization must be executed before the preclearance expires. At the end of the three-day preclearance authorization period, any unexecuted order must be canceled or a new preclearance authorization must be obtained

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## Personal Securities Trading Practices-Insider Risk Employees

Exemptions from Requirement to Preclear

Preclearance by Insider Risk Employees is not required for the following transactions:

- o purchases or sales of Exempt securities (generally means direct obligations of the governments of the United States and United Kingdom; commercial paper; high-quality, short-term debt instruments; bankers' acceptances; bank certificates of deposits and time deposits; repurchase agreements; securities issued by open-end investment companies, which for this purpose includes open-end mutual funds and

variable capital companies; fixed and variable annuities; and unit trusts (see Glossary for definition of Exempt securities))

- o purchases or sales of closed-end investment companies
- o purchases or sales of municipal bonds
- o purchase or sales of non-financial commodities (such as agricultural futures, metals, oil, gas, etc.), currency futures, financial futures
- o purchases or sales of index securities (sometimes referred to as exchange traded funds)
- o purchases or sales effected in accounts in which an employee has no direct or indirect influence or control over the investment decision making process ("non-discretionary accounts").  
Non-discretionary accounts may only be exempted from preclearance procedures, when the Manager of the Ethics Office, after a thorough review, is satisfied that the account is truly non-discretionary to the employee (that is, the employee has given total investment discretion to an investment manager and retains no ability to influence specific trades). Standard broker accounts generally are not deemed to be non-discretionary to the employee, even if the broker is given some discretion to make investment decisions
- o transactions that are involuntary on the part of an employee (such as stock dividends or sales of fractional shares); however, sales initiated by brokers to satisfy margin calls are not considered involuntary and must be precleared
- o the sale of Mellon stock received upon the exercise of an employee stock option if the sale is part of a "netting of shares" or "cashless exercise" administered through the Human Resources Department
- o changes to elections in the Mellon 401(k) plan
- o enrollment, changes in salary withholding percentages and sales of shares held in the Mellon Employee Stock Purchase Plan (ESPP); sales of shares previously withdrawn from the ESPP do require preclearance
- o purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of securities, to the extent such rights were acquired from such issuer
- o sales of rights acquired from an issuer, as described above
- o sales effected pursuant to a bona fide tender offer

- o automatic reinvestment of dividends under a Dividend Reinvestment Plan (DRIP) or Automatic Investment Plan (AIP); initial share purchase and optional cash purchases under a DRIP or Direct Purchase Plan (DPP) must be precleared as do sales of shares acquired through a DRIP, DPP or AIP

## Personal Securities Trading Practices-Insider Risk Employees

### Gift of Securities

Insider Risk Employees desiring to make a bona fide gift of securities or who receive a bona fide gift, including an inheritance, of securities do not need to preclear the transaction. However, Insider Risk Employees must report such bona fide gifts to the Preclearance Compliance Officer or his/her designee. The report must be made within 10 days of making or receiving the gift and must disclose the following information: the name of the person receiving (giving) the gift, the date of the transaction, and the name of the broker through which the transaction was effected. A bona fide gift is one where the donor does not receive anything of monetary value in return. An Insider Risk Employee who purchases a security with the intention of making a gift must preclear the purchase transaction.

### Ownership

The preclearance, reporting and other provisions of the Policy apply not only to securities held in the employee's own name but also to all other securities indirectly owned by the employee (see Glossary for definition of indirect owner). Generally you are the indirect owner of securities if you have the opportunity, directly or indirectly, to share in any profits from a transaction in those securities. This could include:

- o securities held by members of your family who share the same household with you
- o securities held by a trust in which you are a settler, trustee, or beneficiary
- o securities held by a partnership in which you are a general partner
- o securities in which any contract, arrangement, understanding or relationship gives you direct or indirect economic interest

### Non-Mellon Employee Benefit Plans

The provisions discussed above do not apply to transactions done under a bona fide employee benefit plan of an organization not affiliated with Mellon by an employee of that organization who shares ownership interest with a Mellon employee. This means if a Mellon employee's spouse is employed at a non-Mellon company, the Mellon employee is not required to obtain approval for transactions in the employer's securities done by the spouse as part of the spouse's employee benefit plan.

In such situations, the spouse's employer has primary responsibility for providing adequate supervision with respect to conflicts of

interest and compliance with securities laws regarding its own employee benefit plans.

However, employee benefit plans which allow the employee to buy and sell securities other than those of their employer are subject to the Policy, including the preclearance and reporting provisions.

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#### Personal Securities Trading Practices-Insider Risk Employees

##### DRIPs, DPPs and AIPs

Certain companies with publicly traded securities establish:

- o Dividend Reinvestment Plans (DRIPs) - These permit shareholders to have their dividend payments channeled to the purchase of additional shares of such company's stock. An additional benefit offered to DRIP participants is the right to buy additional shares by sending in a check before the dividend reinvestment date ("optional cash purchases")
- o Direct Purchase Plans (DPPs) - These allow purchasers to buy stock by sending a check directly to the issuer, without using a broker
- o Automatic Investment Plans (AIPs) - These allow purchasers to set up a plan whereby a fixed amount of money is automatically deducted from their checking account each month and used to purchase stock directly from the issuer

Participation in a DRIP, DPP or AIP is voluntary.

Insider Risk Employees who enroll in a DRIP or AIP are required to preclear the initial enrollment in the plan when accompanied by an initial share purchase transaction. However, the periodic reinvestment of dividend payments into additional shares of company stock through a DRIP, or the periodic investments through an AIP are not required to be precleared.

Insider Risk Employees must preclear all optional cash purchases through a DRIP and all purchases through a DPP. Insider Risk Employees must also preclear all sales through a DRIP, DPP or AIP.

##### Investment Clubs and Private Investment Companies

Certain organizations create a unique means of investing:

- o Investment Clubs - a membership organization where investors make joint decisions on which securities to buy or sell. The securities are generally held in the name of the investment club. Since each member of the investment club participates in the investment decision making process, each Insider Risk employee belonging to such a club must preclear and report the securities transactions of the club.
- o Private Investment Company - an investment

company (see Glossary) whose shares are not deemed to be publicly held (sometimes called "hedge funds"). Insider Risk employees investing in such a private investment company are not required to preclear any of the securities transactions made by the private investment company.

However, Insider Risk employees' investments in Private Investment Companies are considered to be private placements and approval must be received prior to investing. Employees should refer to the Private Placement provision of the Policy on Page 14 for approval requirements.

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## Personal Securities Trading Practices-Insider Risk Employees

### Restricted List

The Preclearance Compliance Officer will maintain a list (the "Restricted List") of companies whose securities are deemed appropriate for implementation of trading restrictions for Insider Risk Employees. The Restricted List will not be distributed outside of the Preclearance Compliance Office. From time to time, such trading restrictions may be appropriate to protect Mellon and its Insider Risk Employees from potential violations, or the appearance of violations, of securities laws. The inclusion of a company on the Restricted List provides no indication of the advisability of an investment in the company's securities or the existence of material nonpublic information on the company. Nevertheless, the contents of the Restricted List will be treated as confidential information to avoid unwarranted inferences.

The Preclearance Compliance Officer will retain copies of the restricted lists for six years.

### Confidential Treatment

The Manager of the Ethics Office and/or the Preclearance Compliance Officer will use his or her best efforts to assure that all requests for preclearance, all personal securities transaction reports and all reports of securities holdings are treated as "Personal and Confidential." However, such documents will be available for inspection by appropriate regulatory agencies and by other parties within and outside Mellon as are necessary to evaluate compliance with or sanctions under the Policy.

## RESTRICTIONS ON TRANSACTIONS IN MELLON SECURITIES

Insider Risk employees who engage in transactions involving Mellon securities should be aware of their unique responsibilities with respect to such transactions arising from the employment relationship and should be sensitive to even the appearance of impropriety.

The following restrictions apply to all transactions in Mellon's publicly traded securities occurring in the employee's own account and in all other accounts over which the employee has indirect ownership. These restrictions are to be followed in addition to

any restrictions that apply to particular senior officers or directors of Mellon such as restrictions under Section 16 of the Securities Exchange Act of 1934.

- o Short Sales - Short sales of Mellon securities by employees are prohibited.
- o Short-Term Trading - Employees are prohibited from purchasing and selling, or from selling and purchasing, Mellon securities within any 60-calendar day period.
- o Margin Transactions - Purchases on margin of Mellon's publicly traded securities by employees is prohibited. Margining Mellon securities in connection with a cashless exercise of an employee stock option through the Human Resource Department is exempt from this restriction. Further, Mellon securities may be used to collateralize loans for non-securities purposes or for the acquisition of securities other than those issued by Mellon.
- o Option Transactions - Option transactions involving Mellon's publicly traded securities are prohibited. Transactions under Mellon's Long-Term Incentive Plan or other employee option plans are exempt from this restriction.
- o Major Mellon Events - Employees who have knowledge of major Mellon events that have not yet been announced are prohibited from buying or selling Mellon's publicly traded securities before such public announcements, even if the employee believes the event does not constitute material nonpublic information.

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#### Personal Securities Trading Practices-Insider Risk Employees

##### Mellon 401(k) Plan

For purposes of the short-term trading rule, employees changing their existing account balance allocation to increase or decrease the amount allocated to Mellon Common Stock will be treated as a purchase or sale of Mellon Stock, respectively. This means employees are prohibited from increasing their existing account balance allocation to Mellon Common Stock and then decreasing it within 60 days. Similarly, employees are prohibited from decreasing their existing account balance allocation to Mellon Common Stock and then increasing it within 60 days.

However, changes to existing account balance allocations in the 401(k) plan will not be compared to transactions in Mellon securities outside the 401(k) for purposes of the 60-day rule. (Note: this does not apply to members of the Executive Management Group, who should consult with the Legal Department) Except for the above, there are no other restrictions applicable to the 401(k) plan. This means, for example:

- o employees are not required to preclear any elections or changes made in their 401(k) account
- o there is no restriction on employees changing their salary deferral contribution percentages with regard to the 60-day rule
- o the regular salary deferral contribution to Mellon Common Stock in the 401(k) that takes place with each pay will not be considered a purchase for the purpose of the 60-day rule

Mellon Employee Stock Options

Receipt or Exercise of an employee stock option from Mellon is exempt from the reporting and preclearance requirements and does not constitute a purchase or sale for the purpose of the 60-day prohibition.

Sales - The sale of the Mellon securities that were received in the exercise of an employee stock option is treated like any other sale under the Policy (regardless of how little time has elapsed between the option exercise and the sale). Thus, such sales are subject to the preclearance and reporting requirements and are considered sales for purposes of the 60-day prohibition.

Mellon Employee Stock Purchase Plan (ESPP)

Enrollment and Changing Salary Withholding Percentages in the ESPP are exempt from preclearance and reporting requirements and do not constitute a purchase for purposes of the 60-day prohibition.

Selling Shares Held in the ESPP - Insider Risk employees are not required to preclear or report sales of stock held in the ESPP, including shares acquired upon reinvestment of dividends. However, sale of stock held in the ESPP is considered a sale for purposes of the 60-day prohibition and will be compared to transactions in Mellon securities outside of the ESPP.

Selling Shares Previously Withdrawn - The sale of the Mellon securities that were received as a withdrawal from the ESPP is treated like any other sale under the Policy, regardless of how little time has elapsed between the withdrawal and the sale. Thus, such sales are subject to the preclearance and reporting requirements and are considered sales for purposes of the 60-day prohibition.

Personal Securities Trading Practices-Insider Risk Employees

RESTRICTIONS ON TRANSACTIONS IN OTHER SECURITIES

Purchases or sales by an employee of the securities of issuers with which Mellon does business, or other third-party issuers, could result in liability on the part of such employee. Employees should be sensitive to even the appearance of impropriety in connection with their personal securities transactions. Employees should refer to "Ownership" on Page 9, which is applicable to the following

restrictions.

The Mellon Code of Conduct contains certain restrictions on investments in parties that do business with Mellon. Employees should refer to the Code of Conduct and comply with such restrictions in addition to the restrictions and reporting requirements set forth below. The following restrictions apply to all securities transactions by Insider Risk Employees:

- o Credit, Consulting or Advisory Relationship - Employees may not buy, hold or trade securities of a company if they are considering granting, renewing, modifying or denying any credit facility to that company, acting as a benefits consultant to that company, or acting as an adviser to that company with respect to the company's own securities without the prior permission of the Ethics Office. In addition, lending employees who have assigned responsibilities in a specific industry group are not permitted to trade securities in that industry. This prohibition does not apply to transactions in open-end mutual funds.
- o Customer Transactions - Trading for customers and Mellon accounts should always take precedence over employees' transactions for their own or related accounts.
- o Excessive Trading, Naked Options - Mellon discourages all employees from engaging in short-term or speculative trading, writing naked options, trading that could be deemed excessive or trading that could interfere with an employee's job responsibilities.
- o Front Running - Employees may not engage in "front running," that is, the purchase or sale of securities for their own accounts on the basis of their knowledge of Mellon's trading positions or plans or those of their customers.
- o Initial Public Offerings - Insider Risk Employees are prohibited from acquiring securities through an allocation by the underwriter of an Initial Public Offering (IPO) without the approval of the Manager of the Ethics Office. Approval can be given only when the allocation comes through an employee of the issuer who is a direct family relation of the Insider Risk Employee. Due to certain laws and regulations (for example, NASD rules in the US), this approval may not be available to employees of registered broker-dealers.
- o Material Nonpublic Information - Employees possessing material nonpublic information regarding any issuer of securities must refrain from purchasing or selling securities of that issuer until the information becomes public or is no longer considered material.

## Personal Securities Trading Practices-Insider Risk Employees

## RESTRICTIONS ON TRANSACTIONS IN OTHER SECURITIES (continued)

- o Private Placements - Insider Risk  
Employees are prohibited from acquiring any security in a private placement unless they obtain the prior written approval of the Manager of the Ethics Office, the Preclearance Compliance Officer and the Mellon Senior Management Committee Member representing the employee's line of business or department. Employees should contact the Ethics Office to initiate approval. Approval must be given by all three persons for the acquisition to be considered approved.

Private placements include certain co-operative investments in real estate, co-mingled investment vehicles such as hedge funds, and investments in family owned businesses. For purposes of the Policy, time-shares and cooperative investments in real estate used as a primary or secondary residence are not considered to be private placements.

After receipt of the necessary approvals and the acquisition, Insider Risk employees are required to disclose that investment if they participate in any subsequent consideration of credit for the issuer, or of an investment in the issuer for an advised account. Final decision to acquire such securities for an advised account will be subject to independent review.

- o Scalping - Employees may not engage in "scalping," that is, the purchase or sale of securities for their own or Mellon's accounts on the basis of knowledge of customers' trading positions or plans.
- o Short-Term Trading - All employees are discouraged from purchasing and selling, or from selling and purchasing, the same (or equivalent) securities within any 60-calendar day period.
- o Spread Betting - Employees may not engage in "spread betting" (essentially taking bets on securities pricing to reflect market movements) or similar activities as a mechanism for avoiding the restrictions on personal securities trading arising under the provisions of the Policy. Such transactions themselves constitute transactions in securities for the purposes of the Policy and are subject to all of the provisions applicable to other non-exempted transactions.

## Personal Securities Trading Practices-Insider Risk Employees

Prohibition on  
Investments in  
Securities of Financial

You are prohibited from acquiring any security issued by a financial services organization if you are:

- o a member of the Mellon Senior Services Organizations Management Committee
- o employed in any of the following departments:
  - Corporate Strategy & Development
  - Legal (Mellon headquarters only)
  - Finance (Mellon headquarters only)
- o an employee specifically designated by the Manager of the Ethics Office and informed that this prohibition is applicable to you

Financial Services Organizations - The phrase "security issued by a financial services organization" includes any security issued by:

- o Commercial Banks other than Mellon
- o Financial Holding Companies (or Bank Holding Companies) other than Mellon
- o Insurance Companies
- o Investment Advisory Companies ? Shareholder Servicing Companies ? Thrifts
- o Savings and Loan Associations ? Broker-Dealers
- o Transfer Agents ? Other Depository Institutions

The phrase "securities issued by a financial services organization" does not include Exempt securities (see Glossary). Further, for purposes of determining whether a company is a financial services organization, subsidiaries and parent companies are treated as separate issuers.

Effective Date - Securities of financial services organizations properly acquired before the employee is subject to this prohibition may be maintained or disposed of at the owner's discretion consistent with the Policy.

Any acquisition of financial service organization securities that is exempt from preclearance pursuant to the express provision of the Policy is also exempt from this prohibition. This includes (assuming full compliance with the applicable preclearance exemption):

- o Exempt securities (see Glossary)
- o acquisition in a non-discretionary account
- o involuntary acquisitions
- o securities received as gifts
- o reinvestment of dividends (but not initial share and optional cash purchases) under a DRIP or acquisitions through an AIP

- o acquisitions through a non-Mellon employee benefit plan

Within 30 days of becoming subject to this prohibition, all holdings of securities of financial services organizations must be disclosed in writing to the Manager of the Ethics Office.

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## Personal Securities Trading Practices-Insider Risk Employees

### PROTECTING CONFIDENTIAL INFORMATION

As an employee you may receive information about Mellon, its customers and other parties that, for various reasons, should be treated as confidential. All employees are expected to strictly comply with measures necessary to preserve the confidentiality of information. Employees should refer to the Mellon Code of Conduct.

### Insider Trading and Tipping Legal Prohibitions

Securities laws generally prohibit the trading of securities while in possession of "material nonpublic" information regarding the issuer of those securities (insider trading). Any person who passes along material nonpublic information upon which a trade is based (tipping) may also be liable.

Information is "material" if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, sell or hold securities. Obviously, information that would affect the market price of a security (price sensitive information) would be material. Examples of information that might be material include:

- o a proposal or agreement for a merger, acquisition or divestiture, or for the sale or purchase of substantial assets
- o tender offers, which are often material for the party making the tender offer as well as for the issuer of the securities for which the tender offer is made
- o dividend declarations or changes
- o extraordinary borrowings or liquidity problems
- o defaults under agreements or actions by creditors, customers or suppliers relating to a company's credit standing
- o earnings and other financial information, such as significant restatements, large or unusual write-offs, write-downs, profits or losses
- o pending discoveries or developments, such as new products, sources of materials, patents, processes, inventions or discoveries of mineral deposits
- o a proposal or agreement concerning a

financial restructuring

- o a proposal to issue or redeem securities, or a development with respect to a pending issuance or redemption of securities
- o a significant expansion or contraction of operations
- o information about major contracts or increases or decreases in orders
- o the institution of, or a development in, litigation or a regulatory proceeding
- o developments regarding a company's senior management ?
- o information about a company received from a director of that company
- o information regarding a company's possible noncompliance with environmental protection laws

This list is not exhaustive. All relevant circumstances must be considered when determining whether an item of information is material.

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#### Personal Securities Trading Practices-Insider Risk Employees

Insider Trading and  
Tipping  
Legal Prohibitions  
(continued)

"Nonpublic" - Information about a company is nonpublic if it is not generally available to the investing public. Information received under circumstances indicating that it is not yet in general circulation and which may be attributable, directly or indirectly, to the company or its insiders is likely to be deemed nonpublic information.

If you obtain material nonpublic information, you may not trade related securities until you can refer to some public source to show that the information is generally available (that is, available from sources other than inside sources) and that enough time has passed to allow wide dissemination of the information. While information appearing in widely accessible sources--such as in newspapers or on the internet--becomes public very soon after publication, information appearing in less accessible sources--such as regulatory filings, may take up to several days to be deemed public. Similarly, highly complex information might take longer to become public than would information that is easily understood by the average investor.

Mellon's Policy

Employees who possess material nonpublic information about a company--whether that company is Mellon, another Mellon entity, a Mellon customer or supplier, or other company--may not trade in that company's securities, either for their own accounts or for any account over which they exercise investment discretion. In addition, employees may not recommend trading in those securities and may not pass the information along to others, except to employees who need to know

the information in order to perform their job responsibilities with Mellon. These prohibitions remain in effect until the information has become public.

Employees who have investment responsibilities should take appropriate steps to avoid receiving material nonpublic information. Receiving such information could create severe limitations on their ability to carry out their responsibilities to Mellon's fiduciary customers.

Employees managing the work of consultants and temporary employees who have access to the types of confidential information described in the Policy are responsible for ensuring that consultants and temporary employees are aware of Mellon's policy and the consequences of noncompliance.

Questions regarding Mellon's policy on material nonpublic information, or specific information that might be subject to it, should be referred to the General Counsel.

Restrictions on the Flow of Information Within Mellon (The "Securities Fire Wall")

As a diversified financial services organization, Mellon faces unique challenges in complying with the prohibitions on insider trading and tipping of material nonpublic information, and misuse of confidential information. This is because one Mellon unit might have material nonpublic information about a company while other Mellon units may have a desire, or even a fiduciary duty, to buy or sell that company's securities or recommend such purchases or sales to customers. To engage in such broad-ranging financial services activities without violating laws or breaching Mellon's fiduciary duties, Mellon has established a "Securities Fire Wall" policy applicable to all employees. The "Securities Fire Wall" separates the Mellon units or individuals that are likely to receive material nonpublic information (potential Insider Risk functions) from the Mellon units or individuals that either trade in securities, for Mellon's account or for the accounts of others, or provide investment advice (Investment functions). Employees should refer to CPP 903-2(C) The Securities Fire Wall.

Personal Securities Trading Practices

Section Two - Applicable to Investment Employees

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#### Quick Reference-Investment Employees

##### Some Things You Must Do

Statement of Accounts and Holdings - Provide to the Preclearance Compliance Officer or his/her designee a statement of all securities accounts and holdings within 10 days of becoming an Investment Employee and again annually on request.

Duplicate Statements & Confirmations - Instruct your broker, trust account manager or other entity through which you have a securities trading account to send directly to the Preclearance Compliance Officer or his/her designee:

- o trade confirmations summarizing each transaction
- o periodic statements

Exhibit A can be used to notify your broker. Contact the Preclearance Compliance Officer for the correct address. This applies to all accounts in which you have direct or indirect ownership (see Glossary).

Preclearance - Before initiating a securities transaction, written preclearance must be obtained from the Preclearance Compliance Officer. Contact the Preclearance Compliance Officer for applicable approval procedures.

If preclearance approval is received, the trade must be communicated to the broker on the same day and executed before the end of the next business day, at which time the preclearance approval will expire.

#### Special Approvals

Private Placements - Acquisition of securities in a Private Placement must be precleared by the Mellon Senior Management Committee Member who represents the employee's line of business or department, the Manager of the Ethics Office and the Preclearance Compliance Officer. To initiate approval, contact the Ethics Office.

IPOs - Acquisition of securities through an allocation by the underwriter of an Initial Public Offering (IPO) is prohibited without the approval of the Manager of the Ethics Office. Approval can be given only when the allocation is the result of a direct family relationship.

#### Some Things You Must Not Do

Mellon Securities - The following transactions in Mellon securities are prohibited for all Mellon employees:

- o short sales
- o purchasing and selling or selling and purchasing within 60 days
- o margin purchases or options other than employee options

#### Non-Mellon Securities

- o purchasing and selling or selling and purchasing the same or equivalent security within 60 days is discouraged, and any profits must be disgorged
- o new investments in financial services organizations are prohibited for certain employees - see Page 30

Other restrictions are detailed in Section Two. Read the Policy!

#### Exemptions

Preclearance is NOT required for:

- o transactions in Exempt securities (see Glossary)
- o transactions in non-affiliated, closed-end investment companies
- o transactions in non-financial commodities (such as agricultural futures, metals, oil, gas, etc.), currency futures, financial futures
- o transactions in index securities
- o transactions in approved accounts over which the employee has no direct or indirect influence or control over the investment decision making process
- o involuntary transactions on the part of an employee (such as stock dividends or sales of fractional shares)
- o changes in elections under Mellon's 401(k) Retirement Savings Plan
- o enrollment, changes in salary withholding percentages and sales of shares held in Mellon's Employee Stock Purchase Plan (ESPP); sales of shares previously withdrawn from the ESPP do require preclearance
- o receipt and exercise of an employee stock option administered through Human Resources
- o automatic reinvestment of dividends under a Dividend Reinvestment Plan (DRIP) or Automatic Investment Plan (AIP); initial share purchase and optional cash purchases under a DRIP or Direct Purchase Plan (DPP) do require preclearance, as do sales of shares acquired through a DRIP, DPP or AIP
- o sales pursuant to bona fide tender offers and sales or exercises of "rights" (see Page 23)

#### Questions?

Contact Mellon's Ethics Office at:

- o Securities Trading Policy Help Line: 412-234-1661
- o Mellon's Ethics Help Line
  - Toll Free Telephone
    - o Asia (except Japan): 001-800-710-63562
    - o Australia: 0011-800-710-63562
    - o Brazil: 0800-891-3813
    - o Europe: 00-800-710-63562
    - o Japan: appropriate international access code + 800-710-63562  
(Access codes are: 0061010, 001010, 0041010 or 0033010)
    - o US and Canada: 1-888-MELLON2 (1-888-635-5662)
    - o All other locations: call collect to 412-236-7519
  - Email: ethics@mellon.com
  - Postal Mail: P.O. Box 535026, Pittsburgh,  
PA 15253-5026 USA

This PAGE is for reference purposes only. Employees are reminded they must read the Policy and comply with its provisions.

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#### Personal Securities Trading Practices-Investment Employees

#### STANDARDS OF CONDUCT FOR INVESTMENT EMPLOYEES

Because of their particular responsibilities, Investment Employees are subject to preclearance and personal securities reporting requirements, as discussed below.

Every Investment Employee must follow these procedures or risk serious sanctions, including dismissal. If you have any questions about these procedures, you should consult the Ethics Office or the Preclearance Compliance Officer. Interpretive issues that arise under these procedures shall be decided by, and are subject to the discretion of, the Manager of the Ethics Office.

#### Conflict of Interest

No employee may engage in or recommend any securities transaction that places, or appears to place, his or her own interests above those of any customer to whom financial services are rendered, including mutual funds and managed accounts, or above the interests of Mellon.

#### Material Nonpublic Information

No employee may divulge the current portfolio positions, or current or anticipated portfolio transactions, programs or studies, of Mellon or any Mellon customer to anyone unless it is properly within his or her job responsibilities to do so.

No employee may engage in or recommend a securities transaction, for his or her own benefit or for the benefit of others, including Mellon or its customers, while in possession of material nonpublic information regarding such securities or the issuer of such securities. No employee may communicate material nonpublic information to others unless it is properly

within his or her job responsibilities to do so.

Personal Securities  
Transaction Reports

Statements & Confirmations - All Investment Employees are required to instruct their broker, trust account manager or other entity through which they have a securities trading account to submit directly to the Preclearance Compliance Officer or his/her designee, copies of all trade confirmations and statements relating to each account of which they are an owner (direct or indirect) regardless of what, if any, securities are maintained in such accounts. Thus, even if the account contains only mutual funds or other Exempt securities as that term is defined by the Policy, but the account has the capability to have reportable securities traded in it, the Investment Employee must arrange for duplicate account statements and trade confirmations to be sent to the Preclearance Compliance Officer or his/her designee. Exhibit A is an example of an instruction letter to a broker.

Other securities transactions which were not completed through an account, such as gifts, inheritances, spin-offs from securities held outside accounts, or other transfers must be reported to the Preclearance Compliance Officer or his/her designee within 10 days of the transaction.

Page 20

Personal Securities Trading Practices-Investment Employees

Statement of Securities  
Accounts and Holdings

Within ten days of receiving the Policy and on an annual basis thereafter, all Investment Employees must submit to the Preclearance Compliance Officer or his/her designee:

- o a listing of all accounts that may trade reportable securities in which the employee is a direct or indirect owner regardless of what, if any, securities are maintained in such accounts. Thus, for example, even if the account contains only mutual funds or other Exempt securities (see Glossary) but has the capability of holding reportable securities, the account must be disclosed
- o a statement of all securities held outside of securities trading accounts in which the employee presently has any direct or indirect ownership other than Exempt securities (see Glossary).

The annual report must be completed upon the request of the Ethics Office, and the information submitted must be current within 30 days of the date the report is submitted. The annual statement of securities holdings contains an acknowledgment that the Investment Employee has read and complied with the Policy.

Preclearance for  
Personal Securities  
Transactions

All Investment Employees must notify the Preclearance Compliance Officer in writing and receive preclearance before they engage in any purchase or sale of a security for their own accounts or in accounts in which they are an indirect owner. Investment Employees should

refer to the provisions under " Ownership" on Page 24, which are applicable to these provisions.

All requests for preclearance for a securities transaction shall be submitted by completing a Preclearance Request Form.

The Preclearance Compliance Officer will notify the Investment Employee whether the request is approved or denied, without disclosing the reason for such approval or denial.

Notifications may be given in writing or verbally by the Preclearance Compliance Officer to the Investment Employee. A record of such notification will be maintained by the Preclearance Compliance Officer. However, it shall be the responsibility of the Investment Employee to obtain a written record of the Preclearance Compliance Officer's notification within 24 hours of such notification. The Investment Employee should retain a copy of this written record for at least two years.

As there could be many reasons for preclearance being granted or denied, Investment Employees should not infer from the preclearance response anything regarding the security for which preclearance was requested.

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#### Personal Securities Trading Practices-Investment Employees

Preclearance for  
Personal Securities  
Transactions  
(continued)

Although making a preclearance request does not obligate an Investment Employee to do the transaction, it should be noted that:

- o preclearance requests should not be made for a transaction that the Investment Employee does not intend to make
- o the order for a transaction must be placed with the broker on the same day that preclearance authorization is received. The broker must execute the trade by the close of business on the next business day, at which time the preclearance authorization will expire
- o Investment Employees should not discuss with anyone else, inside or outside Mellon, the response they received to a preclearance request. If the Investment Employee is preclearing as an indirect owner of another's account, the response may be disclosed to the other owner
- o standard orders to trade at certain prices (sometimes called "limit", "stop-loss", "good-until-cancelled", or "standing buy/sell" orders) must be precleared, and security transactions receiving preclearance authorization must be executed before the preclearance expires. At the end of the preclearance authorization period, any unexecuted order must be canceled or a new preclearance authorization must be obtained

Investment Employees will generally not be given clearance to execute a transaction in any security that is on the restricted list maintained by the Preclearance Compliance Officer, or for which there is a pending buy or sell order for an affiliated account. This provision does not apply to transactions effected or contemplated by index funds. The Preclearance Compliance Officer may approve certain de minimus transactions even when the firm is trading such securities. However, de minimus transactions require preclearance approval. The following transaction limits are available for this exception:  
In the US,

- o purchase or sale of up to \$50,000 of securities of:
  - the top 200 issuers on the Russell list of largest publicly traded companies
  - other companies with a market capitalization of \$20 billion or higher
- o purchase or sale of up to the greater of 100 shares or \$10,000 of securities:
  - ranked 201 to 500 on the Russell list of largest publicly traded companies
  - other companies with a market capitalization of \$5 billion or higher In the UK,
- o purchase or sale of up to (pound)30,000 of securities of:
  - top 100 companies on the FTSE All Share Index
  - other companies with a market capitalization of (pound)10 billion or higher
- o purchase or sale of up to the greater of 100 shares or (pound)6 thousand of securities of:
  - companies ranked 101 to 250 on the FTSE All Share Index
  - other companies with a market capitalization of (pound)3 billion or higher

The following restrictions or conditions are imposed upon the above described transactions:

- o employees must cooperate with the Preclearance Compliance Officer's request to document market capitalization amounts
- o approval is limited to two such trades in the securities of any one issuer in any calendar month
- o short-term profit disgorgement is not waived for such transactions
- o preclearance is required prior to

## Personal Securities Trading Practices-Investment Employees

Exemptions from  
Requirement to  
Preclear

Preclearance by Investment Employees is not  
required for the following transactions:

- o purchases or sales of Exempt securities (generally means direct obligations of the governments of the United States and United Kingdom; commercial paper; high-quality, short-term debt instruments; banker's acceptances; bank certificates of deposits and time deposits; repurchase agreements; securities issued by open-end investment companies, which for this purpose includes open-end mutual funds and variable capital companies; fixed and variable annuities; and unit trusts (see Glossary for definition of Exempt securities))
- o purchases or sales of non-affiliated, closed-end investment companies
- o purchase or sales of non-financial commodities (such as agricultural futures, metals, oil, gas, etc.), currency futures, financial futures
- o purchases or sales of index securities (sometimes referred to as exchange traded funds)
- o purchases or sales effected in accounts in which an employee has no direct or indirect influence or control over the investment decision making process ("non-discretionary accounts"). Non-discretionary accounts may only be exempted from preclearance procedures, when the Manager of the Ethics Office, after a thorough review, is satisfied that the account is truly non-discretionary to the employee (that is, the employee has given total investment discretion to an investment manager and retains no ability to influence specific trades). Standard broker accounts generally are not deemed to be non-discretionary to the employee, even if the broker is given some discretion to make investment decisions
- o transactions that are involuntary on the part of an employee, such as stock dividends or sales of fractional shares; however, sales initiated by brokers to satisfy margin calls are not considered involuntary and must be precleared
- o the sale of Mellon stock received upon the exercise of an employee stock option if the sale is part of a "netting of shares" or "cashless exercise" administered through the Human Resources Department
- o changes to elections in the Mellon 401(k) plan

- o enrollment, changes in salary withholding percentages and sales of shares held in the Mellon Employee Stock Purchase Plan (ESPP); sales of shares previously withdrawn from the ESPP do require preclearance
- o purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of securities, to the extent such rights were acquired from such issuer
- o sales of rights acquired from an issuer, as described above
- o sales effected pursuant to a bona fide tender offer
- o automatic reinvestment of dividends under a Dividend Reinvestment Plan (DRIP) or Automatic Investment Plan (AIP); initial share purchase and optional cash purchases under a DRIP or Direct Purchase Plan (DPP) must be precleared as do sales of shares of shares acquired through a DRIP, DPP or AIP

#### Gift of Securities

Investment Employees desiring to make a bona fide gift of securities or who receive a bona fide gift of securities, including an inheritance, do not need to preclear the transaction. However, Investment Employees must report such bona fide gifts to the Preclearance Compliance Officer or his/her designee. The report must be made within 10 days of making or receiving the gift and must disclose the following information: the name of the person receiving (giving) the gift, the date of the transaction, and the name of the broker through which the transaction was effected. A bona fide gift is one where the donor does not receive anything of monetary value in return. An Investment Employee who purchases a security with the intention of making a gift must preclear the purchase transaction.

#### Personal Securities Trading Practices-Investment Employees

##### Ownership

The preclearance, reporting and other provisions of the Policy apply not only to securities held in the employee's own name but also to all other securities indirectly owned by the employee (see Glossary for the definition of indirect owner). Generally you are the indirect owner of securities if you have the opportunity, directly or indirectly, to share in any profits from a transaction in those securities. This could include:

- o securities held by members of your family who share the same household with you
- o securities held by a trust in which you are a settler, trustee, or beneficiary
- o securities held by a partnership in which you are a general partner
- o securities in which any contract,

arrangement, understanding or relationship gives you direct or indirect economic interest

#### Non-Mellon Employee Benefit Plans

The provisions discussed above do not apply to transactions done under a bona fide employee benefit plan of an organization not affiliated with Mellon by an employee of that organization who shares ownership interest with a Mellon employee. This means if a Mellon employee's spouse is employed at a non-Mellon company, the Mellon employee is not required to obtain approval for transactions in the employer's securities done by the spouse as part of the spouse's employee benefit plan.

In such situations, the spouse's employer has primary responsibility for providing adequate supervision with respect to conflicts of interest and compliance with securities laws regarding its own employee benefit plans. However, employee benefit plans which allow the employee to buy or sell securities other than those of their employer are subject to the Policy, including the preclearance and reporting provisions

#### DRIPs, DPPs and AIPs

Certain companies with publicly traded securities establish:

- o Dividend Reinvestment Plans (DRIPs) - These permit shareholders to have their dividend payments channeled to the purchase of additional shares of such company's stock. An additional benefit offered to DRIP participants is the right to buy additional shares by sending in a check before the dividend reinvestment date ("optional cash purchases")
- o Direct Purchase Plans (DPPs) - These allow purchasers to buy stock by sending a check directly to the issuer, without using a broker
- o Automatic Investment Plans (AIPs) - These allow purchasers to set up a plan whereby a fixed amount of money is automatically deducted from their checking account each month and used to purchase stock directly from the issuer

Participation in a DRIP, DPP or AIP is voluntary.

Investment Employees who enroll in a DRIP or AIP are required to preclear the initial enrollment in the plan when accompanied by an initial share purchase transaction. However, the periodic reinvestment of dividend payments into additional shares of company stock through a DRIP, or the periodic investments through an AIP are not required to be precleared.

Investment Employees must preclear all optional cash purchases through a DRIP and all purchases through a DPP. Investment Employees must also preclear all sales through a DRIP, DPP or AIP.

Investment Clubs and  
Private Investment  
Companies

Certain organizations create a unique means of investing:

- o Investment Clubs - a membership organization where investors make joint decisions on which securities to buy or sell. The securities are generally held in the name of the investment club. Since each member of the investment club participates in the investment decision making process, each Investment Employee belonging to such a club must preclear and report the securities transactions of the club.
- o Private Investment Company - an investment company (see Glossary) whose shares are not deemed to be publicly held (sometimes called "hedge funds"). Investment Employees investing in such a private investment company are not required to preclear any of the securities transactions made by the private investment company.

However, Investment Employees' investments in Private Investment Companies are considered to be private placements and approval must be received prior to investing. Employees should refer to the Private Placement provision of the Policy on Page 28 for approval requirements.

Restricted List

The Preclearance Compliance Officer will maintain a list (the "Restricted List") of companies whose securities are deemed appropriate for implementation of trading restrictions for Investment Employees in his/her area. From time to time, such trading restrictions may be appropriate to protect Mellon and its Investment Employees from potential violations, or the appearance of violations, of securities laws. The inclusion of a company on the Restricted List provides no indication of the advisability of an investment in the company's securities or the existence of material nonpublic information on the company. Nevertheless, the contents of the Restricted List will be treated as confidential

information to avoid unwarranted inferences. The Preclearance Compliance Officer will retain copies of the restricted lists for six years.

Confidential Treatment

The Manager of the Ethics Office and/or Preclearance Compliance Officer will use his or her best efforts to assure that all requests for preclearance, all personal securities transaction reports and all reports of securities holdings are treated as "Personal and Confidential." However, such documents will be available for inspection by appropriate regulatory agencies, and by other parties within and outside Mellon as are necessary to evaluate compliance with or sanctions under the Policy. Documents received from Investment Employees are also available for inspection by the boards of directors, trustees or managing general partners of any Mellon entity regulated by investment company laws.

## Personal Securities Trading Practices-Investment Employees

## RESTRICTIONS ON TRANSACTIONS IN MELLON SECURITIES

Investment Employees who engage in transactions involving Mellon securities should be aware of their unique responsibilities with respect to such transactions arising from the employment relationship and should be sensitive to even the appearance of impropriety.

The following restrictions apply to all transactions in Mellon's publicly traded securities occurring in the employee's own account and in all other accounts over which the employee has indirect ownership. These restrictions are to be followed in addition to any restrictions that apply to particular senior officers or directors of Mellon such as restrictions under Section 16 of the Securities Exchange Act of 1934.

- o Short Sales - Short sales of Mellon securities by employees are prohibited.
- o Short-Term Trading - Investment Employees are prohibited from purchasing and selling, or from selling and purchasing Mellon securities within any 60-calendar day period. In addition to any other sanction, any profits realized on such short-term trades must be disgorged in accordance with procedures established by senior management.
- o Margin Transactions - Purchases on margin of Mellon's publicly traded securities by employees is prohibited. Margining Mellon securities in connection with a cashless exercise of an employee stock option through the Human Resource Department is exempt from this restriction. Further, Mellon securities may be used to collateralize loans for non-securities purposes or for the acquisition of securities other than those issued by Mellon.
- o Option Transactions - Option transactions involving Mellon's publicly traded securities are prohibited. Transactions under Mellon's Long-Term Incentive Plan or other employee option plans are exempt from this restriction.
- o Major Mellon Events - Employees who have knowledge of major Mellon events that have not yet been announced are prohibited from buying or selling Mellon's publicly traded securities before such public announcements, even if the employee believes the event does not constitute material nonpublic information.

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## Personal Securities Trading Practices-Investment Employees

For purposes of the short-term trading rule, employees changing their existing account balance allocation to increase or decrease the amount allocated to Mellon Common Stock will be treated as a purchase or sale of Mellon Stock, respectively. This means employees are prohibited from increasing their existing account balance allocation to Mellon Common Stock and then decreasing it within 60 days. Similarly, employees are prohibited from decreasing their existing account balance allocation to Mellon Common Stock and then increasing it within 60 days. However:

- o with respect to Investment Employees, any profits realized on short-term changes in the 401(k) will not have to be disgorged
- o changes to existing account balance allocations in the 401(k) plan will not be compared to transactions in Mellon securities outside the 401(k) for purposes of the 60-day rule. (Note: this does not apply to members of the Executive Management Group, who should consult with the Legal Department)

Except for the above, there are no other restrictions applicable to the 401(k) plan. This means, for example:

- o employees are not required to preclear any elections or changes made in their 401(k) account
- o there is no restriction on employees changing their salary deferral contribution percentages with regard to the 60-day rule
- o the regular salary deferral contribution to Mellon Common Stock in the 401(k) that takes place with each pay will not be considered a purchase for purpose of the 60- day rule

Mellon Employee Stock Options

Receipt or Exercise of an employee stock option from Mellon is exempt from the reporting and preclearance requirements and does not constitute a purchase or sale for the purpose of the 60-day prohibition.

Sales - The sale of the Mellon securities that were received in the exercise of an employee stock option is treated like any other sale under the Policy, regardless of how little time has elapsed between the option exercise and the sale. Thus, such sales are subject to the preclearance and reporting requirements and are considered sales for purposes of the 60-day prohibition.

Mellon Employee Stock Purchase Plan (ESPP)

Enrollment and Changing Salary Withholding Percentages in the ESPP are exempt from preclearance and reporting requirements and do not constitute a purchase for purposes of the 60-day prohibition.

Selling Shares Held in the ESPP - Investment employees are not required to preclear or report sales of stock held in the ESPP, including shares acquired upon reinvestment of dividends. However, sale of stock held in the

ESPP is considered a sale for purposes of the 60-day prohibition and will be compared to transactions in Mellon securities outside of the ESPP.

Selling Shares Previously Withdrawn - The sale of the Mellon securities that were received as a withdrawal from the ESPP is treated like any other sale under the Policy, regardless of how little time has elapsed between the withdrawal and the sale. Thus, such sales are subject to the preclearance and reporting requirements and are considered sales for purposes of the 60-day prohibition.

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## Personal Securities Trading Practices-Investment Employees

### RESTRICTIONS ON TRANSACTIONS IN OTHER SECURITIES

Purchases or sales by an employee of the securities of issuers with which Mellon does business, or other third-party issuers, could result in liability on the part of such employee. Employees should be sensitive to even the appearance of impropriety in connection with their personal securities transactions. Employees should refer to "Ownership" on PAGE 24 which is applicable to the following restrictions.

The Mellon Code of Conduct contains certain restrictions on investments in parties that do business with Mellon. Employees should refer to the Code of Conduct and comply with such restrictions in addition to the restrictions and reporting requirements set forth below.

The following restrictions apply to all securities transactions by Investment Employees:

- o Customer Transactions - Trading for customers and Mellon accounts should always take precedence over employees' transactions for their own or related accounts.
- o Excessive Trading, Naked Options - Mellon discourages all employees from engaging in short-term or speculative trading, writing naked options, trading that could be deemed excessive or trading that could interfere with an employee's job responsibilities.
- o Front Running - Employees may not engage in "front running," that is, the purchase or sale of securities for their own accounts on the basis of their knowledge of Mellon's trading positions or plans or those of their customers.
- o Initial Public Offerings - Investment Employees are prohibited from acquiring securities through an allocation by the underwriter of an Initial Public Offering (IPO) without the approval of the Manager of the Ethics Office. Approval can be given only when the allocation comes through an employee of the issuer who is a

direct family relation of the Investment Employee. Due to certain laws and regulations (for example, NASD rules in the US), this approval may not be available to employees of registered broker-dealers.

- o Material Nonpublic Information - Employees possessing material nonpublic information regarding any issuer of securities must refrain from purchasing or selling securities of that issuer until the information becomes public or is no longer considered material.
- o Private Placements - Investment Employees are prohibited from acquiring any security in a private placement unless they obtain the prior written approval of the Manager of the Ethics Office, the Preclearance Compliance Officer and the Mellon Senior Management Committee Member representing the employee's line of business or department. Employees should contact the Ethics Office to initiate approval. Approval must be given by all three persons for the acquisition to be considered approved.

Private placements include certain co-operative investments in real estate, co-mingled investment vehicles such as hedge funds, and investments in family owned businesses. For purposes of the Policy, time-shares and cooperative investments in real estate used as a primary or secondary residence are not considered to be private placements.

After receipt of the necessary approvals and the acquisition, Investment Employees are required to disclose that investment if they participate in any subsequent consideration of credit for the issuer or of an investment in the issuer for an advised account. Final decision to acquire such securities for an advised account will be subject to independent review.

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Personal Securities Trading Practices-Investment Employees

RESTRICTIONS ON TRANSACTIONS IN OTHER SECURITIES (continued)

- o Scalping - Employees may not engage in "scalping," that is, the purchase or sale of securities for their own or Mellon's accounts on the basis of knowledge of customers' trading positions or plans.
- o Short-Term Trading - All Investment Employees are discouraged from purchasing and selling, or from selling and purchasing, the same (or equivalent) securities within any 60-calendar day period. Any profits realized on such short-term trades must be disgorged in accordance with procedures established by senior management. Transactions that are exempt from preclearance will not be considered purchases or sales for purposes

of profit disgorgement. Investment Employees should be aware that for purposes of profit disgorgement, trading in derivatives (such as options) is deemed to be trading in the underlying security. (See PAGE 47 in the Glossary for an explanation of option transactions.) Therefore, certain investment strategies may be difficult to implement without being subject to profit disgorgement. Furthermore, Investment Employees should also be aware that profit disgorgement from 60-day trading may be greater than the economic profit or greater than the profit reported for purposes of income tax reporting.

- o Spread Betting - Employees may not engage in "spread betting" (essentially taking bets on securities pricing to reflect market movements) or similar activities as a mechanism for avoiding the restrictions on personal securities trading arising under the provisions of the Policy. Such transactions themselves constitute transactions in securities for the purposes of the Policy and are subject to all of the provisions applicable to other non-exempted transactions.

#### Personal Securities Trading Practices-Investment Employees

Prohibition on Investments in Securities of Financial Services Organizations

You are prohibited from acquiring any security issued by a financial services organization if you are:

- o a member of the Mellon Senior Management Committee
- o employed in any of the following departments:
  - Corporate Strategy & Development
  - Legal (Mellon headquarters only)
  - Finance (Mellon headquarters only)
- o an employee specifically designated by the Manager of the Ethics Office and informed that this prohibition is applicable to you

Financial Services Organizations - The phrase "security issued by a financial services organization" includes any security issued by:

- o Commercial Banks other than Mellon
- o Financial Holding Companies (or Bank Holding Companies) other than Mellon
- o Insurance Companies
- o Investment Advisory Companies
- o Shareholder Servicing Companies
- o Thrifts

- o Savings and Loan Associations
- o Broker-Dealers
- o Transfer Agents
- o Other Depository Institutions

The phrase "securities issued by a financial services organization" does not include Exempt securities (see Glossary). Further, for purposes of determining whether a company is a financial services organization, subsidiaries and parent companies are treated as separate issuers.

Effective Date - Securities of financial services organizations properly acquired before the employee was subject to this prohibition may be maintained or disposed of at the owner's discretion consistent with the Policy.

Any acquisition of financial service organization securities that is exempt from preclearance pursuant to the express provision of the Policy is also exempt from this prohibition. This includes (assuming full compliance with the applicable preclearance exemption):

- o Exempt securities (see Glossary)
- o acquisition in a non-discretionary account
- o involuntary acquisitions
- o securities received as gifts
- o reinvestment of dividends (but not initial share and optional cash purchases) under a DRIP or acquisitions through an AIP
- o acquisitions through a non-Mellon employee benefit plan

Within 30 days of becoming subject to this prohibition, all holdings of securities of financial services organizations must be disclosed in writing to the Ethics Office.

Personal Securities Trading Practices-Investment Employees

PROTECTING CONFIDENTIAL INFORMATION

As an employee you may receive information about Mellon, its customers and other parties that, for various reasons, should be treated as confidential. All employees are expected to strictly comply with measures necessary to preserve the confidentiality of information. Employees should refer to the Mellon Code of Conduct.

Insider Trading and Tipping  
Legal Prohibitions

Securities laws generally prohibit the trading of securities while in possession of "material nonpublic" information regarding the issuer of those securities (insider trading). Any person who passes along material nonpublic information upon which a trade is based (tipping) may also be liable.

Information is "material" if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, sell or hold securities. Obviously, information that would affect the market price of a security (price sensitive information) would be material. Examples of information that might be material include:

- o a proposal or agreement for a merger, acquisition or divestiture, or for the sale or purchase of substantial assets
- o tender offers, which are often material for the party making the tender offer as well as for the issuer of the securities for which the tender offer is made
- o dividend declarations or changes
- o extraordinary borrowings or liquidity problems
- o defaults under agreements or actions by creditors, customers or suppliers relating to a company's credit standing
- o earnings and other financial information, such as significant restatements, large or unusual write-offs, write-downs, profits or losses
- o pending discoveries or developments, such as new products, sources of materials, patents, processes, inventions or discoveries of mineral deposits
- o a proposal or agreement concerning a financial restructuring
- o a proposal to issue or redeem securities, or a development with respect to a pending issuance or redemption of securities
- o a significant expansion or contraction of operations
- o information about major contracts or increases or decreases in orders
- o the institution of, or a development in, litigation or a regulatory proceeding
- o developments regarding a company's senior management
- o information about a company received from a director of that company
- o information regarding a company's possible noncompliance with environmental protection laws

This list is not exhaustive. All relevant circumstances must be considered when determining whether an item of information is material.

"Nonpublic" - Information about a company is nonpublic if it is not generally available to the investing public. Information received

under circumstances indicating that it is not yet in general circulation and which may be attributable, directly or indirectly, to the company or its insiders is likely to be deemed nonpublic information.

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#### Personal Securities Trading Practices-Investment Employees

Insider Trading and  
Tipping  
Legal Prohibitions  
(continued)

If you obtain material nonpublic information, you may not trade related securities until you can refer to some public source to show that the information is generally available (that is, available from sources other than inside sources) and that enough time has passed to allow wide dissemination of the information. While information appearing in widely accessible sources--such as in newspapers or on the internet--becomes public very soon after publication, information appearing in less accessible sources--such as regulatory filings, may take up to several days to be deemed public. Similarly, highly complex information might take longer to become public than would information that is easily understood by the average investor.

Mellon's Policy

Employees who possess material nonpublic information about a company--whether that company is Mellon, another Mellon entity, a Mellon customer or supplier, or other company--may not trade in that company's securities, either for their own accounts or for any account over which they exercise investment discretion. In addition, employees may not recommend trading in those securities and may not pass the information along to others, except to employees who need to know the information in order to perform their job responsibilities with Mellon. These prohibitions remain in effect until the information has become public.

Employees who have investment responsibilities should take appropriate steps to avoid receiving material nonpublic information. Receiving such information could create severe limitations on their ability to carry out their responsibilities to Mellon's fiduciary customers.

Employees managing the work of consultants and temporary employees who have access to the types of confidential information described in the Policy are responsible for ensuring that consultants and temporary employees are aware of Mellon's policy and the consequences of noncompliance.

Questions regarding Mellon's policy on material nonpublic information, or specific information that might be subject to it, should be referred to the General Counsel.

Restrictions on the  
Flow of Information  
Within Mellon (The  
"Securities Fire Wall")

As a diversified financial services organization, Mellon faces unique challenges in complying with the prohibitions on insider trading and tipping of material nonpublic information, and misuse of confidential information. This is because one Mellon unit might have material nonpublic information about

a company while other Mellon units may have a desire, or even a fiduciary duty, to buy or sell that company's securities or recommend such purchases or sales to customers. To engage in such broad ranging financial services activities without violating laws or breaching Mellon's fiduciary duties, Mellon has established a "Securities Fire Wall" policy applicable to all employees. The "Securities Fire Wall" separates the Mellon units or individuals that are likely to receive material nonpublic information (potential Insider Risk functions) from the Mellon units or individuals that either trade in securities, for Mellon's account or for the accounts of others, or provide investment advice (Investment functions). Employees should refer to CPP 903-2(C) The Securities Fire Wall.

SPECIAL PROCEDURES FOR ACCESS DECISION MAKERS

Certain Portfolio Managers and Research Analysts in the fiduciary businesses have been designated as Access Decision Makers and are subject to additional procedures which are discussed in a separate edition of the Securities Trading Policy. If you have reason to believe that you may be an Access Decision Maker, contact your supervisor, Preclearance Compliance Officer or the Ethics Office.

Personal Securities Trading Practices

Section Three - Applicable to Other Employees

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Quick Reference-Other Employees

Some Things You Must Do

- o If you buy or sell Mellon Financial Corporation securities you must provide a report of the trade and a copy of the trade confirmation within 10 days of transaction to the Ethics Office or to your Compliance Officer. This does not apply to changes in elections under Mellon's 401(k) Retirement Savings Plan, transactions in Mellon's Employee Stock Purchase Plan (ESPP) or the exercise of Mellon's employee stock options. However, the reporting provisions do apply to sales of Mellon stock previously acquired through the exercise of employee stock options or the ESPP.
- o Due to certain laws and regulations (for example, NASD rules in the US) there may be additional reporting requirements for Other Employees who are employees of registered broker-dealers. Check with the Manager of the Ethics Office or your Compliance Officer to determine if this impacts you.
- o For employees who are subject to the prohibition on new investments in financial services organizations (certain employees only - see Pages 40-41), you must instruct your broker, trust account manager or other entity where you have a securities trading account to send directly to the Manager of the Ethics Office:
  - trade confirmations summarizing each transaction
  - periodic statements

Exhibit A can be used to notify your broker or account manager.

Special Approvals

- o Private Placements - Acquisition of securities in a Private Placement must approved by the Mellon Senior Management Committee Member who represents your line of business or department, the Compliance Officer and the Manager of the Ethics Office. Contact the Manager of the Ethics Office to initiate approval.
- o IPOs - Acquisition of securities through an allocation by the underwriter of an Initial Public Offering (IPO) is prohibited without the approval of the Manager of the Ethics Office. Approval can be given only when the allocation is the result of a direct family relationship.

Some Things You Must Not Do

Mellon Securities - The following transactions in Mellon securities are prohibited for all Mellon employees:

- o short sales
- o purchasing and selling or selling and purchasing within 60 days
- o margin purchases or options other than employee options.

Non-Mellon Securities

- o new investments in financial services organizations (certain employees only - see Pages 40-41)

Other restrictions are detailed throughout Section Three. Read the Policy!

Questions?

Contact Mellon's Ethics Office at:

- o The Securities Trading Policy Help Line: 1-412-234-1661
- o Mellon's Ethics Help Line
  - Toll Free Telephone
    - o Asia (except Japan): 001-800-710-63562
    - o Australia: 0011-800-710-63562
    - o Brazil: 0800-891-3813
    - o Europe: 00-800-710-63562
    - o Japan: appropriate international access code + 800-710-63562 (Access codes are: 0061010, 001010, 0041010 or 0033010)
    - o US and Canada: 1-888-MELLON2 (1-888-635-5662)
    - o All other locations: call collect to 412-236-7519
  - Email: [ethics@mellon.com](mailto:ethics@mellon.com)
  - Postal Mail: P.O. Box 535026 Pittsburgh, PA 15253-5026 USA

This page is for reference purposes only. Employees are reminded they must read the Policy and comply with its provisions.

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#### Personal Securities Trading Practices - Other Employees

##### STANDARDS OF CONDUCT FOR OTHER EMPLOYEES

Every "Other Employee" must follow these procedures or risk serious sanctions, including dismissal. If you have any questions about these procedures, you should consult the Ethics Office. Interpretive issues that arise under these procedures shall be decided by, and are subject to the discretion of, the Manager of the Ethics Office.

##### Conflict of Interest

No employee may engage in or recommend any securities transaction that places, or appears to place, his or her own interests above those of any customer to whom financial services are rendered, including mutual funds and managed accounts, or above the interests of Mellon.

##### Material Nonpublic Information

No employee may engage in or recommend a securities transaction, for his or her own benefit or for the benefit of others, including Mellon or its customers, while in possession of material nonpublic information regarding such securities or the issuer of such securities. No employee may communicate material nonpublic information to others unless it is properly within his or her job responsibilities to do so.

##### Personal Securities Transaction Reports

"Other Employees" must report in writing to the Ethics Office or the Compliance Officer within ten calendar days of the transaction whenever

they purchase or sell Mellon securities. Purchases and sales include optional cash purchases under Mellon's Dividend Reinvestment and Common Stock Purchase Plan (the "Mellon DRIP"). Due to certain laws and regulations (for example, NASD rules in the US), there may be additional reporting requirements for "Other Employees" who are employees of registered broker-dealers. Contact the Manager of the Ethics Office or your Compliance Officer for guidance.

It should be noted that the reinvestment of dividends under the DRIP, changes in elections under Mellon's 401(k) Retirement Savings Plan, the receipt of stock under Mellon's Restricted Stock Award Plan, transactions under Mellon's Employee Stock Purchase Plan and the receipt or exercise of options under Mellon's employee stock option plans are not considered purchases or sales for the purpose of this reporting requirement.

#### Account Statements

Certain "Other Employees" are subject to the restriction on investments in financial services organizations and are required to instruct their brokers and/or securities account managers to send statements directly to the Ethics Office. See Page 40.

An example of an instruction letter to a broker or account manager is contained in Exhibit A.

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#### Personal Securities Trading Practices-Other Employees

##### Ownership

The provisions of the Policy apply not only to securities held in the employee's own name but also to all other securities indirectly owned by the employee (see Glossary for definition of indirect ownership). Generally you are the indirect owner of securities if you have the opportunity, directly or indirectly, to share in any profits from a transaction in those securities. This could include:

- o securities held by members of your family who share the same household with you
- o securities held by a trust in which you are a settler, trustee, or beneficiary
- o securities held by a partnership in which you are a general partner
- o securities in which any contract, arrangement, understanding or relationship gives you direct or indirect economic interest

##### Non-Mellon Employee Benefit Plans

The provisions discussed above do not apply to transactions done under a bona fide employee benefit plan of an organization not affiliated with Mellon by an employee of that organization who shares ownership interest with a Mellon employee. This means if a Mellon employee's spouse is employed at a non-Mellon company, the Policy provisions do not apply to transactions in the employer's securities done by the spouse as part of the spouse's employee benefit plan.

In such situations, the spouse's employer has primary responsibility for providing adequate supervision with respect to conflicts of interest and compliance with securities laws regarding its own employee benefit plans.

However, employee benefit plans which allow the employee to buy and sell securities other than those of their employer are subject to the provisions of the Policy, including the reporting provisions.

Confidential Treatment

The Manager of the Ethics Office and the Compliance Officer will use his or her best efforts to assure that all personal securities transaction reports and all reports of securities holdings are treated as "Personal and Confidential." However, such documents will be available for inspection by appropriate regulatory agencies and by other parties within and outside Mellon as are necessary to evaluate compliance with or sanctions under the Policy.

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Personal Securities Trading Practices-Other Employees

RESTRICTIONS ON TRANSACTIONS IN MELLON SECURITIES

Employees who engage in transactions involving Mellon securities should be aware of their unique responsibilities with respect to such transactions arising from the employment relationship and should be sensitive to even the appearance of impropriety.

The following restrictions apply to all transactions in Mellon's publicly traded securities occurring in the employee's own account and in all other accounts over which the employee has indirect ownership. These restrictions are to be followed in addition to any restrictions that apply to particular senior officers or directors of Mellon such as restrictions under Section 16 of the Securities Exchange Act of 1934.

- o Short Sales - Short sales of Mellon securities by employees are prohibited.
- o Short-Term Trading - Employees are prohibited from purchasing and selling, or from selling and purchasing, Mellon securities within any 60-calendar day period.
- o Margin Transactions - Purchases on margin of Mellon's publicly traded securities by employees is prohibited. Margining Mellon securities in connection with a cashless exercise of an employee stock option through the Human Resource Department is exempt from this restriction. Further, Mellon securities may be used to collateralize loans for non-securities purposes or for the acquisition of securities other than those issued by Mellon.
- o Option Transactions - Option transactions involving Mellon's publicly traded securities are prohibited. Transactions

under Mellon's Long-Term Incentive Plan or other employee option plans are exempt from this restriction.

- o Major Mellon Events - Employees who have knowledge of major Mellon events that have not yet been announced are prohibited from buying or selling Mellon's publicly traded securities before such public announcements, even if the employee believes the event does not constitute material nonpublic information.

#### Mellon 401(k) Plan

For purposes of the short-term trading rule, employees changing their existing account balance allocation to increase or decrease the amount allocated to Mellon Common Stock will be treated as a purchase or sale of Mellon Stock, respectively. This means employees are prohibited from increasing their existing account balance allocation to Mellon Common Stock and then decreasing it within 60 days. Similarly, employees are prohibited from decreasing their existing account balance allocation to Mellon Common Stock and then increasing it within 60 days. However, changes to existing account balance allocations in the 401(k) plan will not be compared to transactions in Mellon securities outside the 401(k) for purposes of the 60-day rule. (Note: this does not apply to members of the Executive Management Group, who should consult with the Legal Department.)

Except for the above there are no other restrictions applicable to the 401(k) plan. This means, for example:

- o employees are not required to report any elections or changes made in their 401(k) account
- o there is no restriction on employees changing their salary deferral contribution percentages with regard to the 60-day rule
- o the regular salary deferral contribution to Mellon Common Stock in the 401(k) that takes place with each pay will not be considered a purchase for purposes of the 60-day rule

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#### Personal Securities Trading Practices-Other Employees

##### Mellon Employee Stock Options

Receipt and Exercise of an employee stock option from Mellon is exempt from reporting requirements and does not constitute a purchase for purposes of the 60-day prohibition.

Sales - The sale of the Mellon securities that were received in the exercise of an employee stock option is treated like any other sale under the Policy (regardless of how little time has elapsed between the option exercise and the sale). Thus, such sales are subject to the reporting requirements and are considered sales for purposes of the 60-day prohibition.

##### Mellon Employee Stock

Enrollment and Changing Salary Withholding

Percentages in the ESPP are exempt from reporting requirements and do not constitute a purchase for purposes of the 60- day prohibition.

Selling Shares Held in the ESPP - Sales of stock held in the ESPP, including shares acquired upon reinvestment of dividends, are exempt from the reporting requirements. However, sale of stock held in the ESPP is considered a sale for purposes of the 60- day prohibition and will be compared to transactions in Mellon securities outside of the ESPP.

Selling Shares Previously Withdrawn - The sale of the Mellon securities that were received as a withdrawal from the ESPP is treated like any other sale under the Policy, regardless of how little time has elapsed between the withdrawal and the sale. Thus, such sales are subject to the reporting requirements and are considered sales for purposes of the 60-day prohibition.

#### RESTRICTIONS ON TRANSACTIONS IN OTHER SECURITIES

Purchases or sales by an employee of the securities of issuers with which Mellon does business, or other third-party issuers, could result in liability on the part of such employee. Employees should be sensitive to even the appearance of impropriety in connection with their personal securities transactions. Employees should refer to "Ownership" on Page 36, which is applicable to the following restrictions.

The Mellon Code of Conduct contains certain restrictions on investments in parties that do business with Mellon. Employees should refer to the Code of Conduct and comply with such restrictions in addition to the restrictions and reporting requirements set forth below.

The following restrictions apply to all securities transactions by employees:

- o Credit, Consulting or Advisory Relationship - Employees may not buy, hold or trade securities of a company if they are considering granting, renewing, modifying or denying any credit facility to that company, acting as a benefits consultant to that company, or acting as an adviser to that company with respect to the company's own securities without the prior permission of the Ethics Office. In addition, lending employees who have assigned responsibilities in a specific industry group are not permitted to trade securities in that industry. This prohibition does not apply to transactions in open-end mutual funds.
- o Customer Transactions - Trading for customers and Mellon accounts should always take precedence over employees' transactions for their own or related accounts.
- o Excessive Trading, Naked Options - Mellon discourages all employees from engaging in short-term or speculative trading, writing

Personal Securities Trading Practices-Other Employees

RESTRICTIONS ON TRANSACTIONS IN OTHER SECURITIES (continued)

- o Front Running - Employees may not engage in "front running," that is, the purchase or sale of securities for their own accounts on the basis of their knowledge of Mellon's trading positions or plans or those of their customers.
- o Initial Public Offerings - Other Employees are prohibited from acquiring securities through an allocation by the underwriter of an Initial Public Offering (IPO) without the approval of the Manager of the Ethics Office. Approval can be given only when the allocation comes through an employee of the issuer who is a direct family relation of the Other Employee. Due to certain laws and regulations (for example, NASD rules in the US), this approval may not be available to employees of registered brokers-dealers.
- o Material Nonpublic Information - Employees possessing material nonpublic information regarding any issuer of securities must refrain from purchasing or selling securities of that issuer until the information becomes public or is no longer considered material.
- o Private Placements - Other Employees are prohibited from acquiring any security in a private placement unless they obtain the prior written approval of the Manager of the Ethics Office, the Compliance Officer and the Mellon Senior Management Committee Member representing the employee's line of business or department. Employees should contact the Ethics Office to initiate approval. Approval must be given by all three persons for the acquisition to be considered approved.

Private placements include certain co-operative investments in real estate, co-mingled investment vehicles such as hedge funds, and investments in family owned businesses. For purposes of the Policy, time-shares and cooperative investments in real estate used as a primary or secondary residence are not considered to be private placements.

After receipt of the necessary approvals and the acquisition, "Other Employees" are required to disclose that investment if they participate in any subsequent consideration of credit for the issuer or of an investment in the issuer for an advised account. Final decision to acquire such securities for an advised account will be subject to independent review.

- o Scalping - Employees may not engage in "scalping," that is, the purchase or sale of securities for their own or Mellon's accounts on the basis of knowledge of customers' trading positions or plans.
- o Short-Term Trading - Employees are discouraged from purchasing and selling, or from selling and purchasing, the same (or equivalent) securities within any 60-calendar day period.
- o Spread Betting - Employees may not engage in "spread betting" (essentially taking bets on securities pricing to reflect market movements) or similar activities as a mechanism for avoiding the restrictions on personal securities trading arising under the provisions of the Policy. Such transactions themselves constitute transactions in securities for the purposes of the Policy and are subject to all of the provisions applicable to other non-exempted transactions.

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Personal Securities Trading Practices-Other Employees

Prohibition on  
Investments in  
Securities of Financial  
Services Organizations

You are prohibited from acquiring any security issued by a financial services organization if you are:

- o a member of the Mellon Senior Management Committee
- o employed in any of the following departments:
  - Corporate Strategy & Development
  - Legal (Mellon headquarters only)
  - Finance (Mellon headquarters only)
- o an employee specifically designated by the Manager of the Ethics Office and informed that this prohibition is applicable to you

Securities Accounts - All employees subject to this restriction on investments in financial services organizations are required to instruct their broker, trust account manager or other entity through which they have a securities account to submit directly to the Ethics Office copies of all trade confirmations and statements relating to each account of which they are an owner, direct or indirect, regardless of what, if any, securities are maintained in such accounts. Thus, even if the account contains only mutual funds or other exempt securities as that term is defined by the Policy but the account has the capability to have reportable securities traded in it, the employee must arrange for duplicate account statements and trade confirmations to be sent to the Ethics Office. An example of an instruction letter to the broker is contained in Exhibit A.

Financial Services Organizations - The phrase

"security issued by a financial services organization" includes any security issued by:

- o Commercial Banks other than Mellon
- o Financial Holding Companies (or Bank Holding Companies) other than Mellon
- o Insurance Companies
- o Investment Advisory Companies
- o Shareholder Servicing Companies
- o Thrifts
- o Savings and Loan Associations
- o Brokers-Dealers
- o Transfer Agents
- o Other Depository Institutions

The phrase "securities issued by a financial services organization" does not include Exempt securities (see Glossary). Further, for purposes of determining whether a company is a financial services organization, subsidiaries and parent companies are treated as separate issuers.

Effective Date - Securities of financial services organizations properly acquired before the employee is subject to this prohibition may be maintained or disposed of at the owner's discretion consistent with the Policy.

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#### Personal Securities Trading Practices-Other Employees

Prohibition on  
Investments in  
Securities of Financial  
Services  
Organizations  
(continued)

The acquisition of financial service organization securities through any of the following means is exempt from this prohibition:

- o Exempt securities (see Glossary)
- o acquisition in a non-discretionary account
- o involuntary acquisitions
- o securities received as gifts
- o reinvestment of dividends (but not initial share and optional cash purchases) under a dividend reinvestment program (DRIP) or acquisition through an automatic investment plan (AIP)
- o acquisitions through a non-Mellon employee benefit plan

Within 30 days of becoming subject to this prohibition, all holdings of securities of financial services organizations must be disclosed in writing to the Manager of the Ethics Office.

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PROTECTING CONFIDENTIAL INFORMATION

As an employee you may receive information about Mellon, its customers and other parties that, for various reasons, should be treated as confidential. All employees are expected to strictly comply with measures necessary to preserve the confidentiality of information. Employees should refer to the Mellon Code of Conduct.

Insider Trading and  
Tipping  
Legal Prohibitions

Securities laws generally prohibit the trading of securities while in possession of "material nonpublic" information regarding the issuer of those securities (insider trading). Any person who passes along material nonpublic information upon which a trade is based (tipping) may also be liable.

Information is "material" if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, sell or hold securities. Obviously, information that would affect the market price (price sensitive information) of a security would be material. Examples of information that might be material include:

- o a proposal or agreement for a merger, acquisition or divestiture, or for the sale or purchase of substantial assets
- o tender offers, which are often material for the party making the tender offer as well as for the issuer of the securities for which the tender offer is made
- o dividend declarations or changes
- o extraordinary borrowings or liquidity problems
- o defaults under agreements or actions by creditors, customers or suppliers relating to a company's credit standing
- o earnings and other financial information, such as significant restatements, large or unusual write-offs, write-downs, profits or losses
- o pending discoveries or developments, such as new products, sources of materials, patents, processes, inventions or discoveries of mineral deposits
- o a proposal or agreement concerning a financial restructuring
- o a proposal to issue or redeem securities, or a development with respect to a pending issuance or redemption of securities
- o a significant expansion or contraction of operations
- o information about major contracts or increases or decreases in orders

- o the institution of, or a development in, litigation or a regulatory proceeding
- o developments regarding a company's senior management
- o information about a company received from a director of that company
- o information regarding a company's possible noncompliance with environmental protection laws

This list is not exhaustive. All relevant circumstances must be considered when determining whether an item of information is material.

"Nonpublic" - Information about a company is nonpublic if it is not generally available to the investing public. Information received under circumstances indicating that it is not yet in general circulation and which may be attributable, directly or indirectly, to the company or its insiders is likely to be deemed nonpublic information.

#### Personal Securities Trading Practices-Other Employees

Insider Trading and  
Tipping  
Legal Prohibitions  
(continued)

If you obtain material nonpublic information, you may not trade related securities until you can refer to some public source to show that the information is generally available (that is, available from sources other than inside sources) and that enough time has passed to allow wide dissemination of the information. While information appearing in widely accessible sources--such as in newspapers or on the internet--becomes public very soon after publication, information appearing in less accessible sources--such as regulatory filings, may take up to several days to be deemed public. Similarly, highly complex information might take longer to become public than would information that is easily understood by the average investor.

Mellon's Policy

Employees who possess material nonpublic information about a company--whether that company is Mellon, another Mellon entity, a Mellon customer or supplier, or other company--may not trade in that company's securities, either for their own accounts or for any account over which they exercise investment discretion. In addition, employees may not recommend trading in those securities and may not pass the information along to others, except to employees who need to know the information in order to perform their job responsibilities with Mellon. These prohibitions remain in effect until the information has become public.

Employees who have investment responsibilities should take appropriate steps to avoid receiving material nonpublic information. Receiving such information could create severe limitations on their ability to carry out their responsibilities to Mellon's fiduciary customers.

Employees managing the work of consultants and temporary employees who have access to the types of confidential information described in the Policy are responsible for ensuring that consultants and temporary employees are aware of Mellon's policy and the consequences of noncompliance.

Questions regarding Mellon's policy on material nonpublic information, or specific information that might be subject to it, should be referred to the General Counsel.

Restrictions on the  
Flow of Information  
Within Mellon (The  
"Securities Fire Wall")

As a diversified financial services organization, Mellon faces unique challenges in complying with the prohibitions on insider trading and tipping of material nonpublic information, and misuse of confidential information. This is because one Mellon unit might have material nonpublic information about a company while other Mellon units may have a desire, or even a fiduciary duty, to buy or sell that company's securities or recommend such purchases or sales to customers. To engage in such broad-ranging financial services activities without violating laws or breaching Mellon's fiduciary duties, Mellon has established a "Securities Fire Wall" policy applicable to all employees. The "Securities Fire Wall" separates the Mellon units or individuals that are likely to receive material nonpublic information (potential Insider Risk functions) from the Mellon units or individuals that either trade in securities, for Mellon's account or for the accounts of others, or provide investment advice (Investment functions). Employees should refer to CPP 903-2(C) The Securities Fire Wall.

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Glossary

Definitions

- o access decision maker - A person designated as such by the Investment Ethics Committee. Generally, this will be portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt, and non-investment grade debt securities for investment companies and other managed accounts. See further details in the Access Decision Maker edition of the Policy.
- o access person - As defined by Rule 17j-1 under the Investment Company Act of 1940, "access person" means:
  - (A) With respect to a registered investment company or an investment adviser thereof, any director, officer, general partner, or advisory person (see definition below), of such investment company or investment adviser;
  - (B) With respect to a principal underwriter, any director, officer, or general partner of such principal underwriter who in the ordinary course of his/her business makes, participates in or obtains information regarding the purchase or sale of securities for the registered investment company for which the principal underwriter so acts, or whose functions or duties as part of the ordinary course of his business relate to the making of any recommendations to such investment company regarding the purchase or sale of securities.
  - (C) Notwithstanding the provisions of paragraph (A) hereinabove, where the investment adviser is primarily engaged in a business or businesses

other than advising registered investment companies or other advisory clients, the term "access person" shall mean: any director, officer, general partner, or advisory person of the investment adviser who, with respect to any registered investment company, makes any recommendations, participates in the determination of which recommendation shall be made, or whose principal function or duties relate to the determination of which recommendation will be made, to any such investment company; or who, in connection with his duties, obtains any information concerning securities recommendations being made by such investment adviser to any registered investment company.

(D) An investment adviser is "primarily engaged in a business or businesses other than advising registered investment companies or other advisory clients" when, for each of its most recent three fiscal years or for the period of time since its organization, whichever is less, the investment adviser derived, on an unconsolidated basis, more than 50 percent of (i) its total sales and revenues, and (ii) its income (or loss) before income taxes and extraordinary items, from such other business or businesses.

o advisory person of a registered investment company or an investment adviser thereof means:

(A) Any employee of such company or investment adviser (or any company in a control relationship to such investment company or investment adviser) who, in connection with his regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of a security by a registered investment company, or whose functions relate to the making of any recommendation with respect to such purchases or sales; and

(B) Any natural person in a control relationship to such company or investment adviser who obtains information concerning recommendations made to such company with regard to the purchase or sale of a security.

o approval - written consent or written notice of non-objection.

o direct family relation - employee's spouse, children (including stepchildren, foster children, sons-in-law and daughters-in-law), grandchildren, parents (including step-parents, mothers-in-law and fathers-in-law) grandparents, and siblings (including brothers-in-law, sisters-in-law and step brothers and sisters). Also includes adoptive relationships.

o employee - an individual employed by Mellon Financial Corporation or its more-than-50%-owned direct or indirect subsidiaries; includes all full-time, part-time, benefited and non-benefited, exempt and non-exempt employees in all world-wide locations; generally, for purposes of the Policy, does not include consultants and contract or temporary employees.

o Ethics Office - the group within the Audit & Risk Review Department of Mellon which is responsible for administering the ethics program at Mellon, including the Securities Trading Policy.

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## Glossary

### Definitions (continued)

o Exempt securities - defined as:

o direct obligations of the sovereign governments of the United States and the United Kingdom (does not include obligations of other instrumentalities of the US and UK governments or quasi-government agencies)

o commercial paper

o high-quality, short-term debt instruments having a maturity of 366 days or less at issuance and rated in one of the two highest rating

categories

- o bankers' acceptances
- o bank certificates of deposit and time deposits
- o repurchase agreements
- o securities issued by open-end investment companies (i.e., mutual funds and variable capital companies)
- o fixed and variable annuities
- o unit trusts
- o family relation - see direct family relation.
- o General Counsel - General Counsel of Mellon or any person to whom relevant authority is delegated by the General Counsel.
- o index fund - an investment company or managed portfolio which contains securities of an index in proportions designed to replicate the return of the index.
- o indirect ownership - The securities laws of most jurisdictions attribute ownership of securities to someone in certain circumstances, even though the securities are not held in that person's name. For example, US federal securities laws contain a concept of "beneficial ownership", and UK securities laws contain a concept of securities held by "associates" (this term includes business or domestic relationships giving rise to a "community of interest"). The definition of "indirect ownership" that follows is used to determine whether securities held other than in your name are subject to the preclearance and other provisions of the Policy. It was designed to be consistent with various securities laws; however, there can be no assurance that attempted adherence to this definition will provide a defense under any particular law. Moreover, a determination of indirect ownership requires a detailed analysis of personal and/or financial circumstances that are subject to change. It is the responsibility of each employee to apply the definition below to his/her own circumstances. If the employee determines that he/she is not an indirect owner of an account and the Ethics Office becomes aware of the account, the employee will be responsible for justifying his/her determination. Any such determination should be based upon objective evidence (such as written documents), rather than subjective or intangible factors.

General Standard. Generally, you are the indirect owner of securities (and preclearance and other provisions of the Policy will therefore apply to those securities) if, through any contract, arrangement, understanding, relationship or otherwise, you have the opportunity, directly or indirectly, to share at any time in any profit derived from a transaction in them (a "pecuniary interest"). The following is guidance on the application of this definition to some common situations.

Family Members. You are presumed to be an indirect owner of securities held by members of your immediate family who share the same household with you. "Immediate family" means your spouse, your children (including stepchildren, foster children, sons-in-law and daughters-in-law), your grandchildren, your parents (including stepparents, mothers-in-law and fathers-in-law), your grandparents and your siblings (including brothers-in-law, sisters-in-law and step brothers and sisters) and includes adoptive relationships. This presumption of ownership may be rebutted, but it will be difficult to do so if, with respect to the other person, you commingle any assets or share any expenses, you provide or receive any financial support, you influence investment decisions, you include them as a dependent for tax purposes or as a beneficiary under an employee benefit plan, or you are in any way financially codependent. Any attempt to disclaim indirect ownership with respect to family members who share your household must be based upon countervailing facts that you can prove in writing.

Definitions (continued)

o indirect ownership (cont.)

Partnerships. If you are a general partner in a general or limited partnership, you are deemed to own your proportionate share of the securities owned by the partnership. Your "proportionate share" is the greater of your share of profits or your share of capital, as evidenced by the partnership agreement. Limited partners are not deemed to be owners of partnership securities absent unusual circumstances, such as influence over investment decisions.

Shareholders of Corporations. You are not deemed to own the securities held by a corporation in which you are a shareholder unless you are a controlling shareholder or you have or share investment control over the corporation's portfolio.

Trusts. Generally, parties to a trust will be deemed indirect owners of securities in the trust only if they have both a pecuniary interest in the trust and investment control over the trust. "Investment control" is the power to direct the disposition of the securities in the trust. Specific applications are as follows:

Trustees: A trustee is deemed to have investment control over the trust unless there are at least three trustees and a majority is required for action. A trustee has a pecuniary interest in the trust if (i) the trustee is also a trust beneficiary, (ii) an immediate family member of the trustee (whether or not they share the same household) is a beneficiary, or (iii) the trustee receives certain types of performance-based fees.

Settlors: If you are the settlor of a trust (that is, the person who puts the assets into the trust), you are an indirect owner of the trust's assets if you have a pecuniary interest in the trust and you have or share investment control over the trust. You are deemed to have a pecuniary interest in the trust if you have the power to revoke the trust without anyone else's consent or if members of your immediate family who share your household are beneficiaries of the trust.

Beneficiaries. If you or a member of your immediate family who shares your household is a beneficiary of a trust, you are deemed to have a pecuniary interest in the trust and will therefore be deemed an indirect owner of the trust's assets if you have or share investment control over the trust.

Remainder Interests. Remainder interests are those that do not take effect until after some event that is beyond your control, such as the death of another person. Remainder interests are typically created by wills or trust instruments. You are not deemed to be an indirect owner of securities in which you only have a remainder interest provided you have no power, directly or indirectly, to exercise or share investment control or any other interest.

Derivative Securities. You are the indirect owner of any security you have the right to acquire through the exercise or conversion of any option, warrant, convertible security or other derivative security, whether or not presently exercisable.

- o initial public offering (IPO) - the first offering of a company's securities to the public through an allocation by the underwriter.
- o investment company - a company that issues securities that represent an undivided interest in the net assets held by the company. Mutual funds are open-end investment companies that issue and sell redeemable securities representing an undivided interest in the net assets of the company.
- o Investment Ethics Committee - committee that has oversight responsibility for issues related to personal securities trading and investment activity by Access Decision Makers. The committee is composed of investment, legal,

risk management, audit and ethics management representatives of Mellon and its affiliates. The members of the Investment Ethics Committee are determined by the Corporate Ethics Officer.

- o Manager of the Ethics Office - individual appointed by the Corporate Ethics Officer to manage the Ethics Office.
- o Mellon - Mellon Financial Corporation.

Glossary

Definitions (continued)

- o non-discretionary account - an account for which the employee has no direct or indirect control over the investment decision making process. Non-discretionary accounts may only be exempted from preclearance and reporting procedures, when the Manager of the Ethics Office, after a thorough review, is satisfied that the account is truly non-discretionary to the employee (that is, the employee has given total investment discretion to an investment manager and retains no ability to influence specific trades). Standard broker accounts generally are not deemed to be non-discretionary to the employee, even if the broker is given some discretion to make investment decisions.
- o option - a security which gives the investor the right, but not the obligation, to buy or sell a specific security at a specified price within a specified time frame. For purposes of compliance with the Policy, any Mellon employee who buys/sells an option, is deemed to have purchased/sold the underlying security when the option was purchased/sold. Four combinations are possible as described below.
  - o Call Options
    - If a Mellon employee buys a call option, the employee is considered to have purchased the underlying security on the date the option was purchased.
    - If a Mellon employee sells a call option, the employee is considered to have sold the underlying security on the date the option was sold.
  - o Put Options
    - If a Mellon employee buys a put option, the employee is considered to have sold the underlying security on the date the option was purchased.
    - If a Mellon employee sells a put option, the employee is considered to have bought the underlying security on the date the option was sold.

Below is a table describing the above:

<TABLE>  
<CAPTION>

Option Type	Transaction Type	
	Buy	Sale
<S> Put	<C> Sale of Underlying Security	<C> Purchase of Underlying Security
Call	Purchase of Underlying Security	Sale of Underlying Security

</TABLE>

- o Preclearance Compliance Officer - a person designated by the Manager of the Ethics Office and/or the Investment Ethics Committee to administer, among other things, employees' preclearance requests for a specific business unit.
- o private placement - an offering of securities that is exempt from registration under various laws and rules, such as the Securities Act of 1933 in the US and the Listing Rules in the UK. Such offerings are exempt from registration because they do not constitute a public offering. Private placements can include limited partnerships.

- o security - any investment that represents an ownership stake or debt stake in a company, partnership, governmental unit, business or other enterprise. It includes stocks, bonds, notes, evidences of indebtedness, certificates of participation in any profit-sharing agreement and certificates of deposit. It also includes many types of puts, calls, straddles and options on any security or group of securities; fractional undivided interests in oil, gas, or other mineral rights; "investment contracts", "variable" life insurance policies and "variable" annuities, whose cash values or benefits are tied to the performance of an investment account. It does not include currencies. Unless expressly exempt, all securities transactions are covered under the provisions of the Policy (see definition of Exempt securities).
- o securities fire wall - procedures designed to restrict the flow of information within Mellon from units or individuals who are likely to receive material nonpublic information to units or individuals who trade in securities or provide investment advice.
- o Senior Management Committee - the Senior Management Committee of Mellon Financial Corporation.
- o short sale - the sale of a security that is not owned by the seller at the time of the trade.

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Exhibit A - Sample Instruction Letter to Broker

Date

Broker ABC Street Address  
City, State ZIP

Re: John Smith  
Account No. xxxxxxxxxxxxxx

To whom it may concern:

In connection with my existing brokerage account(s) with your firm, please be advised that my employer should be noted as an "Interested Party" with respect to my account(s). They should, therefore, be sent copies of all trade confirmations and account statements relating to my account on a regular basis.

Please send the requested documentation ensuring the account holder's name appears on all correspondence to:

Manager of the Ethics Office  
Mellon Financial Corporation  
PO Box 3130  
Pittsburgh, PA 15230-3130

Thank you for your cooperation in this request.

Sincerely yours,

Employee

cc: Manager of the Ethics Office (153-3300)

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CODE OF ETHICS

PACIFIC AMERICAN INCOME SHARES  
WESTERN ASSET MANAGEMENT COMPANY  
WESTERN ASSET FUNDS, INC.  
WESTERN ASSET PREMIER BOND FUND

A. STATEMENT OF GENERAL PRINCIPLES  
-----

1. All Access Persons that are affiliated with Western Asset are fiduciaries to the Accounts and Funds managed by the Companies. All such Access Persons are also fiduciaries to Fund shareholders. Accordingly, Access Persons shall place the interests of the Accounts and Funds first.
2. Access Persons must scrupulously avoid serving their personal interests ahead of the interests of the Accounts and Funds. Each Access Person shall handle his or her activities and personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or any abuse of his or her position of trust and responsibility. No Access Person shall take inappropriate advantage of his or her position.
3. All Access Persons shall act in accordance with both the letter and the spirit of this Code. Technical compliance with the Code's procedures will not automatically insulate from scrutiny activity that may indicate an abuse of fiduciary duties.
4. It will be considered a violation of this Code to do indirectly that which is prohibited directly. For example, it will be considered a violation of this Code to do indirectly through options, futures or other derivatives that which is prohibited directly through transactions in securities themselves.
5. This Code is to be interpreted consistent with the Securities and Exchange Commission's rules governing codes of ethics.
6. Directors of the Funds (who are not employees of Western Asset) will only be subject to the Reporting requirements outlined in Section E.5., but will not be subject to the Pre-Clearance requirements of Section B, the Prohibited Transaction requirements of Section C or the provisions of Section F.

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7. Notwithstanding any other provision of this Code to the contrary, Access Persons of the Companies who are also employed principally by affiliates of Western Asset Management Company who are subject to the

Legg Mason, Inc. Code of Ethics or the Western Asset Management Company Limited Code (the "Affiliate Codes") shall not be subject to this Code (other than as provided in the following sentence), but rather shall be subject to the provisions of the Affiliate Code. The Affiliate Codes are hereby incorporated by reference into, and made a part of, this Code.

B. PRE-CLEARANCE

-----

1. Except for the transactions set forth in Section D below, any Securities Transaction which an Access Person has a direct or indirect Beneficial Interest must be pre-cleared with a Pre-Clearance Officer.
2. Pre-Clearance Procedures - Prior to entering an order for a Securities Transaction that requires pre-clearance, the Access Person must receive trade authorization. Trade Authorization Request forms are available on the compliance page of Wamnet and must be signed by a Pre-Clearance Officer. Transactions of a Pre-Clearance Officer that require pre-clearance must be submitted to another Pre-Clearance Officer. In the event an Access Person is unable to complete a Trade Authorization Request form, the Access Person requesting Pre-Clearance may designate someone else to complete the Form on his or her behalf in order to obtain proper authorization.
3. Length of Trade Authorization Approval - Trade authorizations are effective until the earlier of (1) their revocation, (2) the close of business on the trading day after the authorization is granted, or (3) the Access Person learns that the information provided in the Trade Authorization request is not accurate. If the order for the Securities Transaction is not placed within that period, a new authorization must be obtained before the Securities Transaction is placed. If a Securities Transaction is placed but has not been executed before the authorization expires (e.g. a limit order), no new authorization is necessary unless the person placing the order amends it in any way.

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C. PROHIBITED TRANSACTIONS

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1. Always Prohibited Securities Transactions - The following Securities Transactions are prohibited and will not be authorized under any circumstances:
  - a. Inside Information - Any transaction in a Security by an individual who possesses material nonpublic information regarding the Security or the issuer of the Security;
  - b. Market Manipulation - Transactions intended to raise, lower, or

maintain the price of any Security or to create a false appearance of active trading;

c. Others - Any other transaction deemed by the Pre-Clearance Officer to involve a conflict of interest, possible diversions of corporate opportunity, or an appearance of impropriety.

2. Generally Prohibited Securities Transactions - Unless exempted by Section D, the following Securities Transactions are prohibited and will not be authorized absent exceptional circumstances. The prohibitions apply only to the categories of Access Persons specified.

a. Initial Public Offerings (Investment Persons Only) - Investment Persons shall not acquire any Securities in an Initial Public Offering.

b. Limited Offerings (Investment Persons Only) - Investment Persons shall not acquire any Securities in a Limited Offering without written prior approval from the Operations Committee. This prior approval shall take into account among other factors, whether the investment opportunity should be reserved for the Funds or Accounts, and whether the opportunity is being offered to the Investment Person by virtue of his or relationship with the Companies. An Investment Person who has been authorized to acquire securities in a limited offering shall disclose that investment when he or she plays a part in any subsequent consideration by the Fund, Accounts or the Companies of an investment in the issuer. In such circumstances, the decision to purchase Securities of the issuer shall be subject to an independent review by persons with no personal interest in the issuer.

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c. One-Day Blackout Period - No Access Person shall execute a Securities Transaction in a Security on any day during which an Account or Fund has placed or executed a purchase or sell order on the same Security.

d. Seven-Day Blackout Period (Portfolio Managers Only) - Portfolio Managers may not purchase or sell Securities for their own account within seven calendar days of a purchase or sale of the same Securities (or Equivalent Securities) by an Account or Fund managed by that Portfolio Manager.

e. 60-Day Blackout Period (Investment Persons Only) - Investment Persons may not (for their own beneficial interest) purchase a Security within 60 days of the sale of the same Security; nor may an Investment Person sell a Security within 60 days of a purchase of the same Security if, in either case, at any time during the

60 days the Security was held by an Account or Fund managed by the Companies.

D. EXEMPTIONS

-----

1. Exemption from Pre-Clearance and Treatment as a Prohibited Transaction - The following Securities Transactions are exempt from the pre-clearance requirements of Section B.
  - a. Mutual Funds - Any purchase or sale of a Security issued by any registered open-end investment company;
  - b. Common Stocks - Any purchase or sale of a common stock not on Western Asset's restricted list. Employees are responsible for monitoring the restricted list, which is located on the Compliance Page of Wamnet.
  - c. No Knowledge - Securities Transactions where the Access Person has no knowledge of the transaction before it is completed (for example a transaction effected by a Trustee of a blind trust or discretionary trades involving an investment partnership or investment club, in connection with which the Access Person is neither consulted nor advised of the trade before it is executed);
  - d. Certain Corporate Actions - Any acquisition of Securities, through stock dividends, dividend reinvestments, stock splits, reverse stock splits, mergers, consolidations, spin-offs, exercise of rights or other

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similar corporate reorganizations or distributions generally applicable to all holders of the same class of Securities;

- e. Options-Related Activity - Any acquisition or disposition of a Security in connection with an option-related Securities Transaction that has been previously approved. For example, if an Access Person receives approval to write a covered call, and the call is later exercised, the provisions of Section B and C are not applicable to the sale of the underlying Security.
- f. Commodities, Futures and Options on Futures - Any Securities Transaction involving commodities, futures (including currency futures and futures on securities comprising part of a broad-based, publicly traded market based index of stocks) and options on futures.
- g. Miscellaneous - Any transaction in the following:

- o Bankers Acceptances,
- o Bank Certificates of Deposit,
- o Commercial Paper,
- o Repurchase Agreements,
- o Securities that are direct obligations of a G7 Government,
- o Other securities as may from time to time be designated in writing by the Operations Committee on the grounds that the risk of abuse is minimal or non-existent.

The Securities listed above are not exempt from the reporting requirements set forth in Section E.

2. Exemption from Treatment as a Prohibited Transaction - The following Securities Transactions are exempt from the prohibited transaction restrictions of Section C.
  - a. Options on Broad-Based Indices - The prohibitions in Section C are not applicable to any Securities Transaction involving options on certain broad-based indices designated by the Operations Committee. The broad-based indices designated may be changed from time-to-time and presently consist of the S&P 500, the S&P 100, NASDAQ 100, Nikkei 300, NYSE Composite and Wilshire Small Cap indices.
  - b. Sovereign debt of Non-U.S. Governments - The prohibitions in Section C are not applicable to any Securities Transactions involving Sovereign debt of Non-U.S. governments with an issue size greater than \$1 billion and issued in either the home currency or U.S. dollars.

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## E. REPORTING

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1. Initial Reports - All Access Persons (except Disinterested Fund Directors), within ten (10) days of being designated an Access Person, must disclose all Covered Securities in which they have a direct or indirect Beneficial Interest. Such report must include the title, number of shares and principal amount of each Covered Security. Access Persons must also report all brokerage accounts in which they have a direct or indirect Beneficial Interest. Initial reports must be signed and dated by the Access Person.
2. Monthly Reports - All employees of the Companies shall submit to the Compliance Department, within 10 days after month end, a report of all

Securities Transactions during the previous month. The report shall state the title and number of shares, the principal amount of the security involved, the interest rate and maturity date if applicable, the date and nature of the transaction, the price at which the transaction was effected and the name of the broker, dealer or bank with or through whom the transaction was effected. The report shall also include the date it was submitted by the employee. Access Persons who have reported Securities Transactions through duplicate copies of broker confirmations and statements are not required to file a monthly report. In addition, all employees of the Companies shall submit a report of any Securities account established during the month for the direct or indirect benefit of the employee. The report shall include the name of the broker, dealer or bank with whom the employee established the account, the date the account was established and the date the report was submitted to the Compliance Department.

3. Annual Reports - All Access Persons shall provide annually a list of all Covered Securities in which they have a direct or indirect Beneficial Interest. The list shall include the title, number of shares and principal amount of each Covered Security. In addition, each Access Person must report to the Compliance Department the account number, account name and brokerage firm of each Securities account in which the Access Person has a direct or indirect Beneficial Interest. The information in the annual report must be current as of a date no more than 30 days before the report is submitted and the annual report must include the date it was submitted to the Compliance Department. Annually all Access Persons shall certify that they have complied with the requirements of this Code and that they have disclosed or reported all Securities Transactions required to be disclosed or reported pursuant to the requirements of this Code.

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4. Confirmations and Statements - All Access Persons must arrange for the Compliance Department to receive directly from any broker, dealer or bank duplicate copies of confirmations for Securities Transactions and periodic statements for each brokerage account in which the Access Person has a direct or indirect Beneficial Interest. The foregoing does not apply to transactions and holdings in registered open-end investment companies.
5. Directors Reports (for Directors of Pacific American Income Shares and Western Asset Funds, Inc.):
  - a. Disinterested Directors - Access Persons who are Disinterested Directors are not required to make a report regarding Securities Transactions except where such director knew or, in the ordinary course of fulfilling his or her official duties as a director of Pacific American Income Shares or Western Asset Funds, Inc, should have known that during the 15-day period immediately

preceding or after the date of the transaction in a Security by the director, such Security is or was purchased or sold by the relevant Fund or such purchase or sale is or was considered by the relevant Fund or its Advisers.

- b. Interested Directors - Access Persons who are Interested Directors are required to make the following reports:
- i. Initial Reports (See Paragraph E.1.)
  - ii. Quarterly Reports: No later than 10 days after the end of each calendar quarter the following information must be reported:
    - Transaction Report for Covered Securities including: Date of each transaction, full security description (including interest rate and maturity), number of shares and principal amount, nature of transaction, price at which transaction effected, broker, dealer or bank through which transaction affected and date report is submitted.
    - Account Report including: Any new account established by the Director in which any Securities were held during the quarter for the direct or indirect benefit of the Director. Such report to also include the name of the broker, dealer or bank with whom the Director established the account, the date the account was established and the date the report is submitted.

iii. Annual Reports (See Paragraph E.3.)

#### F. FIDUCIARY DUTIES

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1. Confidentiality - Access Persons are prohibited from revealing information relating to the investment intentions, activities or portfolios of the Accounts or Funds, except to persons whose responsibilities require knowledge of the information.
2. Gifts: On occasion, because of their position with Western Asset, Access Persons may be offered, or may receive without notice, gifts from clients, vendors or other persons not affiliated with the firm. Acceptance of extraordinary or extravagant gifts is not permissible. Any such gifts must be declined or returned in order to protect the reputation of the firm. Gifts of nominal value (i.e., gifts whose reasonable value is no more than \$100 per year), and customary business meals, entertainment (e.g. sporting events), and promotional items (e.g. pens, mugs, T-shirts) may be accepted. If an Access Person receives any gift that might be prohibited under this Code, the Access Person must immediately inform the Compliance Department. An Access Person may not personally give any gift with a value in excess of \$100

per year to persons associated with securities or financial organizations, including clients of the firm.

3. Service as a Director: No Access Person, who is an employee of Western Asset Management Company, may serve on the board of directors or other governing body of an entity if that entity has publicly traded securities without prior written authorization from the Operations Committee and the Legg Mason, Inc. Legal and Compliance Department. If the board service is authorized, it shall be subject to appropriate safeguards, including in most cases "Chinese Walls" or other procedures to isolate the Access Person from the making of investment decisions related to the company on whose board the Access Person serves.
4. Remedies and Sanctions: If the Operations Committee determines that an employee of the Companies or an Access Person has committed a violation of the Code, the Committee may impose sanctions and take other actions as it deems appropriate.

#### G. POLITICAL CONTRIBUTIONS

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1. Western Asset and all Access Persons are prohibited from making political contributions for the purpose of obtaining or retaining Western Asset or its affiliates as investment advisers. Western Asset and Access Persons specifically are prohibited from making political contributions to any person who may influence the selection or retention of an investment adviser by a government entity.

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2. Access Persons will be required to certify annually that they have been in compliance with Western Asset's Political Contributions Policy.

#### H. DEFINITIONS

-----

1. "Access Persons" means (a) all officers of the Companies, all directors of Western Asset Management Company, and all directors of Pacific American Income Shares and Western Asset Funds, Inc. who are not interested persons of such company as that term is defined in the Investment company Act of 1940; (b) all employees of the Companies who, in connection with their regular functions or duties, make, participate in, or obtain information, regarding the purchase or sale of a Security by an Account or Fund or whose functions relate to the making of any recommendations with respect to the purchases or sales; (c) any natural person in a control relationship to the Companies who obtains information concerning recommendations made to an Account or Fund with regard to the purchase or sale of a security and (d) such

other persons as the Compliance Department shall designate.

2. "Account" means any portfolio managed by Western Asset Management Company.
3. "Beneficial Interest" shall have the meaning given to it for purposes of Rule 17j-1 and shall include the opportunity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, to profit, or share in any profit derived from, a transaction in the subject Securities. An Access Person is deemed to have a Beneficial Interest in the following:
  - a. any Security owned individually by the Access Person;
  - b. any Security owned jointly by the Access Person with others (for example, joint accounts, spousal accounts, UTMA accounts, partnerships, trusts and controlling interests in corporations); and
  - c. any Security in which a member of the Access Person's Immediate Family has a Beneficial Interest if the Security is held in an account over which the Access Person has decision making authority (for example, the Access Person acts as trustee, executor, or guardian). In addition, an Access Person is presumed to have a Beneficial Interest in any Security in which a member of the Access Person's Immediate Family has a Beneficial Interest if the Immediate Family member resides in the same household as the Access Person. This presumption may be rebutted if the Access Person is able to provide the Compliance Department with satisfactory assurances that the Access Person has no material Beneficial Interest in the Security and exercises no control over investment decisions made regarding the Security. Access Persons

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may use the form attached (Certification of No Beneficial Interest) in connection with such requests

4. "Companies" means Pacific American Income Shares, Western Asset Management Company and Western Asset Funds, Inc.
5. "Covered Security" means any security defined below except covered security does not include direct obligations of the U.S. Government, bankers acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments including repurchase agreements and shares issued by open-end Funds.
6. "Equivalent Security" means any Security issued by the same entity as the issuer of a subject Security that may be convertible into that Security. (e.g. options, rights, stock appreciation rights, warrants, preferred stock, restricted stock, phantom stock, convertible bonds)
7. "Fund" means any investment company registered under the Investment

8. "Immediate Family" of an Access Person means any of the following persons who reside in the same household as the Access Person:

<TABLE>

<S>	<C>	<C>
child	grandparent	son-in-law
stepchild	spouse	daughter-in-law
grandchild	sibling	brother-in-law
parent	mother-in-law	sister-in-law
stepparent	father-in-law	

</TABLE>

9. "Initial Public Offering" means an offering of securities registered under the Securities Act of 1933, the issuer of which immediately before registration was not subject to the reporting requirements of sections 13 or 15(d) of the Securities Exchange act of 1934.
10. "Director" means a director of Pacific American Income Shares or Western Asset Funds, Inc.
11. "Investment Person" means any employee of the Companies who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of Securities for an Account or Fund.

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12. "Limited Offering" means an offering that is exempt from registration under the securities Act of 1933 pursuant to section 4(2) or 4(6) or 77d(6) or pursuant to rule 504, rule 505, or rule 506 under the Securities Act of 1933.
13. "Portfolio Manager" means a person who has or shares principal day-to-day responsibility for managing an Account or Fund.
14. "Pre-Clearance Officer" means the persons designated as Pre-Clearance Officers by the Operations Committee.
15. "Security" means any security (as that term is defined under the Investment Company Act of 1940) and any financial instrument related to a security, including options on securities, futures contracts, options on futures contracts and any other derivative.
16. "Securities Transaction" means a purchase or sale of Securities in which an Access Person or a member of his or her Immediate Family has or acquires a Beneficial Interest, including the writing of an option to purchase or sell the Security.

17. "Western Asset Operations Committee" ("Operations Committee") Members of the Western Asset Operations Committee shall be designated by the Western Asset Executive Committee.

## ALLIANCE CAPITAL MANAGEMENT L.P.

## Code of Ethics and Statement of Policy and Procedures Regarding Personal Securities Transactions

## 1. Purposes

- (a) Alliance Capital Management L.P. ("Alliance," "we" or "us") is a registered investment adviser and acts as investment manager or adviser to investment companies and other Clients. In this capacity, we serve as fiduciaries and owe our Clients an undivided duty of loyalty. We must avoid even the appearance of a conflict that may compromise the trust Clients have placed in us and must insist on strict adherence to fiduciary standards and compliance with all applicable federal and state securities laws. Adherence to this Code of Ethics and Statement of Policy and Procedures Regarding Personal Securities Transactions (the "Code and Statement") is a fundamental condition of service with us, any of our subsidiaries or our general partner (the "Alliance Group").
- (b) The Code and Statement is intended to comply with Rule 17j-1 under the Investment Company Act which applies to us because we serve as an investment adviser to registered investment companies. Rule 17j-1 specifically requires us to adopt a code of ethics that contains provisions reasonably necessary to prevent our "access persons" (defined in Rule 17j-1 to cover persons such as officers, directors, portfolio managers, traders, research analysts and others) from engaging in fraudulent conduct, including insider trading. Each investment company we advise has also adopted a code of ethics with respect to its access persons. As set forth in Section 3 below, our Code and Statement applies to all Employees and all other individuals who are Access Persons. The Code and Statement is also intended to comply with the provisions of Rule 204-2 under the Investment Advisers Act of 1940 (the "Advisers Act") which requires us to maintain records of securities transactions in which certain of our personnel have any Beneficial Ownership.
- (c) All Employees and all other individuals who are Access Persons (collectively, "you") also serve as fiduciaries with respect to our Clients and in this capacity you owe an undivided duty of loyalty to our Clients. As part of this duty and as expressed throughout the Code and Statement, you must at all times:
- (i) Place the interests of our Clients first;
  - (ii) Conduct all personal securities transactions consistent with this Code and Statement and in such a manner that avoids any

actual or potential conflict of interest or any abuse of your responsibility and position of trust; and

- (iii) Abide by the fundamental standard that you not take inappropriate advantage of your position.

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- (d) This Code and Statement does not attempt to identify all possible conflicts of interests and literal compliance with each of the specific procedures will not shield you from liability for personal trading or other conduct which violates your fiduciary duties to our Clients. In addition to the specific prohibitions contained in this Code and Statement, you are also subject to a general requirement not to engage in any act or practice that would defraud our Clients. This general prohibition includes, in connection with the purchase or sale of a Security held or to be acquired or sold (as this phrase is defined below in Section 2(n)) by a Client:
  - (i) Making any untrue statement of a material fact;
  - (ii) Creating materially misleading impressions by omitting to state or failing to provide any information necessary to make any statements made, in light of the circumstances in which they are made, not misleading;
  - (iii) Making investment decisions, changes in research ratings and trading decisions other than exclusively for the benefit of and in the best interest of our Clients;
  - (iv) Using information about investment or trading decisions or changes in research ratings (whether considered, proposed or made) to benefit or avoid economic injury to you or anyone other than our Clients;
  - (v) Taking, delaying or omitting to take any action with respect to any research recommendation, report or rating or any investment or trading decision for a Client in order to avoid economic injury to you or anyone other than our Clients;
  - (vi) Purchasing or selling a Security on the basis of knowledge of a possible trade by or for a Client;
  - (vii) Revealing to any other person (except in the normal course of your duties on behalf of a Client) any information regarding Securities transactions by any Client or the consideration by any Client of Alliance of any such Securities transactions; or
  - (viii) Engaging in any manipulative practice with respect to any

Client.

- (e) The provisions contained in this Code and Statement must be followed when making a personal securities transaction. These policies and procedures, which must be followed, are considerably more restrictive and time-consuming than those applying to investments in the mutual funds and other Clients we advise. If you are not prepared to comply with these policies and procedures, you must forego personal trading.

## 2. Definitions

The following definitions apply for purposes of the Code and Statement in addition to the definitions contained in the text itself.

- (a) "Access Person" means any director or officer of the general partner of Alliance, as well as any of the following persons:

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- (i) Any Employee who, in connection with his or her regular functions or duties --
  - (A) Makes, participates in, or obtains information regarding the purchase or sale of a Security by a Client, or whose functions relate to the making of any recommendations with respect to such purchases or sales;
  - (B) Obtains information from any source regarding any change, or consideration of any change in Alliance's internal research coverage, a research rating or an internally published view on a Security or issuer; (1) or
  - (C) Obtains information from any source regarding the placing or execution of an order for a Client account; and
- (ii) Any natural person having the power to exercise a controlling influence over the management or policies of Alliance (unless that power is solely the result of his or her position with Alliance) who:
  - (A) Obtains information concerning recommendations made to a Client with regard to the purchase or sale of a Security;
  - (B) Obtains information from any source regarding any change, or consideration of any change in research coverage, research rating or a published view on a Security or issuer; or
  - (C) Obtains information from any source regarding the placing or execution of an order for a Client account.

- (b) "Beneficial Ownership" is interpreted in the same manner as in determining whether a person is subject to the provisions of Section 16 of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 16a-1 and the other rules and regulations thereunder and includes ownership by any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares a direct or indirect pecuniary interest in a Security. For example, an individual has an indirect pecuniary interest in any Security owned by the individual's spouse. Beneficial Ownership also includes, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, having or sharing "voting power" or "investment power," as those terms are used in Section 13(d) of the Exchange Act and Rule 13d-3 thereunder.
- (c) "Client" means any person or entity, including an investment company, for which Alliance serves as investment manager or adviser.
- (d) "Compliance Officer" refers to Alliance's Compliance Officer.
- (e) "Control" has the same meaning set forth in Section 2(a)(9) of the Investment Company Act.
- (f) "Employee" refers to any person who is an employee of any member of the Alliance Group, including both part-time employees, as well as consultants (acting in the capacity of a

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(1) Including any individual who has been granted access to the Express Research database.

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portfolio manager, trader or research analyst) under the control of Alliance who, but for their status as consultants, would otherwise come within the definition of Access Person.

- (g) "Initial Public Offering" means an offering of securities registered under the Securities Act of 1933, the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934.
- (h) "Investment Personnel" refers to:
  - (i) Any Employee who acts in the capacity of a portfolio manager, research analyst or trader;
  - (ii) Any Employee who assists someone acting in the capacity of a portfolio manager, research analyst or trader and as an

assistant has access to information generated or used by portfolio managers, research analysts and traders (including, for example, assistants who have access to the Alliance Global Equity Review or the Alliance Fixed Income Review);

- (iii) Any Employee who receives the Alliance Global Equity Review or the Alliance Fixed Income Review; or
  - (iv) Any natural person who Controls Alliance and who obtains information concerning recommendations made to a Client regarding the purchase or sale of securities by the Client.
- (i) "Limited Offering" means an offering that is exempt from registration under the Securities Act of 1933 pursuant to Sections 4(2) or 4(6) thereof or pursuant to Rules 504, 505 or 506 under the Securities Act of 1933.
- (j) "Personal Account" refers to any account (including, without limitation, a custody account, safekeeping account and an account maintained by an entity that may act in a brokerage or a principal capacity) in which an Access Person or Employee has any Beneficial Ownership and any such account maintained by or for a financial dependent. For example, this definition includes Personal Accounts of:
- (i) An Access Person's or Employee's spouse/domestic partner, including a legally separated or divorced spouse who is a financial dependent,
  - (ii) Financial dependents residing with the Access Person or Employee, and
  - (iii) Any person financially dependent on an Access Person or Employee who does not reside with that person, including financially dependent children away at college.
- (k) "Purchase or Sale of a Security" includes, among other transactions, the writing or purchase of an option to sell a Security and any short sale of a Security.

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- (l) "Security" has the meaning set forth in Section 2(a)(36) of the Investment Company Act and any derivative thereof, commodities, options or forward contracts, except that it shall not include shares of open-end investment companies registered under the Investment Company Act, securities issued by the Government of the United States, short-term debt securities that are government securities within the meaning of Section 2(a)(16) of the Investment Company Act, bankers' acceptances, bank certificates of deposit, commercial paper, and such

other money market instruments as are designated by the Compliance Officer.

- (m) A Security is "being considered for purchase or sale" when:
  - (i) An Alliance research analyst issues research information (including as part of the daily morning call) regarding initial coverage of, or changing a rating with respect to, a Security;
  - (ii) A portfolio manager has indicated (during the daily morning call or otherwise) his or her intention to purchase or sell a Security;
  - (iii) A portfolio manager places an order for a Client; or
  - (iv) A portfolio manager gives a trader discretion to execute an order for a Client over a specified period of time.
- (n) "Security held or to be acquired or sold" means:
  - (i) Any Security which, within the most recent 15 days (1) is or has been held by a Client or (2) is being or has been considered by a Client (to the extent known by Alliance) or Alliance for purchase by the Client; and
  - (ii) Any option to purchase or sell, and any Security convertible into or exchangeable for, a Security.
- (o) "Subsidiary" refers to either of the following types of entities with respect to which Alliance, directly or indirectly, through the ownership of voting securities, by contract or otherwise has the power to direct or cause the direction of management or policies of such entity:
  - (i) Any U.S. entity engaged in money management; and
  - (ii) Any non-U.S. entity engaged in money management for U.S. accounts.

### 3. Application

- (a) This Code and Statement applies to all Employees of Alliance or any Subsidiary of Alliance and to all other individuals who are Access Persons. Please note that certain provisions apply to all Employees while other provisions apply only to Access Persons and others apply only to certain categories of Access Persons who are also Investment Personnel (e.g., portfolio managers and research analysts).

(b) Alliance will provide a copy of this Code and Statement to all Employees and all individuals who are Access Persons. In addition, the Compliance Officer will maintain lists of Access Persons and Investment Personnel, including a separate list of portfolio managers and research analysts.

#### 4. Limitations on Personal Securities Transactions and Affiliations

##### (a) All Employees

It is the responsibility of each employee to ensure that all personal securities transactions are made in strict compliance with the restrictions and procedures in the Code and Statement and otherwise comply with all applicable legal and regulatory requirements.

Employees must hold all Securities in a Personal Account. This requirement applies to all types of personal securities transactions including, for example, the purchase of Securities in a private placement or other direct investment. Personal securities transactions for employees may be effected only in a Personal Account and in accordance with the following provisions:

##### (i) Designated Brokerage Accounts

Personal Accounts of an employee that are maintained as brokerage accounts must be held at the following designated broker-dealers: CS First Boston, Harrisdirect (formerly CSFBdirect), Merrill Lynch & Co. or Charles Schwab. In addition, employees who currently maintain a Personal Account at Sanford C. Bernstein & Co., LLC should continue to use this account for all personal securities transactions.

##### (ii) Preclearance Requirement

An Employee may not purchase or sell, directly or indirectly, any Security in which the Employee has (or after such transaction would have) any Beneficial Ownership unless the Employee obtains the prior written approval to the transaction from the Compliance Department and, in the case of Investment Personnel, the head of the business unit in which the Employee works. A request for preclearance must be made in writing in advance of the contemplated transaction and must state:

- a. The name of the Security involved,
- b. The number of shares or principal amount to be purchased or sold, and
- c. A response to all questions contained in the appropriate pre-clearance form.

Preclearance requests will be acted on only between the hours of 10:00 a.m. and 3:30 p.m. Any approval given under this paragraph will remain in effect only until the end of the trading day on which the approval was granted. Good until cancel limit orders are not permitted.

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Note: When a Security is being considered for purchase or sale for a Client (see next section) or is being purchased or sold for a Client following the approval on the same day of a personal trading request form with respect to the same security, the Compliance Department is authorized to cancel the personal order if (x) it has not been executed and the order exceeds a market value of \$50,000 or (y) the Compliance Department determines, after consulting with the trading desk and the appropriate business unit head (if available), that the order, based on market conditions, liquidity and other relevant factors, could have an adverse impact on a Client or on a Client's ability to purchase or sell the Security or other Securities of the issuer involved.

(iii) Securities Being Considered for Client Purchase or Sale

An employee may not purchase or sell a Security, or engage in any short sale of a Security, in a Personal Account if, at the time of the transaction, the Security is being considered for purchase or sale for a Client or is being purchased or sold for a Client. The following non-exhaustive list of examples illustrates this restriction:

- o An Alliance research analyst issues research information (including as part of the daily morning call) regarding initial coverage of, or changing a rating with respect to, a Security.
- o A portfolio manager has, during the daily morning call, indicated his or her intention to purchase or sell a Security.
- o A portfolio manager places an order in the Security to purchase or sell the Security for a Client.
- o An open order in the Security exists on the trading desk.
- o An open limit order exists on the trading desk, and it is reasonably likely that the Security will reach that limit price in the near future.

(iv) Restricted List

A Security may not be purchased or sold in a Personal Account if, at the time of the transaction, the Security appears on the Alliance Daily Restricted List and is restricted for Employee transactions. The Daily Restricted List is made available each business day to all Employees via the Alliance Capital intranet home page: ([http://www.acml.com/isb/CDA/ISB\\_tmpCDAFrameset/](http://www.acml.com/isb/CDA/ISB_tmpCDAFrameset/)).

(v) Amount of Trading

No more than an aggregate of 20 securities transactions may occur in an Employee's Personal Accounts in any consecutive thirty-day period.

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(vi) Dissemination of Research Information

An Employee may not buy or sell any Security that is the subject of "significantly new" or "significantly changed" research during a forty-eight hour period commencing with the first publication or release of the research. The terms "significantly new" and "significantly changed" include:

- a. The initiation of coverage by an Alliance research analysts;
- b. Any change in a research rating or position by an Alliance research analyst (unless the research analyst who makes the change advises the Compliance Department in writing that the change is the result of an unanticipated widely disseminated announcement or market event, e.g., the announcement of a major earnings warning as opposed to the research analysts independently rethinking his or her subjective assessment of the security);
- c. Any other rating, view, opinion, or advice from an Alliance research analyst, the issuance (or reissuance) of which in the opinion of such research analyst or head of research would be reasonably likely to have a material effect on the price of the security.

(vii) Initial Public Offerings

No Employee shall acquire any direct or indirect Beneficial Ownership in any Securities in any Initial Public Offering.

(viii) Limited Offerings

No Employee shall acquire any Beneficial Ownership in any Securities in any Limited Offering of Securities unless the Compliance Officer and the business unit head give express prior written approval and document the basis for granting or denying approval after due inquiry. The Compliance Officer, in determining whether approval should be given, will take into account, among other factors, whether the investment opportunity should be reserved for a Client and whether the opportunity is being offered to the individual by virtue of his or her position with the Alliance Group. Employees authorized to acquire Securities in a Limited Offering must disclose that investment when they play a part in any Client's subsequent consideration of an investment in the issuer, and in such a case, the decision of Alliance to purchase Securities of that issuer for a Client will be subject to an independent review by Investment Personnel with no personal interest in such issuer.

(ix) Board Member or Trustee

No Employee shall serve on any board of directors or trustees or in any other management capacity of any unaffiliated domestic or foreign public company. No Employee shall serve on any board of directors or trustees or in any other management capacity of any domestic or foreign private company (other than not-for-profit organizations) without prior written approval from the Employee's

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supervisor. (2) After obtaining supervisor approval, the Employee must obtain the approval of Alliance's Chief Executive Officer. Final written authorization must be obtained from the Compliance Officer. The decision as to whether to grant such authorization will be based on a determination that such service would not be inconsistent with the interests of any client. Any employee who serves as a director or trustee of any private company must resign prior to the company becoming public.

(b) Access Persons

In addition to the requirements set forth in paragraph (a) of this Section 4, the following restrictions apply to all Access Persons:

(i) Short Sales

No Access Person shall engage in any short sale of a Security if, at the time of the transaction, any Client has a long

position in such Security (except that an Access Person may engage in short sales against the box and covered call writing provided that these personal securities transactions do not violate the prohibition against short-term trading).

(ii) Short-Term Trading

All Access Persons are subject to a mandatory buy and hold of all Securities for 60 calendar days. An Access Person may, however, after 30 calendar days, sell a Security if the sale price is lower than the original purchase price (i.e., at a loss on the original investment). Any trade made in violation of this paragraph shall be unwound, or, if that is not practicable, all profits from the short-term trading must be disgorged as directed by the Compliance Officer.

(iii) Non-Employee Access Persons

Any non-Employee Access Person with actual knowledge that a Security is being considered for purchase or sale for a Client may not purchase or sell such Security.

(c) Investment Personnel

In addition to the requirements set forth in paragraphs (a) and (b) of this Section 4, the following restrictions apply to all Investment Personnel:

(i) Receipt of Gifts

No Investment Personnel shall receive any gift or other thing of more than de minimis value from any person or entity, other than a member of the Alliance Group, that does business with Alliance on behalf of a Client, provided, however, that receipt of the following shall not be prohibited:

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(2) No approval is required to serve as a trustee/board member of not-for-profit organizations such as religious organizations, foundations, educational institutions, etc. Such positions, however, must be reported to the firm pursuant to other periodic requests for information (e.g., the Alliance 10-K questionnaire).

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- a. An occasional breakfast, luncheon, dinner or reception, ticket to a sporting event or the theater, or comparable entertainment, that is not so frequent, so costly, nor so extensive as to raise any question of impropriety;

- b. A breakfast, luncheon, dinner, reception or cocktail party in conjunction with a bona fide business meeting; and
- c. A gift approved in writing by the Compliance Officer.

(d) Portfolio Managers

In addition to the requirements set forth in paragraphs (a), (b) and (c) of this Section 4, the following restrictions apply to all persons acting in the capacity of a portfolio manager of a Client account:

(i) Blackout Periods

No person acting in the capacity of a portfolio manager shall buy or sell a Security for a Personal Account within seven calendar days before and after a Client trades in that Security. In the case of Client accounts managed by more than one portfolio manager, this restriction will apply to the portfolio manager who makes the decision to purchase or sell the relevant Security. If a portfolio manager engages in such a personal securities transaction during a blackout period, the Compliance Officer will break the trade or, if the trade cannot be broken, the Compliance Officer will direct that any profit realized on the trade be disgorged.

(ii) Actions During Blackout Periods

No person acting in the capacity of a portfolio manager shall delay or accelerate a Client trade due to a previous purchase or sale of a Security for a Personal Account. In the event that a portfolio manager determines that it is in the best interest of a Client to buy or sell a Security for the account of the Client within seven days of the purchase or sale of the same Security in a Personal Account, the portfolio manager should contact the Compliance Officer immediately who may direct that the trade in the Personal Account be canceled or take other appropriate relief.

(iii) Transactions Contrary to Client Positions

No person acting in the capacity of a portfolio manager shall purchase or sell a Security in a Personal Account contrary to investment decisions made on behalf of a Client, unless the portfolio manager represents and warrants in the personal trading request form that (x) it is appropriate for the Client account to buy, sell or continue to hold that Security and (y) the decision to purchase or sell the Security for the Personal Account arises from the need to raise or invest cash or some other valid reason specified by the portfolio manager and approved by the Compliance Officer and is not otherwise based on

the portfolio manager's view of how the Security is likely to perform.

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(e) Research Analysts

In addition to the requirements set forth in paragraphs (a), (b), (c) of this Section 4, the following restrictions apply to all persons acting in the capacity of a research analyst:

(i) Blackout Periods

No person acting as a research analyst shall buy or sell a Security within seven calendar days before and after making a change in a rating or other published view with respect to that Security. If a research analyst engages in such a personal securities transaction during a blackout period, the Compliance Officer will break the trade or, if the trade cannot be broken, the Compliance Officer will direct that any profit realized on the trade be disgorged.

(ii) Actions During Blackout Periods

No person acting as a research analyst shall delay or accelerate a rating or other published view with respect to any Security because of a previous purchase or sale of a Security in such person's Personal Account. In the event that a research analyst determines that it is appropriate to make a change in a rating or other published view within seven days of the purchase or sale of the same Security in a Personal Account, the research analyst should contact the Compliance Officer immediately who may direct that the trade in the Personal Account be canceled or take other appropriate relief.

(iii) Actions Contrary to Ratings

No person acting as a research analyst shall purchase or sell a Security (to the extent such Security is included in the research analyst's research universe) contrary to an outstanding rating or a pending ratings change, unless (x) the research analyst represents and warrants in the personal trading request form that (as applicable) there is no reason to change the outstanding rating and (y) the research analyst's personal trade arises from the need to raise or invest cash or some other valid reason specified by the research analyst and approved by the Compliance Officer and is not otherwise based on the research analyst's view of how the security is likely to perform.

## 5. Exempted Transactions

(a) The pre-clearance requirements, as described in Section 4(a)(ii) of this Code and Statement, do not apply to:

(i) Non-Volitional Transactions

Purchases or sales that are non-volitional (including, for example, any Security received as part of an individual's compensation) on the part of an Employee (and any Access Person who is not an Employee) or are pursuant to a dividend

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reinvestment plan (up to an amount equal to the cash value of a regularly declared dividend, but not in excess of this amount).

(ii) Exercise of Pro Rata Issued Rights

Purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of the issuer's Securities, to the extent such rights were acquired from such issuer, and sales of such rights so acquired. This exemption applies only to the exercise or sale of rights that are issued in connection with a specific upcoming public offering on a specified date, as opposed to rights acquired from the issuer (such as warrants or options), which may be exercised from time-to-time up until an expiration date. This exemption does not apply to the sale of stock acquired pursuant to the exercise of rights.

(b) The restrictions on effecting transactions in a (1) Security being considered for purchase or sale, as described in Sections 4(a)(iii) and 4(b)(iii) or (2) that is the subject of "significantly new" or "significantly changed" research, as described in Section 4(a)(vi) of this Code and Statement, do not apply to:

(i) Non-Volitional Transactions

Purchases or sales that are non-volitional (including, for example, any Security received as part of an individual's compensation) on the part of an Access Person or are pursuant to a dividend reinvestment plan (up to an amount equal to the cash value of a regularly declared dividend, but not in excess of this amount).

(ii) Exercise of Pro Rata Issued Rights

Purchases effected upon the exercise of rights issued by an

issuer pro rata to all holders of a class of the issuer's Securities, to the extent such rights were acquired from such issuer, and sales of such rights so acquired. This exemption applies only to the exercise or sale of rights that are issued in connection with a specific upcoming public offering on a specified date, as opposed to rights acquired from the issuer (such as warrants or options), which may be exercised from time-to-time up until an expiration date. This exemption does not apply to the sale of stock acquired pursuant to the exercise of rights.

(iii) De Minimis Transactions -- Fixed Income Securities

Any of the following Securities, if at the time of the transaction, the Access Person has no actual knowledge that the Security is being considered for purchase or sale by a Client, that the Security is being purchased or sold by the Client or that the Security is the subject of significantly new or significantly changed research:

- a. Fixed income securities transaction involving no more than 100 units or having a principal amount not exceeding \$25,000; or

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- b. Non-convertible debt securities and non-convertible preferred stocks which are rated by at least one nationally recognized statistical rating organization ("NRSRO") in one of the three highest investment grade rating categories.

(iv) De Minimis Transactions -- Equity Securities

Any equity Securities transaction, or series of related transactions, involving shares of common stock and excluding options, warrants, rights and other derivatives, provided:

- a. Any orders are entered after 10:00 a.m. and before 3:00 p.m. and are not designated as "market on open" or "market on close;"
- b. The aggregate value of the transactions do not exceed (1) \$10,000 for securities with a market capitalization of less than \$1 billion; (2) \$25,000 for securities with a market capitalization of \$1 billion to \$5 billion and (3) \$50,000 for securities with a market capitalization of greater than \$5 billion; and
- c. The Access Person has no actual knowledge that the Security

is being considered for purchase or sale by a Client, that the Security is being purchased or sold by or for the Client or that the Security is the subject of significantly new or significantly changed research.

PLEASE NOTE: Even if your trade qualifies for a de minimis exception, you must pre-clear your transaction with the Compliance Department in advance of placing the trade.

(c) Non-Employee Access Persons

The restrictions on Employees and Access Persons, as described in Sections 4(a) and 4(b) of this Code and Statement, do not apply to non-Employee Access Persons, if at the time of the transaction involved, such person has no actual knowledge that the Security involved is being considered for purchase or sale.

(d) Extreme Hardship

In addition to the exceptions contained in Section 5(a) and (b), the Compliance Officer may, in very limited circumstances, grant other exceptions under any Section of the Code and Statement on a case-by-case basis, provided:

(i) The individual seeking the exception furnishes to the Compliance Officer:

- a. A written statement detailing the efforts made to comply with the requirement from which the individual seeks an exception;
- b. A written statement containing a representation and warranty that (1) compliance with the requirement would impose a severe undue hardship on the individual and (2) the exception would not, in any manner or degree,

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harm or defraud the Client or compromise the individual's or Alliance's fiduciary duty to any Client; and

- c. Any supporting documentation that the Compliance Officer may request.

(ii) The Compliance Officer conducts an interview with the individual or takes such other steps the Compliance Officer deems appropriate in order to verify that granting the exception will not in any manner or degree, harm or defraud the Client or compromise the individual's or Alliance's fiduciary duty to any

Client; and

(iii) The Compliance Officer maintains, along with statements provided by the individual, a written record that contains:

- a. The name of the individual;
- b. The specific requirement of Section 4 from which the individual sought an exception;
- c. The name of the Security involved, the number of shares or principal amount purchased or sold, and the date or dates on which the Securities were purchased or sold;
- d. The reason(s) the individual sought an exception from the requirements of Section 4;
- e. The efforts the individual made to comply with the requirements of Section 4 from which the individual sought to be excepted; and
- f. The independent basis upon which the Compliance Officer believes that the exemption should be granted.

(e) Any Employee or Access Person who acquires an interest in any private investment fund (including a "hedge fund") or any other Security that cannot be purchased and held in a Personal Account shall be excepted from the requirement that all Securities be held in a Personal Account, as described in Section 4(a) of this Code and Statement. Such Employee or Access Person shall provide the Compliance Officer with a written statement detailing the reason why such Security cannot be purchased and held in a Personal Account. Transactions in these Securities nevertheless remain subject to all other requirements of this Code and Statement, including applicable private placement procedures, preclearance requirements and blackout period trading restrictions.

## 6. Reporting

### (a) Initial Holdings Reports

Upon commencement of employment with a member of the Alliance Group, an employee must, within ten (10) days after joining, provide an Initial Holdings Report to the Compliance Officer disclosing the following:

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(i) All Securities beneficially owned by the employee (including the

title, number of shares and/or principal amount of each Security beneficially owned);

(ii) The name of any broker-dealer or financial institution where the employee maintains a Personal Account; and

(iii) The date the report is submitted by the employee.

(b) Annual Holdings Reports by Employee Access Persons

Once each year, by a date to be specified by the Compliance Department (typically January 30th), each Access Person must provide to the Compliance Officer, an Annual Holdings Report containing data current as of a date not more than 30 days prior to the date of the report. The report must disclose:

(i) All Securities beneficially owned by the Access Person (including the title, number of shares and/or principal amount of each Security beneficially owned);

(ii) The name of any broker-dealer or financial institution where the Access Person maintains a Personal Account; and

(iii) The date the report is submitted by the Access Person.

In the event that Alliance already maintains a record of the required information via account statements received from the Access Person's broker-dealer, an Access Person may satisfy this requirement by (i) confirming in writing (which may include e-mail) the accuracy of the record and (ii) recording the date of the confirmation.

(c) Access Persons who are not Employees of Alliance

Every Access Person who is not an Employee of Alliance, shall report to the Compliance Officer the information described in Section 6(a) and (b) as well as 6(e) below with respect to transactions in any Security in which such Access Person has, or by reason of such transaction acquires, any Beneficial Ownership in the Security; provided, however, that such Access Person is not required to make a report with respect to transactions effected in any account over which the Access Person does not have any direct or indirect influence or control, including such an account in which an Access Person has any Beneficial Ownership.

(d) Affiliated and Non-Affiliated Directors

As non-employee Access Persons, affiliated directors are also required to provide the Compliance Department with the information set forth in Sections 6(a) and 6(b), above.

Non-affiliated directors are only required to provide the Compliance Department with the information set forth in Section 6(e) below.

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(e) Report Contents

Every report of a non-Employee Access Person required by Section 6(c) above shall be in writing and shall be delivered not later than ten days after the end of the calendar quarter in which a transaction to which the report relates was effected, and shall contain the following information:

- (i) The date of the transaction, the title and the number of shares, and the principal amount of each Security involved;
- (ii) The nature of the transaction (i.e., purchase, sale or any other type of acquisition or disposition);
- (iii) The price at which the transaction was effected; and
- (iv) The name of the broker, dealer or bank with or through whom the transaction was effected.

(f) Report Representations

Any such report may contain a statement that the report is not to be construed as an admission by the person making the report that he or she has any direct or indirect Beneficial Ownership in the Security to which the report relates.

(g) Maintenance of Reports

The Compliance Officer shall maintain the information required by Section 6 and such other records, if any, as are required by Rule 17j-1 under the Investment Company Act and Rule 204-2 under the Advisers Act. All reports furnished pursuant to this Section will be kept confidential, subject to the rights of inspection by the Compliance Officer, the Transaction Compliance Committee, the Securities and Exchange Commission and by other third parties pursuant to applicable law.

7. Annual Verifications

Each person subject to this Code and Statement must certify annually that he or she has read and understands this Code and Statement, recognizes that he or she is subject thereto and has complied with its provisions and

disclosed or reported all personal Securities transactions required to be disclosed or reported by this Code and Statement. Such certificates and reports are to be given to the Compliance Officer.

8. Sanctions

Upon learning of a violation of this Code and Statement, any member of the Alliance Group, with the advice of the Compliance Officer, may impose such sanctions as it deems appropriate, including, among other things, censure, suspension or termination of service. Individuals subject to this Code and Statement who fail to comply with this Code and Statement may also be violating the federal securities laws or other federal and state laws. Any such person who is suspected of violating this Code and Statement should be reported immediately to the Compliance Officer.

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Certification

I hereby acknowledge receipt of the Code of Ethics and Statement of Policy and Procedures Regarding Personal Securities Transactions (the "Code and Statement") of Alliance Capital Management L.P. and its Subsidiaries. I certify that I have read and understand the Code and Statement and recognize that I am subject to its provisions.

I have reviewed my own situation and conduct in light of the Code and Statement. I confirm that I am in compliance with the Code and Statement, including the requirements regarding the manner in which I maintain and report my Personal Accounts and conduct my personal securities trading activity.

I understand that any violation(s) of the Code and Statement is grounds for immediate disciplinary action up to, and including, termination of employment.

Signature \_\_\_\_\_  
Print Name \_\_\_\_\_  
Date \_\_\_\_\_

Please return this form to the Compliance Officer at:  
1345 Avenue of the Americas, 16th Floor  
New York, N.Y. 10105

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New Star Asset Management Group  
Personal Account Dealing/Code of Ethics

I. Introduction

New Star has adopted a Code of Ethics (the "Code"), revised effective as of September 30, 2003, that complies with the regulations of the U.K. Financial Services Authority ("FSA") and the regulations of the U.S. Securities and Exchange Commission ("SEC") relating to personal securities transactions of New Star personnel.

As it relates to the FSA regulations, the Code governs all directors, officers and "employees" of New Star (collectively, "New Star Employees"). For this purpose, the term "employee" includes consultants, secondees, temporary employees and their "closely connected persons" (as such term is defined below). The Code permits New Star Employees to buy and sell securities for their own accounts, including securities that may be purchased and sold by client accounts managed by New Star, subject to certain restrictions.

As it relates to the SEC regulations, the Code governs directors, officers and "advisory persons" of New Star (collectively, "Access Persons"). For this purpose, the term "advisory person" means (1) any employee of New Star who, in connection with his or her regular functions or duties, makes, participates in or obtains information regarding the purchase or sale of a security by New Star for the account of any U.S. mutual fund managed by New Star (a "Fund"), or whose functions relate to the making of any recommendations with respect to such purchases or sales, and (2) any natural person who controls New Star and who obtains information concerning recommendations made by New Star to Fund clients with regard to the purchase or sale of a security by such Funds. Accordingly, advisory persons include all Fund management staff, all dealers and relevant back office staff. The Code permits Access Persons to buy and sell securities for their own accounts, including securities that may be purchased and sold for the accounts of Fund clients, subject to certain restrictions.

In order to segregate the requirements of the Code applicable to New Star Employees versus Access Persons, New Star has established two policies under the Code, as follows:

Level 1 Policy: This policy applies to all New Star Employees and is intended to comply with the FSA regulations.

Level 2 Policy: This policy applies to all Access Persons and is intended to comply with the SEC regulations.

Some persons may be subject to both policies.

II. Level 1 Policy (FSA Policy)

As noted above, New Star is required under FSA regulations to maintain and apply a code of conduct in relation to personal securities transactions of staff within New Star.

The FSA regulations require New Star to manage conflicts of interest fairly between itself and its customers and to organise and control its internal affairs responsibly and effectively. These requirements are especially important to ensure that none of the firm's customers are disadvantaged by the personal dealings of any of the firm's employees.

In addition to the definitions set forth under the heading "Introduction" above, for purposes of the Level 1 Policy, the following terms shall be defined as set forth below:

- o The term "closely connected person" of an employee includes:
  - o the employee's spouse, person cohabiting with the employee as a spouse and, if under the age of 18, any child, stepchild and adopted child of either party;
  - o any company in which the employee and/or any closely connected person is interested, directly or indirectly, in 15% or more of the equity capital;
  - o any estate or trust where the employee is a personal representative of that estate or a trustee of that trust, if the employee holds, or may hold, a significant interest or such an interest is held, or may be held, by anyone whose relationship with the employee might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with a third party;
  - o any estate or trust where the employee is a personal representative of that estate or a trustee of that trust, whatever his interest, if the employee is not relying entirely on the advice of another person from whom it is appropriate to seek advice in the circumstances; and
  - o any other person connected to the employee by reason of a domestic or business relationship (other than as arises solely because that person is a customer of the firm), such that the employee has material influence over that person's judgement in respect of his dealings.

This definition is not exhaustive and may, in individual circumstances, be extended to apply to persons who can, otherwise than as specified above, reasonably be deemed to fall within an employee's sphere of influence.

Under no circumstances may employees deal for unconnected friends or acquaintances on their personal account or on the account of a closely connected person if such persons would not qualify under these definitions.

- o The term "securities" means all types of investment, including their derivatives, except for life policies, unit trusts, mutual funds and subscriptions through investment trust or unit trust savings schemes. The term covers U.K. and foreign securities, both listed and unlisted. Included are the following: stocks and shares in U.K. or foreign companies; debenture stock, loan stock, bonds, notes, certificates of deposit, commercial paper or other debt instruments, including government, public agency, municipal and corporate issues; warrants; depository receipts; traded and conventional options; financial, currency and commodity futures; and contracts for differences.

For the avoidance of doubt, "securities" does not include spot foreign exchange dealing for delivery of the currency. Forward or 'roll-over' contracts are, however, included. Spread betting on non-financial products is allowed and does not need approval but this activity should be kept to a minimum during business hours. No prior approval is required for OEICS, unit trusts, government bonds and life policies.

- o The term "dealing" means the application for, and the acquisition or disposal of, securities, either on a regulated market or over the counter whether in the U.K. or overseas. It does not include decisions to take up or allow to lapse rights, scrip dividends, options and warrants, any gifts of securities or acceptance of formal take-over or merger offers.

Please note that new star employees whose personal dealings breach the letter or the spirit of the level 1 policy requirements set forth below will render themselves liable to disciplinary action up to and including dismissal.

The requirements of the Level 1 Policy are as follows:

- o No New Star Employee may effect a personal account transaction that will, or may, conflict with the firm's duties to its customers.

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- o No New Star Employee may effect a personal account transaction with any customer of the firm, subject to certain exceptions, except on an arms length basis under standard business terms.
- o All personal account transactions must be approved by nominated persons within the firm prior to execution. Typically, this is the

Head of Compliance or the Compliance Director. The CIO and Deputy CIO may also sign off transactions. Any deal in excess of (pound)25,000 requires sign off by the Compliance Director or CEO.

- o Transactions should be placed within 24 hours of obtaining authorisation.
- o Speculative, short term trading of stocks should not be undertaken by New Star Employees. New Star Employees are therefore required to hold stock for a minimum period of 3 months. There may be certain circumstances when shares bought in the previous 3 months may need to be sold within that period to meet liabilities (e.g., unexpected bills requiring settlement). In such cases, the reasons for the sale must be given in an attachment to the Personal Dealing authorization form and must be approved by the Chief Executive or the Compliance Director.
- o Where a New Star Employee has been precluded from effecting a personal account transaction, they must not procure another person to enter into such a transaction or communicate any information or opinion to another person if they know, or ought to know, that the person will, as a result, enter into such a transaction, or counsel or procure some other person to do so.
- o The firm receives and retains copies of contract notes of all personal account transactions.
- o The firm reserves the right to unwind, cancel or reallocate any personal account transaction.
- o In addition, New Star Employees are reminded about the insider dealing provisions contained in Part V of the Criminal Justice Act 1993 making it a criminal offence, with a maximum penalty of 7 years imprisonment and an unlimited fine, for an individual who has non-public information to deal in price-affected securities. This applies to trading undertaken on behalf of New Star and personal account transactions.

New Star Employees who are subject to the Level 1 Policy will be asked to submit an annual confirmation of all the transactions undertaken in the period. New Star Employees should consult the Compliance Department if they are in any doubt as to whether or not an instrument is a security for the purpose of the Level 1 Policy.

### III. Level 2 Policy (SEC Policy)

Because New Star acts as a sub-adviser of a US mutual fund, New Star is subject to the requirements of Rule 17j-1 promulgated by the SEC under the Investment Company Act of 1940 (the "1940 Act"). This rule governs the personal account dealing activities of New Star staff.

Rule 17j-1 prohibits New Star and its affiliates from engaging in fraud,

deceit or manipulative practices with respect to any Fund managed by New Star. Accordingly, this Level 2 Policy has been adopted by New Star to prevent Access Persons (as defined above) from

- (1) serving their own personal interests ahead of Fund shareholders;
- (2) taking inappropriate advantage of their position with New Star and
- (3) engaging in any actual or potential conflicts of interest.

Access Persons will be given a copy of this Code annually and will be required to certify to New Star that they have read and understand the Level 2 Policy contained herein as it relates to them, and have complied with it in all material respects.

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In addition to the definitions set forth under the heading "Introduction" above, for purposes of the Level 2 Policy, the following terms shall be defined as set forth below:

- o The term "beneficial ownership" refers to situations where a person has the right to direct the disposition of a security or possess voting power over the security, and enjoys some economic benefit from the ownership of the security.
- o The term "securities" means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term does not include:
  - (1) direct obligations of the U.S. government
  - (2) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments (e.g., repurchase agreements), or
  - (3) shares issued by open-end investment companies registered with the SEC under the 1940 Act (i.e., U.S. mutual funds) - please note that this exemption does not extend to UK funds although

The requirements of the Level 2 Policy are as follows:

- o Prohibited Transactions. Access persons may not purchase or sell any security that, within the preceding 7 days, is or has been held by a Fund client, or is being or has been considered for purchase or sale by a Fund client, unless the transaction is executed at the same or worse price as that received by the Fund client. This prohibition will be monitored by the Head of Compliance or the Compliance Director through a review of trading after all personal account dealing. Access Persons may be required to unwind, cancel or reallocate any personal account transaction.
- o Pre-Approval Requirements. Access persons are required to have all personal securities transactions pre-approved by the Head of Compliance or the Compliance Director, except that the following transactions are exempt from this pre-clearance requirement:
  - (1) purchases or sales effected in any account over which the Access Person has no direct influence or control
  - (2) purchases or sales which are not voluntary on the part of the Access Person (i.e., stock splits, recapitalizations, and mergers)
  - (3) purchases which are part of an automatic dividend reinvestment plan
  - (4) purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of its securities, to the extent such rights were acquired from the issuer, and sales of such rights so acquired
  - (5) gifts of securities to charitable organizations, and
  - (6) purchases and sales of options on broad stock indices.Notwithstanding the foregoing, advisory persons must obtain the approval of the Head of Compliance or the Compliance Director before directly or indirectly acquiring beneficial ownership in any securities issued in an initial public offering in the U.S. or in a private placement transaction in the U.S.

- o Initial and Annual Holdings Reports. No later than 10 days after a person becomes an Access Person or the effective date of this Code (whichever is later), Access Persons must report the following information to the Head of Compliance or the Compliance Director:
  - (1) the title, number of shares and principal amount of each security, including UK unit trusts or OEICs, in which the Access Person had any direct or indirect beneficial ownership when the person became an Access Person, and
  - (2) the name of any broker, dealer or bank with whom the Access

Person maintained an account in which any securities were held for the direct or indirect benefit of the Access Person as of the date the person became an Access Person.

In addition, the same information must be reported to the Head of Compliance or Compliance Director on an annual basis. New Star has set an annual confirmation date of 30 September. With regard to the annual report, the information provided must be current as of a date no more than 30 days before the report is submitted.

- o Quarterly Transaction Reports. No later than 10 days after the end of each calendar quarter, Access Persons must report the following information to the Head of Compliance or Compliance Director:
  - (a) with respect to any transaction during the quarter in a security over which the Access Person had any direct or indirect beneficial ownership,
    - (1) the date of the transaction, the title, the interest rate and maturity date (if applicable), the number of shares and the principal amount of each security involved,
    - (2) the nature of the transaction (i.e., purchase or sale),
    - (3) the price of the security at which the transaction was effected, and
    - (4) the name of the broker, dealer or bank with or through whom the transaction was effected, and
  - (b) with respect to any account established by the Access Person in which securities were held during the quarter for the direct or indirect benefit of the Access Person,
    - (1) the name of the broker, dealer or bank with whom the Access Person established the account, and
    - (2) the date the account was established. The quarterly report must be submitted to the Head of Compliance or Compliance Director by each Access Person even if such person did not effect any securities transactions during the quarter.
- o Exceptions to Reporting Requirements. An Access Person need not submit the initial, annual or quarterly reports discussed above with respect to transactions effected for, and securities held in, any account over which the person has no direct or indirect influence or control. In addition, an Access Person need not submit the quarterly reports discussed above if the report would duplicate information contained in broker trade confirmations or account statements submitted to the Head of Compliance or Compliance Director by the Access Person in lieu of the reports.
- o Review of Reports. The Compliance Department shall be responsible for reviewing the initial, annual and quarterly reports of Access Persons in order to detect violations of the Level 2 Policy. In the event a

violation is detected, the Compliance Director, in conjunction with other senior management personnel, shall determine what sanctions, if any, shall be imposed on the violator, including reprimands, fines or assessments, removal from office, or suspension or termination of employment.

- o Reports to Fund Board of Directors; Recordkeeping. No less frequently than annually, New Star will furnish to the board of directors of any Fund it manages a written report that

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- (1) describes any issues arising under the Level 2 Policy since the last report to the board, including information about material violations of the Level 2 Policy and sanctions imposed in response thereto, and
- (2) certifies that New Star has adopted procedures reasonably necessary to prevent Access Persons from violating the Level 2 Policy.

New Star will maintain records relating to the Level 2 Policy, as required by Rule 17j-1(f) under the I940 Act.

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