

**STATEMENT OF ADDITIONAL INFORMATION  
RS INVESTMENT TRUST**

**CLASS A SHARES  
CLASS B SHARES  
CLASS C SHARES  
CLASS K SHARES  
CLASS Y SHARES**

**Value**

**RS Partners Fund  
RS Value Fund  
RS Investors Fund  
RS Global Natural Resources Fund  
RS Large Cap Value Fund**

**Core**

**RS Small Cap Core Equity Fund  
RS Large Cap Alpha Fund (formerly, RS Core  
Equity Fund)  
RS Equity Dividend Fund  
RS S&P 500 Index Fund  
RS Asset Allocation Fund**

**Growth**

**RS Emerging Growth Fund  
RS Smaller Company Growth Fund  
RS Select Growth Fund  
RS MidCap Opportunities Fund  
RS Growth Fund  
RS Technology Fund (formerly, The  
Information Age Fund®)**

**International**

**RS International Growth Fund  
RS Emerging Markets Fund**

**Fixed-Income**

**RS Investment Quality Bond Fund  
RS Low Duration Bond Fund  
RS High Yield Bond Fund  
RS Tax-Exempt Fund  
RS Money Market Fund**

**September 16, 2008 (as revised December 1, 2008)**

This Statement of Additional Information (“SAI”) is not a prospectus and should be read in conjunction with the prospectuses (collectively, the “Prospectus”) of RS Investment Trust (the “Trust”) dated September 16, 2008 (as revised December 1, 2008), as they may be revised from time to time, relating to the series of the Trust set forth above (each a “Fund” and, collectively, the “Funds”). A copy of the Prospectus can be obtained without charge upon request made to RS Investments, 388 Market Street, 17<sup>th</sup> Floor, San Francisco, California, 94111, telephone 1-800-766-FUND (3863).

Certain disclosure relating to the Funds has been incorporated by reference into this SAI from the Funds’ annual reports and the annual report of certain of the Funds’ predecessor funds. For a free copy of any of the foregoing annual reports, please call 1-800-766-FUND (3863).

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## TRUST INFORMATION

### **Trust History**

RS Investment Trust (“Robertson Stephens Investment Trust” until 1999) was organized on May 11, 1987, under the laws of The Commonwealth of Massachusetts and is a business entity commonly known as a “Massachusetts business trust.” A copy of the Trust’s Amended and Restated Agreement and Declaration of Trust (the “Agreement and Declaration of Trust”), which is governed by Massachusetts law, is on file with the Secretary of State of The Commonwealth of Massachusetts.

### **Fund Classification**

The Trust currently offers twenty-three series of shares of beneficial interest, which are discussed in this SAI (each such series, a “Fund” and collectively, the “Funds”), each with separate investment objectives and policies. Each Fund is an open-end, management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). Each of the Funds other than RS Investors Fund and RS Partners Fund is also a “diversified” investment company under the 1940 Act. This means that, with respect to 75% of a Fund’s total assets, the Fund may not invest in securities of any issuer if, immediately after such investment, (i) more than 5% of the total assets of the Fund (taken at current value) would be invested in the securities of that issuer or (ii) more than 10% of the outstanding voting securities of the issuer would be held by the Fund (this limitation does not apply to investments in U.S. Government securities). A Fund is not subject to this limitation with respect to the remaining 25% of its total assets.

RS Investors Fund and RS Partners Fund are non-diversified investment companies and so may invest their assets in a more limited number of issuers than may other investment companies.

Under the Internal Revenue Code, to qualify as a regulated investment company, a fund (including a non-diversified investment company), must meet certain diversification requirements as determined at the close of each quarter of each taxable year. For instance, no more than 25% of a fund’s assets can be invested in the securities of any one issuer other than U.S. Government securities and securities of other regulated investment companies or of two or more issuers which the regulated investment company controls and which are engaged in the same, similar, or related trades or businesses. In addition, at least 50% of the market value of the fund’s assets must be represented by cash or cash items, U.S. government securities, securities of other regulated investment companies, and other securities limited in respect of any one issuer to a value not greater than 5% of the value of the fund’s total assets and to not more than 10% of the outstanding voting securities of such issuer. Thus, up to 50% of RS Investors Fund’s and/or RS Partners Fund’s total assets can consist of the securities of as few as two issuers (so long as no issuer’s securities comprise more than 25% of the Fund). As a result, a decline in the market value of a particular security held by either RS Investors Fund or RS Partners Fund may affect each Fund’s value more than if each Fund were a diversified investment company.

### **Capitalization**

The Trust has an unlimited number of shares of beneficial interest that may, without shareholder approval, be divided into an unlimited number of series of such shares, which, in turn, may be divided into an unlimited number of classes of such shares. The Trust is currently authorized to offer five classes of shares: Class A, Class B, Class C, Class K, and Class Y. Not all of the Funds offer all of these share classes.

The proceeds received by each Fund for each issue or sale of its shares, and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, will be specifically allocated to such Fund, and constitute the underlying assets of that Fund. The underlying assets of each Fund will be segregated on the Trust’s books of account, and will be charged with the liabilities in respect of such Fund and with a share of the general liabilities of the Trust. Expenses with respect to any two or more Funds may be allocated in proportion to the net asset values of the respective Funds except where allocations of direct expenses can otherwise be fairly made.

Shareholders of each Fund will have one vote for each full share owned and proportionate, fractional votes for fractional shares held. Generally, shares of each Fund vote separately as a single series except when required by law or determined by the Board of Trustees. Although the Trust is not required to hold annual meetings of its

shareholders, shareholders have the right to call a meeting to elect or remove Trustees or to take other actions as provided in the Agreement and Declaration of Trust.

## INVESTMENTS AND RISKS

In addition to the principal investment strategies and the principal risks of the Funds described in the Prospectus, each Fund may, but will not necessarily, employ other investment practices and may be subject to additional risks which are described below. Because the following is a combined description of investment strategies and risks for all of the Funds, certain strategies and/or risks described below may not apply to your Fund. Unless a strategy or policy described below is specifically prohibited by the investment restrictions listed in the Prospectus, under “The Funds’ Investment Limitations” in this SAI, or by applicable law, a Fund may, but will not necessarily, engage in each of the practices described below.

RS Investment Management Co. LLC (“RS Investments”) serves as investment adviser to the Funds.

### **Lower-Rated Debt Securities**

A Fund may purchase lower-rated debt securities, sometimes referred to as “junk bonds.” A security will be considered to be rated below investment grade if it is rated by Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Group (“S&P”) Ba1 or BB+, respectively, or lower, or if unrated, has been determined by RS Investments or a Fund’s sub-adviser or sub-sub-adviser (each, an “Adviser”), as applicable, to be of comparable quality. See Appendix A for a description of these ratings. RS Partners Fund, RS Value Fund, RS Investors Fund, RS Global Natural Resources Fund, RS Equity Dividend Fund, RS Emerging Growth Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, RS MidCap Opportunities Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>) do not intend, under current circumstances, to purchase such securities if, as a result, more than 35% of the Fund’s assets would be invested in securities rated below BB or Ba.

The lower ratings of certain securities held by a Fund reflect a greater possibility that adverse changes in the financial condition of the issuer, or in general economic conditions, or both, or an unanticipated rise in interest rates, may impair the ability of the issuer to make payments of interest and principal. The inability (or perceived inability) of issuers to make timely payment of interest and principal would likely make the values of securities held by the Fund more volatile and could limit the Fund’s ability to sell its securities at prices approximating the values a Fund had placed on such securities. In the absence of a liquid trading market for securities held by it, the Fund may be unable at times to establish the fair market value of such securities. The rating assigned to a security by Moody’s or S&P does not reflect an assessment of the volatility of the security’s market value or of the liquidity of an investment in the security.

Like those of other fixed-income securities, the values of lower-rated securities fluctuate in response to changes in interest rates. Thus, a decrease in interest rates generally will result in an increase in the value of a Fund’s fixed-income securities. Conversely, during periods of rising interest rates, the value of a Fund’s fixed-income securities generally will decline. In addition, the values of such securities are also affected by changes in general economic conditions and business conditions affecting the specific industries of their issuers. Changes by recognized rating services in their ratings of any fixed-income security and in the ability of an issuer to make payments of interest and principal may also affect the value of these investments. Changes in the values of portfolio securities generally will not affect cash income derived from such securities, but will affect the Fund’s net asset value.

Issuers of lower-rated securities are often highly leveraged, so that their ability to service their debt obligations during an economic downturn or during sustained periods of rising interest rates may be impaired. In addition, such issuers may not have more traditional methods of financing available to them, and may be unable to repay debt at maturity by refinancing. The risk of loss due to default in payment of interest or principal by such issuers is significantly greater because such securities frequently are unsecured and subordinated to the prior payment of senior indebtedness. Certain of the lower-rated securities in which a Fund may invest are issued to raise funds in connection with the acquisition of a company, in so-called “leveraged buy-out” transactions. The highly leveraged capital structure of such issuers may make them especially vulnerable to adverse changes in economic conditions.

Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, a Fund could find it more difficult to sell lower-rated securities when an Adviser believes it advisable to do so or may be able to sell such securities only at prices lower than might otherwise be available. In many cases, lower-rated securities may be purchased in private placements and, accordingly, will be subject to restrictions on resale as a matter of contract or under securities laws. Under such circumstances, it may also be more difficult to determine the fair value of such securities for purposes of computing a Fund's net asset value. In order to enforce its rights in the event of a default under lower-rated securities, a Fund may be required to take possession of and manage assets securing the issuer's obligations on such securities, which may increase the Fund's operating expenses and adversely affect the Fund's net asset value. A Fund may also be limited in its ability to enforce its rights and may incur greater costs in enforcing its rights in the event an issuer becomes the subject of bankruptcy proceedings. In addition, the Funds' intention to qualify as "regulated investment companies" under the Internal Revenue Code may limit the extent to which a Fund may exercise its rights by taking possession of such assets.

Certain securities held by a Fund may permit the issuer at its option to "call," or redeem, its securities. If an issuer were to redeem securities held by a Fund during a time of declining interest rates, the Fund may not be able to reinvest the proceeds in securities providing the same investment return as the securities redeemed.

Lower rated securities may be subject to certain risks not typically associated with "investment grade" securities, such as the following: (1) reliable and objective information about the value of lower rated obligations may be difficult to obtain because the market for such securities may be thinner and less active than that for investment grade obligations; (2) adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower than investment grade obligations, and, in turn, adversely affect their market; (3) companies that issue lower rated obligations may be in the growth stage of their development, or may be financially troubled or highly leveraged, so they may not have more traditional methods of financing available to them; (4) when other institutional investors dispose of their holdings of lower rated debt securities, the general market and the prices for such securities could be adversely affected; and (5) the market for lower rated securities could be impaired if legislative proposals to limit their use in connection with corporate reorganizations or to limit their tax and other advantages are enacted.

## **Options**

A Fund may purchase and sell put and call options on their portfolio securities to enhance investment performance and to protect against changes in market prices. There is no assurance that a Fund's use of put and call options will achieve its desired objective, and a Fund's use of options may result in losses to the Fund.

Covered call options. A Fund may write covered call options on its securities to realize a greater current return through the receipt of premiums than it would realize on its securities alone. Such option transactions may also be used as a limited form of hedging against a decline in the price of securities owned by the Fund.

A call option gives the holder the right to purchase, and obligates the writer to sell, a security at the exercise price at any time before the expiration date. A call option is "covered" if the writer, at all times while obligated as a writer, either owns the underlying securities (or comparable securities satisfying the cover requirements of the securities exchanges), or has the right to acquire such securities through immediate conversion of securities.

A Fund will receive a premium from writing a call option, which increases the Fund's return on the underlying security in the event the option expires unexercised or is closed out at a profit. The amount of the premium reflects, among other things, the relationship between the exercise price and the current market value of the underlying security, the volatility of the underlying security, the amount of time remaining until expiration, current interest rates, and the effect of supply and demand in the options market and in the market for the underlying security.

In return for the premium received when it writes a covered call option, a Fund gives up some or all of the opportunity to profit from an increase in the market price of the securities covering the call option during the life of the option. The Fund retains the risk of loss should the price of such securities decline. If the option expires unexercised, the Fund realizes a gain equal to the premium, which may be offset by a decline in price of the underlying security. If the option is exercised, the Fund realizes a gain or loss equal to the difference between the Fund's cost for the underlying security and the proceeds of sale (exercise price minus commissions) plus the amount of the premium.

A Fund may terminate a call option that it has written before it expires by entering into a closing purchase transaction. A Fund may enter into closing purchase transactions in order to free itself to sell the underlying security or to write another call on the security, realize a profit on a previously written call option, or protect a security from being called in an unexpected market rise. Any profits from a closing purchase transaction may be offset by a decline in the value of the underlying security. Conversely, because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from a closing purchase transaction is likely to be offset in whole or in part by unrealized appreciation of the underlying security owned by the Fund.

Covered put options. A Fund may write covered put options in order to enhance its current return. Such options transactions may also be used as a limited form of hedging against an increase in the price of securities that the Fund plans to purchase. A put option gives the holder the right to sell, and obligates the writer to buy, a security at the exercise price at any time before the expiration date. A put option is “covered” if the writer segregates cash and high-grade short-term debt obligations or other permissible collateral equal to the price to be paid if the option is exercised.

In addition to the receipt of premiums and the potential gains from terminating such options in closing purchase transactions, a Fund also receives interest on the cash and debt securities maintained to cover the exercise price of the option. By writing a put option, the Fund assumes the risk that it may be required to purchase the underlying security for an exercise price higher than its then current market value, resulting in a potential capital loss unless the security later appreciates in value.

A Fund may terminate a put option that it has written before it expires by entering into a closing purchase transaction. Any loss from this transaction may be partially or entirely offset by the premium received on the terminated option.

Purchasing put and call options. A Fund may also purchase put options to protect portfolio holdings against a decline in market value. This protection lasts for the life of the put option because the Fund, as a holder of the option, may sell the underlying security at the exercise price regardless of any decline in its market price. In order for a put option to be profitable, the market price of the underlying security must decline sufficiently below the exercise price to cover the premium and transaction costs that the Fund must pay. These costs will reduce any profit the Fund might have realized had it sold the underlying security instead of buying the put option.

A Fund may purchase call options to hedge against an increase in the price of securities that the Fund wants ultimately to buy. Such hedge protection is provided during the life of the call option since the Fund, as holder of the call option, is able to buy the underlying security at the exercise price regardless of any increase in the underlying security’s market price. In order for a call option to be profitable, the market price of the underlying security must rise sufficiently above the exercise price to cover the premium and transaction costs. These costs will reduce any profit the Fund might have realized had it bought the underlying security at the time it purchased the call option.

A Fund may also purchase put and call options to attempt to enhance its current return.

Options on foreign securities. A Fund may purchase and sell options on foreign securities if an Adviser believes that the investment characteristics of such options, including the risks of investing in such options, are consistent with the Fund’s investment objective. It is expected that risks related to such options will not differ materially from risks related to options on U.S. securities. However, position limits and other rules of foreign exchanges may differ from those in the United States. In addition, options markets in some countries, many of which are relatively new, may be less liquid than comparable markets in the United States.

Options on securities indices. A Fund may write or purchase options on securities indices, subject to its general investment restrictions regarding options transactions. Index options are similar to options on individual securities in that the purchaser of an index option acquires the right to buy (in the case of a call) or sell (in the case of a put), and the writer undertakes the obligation to sell or buy (as the case may be), units of an index at a stated exercise price during the term of the option. Instead of giving the right to take or make actual delivery of securities, the holder of an index option has the right to receive a cash “exercise settlement amount.” This amount is equal to the amount by which the fixed exercise price of the option exceeds (in the case of a put) or is less than (in the case of a call) the closing value of the underlying index on the date of the exercise, multiplied by a fixed “index multiplier.”

Price movements in securities which a Fund owns or intends to purchase probably will not correlate perfectly with movements in the level of a securities index and, therefore, a Fund bears the risk of a loss on a securities index option which is not completely offset by movements in the price of such securities. Because securities index options are settled in cash, a call writer cannot determine the amount of its settlement obligations in advance and, unlike call writing on a specific security, cannot provide in advance for, or cover, its potential settlement obligations by acquiring and holding underlying securities. A Fund may, however, cover call options written on a securities index by holding a mix of securities which substantially replicate the movement of the index or by holding a call option on the securities index with an exercise price no higher than the call option sold.

A Fund may purchase or sell options on stock indices in order to close out its outstanding positions in options on stock indices which it has purchased. A Fund may also allow such options to expire unexercised.

Compared to the purchase or sale of futures contracts, the purchase of call or put options on an index involves less potential risk to a Fund because the maximum amount at risk is the premium paid for the options plus transactions costs. The writing of a put or call option on an index involves risks similar to those risks relating to the purchase or sale of index futures contracts.

Risks involved in the sale of options. The successful use of a Fund's options strategies depends on the ability of an Adviser to forecast correctly interest rate and market movements. For example, if a Fund were to write a call option based on an Adviser's expectation that the price of the underlying security would fall, but the price were to rise instead, the Fund could be required to sell the security upon exercise at a price below the current market price. Similarly, if a Fund were to write a put option based on an Adviser's expectation that the price of the underlying security would rise, but the price were to fall instead, the Fund could be required to purchase the security upon exercise at a price higher than the current market price.

When a Fund purchases an option, it runs the risk that it will lose its entire investment in the option in a relatively short period of time, unless the Fund exercises the option or enters into a closing sale transaction before the option's expiration. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, the Fund will lose part or all of its investment in the option. This contrasts with an investment by a Fund in the underlying security, since the Fund will not realize a loss if the security's price does not change.

The effective use of options also depends on a Fund's ability to terminate option positions at times when an Adviser deems it desirable to do so. There is no assurance that a Fund will be able to effect closing transactions at any particular time or at an acceptable price.

If a secondary market in options were to become unavailable, a Fund could no longer engage in closing transactions. Lack of investor interest might adversely affect the liquidity of the market for particular options or series of options. A market may discontinue trading of a particular option or options generally. In addition, a market could become temporarily unavailable if unusual events -- such as volume in excess of trading or clearing capability -- were to interrupt its normal operations.

A market may at times find it necessary to impose restrictions on particular types of options transactions, such as opening transactions. For example, if an underlying security ceases to meet qualifications imposed by the market or the Options Clearing Corporation, new series of options on that security will no longer be opened to replace expiring series, and opening transactions in existing series may be prohibited. If an options market were to become unavailable, a Fund as a holder of an option would be able to realize profits or limit losses only by exercising the option, and the Fund, as option writer, would remain obligated under the option until expiration or exercise.

Disruptions in the markets for the securities underlying options purchased or sold by a Fund could result in losses on the options. If trading is interrupted in an underlying security, the trading of options on that security is normally halted as well. As a result, a Fund as purchaser or writer of an option will be unable to close out its positions until options trading resumes, and it may be faced with considerable losses if trading in the security reopens at a substantially different price. In addition, the Options Clearing Corporation or other options markets may impose exercise restrictions. If a prohibition on exercise is imposed at the time when trading in the option has also been halted, a Fund as purchaser or writer of an option will be locked into its position until one of the two restrictions has been lifted. If the Options Clearing Corporation were to determine that the available supply of an underlying security appears insufficient to permit delivery by the writers of all outstanding calls in the event of

exercise, it may prohibit indefinitely the exercise of put options. A Fund, as holder of such a put option, could lose its entire investment if the prohibition remained in effect until the put option's expiration.

Foreign-traded options are subject to many of the same risks presented by internationally-traded securities. In addition, because of time differences between the United States and various foreign countries, and because different holidays are observed in different countries, foreign options markets may be open for trading during hours or on days when U.S. markets are closed. As a result, option premiums may not reflect the current prices of the underlying interest in the United States.

Over-the-counter ("OTC") options purchased by a Fund and assets held to cover OTC options written by a Fund may, under certain circumstances, be considered illiquid securities for purposes of any limitation on the Fund's ability to invest in illiquid securities.

**Special Expiration Price Options.** Certain of the Funds may purchase OTC puts and calls with respect to specified securities ("special expiration price options") pursuant to which the Funds in effect may create a custom index relating to a particular industry or sector that an Adviser believes will increase or decrease in value generally as a group. In exchange for a premium, the counterparty, whose performance is guaranteed by a broker-dealer, agrees to purchase (or sell) a specified number of shares of a particular stock at a specified price and further agrees to cancel the option at a specified price that decreases straight line over the term of the option. Thus, the value of the special expiration price option is comprised of the market value of the applicable underlying security relative to the option exercise price and the value of the remaining premium. If the value of the underlying security increases (or decreases) by a prenegotiated amount, however, the special expiration price option is canceled and becomes worthless. A portion of the dividends during the term of the option are applied to reduce the exercise price if the options are exercised. Brokerage commissions and other transaction costs will reduce these Funds' profits if the special expiration price options are exercised. A Fund will not purchase special expiration price options with respect to more than 25% of the value of its net assets, and will limit premiums paid for such options in accordance with state securities laws.

### **Swap Contracts**

Certain of the Funds may invest in credit default swaps and credit default index investments. Credit derivatives allow a Fund to manage credit risk through buying and selling credit protection on specific issuers or a basket of issuers. In a credit default swap, one party pays, in effect, an insurance premium through a stream of payments to another party in exchange for the right to receive a specified return in the event of default (or similar events) by one or more third parties, such as a U.S. or foreign issuer or basket of such issuers, on their obligations. For example, in purchasing a credit default swap, a Fund may pay a premium in return for the right to put specified bonds or loans to the counterparty upon issuer default (or similar events) at their par (or other agreed-upon) value. As a purchaser in a credit default swap, a Fund would have the risk that the investment might expire worthless. It also would involve counterparty risk – the risk that the counterparty may fail to satisfy its payment obligations to the Fund in the event of a default (or similar event). In addition, as a purchaser in a credit default swap, the Fund's investment would only generate income in the event of an actual default (or similar event) by the issuer of the underlying obligation.

In addition, certain of the Funds may enter into interest rate swaps. Interest rate swaps involve the exchange between two parties of their respective commitments to pay or receive interest. For example, the Fund may agree with a counterparty to pay a fixed rate (multiplied by a notional amount) and the counterparty pay a floating rate multiplied by the same notional amount. Interest rate swaps can take a variety of other forms, such as agreements to pay the net differences between two different interest indexes or rates, even if the parties do not own the underlying instruments. The function of interest rate swaps is generally to increase or decrease a Fund's exposure to long or short-term interest rates. For example, a Fund may enter into an interest rate swap transaction to preserve a return or spread on a particular investment or a portion of its portfolio or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date.

### **Financial Futures Contracts**

A Fund may enter into interest rate futures contracts and securities index futures contracts (collectively referred to as "financial futures contracts"). Interest rate futures contracts obligate the long or short holder to take or make delivery of a specified quantity of a financial instrument during a specified future period at a specified price. Securities index futures contracts, which are contracts to buy or sell units of a securities index at a specified future

date at a price agreed upon when the contract is made, are similar in economic effect, but they are based on a specific index of securities (rather than on specified securities) and are settled in cash.

The following example illustrates generally the manner in which index futures contracts operate. The Standard & Poor's 100 Stock Index (the "S&P 100 Index") is composed of 100 selected common stocks, most of which are listed on the New York Stock Exchange (the "NYSE"). The S&P 100 Index assigns relative weightings to the common stocks included in the Index, and the Index fluctuates with changes in the market values of those common stocks. In the case of the S&P 100 Index, contracts are to buy or sell 100 units. Thus, if the value of the S&P 100 Index were \$180, one contract would be worth \$18,000 (100 units x \$180). The stock index futures contract specifies that no delivery of the actual stocks making up the index will take place. Instead, settlement in cash must occur upon the termination of the contract, with the settlement being the difference between the contract price and the actual level of the stock index at the expiration of the contract. For example, if a Fund enters into a futures contract to buy 100 units of the S&P 100 Index at a specified future date at a contract price of \$180 and the S&P 100 Index is at \$184 on that future date, the Fund will gain \$400 (100 units x gain of \$4). If the Fund enters into a futures contract to sell 100 units of the stock index at a specified future date at a contract price of \$180 and the S&P 100 Index is at \$182 on that future date, the Fund will lose \$200 (100 units x loss of \$2).

Positions in index futures may be closed out only on an exchange or board of trade which provides a secondary market for such futures.

In order to hedge its investments successfully using financial futures contracts, a Fund must invest in futures contracts with respect to indexes or sub-indexes the movements of which will, in an Adviser's judgment, have a significant correlation with movements in the prices of the Fund's securities.

There are special risks associated with entering into financial futures contracts. The skills needed to use financial futures contracts effectively are different from those needed to select a Fund's investments. There may be an imperfect correlation between the price movements of financial futures contracts and the price movements of the securities in which a Fund invests. There is also a risk that a Fund will be unable to close a futures position when desired because there is no liquid secondary market for it.

The risk of loss in trading financial futures can be substantial due to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. Relatively small price movements in a financial futures contract could have an immediate and substantial impact, which may be favorable or unfavorable to a Fund. It is possible for a price-related loss to exceed the amount of a Fund's margin deposit.

Although some financial futures contracts by their terms call for the actual delivery or acquisition of securities at expiration, in most cases the contractual commitment is closed out before expiration. The offsetting of a contractual obligation is accomplished by purchasing (or selling as the case may be) on a commodities or futures exchange an identical financial futures contract calling for delivery in the same month. Such a transaction, if effected through a member of an exchange, cancels the obligation to make or take delivery of the securities. A Fund will incur brokerage fees when it purchases or sells financial futures contracts, and will be required to maintain margin deposits. If a liquid secondary market does not exist when a Fund wishes to close out a financial futures contract, it will not be able to do so and will continue to be required to make daily cash payments of variation margin in the event of adverse price movements.

**Margin Payments.** When a Fund purchases or sells a futures contract, it is required to deposit with its custodian an amount of cash, U.S. Treasury bills, or other permissible collateral equal to a small percentage of the amount of the futures contract. This amount is known as "initial margin." The nature of initial margin is different from that of margin in security transactions in that it does not involve borrowing money to finance transactions. Rather, initial margin is similar to a performance bond or good faith deposit that is returned to a Fund upon termination of the contract, assuming the Fund satisfies its contractual obligations.

Subsequent payments to and from the broker occur on a daily basis in a process known as "marking to market." These payments are called "variation margin" and are made as the value of the underlying futures contract fluctuates. For example, when a Fund sells a futures contract and the price of the underlying index rises above the delivery price, the Fund's position declines in value. The Fund then pays the broker a variation margin payment equal to the difference between the delivery price of the futures contract and the value of the index underlying the futures contract. Conversely, if the price of the underlying index falls below the delivery price of the contract, the Fund's futures position increases in value. The broker then must make a variation margin payment equal to the

difference between the delivery price of the futures contract and the value of the index underlying the futures contract.

When a Fund terminates a position in a futures contract, a final determination of variation margin is made, additional cash is paid by or to the Fund, and the Fund realizes a loss or a gain. Such closing transactions involve additional commission costs.

Options on Financial Futures Contracts. A Fund may purchase and write call and put options on financial futures contracts. An option on a financial futures contract gives the purchaser the right, in return for the premium paid, to assume a position in an index futures contract (a long position if the option is a call and a short position if the option is a put) at a specified exercise price at any time during the period of the option. Upon exercise of the option, the holder would assume the underlying futures position and would receive a variation margin payment of cash or securities approximating the increase in the value of the holder's option position. If an option is exercised on the last trading day prior to the expiration date of the option, the settlement will be made entirely in cash based on the difference between the exercise price of the option and the closing level of the index on which the futures contract is based on the expiration date. Purchasers of options who fail to exercise their options prior to the exercise date suffer a loss of the premium paid.

Special Risks of Transactions in Futures Contracts and Related Options. Financial futures contracts entail risks. The risks associated with purchasing and writing put and call options on financial futures contracts can be influenced by the market for financial futures contracts. An increase in the market value of a financial futures contract on which the Fund has written an option may cause the option to be exercised. In this situation, the benefit to a Fund would be limited to the value of the exercise price of the option and, if a Fund closes out the option, the cost of entering into the offsetting transaction could exceed the premium the Fund initially received for writing the option. In addition, a Fund's ability to enter into an offsetting transaction depends upon the market's demand for such financial futures contracts. If a purchased option expires unexercised, a Fund would realize a loss in the amount of the premium paid for the option.

If an Adviser's judgment about the general direction of interest rates or markets is wrong, the overall performance may be poorer than if no financial futures contracts had been entered into. For example, in some cases, securities called for by a financial futures contract may not have been issued at the time the contract was written. In addition, the market prices of financial futures contracts may be affected by certain factors.

Liquidity risks. Positions in futures contracts may be closed out only on an exchange or board of trade which provides a secondary market for such futures. Although the Funds intend to purchase or sell futures only on exchanges or boards of trade where there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange or board of trade will exist for any particular contract or at any particular time. If there is not a liquid secondary market at a particular time, it may not be possible to close a futures position at such time and, in the event of adverse price movements, a Fund would continue to be required to make daily cash payments of variation margin. However, in the event financial futures are used to hedge portfolio securities, such securities will not generally be sold until the financial futures can be terminated. In such circumstances, an increase in the price of the portfolio securities, if any, may partially or completely offset losses on the financial futures.

The ability to establish and close out positions in options on futures contracts will be subject to the development and maintenance of a liquid secondary market. It is not certain that such a market will develop. Although a Fund generally will purchase only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option or at any particular time. In the event no such market exists for particular options, it might not be possible to effect closing transactions in such options, with the result that a Fund would have to exercise the options in order to realize any profit.

Hedging risks. There are several risks in connection with the use by a Fund of futures contracts and related options as a hedging device. One risk arises because of the imperfect correlation between movements in the prices of the futures contracts and options and movements in the underlying securities or index or movements in the prices of a Fund's securities which are the subject of a hedge. An Adviser will, however, attempt to reduce this risk by purchasing and selling, to the extent possible, futures contracts and related options on securities and indexes the movements of which will, in its judgment, correlate closely with movements in the prices of the underlying securities or index and the Fund's portfolio securities sought to be hedged.

Successful use of futures contracts and options by a Fund for hedging purposes is also subject to an Adviser's ability to predict correctly movements in the direction of the market. It is possible that, where a Fund has purchased puts on futures contracts to hedge its portfolio against a decline in the market, the securities or index on which the puts are purchased may increase in value and the value of securities held in the portfolio may decline. If this occurred, the Fund would lose money on the puts and also experience a decline in the value of its portfolio securities. In addition, the prices of futures, for a number of reasons, may not correlate perfectly with movements in the underlying securities or index due to certain market distortions. First, all participants in the futures market are subject to margin deposit requirements. Such requirements may cause investors to close futures contracts through offsetting transactions which could distort the normal relationship between the underlying security or index and futures markets. Second, the margin requirements in the futures markets are less onerous than margin requirements in the securities markets in general, and as a result the futures markets may attract more speculators than the securities markets do. Increased participation by speculators in the futures markets may also cause temporary price distortions. Due to the possibility of price distortion, even a correct forecast of general market trends by an Adviser still may not result in a successful hedging transaction over a very short time period.

Other Risks. A Fund will incur brokerage fees in connection with their futures and options transactions. In addition, while futures contracts and options on futures will be purchased and sold to reduce certain risks, those transactions themselves entail certain other risks. Thus, while a Fund may benefit from the use of futures and related options, unanticipated changes in interest rates or stock price movements may result in a poorer overall performance for the Fund than if it had not entered into any futures contracts or options transactions. Moreover, in the event of an imperfect correlation between the futures position and the portfolio position that is intended to be protected, the desired protection may not be obtained and the Fund may be exposed to risk of loss.

Each Fund has claimed an exclusion from the definition of "commodity pool operator" under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a pool operator under that Act.

### **Convertible Securities**

Convertible securities include bonds, debentures, notes, preferred stocks, and other securities that may be converted into or exchanged for, at a specific price or formula within a particular period of time, a prescribed amount of common stock or other equity securities of the same or a different issuer. Convertible securities entitle the holder to receive interest paid or accrued on debt or dividends paid or accrued on preferred stock until the security matures or is redeemed, converted, or exchanged.

The market value of a convertible security is a function of its "investment value" and its "conversion value." A security's "investment value" represents the value of the security without its conversion feature (*i.e.*, a nonconvertible fixed income security). The investment value may be determined by reference to its credit quality and the current value of its yield to maturity or probable call date. At any given time, investment value is dependent upon such factors as the general level of interest rates, the yield of similar nonconvertible securities, the financial strength of the issuer and the seniority of the security in the issuer's capital structure. A security's "conversion value" is determined by multiplying the number of shares the holder is entitled to receive upon conversion or exchange by the current price of the underlying security.

If the conversion value of a convertible security is significantly below its investment value, the convertible security will trade like nonconvertible debt or preferred stock and its market value will not be influenced greatly by fluctuations in the market price of the underlying security. Conversely, if the conversion value of a convertible security is near or above its investment value, the market value of the convertible security will be more heavily influenced by fluctuations in the market price of the underlying security.

A Fund's investments in convertible securities may at times include securities that have a mandatory conversion feature, pursuant to which the securities convert automatically into common stock or other equity securities at a specified date and a specified conversion ratio, or that are convertible at the option of the issuer. Because conversion of the security is not at the option of the holder, a Fund may be required to convert the security into the underlying common stock even at times when the value of the underlying common stock or other equity security has declined substantially.

A Fund's investments in convertible securities, particularly securities that are convertible into securities of an issuer other than the issuer of the convertible security, may be illiquid. A Fund may not be able to dispose of such securities in a timely fashion or for a fair price, which could result in losses to the Fund.

### **Mortgage- and Asset-Backed Securities**

Mortgage-backed securities, including collateralized mortgage obligations ("CMOs") and certain stripped mortgage-backed securities represent a participation in, or are secured by, mortgage loans. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property and receivables from credit card agreements. The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited.

Mortgage-backed securities have yield and maturity characteristics corresponding to the underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity, when the entire principal amount comes due, payments on certain mortgage-backed securities include both interest and a partial repayment of principal. Besides the scheduled repayment of principal, repayments of principal may result from the voluntary prepayment, refinancing or foreclosure of the underlying mortgage loans. If property owners make unscheduled prepayments of their mortgage loans, these prepayments will result in early payment of the applicable mortgage-related securities. In that event a Fund may be unable to invest the proceeds from the early payment of the mortgage-related securities in an investment that provides as high a yield as the mortgage-related securities. Consequently, early payment associated with mortgage-related securities may cause these securities to experience significantly greater price and yield volatility than that experienced by traditional fixed-income securities. The occurrence of mortgage prepayments is affected by factors including the level of interest rates, general economic conditions, the location and age of the mortgage and other social and demographic conditions. During periods of falling interest rates, the rate of mortgage prepayments tends to increase, thereby tending to decrease the life of mortgage-related securities. During periods of rising interest rates, the rate of mortgage prepayments usually decreases, thereby tending to increase the life of mortgage-related securities. If the life of a mortgage-related security is inaccurately predicted, a Fund may not be able to realize the rate of return the Adviser expected.

Mortgage-backed and asset-backed securities are less effective than other types of securities as a means of "locking in" attractive long-term interest rates. One reason is the need to reinvest prepayments of principal; another is the possibility of significant unscheduled prepayments resulting from declines in interest rates. These prepayments would have to be reinvested at lower rates. As a result, these securities may have less potential for capital appreciation during periods of declining interest rates than other securities of comparable maturities, although they may have a similar risk of decline in market value during periods of rising interest rates. Prepayments may also significantly shorten the effective maturities of these securities, especially during periods of declining interest rates. Conversely, during periods of rising interest rates, a reduction in prepayments may increase the effective maturities of these securities, subjecting them to a greater risk of decline in market value in response to rising interest rates than traditional debt securities, and, therefore, potentially increasing the volatility of the Funds.

Prepayments may cause losses on securities purchased at a premium. At times, some mortgage-backed and asset-backed securities will have higher than market interest rates and therefore will be purchased at a premium above their par value.

CMOs may be issued by a U.S. Government agency or instrumentality or by a private issuer. Although payment of the principal of, and interest on, the underlying collateral securing privately issued CMOs may be guaranteed by the U.S. Government or its agencies or instrumentalities, these CMOs represent obligations solely of the private issuer and are not insured or guaranteed by the U.S. Government, its agencies or instrumentalities or any other person or entity.

Prepayments could cause early retirement of CMOs. CMOs are designed to reduce the risk of prepayment for investors by issuing multiple classes of securities, each having different maturities, interest rates and payment schedules, and with the principal and interest on the underlying mortgages allocated among the several classes in various ways. Payment of interest or principal on some classes or series of CMOs may be subject to contingencies or some classes or series may bear some or all of the risk of default on the underlying mortgages. CMOs of different classes or series are generally retired in sequence as the underlying mortgage loans in the mortgage pool are repaid. If enough mortgages are repaid ahead of schedule, the classes or series of a CMO with the earliest maturities generally will be retired prior to their maturities. Thus, the early retirement of particular classes or series of a CMO

would have the same effect as the prepayment of mortgages underlying other mortgage-backed securities. Conversely, slower than anticipated prepayments can extend the effective maturities of CMOs, subjecting them to a greater risk of decline in market value in response to rising interest rates than traditional debt securities, and, therefore, potentially increasing their volatility.

Prepayments could result in losses on stripped mortgage-backed securities. Stripped mortgage-backed securities are usually structured with two classes that receive different portions of the interest and principal distributions on a pool of mortgage loans. The yield to maturity on an interest only or “IO” class of stripped mortgage-backed securities is extremely sensitive not only to changes in prevailing interest rates but also to the rate of principal payments (including prepayments) on the underlying assets. A rapid rate of principal prepayments may have a measurable adverse effect on a Fund’s yield to maturity to the extent it invests in IOs. If the assets underlying the IO experience greater than anticipated prepayments of principal, the Fund may fail to recoup fully, or at all, its initial investment in these securities. Conversely, principal only securities or “POs” tend to increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated.

The secondary market for stripped mortgage-backed securities may be more volatile and less liquid than that for other mortgage-backed securities, potentially limiting a Fund’s ability to buy or sell those securities at any particular time.

Subprime mortgage loans, which typically are made to less creditworthy borrowers, have a higher risk of default than conventional mortgage loans. Therefore, mortgage-backed securities backed by subprime mortgage loans may suffer significantly greater declines in value due to defaults.

### **Trust-Preferred Securities**

Certain of the Funds may invest in trust-preferred (or “capital”) securities. These securities, which are issued by entities such as special purpose bank subsidiaries, currently are permitted to treat the interest payments as a tax-deductible cost. Capital securities, which have no voting rights, have a final stated maturity date and a fixed schedule for periodic payments. In addition, capital securities have provisions which afford preference over common and preferred stock upon liquidation, although the securities are subordinated to other, more senior debt securities of the same issuer. The issuers of these securities retain the right to defer interest payments for a period of up to five years, although interest continues to accrue cumulatively. The deferral of payments may not exceed the stated maturity date of the securities themselves. The non-payment of deferred interest at the end of the permissible period will be treated as an incidence of default. At the present time, the Internal Revenue Service treats capital securities as debt. In the event that the tax treatment of interest payments of these types of securities is modified, a Fund will reconsider the appropriateness of continued investment in these securities.

Some of a Fund’s investments may have variable interest rates. When an instrument provides for periodic adjustments to its interest rate, fluctuations in principal value may be minimized. However, changes in the coupon rate can lag behind changes in market rates, which may adversely affect the Fund’s performance.

### **Income Deposit Securities**

A Fund may purchase income deposit securities (“IDSs”). Each IDS represents two separate securities, shares of common stock and subordinated notes issued by the same company, that are combined into one unit that trades like a stock on an exchange. Holders of IDSs receive dividends on the common shares and interest at a fixed rate on the subordinated notes to produce a blended yield. An IDS is typically listed on a stock exchange, but the underlying securities typically are not listed on the exchange until a period of time after the listing of the IDS or upon the occurrence of certain events (*e.g.*, a change of control of the issuer of the IDS). When the underlying securities are listed, the holders of IDSs generally have the right to separate the components of the IDSs and trade them separately.

There may be a thinner and less active market for IDSs than that available for other securities. The value of an IDS will be affected by factors generally affecting common stock and subordinated debt securities, including the issuer’s actual or perceived ability to pay interest and principal on the notes and pay dividends on the stock.

The U.S. federal income tax treatment of IDSs is not entirely clear and there is no authority that directly addresses the tax treatment of securities with terms substantially similar to IDSs. Among other things, although it is expected that the subordinated notes portion of an IDS will be treated as debt, if it is characterized as equity rather

than debt, then interest paid on the notes could be treated as dividends (to the extent paid out of the issuer's earnings and profits). Such dividends would not likely qualify for favorable long-term capital gains rates currently available to dividends on other types of equity.

### **Indexed Securities**

Certain of the Funds may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. Currency-indexed securities typically are short-term to intermediate-term debt securities whose maturity values or interest rates are determined by reference to the values of one or more specified foreign currencies, and may offer higher yields than U.S. dollar-denominated securities of equivalent issuers. Currency-indexed securities may be positively or negatively indexed; that is, their maturity value may increase when the specified currency value increases, resulting in a security whose price characteristics are similar to a put option on the underlying currency. Currency-indexed securities also may have prices that depend on the values of a number of different foreign currencies relative to each other.

The performance of indexed securities depends to a great extent on the performance of the security, currency, commodity or other instrument to which they are indexed, and also may be influenced by interest rate changes in the U.S. and abroad. At the same time, indexed securities are subject to the credit risks associated with the issuer of the security, and their values may decline substantially if the issuer's creditworthiness deteriorates. Recent issuers of indexed securities have included banks, corporations, and certain U.S. Government agencies.

### **Dollar Roll and Reverse Repurchase Transactions**

Certain of the Funds may use dollar rolls and reverse repurchase agreements. In a dollar roll transaction, a Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to purchase substantially similar securities on a specified future date from the same party. In a dollar roll, the securities that are to be purchased will be of the same type and have the same interest rate as the sold securities, but will be supported by different pools of mortgages. A Fund that engages in a dollar roll forgoes principal and interest paid on the sold securities during the roll period, but is compensated by the difference between the current sales price and the lower forward price for the future purchase. In addition, a Fund earns interest by investing the transaction proceeds during the roll period.

In a reverse repurchase agreement transaction, a Fund sells securities to a bank or securities dealer and agrees to repurchase them at an agreed time and price. During the period between the sale and the forward purchase, the Fund will continue to receive principal and interest payments on the securities sold. A Fund may also receive interest income similar to that received in the case of dollar rolls.

A Fund will normally use the proceeds of dollar roll and reverse repurchase agreement transactions to maintain offsetting positions in securities or repurchase agreements that mature on or before the settlement date for the related dollar roll or reverse repurchase agreement. The market value of securities sold under a reverse repurchase agreement or dollar roll is typically greater than the amount to be paid for the related forward commitment. Reverse repurchase agreements and dollar rolls involve the risk that the buyer of the sold securities might be unable to deliver them when a Fund seeks to repurchase the securities. If the buyer files for bankruptcy or becomes insolvent, such buyer or its representative may ask for and receive an extension of time to decide whether to enforce the Fund's repurchase obligation. A Fund's use of the transaction proceeds may be restricted pending such decision.

Whenever a Fund enters into a dollar roll or reverse repurchase agreement transaction, it will segregate cash, U.S. government securities or liquid, unencumbered securities that are marked-to-market daily with the Fund's custodian. The value of such segregated assets must be at least equal to the value of the forward commitment or repurchase obligation (principal plus accrued interest), as applicable. Segregating assets may limit a Fund's ability to pursue other investment opportunities.

Since a Fund will receive interest on the securities or repurchase agreements in which it invests the transaction proceeds, dollar rolls and reverse repurchase agreements will involve leverage. However, since the

acquired securities or repurchase agreements must satisfy a Fund's credit quality requirements and mature on or before the settlement date for the related dollar roll or reverse repurchase agreement, and because the Fund will segregate assets as described above, RS Investments believes that these transactions do not present the risks associated with other types of leverage.

### **When-Issued or Delayed-Delivery Transactions**

Certain of the Funds may enter into when-issued or delayed delivery transactions. In when-issued or delayed-delivery transactions, a Fund commits to purchase or sell particular securities, with payment and delivery to take place at a future date. Although a Fund does not pay for the securities or start earning interest on them until they are delivered, it immediately assumes the risks of ownership, including the risk of price fluctuation. If a Fund's counterparty fails to deliver a security purchased on a when-issued or delayed-delivery basis, there may be a loss, and the Fund may have missed an opportunity to make an alternative investment.

Prior to settlement of these transactions, the value of the subject securities will fluctuate, reflecting interest rate changes. In addition, because the Fund is not required to pay for when-issued or delayed-delivery securities until the delivery date, they may result in a form of leverage to the extent the Fund does not maintain liquid assets equal to the face amount of the contract.

### **Loan Participations**

Certain of the Funds may also invest in loan participation interests, which are interests in loans made to corporate, governmental or other borrowers. These interests take the form of interests in, or assignments of loans, and are acquired from banks, insurance companies or other financial institutions that have either made the loans or participated in the loan syndicate. These interests, which may be of any credit quality, involve the risk of insolvency or default by the borrower. In addition, participation interests carry the risk of insolvency of the lender from which the interest was acquired.

### **Repurchase Agreements**

A Fund may enter into repurchase agreements. A repurchase agreement is a contract under which the Fund acquires a security for a relatively short period (usually not more than one week) subject to the obligation of the seller to repurchase and the Fund to resell such security at a fixed time and price (representing the Fund's cost plus interest). It is the Trust's present intention to enter into repurchase agreements only with member banks of the Federal Reserve System and securities dealers meeting certain criteria as to creditworthiness and financial condition established by the Trustees of the Trust and only with respect to obligations of the U.S. Government or its agencies or instrumentalities or other high-quality, short-term debt obligations. Repurchase agreements may also be viewed as loans made by a Fund which are collateralized by the securities subject to repurchase. An Adviser will monitor such transactions to ensure that the value of the underlying securities will be at least equal at all times to the total amount of the repurchase obligation, including the interest factor. If the seller defaults, a Fund could realize a loss on the sale of the underlying security to the extent that the proceeds of sale including accrued interest are less than the resale price provided in the agreement including interest. In addition, if the seller should be involved in bankruptcy or insolvency proceedings, a Fund may incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if the Fund is treated as an unsecured creditor and required to return the underlying collateral to the seller's estate.

### **U.S. Government Agency and Instrumentality Securities**

U.S. government agency securities are debt obligations issued by agencies or authorities controlled by and acting as instrumentalities of the U.S. government established under authority granted by Congress. U.S. government agency obligations include, but are not limited to, those issued by the Bank for Co-operatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, and the Federal National Mortgage Association. U.S. government instrumentality obligations include, but are not limited to, those issued by the Export-Import Bank and Farmers Home Administration. Some obligations issued or guaranteed by U.S. government agencies and instrumentalities are supported by the full faith and credit of the U.S. Treasury; others, by the right of the issuer to borrow from the Treasury; others, by discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and others, only by the credit of the agency or instrumentality. No assurance can be given that the U.S. government will provide financial support to such U.S. government sponsored agencies or instrumentalities in the future, since it is not obligated to do so by law. To the extent a Fund invests in U.S.

government securities that are not backed by the full faith and credit of the U.S. Treasury, such investments may involve a greater risk of loss of principal and interest since the Fund must look principally or solely to the issuing or guaranteeing agency or instrumentality for repayment.

U.S. Treasury Bills. U.S. Treasury Bills are issued with maturities of up to one year. Three month bills are currently offered by the Treasury on a 13-week cycle and are auctioned each week by the Treasury. Bills are issued in bearer form only and are sold only on a discount basis, and the difference between the purchase price and the maturity value (or the resale price if they are sold before maturity) constitutes the interest income for the investor.

Certificates of Deposit. Certificates of deposit are negotiable receipts issued by a bank or savings and loan association in exchange for the deposit of funds. A certificate of deposit earns a specified rate of return over a definite period of time. Normally a certificate can be traded in a secondary market prior to maturity. Eurodollar certificates of deposit (“Euro CDs”) are U.S. dollar-denominated deposits in banks outside the U.S. Eurodollar deposits in foreign branches of U.S. banks are the legal equivalent of domestic deposits, but are not covered by FDIC insurance. Yankee certificates of deposit (“Yankee CDs”) are U.S. dollar-denominated deposits issued and payable by U.S. branches of foreign banks. Foreign securities (i.e., Euro CDs and Yankee CDs) may be affected by political, social and economic developments abroad. Foreign companies and foreign financial institutions may not be subject to accounting standards or governmental supervision comparable to their U.S. counterparts, and there may be less public information about their operations. Foreign markets may be less liquid or more volatile than U.S. markets and may offer less protection to investors. Foreign countries may impose withholding taxes on interest income from investments in securities issued there, or may enact confiscatory taxation provisions targeted to certain investors. The time period for settling transactions in foreign securities may be longer than the time period permitted for the settlement of domestic securities transactions. In addition, the market prices for foreign securities are not determined at the same time of day as the net asset value for the Fund’s shares. It may be difficult to obtain and enforce judgments against foreign entities, and the expenses of litigation are likely to exceed those which would be incurred in the United States.

Commercial Paper. Commercial paper is generally defined as unsecured short-term notes issued in bearer form by large, well-known corporations and finance companies. Maturities on commercial paper range from a few days to nine months. Commercial paper is also sold on a discount basis.

Bankers Acceptances. Bankers acceptances generally arise from short-term credit arrangements designed to enable businesses to obtain funds in order to finance commercial transactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or an importer to obtain a stated amount of funds to pay for specific merchandise. The draft is then “accepted” by a bank that, in effect, unconditionally guarantees to pay the face value of the instrument on its maturity date.

### **Securities Lending**

A Fund may lend its portfolio securities, provided: (1) the loan is secured continuously by collateral consisting of U.S. Government securities, cash, or cash equivalents adjusted daily to have market value at least equal to the current market value of the securities loaned; (2) the Fund may at any time call the loan and regain the securities loaned; (3) a Fund will receive any interest or dividends paid on the loaned securities; and (4) the aggregate market value of securities of any Fund loaned will not at any time exceed one-third (or such other lower limit as the Trustees may establish) of the total assets of the Fund. In addition, it is anticipated that a Fund may share with the borrower some of the income received on the collateral for the loan or that it will be paid a premium for the loan.

Before a Fund enters into a loan, an Adviser considers all relevant facts and circumstances, including the creditworthiness of the borrower. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. Although voting rights or rights to consent with respect to the loaned securities pass to the borrower, a Fund retains the right to call the loans at any time on reasonable notice, and it will do so in order that the securities may be voted by a Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. A Fund will not lend portfolio securities to borrowers affiliated with the Fund.

### **Short Sales**

A Fund may engage in short sales if approved by the Board of Trustees with respect to such Fund. Short sales are transactions in which the Fund sells a security it does not own, in anticipation of a decline in the market value of that security. To complete such a transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing it at the market price at or prior to the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. Until the security is replaced, the Fund is required to repay the lender any dividends or interest that accrue during the period of the loan. To borrow the security, the Fund also may be required to pay a premium, which would increase the cost of the security sold. The net proceeds of the short sale will be retained by the broker (or by the Fund's custodian in a special custody account), to the extent necessary to meet margin requirements, until the short position is closed out. The Fund also will incur transaction costs in effecting short sales.

A Fund will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. A Fund will generally realize a gain if the security declines in price between those dates. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest, or expenses the Fund may be required to pay in connection with a short sale. An increase in the value of a security sold short by a Fund over the price at which it was sold short will result in a loss to the Fund. There can be no assurance that a Fund will be able to close out the position at any particular time or at an acceptable price.

In connection with short sales entered into by it, a Fund may be required to segregate or " earmark " in its records (or the records of its custodian) assets determined to be liquid in accordance with procedures established by the Board of Trustees.

### **Foreign Investments**

Investments in foreign securities may involve considerations different from investments in domestic securities due to limited publicly available information, non-uniform accounting standards, lower trading volume and possible consequent illiquidity, greater volatility in price, the possible imposition of withholding or confiscatory taxes, the possible adoption of foreign governmental restrictions affecting the payment of principal and interest, expropriation of assets, nationalization, or other adverse political or economic developments. Foreign companies may not be subject to auditing and financial reporting standards and requirements comparable to those which apply to U.S. companies. Foreign brokerage commissions and other fees are generally higher than in the United States. It may be more difficult to obtain and enforce a judgment against a foreign issuer. Foreign settlement procedures and trade regulations may involve certain risks (such as delay in payment or delivery of securities or in the recovery of a Fund's assets held abroad) and expenses not present in the settlement of domestic investments. Legal remedies available to investors in certain foreign countries may be more limited than those available with respect to investments in the United States or in other foreign countries. The laws of some foreign countries may limit a Fund's ability to invest in securities of certain issuers located in those foreign countries.

In addition, to the extent that a Fund's foreign investments are not U.S. dollar-denominated, the Fund may be affected favorably or unfavorably by changes in currency exchange rates or exchange control regulations and may incur costs in connection with conversion between currencies.

Several foreign governments permit investments by non-residents only through participation in certain specifically organized investment companies. Subject to the provisions of the 1940 Act, certain of the Funds may invest in the shares of such other investment companies. In addition, a portion of the equity and convertible securities which may be acquired by certain Funds may be issued by foreign companies that, in each of their most recent fiscal years, derived more than 15% of their gross revenues from their activities as brokers, dealers, underwriters or investment advisers. The Funds received exemptive relief granted by the SEC to acquire such securities.

In addition, certain of the Funds may also invest a portion of its assets in unit trusts organized in the United Kingdom (which are analogous to United States mutual funds) and which invest in smaller foreign markets than those in which a Fund would ordinarily invest directly.

**Developing Countries.** The considerations noted above for foreign investments generally are intensified for investments in developing countries. These risks include (i) volatile social, political, and economic conditions; (ii) the small current size of the markets for such securities and the currently low or nonexistent volume of trading, which result in a lack of liquidity and in greater price volatility; (iii) the existence of national policies which may

restrict a Fund's investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to national interests; (iv) foreign taxation; (v) the absence of developed structures governing private or foreign investment or allowing for judicial redress for injury to private property; (vi) the absence, until recently in certain developing countries, of a capital market structure or market-oriented economy; (vii) economies based on only a few industries; and (viii) the possibility that recent favorable economic developments in certain developing countries may be slowed or reversed by unanticipated political or social events in such countries. The risks associated with developing countries may be particularly acute for RS International Growth Fund and RS Emerging Markets Fund.

### **Foreign Currency Transactions**

A Fund may engage in currency exchange transactions to protect against uncertainty in the level of future foreign currency exchange rates and to increase current return. A Fund may engage in both "transaction hedging" and "position hedging."

There can be no assurance that appropriate foreign currency transactions will be available for a Fund at any time or that a Fund will enter into such transactions at any time or under any circumstances even if appropriate transactions are available to it.

When it engages in transaction hedging, a Fund enters into foreign currency transactions with respect to specific receivables or payables of the Fund generally arising in connection with the purchase or sale of its portfolio securities. A Fund may engage in transaction hedging when it desires to "lock in" the U.S. dollar price of a security it has agreed to purchase or sell, or the U.S. dollar equivalent of a dividend or interest payment in a foreign currency. By transaction hedging, a Fund may attempt to protect against a possible loss resulting from an adverse change in the relationship between the U.S. dollar and the applicable foreign currency during the period between the date on which the security is purchased or sold or on which the dividend or interest payment is declared, and the date on which such payments are made or received.

A Fund may purchase or sell a foreign currency on a spot (*i.e.*, cash) basis at the prevailing spot rate in connection with transaction hedging. A Fund may also enter into contracts to purchase or sell foreign currencies at a future date ("forward contracts") and purchase and sell foreign currency futures contracts.

For transaction hedging purposes, a Fund may also purchase exchange-listed and over-the-counter call and put options on foreign currency futures contracts and on foreign currencies. A put option on a futures contract gives a Fund the right to assume a short position in the futures contract until expiration of the option. A put option on currency gives a Fund the right to sell a currency at a specified exercise price until the expiration of the option. A call option on a futures contract gives a Fund the right to assume a long position in the futures contract until the expiration of the option. A call option on currency gives a Fund the right to purchase a currency at the exercise price until the expiration of the option. A Fund will engage in over-the-counter transactions only when appropriate exchange-traded transactions are unavailable and when, in the opinion of an Adviser, the pricing mechanism and liquidity are satisfactory and the participants are responsible parties likely to meet their contractual obligations.

When it engages in position hedging, a Fund enters into foreign currency exchange transactions to protect against a decline in the values of the foreign currencies in which securities held by the Fund are denominated or are quoted in their principle trading markets or an increase in the value of currency for securities which the Fund expects to purchase. In connection with position hedging, a Fund may purchase put or call options on foreign currency and foreign currency futures contracts and buy or sell forward contracts and foreign currency futures contracts. A Fund may also purchase or sell foreign currency on a spot basis.

The precise matching of the amounts of foreign currency exchange transactions and the value of the portfolio securities involved will not generally be possible since the future value of such securities in foreign currencies will change as a consequence of market movements in the values of those securities between the dates the currency exchange transactions are entered into and the dates they mature.

It is impossible to forecast with precision the market value of a Fund's portfolio securities at the expiration or maturity of a forward or futures contract. Accordingly, it may be necessary for a Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security or securities being hedged is less than the amount of foreign currency a Fund is obligated to deliver and if a decision is made to sell the security or securities and make delivery of the foreign currency. Conversely, it may be necessary to

sell on the spot market some of the foreign currency received upon the sale of the portfolio security or securities of a Fund if the market value of such security or securities exceeds the amount of foreign currency the Fund is obligated to deliver. To offset some of the costs of hedging against fluctuations in currency exchange rates, a Fund may write covered call options on those currencies.

Transaction and position hedging do not eliminate fluctuations in the underlying prices of the securities that a Fund owns or intends to purchase or sell. They simply establish a rate of exchange that one can achieve at some future point in time. Additionally, although these techniques tend to minimize the risk of loss due to a decline in the value of the hedged currency, they tend to limit any potential gain which might result from the increase in the value of such currency.

A Fund may also seek to increase its current return by purchasing and selling foreign currency on a spot basis, by purchasing and selling options on foreign currencies and on foreign currency futures contracts, and by purchasing and selling foreign currency forward contracts.

The value of any currency, including U.S. dollars and foreign currencies, may be affected by complex political and economic factors applicable to the issuing country. In addition, the exchange rates of foreign currencies (and therefore the values of foreign currency options, forward contracts, and futures contracts) may be affected significantly, fixed, or supported directly or indirectly by U.S. and foreign government actions. Government intervention may increase risks involved in purchasing or selling foreign currency options, forward contracts, and futures contracts, since exchange rates may not be free to fluctuate in response to other market forces. Foreign governmental restrictions or taxes could result in adverse changes in the cost of acquiring or disposing of foreign currencies.

Currency Forward and Futures Contracts. A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract as agreed by the parties, at a price set at the time of the contract. In the case of a cancelable forward contract, the holder has the unilateral right to cancel the contract at maturity by paying a specified fee. The contracts are traded in the interbank market conducted directly between currency traders (usually large commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for trades. A foreign currency futures contract is a standardized contract for the future delivery of a specified amount of a foreign currency at a future date at a price set at the time of the contract. Foreign currency futures contracts traded in the United States are designed by and traded on exchanges regulated by the Commodity Futures Trading Commission (the "CFTC"), such as the New York Mercantile Exchange.

Forward foreign currency exchange contracts differ from foreign currency futures contracts in certain respects. For example, the maturity date of a forward contract may be any fixed number of days from the date of the contract agreed upon by the parties, rather than a predetermined date in a given month. Forward contracts may be in any amounts agreed upon by the parties rather than predetermined amounts. Also, forward foreign exchange contracts are traded directly between currency traders so that no intermediary is required. A forward contract generally requires no margin or other deposit.

At the maturity of a forward or futures contract, a Fund may either accept or make delivery of the currency specified in the contract, or at or prior to maturity enter into a closing transaction involving the purchase or sale of an offsetting contract. Closing transactions with respect to forward contracts are usually effected with the currency trader who is a party to the original forward contract. Closing transactions with respect to futures contracts are effected on a commodities exchange; a clearing corporation associated with the exchange assumes responsibility for closing out such contracts.

Positions in foreign currency futures contracts and related options may be closed out only on an exchange or board of trade which provides a secondary market in such contracts or options. Although a Fund will normally purchase or sell foreign currency futures contracts and related options only on exchanges or boards of trade where there appears to be an active secondary market, there is no assurance that a secondary market on an exchange or board of trade will exist for any particular contract or option or at any particular time. In such event, it may not be possible to close a futures or related option position and, in the event of adverse price movements, a Fund would continue to be required to make daily cash payments of variation margin on its futures positions.

Foreign Currency Options. Options on foreign currencies operate similarly to options on securities, and are traded primarily in the over-the-counter market, although options on foreign currencies have recently been listed on

several exchanges. Such options will be purchased or written only when an Adviser believes that a liquid secondary market exists for such options. There can be no assurance that a liquid secondary market will exist for a particular option at any specific time. Options on foreign currencies are affected by all of those factors which influence exchange rates and investments generally.

The value of a foreign currency option is dependent upon the value of the foreign currency and the U.S. dollar, and may have no relationship to the investment merits of a foreign security. Because foreign currency transactions occurring in the interbank market involve substantially larger amounts than those that may be involved in the use of foreign currency options, investors may be disadvantaged by having to deal in an odd lot market (generally consisting of transactions of less than \$1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

There is no systematic reporting of last-sale information for foreign currencies and there is no regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Available quotation information is generally representative of very large transactions in the interbank market and thus may not reflect relatively smaller transactions (less than \$1 million) where rates may be less favorable. The interbank market in foreign currencies is a global, around-the-clock market. To the extent that the U.S. options markets are closed while the markets for the underlying currencies remain open, significant price and rate movements may take place in the underlying markets that cannot be reflected in the U.S. options markets.

Foreign Currency Conversion. Although foreign exchange dealers do not charge a fee for currency conversion, they do realize a profit based on the difference (the “spread”) between prices at which they buy and sell various currencies. Thus, a dealer may offer to sell a foreign currency to a Fund at one rate, while offering a lesser rate of exchange should a Fund desire to resell that currency to the dealer.

### **Other Investment Companies**

A Fund may invest in securities of other open- or closed-end investment companies, including shares of open- or closed-end investment companies, including exchange-traded funds (“ETFs”), traded on one or more national securities exchanges, to the extent that such investments are consistent with a Fund’s investment objective and policies and permissible under the 1940 Act. In general, under the 1940 Act, investment companies such as the Funds may not (i) invest more than 10% of their total assets in securities of other investment companies, (ii) own more than 3% of the outstanding voting securities of any one investment company, or (iii) invest more than 5% of their total assets in the securities of any single investment company (the “Limitation”). Pursuant to recent rules adopted by the SEC, the Funds may invest in shares issued by non-affiliated money market funds, as well as affiliated money market funds, in excess of the Limitation.

A Fund may invest in other investment companies either during periods when they have large amounts of uninvested cash or when an Adviser believes share prices of other investment companies offer attractive values. As a stockholder in an investment company, a Fund will bear its ratable share of that investment company’s expenses and would remain subject to payment of the Fund’s management fees with respect to assets so invested. Shareholders would therefore be subject to duplicative expenses to the extent a Fund invests in other investment companies. An Adviser will take expenses into account when evaluating the investment merits of an investment in an investment company relative to other investment opportunities. Shares of open-end investment companies traded on a securities exchange may not be redeemable by a Fund in all cases.

ETFs are hybrid investment companies that are registered as open-end investment companies or unit investment trusts (“UITs”) but possess some of the characteristics of closed-end funds. ETFs typically hold a portfolio of common stocks that is intended to track the price and dividend performance of a particular index. Common examples of ETFs include S&P Depositary Receipts (“SPDRs”) and iShares, which may be obtained from the UIT or investment company issuing the securities or purchased in the secondary market (SPDRs are listed on the American Stock Exchange, and iShares are listed on the NYSE). ETF shares traded in the secondary market may be purchased and sold at market prices in transactions on an exchange. The market price may be higher or lower than the net asset value of the securities held by the ETF. The sale price and redemption price of ETF shares obtained from the investment company or UIT issuing the securities is based on the values of the securities held by that investment company or UIT.

### **Precious Metals**

The value of the investments of certain Funds may be affected by changes in the prices of gold and other precious metals. Gold has been subject to substantial price fluctuations over short periods of time and may be affected by unpredictable international monetary and other governmental policies, such as currency devaluations or revaluations; economic and social conditions within a country; trade imbalances; or trade or currency restrictions between countries. Because much of the world's known gold reserves are located in South Africa, political and social conditions there may pose special risks to investments in gold. For instance, social upheaval and related economic difficulties in South Africa could cause a decrease in the share values of South African issuers.

### **Master Limited Partnerships**

Certain of the Funds may invest in master limited partnerships ("MLPs"), which are limited partnerships in which ownership units are publicly traded. MLPs often own or own interests in properties or businesses that are related to oil and gas industries, including pipelines, although MLPs may invest in other types of investments, or in credit-related investments. Generally, an MLP is operated under the supervision of one or more managing general partners. Limited partners (like a Fund when it invests in an MLP) are not involved in the day-to-day management of the partnership. Certain of the Funds also may invest in companies who serve (or whose affiliates serve) as the general partner of an MLP.

Investments in MLPs are generally subject to many of the risks that apply to partnerships. For example, holders of the units of MLPs may have limited control and limited voting rights on matters affecting the partnership. There may be fewer corporate protections afforded investors in an MLP than investors in a corporation. Conflicts of interest may exist among unit holders, subordinated unit holders and the general partner of an MLP, including those arising from incentive distribution payments. MLPs that concentrate in a particular industry or region are subject to risks associated with such industry or region. MLPs holding credit-related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. Investments held by MLPs may be illiquid. MLP units may trade infrequently and in limited volume, and they may be subject to more abrupt or erratic price movements than securities of larger or more broadly based companies.

Certain of the Funds may also hold investments in limited liability companies that have many of the same characteristics and are subject to many of the same risks as master limited partnerships.

### **Real Estate Investment Trusts**

Certain of the Funds may invest in real estate investment trusts ("REITs"), which are pooled investment vehicles that invest primarily in income-producing real estate or real estate related loans or interests (such as mortgages). The real estate properties in which REITs invest typically include properties such as office buildings, retail and industrial facilities, hotels, apartment buildings and healthcare facilities. Typically, a Fund will invest in publicly-traded REITs listed on national securities exchanges. The yields available from investments in REITs depend on the amount of income and capital appreciation generated by the related properties. Investments in REITs are subject to the risks associated with direct ownership in real estate, including economic downturns that have an adverse effect on real estate markets. A REIT may be affected by changes in the value of the underlying property owned by such REIT or by the quality of any credit extended by the REIT. Like regulated investment companies, REITs are not taxed on income distributed to shareholders provided they comply with several requirements of the Internal Revenue Code of 1986, as amended (the "Code"). REITs are dependent on management skills, are not diversified (except to the extent the Code requires), and are subject to the risks of financing projects. REITs are also subject to interest rate risks. By investing in a REIT, a Fund will indirectly bear its proportionate share of any expenses paid by the REIT in addition to the expenses of the Fund. REITs are subject to the risk of default by borrowers, self-liquidation, and the possibility that the REIT may fail to qualify for the exemption from tax for distributed income under the Code.

### **Zero-coupon Debt Securities and Payment-in-Kind Securities**

Certain of the Funds may purchase zero-coupon debt securities and payment-in-kind securities ("PIKs"); the risks associated with these securities may be particularly applicable to RS Investment Quality Bond Fund, RS Low Duration Bond Fund, RS High Yield Bond Fund, and RS Tax-Exempt Fund. The value of both zero-coupon bonds and PIK bonds may be more sensitive to fluctuations in interest rates than other bonds.

Zero-coupon securities in which a Fund may invest are debt obligations which are generally issued at a discount and payable in full at maturity, and which do not provide for current payments of interest prior to maturity.

Zero-coupon securities usually trade at a deep discount from their face or par value and are subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities that make current distributions of interest. As a result, the net asset value of shares of a Fund investing in zero-coupon securities may fluctuate over a greater range than shares of other mutual funds investing in securities making current distributions of interest and having similar maturities. When interest rates rise, the values of zero-coupon securities fall more rapidly than securities paying interest on a current basis, because the zero-coupon securities are locked into rates of reinvestment that become less attractive the farther rates rise. The converse is true when interest rates fall.

When debt obligations have been stripped of their unmatured interest coupons by the holder, the stripped coupons are sold separately. The principal or corpus is sold at a deep discount because the buyer receives only the right to receive a future fixed payment on the security and does not receive any rights to periodic cash interest payments. Once stripped or separated, the corpus and coupons may be sold separately. Typically, the coupons are sold separately or grouped with other coupons with like maturity dates and sold in such bundled form. Purchasers of stripped obligations acquire, in effect, discount obligations that are economically identical to the zero-coupon securities issued directly by the obligor.

Zero-coupon securities allow an issuer to avoid the need to generate cash to meet current interest payments. Even though zero-coupon securities do not pay current interest in cash, a Fund is nonetheless required to accrue interest income on them and to distribute the amount of that interest at least annually to shareholders. Thus, a Fund could be required at times to liquidate other investments in order to satisfy its distribution requirement.

Certain of the Funds also may purchase PIKs. PIKs pay all or a portion of their interest or dividends in the form of additional securities. Federal tax law requires that the interest on zero coupon bonds and PIK bonds be accrued as income to the Fund regardless of the fact that the Fund will not receive cash until such securities mature. Since the income must be distributed to shareholders, the Fund may be forced to liquidate other securities in order to make the required distribution.

### **Municipal Obligations**

RS Tax-Exempt Fund may invest without limit in Municipal Obligations (as defined in the Prospectus) which pay interest from similar revenue sources or securities which are offered within a single state. When Municipal Obligations are related in these ways, an economic, business or political development which affects one security could also affect the other related securities. This investment practice may subject RS Tax-Exempt Fund to greater risks than a fund which does not concentrate its assets in this manner.

Subsequent to its purchase by a Fund, an issue of rated Municipal Obligations may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event will require the sale of such Municipal Obligations by the Fund, but an Adviser will consider the event in determining whether the Fund should continue to hold the Municipal Obligations. To the extent that the ratings given by Moody's or S&P for Municipal Obligations may change as a result of changes in such organizations or their rating systems, the Fund will attempt to use comparable ratings as standards for its investments in accordance with the investment policies contained in the Prospectus and this SAI. See Appendix A to this SAI for a more detailed discussion of securities ratings.

### **Recent Downgrades of Monoline Insurers**

Certain of the Funds may invest in securities which are insured by "monoline" insurance companies. Monoline insurers guarantee the timely repayment of principal and interest when the issuer of an insured security defaults. Recently, rating agencies have downgraded their ratings of or placed on review certain monoline insurers, which resulted in the downgrading of bonds insured by such insurers. Many insured bonds have recently traded at prices as if they were uninsured. These events and the possibilities of further ratings downgrades have created significant uncertainty in the insured bond market, including the markets for municipal bonds and high yield securities. In addition, to the extent that any of the Funds hold securities insured by a monoline insurer undergoing financial distress, such Funds' income and net asset value could be adversely affected.

### **Municipal Lease/Purchase Agreements**

Certain of the Funds may invest in Municipal Lease/Purchase Agreements which are similar to installment purchase contracts for property or equipment. These obligations typically are not fully backed by the issuing

municipality's credit and their interest may become taxable if the lease is assigned. If the governmental issuer does not appropriate sufficient funds for the following year's lease payments, the lease will terminate, with the possibility of default on the lease obligation, which may result in loss to the Fund.

### **Variable Rate Demand Notes**

Certain of the Funds may purchase tax-exempt floating and variable rate demand notes and bonds. Variable rate demand notes include master demand notes. Master demand notes are frequently secured by letters of credit or other credit supports, which are not expected to adversely affect the tax-exempt status of these obligations. Master demand notes are redeemable at face value, but there is no established secondary market for them. Accordingly, when these obligations are not secured, a Fund's right to redeem depends on the borrower's ability to pay principal and interest on demand. A Fund's Adviser seeks to monitor the creditworthiness of the issuers of any floating and variable rate demand obligations in a Fund's portfolio to attempt to minimize this risk. Master demand notes with a demand feature extending for more than seven days are treated as illiquid securities.

### **Stand-by Commitments**

Certain of the Funds may acquire stand-by commitments from brokers, dealers or banks to facilitate its portfolio liquidity. Under a stand-by commitment, the obligor must repurchase, at the Fund's option, specified securities held in the Fund's portfolio at a specified price. Thus, stand-by commitments are comparable to put options. The exercise of a stand-by commitment is subject to the ability of the seller to make payment on demand. A Fund may pay for stand-by commitments if such action is deemed necessary, thus increasing to a degree the cost of the underlying Municipal Obligation and similarly decreasing such security's yield. Gains realized in connection with stand-by commitments will be taxable.

### **Tender Option Bonds**

Certain of the Funds may invest in tender option bonds, which generally are long-term Municipal Obligations which are coupled with options to tender the underlying Municipal Obligations to third party financial institutions at periodic intervals. Holders of tender option bonds pay periodic fees to the financial institution(s) that provide(s) the option(s). Such fees are typically equal to the difference between the Municipal Obligation's fixed coupon rate and the rate at or near the commencement of the option period that would cause the securities, coupled with the tender option, to trade at par on the date that a remarketing or similar agent would make the relevant rate determinations. Thus, the holder effectively holds a demand obligation that bears interest at the prevailing short-term tax-exempt rate. In certain instances and for certain tender option bonds, the option may be terminable in the event of a default in payment of principal or interest on the underlying Municipal Obligation and for other reasons. Accordingly, a Fund's Adviser will seek to monitor, on an ongoing basis, the creditworthiness of: (1) the issuers of Municipal Obligations which are coupled with tender options; (2) any custodian; and (3) the provider of the tender option.

A Fund will purchase tender option bonds only when it is satisfied that any custodial arrangements and the tender option arrangements, including the fee payment arrangements, will not adversely affect the tax-exempt status of the underlying Municipal Obligations and that payment of any tender fees will not have the effect of creating taxable income for the Fund.

### **Tobacco Settlement Revenue Bonds**

Certain of the Funds may invest in tobacco settlement revenue bonds. Tobacco settlement revenue bonds are secured by an issuing state's proportionate share in the Master Settlement Agreement entered into between 48 states and certain U.S. tobacco manufacturers, which together represent approximately 99% of the current combined market share of tobacco manufacturers (the "MSA"). The MSA provides for payments annually by the manufacturers to the states and jurisdictions in perpetuity, in exchange for releasing all claims against the manufacturers and a pledge of no further litigation. Tobacco manufacturers pay into a master escrow trust based on their market share, and each state receives a fixed percentage of the payment as set forth in the MSA.

A number of states have securitized the future flow of those payments by selling bonds pursuant to indentures, some through distinct governmental entities created for such purpose. The bonds are backed by the future revenue flow that is used for principal and interest payments on the bonds. Annual payments on the bonds, and thus risk to the Fund, are highly dependent on the receipt of future settlement payments to the state or its

governmental entity, as well as several other factors. The actual amount of future settlement payments, therefore, is dependent on many factors, including, but not limited to, annual domestic cigarette shipments, cigarette consumption, inflation and the financial capability of participating tobacco companies. Ongoing legal challenges to the MSA, a decrease in tobacco consumption, market share loss by participating tobacco companies and bankruptcy could negatively impact the ability of the tobacco companies to make payments.

### **Yankee Securities**

Certain of the Funds may invest in so-called Yankee securities. These are debt securities issued by non-U.S. corporate or government entities, but are denominated in U.S. dollars. Yankee securities trade and may be settled in U.S. markets.

### **Portfolio Turnover**

Many of the Funds have experienced high rates of portfolio turnover in recent years. These rates were generally the result of active trading strategies employed by the Funds' portfolio managers in response to market conditions, and not reflective of a material change in investment strategy.

### **Temporary Defensive Strategies**

At times, an Adviser may judge that market conditions make pursuing a Fund's basic investment strategy inconsistent with the best interests of its shareholders. At such times, an Adviser may (but will not necessarily), without notice, temporarily use alternative strategies, primarily designed to reduce fluctuations in the values of the Fund's assets.

In implementing these "defensive strategies," a Fund may hold assets in cash and cash equivalents and in other investments an Adviser believes to be consistent with the Fund's best interests.

If any such a temporary defensive strategy is implemented, a Fund may not achieve its investment objective.

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## THE FUNDS' INVESTMENT LIMITATIONS

The Trust has adopted the following fundamental investment restrictions, which (except to the extent they are designated as nonfundamental as to any Fund) may not be changed without the affirmative vote of a majority of the outstanding voting securities of the affected Fund.

As fundamental investment restrictions, which may not be changed with respect to a Fund without approval by the holders of a majority of the outstanding shares of that Fund, a Fund may not:

1. (RS Global Natural Resources Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)) issue any class of securities which is senior to the Fund's shares of beneficial interest, except that each of the Funds may borrow money to the extent contemplated by Restriction 3 below;

(All Funds except RS Global Natural Resources Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)) issue any class of securities which is senior to the Fund's shares of beneficial interest, except to the extent a Fund is permitted to borrow money or otherwise to the extent consistent with applicable law;

2. (RS Global Natural Resources Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)) purchase securities on margin (but a Fund may obtain such short-term credits as may be necessary for the clearance of transactions) (Margin payments or other arrangements in connection with transactions in short sales, futures contracts, options, and other financial instruments are not considered to constitute the purchase of securities on margin for this purpose.);
3. (RS Global Natural Resources Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)) borrow more than one-third of the value of its total assets less all liabilities and indebtedness (other than such borrowings) not represented by senior securities;

(RS Emerging Growth Fund) borrow money, except to the extent permitted by applicable law;

(RS Partners Fund, RS Value Fund, RS Investors Fund, RS Large Cap Value Fund, RS Small Cap Core Equity Fund, RS Large Cap Alpha Fund (formerly, RS Core Equity Fund), RS Equity Dividend Fund, RS S&P 500 Index Fund, RS Asset Allocation Fund, RS MidCap Opportunities Fund, RS Growth Fund, RS International Growth Fund, RS Emerging Markets Fund, RS Investment Quality Bond Fund, RS Low Duration Bond Fund, RS High Yield Bond Fund, RS Tax-Exempt Fund, and RS Money Market Fund) borrow money, except to the extent permitted by applicable law from time to time;

*Note:* The Investment Company Act of 1940, as amended, currently permits an open-end investment company to borrow money from a bank so long as the ratio which the value of the total assets of the investment company (including the amount of any such borrowing), less the amount of all liabilities and indebtedness (other than such borrowing) of the investment company, bears to the amount of such borrowing is at least 300%.

4. act as underwriter of securities of other issuers except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under certain federal securities laws;
5. (i) (as to 75% of each of RS Global Natural Resources Fund's, RS Equity Dividend Fund's, RS Smaller Company Growth Fund's, RS Select Growth Fund's, RS MidCap Opportunities Fund's, and RS Technology Fund's (formerly, The Information Age Fund<sup>®</sup>) total assets and 50% of RS Partners Fund's total assets) purchase any security (other than obligations of the U.S. Government, its agencies or instrumentalities) if as a result more than 5% of the Fund's total assets (taken at current value) would then be invested in securities of a single issuer;

(as to 75% of RS Value Fund's, RS Emerging Growth Fund's, and RS Growth Fund's total assets) purchase any security (other than U.S. Government securities), if as a result more than 5% of the Fund's total assets (taken at current value) would then be invested in securities of a single issuer;

(as to 75% of RS Large Cap Value Fund's, RS Small Cap Core Equity Fund's, RS Large Cap Alpha Fund's, RS S&P 500 Index Fund's, RS Asset Allocation Fund's, RS International Growth Fund's, RS Emerging Markets Fund's, RS Investment Quality Bond Fund's, RS Low Duration Bond Fund's, RS High Yield Bond Fund's, RS Tax-Exempt Fund's, and RS Money Market Fund's total assets) purchase any security (other than U.S. Government securities or securities of other investment companies), if as a result more than 5% of the Fund's total assets (taken at current value) would then be invested in securities of a single issuer; or

(ii) purchase any security if as a result 25% or more of the Fund's total assets (taken at current value) would be invested in a single industry, except that:

RS Global Natural Resources Fund will invest without limit in any one or more natural resources industries, as described in the Trust's Prospectus at the time;

RS S&P 500 Index Fund may purchase securities in excess of this limitation to the extent necessary from time to time to replicate the composition of the Standard & Poor's 500 Index in accordance with the Fund's investment objective;

RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>) will invest without limit in any one or more information technology industries; and

RS Tax-Exempt Fund shall not be limited in its purchase of municipal obligations, as described in the Fund's prospectus at the time.

6. (RS Global Natural Resources Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)) invest in securities of any issuer if any officer or Trustee of the Trust or any officer or director of RS Investments owns more than ½ of 1% of the outstanding securities of such issuer, and such officers, Trustees and directors who own more than ½ of 1% own in the aggregate more than 5% of the outstanding securities of such issuer (This policy is non-fundamental as to RS Smaller Company Growth Fund.);
7. make loans, except by purchase of debt obligations or other financial instruments in which a Fund may invest consistent with its investment policies, by entering into repurchase agreements, or through the lending of its portfolio securities. RS Large Cap Value Fund, RS Small Cap Core Equity Fund, RS Large Cap Alpha Fund (formerly, RS Core Equity Fund), RS S&P 500 Index Fund, RS International Growth Fund, RS Emerging Markets Fund, RS Investment Quality Bond Fund, RS Low Duration Bond Fund, RS High Yield Bond Fund, RS Tax-Exempt Fund, and RS Money Market Fund may make loans to affiliated investment companies to the extent permitted by the 1940 Act or any exemptions therefrom that may be granted by the Securities and Exchange Commission;
8. (i) (RS Partners Fund, RS Value Fund, RS Investors Fund, and RS Global Natural Resources Fund, RS Emerging Growth Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, RS MidCap Opportunities Fund, RS Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)) purchase or sell commodities or commodity contracts, except that the Fund may purchase or sell financial futures contracts, options on financial futures contracts, and futures contracts, forward contracts, and options with respect to foreign currencies, and may enter into swap transactions or other financial transactions, and except as required in connection with otherwise permissible options, futures, and commodity activities as described elsewhere in the Prospectus or this SAI at the time;  
  
(ii) (RS Large Cap Value Fund, RS Small Cap Core Equity Fund, RS Large Cap Alpha Fund (formerly, RS Core Equity Fund), RS Equity Dividend Fund, RS S&P 500 Index Fund, RS International Growth Fund, RS Emerging Markets Fund, RS Investment Quality Bond Fund, RS Low Duration Bond Fund, RS High Yield Bond Fund, RS Tax-Exempt Fund, and RS Money

Market Fund) purchase commodities, except that a Fund may purchase and sell commodity contracts or any type of commodity-related derivative instrument (including, without limitation, all types of commodity-related swaps, futures contracts, forward contracts, and options contracts); and

9. purchase or sell real estate or interests in real estate, including real estate mortgage loans, although (i) it may purchase and sell securities which are secured by real estate and securities of companies, including limited partnership interests, that invest or deal in real estate and it may purchase interests in real estate investment trusts, and (ii) RS Global Natural Resources Fund may invest in any issuers in the natural resources industries, as described in the Prospectus at the time. (For purposes of this restriction, investments by a Fund in mortgage-backed securities and other securities representing interests in mortgage pools shall not constitute the purchase or sale of real estate or interests in real estate or real estate mortgage loans).

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It is contrary to the current policy of each of the Funds, which policy may be changed without shareholder approval, to invest more than 15% of its net assets, and more than 10% of its net assets for RS Money Market Fund, in securities which are not readily marketable, including securities restricted as to resale (other than securities restricted as to resale but determined by the Trustees, or persons designated by the Trustees to make such determinations, to be readily marketable).

All percentage limitations on investments will apply at the time of investment and shall not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of such investment. Except for the investment restrictions listed above as fundamental or to the extent designated as such in the Prospectus, the other investment policies described in this SAI or in the Prospectus are not fundamental and may be changed by approval of the Trustees. As a matter of policy, the Trustees would not materially change a Fund's investment objective without shareholder approval.

The 1940 Act provides that a "vote of a majority of the outstanding voting securities" of the Fund means the affirmative vote of the lesser of (1) more than 50% of the outstanding shares of a Fund, or (2) 67% or more of the shares present at a meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy.

## MANAGEMENT OF THE FUNDS

### Trustees and Officers

The business of the Trust is managed under the direction of the Trust's Board of Trustees. Subject to the provisions of the Trust's Agreement and Declaration of Trust, its By-Laws and Massachusetts law, the Trustees have all powers necessary and convenient to carry out their responsibility, including the election and removal of the Trust's officers.

The following table presents information about each of the Trustees and executive officers of the Trust, including the Trustees' and executive officers' principal occupations for the last five years, although the titles may not have been the same throughout, and similar prior positions within the same company are omitted. Unless otherwise indicated, the business address of the persons listed below is c/o RS Investments, 388 Market Street, 17<sup>th</sup> Floor, San Francisco, CA 94111.

<b>Name, Address, and Month and Year of Birth</b>	<b>Position(s) Held with Trust</b>	<b>Term of Office and Length of Time Served<sup>+</sup></b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Trustee</b>	<b>Other Directorships Held by Trustee<sup>++</sup></b>
<i>Disinterested Trustees</i>					
Judson Bergman,	Trustee	Since May 2006	Founder and CEO, Envestnet Asset Management, a	40	None

February 1957			provider of back-office solutions for financial advisors and the wealth management industry.		
Kenneth R. Fitzsimmons, Jr., October 1945	Trustee	Since May 2007	Retired since September 2002; formerly, Managing Director, Robertson Stephens, an investment banking firm.	40	None
Anne M. Goggin, November 1948	Trustee, Chairman of the Board	Since August 2006	Attorney at law in private practice; formerly, Partner, Edwards and Angell, LLP; formerly, Chief Counsel – Individual Business, Metropolitan Life Insurance Company, an insurance company; and Chairman, President and CEO, MetLife Advisors LLC, an investment management firm.	40	None
Christopher C. Melvin, Jr., September 1954	Trustee	Since November 2007	Chairman & CEO, Melvin & Company, LLC, a brokerage firm.	40	Board Member, Boston Stock Exchange Inc.
Gloria S. Nelund, May 1961	Trustee	Since November 2007	President, Titus Development Group, LLC, a consulting firm; formerly, Head of U.S. Private Wealth Management, Deutsche Bank	40	None
John P. Rohal, April 1947	Trustee	Since February 2008; Also from December 2006 to March 2007	Member, Makena Capital Management LLC; formerly Chairman of EGM Capital, LLC, an investment management firm.	40	None
<b><i>Interested Trustees and Principal Officers</i></b>					
Dennis J. Manning, * January 1947	Trustee	Since August 2006	Chairman, RS Investments; President and CEO, The Guardian Life Insurance Company of America, an insurance company (“Guardian Life”); Director, Life Insurance Council of New York, Inc., a life insurance trade association.	40	None
Terry R.	Trustee;	Trustee since	CEO (prior to September	40	None

Otton,** March 1954	President and Principal Executive Officer	December 2006; President and Principal Executive Officer since September 2005; Co-President and Co-Principal Executive Officer November 2004 through September 2005; Treasurer and Principal Financial and Accounting Officer May 2004 through September 2006	2005, co-CEO, COO, and CFO and prior to August 2006, CEO and CFO), RS Investments; formerly, Managing Director, Putnam Lovell NBF Group Inc., an investment banking firm.		
James E. Klescewski, November 1955	Treasurer and Principal Financial and Accounting Officer	Since September 2006	CFO, RS Investments; formerly, CFO, JCM Partners, LLC, an investment management firm; formerly, CFO, Private Wealth Partners, LLC, an investment management firm; formerly, CFO, Fremont Investment Advisors, Inc., an investment management firm; formerly, CFO, Montgomery Asset Management, LLC, an investment management firm.	N/A	N/A
Benjamin L. Douglas, January 1967	Vice President, Secretary, and Chief Legal Officer	Vice President and Secretary since February 2004; Chief Legal Officer since August 2004	General Counsel, RS Investments; formerly, Vice President and Senior Counsel, Charles Schwab Investment Management, Inc., an investment management firm.	N/A	N/A
John J. Sanders, Jr., August 1945	Senior Vice President, Chief Compliance Officer, and Anti-Money Laundering Compliance Officer	Senior Vice President since November 2004; Chief Compliance Officer since August 2004; Anti-Money Laundering Compliance Officer since	Chief Compliance Officer, RS Investments; formerly, Chief Compliance Officer and co-COO, Husic Capital Management, an investment management firm.	N/A	N/A

May 2004

+ Under the Trust's Agreement and Declaration of Trust, a Trustee serves until his or her successor is elected or qualified, or until he or she sooner dies, resigns, is removed or becomes disqualified. Under the Trust's By-Laws, officers hold office at the pleasure of the Trustees. In addition, the Trustees have designated a mandatory retirement age of 72, which can be deferred annually by unanimous vote of all members of the Board, excluding the member who has reached the retirement age.

++ Directorships or trusteeships of companies required to report to the SEC (*i.e.*, "public companies").

\* Mr. Manning is an "interested person" under the 1940 Act by virtue of his position with Guardian Life, the parent of Guardian Investor Services LLC ("GIS"), which owns a majority of the ownership interest in RS Investments, the Trust's investment adviser, and by virtue of his position as Chairman of RS Investments.

\*\* Mr. Otton is an "interested person" under the 1940 Act by virtue of his position with RS Investments.

### **Committees of the Board of Trustees**

The Board met five times during the last fiscal year. The RS Board of Trustees has four standing committees – the Audit Committee; the Nominating Committee; the Brokerage and Pricing Committee; and the Legal and Regulatory Committee. The purposes of the Audit Committee are: to oversee the accounting and financial reporting processes of the Trust and its series and its internal control over financial reporting and, as the Committee deems appropriate, to inquire into the internal control over financial reporting of certain third-party service providers; to oversee the quality and integrity of the Trust's financial statements and the independent audit thereof; to oversee, or, as appropriate, assist Board oversight of, the Funds' compliance with legal and regulatory requirements that relate to the Funds' accounting and financial reporting, internal control over financial reporting, and independent audits; to approve prior to appointment the engagement of the Trust's independent registered public accounting firm and, in connection therewith, to review and evaluate the qualifications, independence, and performance of the Trust's independent registered public accounting firm; and to act as liaison between the Trust's independent registered public accounting firm and the full Board. As of the date hereof, the members of the Audit Committee are Messrs. Bergman (chair) and Rohal and Ms. Nelund. The Audit Committee met four times during the fiscal year ended December 31, 2007.

The responsibility of the Nominating Committee is to supervise the nominations and elections of disinterested Trustees of the Trust. As of the date hereof, the Nominating Committee is composed of Messrs. Bergman, Fitzsimmons, Melvin, and Rohal, and Mmes. Goggin and Nelund. The Nominating Committee met four times during the fiscal year ended December 31, 2007. The Nominating Committee will consider and evaluate nominee candidates properly submitted by shareholders on the same basis as it considers and evaluates candidates recommended by other sources. To submit properly a nominee recommendation for the Committee's consideration, a shareholder must submit such recommendation in writing to the Trust, to the attention of the Trust's Secretary, at the address of the principal executive offices of the Trust. The recommendation must be delivered to the Trust not less than 45 days nor more than 75 days prior to the date of the Nominating Committee meeting at which the candidate would be considered, and must include: (i) biographical information regarding the candidate, the series and number of shares of the Trust owned of record or beneficially by the candidate (as reported to the recommending shareholder by the candidate), any other information regarding the candidate called for with respect to director nominees by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K or paragraph (b) of Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any other information regarding the candidate that would be required to be disclosed if the candidate were a nominee in a proxy statement or other filing required to be made in connection with solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, and whether the recommending shareholder believes that the candidate is or will be an "interested person" of the Trust, and, if not an "interested person," information regarding the candidate that will be sufficient for the Trust to make such determination; (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected; (iii) the recommending shareholder's name as it appears on the Trust's books; (iv) the series and number of all shares of the Trust owned beneficially and of record by the recommending shareholder; and (v) a description of all arrangements or understandings between the recommending shareholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made by the recommending shareholder. In addition, the Nominating Committee may require the candidate to furnish such other

information as it may reasonably require or deem necessary to determine the eligibility of such candidate to serve as a Trustee of the Trust.

The purpose of the Brokerage and Pricing Committee is to assist the Board of Trustees in its review and oversight of the brokerage services provided to the Funds and of the valuation of the Funds' portfolio investments. The duties of the Brokerage and Pricing Committee include reviewing information regarding the following: brokerage practices of the Advisers; principal transactions effected by the Advisers on behalf of the Funds; the efficiency of an Adviser's execution of transactions in a Fund's portfolio securities in a specified period; compliance by the Funds and the Advisers with applicable law and relevant policies and procedures of the Funds relating to the purchase and sale of portfolio securities by the Funds; soft-dollar practices of the Advisers as they relate to the Funds; and compliance by the Advisers with applicable law and relevant policies and procedures of the Funds relating to the use of soft dollars. As of the date hereof, the Brokerage and Pricing Committee is composed of Messrs. Fitzsimmons (chair), Melvin, and Rohal. The Brokerage and Pricing Committee met two times during the fiscal year ended December 31, 2007.

The purpose of the Legal and Regulatory Committee is to assist the Board of Trustees in its review and oversight of the Funds' legal and regulatory compliance. The duties of the Legal and Regulatory Committee include reviewing the following: any proposed changes to the compliance policies or procedures of the Trust and appropriate service providers; reports on the compliance by the Funds with certain exemptive rules under the 1940 Act, exemptive relief, and no-action relief under which the Funds operate; information provided to the Committee and the Board of Trustees as to litigation involving the Trust or any service provider to the Trust; and proposals as to changes in the contractual arrangements relating to any of the Funds. As of the date hereof, the Legal and Regulatory Committee is composed of Mmes. Nelund (chair) and Goggin, and Mr. Melvin. The Legal and Regulatory Committee met three times during the fiscal year ended December 31, 2007.

### **Beneficial Ownership**

The following table discloses the dollar range of equity securities beneficially owned by each Trustee in any Fund and, on an aggregate basis, in all of the RS funds overseen by the Trustees in the Fund Complex as of December 31, 2007.

<u>Name of Trustee</u>	<u>Dollar Range of Equity Securities in the Funds</u> <sup>1</sup>	<u>Aggregate Dollar Range of Equity Securities in All Funds in the Fund Complex</u> <sup>1</sup>
<i>Disinterested Trustees</i>		
Judson Bergman	RS Investors Fund	
	\$10,001 - \$50,000	
	RS Global Natural Resources Fund	
	\$10,001 - \$50,000	> \$100,000
	RS Emerging Growth Fund	
	\$10,001 - \$50,000	
	RS Growth Fund	
	\$10,001 - \$50,000	
Kenneth R. Fitzsimmons, Jr. <sup>2</sup>	RS Partners Fund	
	\$10,001-\$50,000	\$50,001-\$100,000
	RS Global Natural Resources Fund	
	\$10,001-\$50,000	
Anne M. Goggin, Esq.	RS Partners Fund	
	\$10,001 - \$50,000	
	RS Value Fund	
	\$10,001 - \$50,000	> \$100,000
	RS Global Natural Resources Fund	
	\$10,001 - \$50,000	
	RS Large Cap Alpha Fund	
	\$10,001 - \$50,000	

<u>Name of Trustee</u>	<u>Dollar Range of Equity Securities in the Funds<sup>1</sup></u>	<u>Aggregate Dollar Range of Equity Securities in All Funds in the Fund Complex<sup>1</sup></u>
Christopher C. Melvin <sup>2</sup>	RS Emerging Growth Fund \$10,001 - \$50,000	
	RS Emerging Markets Fund \$1-\$10,000	
	RS Tax-Exempt Fund \$1-\$10,000	
	RS Value Fund \$1-\$10,000	
	RS Equity Dividend Fund \$1-\$10,000	
	RS S&P 500 Index Fund \$1-\$10,000	\$1-\$10,000
	RS Investment Quality Bond Fund \$1-\$10,000	
Gloria S. Nelund <sup>2</sup>	RS Global Natural Resources Fund \$1-\$10,000	
	RS Emerging Growth Fund \$10,001 - \$50,000	
	RS Smaller Company Growth Fund \$1-\$10,000	\$50,001-\$100,000
	RS Technology Fund \$50,001-\$100,000	
John P. Rohal <sup>2</sup>	None	None
<b><i>Interested Trustees</i></b>		
Dennis J. Manning <sup>3</sup>	RS Small Cap Core Equity Fund \$50,001-\$100,000	
	RS Large Cap Alpha Fund >\$100,000	
	RS S&P 500 Index Fund >\$100,000	> \$100,000
	RS Asset Allocation Fund \$50,001-\$100,000	
	RS Money Market Fund \$10,001-\$50,000	
	Terry R. Otton <sup>3</sup>	RS Partners Fund >\$100,000
RS Investors Fund \$1-\$10,000		
RS Emerging Growth Fund >\$100,000		> \$100,000
RS Select Growth Fund \$50,001-\$100,000		
RS Technology Fund \$50,001-\$100,000		

<sup>1</sup> Includes indirect notional interests of disinterested Trustees under the Trust's deferred compensation plan.

<sup>2</sup> Mr. Fitzsimmons was elected to the Board of Trustees on May 16, 2007. Mr. Melvin and Ms. Nelund were both elected to the Board of Trustees on November 20, 2007. Mr. Rohal was elected to the Board of Trustees on February 1, 2008.

<sup>3</sup> Mr. Manning is an “interested person” under the 1940 Act by virtue of his position with Guardian Life, the parent of GIS, which owns a majority of the ownership interest in RS Investments, the Trust’s investment adviser, and by virtue of his position as Chairman of RS Investments. Mr. Otton is an “interested person” under the 1940 Act by virtue of his position at RS Investments.

As of December 31, 2007, none of the current disinterested Trustees or their immediate family members owned beneficially any class of security in RS Investments, GIS, the principal underwriter of the Funds, Guardian Baillie Gifford Limited (“GBG”), Baillie Gifford Overseas Limited (“BG Overseas”), or UBS Global Asset Management (Americas) Inc. (“UBS Global AM”), or in any entity (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with RS Investments, GIS, GBG, BG Overseas, or UBS Global AM.

### Compensation

Pursuant to the terms of the investment advisory agreement between the Trust, on behalf of each Fund and RS Investments (the “Advisory Agreement”), RS Investments pays all compensation of officers of the Trust as well as the fees and expenses of all Trustees of the Trust who are interested persons of the Trust (as defined in the 1940 Act). Each Fund pays its allocable portion of independent Trustee fees and expenses based on each such Fund’s net asset value.

The table below sets forth the compensation received by the Trustees from each Fund with a full fiscal year of operations and the aggregate compensation paid to the Trustees by all the funds in the RS Fund Complex for the fiscal year ended December 31, 2007. For any Funds that did not have a full fiscal year of operations as of December 31, 2007, the table below sets forth an estimate of the compensation that such Funds will pay during the fiscal year ending December 31, 2008. Each Fund pays its allocable portion of Trustee fees and expenses based on each such Fund’s net asset value. Mr. Manning and Mr. Otton, as interested trustees, are not paid compensation by the Funds.

**Compensation Table  
For The Year Ended December 31, 2007**

Name of Fund	Leonard B. Auerbach <sup>1</sup>	Judson Bergman	Jerome S. Contro <sup>1</sup>	Kenneth R. Fitzsimmons, Jr. <sup>2</sup>	John W. Glynn, Jr. <sup>1</sup>	Anne M. Goggin, Esq.	Christopher B. Melvin, Jr. <sup>2</sup>	Gloria S. Nelund <sup>2</sup>	John P. Rohal <sup>3</sup>
RS Partners Fund	\$20,228	\$22,492	\$21,704	\$12,345	\$22,183	\$23,869	\$1,113	\$1,277	\$4,178
RS Value Fund	\$18,522	\$21,532	\$20,643	\$12,543	\$21,013	\$22,934	\$1,239	\$1,421	\$3,413
RS Investors Fund	\$484	\$506	\$491	\$260	\$505	\$533	\$20	\$23	\$107
RS Global Natural Resources Fund		\$15,457	\$14,787	\$9,077	\$15,066	\$16,563	\$977	\$1,121	\$2,459
RS Large Cap Value Fund	\$12,885	\$805	\$779	\$437	\$796	\$859	\$41	\$48	\$157
RS Small Cap Core Equity Fund	\$1,379	\$1,544	\$1,490	\$845	\$1,525	\$1,645	\$80	\$92	\$292
RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)	\$6,454	\$7,381	\$7,109	\$4,095	\$7,276	\$7,892	\$412	\$473	\$1,363

RS Equity Dividend Fund <sup>4</sup>	--	\$84	\$20	\$82	\$20	\$148	\$73	\$82	\$69
RS S&P 500 Index Fund	\$1,358	\$1,525	\$1,474	\$829	\$1,508	\$1,628	\$80	\$92	\$295
RS Asset Allocation Fund	\$937	\$1,050	\$1,016	\$568	\$1,039	\$1,121	\$55	\$63	\$205
RS Emerging Growth Fund	\$4,840	\$5,408	\$5,236	\$2,858	\$5,374	\$5,784	\$281	\$323	\$1,128
RS Smaller Company Growth Fund	\$2,174	\$2,436	\$2,358	\$1,323	\$2,408	\$2,598	\$126	\$145	\$473
RS Select Growth Fund	\$1,341	\$1,478	\$1,434	\$759	\$1,477	\$1,582	\$74	\$85	\$327
RS MidCap Opportunities Fund	\$2,111	\$2,426	\$2,336	\$1,358	\$2,386	\$2,592	\$137	\$157	\$438
RS Growth Fund	\$1,405	\$1,615	\$1,557	\$892	\$1,593	\$1,729	\$91	\$105	\$303
RS Technology Fund (formerly, The Information Age Fund <sup>®</sup> )	\$644	\$888	\$830	\$550	\$859	\$969	\$77	\$89	\$129
RS International Growth Fund	\$590	\$674	\$649	\$373	\$665	\$721	\$38	\$43	\$125
RS Emerging Markets Fund	\$2,133	\$2,746	\$2,608	\$1,671	\$2,663	\$2,976	\$208	\$238	\$404
RS Investment Quality Bond Fund	\$841	\$960	\$928	\$527	\$948	\$1,028	\$53	\$61	\$183
RS Low Duration Bond Fund	\$266	\$304	\$294	\$167	\$300	\$325	\$17	\$19	\$57
RS High Yield Bond Fund	\$629	\$710	\$686	\$388	\$702	\$760	\$38	\$44	\$137
RS Tax-Exempt Fund	\$776	\$882	\$853	\$483	\$871	\$944	\$48	\$56	\$169
RS Money Market Fund	\$3,248	\$3,748	\$3,617	\$2,091	\$3,689	\$4,016	\$214	\$246	\$687
Pension or Retirement Benefits Accrued as Part of Trust Expenses Estimated Annual Benefits Upon Retirement	--	--	--	--	--	--	--	--	--
Total Cash Compensation	\$106,304	\$122,100	\$117,500	\$68,593	\$119,986	\$130,374	\$6,848	\$7,859	\$21,736

<sup>1</sup> Leonard B. Auerbach resigned from the Board of Trustee effective September 21, 2007. Jerome S. Contro and John W. Glynn, Jr. resigned from the Board of Trustees effective April 30, 2008.

<sup>2</sup> Kenneth R. Fitzsimmons, Jr. was elected to the Board of Trustees on May 16, 2007. Christopher B. Melvin, Jr. and Gloria S. Nelund were both elected to the Board of Trustees on November 20, 2007.

<sup>3</sup> Reflects compensation paid to Mr. Rohal by the Funds for Mr. Rohal's service as an independent Trustee of the Trust from January 1, 2007, until March 6, 2007. From March 7, 2007, to January 31, 2008, Mr. Rohal served as a consultant to the Board of Trustees, and his compensation for such services was paid by RS Investments. Mr. Rohal was elected to serve as an independent Trustee of the Trust as of February 1, 2008.

<sup>4</sup> The Fund has not completed a full fiscal year of operations; therefore, compensation is estimated for the Fund's current fiscal year ending December 31, 2008.

<sup>5</sup> These are actual amounts paid by all of the Funds for the fiscal year ended December 31, 2007, including Funds that had not completed a full fiscal year of operations as of December 31, 2007; these amounts do not include any estimated fees for the fiscal year ending December 31, 2008. The Fund Complex consists of the series of the Trust and RS Variable Products Trust.

<sup>6</sup> Under a Deferred Compensation Plan (the "Plan") adopted May 6, 2002, a disinterested Trustee may elect to defer receipt of all, or a portion, of his or her annual compensation. The amount of a Fund's deferred compensation obligation to a Trustee is determined over time by adjusting the amount of the deferred compensation to reflect the investment return of one or more Funds designated for the purpose by the Trustee. A Fund may cover its deferred compensation obligation to a Trustee by investing in one or more of such designated Funds. Each Fund's liability for deferred compensation to a Trustee is adjusted periodically to reflect the investment performance of the Funds designated by the Trustee. Deferred amounts remain in a Fund until distributed in accordance with the Plan. As of December 31, 2007, the total amount of deferred compensation payable to or accrued for each of the Trustees by the RS Fund Complex was: Mr. Bergman \$178,203, Mr. Fitzsimmons \$68,762, Ms. Goggin \$152,317, Mr. Melvin \$6,848, and Ms. Nelund \$7,859.

### **Waivers of Certain Sales Loads**

There is no initial sales load on Class A shares of RS Money Market Fund.

Class A share purchases are available without initial or contingent deferred sales loads to:

- RS Investments, GIS, Guardian Life, their subsidiaries, or any of their separate accounts;
- present and retired directors, managers, officers, employees, general agents, and field representatives of RS Investments, GIS, Guardian Life, or their subsidiaries;
- present and retired directors, trustees, or officers of any open-end investment management company within the RS fund complex;
- trustees or custodians of any employee benefit plan, IRA, Keogh plan, or trust established for the benefit of RS Investments, GIS, or Guardian Life employees and officers named previously;
- present and retired directors, trustees, officers, partners, and employees of broker-dealer firms that have written sales agreements with RS Investments or GIS;
- spouses, parents, siblings, children, and grandchildren of the individuals named above;
- qualified retirement plans that invest \$3 million in plan assets;
- direct rollovers into an RS Investment Trust IRA from a qualified retirement plan that is invested in RS Investment Trust;
- any trust company or bank trust department exercising discretionary investment authority and holding unallocated accounts in a fiduciary, agency, custodial, or similar capacity;
- RS Asset Allocation Fund, when it makes purchases of other Funds;
- certain financial intermediaries such as broker-dealers, financial institutions, and registered investment advisers who offer fee-based "wrap account" programs and employee benefit plans; and

- accounts that held shares of any of RS Select Growth Fund (previously, RS Diversified Growth Fund), RS Emerging Growth Fund, RS Growth Fund, RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>), RS MidCap Opportunities Fund, RS Smaller Company Growth Fund, RS Global Natural Resources Fund, RS Investors Fund, RS Partners Fund, or RS Value Fund as of October 6, 2006, and have continuously held shares of one or more RS Fund(s) since October 6, 2006. Accounts held through certain financial intermediaries may not be eligible.

In addition, employee benefit plans that cover at least 200 eligible participants may purchase Class A shares without any initial sales load. However, a contingent deferred sales load will apply for these purchases over \$1 million that are redeemed within 18 months.

You may also qualify for a reduced initial sales load through the Rights of Accumulation program and through investment by Letter of Intent. Information about sales load discounts is also available free of charge on the Fund's Web site, [www.RSinvestments.com](http://www.RSinvestments.com).

### Codes of Ethics

The Trust, RS Investments, GIS, GBG, BG Overseas, and UBS Global AM have each adopted codes of ethics under rule 17j-1 of the Investment Company Act which permit personnel subject to the codes to invest in securities, including securities that may be purchased or held by a Fund.

### Control Persons and Principal Holders

As of August 29, 2008, to the Funds' knowledge, the shareholders who owned beneficially or of record more than 5% of the outstanding shares of any Fund were as set forth in the following table.

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
<b>RS PARTNERS FUND (CLASS A)</b>	
Fidelity Investments Institutional Operations Co Inc (FIIOC) as Agent Certain Employee Benefit Plan 100 Magellan Way #KW1C Covington, KY 41015-1999	13.31%
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	12.38%
<b>RS VALUE FUND (CLASS A)</b>	
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	15.56%
Prudential Investment Management Service FBO Mutual Fund Clients Attention Pruchoice Unit Mail Stop 194-201 194 Wood Avenue South Iselin, NJ 08830-2710	6.82%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
<b>RS INVESTORS FUND (CLASS A)</b>	
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	12.70%
<b>RS GLOBAL NATURAL RESOURCES FUND (CLASS A)</b>	
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	28.31%
Prudential Investment Management Service FBO Mutual Fund Clients Attention Pruchoice Unit Mail Stop 194-201 194 Wood Avenue South Iselin, NJ 08830-2710	19.06%
<b>RS LARGE CAP VALUE FUND (CLASS A)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	75.89%
<b>RS SMALL CAP CORE EQUITY FUND (CLASS A)</b>	
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 145 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	31.68%
Wachovia Bank FBO Various Retirement Plans 3900 Burgess Place Bethlehem, PA 18017-9097	23.47%
<b>RS LARGE CAP ALPHA FUND (CLASS A)</b>	
Wachovia Bank FBO Various Retirement Plans 1525 West WT Harris Boulevard Charlotte, NC 28288-001	16.33%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 41 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	6.57%
The Guardian Value Line Qualified Account #03 of the Guardian Ins & Annuity & Co Attention Equity Accounting P.O. Box 26210 Bethlehem, PA 18002	5.80%
<b>RS EQUITY DIVIDEND FUND (CLASS A)</b>	
Guardian Insurance & Annuity Co Inc. Attention Investment Accounting H17B 7 Hanover SQ New York, NY 10004-2616	48.81%
LPL Financial FBO: Customer Accounts Attention Mutual Fund Operations 9785 Towne Centre Drive San Diego, CA 92121-1968	10.39%
NFS LLC FEBO Michael J. Kelly Brenda B. Kelly Charlotte, NC	6.58%
<b>RS ASSET ALLOCATION FUND (CLASS A)</b>	
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 40 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	18.98%
<b>RS EMERGING GROWTH FUND (CLASS A)</b>	
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	17.46%
Fidelity Investments Institutional Operations Co Inc (FIIOC) as Agent Certain Employee Benefit Plan 10 Magellan Way #KW1C Covington, KY 41015-1999	7.44%
<b>RS SMALLER COMPANY GROWTH FUND (CLASS A)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Citigroup Global Markets Inc. 388 Greenwich Street 333 W 34th Street New York, NY 10001-2402	39.62%
Fidelity Investments Institutional Operations Co Inc (FIIOC) as Agent Certain Employee Benefit Plan 100 Magellan Way #KW1C Covington, KY 41015-1999	12.65%
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	5.62%
<b>RS SELECT GROWTH FUND (CLASS A)</b>	
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	33.50%
<b>RS MIDCAP OPPORTUNITIES FUND (CLASS A)</b>	
NFS LLC FEBO State Street Bank Trust Co TTEE Various Retirement Plans 4 Manhattanville Road Purchase, NY 10577-2139	26.16%
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	11.88%
<b>RS TECHNOLOGY FUND (CLASS A)</b>	
Charles Schwab & Co Inc Reinvestment Account Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	22.23%
Citigroup Global Markets Inc. 388 Greenwich Street 333 W 34th Street New York, NY 10001-2402	6.51%
<b>RS INTERNATIONAL GROWTH FUND (CLASS A)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 40 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	32.42%
<b>RS EMERGING MARKETS FUND (CLASS A)</b>	
Prudential Investment Management Service FBO Mutual Fund Clients Attention Pruchoice Unit Mail Stop NJ-11-05-20 100 Mulberry Street Newark, NJ 07102-4056	15.54%
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 146 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	12.94%
<b>RS INVESTMENT QUALITY BOND FUND (CLASS A)</b>	
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 42 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	44.58%
Wachovia Bank FBO Various Retirement Plans 1525 West WT Harris Boulevard Charlotte, NC 28288-001	25.20%
<b>RS HIGH YIELD BOND FUND (CLASS A)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	84.03%
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 41 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	7.29%
<b>RS TAX EXEMPT FUND (CLASS A)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	80.44%
<b>RS MONEY MARKET FUND (CLASS A)</b>	
National Financial Services Corp For the Exclusive Benefit of Our Customers Attention Mike McLaughlin P.O. Box 3908 New York, NY 10008-3908	55.84%
Guardian Insurance & Annuity Co Inc Separate Account L – Adv 43 Attention Equity Accounting 3s-18 3900 Burgess Place Bethlehem, PA 18017-9097	27.16%
<b>RS LARGE CAP VALUE FUND (CLASS B)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	94.27%
<b>RS SMALL CAP CORE EQUITY FUND (CLASS B)</b>	
Guardian Investor Services LLC Equity Reporting Attention John Walter 7 Hanover Square H 19-C New York, NY 10004-2616	9.75%
<b>RS S&amp;P 500 FUND (CLASS B)</b>	
NFS LLC FEBO Michael J. Nevin Rivervale, NJ	9.30%
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	7.42%
<b>RS ASSET ALLOCATION FUND (CLASS B)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Investor Services LLC Equity Reporting Attention John Walter 7 Hanover Square H 19-C New York, NY 10004-2616	38.44%
<b>RS EMERGING MARKETS FUND (CLASS B)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	72.66%
<b>RS INTERNATIONAL GROWTH FUND (CLASS B)</b>	
Guardian Investor Services LLC Equity Reporting Attention John Walter 7 Hanover Square H 19-C New York, NY 10004-2616	64.14%
<b>RS INVESTMENT QUALITY BOND FUND (CLASS B)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	80.94%
<b>RS LOW DURATION BOND FUND (CLASS B)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	95.97%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
<b>RS HIGH YIELD BOND FUND (CLASS B)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	78.83%
Guardian Investor Services LLC Equity Reporting Attention John Walter 7 Hanover Square H 19-C New York, NY 10004-2616	15.95%
<b>RS MONEY MARKET FUND (CLASS B)</b>	
Ruby J. Harvard Saint Francisville, LA	13.91%
State Street Bank & Trust Cust Roger D. Weiner Clarksdale, MS	7.42%
Frank R. Schigg TTEE Ronchi America LLC 401k Plan FBO Frank R. Schigg Park Ridge NJ	6.55%
<b>RS VALUE FUND (CLASS C)</b>	
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	8.24%
<b>RS INVESTORS FUND (CLASS C)</b>	
Sterne Agee & Leach Inc. 813Shades Creek Parkway Birmingham, AL 35209-4542	65.45%
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	34.55%
<b>RS LARGE CAP VALUE FUND (CLASS C)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	98.24%
<b>RS SMALL CAP CORE EQUITY FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	91.87%
<b>RS LARGE CAP ALPHA FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	29.46%
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	13.64%
<b>RS EQUITY DIVIDEND FUND (CLASS C)</b>	
Guardian Insurance & Annuity Co Inc. Attention Investment Accounting H17B 7 Hanover Square New York, NY 10004-2616	89.47%
<b>RS S&amp;P 500 INDEX FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	78.79%
<b>RS ASSET ALLOCATION FUND (CLASS C)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	88.76%
<b>RS EMERGING GROWTH FUND (CLASS C)</b>	
Pershing LLC P.O. Box 2052 Jersey City, NJ 07303-2052	19.31%
Raymond James & Associates Inc. CSDN FBO Elizabeth L. Gleicher Pleasant Ridge, MI	13.10%
State Street Bank & Trust Cust David M. Sessums Vicksburg, MS	7.11%
Raymond James & Assoc Inc CSDN FBP Wayne Odom Saraland, AL	6.38%
<b>RS SMALLER COMPANY GROWTH FUND (CLASS C)</b>	
Keith C. Couch Julie A. Couch Barstead, NH	50.95%
MSANDCO Cust FBO Grace M. Silvestro Trenton, NJ	29.26%
MSANDCO Cust FBO Grace M. Silvestro Trenton, NJ	19.78%
<b>RS SELECT GROWTH FUND (CLASS C)</b>	
NFS LLC FEBO Edward I Funasaki Honolulu, HI	63.52%
Keith M. Thompson Peabody, MA	36.45%
<b>RS MIDCAP OPPORTUNITIES FUND (CLASS C)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Raymond James & Associates Inc. FBP Terence J. Fleming DDS & Donna G. Fleming Hillsboro, OR	7.40%
Raymond James & Associates Inc. FBO Samuel K Fletcher & Sandra C Fletcher Marietta, GA	5.43%
Raymond James & Associates Inc. FBO Howard S Homan San Antonio, TX	5.16%
Raymond James & Associates Inc. FBO David E Kight & Katie G Kight Jacksonville, FL	5.11%
<b>RS GROWTH FUND (CLASS C)</b>	
First Clearing, LLC Merle H. Donahue Living Trust Saint Petersburg, FL	13.66%
Sudershan K Dang Physician 401 K Profit Sharing DTD FBO Pooled Account Utica, NY	10.57%
UBS Financial Services Inc. FBO Michael Knoop Kathleen Knoop Largo, FL	10.45%
MSANDCO FBO Thomas W. Bergen & Jan Leoffler Bergen Lancaster, PA	10.03%
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	7.20%
MS & Co FBO Wade Caruso Cust For Mariah T. Caruso Nashua, NH	7.07%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
MS & Co FBO Wade Caruso Cust For Mariah T. Caruso Nashua, NH	6.43%
<b>RS TECHNOLOGY FUND (CLASS C)</b>	
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	51.78%
NFS LLC FEBO NFS / FMTC FBO Barbara Jean Forbes Wooster, OH	11.15%
<b>RS INTERNATIONAL GROWTH FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	94.99%
<b>RS EMERGING MARKETS FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B September 25, 2008 New York, NY 10004-2616	41.41%
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	5.83%
<b>RS INVESTMENT QUALITY BOND FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	84.10%
<b>RS LOW DURATION BOND FUND (CLASS C)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	97.35%
<b>RS HIGH YIELD BOND FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	98.50%
<b>RS TAX-EXEMPT FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	94.99%
<b>RS MONEY MARKET FUND (CLASS C)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	84.18%
<b>RS PARTNERS FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York NY 10004-2616	74.86%
<b>RS VALUE FUND (CLASS K)</b>	
Miler & Long Employees Profit Sharing Plan Miller & Long Co Inc. 4824 Rugby Avenue Bethesda, MD 20814-3019	62.86%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
MG Trust Company As Agent For Frontier Trust Co As Trustee Advanced Refrigeration & Air, Inc. P.O. Box 10699 Fargo, ND 58106-0699	9.93%
<b>RS INVESTORS FUND (CLASS K)</b>	
MG Trust Company Cust. FBO TTK Construction Co., Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	34.77%
MG Trust Company Cust. FBO L & S Packing, Co., Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	27.63%
MG Trust Company Cust. FBO Mark A. Springer, D.D.S. & Associates 700 17th Street, Suite 300 Denver, CA 80202-3531	13.87%
<b>RS GLOBAL NATURAL RESOURCES FUND (CLASS K)</b>	
MG Trust Company Cust. FBO TTK Construction Co., Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	10.15%
MG Trust Company Cust. FBO Spectron Systems Technology, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	9.64%
MG Trust Company Cust. FBO Duban Accountancy, LLP 700 17th Street, Suite 300 Denver, CA 80202-3531	7.47%
MG Trust Company Cust. FBO Alliance Resources, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	5.06%
<b>RS LARGE CAP VALUE FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	79.45%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
<b>RS SMALL CAP CORE EQUITY FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	71.00%
<b>RS LARGE CAP ALPHA FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	58.97%
MG Trust Company As Agent for Frontier Trust Co as Trustee Peerless Transport 401(k) Plan P.O. Box 10699 Fargo, ND 58106-0699	8.25%
<b>RS EQUITY DIVIDEND FUND (CLASS K)</b>	
Guardian Insurance & Annuity Co Inc. Attention Investment Accounting H17B 7 Hanover Square New York, NY 10004-2616	98.88%
<b>RS S&amp;P 500 INDEX FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	48.85%
<b>RS ASSET ALLOCATION FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	75.84%
<b>RS EMERGING GROWTH FUND (CLASS K)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
MG Trust Company Cust. FBO Exhausto, Inc. U.S.A. 700 17th Street, Suite 300 Denver, CO 80202-3531	14.51%
MG Trust Company Cust. FBO Spectron Systems Technology, Inc. 700 17th Street, Suite 300 Denver, CO 80202-3531	13.23%
MG Trust Company Cust. FBO Professional Solutions LLC 700 17th Street, Suite 300 Denver, CO 80202-3531	11.07%
MG Trust Company Cust. FBO Joan Nerlino Caddell & Associates 700 17th Street, Suite 300 Denver, CO 80202-3531	6.34%
<b>RS SMALLER COMPANY GROWTH FUND (CLASS K)</b>	
MG Trust Company Cust. FBO Printable Services, LLC 700 17th Street, Suite 300 Denver, CA 80202-3531	30.50%
MG Trust Company Cust. FBO TTK Construction Co, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	13.10%
MG Trust Company Cust. FBO Inland Empire Electric Co. 700 17th Street, Suite 300 Denver, CA 80202-3531	10.30%
State Street Bank & Trust Co As Custodian For Various Symetra Retirement Plan 801 Pennsylvania Avenue Kansas City, MO 64105-1307	7.63%
MG Trust Company Cust. FBO Optimum Health Care, LLC 700 17th Street, Suite 300 Denver, CA 80202-3531	5.34%
MG Trust Company Cust. FBO Dennis L. Citrin, MD, SC 700 17th Street, Suite 300 Denver, CA 80202-3531	5.15%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
<b>RS SELECT GROWTH FUND (CLASS K)</b>	
MG Trust Company Cust. FBO Iversen & Biondo Associates, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	17.40%
MG Trust Company Cust. FBO Plainfield Animal Hospital 700 17th Street, Suite 300 Denver, CA 80202-3531	15.30%
MG Trust Company Cust. FBO Spectron Systems Technology, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	14.07%
MG Trust Company Cust. FBO Clarkson Shipping Services USA 700 17th Street, Suite 300 Denver, CA 80202-3531	7.86%
MG Trust Company Cust. FBO Hamilton & Finch, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	7.49%
MG Trust Company Cust. FBO KC Robotics, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	6.86%
MG Trust Company Cust. FBO Pine Creek Bedding Company, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	5.39%
<b>RS MIDCAP OPPORTUNITIES FUND (CLASS K)</b>	
MG Trust Company Cust. FBO Ipswich Maritime Products, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	21.57%
MG Trust Company Cust. FBO Cameo Kitchens, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	6.04%
MG Trust Company Cust. FBO Contemporary Web Plus, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	5.66%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
MG Trust Company Cust. FBO Spectron Systems Technology, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	5.46%
<b>RS GROWTH FUND (CLASS K)</b>	
MG Trust Company Cust. FBO Exhausto, Inc. U.S.A. 700 17th Street, Suite 300 Denver, CO 80202-3531	17.85%
MG Trust Company Cust. FBO American Insurance Network, Inc. 700 17th Street, Suite 300 Denver, CO 80202-3531	13.39%
MG Trust Company Cust. FBO Glenn Hugh, Inc. 700 17th Street, Suite 300 Denver, CO 80202-3531	7.57%
MG Trust Company Cust. FBO Centinela Animal Hospital, Inc. 700 17th Street, Suite 300 Denver, CO 80202-3531	5.75%
<b>RS TECHNOLOGY FUND (CLASS K)</b>	
MG Trust Company Cust. FBO Alliance Resources, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	16.31%
MG Trust Company Cust. FBO Spectron Systems Technology, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	9.52%
MG Trust Company Cust. FBO Rhodes Insurancy Agency, inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	9.28%
MG Trust Company Cust. FBO L & S Packing, Co., Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	7.89%
MG Trust Company Cust. FBO Performance Management Services 700 17th Street, Suite 300 Denver, CA 80202-3531	7.51%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
MG Trust Company Cust. FBO Berry Associates, Inc. 700 17th Street, Suite 300 Denver, CA 80202-3531	6.26%
MG Trust Company Cust. FBO Mohawk Customs & Shipping Corporation 700 17th Street, Suite 300 Denver, CA 80202-3531	5.48%
<b>RS INTERNATIONAL GROWTH FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	69.40%
<b>RS EMERGING MARKETS FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	74.96%
<b>RS INVESTMENT QUALITY BOND FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	37.91%
<b>RS LOW DURATION BOND FUND (CLASS K)</b>	
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	80.11%
<b>RS HIGH YIELD BOND FUND (CLASS K)</b>	

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Guardian Life Insurance Company of America Investment Accounting Attention Kate Witzke 7 Hanover Square H 17-B New York, NY 10004-2616	79.73%
<b>RS MONEY MARKET FUND (CLASS K)</b>	
MG Trust Custodian Kern Bone & Joint Specialists, Inc. 700 17th Street, Suite 150 Denver, CO 80202-3502	6.96%
MG Trust Company Cust. FBO KLD Associates, Inc. 700 17th Street, Suite 300 Denver, CO 80202-3531	6.64%
<b>RS PARTNERS FUND (CLASS Y)</b>	
Merrill Lynch Pierce Fenner & Smith Merrill Lynch Financial Data Serv 4800 Deer Lake Drive E Jacksonville, FL 32246-6484	70.72%
Fidelity Investment Institutional Operations Co Inc (FIIOC) As Agent Certain Employee Benefit Plan 100 Magellan Way, #KW1C Covington, KY 41015-1999	14.16%
<b>RS VALUE FUND (CLASS Y)</b>	
Northern Trust Company Cust FBO Kavli Foundation P.O. Box 92956 Chicago, IL 60675-0001	11.55%
Charles Schwab & Co Inc Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	11.41%
Wells Fargo Bank NA FBO Cottage Health System –RS Mid Cap P.O. Box 1533 Minneapolis, MN 55480-1533	10.97%
Patterson & Co FBO Omnibus Cash/Cash 1525 West WT Harris Boulevard Charlotte, NC 28288-0001	7.73%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Sister of the Good Shepherd Generalate 7654 Natural Bridge Road Saint Louis, MO 63121-4905	5.70%
State Street Bank & Trust Co Cust for South Dakota Higher Edu Trust Age Diversified Equity 801 Pennsylvania Avenue Kansas City, MO 64105-1307	5.58%
State Street Bank & Trust Co As Custodian For South Dakota Higher Education Trust Age 5-8 801 Pennsylvania Avenue Kansas City, MO 64105-1307	5.04%
<b>RS INVESTORS FUND (CLASS Y)</b>	
Joseph A. Wolf c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	42.04%
Charles Schwab & Co. Inc. Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	32.45%
Andrew P. Pilara Jr. c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	20.64%
<b>RS GLOBAL NATURAL RESOURCES FUND (CLASS Y)</b>	
Northern Trust as Custodian FBO Santa Barbara Cottage Hospital Foundation P.O., Box 92956 Chicago, IL 60675-0001	19.87%
University of Louisville Foundation, Inc. Attn: Joe Gahlinger-Central's Office Service Complex Louisville, KY 40292-0001	19.26%
Wells Fargo Bank NA FBO Cottage Health System Mutual FD P.O. Box 1533 Minneapolis, MN 55480-1533	12.58%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
NFS LLC FEBO Northern Trust as Custodian FBO Santa Barbara Cottage Hospital Foundation P.O., Box 92956 Chicago, IL 60675-0001	12.48%
Fair Oaks LLC TTEE John N. Robson Trust B Wilson, WY	10.41%
Pirate's Cove Partners LLC Attn: Richard A. Miller 12th Floor, 1125 5th Avenue New York, NY 10128	9.28%
Winthrop Rockefeller Charitable Trust U/A DTD 2230 Cottdale Lane, Suite 6 Little Rock, AR 72202-2048	6.17%
<b>RS SMALL CAP CORE EQUITY FUND (CLASS Y)</b>	
Charles Schwab & Co Inc Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	100.00%
<b>RS LARGE CAP ALPHA FUND (CLASS Y)</b>	
Charles Schwab & Co. Inc. Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	38.63%
State Street Bank & Trust Custodian Manind V. Govil c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	19.02%
Manind V. Govil Anjali Gupta c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	16.08%
John F. Di Lorenzo Jr TTEE John F. 12/1/2008 Lorenzo Jr. Declaration of Trust UA DTA Columbus, OH	10.38%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
Anthony W. Gennaro Jr. c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	5.88%
<b>RS EQUITY DIVIDEND FUND (CLASS Y)</b>	
Guardian Insurance & Annuity Co. Inc. Attn. Investment Accounting H17B 7 Hanover Square New York, NY 10004-2616	60.00%
Raymond G. Anello & Claudia N. Anello c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	19.42%
Charles Schwab & Co. Inc. Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	19.18%
<b>RS EMERGING GROWTH FUND (CLASS Y)</b>	
State Street Bank & TR David L. Goldsmith c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	28.76%
Charles Schwab & Co Inc Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	20.22%
David F. Marquardt c/o TVI Management 2480 Sand Hill Road, Suite 101 Menlo Park, CA 94025-6925	12.64%
George Randall Hecht & Nancy Elizabeth & Nancy Elizabeth Hecht Family Trust UA DTD c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	8.52%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
George Randall Hecht TTEE Nancy Elizabeth Hecht Separate Property Trust UA DTD c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	7.50%
<b>RS SMALLER COMPANY GROWTH FUND (CLASS Y)</b>	
Charles Schwab & Co. Inc. Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	79.67%
James L. Callinan Letetia C. Callinan c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	16.83%
<b>RS MIDCAP OPPORTUNITIES FUND (CLASS Y)</b>	
Charles Schwab & Co. Inc. Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	42.52 %
Wells Fargo Bank NA FBI Retirement Plan SVCS P.O. Box 1533 Minneapolis, MN 55480-1533	39.22%
State Street BK & TR Laurence J. Chu c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	5.60%
<b>RS GROWTH FUND (CLASS Y)</b>	
Charles Schwab & Co Inc Attention Mutual Fund Department 101 Montgomery Street San Francisco, CA 94104-4151	82.44%
<b>RS TECHNOLOGY FUND (CLASS Y)</b>	
Stephen J. Bishop c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	44.28%

<b>SHAREHOLDER</b>	Percentage of Outstanding Shares of Fund Owned
George Randall Hecht c/o RS Investments 388 Market Street, Suite 1700 San Francisco, CA 94111	23.77%
Charles Schwab & Co. Inc. Attn: Mutual Funds 101 Montgomery Street San Francisco, CA 94104-4151	15.15%

As of August 29, 2008, the officers and Trustees of the Trust, as a group, beneficially owned less than 1% of the outstanding shares of each class of each Fund, except as set forth below.

<b>Fund</b>	<b>Percentage of the Fund's equity securities owned by the trustees and officers as a group</b>
RS Large Cap Alpha Fund (Class Y)	7.94%
RS Emerging Growth Fund (Class Y)	2.20%
RS Smaller Company Growth Fund (Class Y)	1.90%
RS MidCap Opportunities Fund (Class Y)	2.43%
RS Growth Fund (Class Y)	5.09%
RS Technology Fund (Class Y)	8.70%

The Trust's Agreement and Declaration of Trust and By-Laws provide that the Trust will indemnify its Trustees and officers against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Trust, except if it is determined in the manner specified in the Agreement and Declaration of Trust and By-Laws that they have not acted in good faith in the reasonable belief that their actions were in the best interests of the Trust or that such indemnification would relieve any officer or Trustee of any liability to the Trust or its shareholders by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of his or her duties. The Trust, at its expense, provides liability insurance for the benefit of its Trustees and officers.

## **INVESTMENT ADVISORY AND OTHER SERVICES**

### **RS Investments**

RS Investments, a Delaware limited liability company, 388 Market Street, Suite 1700, San Francisco, CA 94111, is the investment adviser of each of the Funds. RS Investments or its investment advisory affiliates have been managing mutual fund investments since 1987.

GIS, a wholly owned subsidiary of Guardian Life, owns a majority of the ownership interests in RS Investments. No person other than GIS owns more than 25% of the ownership interests in RS Investments. Mr. Terry Otton, Chief Executive Officer of RS Investments, serves as the Trust's President and Principal Executive Officer. Mr. Benjamin Douglas, General Counsel of RS Investments, serves as the Trust's Chief Legal Officer, Secretary and Vice President. Mr. James Klesewski, Chief Financial Officer of RS Investments, serves as the Trust's Treasurer and Principal Financial and Accounting Officer. The Board of Directors of RS Investments consists of eight members, including a chairman who is the Chief Executive Officer of Guardian Life, three other members designated by GIS, two members selected by RS Investments, one non-employee member selected by GIS and one non-employee member selected by the management of RS Investments.

Pursuant to the Advisory Agreement, RS Investments, at its expense, furnishes investment management services with respect to the assets of each Fund, consistent with the investment objective and policies of such Fund

and subject to the supervision and direction of the Trust's Board of Trustees, and (i) furnishes the Trust with investment advice, research, and recommendations with respect to the investment of each Fund's assets and the purchase and sale of its portfolio securities, (ii) furnishes the Trust and each Fund with reports, statements, and other data on securities, economic conditions, and other pertinent subjects, and (iii) in general, superintends and manages the investments of each Fund, subject to the ultimate supervision and direction of the Board of Trustees. In addition, the Advisory Agreement sets forth the role of RS Investments with respect to the selection and oversight of sub-advisers.

In addition, the Advisory Agreement states that RS Investments provides all administrative services needed for the management and operation of each Fund and furnishes such office space and personnel as are needed by the Funds. The services of RS Investments to the Funds are not deemed to be exclusive, and RS Investments may provide similar or different services to others, so long as its ability to render the services provided for in the Advisory Agreement will not be impaired thereby.

The Advisory Agreement provides that RS Investments shall not, in the absence of willful misfeasance, bad faith, gross negligence, or reckless disregard by it of its obligations or duties, be subject to liability to the Trust or any Fund or the shareholders of any Fund for any act or omission in the course of, or connected with, its rendering services thereunder, or for any losses that may be sustained in the purchase, holding, or sale of any security by the Fund.

The Advisory Agreement provides that RS Investments may, at its option and expense with respect to a Fund, appoint a sub-adviser or sub-advisers. The Advisory Agreement also states that unless the Board of Trustees specifies otherwise in connection with its approval of any such delegation or unless any agreement pursuant to which such delegation is effected specifies otherwise, (i) the obligation of RS Investments in respect of the activities of any such sub-adviser shall be to provide the Board of Trustees its recommendation as to the initial selection of the sub-adviser and as to the periodic renewal of the sub-advisory agreement, and to oversee generally the performance by such sub-adviser of its obligations to the Fund in question over time and to report to the Board of Trustees periodically as to its evaluation of the performance of such sub-adviser and as to the nature and scope of such general oversight, and (ii) assuming compliance by RS Investments with its obligation set out in clause (i) of this sentence in accordance with the standard of care set out in the Advisory Agreement, RS Investments shall not be responsible or have any liability for any investment decision or any other act or omission on the part of any sub-adviser, including without limitation any error or mistake of judgment on the part of the sub-adviser or failure by the sub-adviser to comply with any policies, procedures, guidelines, or objectives of any Fund, RS Investments, or the sub-adviser.

### **Guardian Investor Services LLC**

GIS serves as the sub-adviser for RS Investment Quality Bond Fund, RS Low Duration Bond Fund, RS High Yield Bond Fund, RS Tax-Exempt Fund, RS Asset Allocation Fund, RS S&P 500 Index Fund, and RS Money Market Fund (the "GIS Sub-Advised Funds"). GIS and RS Investments have entered into a written Sub-Advisory, Sub-Administration and Accounting Services Agreement pursuant to which GIS provides sub-advisory, administrative and accounting services with respect to the GIS Sub-Advised Funds, subject to the general oversight of RS Investments and the Board of Trustees of the Trust. Prior to November 1, 2007, pursuant to a Sub-Administration and Accounting Services Agreement, GIS received fees from RS Investments at an annual rate of 0.042%, 0.052% and 0.078% of the average daily net assets of RS Large Cap Value Fund, RS Small Cap Core Equity Fund, and RS Large Cap Alpha Fund, respectively. The Agreement was terminated on October 31, 2007, at which time RS Investments began rendering such services directly to these Funds at no additional expense to the Funds.

The Sub-Advisory, Sub-Administration and Accounting Services Agreement will remain in effect with respect to each GIS Sub-Advised Fund for a period of one year, unless sooner terminated, and thereafter will continue in effect from year to year so long as continuance is specifically approved at least annually by (a) either (i) a majority of the outstanding securities of the respective GIS Sub-Advised Funds or (ii) the Board of Trustees of the Trust, and (b) a vote of the majority of the Trustees who are not parties to the Agreement or "interested persons" of RS Investments or GIS, cast in person at a meeting called for the purpose of voting on such continuance.

With respect to its provision of sub-advisory services, GIS shall not, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its duties or obligations, be liable to a GIS Sub-Advised Fund, the Trust, or to any shareholder of a GIS Sub-Advised Fund for any act or omission in the course of, or connected

with, rendering services or for any losses that may be sustained in the purchase, holding, or sale of any security by the GIS Sub-Advised Fund.

### **Guardian Baillie Gifford Limited**

Pursuant to a Sub-Advisory, Sub-Administration and Accounting Services Agreement between GBG and RS Investments, GBG serves as the sub-adviser for RS International Growth Fund and RS Emerging Markets Fund (the “GBG Sub-Advised Funds”). GBG was formed in November 1990 through a joint venture between The Guardian Insurance & Annuity Company, Inc., a wholly owned subsidiary of Guardian Life, and BG Overseas, which is wholly owned by Baillie Gifford & Co. GBG has entered into a investment sub-sub-advisory agreement with BG Overseas pursuant to which BG Overseas serves as sub-sub-adviser for the GBG Sub-Advised Funds and manages the day-to-day operations of each GBG Sub-Advised Fund’s portfolio, subject to the general oversight of GBG, RS Investments, and the Board of Trustees of the Trust.

The Sub-Advisory, Sub-Administration and Accounting Services Agreement will remain in effect with respect to each GBG Sub-Advised Fund for a period of one year, unless sooner terminated, and thereafter will continue in effect from year to year so long as continuance is specifically approved at least annually by (a) either (i) a majority of the outstanding securities of the respective GBG Sub-Advised Fund or (ii) the Board of Trustees of the Trust, and (b) a vote of the majority of the Trustees who are not parties to the sub-investment advisory agreement or “interested persons” of RS Investments or GBG, cast in person at a meeting called for the purpose of voting on such continuance. The Agreement may be terminated with respect to a GBG Sub-Advised Fund at any time, without payment of any penalty, by the Board of Trustees of the Trust or by a vote of a majority of voting securities of such GBG Sub-Advised Fund, upon sixty (60) days written notice to GBG, and by GBG upon sixty (60) days written notice to the Trust.

With respect to its provision of sub-advisory services, GBG shall not, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its duties or obligations, be liable to a GBG Sub-Advised Fund, the Trust, or to any shareholder of a GBG Sub-Advised Fund for any act or omission in the course of, or connected with, rendering services or for any losses that may be sustained in the purchase, holding, or sale of any security by the GBG Sub-Advised Fund.

### **Baillie Gifford Overseas Limited**

BG Overseas is the sub-sub-investment adviser for the GBG Sub-Advised Funds pursuant to a sub-sub-investment advisory agreement with GBG. Pursuant to this sub-sub-investment advisory agreement, BG Overseas manages the day-to-day operations of each GBG Sub-Advised Fund’s portfolio. In so doing, BG Overseas has full discretion to purchase and sell portfolio securities, to select brokers for the execution of such purchases, sales, and to negotiate brokerage commissions, if any, subject to monitoring by GBG. GBG continually monitors and evaluates the performance of BG Overseas.

The sub-sub-investment advisory agreement will continue in full force and effect with respect to each GBG Sub-Advised Fund for a period of one year, unless sooner terminated, and thereafter will continue in effect from year to year provided its continuance is specifically approved at least annually (1) by the Board of Directors of GBG and (2) by either (a) a majority of the outstanding securities of the respective GBG Sub-Advised Funds or (b) the Board of Trustees of the Trust, including approval by a vote of the majority of the Trustees who are not parties to the sub-sub-investment advisory agreement or “interested persons” of the Trust, GBG or BG Overseas, cast in person at a meeting called for the purpose of voting on such continuance.

The sub-sub-investment advisory agreement provides that neither BG Overseas, nor any of its officers, directors or employees shall be liable for any error of judgment or mistake of law or for any loss suffered by GBG or either GBG Sub-Advised Fund in connection with the matters to which the sub-investment advisory agreement relates, except for any loss resulting from willful misfeasance or misconduct, willful default, bad faith, or gross negligence in the performance of its or his /her duties on behalf of GBG or the Funds or from reckless disregard by BG Overseas or any such person of the duties of BG Overseas under the sub-sub-investment advisory agreement.

The sub-sub-investment advisory agreement includes a provision that if any 1940 Act requirement is relaxed by rule, regulation or order of the SEC, then any provision of the sub-sub-investment advisory agreement which reflects such 1940 Act requirement shall be deemed to incorporate the effect of such rule, regulation or order.

The sub-sub-investment advisory agreement may be terminated, without penalty, at any time by either party upon 60 days' written notice and will terminate automatically upon its assignment. In addition, either party may terminate the sub-sub-investment advisory agreement immediately in any of the following situations: (1) the other party commits any material breach of its obligations under the agreement which, if curable, is not remedied within 30 days; (2) the dissolution of the other party; or (3) the termination or expiration of the joint venture agreement between The Guardian Insurance & Annuity Company, Inc. and BG Overseas. Termination of the sub-sub-investment advisory agreement with respect to one GBG Sub-Advised Fund will not affect its validity with respect to the other GBG Sub-Advised Fund.

### **UBS Global Asset Management (Americas) Inc.**

UBS Global AM serves as the investment sub-adviser for RS Large Cap Value Fund pursuant to a written investment sub-advisory agreement with RS Investments. Pursuant to this investment sub-advisory agreement and subject to the general oversight of RS Investments and the Board of Trustees of the Trust, and any written guidelines adopted by the Board or RS Investments and furnished to UBS Global AM, UBS Global AM will provide an investment management program for all or a designated portion of the assets of RS Large Cap Value Fund, including investment research and discretionary management with respect to all securities and investments in the Fund. UBS Global AM is responsible for placing purchase and sell orders with broker-dealers, which may include broker-dealers affiliated with UBS Global AM, and for negotiating commissions, if any, paid on investments and other related transactions for the portion of RS Large Cap Value Fund's assets that UBS Global AM manages, subject to review by RS Investments. RS Investments continually monitors and evaluates the performance of UBS Global AM.

The investment sub-advisory agreement will continue in full force and effect with respect to RS Large Cap Value Fund for one year, unless sooner terminated, and thereafter will continue in effect from year to year, provided its continuance is specifically approved at least annually by (a) either (i) a majority of the outstanding securities of RS Large Cap Value Fund or (ii) the Board of Trustees of the Trust, and (b) a vote of the majority of the Trustees who are not parties to the sub-investment advisory agreement or "interested persons" of RS Investments or UBS Global AM, cast in person at a meeting called for the purpose of voting on such continuance.

The investment sub-advisory agreement provides that neither UBS Global AM, nor any of its directors, officers, employees, agents, or affiliates shall be liable for any error of judgment or mistake of law or for any loss suffered by RS Large Cap Value Fund, the Trust, its shareholders or by RS Investments in connection with the matters to which the investment sub-advisory agreement relates, except for any loss resulting from UBS Global AM's, or any of its directors', officers', employees', agents' (excluding any broker-dealer selected by UBS Global AM), or affiliates' willful misfeasance, bad faith, or gross negligence in the performance of its or his /her duties on behalf of RS Investments or RS Large Cap Value Fund or from reckless disregard by UBS Global AM of its obligations and duties under the investment sub-advisory agreement.

The investment sub-advisory agreement includes a provision that if any 1940 Act requirement reflected in the investment sub-advisory agreement is made less restrictive by rule, regulation or order of the SEC, then any provision of the investment sub-advisory agreement which reflects such 1940 Act requirement shall be deemed to incorporate the effect of such rule, regulation or order.

The investment sub-advisory agreement may be terminated at any time, without penalty, by vote of the Board of Trustees of the Trust or by a vote of a majority of the outstanding voting securities of RS Large Cap Value Fund on 60 days' written notice to UBS Global AM. UBS Global AM may terminate the agreement at any time, without payment of any penalty, on 90 days' written notice to RS Investments. RS Investments, after providing prior written notice to UBS Global AM, may also immediately terminate the investment sub-advisory agreement, without penalty, in the event of (i) material breach by UBS Global AM of any of the representations and warranties set forth in a certain section of the agreement, or (ii) if, in the reasonable judgment of RS Investments, UBS Global AM becomes unable to discharge its duties and obligations under the investment sub-advisory contract. The investment sub-advisory agreement will terminate automatically upon its assignment (or upon termination of RS Investments' advisory agreement with the Trust as it relates to RS Large Cap Value Fund), except to the extent permitted under the investment sub-advisory agreement. Termination of the investment sub-advisory agreement with respect to RS Large Cap Value Fund will not affect its validity with respect to any other fund.

### **Management, Administrative, and Accounting Fees**

*Management Fees.* The Funds pay RS Investments fees as compensation for the services provided by it under the Advisory Agreement. The amount of these management fees is accrued daily and payable monthly (or more frequently) at fixed annual rates based on the average daily net assets of each Fund.

Recent Management Fees Paid by the Funds

	<u>Management Fees</u> <sup>1</sup>	Fee Waivers/Reimbursement <u>Of Expenses</u> <sup>2</sup>
<u>RS Partners Fund</u>		
Year ended 12/31/07	\$26,310,017	\$(381,792)
Year ended 12/31/06	\$23,561,586	\$(745,900)
Year ended 12/31/05	\$19,167,413	\$(778,413)
<u>RS Value Fund</u>		
Year ended 12/31/07	\$21,863,326	\$(1,452)
Year ended 12/31/06	\$15,059,983	\$(86,762)
Year ended 12/31/05	\$9,605,728	\$(1,701)
<u>RS Investors Fund</u> <sup>3</sup>		
Year ended 12/31/07	\$595,135	\$(1,809)
Year ended 12/31/06	\$638,679	\$(36,209)
Year ended 12/31/05	\$42,245	--
<u>RS Global Natural Resources Fund</u>		
Year ended 12/31/07	\$18,511,472	\$(794)
Year ended 12/31/06	\$18,411,729	\$(790,018)
Year ended 12/31/05	\$11,197,669	\$(781,504)
<u>RS Large Cap Value Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$786,649	--
Year ended 12/31/06	\$195,847	--
Year ended 12/31/05	--	--
<u>RS Small Cap Core Equity Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$1,378,953	--
Year ended 12/31/06	\$306,671	\$(83)
Year ended 12/31/05	--	--
<u>RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)</u> <sup>4</sup>		
Year ended 12/31/07	\$4,406,711	--
Year ended 12/31/06	\$892,347	\$(89,612)
Year ended 12/31/05	--	--
<u>RS Equity Dividend Fund</u> <sup>5</sup>		
Year ended 12/31/07	\$0	\$(63,639)
Year ended 12/31/06	--	--
Year ended 12/31/05	--	--
<u>S&amp;P 500 Index Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$453,661	--
Year ended 12/31/06	\$0	\$(107,210)

	<u>Management Fees</u> <sup>1</sup>	<u>Fee Waivers/Reimbursement Of Expenses</u> <sup>2</sup>
Year ended 12/31/05	--	--
<u>RS Asset Allocation Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$45,124	(\$767,478)
Year ended 12/31/06	\$9,200	--
Year ended 12/31/05	--	--
<u>RS Emerging Growth Fund</u>		
Year ended 12/31/07	\$6,101,418	\$(894)
Year ended 12/31/06	\$7,880,028	\$(49,843)
Year ended 12/31/05	\$10,222,197	\$(3,396)
<u>RS Smaller Company Growth Fund</u>		
Year ended 12/31/07	\$2,861,076	\$(29,323)
Year ended 12/31/06	\$2,874,485	\$(55,904)
Year ended 12/31/05	\$2,124,786	\$(21,996)
<u>RS Select Growth Fund</u>		
Year ended 12/31/07	\$1,737,119	\$(18,040)
Year ended 12/31/06	\$2,962,156	\$(54,127)
Year ended 12/31/05	\$6,459,404	\$(67,572)
<u>RS MidCap Opportunities Fund</u>		
Year ended 12/31/07	\$2,312,050	\$(147,106)
Year ended 12/31/06	\$2,043,208	\$(139,214)
Year ended 12/31/05	\$1,620,408	\$(101,802)
<u>RS Growth Fund</u>		
Year ended 12/31/07	\$1,539,574	\$(1,876)
Year ended 12/31/06	\$1,607,810	\$(8,696)
Year ended 12/31/05	\$1,645,384	\$(548)
<u>RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)</u>		
Year ended 12/31/07	\$1,081,708	\$(915)
Year ended 12/31/06	\$858,008	\$(4,632)
Year ended 12/31/05	\$955,925	\$(311)
<u>RS International Growth Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$644,175	--
Year ended 12/31/06	\$133,390	\$(5,176)
Year ended 12/31/05	--	--
<u>RS Emerging Markets Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$3,324,011	--
Year ended 12/31/06	\$486,258	\$(50,038)
Year ended 12/31/05	--	--
<u>RS Investment Quality Bond Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$572,252	--

	<u>Management Fees</u> <sup>1</sup>	<u>Fee Waivers/Reimbursement Of Expenses</u> <sup>2</sup>
Year ended 12/31/06	\$64,768	\$(67,234)
Year ended 12/31/05	--	--
 <u>RS Low Duration Bond Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$162,963	--
Year ended 12/31/06	\$0	\$(52,519)
Year ended 12/31/05	--	--
 <u>RS High Yield Bond Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$508,320	--
Year ended 12/31/06	\$36,824	\$(77,387)
Year ended 12/31/05	--	--
 <u>RS Tax-Exempt Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$525,603	--
Year ended 12/31/06	\$90,867	\$(29,206)
Year ended 12/31/05	--	--
 <u>RS Money Market Fund</u> <sup>4</sup>		
Year ended 12/31/07	\$2,176,414	--
Year ended 12/31/06	\$399,075	\$(91,199)
Year ended 12/31/05	--	--

<sup>1</sup> After giving effect to any reimbursement or waiver by RS Investments.

<sup>2</sup> Includes amount of management fees reduced or reimbursed by RS Investments pursuant to expense limitations, plus the amount of any other expenses for which RS Investments reimbursed the Fund or which RS Investments bore on behalf of the Fund.

<sup>3</sup> RS Investors Fund commenced operations on November 15, 2005.

<sup>4</sup> The Fund commenced operations on October 9, 2006 as a successor to a series of The Park Avenue Portfolio.

<sup>5</sup> RS Equity Dividend Fund commenced operations on July 31, 2007.

*Management, Administrative, and Accounting Services.* RS Investments provides administrative services to each of the Funds pursuant to the Advisory Agreement with the Funds. In addition, State Street Bank and Trust Company ("State Street") provides certain administrative services, including treasury, Blue Sky, and tax related services, to each of the Funds pursuant to an administration agreement between State Street and each of the Funds. For its services under the agreement, State Street has the right to receive fees from the Funds based on a written fee schedule as may be agreed to from time to time between State Street and the Funds.

Notwithstanding the foregoing, State Street also has the right to receive fees from each Fund for Blue Sky services and reimbursement for certain out-of-pocket expenses. The administration agreement will remain in effect with respect to a Fund unless terminated by either State Street or the Fund on sixty (60) days' prior written notice to the other party.

The table below states the total dollar amount in fees paid by the Funds to State Street from the commencement of the administration agreement to December 31, 2007.

<u>Fund</u>	<u>Fees Paid</u>
RS Partners Fund	\$239,555
RS Value Fund	\$241,402
RS Investors Fund	\$3,314

RS Global Natural Resources Fund	\$169,649
RS Large Cap Value Fund	\$7,617
RS Small Cap Core Equity Fund	\$14,611
RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)	\$69,769
RS Equity Dividend Fund	\$451
RS S&P 500 Index Fund	\$14,228
RS Asset Allocation Fund	\$9,835
RS Emerging Growth Fund	\$52,447
RS Smaller Company Growth Fund	\$23,468
RS Select Growth Fund	\$11,951
RS MidCap Opportunities Fund	\$23,722
RS Growth Fund	\$14,847
RS Technology Fund (formerly, The Information Age Fund <sup>®</sup> )	\$7,917
RS International Growth Fund	\$6,341
RS Emerging Markets Fund	\$28,220
RS Investment Quality Bond Fund	\$8,946
RS Low Duration Bond Fund	\$2,851
RS High Yield Bond Fund	\$6,596
RS Tax-Exempt Fund	\$8,216
RS Money Market Fund	\$42,745

The Trust, on behalf of RS Partners Fund, RS Value Fund, RS Investors Fund, RS Global Natural Resources Fund, RS Emerging Growth Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, RS MidCap Opportunities Fund, RS Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>), was party to a Sub-Administration and Accounting Services Agreement with PFPC, Inc., a subsidiary of PNC Bank Corp, pursuant to which PFPC performed a variety of accounting, bookkeeping, and other administrative services for the Funds. The Sub-Administration and Accounting Services Agreement with PFPC, Inc. was terminated on April 30, 2007. For its services under the Agreement, PFPC had the right to receive fees from RS Emerging Growth Fund, RS Growth Fund, RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>), RS MidCap Opportunities Fund, RS Select Growth Fund, RS Smaller Company Growth Fund, RS Value Fund, RS Partners Fund, RS Investors Fund, RS Global Natural Resources Fund at the following annual rates:

**Asset-Based Sub-Administration and Accounting Services Fee:**

For each of RS Emerging Growth Fund, RS Growth Fund, RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>), RS MidCap Opportunities Fund, RS Select Growth Fund, RS Smaller Company Growth Fund, RS Value Fund, RS Partners Fund, RS Investors Fund, or RS Global Natural Resources Fund with assets less than \$50 million, 0.02% of such Fund's average daily net assets.

For each of RS Emerging Growth Fund, RS Growth Fund, RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>), RS MidCap Opportunities Fund, RS Select Growth Fund, RS Smaller Company Growth Fund, RS Value Fund, RS Investors Fund, RS Partners Fund, or RS Global Natural Resources Fund with assets between \$50 million and \$75 million, 0.045% of such Fund's average daily net assets.

For each of RS Emerging Growth Fund, RS Growth Fund, RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>), RS MidCap Opportunities Fund, RS Select Growth Fund, RS Smaller Company Growth Fund, RS Value Fund, RS Partners Fund, RS Investors Fund, or RS Global Natural Resources Fund with assets in excess of \$75 million:

0.07% of each Fund's first \$1,616,666,667 of average daily net assets;

0.04% of each Fund's next \$133,333,333 of average daily net assets; and

0.03% of each Fund's average daily net assets in excess of \$1.75 billion.

For Funds that commenced operations after December 1, 1999, PFPC agreed to waive 100% of its sub-administration and accounting service fees on the first \$75 million in net assets of such Funds, excluding PFPC's out-of-pocket expenses.

The table below states the total dollar amount in sub-administration and accounting service fees paid by certain Funds to PFPC for each of the last three years.

	<u>2007</u> <sup>1</sup>	<u>2006</u>	<u>2005</u>
RS Partners Fund	\$480,431	\$1,393,383	\$1,265,810
RS Value Fund	\$435,768	\$1,196,791	\$798,917
RS Investors Fund <sup>2</sup>	\$12,466	\$34,152 <sup>1</sup>	\$1,761 <sup>1</sup>
RS Global Natural Resources Fund	\$360,482	\$1,241,004	\$846,254
RS Emerging Growth Fund	\$161,345	\$590,251	\$762,995
RS Smaller Company Growth Fund	\$70,454	\$211,513	\$158,256
RS Select Growth Fund	\$49,085	\$217,617	\$465,303
RS MidCap Opportunities Fund	\$66,087	\$186,617	\$149,873
RS Growth Fund	\$46,076	\$148,172	\$151,334
RS Technology Fund (formerly, The Information Age Fund <sup>®</sup> )	\$20,151	\$65,103	\$73,875

<sup>1</sup> The Sub-Administration and Accounting Services Agreement with PFPC, Inc. was terminated on April 30, 2007.

<sup>2</sup> RS Investors Fund commenced operations on November 15, 2005. Following a waiver by PFPC of a portion of its fees, the total net dollar amount in sub-administration and accounting services fees paid by RS Investors Fund to PFPC was \$916 in 2005, \$6,046 in 2006, and \$2,556 in 2007.

For its services under the Sub-Advisory, Sub-Administration and Accounting Services Agreement, GIS has the right to receive fees from RS Investments with respect to each Fund listed below at the following annual rates:

<u>Fund</u>	<u>Annual Fee Rate</u>
RS S&P 500 Index Fund	0.2375%
RS Asset Allocation Fund	0.4750%
RS Investment Quality Bond Fund	0.4750%
RS Low Duration Bond Fund	0.4275%
RS High Yield Bond Fund	0.5700%
RS Tax-Exempt Fund	0.4750%
RS Money Market Fund	0.4275%

For its services under the Sub-Advisory, Sub-Administration and Accounting Services Agreement, GBG has the right to receive fees from RS Investments with respect to each Fund listed below at the following annual rates:

<b><u>Fund</u></b>	<b><u>Annual Fee Rate</u></b>
RS International Growth Fund	0.76%
RS Emerging Markets Fund	0.95%

For its services under the Sub-Advisory Contract, UBS Global AM has the right to receive fees from RS Investments with respect to RS Large Cap Value Fund at the annual rate of 0.38%.

For its services under the Sub-Sub-Investment Advisory Agreement, BG Overseas has the right to receive fees from GBG with respect to each Fund listed below at the following annual rates:

<b><u>Fund</u></b>	<b><u>Annual Fee Rate</u></b>
RS International Growth Fund	0.40%
RS Emerging Markets Fund	0.50%

### **Expenses**

Each Fund will pay all expenses related to its operation which are not borne by RS Investments, including but not limited to taxes, interest, brokerage fees and commissions, compensation paid under the Funds' 12b-1 Plan to GIS, 7 Hanover Square, New York, New York 10004 (the "Distributor"), the Trust's distributor, fees paid to members of the Board of Trustees who are not interested persons of the Trust, SEC fees and related expenses, state Blue Sky qualification fees, charges of custodians, transfer agents, registrars, or other agents, outside auditing, accounting, and legal services, charges for the printing of prospectuses and statements of additional information for regulatory purposes or for distribution to shareholders, certain shareholder report charges, and charges relating to corporate matters.

### **Proxy Voting Policies**

The Trust's Board of Trustees has delegated the responsibility for voting proxies on behalf of the Funds to RS Investments, subject to the oversight of the Board of Trustees. The Board of Trustees has authorized RS Investments to delegate proxy voting authority with respect to a Fund to that Fund's sub-adviser or sub-sub-adviser, as applicable. Pursuant to such delegations, each of RS Investments, GIS, BG Overseas, and UBS Global AM (each, a "Fund Adviser"), is authorized to vote proxies on behalf of the applicable Fund or Funds for which it serves as investment adviser, sub-adviser, or sub-sub-adviser, in accordance with the proxy voting policies and procedures of each such Fund Adviser. A copy of the proxy voting policies and procedures to be followed by each Fund Adviser on behalf of the Funds, including procedures to be used when a vote presents a conflict of interest, is attached hereto as Appendix B ("Proxy Voting Policies and Procedures"). Information regarding how a Fund voted proxies relating to its portfolio securities during the most recent 12-month period ended June 30 will be available no later than August 31 of each year (1) without charge, upon request, by calling 1-800-766-FUND; or on RS Investments' Web site at [www.RSinvestments.com](http://www.RSinvestments.com) and (2) on the SEC's Web site at [www.sec.gov](http://www.sec.gov).

### **Portfolio Managers**

**Compensation.** As described in the Prospectus, each Fund pays RS Investments a management fee based on a percentage of the Fund's average daily net assets with respect to certain of the Funds. For certain Funds, RS Investments pays a portion of its management fee to GIS, GBG, or UBS Global AM, and GBG pays a portion of its management fee to BG Overseas, for sub-sub-advisory services to the GBG Sub-Advised Funds. The portfolio managers are generally paid out of the resources, including the management fees paid by the Fund, of the Fund's adviser, sub-adviser or sub-sub-adviser, as applicable, and are not paid from any assets of the Funds or any other managed account.

In the case of the GIS Sub-Advised Funds, portfolio managers are paid by Guardian Life, with a portion of the total available compensation pool allocated to Guardian Life and GIS, respectively, based on each of those company's assets under management. Portfolio managers for RS Small Cap Core Equity Fund and RS Large Cap

Alpha Fund are compensated by RS Investments; portfolio managers for the GBG Sub-Advised Funds are compensated by BG Overseas; and portfolio managers for RS Large Cap Value Fund are compensated by UBS Global AM.

A Fund's portfolio managers often manage multiple portfolios for multiple clients. These accounts may include other mutual funds and accounts managed for insurance companies and other institutions. In the case of UBS Global AM and BG Overseas, these other accounts may also include assets for high net worth individuals, pension funds, collective investment trusts, offshore funds, hedge funds and other types of accounts. For portfolio managers of GIS, a significant portion of their portfolio management responsibility is managing the assets of Guardian Life's general account, a pool of mainly fixed income assets that supports the death benefit, claims and other obligations underlying Guardian Life-issued life, health, disability and other insurance policies (the "Guardian Assets"). The simultaneous management of multiple portfolios potentially could give rise to conflicts of interest, as discussed herein.

The following is information regarding compensation of portfolio managers as provided by RS Investments, GIS, BG Overseas, and UBS Global AM, respectively.

#### 1) RS Investments.

RS Investments professionals and executives maintain a significant ownership stake in the firm. RS Investments has three separate investment advisory operating divisions, each with separate compensation and bonus structures. Each of the portfolio managers for a series of the Trust is part of the Core Equity Group, the Growth Group, or the Value Group.

In establishing salaries and bonuses, RS Investments considers information regarding industry compensation levels, which is prepared by a leading consulting firm. RS Investments sets salary and bonus levels by reference to other investment firms investing in similar categories.

In consultation with Terry R. Otton, Chief Executive Officer of RS Investments, the leaders of each Group (Andrew P. Pilara, Jr. for Value, James L. Callinan, John L. Wallace, and William J. Wolfenden III for Growth, and Manind Govil for Core Equity), determine all salaries and bonuses for their respective Groups for the RS funds for each fiscal year end. Salaries are based on industry standards, as described above.

Bonuses within the Growth and Core Equity Groups are based on a number of factors, including (1) pre-tax investment performance for each account (including the Funds) managed by a portfolio manager compared to a relevant peer group over one- and three-year periods, with an emphasis on the most recent one-year period, and (2) experience.

Bonuses within the Value Group are based on a number of factors, including (1) pre-tax investment performance for each account (including the Funds) managed by a portfolio manager compared to a relevant peer group over a rolling three-year period, with particular focus on account performance during periods of losses in the general market, (2) investment judgment, and (3) analytical process.

Assets under management do not directly affect any individual's salary or bonus, although the amount of each Group's assets under management affect the fee revenue attributable to that Group, which in turn affect the maximum amount of money available for that Group's aggregate salaries and bonuses.

Certain portfolio managers also have an equity interest in RS Investments and so participate in overall firm profits, in addition to Group profits.

#### 2) GIS

The compensation paid to portfolio managers is comprised of both base salary and incentive compensation. The base salary is generally a fixed amount based on the individual's experience and expertise and is reviewed annually. The purpose of the incentive compensation plan is to provide portfolio managers with incentive awards that are tied directly to the performance of the mutual funds and portfolios for which they are responsible. The incentive component can be a significant portion of their total compensation. For the mutual funds, the incentive compensation rewards favorable performance of the mutual funds relevant to peers and positive excess return versus

appropriate benchmark indices. For the other portfolios, the incentive compensation rewards favorable performance relative to customized benchmark indices.

The mutual fund performance criteria are generally tied to both a peer component and index component. The peer component is based on a GIS Sub-Advised Fund's performance relative to the appropriate peer group in the universe of mutual funds as determined by Lipper, Inc., an independent mutual fund rating and ranking organization. Incentive compensation takes into account performance measured over rolling one- and three-year periods, with a phase-in period. The index component is based on whether the Fund's performance exceeds the performance of its benchmark index (for example, RS Investment Quality Bond Fund's performance is measured against the performance of the Lehman Brothers Aggregate Bond Index). The incentive compensation calculation for a given portfolio manager is based on appropriate weightings that reflect that manager's roles and responsibilities with respect to management of the mutual funds and other portfolios. Although under normal circumstances the Guardian Assets substantially exceed those of the GIS Sub-Advised Funds, for purposes of the calculation, management of the Funds accounts for approximately 50% of a manager's incentive compensation. In determining the actual incentive award to an individual portfolio manager, senior management may increase or decrease the award in its discretion based on the manager's contribution to performance and other factors.

### 3) BG Overseas

BG Overseas is wholly-owned by Baillie Gifford & Co ("BG & Co") a partnership based in Scotland. Compensation arrangements within BG Overseas vary depending upon whether the individual is an employee or partner of BG & Co. For employees, a portfolio manager's compensation generally consists of base salary, a company wide staff bonus and payments under Baillie Gifford's Incentive program. In addition, portfolio managers are eligible for the standard retirement benefits and health and welfare benefits available to all BG & Co employees.

The staff bonus is paid annually to all BG & Co employees at a flat rate, with all staff receiving a fixed percentage of salary. In addition to this, senior and selected specialist staff are usually invited to join the incentive program with bonus payments being determined from a combination of individual performance, completion of objectives and team performance.

Mr. Menzies, Mr. Hocknell, Mr. McPhee, and Mr. Sneller are partners of BG & Co. As such, they receive a base salary and a share of the partnership profits. The profit share is calculated as a percentage of total partnership profits based on seniority, role within BG & Co and length of service. The basis for the profit share is detailed in the Baillie Gifford Partnership Agreement. The main staff benefits such as pension plans are not available to partners and therefore partners provide for benefits from their own personal funds.

### 4) UBS Global AM

The compensation and benefits programs received by the portfolio managers of UBS Global AM are designed to provide UBS Global AM's investment professionals with incentives to excel, and to promote an entrepreneurial, performance-oriented culture. The programs also align the interests of UBS Global AM's investment professionals with the interests of its clients. Overall compensation can be grouped into four categories:

1. Competitive salary, benchmarked annually to maintain very competitive compensation opportunities.
2. Annual bonus, tied to individual contributions and investment performance.
3. Analyst incentives, tied to performance of model portfolios.
4. UBS equity awards, promoting company-wide success and employee retention.

Base salary is used to recognize the experience, skills and knowledge that UBS Global AM's investment professionals bring to their roles. Salary levels are monitored and adjusted periodically in order to remain competitive within the investment management industry.

Annual bonuses are strictly and rigorously correlated with performance. As such, annual incentives can be highly variable, and are based on three components: 1) the firm's overall business success; 2) the performance of the

respective asset class and/or investment mandate; and 3) an individual's specific contribution to the firm's results. UBS Global AM strongly believes that tying bonuses to both long-term (3-year) and shorter-term (1-year) portfolio performance closely aligns its investment professionals' interests with those of its clients.

**Analyst Incentives.** Because UBS Global AM values its proprietary research, it has designed a compensation system that it believes has made investment analysis a highly regarded career within its firm. Analyst incentives are tied to portfolio performance evaluated over rolling three-year periods coupled with a qualitative assessment of their contribution. UBS Global AM believes that this system closely aligns its analysts' interests with those of our clients.

UBS AG equity. Many of UBS Global AM's senior investment professionals are required to defer a portion of their annual performance-based incentive in the form of deferred or restricted UBS AG shares or employee stock options. Not only does this reinforce the critical importance of creating long-term business value, it also serves as an effective retention tool as the equity shares typically vest over a number of years.

Broader equity share ownership is encouraged for all employees through "Equity Plus". This long-term incentive program gives employees the opportunity to purchase UBS stock with after-tax funds from their bonus or salary. Two UBS stock options are given for each share acquired and held for two years. UBS Global AM feels this engages its employees as partners in the firm's success, and helps to maximize its integrated business strategy.

**Ownership of Fund Shares.** The following table shows the dollar range of equity securities of each Fund beneficially owned as of December 31, 2007 (or such later date noted below), by the Fund's current portfolio managers.

<b><u>Name of Portfolio Manager</u></b>	<b><u>Dollar Range of Equity Securities in Fund</u></b>	
Raymond Anello	RS Equity Dividend Fund	\$500,001-\$1,000,000
Leslie Barbi	RS High Yield Bond Fund <sup>1</sup>	None
Stephen J. Bishop	RS Technology Fund (formerly, The Information Age Fund®)	over \$1,000,000
	RS Emerging Growth Fund	\$500,001-\$1,000,000
	RS Select Growth Fund	\$100,001-\$500,000
	RS MidCap Opportunities Fund <sup>2</sup>	None
James L. Callinan	RS Emerging Growth Fund	over \$1,000,000
	RS Select Growth Fund	over \$1,000,000
Timothy Campbell	RS Emerging Markets Fund	None
John F. Carnegie	RS International Growth Fund	None
Melissa Chadwick-Dunn	RS Emerging Growth Fund	\$100,001 - \$500,000
	RS Select Growth Fund	\$50,001 - \$100,000
	RS MidCap Opportunities Fund <sup>2</sup>	\$100,001 - \$500,000
Howard Chin	RS Investment Quality Bond Fund	\$100,001-\$500,000
	RS Low Duration Bond Fund	None
Thomas M. Cole	RS Large Cap Value Fund	None
Robert M. Crimmins, Jr.	RS Investment Quality Bond Fund	None
	RS Low Duration Bond Fund	\$10,001-\$50,000
MacKenzie B. Davis	RS Partners Fund	\$100,001-\$500,000
	RS Value Fund	\$100,001-\$500,000
	RS Investors Fund	\$100,001-\$500,000

<u>Name of Portfolio Manager</u>	<u>Dollar Range of Equity Securities in Fund</u>	
	RS Global Natural Resources Fund	\$500,001-\$1,000,000
Thomas Digenan	RS Large Cap Value Fund	None
Joseph M Faraday	RS International Growth Fund	None
Paul Faulkner	RS International Growth Fund <sup>2</sup>	None
Manind V. Govil	RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)	over \$1,000,000
Alexander M. Grant, Jr.	RS Money Market Fund	\$100,001-\$500,000
	RS Tax-Exempt Fund	\$10,001-\$50,000
Marc Gross	RS High Yield Bond Fund <sup>1</sup>	None
Scott Hazen	RS Large Cap Value Fund	None
Edward Hocknell	RS Emerging Markets Fund	None
Christopher C. Huckle	RS International Growth Fund	None
Jonathan Jankus	RS S&P 500 Index Fund	None
	RS Asset Allocation Fund	None
Stewart M. Johnson	RS S&P 500 Index Fund	\$10,001-\$50,000
	RS Asset Allocation Fund	\$10,001-\$50,000
David J. Kelley	RS Partners Fund	over \$1,000,000
	RS Value Fund	over \$1,000,000
	RS Investors Fund	over \$1,000,000
John Leonard	RS Large Cap Value Fund	None
R. Robin Menzies	RS International Growth Fund	None
Howard G. Most	RS High Yield Bond Fund <sup>1</sup>	None
Andrew P. Pilara, Jr.	RS Partners Fund	over \$1,000,000
	RS Value Fund	over \$1,000,000
	RS Investors Fund	over \$1,000,000
	RS Global Natural Resources Fund	over \$1,000,000
John H. Seabern	RS MidCap Opportunities Fund	\$100,001-\$500,000
	RS Growth Fund	\$100,001-\$500,000
Kenneth L. Settles, Jr.	RS Global Natural Resources Fund	None
Richard E. Sneller	RS Emerging Markets Fund	None
Michael P. Stirling-Aird	RS Emerging Markets Fund	None
William Sutcliffe	RS Emerging Markets Fund	None
Allison K. Thacker	RS Technology Fund (formerly, The Information Age Fund®)	\$100,001-\$500,000
	RS Emerging Growth Fund	\$100,001-\$500,000
	RS MidCap Opportunities Fund <sup>2</sup>	None
	RS Select Growth Fund	\$50,001-\$100,000
D. Scott Tracy	RS Emerging Growth Fund	\$100,001-\$500,000
	RS Smaller Company Growth Fund	\$100,001-\$500,000
	RS Select Growth Fund	\$50,001 - \$100,000

<u>Name of Portfolio Manager</u>	<u>Dollar Range of Equity Securities in Fund</u>	
	RS MidCap Opportunities Fund <sup>2</sup>	None
Joseph A. Wolf	RS Partners Fund RS Value Fund RS Investors Fund	over \$1,000,000 over \$1,000,000 over \$1,000,000
William J. Wolfenden III	RS Smaller Company Growth Fund	over \$1,000,000
Matthew P. Ziehl	RS Small Cap Core Equity Fund	\$100,001-\$500,000

<sup>1</sup> As of June 30, 2008.

<sup>2</sup> As of May 31, 2008.

Other Accounts. Each Fund's portfolio manager or portfolio managers are responsible (either individually or jointly) for the day-to-day management of certain other accounts (including other series of the Trust and series of RS Variable Products Trust). Unless otherwise indicated, none of the other accounts for which the portfolio managers listed below are responsible have performance-based fees. The following table sets forth the number of other accounts managed by the portfolio managers of the Funds and the total assets of such accounts as of December 31, 2007 (or such later date noted below):

<b>Name</b>	<b><u>Registered Investment Companies</u></b>		<b><u>Other Pooled Investment Vehicles</u></b>		<b><u>Other Accounts</u></b>	
	<b>Number of Accounts</b>	<b>Total Assets (in Thousands)</b>	<b>Number of Accounts</b>	<b>Total Assets (in Thousands)</b>	<b>Number of Accounts</b>	<b>Total Assets (in Thousands)</b>
Raymond Anello	2	\$11,624	0	\$0	3	\$298,123
Leslie Barbi <sup>1</sup>	2	\$136,118	0	\$0	2	\$395,558
Stephen J. Bishop	4	\$892,572	0	\$0	6	\$115,598
James L. Callinan	4	\$786,521	2	\$116,637	5	\$114,746
Timothy Campbell	0	\$0	0	\$0	0	\$0
John F. Carnegie	0	\$0	0	\$0	0	\$0
Melissa Chadwick-Dunn	2	\$880,717	0	\$0	5	\$93,283
Howard Chin	4	\$656,744	6	\$2,454,010	0	\$0
Thomas M. Cole	14	\$5,646	72	\$21,704	14	\$1,909
Robert Crimmins, Jr.	4	\$656,744	8	\$7,925,535	0	\$0
MacKenzie B. Davis	7	\$7,025,271	0	\$0	48	\$1,792,418
Thomas Digenan	14	\$5,646	72	\$21,704	17	\$1,902

Name	<u>Registered Investment Companies</u>		<u>Other Pooled Investment Vehicles</u>		<u>Other Accounts</u>	
	Number of Accounts	Total Assets (in Thousands)	Number of Accounts	Total Assets (in Thousands)	Number of Accounts	Total Assets (in Thousands)
Joseph M. Faraday	1	\$80,274	5	\$730,320	75 <sup>2</sup>	\$3,573,121
Paul Faulkner <sup>3</sup>	0	0	2	\$583,442	33	\$4,143,060
Manind Govil	2	\$1,969,791	0	\$0	2	\$424,982
Alexander Grant, Jr.	3	\$833,611	3	\$1,974,209	0	\$0
Marc Gross <sup>1</sup>	2	\$136,118	0	\$0	2	\$395, 558
Scott Hazen	14	\$5,646	72	\$21, 704	8	\$1,902
Edward Hocknell	2	\$725,974	0	\$0	0	\$0
Christopher C. Huckle	0	\$0	0	\$0	0	\$0
Jonathan Jankus	4	\$621,001	5	\$968,419	0	\$0
Stewart Johnson	4	\$621,001	5	\$968,419	0	\$0
David J. Kelley	5	\$4,848,557	0	0	45	\$1,747,890
John Leonard	14	\$5,646	72	\$21, 704	11	\$1,906
R. Robin Menzies	2	\$400,481	0	\$0	0	\$0
Howard G. Most <sup>1</sup>	2	\$136,118	0	\$0	2	\$395, 558
Andrew P. Pilara, Jr.	7	\$7,025,271	0	0	48	\$1,839,963
John H. Seabern	4	\$514,618	0	0	1	\$8,656
Kenneth L. Settles, Jr.	2	\$2,176,714	0	0	4	\$64,320
Richard E. Sneller	2	\$473,126	2	\$1,977,546	6 <sup>4</sup>	\$3,720,125
Michael P. Stirling-Aird	0	\$0	0	\$0	0	\$0
William Sutcliffe	1	\$17,013	2	\$588,654	16	\$874,902
Allison K. Thacker	4	\$892,572	0	0	6	\$104,638
D. Scott Tracy	11	\$1,379,850	0	0	6	\$146,624
Joseph A. Wolf	5	\$4,848,557	0	0	45	\$1,741,150
William J. Wolfenden III	9	\$652,404	0	0	2	\$61,090

Name	<u>Registered Investment Companies</u>		<u>Other Pooled Investment Vehicles</u>		<u>Other Accounts</u>	
	Number of Accounts	Total Assets (in Thousands)	Number of Accounts	Total Assets (in Thousands)	Number of Accounts	Total Assets (in Thousands)
Matthew Ziehl	2	\$366,585	0	0	2	\$17,792

<sup>1</sup> As of June 30, 2008.

<sup>2</sup> The portfolio manager or the investment adviser to the account receives an advisory fee based on account performance for two of these accounts, in which the assets total approximately \$22 million.

<sup>3</sup> As of May 31, 2008.

<sup>4</sup> The portfolio manager or the investment adviser to the account receives an advisory fee based on account performance for one of these accounts, in which the assets total approximately \$1.17 billion.

**Conflicts of Interest.** The Fund Advisers have informed the Trust as follows:

1) RS Investments

Whenever a portfolio manager of a Fund manages other accounts, potential conflicts of interest exist, including potential conflicts between the investment strategy of the Fund and the investment strategies of the other accounts and potential conflicts in the allocation of investment opportunities between the Fund and such other accounts. In addition, in certain instances, a portfolio manager may take conflicting positions in a particular security. For example, a portfolio manager may sell short a security for one account that another account holds long, or may take a long position in a security for one account that the portfolio manager has sold short for another account. RS Investments seeks to identify potential conflicts of interest resulting from a portfolio manager's management of both the Fund and other accounts, and has adopted policies and procedures, including a Code of Ethics, designed to address such conflicts.

RS Investments and each of the portfolio managers attempt to resolve any conflicts in a manner that is generally fair over time to all of their clients. RS Investments may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular account so long as it is RS Investments' policy, to the extent practicable, to allocate investment opportunities over time on a fair and equitable basis relative to other accounts. It is RS Investments' policy that, when the amount of securities of a particular issuer available to RS Investments' client accounts in an initial public offering is insufficient to meet the requirements of each account that will purchase securities in the IPO, RS Investments generally will allocate those securities among those accounts based on the size of each account as of the close of business on the preceding day. It is also RS Investments' policy that it may aggregate sale and purchase orders of securities for accounts with similar orders being made simultaneously for other clients if, in RS Investments' reasonable judgment, such aggregation is reasonably likely to result generally in lower per-share brokerage commission costs. In many instances, the purchase or sale of securities for accounts will be effected simultaneously with the purchase or sale of like securities for other accounts. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, each client may be charged or credited, as the case may be, the average transaction price of all securities purchased or sold in such transaction. As a result, however, the price may be less favorable to a client than it would be if similar transactions were not being executed concurrently for other accounts.

2) GIS

Portfolio managers for the GIS Sub-Advised Funds typically manage other portfolios with investment objectives and strategies that are similar to those of the GIS Sub-Advised Funds. In general, the other portfolios are managed using the same investment tools and resources that are used in connection with the management of the GIS Sub-Advised Funds. Accordingly, portfolio managers often make investment decisions and place trades for the other

accounts, such as the Guardian Assets, that are similar to those made for the Funds due to the similarities in their investment objectives and strategies. On the other hand, portfolio managers may purchase or sell securities for one portfolio and not another, as appropriate, or may place transactions on behalf of the Guardian Assets that are directly or indirectly contrary to investment decisions made on behalf of a Fund. These decisions can be driven by differences in the duration of benchmarks used for the Guardian Assets and the Funds. Depending on market conditions, any of these actions could have a potential adverse impact on a GIS Sub-Advised Fund. Because the GIS Sub-Advised Funds' portfolio managers manage assets for other accounts, the potential exists that a portfolio manager could have an incentive to devote an unequal amount of time and attention to the management of a GIS Sub-Advised Fund as compared to the time and attention the manager spends on other accounts. GIS could also be perceived as having a conflict of interest if GIS or any of its affiliates has an investment in an account that is materially larger than its investment in a GIS Sub-Advised Fund. To address these and other potential conflicts of interest, GIS has adopted trade allocation policies and procedures, which provide for fair treatment including procedures for allocation of initial public offerings, and has monitoring procedures for compliance with each GIS Sub-Advised Fund's investment policies and with the Code of Ethics of GIS. In addition, GIS periodically reviews each portfolio manager's overall responsibilities to evaluate whether the manager has adequate resources to effectively manage multiple portfolios in a manner that treats all clients fairly.

### 3) BG Overseas

At BG Overseas, individual portfolio managers may manage multiple accounts for multiple clients. In addition to mutual funds, these other accounts may include separate accounts, collective investment schemes, or offshore funds. BG Overseas manages potential conflicts between funds or with other types of accounts by implementing effective organizational and administrative arrangements to ensure that reasonable steps are taken to prevent the conflict giving rise to a material risk of damage to the interests of clients.

One area where a conflict of interest potentially arises is in the placing of orders for multiple clients and subsequent allocation of trades. Unless client specific circumstances dictate otherwise, investment teams normally implement transactions in individual stocks for all clients with similar mandates at the same time. This aggregation of individual transactions can of course operate to the advantage or disadvantage of the clients involved in the order. When receiving orders from investment managers, traders will generally treat order priority on a "first come, first served" basis and any exceptions to this are only permitted in accordance with established policies. BG Overseas has also developed trade allocation systems and controls to ensure that no one client, regardless of type, is intentionally favored at the expense of another. Allocation policies are designed to address potential conflicts in situations where two or more funds or accounts participate in investment decisions involving the same securities.

### 4) UBS Global AM

The portfolio management team's management of RS Large Cap Value Fund and other accounts could result in potential conflicts of interest if RS Large Cap Value Fund and other accounts have different objectives, benchmarks and fees because the portfolio management team must allocate its time and investment expertise across multiple accounts, including RS Large Cap Value Fund. The portfolio managers and their team manage RS Large Cap Value Fund and other accounts utilizing a model portfolio approach that groups similar accounts within a model portfolio. UBS Global AM manages accounts according to the appropriate model portfolio, including where possible, those accounts that have specific investment restrictions. Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across accounts, which may minimize the potential for conflicts of interest.

If a portfolio manager identifies a limited investment opportunity that may be suitable for more than one account or model portfolio, RS Large Cap Value Fund may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible model portfolios and accounts. To deal with these situations, UBS Global AM has adopted procedures for allocating portfolio trades across multiple accounts to provide fair treatment to all accounts.

The management of personal accounts by a portfolio manager may also give rise to potential conflicts of interest. UBS Global AM has adopted Codes of Ethics that govern such personal trading but there is no assurance that the Codes will adequately address all such conflicts.

## **PORTFOLIO TRANSACTIONS AND BROKERAGE**

Investment decisions for the Funds and for the other investment advisory clients of the Fund Advisers and their affiliates are made with a view to achieving their respective investment objectives. Investment decisions are the product of many factors in addition to basic suitability for the particular client involved. Thus, a particular security may be bought or sold for certain clients even though it could have been bought or sold for other clients at the same time. Likewise, a particular security may be bought for one or more clients when one or more other clients are selling the security. In some instances, one client may sell a particular security to another client. It also sometimes happens that two or more clients purchase or sell the same security at approximately the same time, in which event the day's transactions in such security may be, insofar as the applicable Fund Adviser deems appropriate, averaged as to price and allocated between such clients in a manner which in the Fund Adviser's opinion is equitable to each and in accordance with the amount being purchased or sold by each. There may be circumstances when purchases or sales of portfolio securities for one or more clients will have an adverse effect on other clients. The Fund Advisers employ a professional staff of portfolio managers who draw upon a variety of resources for research information for the Funds.

Transactions on U.S. stock exchanges and the Nasdaq Stock Market, Inc. ("Nasdaq"), commodities markets, and futures markets and other agency transactions involve the payment by a Fund of negotiated brokerage commissions. Such commissions vary among different brokers. A particular broker may charge different commissions according to such factors as the difficulty and size of the transaction. Transactions in foreign investments often involve the payment of fixed brokerage commissions, which may be higher than those in the United States. In underwritten offerings, the price paid by the Trust includes a disclosed, fixed commission or discount retained by the underwriter or dealer.

It has for many years been a common practice in the investment advisory business for advisors of investment companies and other institutional investors to receive "brokerage and research services" (as defined in the Exchange Act) from broker-dealers that execute portfolio transactions for the clients of such advisors and from third parties with which such broker-dealers have arrangements. Consistent with this practice, the Fund Advisers may receive research and brokerage services and other similar services from many broker-dealers with which it places a Fund's portfolio transactions and from third parties with which these broker-dealers have arrangements.

The brokerage and research services received by the Funds may include such matters as general economic and market reviews, industry and company reviews, evaluations of investments, recommendations as to the purchase and sale of investments, pricing services, quotation services, and certain financial news services. Where the services referred to above are not used exclusively by a Fund Adviser for research purposes, the Fund Adviser, based upon its own allocations of expected use, bears that portion of the cost of these services which directly relates to its non-research use. Some of these services may be of value to the Fund Advisers and their affiliates in advising various of their clients (including the Funds), although not all of these services are necessarily useful and of value in managing the Funds. The management fee paid by a Fund is not reduced because a Fund Adviser or its affiliates receive these services even though the Fund Adviser might otherwise be required to purchase some of these services for cash.

Each Fund Adviser places all orders for the purchase and sale of portfolio investments for the Funds and buys and sells investments for the Funds through a substantial number of brokers and dealers. Each Fund Adviser seeks the best overall terms available for the Funds, except to the extent the Fund Adviser may be permitted to pay higher brokerage commissions as described below. In selecting broker-dealers and evaluating the overall reasonableness of brokerage commissions, a Fund Adviser, having in mind a Fund's best interests, considers all factors it deems relevant, including, by way of illustration, price, the size of the transaction, the nature of the market for the security or other investment, the amount of the commission, the timing of the transaction taking into account market prices, and trends, the reputation, experience, and financial stability of the broker-dealer involved, and the quality of service rendered by the broker-dealer in other transactions.

As permitted by Section 28(e) of the Exchange Act, a Fund Adviser may cause a Fund to pay a broker-dealer that provides "brokerage and research services" (as defined in the Exchange Act) to the Fund Adviser an amount of disclosed commission for effecting securities transactions on stock exchanges and other transactions for the Fund on an agency basis in excess of the commission which another broker-dealer would have charged for effecting that transaction. The Fund Advisers' authority to cause a Fund to pay any such greater commissions is also subject to such policies as the Trustees may adopt from time to time.

A Fund Adviser may sometimes instruct a broker through whom it executes a securities transaction to "give up" a portion of the transaction for settlement to another broker that provides research services to the Fund Adviser

consistent with the preceding policies. In such a case, the broker to whom the transaction is given up may receive the entire commission payable on the portion of the transaction given up to it. A Fund Adviser may also instruct a broker to pay a portion of a commission to another broker that performs services in respect of the transaction in question but does not execute the transaction. A broker may accumulate credits for a Fund Adviser's account and use them to purchase research and brokerage services at the Fund Adviser's direction, and based on the Fund Adviser's determination of the relative values of the various services available for purchase.

It is the Trust's policy that the Funds may not use brokerage to compensate a broker for the sale or promotion of Fund shares. Certain broker-dealers or their affiliates with whom a Fund places transactions may also sell shares of the Funds. In an attempt to limit any conflict of interest this may create (for example, effecting portfolio transactions for a Fund with certain broker-dealers or their affiliates in order to induce them to sell shares of the Fund), the Trust has adopted policies and procedures that prohibit the use of brokerage to compensate a broker for the sale or promotion of Fund shares.

The following table provides the dollar amount of brokerage commissions paid by the Funds for the periods indicated. Changes in the amounts of brokerage commissions from year to year are generally the result of active trading strategies employed by the Funds' portfolio managers in response to market conditions, and are not reflective of a material change in investment strategy.

	<b><u>Fiscal Year Ended 12/31/07</u></b>	<b><u>Fiscal Year Ended 12/31/06</u></b>	<b><u>Fiscal Year Ended 12/31/05</u></b>
<b><u>RS Partners Fund</u></b>	\$4,455,557	\$3,751,680	\$5,577,487
<b><u>RS Value Fund</u></b>	\$4,389,212	\$3,037,589	\$3,505,149
<b><u>RS Investors Fund</u></b> <sup>1</sup>	\$140,294	\$199,614	\$47,734
<b><u>RS Global Natural Resources Fund</u></b>	\$1,112,989	\$2,719,141	\$2,999,667
<b><u>RS Large Cap Value Fund</u></b> <sup>2</sup>	\$51,757	\$15,024	--
<b><u>RS Small Cap Core Equity Fund</u></b> <sup>2</sup>	\$589,268	\$116,119	--
<b><u>RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)</u></b> <sup>2</sup>	\$934,335	\$345,318	--
<b><u>RS Equity Dividend Fund</u></b> <sup>3</sup>	\$19,615	--	--
<b><u>RS S&amp;P 500 Index Fund</u></b> <sup>2</sup>	\$6,400	\$4,660	--
<b><u>RS Asset Allocation Fund</u></b> <sup>2</sup>	\$3,403	\$780	--
<b><u>RS Emerging Growth Fund</u></b>	\$2,381,105	\$3,465,758	\$3,882,550
<b><u>RS Smaller Company Growth Fund</u></b>	\$1,197,015	\$1,482,177	\$1,018,874
<b><u>RS Select Growth Fund</u></b>	\$806,864	\$2,443,414	\$5,902,425
<b><u>RS MidCap Opportunities Fund</u></b>	\$1,687,467	\$1,529,788	\$1,247,616

	<b><u>Fiscal Year Ended 12/31/07</u></b>	<b><u>Fiscal Year Ended 12/31/06</u></b>	<b><u>Fiscal Year Ended 12/31/05</u></b>
<b><u>RS Growth Fund</u></b>	\$918,153	\$832,001	\$859,299
<b><u>RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)</u></b>	\$445,993	\$601,868	\$625,157
<b><u>RS International Growth Fund<sup>2</sup></u></b>	\$48,687	\$5,208	--
<b><u>RS Emerging Markets Fund<sup>2</sup></u></b>	\$ 613,487	\$90,187	--
<b><u>RS Investment Quality Bond Fund<sup>2</sup></u></b>	--	--	--
<b><u>RS Low Duration Bond Fund<sup>2</sup></u></b>	--	--	--
<b><u>RS High Yield Bond Fund<sup>2</sup></u></b>	--	--	--
<b><u>RS Tax-Exempt Fund<sup>2</sup></u></b>	--	--	--
<b><u>RS Money Market Fund<sup>2</sup></u></b>	--	--	--

<sup>1</sup> RS Investors Fund commenced operations on November 15, 2005.

<sup>2</sup> The Fund commenced operations on October 9, 2006, as a successor to a series of The Park Avenue Portfolio.

<sup>3</sup> The Fund commenced operations on July 31, 2007.

Of the amounts shown in the preceding table for the fiscal year ended December 31, 2007, the following table provides the amounts of such brokerage commissions paid by the Funds to brokers who provided research services or other services to RS Investments and the total dollar amounts of the transactions pursuant to which such brokerage commissions were paid.

<b><u>Fund</u></b>	<b><u>Brokerage Commissions Paid</u></b>	<b><u>Total Dollar Amount of Such Transactions</u></b>
RS Partners Fund	\$3,426,328	\$1,991,894,833
RS Value Fund	\$3,636,732	\$2,451,474,572
RS Investors Fund	\$104,018	\$59,996,616
RS Global Natural Resources Fund	\$887,858	\$893,806,739
RS Large Cap Value Fund <sup>1</sup>	\$0	\$0
RS Small Cap Core Equity Fund	\$478,333	\$339,371,246
RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)	\$873,712	\$966,470,583
RS Equity Dividend Fund	\$14,115	\$10,419,441
RS S&P 500 Index Fund <sup>1</sup>	\$0	\$0
RS Asset Allocation Fund <sup>1</sup>	\$0	\$0
RS Emerging Growth Fund	\$1,964,089	\$1,386,085,025
RS Smaller Company Growth Fund	\$983,273	\$637,721,167
RS Select Growth Fund	\$669,021	\$438,773,845
RS MidCap Opportunities Fund	\$1,573,431	\$1,299,951,849
RS Growth Fund	\$871,843	\$816,296,470
RS Technology Fund (formerly, The	\$377,864	\$234,431,414

Information Age Fund <sup>(®)</sup> )		
RS International Growth Fund	\$13,452	\$12,931,484
RS Emerging Markets Fund	\$229,257	\$157,093,705
RS Investment Quality Bond Fund	\$0	\$0
RS Low Duration Bond Fund	\$0	\$0
RS High Yield Bond Fund	\$0	\$0
RS Tax-Exempt Fund	\$0	\$0
RS Money Market Fund	\$0	\$0

<sup>1</sup> All commissions paid were for execution only.

The following table provides, for the periods indicated, (i) the aggregate dollar amount of brokerage commissions paid by certain Funds to Thomas Weisel Partners Group, Inc. (“Thomas Weisel”) (of which Michael G. McCaffery, a member of the board of directors of RS Investments, became a Director in February 2006), (ii) the percentage of each Fund’s aggregate brokerage commissions paid to Thomas Weisel, and (iii) the percentage of each Fund’s aggregate dollar amount of transactions involving the payment of brokerage commissions effected through Thomas Weisel. Funds not included in the table below have not paid brokerage commissions to Thomas Weisel during the periods indicated.

<u>Fund</u>	<u>Brokerage Commissions Paid to Thomas Weisel</u>	<u>Percentage of Aggregate Brokerage Commissions Paid to Thomas Weisel</u>	<u>Percentage of Aggregate Transactions effected through Thomas Weisel</u>
<u>RS Partners Fund</u>			
Year Ended 12/31/2007	\$24,979	0.56%	0.42%
Year Ended 12/31/2006	\$34,393	0.92%	0.75%
<u>RS Value Fund</u>			
Year Ended 12/31/2007	\$21,066	0.48%	0.30%
Year Ended 12/31/2006	\$12,470	0.41%	0.46%
<u>RS Investors Fund</u>			
Year Ended 12/31/2007	\$1,805	1.29%	0.63%
Year Ended 12/31/2006	\$2,677	1.34%	1.51%
<u>RS Global Natural Resources Fund</u>			
Year Ended 12/31/2007	\$0	0.00%	0.00%
Year Ended 12/31/2006	\$5,616	0.21%	0.56%
<u>RS Large Cap Value Fund<sup>1</sup></u>			
Year Ended 12/31/2007	\$326	0.01%	0.00%
Year Ended 12/31/2006	\$0	0.00%	0.00%
<u>RS Small Cap Core Equity Fund<sup>1</sup></u>			
Year Ended 12/31/2007	\$3,640	0.62%	0.46%
Year Ended 12/31/2006	\$2,584	2.23%	1.88%
<u>RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)<sup>1</sup></u>			
Year Ended 12/31/2007	\$5,584	0.60%	1.11%
Year Ended 12/31/2006	\$0	0.00%	0.00%

<u>RS Emerging Growth Fund</u>			
Year Ended 12/31/2007	\$45,377	1.91%	1.73%
Year Ended 12/31/2006	\$83,682	2.41%	1.76%
<u>RS Smaller Company Growth Fund</u>			
Year Ended 12/31/2007	\$72,680	6.07%	4.99%
Year Ended 12/31/2006	\$2,140	0.14%	0.24%
<u>RS Select Growth Fund</u>			
Year Ended 12/31/2007	\$16,595	2.06%	1.22%
Year Ended 12/31/2006	\$100,743	4.12%	3.42%
<u>RS MidCap Opportunities Fund</u>			
Year Ended 12/31/2007	\$36,479	2.16%	2.57%
Year Ended 12/31/2006	\$31,275	2.04%	2.24%
<u>RS Growth Fund</u>			
Year Ended 12/31/2007	\$21,995	2.40%	2.44%
Year Ended 12/31/2006	\$11,091	1.33%	1.52%
<u>RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)</u>			
Year Ended 12/31/2007	\$12,088	2.71%	2.40%
Year Ended 12/31/2006	\$4,199	0.70%	1.08%

<sup>1</sup> The Fund commenced operations on October 9, 2006, as a successor to a series of The Park Avenue Portfolio.

The following table provides, for the periods indicated, (i) the aggregate dollar amount of brokerage commissions paid by RS Large Cap Value Fund to one or more affiliates of UBS Global AM, the subadviser to the Fund (the “UBS Affiliates”), (ii) the percentage of the Fund’s aggregate brokerage commissions paid to the UBS Affiliates, and (iii) the percentage of the Fund’s aggregate dollar amount of transactions involving the payment of brokerage commissions effected through the UBS Affiliates. Other Funds of the Trust, which are not sub-advised by UBS Global AM, may have paid brokerage commissions to broker-dealer affiliates of UBS Global AM for the periods indicated.

<u>Fund</u>	<u>Brokerage Commissions Paid to UBS Affiliates</u>	<u>Percentage of Aggregate Brokerage Commissions Paid to UBS Affiliates</u>	<u>Percentage of Aggregate Transactions effected through UBS Affiliates</u>
<u>RS Large Cap Value Fund</u>			
Year Ended 12/31/2007	\$520	0.01%	0.01%
Period from 10/9/2006 to 12/31/2006	\$0	0.00%	0.00%

The following table shows the names of the Funds’ regular brokers or dealers held by the Funds during fiscal year 2007 and the values of those securities as of December 31, 2007:

<u>Fund</u>	<u>Broker or Dealer</u>	<u>Value as of December 31, 2007</u>
RS Value Fund	Merrill Lynch & Co., Inc.	--
RS Large Cap Value Fund	Bank of America Corp.	\$1,116,331
	Citigroup, Inc.	\$2,958,720

	JPMorgan Chase & Co.	\$2,007,900
	Morgan Stanley	\$2,756,409
RS Small Cap Core Equity Fund	Investment Technology Group, Inc.	--
RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)	JPMorgan Chase & Co.	\$17,874,675
	The Goldman Sachs Group, Inc.	\$24,494,195
RS Equity Dividend Fund	JPMorgan Chase & Co.	\$178,092
RS S&P 500 Index Fund	Bank of America Corp.	\$2,401,373
	Bear Stearns Companies, Inc.	\$149,054
	Citigroup, Inc.	\$1,909,537
	JPMorgan Chase & Co.	\$1,940,374
	Lehman Brothers Holdings, Inc.	\$425,229
	Merrill Lynch & Co., Inc.	\$588,011
	Morgan Stanley	\$743,965
	Prudential Financial, Inc.	\$560,752
	The Charles Schwab Corp.	\$296,099
	The Goldman Sachs Group, Inc.	\$1,110,948
RS Asset Allocation Fund	Bank of America Corp.	\$54,463
	Citigroup Inc.	\$31,589
	JPMorgan Chase & Co.	\$20,341
	Lehman Brothers Holdings, Inc.	\$10,471
	Merrill Lynch & Co., Inc.	\$11,273
	Morgan Stanley	\$13,384
	The Charles Schwab Corp.	\$1,226
	The Goldman Sachs Group, Inc.	\$21,505
RS Emerging Growth Fund	Investment Technology Group, Inc.	\$7,373,119
RS Smaller Company Growth Fund	Investment Technology Group, Inc.	\$3,249,921
RS Select Growth Fund	Investment Technology Group, Inc.	\$4,045,626
RS Growth Fund	JPMorgan Chase & Co.	\$2,619,000
	Merrill Lynch & Co., Inc.	--
RS International Growth Fund	UBS AG	\$773,307
RS Investment Quality Bond Fund	Bank of America Corp.	\$400,981
	Bear Stearns Cos.	\$96,616
	Citigroup Inc.	\$397,819
	Credit Suisse First Boston USA, Inc.	\$210,841
	Deutsche Bank AG London	\$207,395
	Goldman Sachs Group, Inc.	\$471,066
	JPMorgan Chase & Co.	\$203,811
	Lehman Brothers Holdings, Inc.	\$207,430
	Merrill Lynch & Co.	\$254,799
	Morgan Stanley	\$297,391
RS Low Duration Bond Fund	Morgan Stanley	\$296,914
RS Money Market Fund	Bank of America Corp.	\$9,827,289
	Goldman Sachs & Co.	\$14,994,537
	JPMorgan Chase & Co.	\$12,981,831
	Lehman Brothers Holdings, Inc.	\$11,009,405
	Morgan Stanley	\$4,980,310

#### DISCLOSURE OF PORTFOLIO HOLDINGS

The Funds have established a policy governing the disclosure of a Fund's portfolio holdings which is designed to protect the confidentiality of the Fund's non-public portfolio holdings and prevent inappropriate selective disclosure of such holdings. The Funds' Board of Trustees has approved this policy and will be asked to approve any material amendments to this policy. Exceptions to this policy may be authorized by the Trust's Chief Compliance Officer, or where appropriate, a member of RS Investments' senior management (each, an "Authorized Person").

Registered investment companies that are sub-advised by RS Investments may be subject to different portfolio holdings disclosure policies, and neither RS Investments nor the Board of Trustees of the Funds exercises control over such policies. In addition, separate account clients of RS Investments have access to their portfolio holdings and are not subject to the Funds' portfolio holdings disclosure policies. Some of the funds that are sub-advised by RS Investments and some of the separate accounts managed by RS Investments have substantially similar or identical investment objectives and strategies, and therefore potentially substantially similar, and in certain cases nearly identical, portfolio holdings, to those of certain Funds.

RS Investments provides investment advice for a fee to financial institutions who manage accounts for their clients. In some circumstances, RS Investments may provide a model portfolio to a financial institution and provide periodic (including daily) revisions to the model portfolio; the model portfolio may have substantially similar or identical investment objectives and strategies as one or more of the Funds, and therefore potentially substantially similar, and in certain cases nearly identical, portfolio holdings of one or more of the Funds. RS Investments will only provide such a model portfolio where it has received appropriate undertakings from the financial institution as to confidentiality and use of the model portfolio and RS Investments has satisfied itself that there is only minimal risk that any client of such a financial institution may be able to use to a Fund's detriment any information made available to it as a result of the arrangement.

Neither RS Investments nor the Funds will receive any compensation or other consideration in connection with disclosure of Fund portfolio holdings.

Public Disclosure of Portfolio Holdings. In addition to the public disclosure of Fund portfolio holdings through required SEC quarterly filings, a Fund may make its portfolio holdings publicly available on RS Investments' Web site in such scope and form and with such frequency as RS Investments may reasonably determine. The Prospectus describes, to the extent applicable, the type of information that is disclosed on RS Investments' Web site, as well as the frequency with which this information is disclosed and the lag between the date of the information and the date of its disclosure.

A Fund's portfolio holdings are considered to be publicly disclosed on the earliest of: (a) the disclosure of the portfolio holdings in a publicly available, routine filing with the SEC that is required to include the information; (b) the day after the Fund makes such information available on its Web site (assuming that it discloses in its prospectus that such information is available on its Web site); or (c) at such additional times and on such additional bases as determined by the SEC or its staff.

Disclosure of Non-Public Portfolio Holdings. A Fund may, in certain cases, disclose to third parties its portfolio holdings which have not been made publicly available. Disclosure of non-public portfolio holdings to third parties may only be made if an executive officer of the Trust, such as the Trust's Chief Compliance Officer, determines that such disclosure is in the best interests of the Fund's shareholders. In addition, the third party receiving the non-public portfolio holdings will be required to agree in writing to keep the information confidential and/or agree not to trade directly or indirectly based on the information. The restrictions and obligations described in this paragraph do not apply to non-public portfolio holdings provided to entities who provide on-going services to the Funds in connection with their day-to-day operations and management, including the Fund Advisers and their affiliates and the Funds' custodian, sub-administration and accounting services provider, independent registered public accounting firm, and proxy voting service provider.

To the extent that an Authorized Person determines that there is a potential conflict with respect to the disclosure of information that is not publicly available between the interests of a Fund's shareholders, on the one hand, and RS Investments or an affiliated person of RS Investments or the Fund, on the other, the Authorized Person must inform the Trust's Chief Compliance Officer of such potential conflict, and the Trust's Chief Compliance Officer shall determine whether, in light of the potential conflict, disclosure is reasonable under the circumstances.

Ongoing Arrangements To Make Portfolio Holdings Available. With authorization from an Authorized Person, Fund Representatives disclose Fund portfolio holdings to the following recipients on an on-going basis: State Street Bank and Trust Company, PricewaterhouseCoopers LLP, and Institutional Shareholder Services, Inc. Each recipient, except the Funds' independent registered public accounting firm, receives the portfolio holdings information on a daily basis. The Funds' independent registered public accounting firm receives the information when requested in connection with its services to the Funds.

## **DISTRIBUTION OF SHARES; DISTRIBUTION PLAN**

GIS, 7 Hanover Square, New York, NY 10004, is the principal underwriter of the Funds' shares. The Trust has entered into a distribution agreement with GIS (the "Distribution Agreement"), which, together with a distribution plan pursuant to Rule 12b-1 under the 1940 Act (the "12b-1 Plan"), governs the sale and distribution of Fund shares and payment of compensation to GIS. Shares are offered continuously; however, the Trust reserves the right to cease the offer of any Fund's shares at any time, subject to applicable laws, rules and regulations. GIS receives no compensation from the Trust or from purchasers of the Funds' shares for acting as distributor of the Class Y shares.

The Distribution Agreement will remain in full force and effect from year to year with respect to the Funds so long as its continuance is approved at least annually by (i) the Board of Trustees of the Trust or by a vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Funds and (ii) the vote of a majority of Trustees who are not parties to the agreement or interested persons of any such party. It will terminate upon assignment and may be terminated with respect to a Fund at any time by either party on not less than 30 nor more than 60 days' written notice. The agreement also provides that the Trust shall indemnify GIS and its officers, directors and agents with respect to certain liabilities.

Shares of each Fund may be purchased through Guardian Life agents who are registered representatives and licensed by GIS to sell Fund shares, and through registered representatives of selected broker-dealers which are members of the Financial Industry Regulatory Authority ("FINRA") (previously, the National Association of Securities Dealers, Inc.) and which have entered into selling agreements with GIS. GIS may reallow up to 100% of any sales load on shares sold by dealers with whom it has sales agreements. Broker-dealers with which GIS has entered into selling agreements may charge their customers a processing or service fee in connection with the purchase or redemption of Fund shares. The amount and applicability of such a fee is determined and disclosed to such customers by each individual broker-dealer.

To compensate GIS for the services it provides and for the expenses it bears in connection with the distribution of Fund shares, GIS will be entitled to receive any contingent deferred sales loads applicable to the redemption of shares of the Funds and any front-end sales loads applicable to the sale of shares of the Funds. GIS is also entitled to receive payments under the 12b-1 Plan. GIS's expenses may include, but are not limited to, costs of advertising and promoting the sale of shares of the Funds and, as discussed below, payments to financial intermediaries. They may also include GIS's overhead expenses attributable to the distribution of the Funds' shares, which may include, for example, expenses for office space, communications, and salaries of GIS's personnel, and any other of GIS's expenses attributable to the distribution of the Funds' shares.

The 12b-1 Plan is a compensation plan. Under the 12b-1 Plan, the Funds pay GIS compensation, accrued daily and paid monthly at the following rates: each Fund that issues Class A shares is authorized to pay a monthly distribution and service fee at an annual rate of 0.25% of the average daily net assets of the Fund's Class A shares; each Fund that issues Class B shares is authorized to pay a monthly distribution fee at an annual rate of 0.75% and a monthly service fee at an annual rate of 0.25% of the average daily net assets of the Fund's Class B shares; each Fund that issues Class C shares is authorized to pay a monthly distribution fee at an annual rate of 0.75% and a monthly service fee at an annual rate of 0.25% of the average daily net assets of its Class C shares; and each Fund that issues Class K shares is authorized to pay a monthly distribution fee at an annual rate of 0.40% and a monthly service fee at an annual rate of 0.25% of the average daily net assets of its Class K shares. Class Y shares are not subject to the 12b-1 Plan.

The 12b-1 Plan may benefit the Funds by increasing sales of shares and reducing redemptions of shares, resulting potentially, for example, in economies of scale and more predictable flows of cash into and out of the Funds. Because Rule 12b-1 fees are paid out of a Fund's assets, all shareholders share in that expense; however,

because shareholders hold their shares through varying arrangements (for example, directly or through financial intermediaries), they may not share equally in the benefits of the 12b-1 Plan.

GIS may from time to time determine that certain distribution or promotional expenses incurred by it relate to the Funds. However, GIS generally considers that many distribution and promotional expenses are incurred in respect of all of the RS Funds, and any part of the Rule 12b-1 fees paid by a Fund may be considered to compensate GIS (or, indirectly, RS Investments) for those expenses. For this purpose, GIS may estimate the expenses incurred in respect of a Fund based on the Fund's relative net asset value and/or using any other methodology it considers appropriate (which may not be based on the Fund's relative sizes). Differences in the method of such allocation do not affect the amount of Rule 12b-1 fees paid by a Fund, but only the amount of such expenses considered to have been reimbursed out of the Fund's Rule 12b-1 fees.

RS Investments may perform certain services and incur certain expenses with respect to the promotion of Fund shares and the servicing of shareholder accounts, including payment of salaries and expenses for employees whose activities include the promotion of Fund shares and/or the servicing of shareholder accounts. GIS pays out of the amounts it receives from the Fund pursuant to the 12b-1 Plan any amounts payable in respect of expenses incurred by RS Investments, GIS or third parties, in respect of the marketing, distribution or promotion of the Fund or the servicing of shareholder accounts; provided, however, that if there is an inadequate amount under the 12b-1 Plan to make payments in full to third parties, RS Investments, and GIS, the amounts shall be applied first to pay in full any third party and then allocated on a *pari passu* basis between RS Investments and GIS.

In addition to payments under the 12b-1 Plan, certain of the Funds reimburse GIS for payments GIS makes to financial intermediaries that provide certain administrative and account maintenance services. The amount of the reimbursement (the "GIS Services Reimbursement") is calculated in a manner approved by the Trustees and is reviewed by the Trustees periodically.

During some periods, fees paid under the 12b-1 Plan may be insufficient to pay GIS and RS Investments fully for their promotional expenses. In such cases, GIS and RS Investments will be paid to the extent of any excess of amounts received under the 12b-1 Plan in future periods. Such payment will, first, be paid to GIS and RS Investments on a *pari passu* basis, and then to RS Investments.

Financial intermediaries are firms that, for compensation, sell shares of mutual funds, including the Funds, and/or provide certain administrative and account maintenance services to mutual fund shareholders. Financial intermediaries may include, among others, brokers, financial planners or advisors, banks, and insurance companies.

In some cases, a financial intermediary may hold its clients' Fund shares in nominee or street name. Shareholder services provided by a financial intermediary may (though they will not necessarily) include, among other things: processing and mailing trade confirmations, periodic statements, prospectuses, annual reports, semi-annual reports, shareholder notices, and other SEC-required communications; capturing and processing tax data; issuing and mailing dividend checks to shareholders who have selected cash distributions; preparing record date shareholder lists for proxy solicitations; collecting and posting distributions to shareholder accounts; and establishing and maintaining systematic withdrawals and automated investment plans and shareholder account registrations.

The compensation paid by GIS to a financial intermediary is typically paid continually over time, during the period when the intermediary's clients hold investments in the Funds. The compensation to financial intermediaries includes networking fees and account-based fees. The amount of continuing compensation paid by GIS to different financial intermediaries for distribution and/or shareholder services varies. In most cases, the compensation is paid at an annual rate from 0.10% to 0.35% of the value of the financial intermediary's clients' investments in the Funds. In some cases, the compensation may be paid at higher annual rates of up to 0.50% of an intermediary's clients' assets in the Funds; this additional amount may, but will not necessarily, reflect enhanced or additional services provided by the intermediary.

GIS and its affiliates, at their own expense and out of their own assets, may also provide other compensation to financial intermediaries in connection with sales of the Funds' shares or the servicing of shareholders or shareholder accounts. Such compensation may include, but is not limited to, financial assistance to financial intermediaries in connection with conferences, sales, or training programs for their employees, seminars for the public, advertising or sales campaigns, or other financial intermediary-sponsored special events. In some instances, this compensation may be made available only to certain financial intermediaries whose representatives

have sold or are expected to sell significant amounts of shares. Dealers may not use sales of the Funds' shares to qualify for this compensation to the extent prohibited by the laws or rules of any state or any self-regulatory agency, such as FINRA.

If payments to financial intermediaries by the distributor or adviser for a particular mutual fund complex exceed payments by other mutual fund complexes, your financial advisor and the financial intermediary employing him or her may have an incentive to recommend that fund complex over others. Please speak with your financial advisor to learn more about the total amounts paid to your financial advisor and his or her firm by GIS and its affiliates, and by sponsors of other mutual funds he or she may recommend to you. You should also consult disclosures made by your financial intermediary at the time of purchase.

Because the Funds pay distribution, service and other fees for the sale of their shares and for services provided to shareholders out of the Funds' assets on an ongoing basis, over time those fees will increase the cost of an investment in a Fund and may cost a shareholder more than paying other types of sales loads.

A Fund may pay distribution fees, service fees and other amounts described above at a time when shares of the Fund are not being actively promoted to new investors generally, or when shares of that Fund are unavailable for purchase.

The following table shows amounts paid or payable by the Trust to GIS under the Funds' 12b-1 Plan and GIS Service Reimbursements during the periods indicated.

<u>Fund</u>	<u>Payments Under the Funds' 12b-1 Plan<sup>1</sup></u>	<u>GIS Services Reimbursements</u>
<u>RS Partners Fund</u>		
Year ended 12/31/07	\$6,698,862	\$2,060,990
Period from 10/9/06 to 12/31/06	\$1,584,853	\$425,582
<u>RS Value Fund</u>		
Year ended 12/31/07	\$6,417,428	\$1,605,535
Period from 10/9/06 to 12/31/06	\$1,218,041	\$281,376
<u>RS Investors Fund</u>		
Year ended 12/31/07	\$145,660	\$25,019
Period from 10/9/06 to 12/31/06	\$39,409	\$7,370
<u>RS Global Natural Resources Fund</u>		
Year ended 12/31/07	\$4,524,700	\$1,094,191
Period from 10/9/06 to 12/31/06	\$1,064,771	\$342,626
<u>RS Large Cap Value Fund</u>		
Year ended 12/31/07	\$628,426	--
Period from 10/9/06 to 12/31/06	\$180,360	--
<u>RS Small Cap Core Equity Fund</u>		
Year ended 12/31/07	\$647,493	--
Period from 10/9/06 to 12/31/06	\$163,229	--
<u>RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)</u>		
Year ended 12/31/07	\$2,542,856	--
Period from 10/9/06 to 12/31/06	\$635,871	--

<u>RS Equity Dividend Fund</u>		
Year ended 12/31/07	\$15,472	--
<u>RS S&amp;P 500 Index Fund</u>		
Year ended 12/31/07	\$314,122	--
Period from 10/9/06 to 12/31/06	\$179,087	--
<u>RS Asset Allocation Fund</u>		
Year ended 12/31/07	\$249,739	--
Period from 10/9/06 to 12/31/06	\$65,711	--
<u>RS Emerging Growth Fund</u>		
Year ended 12/31/07	\$1,590,269	\$422,761
Period from 10/9/06 to 12/31/06	\$474,619	\$106,569
<u>RS Smaller Company Growth Fund</u>		
Year ended 12/31/07	\$721,222	\$180,236
Period from 10/9/06 to 12/31/06	\$188,719	\$9,617
<u>RS Select Growth Fund</u>		
Year ended 12/31/07	\$438,794	\$140,669
Period from 10/9/06 to 12/31/06	\$141,854	\$35,066
<u>RS MidCap Opportunities Fund</u>		
Year ended 12/31/07	\$718,221	\$161,984
Period from 10/9/06 to 12/31/06	\$170,176	\$3,117
<u>RS Growth Fund</u>		
Year ended 12/31/07	\$478,697	\$59,724
Period from 10/9/06 to 12/31/06	\$122,808	\$13,623
RS Technology Fund (formerly, The <u>Information Age Fund<sup>®</sup></u> )		
Year ended 12/31/07	\$270,773	\$55,957
Period from 10/9/06 to 12/31/06	\$52,971	\$11,099
<u>RS International Growth Fund</u>		
Year ended 12/31/07	\$381,048	--
Period from 10/9/06 to 12/31/06	\$88,591	--
<u>RS Emerging Markets Fund</u>		
Year ended 12/31/07	\$1,411,656	--
Period from 10/9/06 to 12/31/06	\$256,386	--
<u>RS Investment Quality Bond Fund</u>		
Year ended 12/31/07	\$200,506	--
Period from 10/9/06 to 12/31/06	\$111,864	--
<u>RS Low Duration Bond Fund</u>		
Year ended 12/31/07	\$89,258	--
Period from 10/9/06 to 12/31/06	\$63,335	--

<u>RS High Yield Bond Fund</u>		
Year ended 12/31/07	\$139,887	--
Period from 10/9/06 to 12/31/06	\$105,193	--
<u>RS Tax-Exempt Fund</u>		
Year ended 12/31/07	\$229,428	--
Period from 10/9/06 to 12/31/06	\$88,149	--
<u>RS Money Market Fund</u>		
Year ended 12/31/07	\$932,508	--
Period from 10/9/06 to 12/31/06	\$298,965	--

<sup>1</sup> After giving effect to any reimbursement or waiver by GIS.

The following table shows sales loads paid to GIS during the periods indicated:

<u>Fund</u>	<u>Sales Load on Purchases<sup>1</sup></u>	<u>Contingent Deferred Sales Loads</u>
<u>RS Partners Fund</u>		
Year ended 12/31/07	\$6,992	\$1
Period from 10/9/06 to 12/31/06	\$14,705	--
<u>RS Value Fund</u>		
Year ended 12/31/07	\$144,594	\$2,196
Period from 10/9/06 to 12/31/06	\$140,356	--
<u>RS Investors Fund</u>		
Year ended 12/31/07	\$4,168	--
Period from 10/9/06 to 12/31/06	\$13,879	--
<u>RS Global Natural Resources Fund</u>		
Year ended 12/31/07	\$56,706	\$663
Period from 10/9/06 to 12/31/06	\$117,863	--
<u>RS Large Cap Value Fund</u>		
Year ended 12/31/07	\$2,571	\$1,967
Period from 10/9/06 to 12/31/06	\$2,718	\$1,644
<u>RS Small Cap Core Equity Fund</u>		
Year ended 12/31/07	\$8,156	\$9,452
Period from 10/9/06 to 12/31/06	\$8,979	\$1,979
<u>RS Large Cap Alpha Fund (formerly, RS Core Equity Fund)</u>		
Year ended 12/31/07	\$53,540	\$22,808
Period from 10/9/06 to 12/31/06	\$51,521	\$6,561
<u>RS Equity Dividend Fund</u>		
Year ended 12/31/07	\$21,387	--

<u>RS S&amp;P 500 Index Fund</u>		
Year ended 12/31/07	\$4,480	\$10,201
Period from 10/9/06 to 12/31/06	\$6,896	\$2,936
<u>RS Asset Allocation Fund</u>		
Year ended 12/31/07	\$6,051	\$9,634
Period from 10/9/06 to 12/31/06		--
<u>RS Emerging Growth Fund</u>		
Year ended 12/31/07	\$2,203	--
Period from 10/9/06 to 12/31/06	\$7,966	--
<u>RS Smaller Company Growth Fund</u>		
Year ended 12/31/07	\$4,442	--
Period from 10/9/06 to 12/31/06	\$2,666	--
<u>RS Select Growth Fund</u>		
Year ended 12/31/07	\$1,380	--
Period from 10/9/06 to 12/31/06	\$2,773	--
<u>RS MidCap Opportunities Fund</u>		
Year ended 12/31/07	\$8,033	\$1
Period from 10/9/06 to 12/31/06	\$11,143	--
<u>RS Growth Fund</u>		
Year ended 12/31/07	\$9,116	\$1
Period from 10/9/06 to 12/31/06	\$4,521	--
<u>RS Technology Fund (formerly, The Information Age Fund®)</u>		
Year ended 12/31/07	\$5,112	\$343
Period from 10/9/06 to 12/31/06	\$6,769	--
<u>RS International Growth Fund</u>		
Year ended 12/31/07	\$7,011	\$5,490
Period from 10/9/06 to 12/31/06	\$5,204	\$336
<u>RS Emerging Markets Fund</u>		
Year ended 12/31/07	\$56,802	\$11,248
Period from 10/9/06 to 12/31/06	\$85,634	\$1,773
<u>RS Investment Quality Bond Fund</u>		
Year ended 12/31/07	\$7,935	\$4,622
Period from 10/9/06 to 12/31/06	\$19,490	\$1,958
<u>RS Low Duration Bond Fund</u>		
Year ended 12/31/07	\$951	\$726
Period from 10/9/06 to 12/31/06	\$1,194	\$2,025
<u>RS High Yield Bond Fund</u>		
Year ended 12/31/07	\$1,712	\$1,241

Period from 10/9/06 to 12/31/06	\$272	\$114
<u>RS Tax-Exempt Fund</u>		
Year ended 12/31/07	\$2,817	\$133
Period from 10/9/06 to 12/31/06	\$32,018	--
<u>RS Money Market Fund</u>		
Year ended 12/31/07	--	\$3,201
Period from 10/9/06 to 12/31/06	--	\$4,557

<sup>1</sup> A portion of the sales loads paid to GIS upon purchases of Class A shares is reallocated by GIS to dealers.

No other commissions and compensation were paid by the Funds to GIS during the past three fiscal years.

Payments to RS Investments

The following table shows amounts that have been paid or are payable to RS Investments from amounts received by GIS under the 12b-1 Plan or as GIS Service Reimbursements, for the periods indicated, if any.

<u>Fund</u>	<u>Payments to RS Investments</u>
<u>RS Investors Fund</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$4,830
<u>RS Global Natural Resources Fund</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$20,300
<u>RS Emerging Growth Fund</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$84,325
<u>RS Select Growth Fund</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$5,872
<u>RS MidCap Opportunities Fund</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$19,305
<u>RS Growth Fund</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$56,525
<u>RS Technology Fund (formerly, The Information Age Fund®)</u>	
Year ended 12/31/07	--
Period from 10/9/06 to 12/31/06	\$9,417

**Prior Distributor.** Prior to October 9, 2006, PFPC Distributors served as the principal underwriter of the shares of RS Partners Fund, RS Value Fund, RS Investors Fund, RS Global Natural Resources Fund, RS Emerging Growth Fund, RS Smaller Company Growth Fund, RS Select Growth Fund, RS MidCap Opportunities Fund, RS Growth Fund, and RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>) (the “Legacy RS Funds”). To compensate PFPC Distributors for the services it provided and for the expenses it bore in connection with the distribution of Fund shares, each Legacy RS Fund made payments to PFPC Distributors under the 12b-1 Plan. Such expenses included costs of advertising and promoting the sale of shares of the Legacy RS Funds and, as discussed below, payments to financial intermediaries. They also included PFPC Distributors’ overhead expenses attributable to the distribution of the Legacy RS Funds’ shares, which included, for example, expenses for office space, communications, and salaries of PFPC Distributors’ personnel, and any other of PFPC Distributors’ expenses attributable to the distribution of the Legacy RS Funds’ shares. Under the 12b-1 Plan, each of the Legacy RS Funds paid PFPC Distributors compensation, accrued daily and paid monthly, at the annual rate of 0.25% of the Fund’s average daily net assets.

During the period in which PFPC Distributors served as the Legacy RS Funds’ principal underwriter, RS Investments performed certain services and incurred certain expenses with respect to the promotion of Fund shares and servicing of shareholder accounts, including payment of salaries and expenses for employees whose activities include the promotion of Fund shares. PFPC Distributors reimbursed RS Investments for promotion expenses incurred by it in any period in respect of the Legacy RS Funds. Such reimbursements were made out of fees paid to PFPC Distributors by the Legacy RS Funds under the 12b-1 Plan, as described above, after PFPC Distributors had first been paid its own compensation and been reimbursed for its own expenses (including amounts paid by PFPC Distributors to financial intermediaries for distribution services) out of amounts paid under the 12b-1 Plan. During some periods, fees paid under the 12b-1 Plan, less PFPC Distributors’ compensation and expenses, were insufficient to reimburse RS Investments fully for its promotional expenses. In such cases, PFPC Distributors would reimburse RS Investments to the extent of the available fees paid under the 12b-1 Plan and would pay the balance of such reimbursements as PFPC Distributors received fees under the Plan in future periods.

RS Investments from time to time determined that certain distribution or promotional expenses incurred by the Distributor or by it related to specific Legacy RS Funds. However, RS Investments generally considered that many distribution and promotional expenses are incurred in respect of all of the Legacy RS Funds, and any part of the Rule 12b-1 fees paid by any Fund may have been considered to compensate the Distributor (or, indirectly, RS Investments) for those expenses. For this purpose, RS Investments estimated the expenses incurred in respect of the various Legacy RS Funds based on the Funds’ relative net asset values and/or using any other methodology it considered appropriate (which may not be based on the Funds’ relative sizes). Differences in the method of such allocation did not affect the amount of Rule 12b-1 fees paid by a Legacy RS Fund, but only the amount of such expenses considered to have been reimbursed out of the various Funds’ Rule 12b-1 fees.

In addition to payments under the 12b-1 Plan, the Legacy RS Funds reimbursed PFPC Distributors for payments PFPC Distributors made to financial intermediaries that provided certain administrative and account maintenance services. The amount of the reimbursement (the “PFPC Services Reimbursement”) was calculated in a manner approved by the Trustees and was reviewed by the Trustees periodically.

The compensation paid by PFPC Distributors to a financial intermediary was typically paid continually over time, during the period when the intermediary’s clients held investments in the Legacy RS Funds. The amount of continuing compensation paid by PFPC Distributors to different financial intermediaries for distribution and/or shareholder services varies. In most cases, the compensation was paid at an annual rate of 0.25% of the value of the financial intermediary’s clients’ investments in the Legacy RS Funds. In some cases, the compensation may have been paid at higher annual rates of up to 0.50% of an intermediary’s clients’ assets in the Legacy RS Funds.

RS Investments or PFPC Distributors, at their own expense and out of their own assets, provided other compensation to financial intermediaries in connection with sales of the Legacy RS Funds’ shares or the servicing of shareholders or shareholder accounts. Such compensation included, but was not limited to, financial assistance to financial intermediaries in connection with conferences, sales, or training programs for their employees, seminars for the public, advertising or sales campaigns, or other financial intermediary-sponsored special events. In some instances, this compensation was made available only to certain financial intermediaries whose representatives have sold or are expected to sell significant amounts of shares. Dealers could not use sales of the Funds’ shares to qualify for this compensation to the extent prohibited by the laws or rules of any state or any self-regulatory agency, such as FINRA.

The following table shows amounts paid for the fiscal year ended December 31, 2005 and for the period from January 1, 2006 to October 9, 2006 by the Trust to PFPC Distributors under the Legacy RS Funds' 12b-1 Plan and PFPC Service Reimbursements.

	<b>Payments Under the Legacy RS Funds' 12b-1 Plan</b>	<b>PFPC Services Reimbursements</b>
<u>RS Partners Fund</u>		
Period ended 10/9/06	\$4,471,484	\$1,266,756
Year ended 12/31/05	\$4,985,169	\$1,631,306
<u>RS Value Fund</u>		
Period ended 10/9/06	\$3,211,366	\$900,558
Year ended 12/31/05	\$2,825,214	\$1,062,828
<u>RS Investors Fund<sup>1</sup></u>		
Period ended 10/9/06	\$120,261	\$33,815
Year ended 12/31/05	\$10,561	\$6,015
<u>RS Global Natural Resources Fund</u>		
Period ended 10/9/06	\$3,712,917	\$1,003,343
Year ended 12/31/05	\$2,994,383	\$1,182,358
<u>RS Emerging Growth Fund</u>		
Period ended 10/9/06	\$1,599,073	\$106,569
Year ended 12/31/05	\$2,690,052	\$1,078,415
<u>RS Smaller Company Growth Fund</u>		
Period ended 10/9/06	\$537,163	\$73,005
Year ended 12/31/05	\$536,562	\$159,345
<u>RS Select Growth Fund</u>		
Period ended 10/9/06	\$606,165	\$232,110
Year ended 12/31/05	\$1,631,163	\$901,298
<u>RS MidCap Opportunities Fund</u>		
Period ended 10/9/06	\$468,327	\$48,602
Year ended 12/31/05	\$506,377	\$132,461
<u>RS Growth Fund</u>		
Period ended 10/9/06	\$379,634	\$59,899
Year ended 12/31/05	\$514,183	\$131,317
<u>RS Technology Fund (formerly, The Information Age Fund<sup>®</sup>)</u>		
Period ended 10/9/06	\$161,531	\$43,860
Year ended 12/31/05	\$238,981	\$77,611

<sup>1</sup> RS Investors Fund commenced operations on November 15, 2005.

Payments to RS Investments

The following table shows amounts paid in the periods indicated to RS Investments from amounts received by the PFPC Distributors under the 12b-1 Plan or as PFPC Services Reimbursements, and past PFPC Services Reimbursements paid directly to RS Investments by the Legacy RS Funds for the fiscal years ended December 31, 2005 and for the period from January 1, 2006 to October 9, 2006, if any.

<u>Fund</u>	<u>Period ended</u> <u>10/9/06</u>	<u>Total in 2005</u>
RS Partners Fund	\$0	\$463,770
RS Value Fund	\$0	\$325,784
RS Investors Fund <sup>1</sup>	\$12,882	\$1,461
RS Global Natural Resources Fund	\$190,710	\$464,027
RS Emerging Growth Fund	\$77,985	\$1,293,822
RS Smaller Company Growth Fund	\$0	\$225,482
RS Select Growth Fund	\$0	\$1,064,583
RS MidCap Opportunities Fund	\$0	\$191,298
RS Growth Fund	\$101,242	\$283,758
RS Technology Fund (formerly, The Information Age Fund <sup>®</sup> )	\$24,792	\$77,104

<sup>1</sup> RS Investors Fund commenced operations on November 15, 2005.

### HOW NET ASSET VALUE IS DETERMINED

Each Fund calculates the net asset value (“NAV”) of each of its classes of shares by dividing the total value of the assets attributable to that class, less the liabilities attributable to that class, by the number of shares of that class that are outstanding.

Each of the Funds determines the NAV per share once daily as of the close of regular trading (generally 4:00 p.m. Eastern Time) each day the NYSE is open. The Funds will not price their shares on days when the NYSE is closed. The NYSE is typically closed Saturdays, Sundays, New Year’s Day (observed), Martin Luther King, Jr. Day, Washington’s Birthday (observed), Good Friday, Memorial Day, Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas (observed).

The Funds value their portfolio securities for which market quotations are readily available at market value. Such securities are valued at the last reported sale price on the principal exchange or market on which they are traded; or, if there were no sales that day, at the mean between the closing bid and asked prices. Securities traded on the Nasdaq are generally valued at the Nasdaq official closing price, which may not be the last sale price. If the Nasdaq official closing price is not available for a security, that security will generally be valued using the last reported sale price, or, if no sales are reported, at the mean between the closing bid and asked prices. Where a security is traded on more than one exchange, the security is valued on the primary exchange on which the security trades. Securities not traded on any securities exchange or on Nasdaq and for which over-the-counter prices are readily available generally will be valued at the mean between the closing bid and asked prices.

Short-term investments that will mature in 60 days or less are valued at amortized cost, which approximates market value. Certain debt securities may be valued each business day by an independent pricing service (“Service”). The use of a Service to ascertain values has been approved by the Trust’s Board of Trustees. Debt securities with more than 60 days to maturity for which quoted bid prices are, in the judgment of a Service, readily available and representative of the bid side of the market are valued by the Service at the bid price (with respect to all Funds other than RS Tax-Exempt Fund) or the mean between the bid and asked prices (with respect to RS Tax-Exempt Fund). Debt securities with more than 60 days to maturity for which quoted bid prices are not, in the judgment of a Service, readily available and representative of the market value will be valued by the Service at estimated market value based on methods which include consideration of yields or prices of government securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. A Service may use matrix pricing or such other valuation methodology as may be deemed reasonable by RS Investments. Repurchase agreements are carried at cost. Options are valued at the last sale price unless the bid price is higher or the asked price is lower, in which event such bid or asked price is used. Financial futures contracts and options on financial futures contracts are valued at the settlement prices established each day by the boards of trade or exchanges on which they are traded. Foreign securities are valued in the currencies of the markets where they trade and are then converted to U.S. dollars using the prevailing exchange rates at the close of the NYSE. Forward foreign currency contracts are valued at the current cost of covering or offsetting such contracts. The

Funds value all other securities and assets at their fair values as determined in accordance with guidelines and procedures adopted by the Trust's Board of Trustees.

The fair value of securities is generally determined as the amount that a Fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. The valuation procedures applied in any specific instance are likely to vary from case to case. However, in cases where there are no publicly traded securities of the same class as the securities being valued, the security is valued based on an analysis of the effect of any restrictions on the sale of the security; product development and trends of the security's issuer; changes in the industry and other competing companies; significant changes in the issuer's financial position; prices at which the issuer subsequently issues the same or comparable securities; prices at which the same or comparable securities are sold; and any other event which could have a significant impact on the value of the security.

Generally, trading in certain securities (such as foreign securities) is substantially completed each day at various times prior to the close of the NYSE. The values of these securities used in determining the NAV of a Fund's shares are computed as of such times. Also, because of the amount of time required to collect and process trading information for large numbers of securities issues, the values of certain securities (such as convertible bonds and U.S. Government securities) are determined based on market quotations collected earlier in the day at the latest practicable time prior to the close of the NYSE. Events affecting the values of those securities may occur between such times and the close of the NYSE and therefore may not be reflected in the computation of NAV. A Fund may determine the fair value of those securities in accordance with pricing guidelines and procedures approved by the Trustees. In addition, if there has been a movement in the U.S. markets that exceeds a specified threshold, the values of a Fund's investments in foreign securities will be determined by a pricing service using pricing models designed to estimate likely changes in the values of those securities. The fair value of one or more of the securities in the portfolio, which is used to determine a Fund's NAV, could be different from the actual value at which those securities could be sold in the market. Thus, fair valuation may have an unintended dilutive or accretive effect on the value of shareholders' investments in a Fund.

RS Money Market Fund. Securities held by RS Money Market Fund are valued at their amortized cost. Amortized cost is acquisition cost as adjusted for amortization of any discount or premium at a constant daily rate to maturity. This method provides certainty in valuation, but may result in valuations that are higher or lower than the price which would be received if an instrument was sold prior to its maturity because neither unrealized gains nor unrealized losses are accounted for.

RS Money Market Fund's use of amortized cost and the maintenance of RS Money Market Fund's net asset value at \$1.00 per share is based on its election to value its portfolio in accordance with the provisions of Rule 2a-7 under the 1940 Act. As a condition of operating under that rule, RS Money Market Fund must maintain a dollar-weighted average portfolio maturity of 90 days or less; purchase U.S. dollar-denominated instruments having remaining maturities of thirteen months or less; and invest only in securities that are determined to present minimal credit risks and that are eligible for investment under the rule. Eligible securities are securities rated within the two highest rating categories assigned by the requisite number of nationally recognized statistical rating organizations ("NRSROs") or, if unrated, deemed to be of comparable quality by GIS, RS Money Market Fund's investment sub-adviser, in accordance with guidelines adopted by the Board of Trustees.

The aforementioned guidelines were adopted by the Board of Trustees and are designed to stabilize RS Money Market Fund's NAV at \$1.00, taking into account current market conditions and the Fund's investment objective. These guidelines mandate periodic review, as the Board deems appropriate and at such intervals as are reasonable in light of current market conditions, of the relationship between the amortized cost value per share and a NAV based upon available indications of market value. In such review, market values are determined by reference to dealer prices for the types of instruments purchased by the Fund. Then, yield factors are added to those prices to set-off dealer discounts.

In the event of a deviation of over one half of 1% between RS Money Market Fund's NAV based upon available market quotations or market equivalents and \$1.00 per share based on amortized cost, the Board will promptly consider what action, if any, should be taken. Action will also be taken to reduce, to the extent reasonably practicable, any material dilution or other unfair results which might arise from differences between RS Money Market Fund's NAV based upon market values and amortized cost. Such action may include redemption in kind, selling portfolio instruments prior to maturity to realize capital gains or losses or to shorten the average portfolio maturity, withholding or paying dividends or distributions, or using a market value NAV.

The Board will also take such action as it deems appropriate if securities held by RS Money Market Fund are downgraded, go into default, become ineligible for investment under Rule 2a-7, or come to present greater than minimal credit risks. In the event that securities accounting for 1/2 of 1% or more of the Fund's total assets default in a material way that is related to the issuer's financial condition, the SEC will be notified and advised of the actions to be taken in response to the situation.

Since dividends from net investment income and from net realized gains will be accrued daily and paid monthly, the net asset value per share will ordinarily remain at \$1.00, but RS Money Market Fund's daily dividends will vary in amount, and there may be days when there will be no dividend. If net realized or unrealized losses on any day exceeds interest income, less expenses, the net asset value per share on that day might decline.

## TAXES

Each Fund intends to qualify each year and elect to be taxed as a regulated investment company under Subchapter M of the United States Internal Revenue Code of 1986, as amended (the "Code").

As a regulated investment company qualifying to have its tax liability determined under Subchapter M, a Fund would not be subject to federal income tax on income paid in a timely manner to its shareholders in the form of dividends (including capital gain dividends).

In order to qualify as a "regulated investment company," a Fund must, among other things: (a) derive at least 90% of its gross income from (i) dividends, interest, payments with respect to certain securities loans, and gains from the sale or other dispositions of stock, 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 such stock, securities, or currencies and (ii) net income derived from interest in "qualified publicly traded partnerships" (as defined below); (b) diversify its holdings so that, at the end of each quarter of the Fund's taxable year, (i) at least 50% of the market value of the Fund's total assets consists of cash and cash items, U.S. Government securities, securities of other regulated investment companies, and other securities limited generally with respect to any one issuer to a value not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of the Fund's total assets is invested (x) in the securities (other than those of the U.S. Government or other regulated investment companies) of any one issuer or of two or more issuers that the Fund controls and that are engaged in the same, similar, or related trades or businesses, or (y) in the securities of one or more "qualified publicly traded partnerships" (as defined below); and (c) distribute with respect to each taxable year at least 90% of the sum of its investment company taxable income (as that term is defined in the Code without regard to the deduction for dividends paid—generally, taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and net tax-exempt interest income, for such year. In the case of the Fund's investments in loan participations, the Fund shall treat a financial intermediary as an issuer for the purposes of meeting this diversification requirement.

In general, for purposes of the 90% gross income requirement described in clause (a) above, income derived from a partnership will be treated as qualifying income only to the extent such income is attributable to items of income of the partnership which would be qualifying income if realized by the regulated investment company. However, 100% of the net income derived from an interest in a "qualified publicly traded partnership" ("QPTP") (defined as a partnership (x) interests in which are traded on an established securities market or readily tradable on a secondary market or the substantial equivalent thereof (y) that derives at least 90% of its income from the passive income sources defined in Code section 7704(d), and (z) that derives less than 90% of its income from the qualifying income described in clause (a)(i) above) will be treated as qualifying income. Although income from QPTPs is qualifying income, as discussed above, investments in QPTPs cannot exceed 25% of the Fund's assets. In addition, although in general the passive loss rules of the Code do not apply to regulated investment companies, such rules do apply to a regulated investment company with respect to items attributable to an interest in a QPTP. For purposes of meeting the diversification requirement described in clause (b) above, in the case of the Fund's investment in loan participations, the Fund shall treat both the financial intermediary and the issuer of the underlying loan as an issuer. Also, for purposes of clause (b) above, the term "outstanding voting securities of such issuer" will include the equity securities of a QPTP. A Fund's investments in MLPs, if any, may qualify as QPTPs, or may be treated as "regular" partnerships, a "passive foreign investment company" or a corporation for U.S. federal income tax purposes. The treatment of particular MLPs for U.S. federal income tax purposes will affect the extent to which a Fund can invest in MLPs. The U.S. federal income tax consequences of a Fund's investments in "passive foreign investment companies" and "regular" partnerships are discussed in greater detail below.

If a Fund were to fail to qualify as a regulated investment company accorded special tax treatment in any taxable year, such Fund would be subject to tax on its taxable income at corporate income tax rates (without any deduction for distributions to its shareholders), and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would be taxable to shareholders as ordinary income. Some portions of such distributions may be eligible to be treated as qualified dividend income in the case of shareholders taxed as individuals, and for the dividend received deduction in the case of corporate shareholders. In addition, the Fund could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a regulated investment company that is accorded special tax treatment.

A non-deductible excise tax at the rate of 4% will be imposed on the excess, if any, of each Fund's "required distribution" over its actual distributions in any calendar year. Generally, the "required distribution" is 98% of the Fund's ordinary income for the calendar year plus 98% of its capital gain net income recognized during the one-year period ending on October 31 (or December 31, if the Fund so elects) plus undistributed amounts from prior years. Each Fund intends to make distributions sufficient to avoid imposition of the excise tax on income earned in the current calendar year, although from time to time a Fund may choose to pay an excise tax where the cost of making the required distribution exceeds the amount of the tax. Distributions declared by a Fund during October, November, or December to shareholders of record on a date in any such month and paid by the Fund during the following January will be treated for federal tax purposes as paid by the Fund and received by shareholders on December 31 of the year in which they were declared.

Distributions from a Fund generally will be taxable to shareholders as ordinary income to the extent derived from investment income and net short-term capital gains. Distributions of net capital gains (that is, the excess of net gains from the sale of capital assets held more than one year over net losses from the sale of capital assets held for not more than one year) properly designated as capital gain dividends ("Capital Gain Dividends") will be taxable to shareholders as long-term capital gain, regardless of how long a shareholder has held the shares in the Fund. Long-term capital gain rates applicable to individuals have been temporarily reduced—in general, to 15% with lower rates applying to taxpayers in the 10% and 15% rate brackets—for taxable years beginning before January 1, 2011. Distributions attributable to gain from the sale of MLPs that is characterized as ordinary income under the Code's recapture provisions will be taxable as ordinary income.

Distributions are taxable to shareholders even if they are paid from income or gains earned by a Fund before a shareholder's investment (and thus were included in the price the shareholder paid). Distributions are taxable whether shareholders receive them in cash or reinvest in additional shares. A shareholder whose distributions are reinvested in shares will be treated as having received a dividend equal to the fair market value of the new shares issued to the shareholder. Any gain resulting from the sale or exchange of Fund shares generally will be taxable as capital gain.

For taxable years beginning before January 1, 2011, provided holding period and other requirements are met, a Fund may designate distributions of investment income derived from dividends of U.S. corporations and some foreign corporations as "qualified dividend income." Qualified dividend income generally will be taxed in the hands of individuals at the 15% long-term capital gain tax rate, provided these same holding period and other requirements are met by the shareholder. A dividend will not be treated as qualified dividend income (at either the Fund or shareholder level) (1) if the dividend is received from a foreign corporation that is (i) not eligible for the benefits of a comprehensive income tax treaty with the United States (with the exception of dividends paid on stock of such a foreign corporation readily tradable on an established securities market in the United States) or (ii) treated as a passive foreign investment company, (2) if the dividend is received with respect to any share of stock held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend (or, in the case of certain preferred stock, 91 days during the 181-day period beginning 90 days before such date), (3) to the extent that the recipient is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property, or (4) if the recipient elects to have the dividend income treated as investment income for purposes of the limitation on deductibility of investment interest.

If a Fund makes a distribution to shareholders in excess of its current accumulated "earnings and profits" in any taxable year, the excess distribution will be treated as a return of capital to the extent of the shareholder's tax basis, and thereafter as capital gain. A return of capital is not taxable, but it reduces a shareholder's tax basis, thus reducing any loss or increasing any gain on a subsequent taxable disposition of Fund shares.

Dividends and distributions on a Fund's shares are generally subject to federal income tax as described herein to the extent they do not exceed a Fund's realized income and gains, even though such dividends and distributions may economically represent a return of a particular shareholder's investment. Such distributions are likely to occur in respect of shares purchased at a time when the Fund's net asset value reflects gains that are either unrealized, or realized but not distributed.

A Fund can pay tax-exempt interest dividends only for taxable years in which, at the end of each quarter, at least 50% of the value of its total assets consists of securities generating interest that is exempt from federal tax under section 103(a) of the Code. Fund distributions designated as "exempt-interest dividends" are not generally subject to federal income tax, but they may be subject to state and local taxes. In addition, an investment in the Tax-Exempt Fund may result in liability for federal alternative minimum tax, both for individual and corporate shareholders. For example, if the Fund invests in "private activity bonds," certain shareholders may become subject to alternative minimum tax on the part of the Fund's distributions derived from interest on such bonds.

A shareholder who receives Social Security or railroad retirement benefits, should consult his or her tax adviser to determine what effect, if any, an investment in RS Tax-Exempt Fund may have on the federal taxation of such benefits. Tax-exempt dividends are included in income for purposes of determining the amount of benefits that are taxable.

Distributions of RS Tax-Exempt Fund's income other than exempt-interest dividends generally will be taxable as ordinary income, except that any distributions of net capital gains will be taxable as capital gains. RS Tax-Exempt Fund may invest a portion of its assets in securities that generate income subject to federal and state taxes.

A Fund may invest to a significant extent in debt obligations that are in the lowest rating categories or are unrated, including debt obligations of issuers not currently paying interest or who are in default. Investments in debt obligations that are at risk of or in default present special tax issues for the Fund. Tax rules are not entirely clear about issues such as when the Fund may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless securities and how payments received on obligations in default should be allocated between principal and income. These and other related issues will be addressed by a Fund when, as and if it invests in such securities, in order to seek to ensure that it distributes sufficient income to preserve its status as a regulated investment company and does not become subject to U.S. federal income or excise tax.

A Fund may invest in real estate investment trusts ("REITs"). Investments in REIT equity securities may require the Fund to accrue and distribute income not yet received. To generate sufficient cash to make the requisite distributions, the Fund may be required to sell securities in its portfolio (including when it is not advantageous to do so) that it otherwise would have continued to hold. The Fund's investments in REIT equity securities may at other times result in the Fund's receipt of cash in excess of the REIT's earnings; if the Fund distributes these amounts, these distributions could constitute a return of capital to Fund shareholders for federal income tax purposes. Dividends received by the Fund from a REIT generally will not constitute qualified dividend income.

Some of the REITs in which the Fund invests may be permitted to hold residual interests in real estate mortgage investment conduits ("REMICs") or taxable mortgage pools ("TMPs") or may themselves constitute TMPs. Under a notice recently issued by the IRS and Treasury regulations that have yet to be issued but may apply retroactively, a portion of the Fund's income from a REIT that is attributable to the REIT's residual interest in a REMIC or a TMP (referred to in the Code as an "excess inclusion") will be subject to federal income tax in all events. This notice also provides, and the regulations are expected to provide, that excess inclusion income of a RIC, such as the Fund, will be allocated to shareholders of the RIC in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related residual interest directly. As a result, the Fund may not be a suitable investment for charitable remainder trusts, as noted below.

In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income ("UBTI") to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on UBTI, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a tax return, to file a tax return and pay tax on such income, and (iii) in the case of a non-U.S. shareholder, will not qualify for any reduction in U.S. federal withholding tax.

With respect to investment income and gains received by a Fund, if any, from sources outside the United States, such income and gains may be subject to foreign taxes that are withheld at the source. Thus, a Fund's yield on foreign investments would be decreased by such taxes. The effective rate of foreign taxes to which a Fund will be subject depends on the specific countries in which its assets will be invested and the extent of the assets invested in each such country and therefore cannot be determined in advance.

If more than 50% of a Fund's assets at year end consists of the securities of foreign corporations, the Fund may elect to permit shareholders to claim a credit or deduction on their income tax returns for their pro rata portion of qualified taxes paid by the Fund to foreign countries in respect of foreign securities the Fund held for at least the minimum period specified in the Code. In such a case, shareholders will include in gross income from foreign sources their pro rata share of such taxes. Shareholders then may take a foreign tax credit against U.S. federal income tax liability for the amount of such foreign taxes or deduct such foreign taxes as an itemized deduction from gross income. A shareholder's ability to claim a foreign tax credit or deduction in respect of foreign taxes paid by the Fund may be subject to certain limitations imposed by the Code, as a result of which a shareholder may not get a full credit or deduction for the amount of such taxes. In particular, shareholders must hold their Fund shares (without protection from risk of loss) on the ex-dividend date and for at least 16 additional days during the 30-day period surrounding the ex-dividend date to be eligible to claim a foreign tax credit with respect to a given dividend. Shareholders who do not itemize on their federal income tax returns may claim a credit (but no deduction) for such foreign taxes.

Equity investments by the Fund in certain "passive foreign investment companies" ("PFICs") could subject the Fund to a U.S. federal income tax (including interest charges) on distributions received from the company or on proceeds received from the disposition of shares in the company, which tax cannot be eliminated by making distributions to Fund shareholders. However, the Fund may elect to avoid the imposition of that tax. For example, the Fund may elect to treat a PFIC as a "qualified electing fund" (a "QEF election"), in which case the Fund will be required to include its share of the company's income and net capital gains annually, regardless of whether it receives any distribution from the company. The Fund also may make an election to mark the gains (and to a limited extent losses) in such holdings "to the market" as though it had sold and repurchased its holdings in those PFICs on the last day of the Fund's taxable year. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may accelerate the recognition of income (without the receipt of cash) and increase the amount required to be distributed by the Fund to avoid taxation. Making either of these elections therefore may require the Fund to liquidate other investments (including when it is not advantageous to do so) to meet its distribution requirement, which also may accelerate the recognition of gain and affect the Fund's total return. Dividends paid by PFICs are not eligible to be treated as "qualified dividend income." A Fund's transactions in foreign currencies, foreign currency-denominated debt securities, and certain foreign currency options, futures contracts and forward contracts (and similar instruments) may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency concerned. See also the discussion on hedging transactions, below.

A Fund's transactions in foreign currency-denominated debt instruments and its hedging activities will likely produce a difference between its book income and its taxable income. If a Fund's book income exceeds its taxable income, the distribution (if any) of such excess will be treated as (i) a dividend to the extent of the Fund's remaining earnings and profits, (ii) thereafter as a return of capital to the extent of the recipient's basis in the shares, and (iii) thereafter as gain from the sale or exchange of a capital asset. If a Fund's book income is less than the sum of its taxable income and net tax-exempt income (if any), the Fund could be required to make distributions exceeding book income to qualify as a regulated investment company that is accorded special tax treatment.

Special tax considerations apply if a Fund invests in investment companies taxed as partnerships. In general, a Fund will not recognize income earned by such an investment company until the close of the investment company's taxable year. However, a Fund will recognize such income as it is earned by the investment company for purposes of determining whether it is subject to the 4% excise tax. Therefore, if a Fund and such an investment company have different taxable years, the Fund may be compelled to make distributions in excess of the income recognized from such an investment company in order to avoid the imposition of the 4% excise tax. A Fund's receipt of a non-liquidating cash distribution from an investment company taxed as a partnership generally will result in recognized gain (but not loss) only to the extent that the amount of the distribution exceeds the Fund's adjusted basis in shares of such investment company before the distribution. If a Fund receives a liquidating cash distribution from an investment company taxable as a partnership, the Fund will recognize capital gain or loss to the extent of the difference between the proceeds received by the Fund and the Fund's adjusted tax basis in shares of such investment company; however, the Fund will recognize ordinary income, rather than capital gain, to the extent

that the Fund's allocable share of "unrealized receivables" (including any accrued but untaxed market discount) exceeds the shareholder's share of the basis in those unrealized receivables.

Some amounts received by a Fund with respect to its investments in MLPs will likely be treated as a return of capital because of accelerated deductions available with respect to the activities of such MLPs. On the disposition of an investment in such an MLP, the Fund will likely realize taxable income in excess of economic gain with respect to that asset (or if the Fund does not dispose of the MLP, the Fund will likely realize taxable income in excess of cash flow with respect to the MLP in a later period), and the Fund must take such income into account in determining whether the Fund has satisfied its distribution requirements. A Fund may have to borrow or liquidate securities to satisfy its distribution requirements and to meet its redemption requests, even though investment considerations might otherwise make it undesirable for the Fund to sell securities or borrow money at such time.

If a Fund engages in hedging transactions, including hedging transactions in options, certain forward contracts or futures contracts, and straddles, or other similar transactions, it will be subject to special tax rules (including constructive sale, mark-to-market, straddle, wash sale, and short sale rules), the effect of which may be to accelerate income to the Fund, defer losses to the Fund, cause adjustments in the holding periods of the Fund's securities, convert long-term capital gains into short-term capital gains, or convert short-term capital losses into long-term capital losses. These rules could therefore affect the amount, timing, and character of distributions to shareholders. Each Fund will endeavor to make any available elections pertaining to such transactions in a manner believed to be in the best interest of the Fund.

Under federal income tax law, a portion of the difference between the purchase price of zero-coupon securities in which a Fund has invested and their face value ("original issue discount") is considered to be income to the Fund each year, even though the Fund will not receive cash interest payments from these securities. This original issue discount (imputed income) will comprise a part of the net investment income of the Fund which must be distributed to shareholders in order to maintain the qualification of the Fund as a regulated investment company and to avoid federal income tax at the level of the Fund. Thus, a Fund could be required at times to liquidate other investments in order to satisfy its distribution requirements.

In addition, the Fund may purchase debt instruments with "market discount." Under the market discount rules, the Fund will be required to treat any gain on the sale, exchange or redemption of, a debt instrument as ordinary income to the extent of the market discount that has not previously been included in income and is treated as having accrued on such debt instrument at or prior to the time of such payment or disposition. Market discount in respect of a debt instrument is generally considered to accrue ratably during the period from the date of acquisition to the maturity date of such debt instrument, unless the holder elects to accrue market discount on the debt instrument under the constant yield method.

The sale, exchange or redemption of Fund shares may give rise to a gain or loss. In general, any gain or loss realized upon a taxable disposition of shares will be treated as long-term capital gain or loss if the shares have been held as capital assets by the shareholder for more than 12 months. Otherwise the gain or loss on the sale, exchange or redemption of Fund shares held by the shareholder will be treated as short-term capital gain or loss. If a shareholder sells shares at a loss within six months of purchase, any loss will be disallowed for federal income tax purposes to the extent of any exempt-interest dividends received on such shares. In addition, any loss (not already disallowed as provided in the preceding sentence) realized upon a taxable disposition of shares held for 6 months or less will be treated as long-term, rather than short-term, to the extent of any long-term capital gain distributions received (or deemed received) by the shareholder with respect to the shares. All or a portion of any loss realized upon a taxable disposition of Fund shares will be disallowed if other substantially identical shares of the same Fund are purchased within 30 days before or after the disposition. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss.

A Fund generally is required to withhold and remit to the U.S. Treasury a percentage of the taxable dividends and other distributions paid to non-corporate shareholders who fail to furnish the Fund with a correct taxpayer identification number or other certification, who have underreported dividends or interest income, or who fail to certify to the Fund that they are not subject to such withholding. An individual's taxpayer identification number generally is his or her social security number. Tax-exempt shareholders are not subject to these back-up withholding rules so long as they furnish the Fund with a proper certification. The back-up withholding tax rate is 28% for amounts paid through 2010. The back-up withholding tax rate will be 31% for amounts paid after December 31, 2010, unless Congress enacts tax legislation providing otherwise.

In general, dividends (other than Capital Gain Dividends and exempt interest dividends) paid by the Fund to a shareholder that is not a “U.S. person” within the meaning of the Code (a “foreign person”) are subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate) even if they are funded by income or gains (such as portfolio interest, short-term capital gains, or foreign-source dividend and interest income) that, if paid to a foreign person directly, would not be subject to withholding. However, for taxable years of the Fund beginning before January 1, 2008, the Fund will not be required to withhold any amounts (i) with respect to distributions (other than distributions to a foreign person (w) that has not provided a satisfactory statement that the beneficial owner is not a U.S. person, (x) to the extent that the dividend is attributable to certain interest on an obligation if the foreign person is the issuer or is a 10% shareholder of the issuer, (y) that is within certain foreign countries that have inadequate information exchange with the United States, or (z) to the extent the dividend is attributable to interest paid by a person that is a related person of the foreign person and the foreign person is a controlled foreign corporation) from U.S. source interest income that would not be subject to U.S. federal income tax if earned directly by an individual foreign person, to the extent such distributions are properly designated by the Fund, and (ii) with respect to distributions (other than (a) distributions to an individual foreign person who is present in the United States for a period or periods aggregating 183 days or more during the year of the distribution and (b) distributions subject to special rules regarding the disposition of U.S. real property interests as described below of net short-term capital gains in excess of net long-term capital losses to the extent such distributions are properly designated by the Fund) of net short-term capital gains in excess of net long-term capital losses, to the extent such distributions are properly designated by the Fund. Short-term gains will not include gain from the sale of MLPs to the extent such gain is characterized as ordinary income under the Code’s recapture provisions. The Funds have not determined whether they will make such designations. Pending legislation would extend the exemption from withholding for interest-related and short-term capital gain distributions for one year, i.e. for taxable years beginning before January 1, 2009. At the time of this filing, it is unclear whether the legislation will be enacted. In order to qualify for this exemption from withholding, a foreign person will need to comply with applicable certification requirements relating to its non-US status (including, in general, furnishing an IRS Form W-8BEN or substitute Form). In addition, as indicated above, Capital Gain Dividends will not be subject to withholding of U.S. federal income tax.

A beneficial holder of shares who is a foreign person is not, in general, subject to U.S. federal income tax on gains (and is not allowed a deduction for losses) realized on the sale of shares of the Fund or on Capital Gain Dividends or exempt-interest dividends unless (i) such gain or dividend is effectively connected with the conduct of a trade or business carried on by such holder within the United States, (ii) in the case of an individual holder, the holder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale or the receipt of the Capital Gain Dividend and certain other conditions are met, or (iii) the shares constitute “U.S. real property interests” (“USRPIs”) or the Capital Gain Dividends are attributable to gains from the sale or exchange of USRPIs in accordance with the rules set forth below.

Special rules apply to distributions to foreign shareholders from a Fund that is either a “U.S. real property holding corporation” (“USRPHC”) or would be a USRPHC but for the operation of certain exceptions to the definition thereof. Additionally, special rules apply to the sale of shares in a Fund that is a USRPHC. Very generally, a USRPHC is a domestic corporation that holds U.S. real property interests (“USRPIs”) – USRPIs are defined very generally as any interest in U.S. real property or any equity interest in a USRPHC – the fair market value of which equals or exceeds 50% of the sum of the fair market values of the corporation’s USRPIs, interests in real property located outside the United States and other assets. A Fund that holds (directly or indirectly) significant interests in REITs may be a USRPHC. The special rules discussed below will also apply to distributions from a Fund that would be a USRPHC absent exclusions from USRPI treatment for interests in domestically controlled REITs and not-greater-than-5% interests in publicly traded classes of stock in REITs.

In the case of a Fund that would be USRPHCs but for the exceptions from the definition of USRPIs (described above), amounts the Fund receives from REITs derived from gains realized from USRPIs will retain their character as gains realized from USRPIs in the hands of the Fund’s foreign shareholders (as will any direct USRPI gain the Fund recognizes). In the hands of a foreign shareholder that holds (or has held in the prior year) more than a 5% interest in the Fund, such amounts will be treated as gains “effectively connected” with the conduct of a “U.S. trade or business,” and subject to tax at graduated rates. Moreover, such shareholders will be required to file a U.S. income tax return for the year in which the gain was recognized and the Fund will be required to withhold 35% of the amount of such distribution. In the case of all other foreign shareholders (i.e., those with a 5% or smaller interest in the Fund), the USRPI distribution will be treated as ordinary income (regardless of any designation by the Fund that such distribution is a short-term gain or a Capital Gain Dividend), and the Fund must withhold 30% (or a lower applicable treaty rate) of the amount of the distribution paid to such foreign shareholder. Foreign shareholders of

such Funds are also subject to “wash sale” rules to prevent the avoidance of the tax-filing and -payment obligations discussed above through the sale and repurchase of Fund shares.

If a beneficial holder who is a foreign person has a trade or business in the United States, and the dividends are effectively connected with the conduct by the beneficial holder of a trade or business in the United States, the dividend will be subject to U.S. federal net income taxation at regular income tax rates.

If a shareholder realizes a loss on disposition of a Fund’s shares of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder, the shareholder must file with the Internal Revenue Service a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, shareholders of a regulated investment company are not excepted. Future guidance may extend the current exception from this reporting requirement to shareholders of most or all regulated investment companies. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer’s treatment of the loss is proper. Shareholders should consult their tax advisers to determine the applicability of these regulations in light of their individual circumstances.

The foregoing is a general and abbreviated summary of certain applicable provisions of the Code and related regulations currently in effect. For the complete provisions, reference should be made to the pertinent Code sections and regulations. The Code and regulations are subject to change by legislative or administrative actions. Dividends and distributions also may be subject to local, state and foreign taxes. Shareholders are urged to consult their tax advisors regarding specific questions as to federal, state, local, and foreign taxes. The foregoing discussion relates solely to U.S. federal income tax law. Non-U.S. investors should consult their tax advisors concerning the tax consequences of ownership of shares of the Funds. Statements as to the tax status of distributions will be mailed annually.

## **ADDITIONAL INFORMATION**

### **Transfer Agent and Custodian**

Boston Financial Data Services, at P.O. Box 219717, Kansas City, MO 64121, serves as the Funds’ transfer agent and dividend-paying agent (“Transfer Agent”).

State Street Bank and Trust Company, Custody Division, 1776 Heritage Drive, North Quincy, Massachusetts 02171, serves as the Funds’ custodian (the “Custodian”).

The Custodian and subcustodians hold the securities in the Funds’ portfolios and other assets for safekeeping. The Transfer Agent and the Custodian do not participate in making investment decisions for the Funds.

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, California 94111, is the Trust’s independent registered public accounting firm, providing audit services, tax return review, and other tax consulting services and assistance and consultation in connection with the review of various SEC filings.

### **Legal Counsel**

Ropes & Gray LLP, One International Place, Boston, MA 02110, serves as counsel to the Trust.

### **Shareholder Liability**

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Trust. However, the Agreement and Declaration of Trust disclaims shareholder liability for acts or obligations of the Trust and requires that notice of such disclaimer be given in each agreement, obligation, or instrument entered into or executed by the Trust or the Trustees. The Agreement and Declaration of Trust provides for indemnification out of a Fund’s property for all loss and expense of any shareholder held personally liable for the obligations of that Fund. Thus the risk of a shareholder’s incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund would be unable to meet its obligations.

## FINANCIAL STATEMENTS

### Annual and Semi-Annual Reports

The audited financial statements, financial highlights, and report of PricewaterhouseCoopers LLP, the independent registered public accounting firm of the Funds, included in the Funds' Annual Report for the fiscal year ended December 31, 2007, as restated and filed electronically on Form N-CSR/A on September 8, 2008 (File No. 811-5159; Accession No. 0001193125-08-192193) are incorporated by reference into this SAI. The Funds' Annual Report is available by calling the Funds at 1-800-766-FUND (3863) or by visiting the Funds' Web site at [www.rsinvestments.com](http://www.rsinvestments.com) or on the SEC's Web site at [www.sec.gov](http://www.sec.gov).

The audited financial statements, financial highlights, and report of the independent registered public accounting firm for the predecessor funds of RS Large Cap Value Fund, RS Small Cap Core Equity Fund, RS Large Cap Alpha Fund, RS S&P 500 Index Fund, RS Asset Allocation Fund, RS International Growth Fund, RS Emerging Markets Fund, RS Investment Quality Bond Fund, RS Low Duration Bond Fund, RS High Yield Bond Fund, RS Tax-Exempt Fund, and RS Money Market Fund, included in the Annual Report for the fiscal year ended December 31, 2005, filed electronically on Form N-14 on July 7, 2006 (File No. 333-135630; Accession No. 0001104659-06-045799), are hereby incorporated by reference into this SAI.

The unaudited financial statements and financial highlights included in the Funds' Semi-Annual Report for the fiscal period ended June 30, 2008, filed electronically on Form N-CSRS on September 8, 2008 (File No. 811-5159; Accession No. 0001193125-08-192201) are incorporated by reference into this SAI.

## APPENDIX A

### DESCRIPTION OF SECURITIES RATINGS

This Appendix describes ratings applied to corporate bonds by Standard & Poor's ("S&P") and Moody's Investors Service, Inc. ("Moody's").

#### Standard & Poor's Ratings

**AAA** -- An obligation rated **AAA** has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA** -- An obligation rated **AA** differs from the highest-rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

**A** -- An obligation rated **A** is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB** -- An obligation rated **BBB** exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Obligations rated **BB**, **B**, **CCC**, **CC** and **C** are regarded as having significant speculative characteristics. **BB** indicates the lowest degree of speculation and **C** the highest. While such obligations will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

**BB** -- An obligation rated **BB** is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

**B** -- An obligation rated **B** is more vulnerable to nonpayment than obligations rated **BB**, but the obligor currently has the capacity to meet its financial commitment on the obligations. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

**CCC** -- An obligation rated **CCC** is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

**CC** -- An obligation rated **CC** is currently highly vulnerable to nonpayment.

**C** -- The **C** rating may be used to cover a situation where a bankruptcy petition has been filed, or similar action has been taken, but payments on this obligation are being continued.

**D** -- An obligation rated **D** is in payment default. The **D** rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The **D** rating also will be used upon the filing of a bankruptcy petition, or the taking of a similar action if payments on an obligation are jeopardized.

The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus or minus to show relative standing within the major rating categories.

### **Moody’s Ratings**

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

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

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

**Baa** -- Bonds which are rated **Baa** are considered as medium grade obligations, (i.e., they are neither highly protected nor poorly secured). 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.

**Ba** -- Bonds which are rated **Ba** are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

**B** -- Bonds which are rated **B** generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

**Caa** -- Bonds which are rated **Caa** are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

**Ca** -- Bonds which are rated **Ca** represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

**C** -- Bonds which are rated **C** are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody’s applies numerical modifiers, 1, 2, and 3, in each generic rating classification from **Aa** through **B** in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

## APPENDIX B

### PROXY VOTING POLICIES AND PROCEDURES

These proxy voting policies and procedures are available to all advisory clients of RS upon request, subject to the provision that these policies and procedures are subject to change at any time without notice.

Information regarding how the Funds voted proxies relating to portfolio securities during the 12-month period ended June 30, will be available as of August 31 of each year (i) without charge, upon request, by calling 1-800-766-FUND (3863); on RS Investments' Web site at <http://www.RSinvestments.com>; and (iii) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

#### I. RS Investment Management Co. LLC

##### PROXY VOTING POLICIES AND PROCEDURES

November 10, 2005

##### Purpose and General Statement

The purpose of these proxy voting policies and procedures is to set forth the principles, guidelines and procedures by which RS Investment Management Co. LLC ("RS") votes the securities owned by its advisory clients for which RS exercises voting authority and discretion (the "Proxies"). The advisory clients for which RS votes Proxies are registered investment companies and certain other institutional accounts. These policies and procedures have been designed to ensure that Proxies are voted in the best interests of our clients in accordance with our fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act"). These policies and procedures do not apply to any client that has explicitly retained authority and discretion to vote its own proxies or delegated such authority and discretion to a third party; the RS takes no responsibility for the voting of any proxies on behalf of any such client. For those clients that have delegated such authority and discretion to RS, these policies and procedures apply equally to registered investment companies and other institutional accounts.

##### Policies Relating to Proxy Voting

The guiding principle by which the RS votes on all matters submitted to security holders is to act in a manner consistent with the best interest of its clients, without subrogating the clients' interests to those of the RS. RS does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, the guiding principle set forth above. The policies and procedures set forth herein are designed to ensure that material conflicts of interest on the part of RS or its affiliates do not affect our voting decisions on behalf of our clients. All RS personnel who are involved in the voting of Proxies will be required to adhere to these policies and procedures.

It is the general policy of RS to vote on all matters presented to security holders in any Proxy, and these policies and procedures have been designed with that in mind. However, the RS reserves the right to abstain on any particular vote or otherwise withhold its vote on any matter if in the judgment of RS, the costs associated with voting such Proxy outweigh the benefits to clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of our clients.

Absent any legal or regulatory requirement to the contrary, it is generally the policy of the RS to maintain the confidentiality of the particular votes that it casts on behalf of its clients. Registered investment company clients disclose the votes cast on their behalf by RS in accordance with their legal and regulatory requirements. Any other institutional client of RS can obtain details of how RS has voted the securities in its account by contacting the client's designated service representative.

##### Proxy Policy Committee

Certain aspects of the administration of these proxy voting policies and procedures are governed by a Proxy Policy Committee (the “Committee”) currently comprising four members. The members of this Committee are the Chief Executive Officer, the General Counsel, the Chief Compliance Officer, and a Legal Counsel. The Chief Executive Officer serves as Chair of the Committee. The Committee may change its structure or composition from time to time.

A portfolio manager’s recommendation of an override of the Guidelines (as defined below) will be accepted with the approval of any two members of the Committee. The Committee meets to consider Special Votes (as defined below), where a material conflict of interest has been identified, and at such other times as the Chief Executive Officer shall determine. In addition, the Committee generally holds a regular meeting during each calendar quarter, at which the Committee reviews data with respect to votes taken in accordance with these policies and procedures since the previous meeting. The Committee reviews the existing Guidelines at least once each calendar year and in connection with such review may recommend any changes to the Guidelines.

On all matters, the Committee makes its decisions by a vote of a majority of the members of the Committee present at the meeting. At any meeting of the Committee, a majority of the members of the Committee then in office shall constitute a quorum.

### **Proxy Voting Procedures**

RS has retained Institutional Shareholder Services, Inc. (“ISS”) to vote proxies for the accounts of its advisory clients. ISS prepares analyses of most matters submitted to a shareholder vote and also provides voting services to institutions such as RS. ISS receives a daily electronic feed of all holdings in the RS’ voting accounts, and trustees and/or custodians for those accounts have been instructed to deliver all proxy materials that they receive directly to ISS. ISS monitors the accounts and their holdings to be sure that all Proxies are received and voted. As a result of the firm’s decision to use ISS, there is generally no physical handling of Proxies by RS personnel.

RS has adopted proxy voting guidelines (the “Guidelines”) that set forth how RS plans to vote on specific matters presented for shareholder vote. The Guidelines are attached as Annex A to these policies and procedures. The indicated vote in the Guidelines is the governing position on any matter specifically addressed by the Guidelines, and for any such matter, absent prior instructions to the contrary from RS, ISS will automatically vote in accordance with the Guidelines.

RS reserves the right to override the Guidelines when it considers that such an override would be in the best interest of its clients, taking into consideration all relevant facts and circumstances at the time of the vote. See “Procedures for Overriding the Guidelines” below.

In addition, there may be situations involving matters presented for shareholder vote that are not governed by the Guidelines (any such vote being a “Special Vote”). Special Votes will be addressed according to the procedures discussed below at “Procedures Regarding Special Votes”.

In advance of the deadline for any particular vote, ISS posts information regarding that vote on its secure web site. This information includes the upcoming voting deadline, the vote indicated by the Guidelines, if any, and any analysis or other information that ISS has prepared with respect to the vote. In the case of Special Votes, ISS notifies RS of the vote and the relevant deadline. The Compliance Department accesses the Web site on a regular basis to monitor the matters presented for shareholder votes and to track the voting of the Proxies.

### **Procedures for Overriding the Guidelines**

If any portfolio manager or analyst, in the course of his or her regular monitoring of companies whose securities are held in client accounts, is interested in a particular shareholder matter, and desires RS to vote in a manner inconsistent with the Guidelines, he or she shall take action in accordance with the procedures set forth below.

In the case of a portfolio manager or analyst who believes RS should vote in a manner inconsistent with the Guidelines, he or she must first submit such proposal to the Compliance Department. The Compliance Department is responsible for making a determination as to whether there is a material conflict of interest between RS, on the one hand, and the relevant advisory client, on the other hand, arising out of the provision of certain services or products by RS to the company on whose behalf Proxies are being solicited, personal shareholdings of any RS personnel in the company, or any other relevant material conflict of interest.

If the Compliance Department determines that there is no material conflict of interest, the Compliance Department will present this finding to the Committee for ratification. If the Committee agrees that there is no material conflict of interest, then the Committee will inform the Compliance Department of the decision to override. The Compliance Department will instruct ISS accordingly prior to the voting deadline. The Compliance Department will retain records of documents material to any such determination, and such records will be made available to the Committee for review during one of its regular meetings.

If, however, the Compliance Department or the Committee determines that there is a material conflict of interest with respect to the relevant shareholder vote, then the Committee will hold a special meeting for consideration of the matter. As part of its deliberations, the Committee will review, as applicable, the following:

- a description of the proposed vote, together with copies of the relevant proxy statement and other solicitation material;
- data regarding client holdings in the relevant issuer;
- information pertinent to the decision by the Compliance Department or the Committee as to the presence of a material conflict of interest, together with all relevant materials;
- the vote indicated by the Guidelines, together with any relevant information provided by ISS; and
- the rationale for the request for an override of the Guidelines, together with all relevant information, as provided by the Compliance Department, portfolio manager or analyst, as the case may be.

After review, the Committee will arrive at a decision based on the guiding principle of acting in a manner consistent with the best interest of their clients. The Committee may vote to authorize an override of the Guidelines with respect to such a vote notwithstanding the presence of a material conflict of interest only if the Committee determines that such an override would be in the best interests of the clients in question. Whether or not the Committee authorizes an override, the Committee's deliberations and decisions will be appropriately documented and such records will be maintained by the Compliance Department.

#### Procedures Regarding Special Votes

If the Chief Compliance Officer is informed by ISS or otherwise becomes aware of a Special Vote, he will submit the Special Vote to the Committee. The Committee will review any information provided by ISS or the Compliance Department regarding the Special Vote, and, in its discretion, may also consult with the relevant portfolio manager or analyst. If, after this review, the Committee agrees with ISS that the vote is not covered by the Guidelines, the Committee will consult the Compliance Department as to whether or not the Special Vote involves a material conflict of interest on the part of RS. As with cases of recommended overrides of the Guidelines, the determination made by the Compliance Department as to the absence of a material conflict of interest will be presented to the Committee for ratification. If the Committee determines that there is no material conflict of interest involved, the Committee will inform the Compliance Department of its decision and the Compliance Department will then instruct ISS to vote based on the decision of the portfolio manager. The Compliance Department will retain records of documents material to any such determination, which records will be made available to the Committee for review during one of its regular meetings.

If, however, the Compliance Department, or the Committee, upon review of its decision, determines that there is a material conflict of interest with respect to the relevant Special Vote, then the Committee will hold a special meeting for consideration of the matter. As part of its deliberations, the Committee will review, as applicable the following:

- a description of the proposed vote, together with copies of the relevant proxy statement and other solicitation material;
- data regarding client holdings in the relevant issuer;
- information pertinent to the decision by the Compliance Department or the Committee as to the presence of a material conflict of interest, together with all relevant materials;
- analysis prepared by ISS with respect to the Special Vote; and
- other relevant information.

After reviewing the relevant information, the Committee will render a decision as to how the Special Vote is to be voted based on the guiding principle of acting in a manner consistent with the best interest of their clients. The Compliance Department will then inform ISS of this decision and instruct ISS to vote the Special Vote accordingly. The Committee's deliberations and decisions will be appropriately documented and such records will be maintained by the Compliance Department.

#### Undue Influence

If at any time any person is pressured or lobbied either by RS personnel or affiliates or third parties with respect to a particular shareholder vote, he or she should provide information regarding such activity to the Chief Compliance Officer, who will keep a record of this information and forward the information to the Committee. The Committee will consider this information when making its decision to recommend an override of the Guidelines (or, in the case of a Special Vote, in its decision regarding the voting of the relevant Proxy).

#### Record Keeping

RS, or ISS, as the RS' agent, maintains records of all proxies voted in accordance with Section 204-2 of the Advisers Act. As required and permitted by Rule 204-2(c) under the Advisers Act, the following records are maintained:

- a copy of these policies and procedures;
- proxy statements received regarding client securities are maintained by ISS;
- a record of each vote cast is maintained by ISS, and such records are accessible to designated an RS personnel at any time;
- a copy of any document created by RS that was material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision; and
- each written client request for proxy voting records and RS' written response to any (written or oral) client request for such records.

## ANNEX A

### PROXY VOTING GUIDELINES FOR U.S. COMPANIES

#### RS Investments

- **Default:**
- **Bundled:**

#### Elect Directors (1000)

1000-1	Always Vote FOR all uncontested director nominees.	
1000-2	WITHHOLD votes from ALL nominees if the board lacks an audit, compensation, or nominating committee.	
1000-3	WITHHOLD votes from ALL nominees IF the board will consist of more than <b>XX</b> directors after the election.	
1000-4	WITHHOLD votes from ALL nominees IF the board will consist of fewer than <b>XX</b> directors after the election.	
1000-5	WITHHOLD votes from ALL nominees IF the company has adopted a classified board structure for the election of directors.	
1000-6	WITHHOLD votes from ALL nominees IF the company does not have an independent chair or lead director.	
1000-7	WITHHOLD votes from ALL nominees IF the board does not include at least one woman director.	
1000-8	WITHHOLD votes from ALL nominees IF the board does not include at least one minority director.	
1000-9	WITHHOLD votes from ALL nominees IF the board did not act to implement a policy requested by a shareholder proposal that received majority voting support in the prior two years.	
1000-10	WITHHOLD votes from ALL nominees if the board adopted or renewed a poison pill without shareholder approval during the current or prior year.	
1000-11	WITHHOLD votes from ANY non-independent nominee (excluding the CEO) IF <b>XX%</b> or more of the directors are not independent.	
1000-12	WITHHOLD votes from ANY employee nominee who serves on the audit, compensation, or nominating committee.	
1000-13	WITHHOLD votes from ANY non-independent nominee who serves on the audit committee IF <b>XX%</b> or more of directors serving on the audit committee are not independent.	
1000-14	WITHHOLD votes from ANY non-independent nominee who serves on the compensation committee IF <b>25%</b> or more of directors serving on the compensation committee are not independent.	
1000-15	WITHHOLD votes from ANY non-independent nominee who serves on the nominating committee IF <b>XX%</b> or more of directors serving on the nominating committee are not independent.	
1000-16	WITHHOLD votes from ANY nominee who serves on the audit committee IF the fees paid by the company for non-audit services in the prior fiscal year exceed <b>XX%</b> of the aggregate fees paid to the company's outside auditor.	
1000-17	WITHHOLD votes from ANY nominee who is retired from active employment and serves on boards at more than <b>3</b> other major companies.	

1000-18	WITHHOLD votes from ANY nominee who is employed full-time and serves on boards at more than <b>2</b> other major companies.	
1000-19	WITHHOLD votes from ANY nominee who attended less than 75% of the board and committee meetings that they were scheduled to attend during the previous fiscal year.	<b>X</b>
1000-20	WITHHOLD votes from ANY nominee who has served on the board for more than <b>XX</b> years.	
1000-21	WITHHOLD votes from ANY nominee who owns no company stock and has served on the board for more than <b>XX</b> years.	
1000-22	WITHHOLD votes from ANY nominee who is more than <b>XX</b> years old.	
1000-23	WITHHOLD votes from ANY shareholder-nominated nominee.	
1000-24	WITHHOLD votes from ANY nominee who is the target of a “vote no” campaign.	
1000-25	WITHHOLD votes from ANY nominee if the company does not ask for shareholder approval to ratify its auditors.	

**Contested Election of Directors (1001)**

1001-1	Always vote FOR all management nominees.	<b>X</b>
1001-2	Always vote AGAINST all management nominees.	

**Ratify Selection of Auditors (1010)**

1010-1	Always vote FOR a management proposal to ratify the board’s selection of auditors.	
1010-2	Vote AGAINST IF the previous auditor was dismissed because of a disagreement with the company.	<b>X</b>
1010-3	Vote AGAINST IF the non-audit services exceed <b>XX%</b> of fees.	
1010-4	Vote AGAINST IF the auditors have served more than <b>XX</b> consecutive years.	

**Approve Name Change (1020)**

1020-1	Always vote FOR a management proposal to change the company name.	<b>X</b>
1020-2	Always vote AGAINST a management proposal to change the company name.	

**Approve Other Business (1030)**

1030-1	Always vote FOR a management proposal to approve other business.	<b>X</b>
1030-2	Always vote AGAINST a management proposal to approve other business.	

**Adjourn Meeting (1035)**

1035-1	Always vote FOR a management proposal to adjourn the meeting.	<b>X</b>
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1035-2	Always vote AGAINST a management proposal to adjourn the meeting.	
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**Approve Technical Amendments (1040)**

1040-1	Always vote FOR a management proposal to make technical amendments to the charter and/or bylaws.	<b>X</b>
1040-2	Always vote AGAINST a management proposal to make technical amendments to the charter and/or bylaws.	

**Approve Financial Statements (1050)**

1050-1	Always vote FOR a management proposal to approve financial statements.	<b>X</b>
1050-2	Always vote AGAINST a management proposal to approve financial statements.	

**Increase Authorized Common Stock (1100)**

1100-1	Always vote FOR a management proposal to increase authorized common stock.	
1100-2	Always vote AGAINST a management proposal to increase authorized common stock.	
1100-3	Vote AGAINST IF the increase is NOT intended to effect a merger, stock split, recapitalization or other reorganization.	
1100-4	Vote AGAINST IF the dilution represents more than <b>10%</b> of current authorized shares.	<b>X</b>

**Decrease Authorized Common Stock (1101)**

1101-1	Always vote FOR a management proposal to decrease authorized common stock.	<b>X</b>
1101-2	Always vote AGAINST a management proposal to decrease authorized common stock.	

**Amend Authorized Common Stock (1102)**

1102-1	Always vote FOR a management proposal to amend authorized common stock.	
1102-2	Always vote AGAINST a management proposal to amend authorized common stock.	<b>X</b>

**Approve Common Stock Issuance (1103)**

1103-1	Always vote FOR a management proposal to approve the issuance of authorized common stock.	
1103-2	Always vote AGAINST a management proposal to approve the issuance of authorized common stock.	<b>X</b>
1103-3	Vote AGAINST IF the dilution represents more than <b>XX%</b> of current outstanding voting power before the stock issuance.	
1103-4	Vote AGAINST IF the stock would be issued at a discount to the fair market value.	
1103-5	Vote AGAINST IF the issued common stock has superior voting rights.	

**Approve Issuance or Exercise of Stock Warrants (1104)**

1104-1	Always vote FOR a management proposal to approve the issuance or exercise of stock warrants.	
1104-2	Always vote AGAINST a management proposal to approve the issuance or exercise of stock warrants.	<b>X</b>
1104-3	Vote AGAINST IF the warrants, when exercised, would exceed <b>XX%</b> of the outstanding voting power.	

**Authorize Preferred Stock (1110)**

1110-1	Always vote FOR a management proposal to authorize preferred stock.	
1110-2	Always vote AGAINST a management proposal to authorize preferred stock.	<b>X</b>
1110-3	Vote AGAINST IF the board has unlimited rights to set the terms and conditions of the shares.	

**Increase Authorized Preferred Stock (1111)**

1111-1	Always vote FOR a management proposal to increase authorized preferred stock.	
1111-2	Always vote AGAINST a management proposal to increase authorized preferred stock.	<b>X</b>
1111-3	Vote AGAINST IF the proposed increase creates potential dilution of more than <b>XX%</b> .	
1111-4	Vote AGAINST IF the board has unlimited rights to set the terms and conditions of the shares.	

**Decrease Authorized Preferred Stock (1112)**

1112-1	Always vote FOR a management proposal to decrease authorized preferred stock.	<b>X</b>
1112-2	Always vote AGAINST a management proposal to decrease authorized preferred stock.	

**Cancel Series of Preferred Stock (1113)**

1113-1	Always vote FOR a management proposal to cancel a class or series of preferred stock.	<b>X</b>
1113-2	Always vote AGAINST a management proposal to cancel a class or series of preferred stock.	

**Amend Authorized Preferred Stock (1114)**

1114-1	Always vote FOR a management proposal to amend preferred stock.	
1114-2	Always vote AGAINST a management proposal to amend preferred stock.	<b>X</b>

**Approve Issuance or Conversion of Preferred Stock (1115)**

1115-1	Always vote FOR a management proposal to issue or convert preferred stock.	
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1115-2	Always vote AGAINST a management proposal to issue or convert preferred stock.	<b>X</b>
1115-3	Vote AGAINST IF the dilution represents more than <b>XX%</b> of the total voting power.	
1115-4	Vote AGAINST IF the shares have voting rights superior to those of other shareholders.	

**Eliminate Preemptive Rights (1120)**

1120-1	Always vote FOR a management proposal to eliminate preemptive rights.	<b>X</b>
1120-2	Always vote AGAINST a management proposal to eliminate preemptive rights.	

**Restore Preemptive Rights (1121)**

1121-1	Always vote FOR a management proposal to create or restore preemptive rights.	
1121-2	Always vote AGAINST a management proposal to create or restore preemptive rights.	<b>X</b>

**Authorize Dual Class Stock (1130)**

1130-1	Always vote FOR a management proposal to authorize dual or multiple classes of common stock.	
1130-2	Always vote AGAINST a management proposal to authorize dual or multiple classes of common stock.	<b>X</b>
1130-3	Vote AGAINST IF the shares have inferior or superior voting rights.	

**Eliminate Dual Class Stock (1131)**

1131-1	Always vote FOR a management proposal to eliminate authorized dual or multiple classes of common stock.	<b>X</b>
1131-2	Always vote AGAINST a management proposal to eliminate authorized dual or multiple classes of common stock.	

**Amend Dual Class Stock (1132)**

1132-1	Always vote FOR a management proposal to amend authorized dual or multiple classes of common stock.	
1132-2	Always vote AGAINST a management proposal to amend authorized dual or multiple classes of common stock.	<b>X</b>

**Increase Authorized Dual Class Stock (1133)**

1133-1	Always vote FOR a management proposal to increase authorized shares of one or more classes of dual or multiple class common stock.	
1133-2	Always vote AGAINST a management proposal to increase authorized shares of one or more classes of dual or multiple class common stock.	<b>X</b>
1133-3	Vote AGAINST IF it will allow the company to issue additional shares with superior voting rights.	
1133-4	Vote AGAINST IF the dilution is more than <b>XX%</b> of the outstanding voting power.	
1133-5	Vote AGAINST IF the dilution is more than <b>XX%</b> of the class of stock.	

**Approve Share Repurchase (1140)**

1140-1	Always vote FOR a management proposal to approve a stock repurchase program.	<b>X</b>
1140-2	Always vote AGAINST a management proposal to approve a stock repurchase program.	

**Approve Stock Split (1150)**

1150-1	Always vote FOR a management proposal to approve a stock split.	<b>X</b>
1150-2	Always vote AGAINST a management proposal to approve a stock split.	

**Approve Reverse Stock Split (1151)**

1151-1	Always vote FOR a management proposal to approve reverse a stock split.	<b>X</b>
1151-2	Always vote AGAINST a management proposal to approve reverse a stock split.	
1151-3	Vote AGAINST IF the company does not intend to proportionally reduce the number of authorized shares.	

**Approve Merger/Acquisition (1200)**

1200-1	Always vote FOR a management proposal to merge with or acquire another company.	<b>X</b>
1200-2	Always vote AGAINST a management proposal to merge with or acquire another company.	
1200-3	Vote AGAINST IF the combined entity would be controlled by a person or group.	
1200-4	Vote AGAINST IF the change-in-control provision would be triggered.	
1200-5	Vote AGAINST IF the current shareholders would be minority owners of the combined company.	
1200-6	Vote AGAINST IF the combined entity would reincorporate or change its governance structure.	
1200-7	Vote AGAINST IF the company's board did not obtain a fairness opinion from an investment bank.	
1200-8	Vote AGAINST IF the proposal would move the target company's location outside of the U.S.	

**Approve Recapitalization (1209)**

1209-1	Always vote FOR a management proposal to approve recapitalization.	<b>X</b>
1209-2	Always vote AGAINST a management proposal to approve recapitalization.	

**Approve Restructuring (1210)**

1210-1	Always vote FOR a management proposal to restructure the company.	<b>X</b>
1210-2	Always vote AGAINST a management proposal to restructure the company.	

**Approve Bankruptcy Restructuring (1211)**

1211-1	Always vote FOR a management proposal on bankruptcy restructurings.	<b>X</b>
1211-2	Always vote AGAINST a management proposal on bankruptcy restructurings.	

**Approve Liquidation (1212)**

1212-1	Always vote FOR a management proposal to approve liquidation.	
1212-2	Always vote AGAINST a management proposal to approve liquidation.	<b>X</b>

**Approve Reincorporation (1220)**

1220-1	Always vote FOR a management proposal to reincorporate in a different state.	
1220-2	Always vote AGAINST a management proposal to reincorporate in a different state.	
1220-3	Vote AGAINST IF the proposal would reduce shareholder rights.	<b>X</b>
1220-4	Vote AGAINST IF the proposal would move the target company's location outside of the U.S.	

**Approve Leveraged Buyout (1230)**

1230-1	Always vote FOR a management proposal to approve a leveraged buyout of the company.	
1230-2	Always vote AGAINST a management proposal to approve a leveraged buyout of the company.	<b>X</b>
1230-3	Vote AGAINST IF the company's board did not obtain a fairness opinion from an investment bank.	

**Approve Spin-Off (1240)**

1240-1	Always vote FOR a management proposal to spin-off certain company operations or divisions.	<b>X</b>
1240-2	Always vote AGAINST a management proposal to spin-off certain company operations or divisions.	

**Approve Sale of Assets (1250)**

1250-1	Always vote FOR a management proposal to approve the sale of assets.	<b>X</b>
1250-2	Always vote AGAINST a management proposal to approve the sale of assets.	

**Eliminate Cumulative Voting (1300)**

1300-1	Always vote FOR a management proposal to eliminate cumulative voting.	<b>X</b>
1300-2	Always vote AGAINST a management proposal to eliminate cumulative voting.	

**Adopt Cumulative Voting (1301)**

1301-1	Always vote FOR a management proposal to adopt cumulative voting.	
1301-2	Always vote AGAINST a management proposal to adopt cumulative voting.	<b>X</b>

**Adopt Director Liability Provision (1310)**

1310-1	Always vote FOR a management proposal to limit the liability of directors.	
1310-2	Always vote AGAINST a management proposal to limit the liability of directors.	<b>X</b>

**Amend Director Liability Provision (1311)**

1311-1	Always vote FOR a management proposal to amend director liability provisions.	
1311-2	Always vote AGAINST a management proposal to amend director liability provisions.	<b>X</b>

**Adopt Indemnification Provision (1320)**

1320-1	Always vote FOR a management proposal to indemnify directors and officers.	
1320-2	Always vote AGAINST a management proposal to indemnify directors and officers.	<b>X</b>

**Amend Indemnification Provision (1321)**

1321-1	Always vote FOR a management proposal to amend provisions concerning the indemnification of directors and officers.	
1321-2	Always vote AGAINST a management proposal to amend provisions concerning the indemnification of directors and officers.	<b>X</b>

**Approve Board Size (1332)**

1332-1	Always vote FOR a management proposal to set the board size.	
1332-2	Always vote AGAINST a management proposal to set the board size.	
1332-3	Vote AGAINST IF the proposal reduces the board size and the company has cumulative voting.	
1332-4	Vote AGAINST IF the proposed maximum board size is greater than <b>15</b> directors.	<b>X</b>
1332-5	Vote AGAINST IF the proposed minimum board size is less than <b>XX</b> directors.	
1332-6	Vote AGAINST IF the board will consist of more than <b>XX</b> directors.	
1332-7	Vote AGAINST IF the board will consist of fewer than <b>XX</b> directors.	

**No Shareholder Approval to Fill Vacancy (1340)**

1340-1	Always vote FOR a management proposal to allow the directors to fill vacancies on the board without shareholder approval.	<b>X</b>
1340-2	Always vote AGAINST a management proposal to allow the directors to fill vacancies on the board without shareholder approval.	

**Give Board Authority to Set Board Size (1341)**

1341-1	Always vote FOR a management proposal to give the board the authority to set the size of the board as needed without shareholder approval.	<b>X</b>
1341-2	Always vote AGAINST a management proposal to give the board the authority to set the size of the board as needed without shareholder approval.	

**Removal of Directors (1342)**

1342-1	Always vote FOR a management proposal regarding the removal of directors.	<b>X</b>
1342-2	Always vote AGAINST a management proposal regarding the removal of directors.	
1342-3	Vote AGAINST IF the proposal limits the removal of directors to cases where there is legal cause.	
1342-4	Vote AGAINST IF the proposal would allow for the removal of directors without cause.	

**Approve Non-Technical Charter Amendments (1350)**

1350-1	Always vote FOR a management proposal to approve non-technical amendments to the company's certificate of incorporation.	
1350-2	Always vote AGAINST a management proposal to approve non-technical amendments to the company's certificate of incorporation.	
1350-3	Vote AGAINST IF an amendment would have the effect of reducing shareholders' rights.	<b>X</b>

**Approve Non-Technical Bylaw Amendments (1351)**

1351-1	Always vote FOR a management proposal to approve non-technical amendments to the company's bylaws.	
1351-2	Always vote AGAINST a management proposal to approve non-technical amendments to the company's bylaws.	
1351-3	Vote AGAINST IF an amendment would have the effect of reducing shareholders' rights.	<b>X</b>

**Approve Classified Board (1400)**

1400-1	Always vote FOR a management proposal to adopt a classified board.	<b>X</b>
1400-2	Always vote AGAINST a management proposal to adopt a classified board.	
1400-3	Vote AGAINST IF the company has cumulative voting.	
1400-4	Vote AGAINST IF the company has adopted a shareholder rights plan (poison pill).	

**Amend Classified Board (1401)**

1401-1	Always vote FOR a management proposal to amend a classified board.	<b>X</b>
1401-2	Always vote AGAINST a management proposal to amend a classified board.	

**Repeal Classified Board (1402)**

1402-1	Always vote FOR a management proposal to repeal a classified board.	<b>X</b>
1402-2	Always vote AGAINST a management proposal to repeal a classified board.	

**Adopt Poison Pill (1410)**

1410-1	Always vote FOR a management proposal to ratify or adopt a shareholder rights plan (poison pill).	
1410-2	Always vote AGAINST a management proposal to ratify or adopt a shareholder rights plan (poison pill).	<b>X</b>
1410-3	Vote AGAINST IF the poison pill contains a “dead-hand” provision.	
1410-4	Vote AGAINST IF the company has a classified board.	
1410-5	Vote AGAINST IF the poison pill does not have a “sunset” provision.	
1410-6	Vote AGAINST IF the poison pill does not have a TIDE provision. (Three-Year Independent Director Evaluation.)	
1410-7	Vote AGAINST IF the poison pill trigger is less than <b>XX%</b> .	

**Redeem Poison Pill (1411)**

1411-1	Always vote FOR a management proposal to redeem a shareholder rights plan (poison pill).	
1411-2	Always vote AGAINST a management proposal to redeem a shareholder rights plan (poison pill).	<b>X</b>

**Eliminate Special Meeting (1420)**

1420-1	Always vote FOR a management proposal to eliminate shareholders’ right to call a special meeting.	
1420-2	Always vote AGAINST a management proposal to eliminate shareholders’ right to call a special meeting.	<b>X</b>

**Limit Special Meeting (1421)**

1421-1	Always vote FOR a management proposal to limit shareholders’ right to call a special meeting.	
1421-2	Always vote AGAINST a management proposal to limit shareholders’ right to call a special meeting.	<b>X</b>
1421-3	Vote AGAINST IF the limitation requires more than <b>XX%</b> of the outstanding shares to call a special meeting.	

**Restore Special Meeting (1422)**

1422-1	Always vote FOR a management proposal to restore shareholders’ right to call a special meeting.	<b>X</b>
1422-2	Always vote AGAINST a management proposal to restore shareholders’ right to call a special meeting.	

**Eliminate Written Consent (1430)**

1430-1	Always vote FOR a management proposal to eliminate shareholders' right to act by written consent.	
1430-2	Always vote AGAINST a management proposal to eliminate shareholders' right to act by written consent.	<b>X</b>

**Limit Written Consent (1431)**

1431-1	Always vote FOR a management proposal to limit shareholders' right to act by written consent.	
1431-2	Always vote AGAINST a management proposal to limit shareholders' right to act by written consent.	<b>X</b>
1431-3	Vote AGAINST IF the limitation requires written consent of more than <b>XX%</b> of the outstanding shares.	

**Restore Written Consent (1432)**

1432-1	Always vote FOR a management proposal to restore shareholders' right to act by written consent.	<b>X</b>
1432-2	Always vote AGAINST a management proposal to restore shareholders' right to act by written consent.	

**Adopt Supermajority Requirement (1440)**

1440-1	Always vote FOR a management proposal to establish a supermajority vote provision to approve merger or other business combination.	<b>X</b>
1440-2	Always vote AGAINST a management proposal to establish a supermajority vote provision to approve merger or other business combination.	
1440-3	Vote AGAINST IF the required vote is more than <b>XX%</b> of the outstanding shares.	

**Amend Supermajority Requirement (1443)**

1443-1	Always vote FOR a management proposal to amend a supermajority vote provision to approve merger or other business combination.	<b>X</b>
1443-2	Always vote AGAINST a management proposal to amend a supermajority vote provision to approve a merger or other business combination.	
1443-3	Vote AGAINST IF the amendment would increase the vote required to approve the transaction.	
1443-4	Vote AGAINST IF the amendment increases the vote requirement to more than <b>XX%</b> of the outstanding shares.	

**Eliminate Supermajority Requirement (1444)**

1444-1	Always vote FOR a management proposal to eliminate a supermajority vote provision to approve merger or other business combination.	<b>X</b>
1444-2	Always vote AGAINST a management proposal to eliminate a supermajority vote provision to approve merger or other business combination.	

**Adopt Supermajority Lock-In (1445)**

1445-1	Always vote FOR a management proposal to adopt supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.	<b>X</b>
1445-2	Always vote AGAINST a management proposal to adopt supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.	
1445-3	Vote AGAINST IF the vote requirement is more than <b>XX%</b> of the outstanding shares.	

1445-4	Vote AGAINST IF the proposal would result in establishing a complete Lock-In on all of the charter and bylaw provisions.	
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**Amend Supermajority Lock-In (1446)**

1446-1	Always vote FOR a management proposal to amend supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.	X
1446-2	Always vote AGAINST a management proposal to amend supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.	
1446-3	Vote AGAINST IF the changes would increase the vote requirement above XX% of the outstanding shares.	
1446-4	Vote AGAINST IF the changes would result in a complete Lock-In on all of the charter and bylaw provisions.	

**Eliminate Supermajority Lock-In (1447)**

1447-1	Always vote FOR a management proposal to eliminate supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.	X
1447-2	Always vote AGAINST a management proposal to eliminate supermajority vote requirements (lock-ins) to change certain bylaw or charter provisions.	

**Consider Non-Financial Effects of Merger (1450)**

1450-1	Always vote FOR a management proposal to expand or clarify the authority of the board of directors to consider factors other than the interests of shareholders in assessing a takeover bid.	
1450-2	Always vote AGAINST a management proposal to expand or clarify the authority of the board of directors to consider factors other than the interests of shareholders in assessing a takeover bid.	X

**Adopt Fair Price Provision (1460)**

1460-1	Always vote FOR a management proposal that establishes a fair price provision.	X
1460-2	Always vote AGAINST a management proposal that establishes a fair price provision.	

**Amend Fair Price Provision (1461)**

1461-1	Always vote FOR a management proposal to amend a fair price provision.	X
1461-2	Always vote AGAINST a management proposal to amend a fair price provision.	

**Repeal Fair Price Provision (1462)**

1462-1	Always vote FOR a management proposal to repeal a fair price provision.	X
1462-2	Always vote AGAINST a management proposal to repeal a fair price provision.	

**Adopt Anti-Greenmail Provision (1470)**

1470-1	Always vote FOR a management proposal to limit the payment of greenmail.	X
1470-2	Always vote AGAINST a management proposal to limit the payment of greenmail.	

**Adopt Advance Notice Requirement (1480)**

1480-1	Always vote FOR a management proposal to adopt advance notice requirements.	<b>X</b>
1480-2	Always vote AGAINST a management proposal to adopt advance notice requirements.	
1480-3	Vote AGAINST IF the provision requires advance notice for director nominations.	
1480-4	Vote AGAINST IF the provision requires advance notice of more than <b>XX</b> days.	

**Opt Out of State Takeover Law (1490)**

1490-1	Always vote FOR a management proposal seeking to opt out of a state takeover statutory provision.	<b>X</b>
1490-2	Always vote AGAINST a management proposal seeking to opt out of a state takeover statutory provision.	

**Opt Into State Takeover Law (1491)**

1491-1	Always vote FOR a management proposal seeking to opt into a state takeover statutory provision.	<b>X</b>
1491-2	Always vote AGAINST a management proposal seeking to opt into a state takeover statutory provision.	

**Adopt Stock Incentive Plan (1500)**

1500-1	Always vote FOR a management proposal to adopt a stock incentive plan for employees.	
1500-2	Always vote AGAINST a management proposal to adopt a stock incentive plan for employees.	
1500-3	Vote AGAINST IF the dilution represented by the proposal, as calculated by ISS, is more than <b>10%</b> .	<b>X</b>
1500-4	Vote AGAINST IF potential dilution from all company plans, including this proposal, as calculated by ISS, is more than <b>10%</b> .	<b>X</b>
1500-5	Vote AGAINST IF the non-employee directors are eligible to receive awards under the plan.	<b>X</b>
1500-6	Vote AGAINST IF the compensation committee is not fully independent.	
1500-7	Vote AGAINST IF the plan allows the plan administrators to reprice or replace underwater options.	<b>X</b>
1500-8	Vote AGAINST IF the plan allows non-qualified options to be priced at less than <b>XX%</b> of the fair market value on the grant date.	
1500-9	Vote AGAINST IF the plan has a share replenishment feature (evergreen plan) – that is, it adds a specified number or percentage of outstanding shares for awards each year.	<b>X</b>
1500-10	Vote AGAINST IF the plan allows for multiple awards and does not set a limit on the number of shares that can be granted as award other than options.	
1500-11	Vote AGAINST IF the plan permits the award of time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1500-12	Vote AGAINST IF the company’s equity dilution (overhang), including this proposal, exceeds the 75th percentile of its peer group.	<b>X</b>
1500-13	Vote AGAINST IF the proposed plan allows for the accelerated vesting of awards upon shareholder approval of a merger or similar business transaction.	
1500-14	Vote AGAINST IF the proposed plan allows the plan administrator to provide loans to exercise awards.	
1500-15	Vote AGAINST IF the proposed plan allows the plan administrator to accelerate the vesting requirements of outstanding awards.	<b>X</b>

1500-16	Vote AGAINST IF the proposed plan allows the plan administrator to grant reloaded stock options.	<b>X</b>
1500-17	Vote AGAINST IF the company authorized the repricing or replacement of underwater options without shareholder approval within the past three years.	
1500-18	Vote AGAINST IF the options granted to the top 5 executives in the last fiscal year exceed <b>30%</b> of total options granted in that year.	<b>X</b>
1500-19	Vote AGAINST IF the company's three-year average annual grant rate exceeds the 75th percentile of its peer group.	<b>X</b>
1500-20	Vote AGAINST IF the company does not expense stock options.	<b>X</b>
1500-21	Vote AGAINST IF the company has not granted premium-priced, indexed or performance-vesting options in the past fiscal year, or does not express an intention to do so.	
1500-22	Vote AGAINST IF the minimum vesting period for options granted under it is less than <b>XX</b> years.	

#### **Amend Stock Incentive Plan (1501)**

1501-1	Always vote FOR a management proposal to amend a stock incentive plan for employees.	
1501-2	Always vote AGAINST a management proposal to amend a stock incentive plan for employees.	
1501-3	Vote AGAINST IF the amendment allows options to be priced at less than <b>85%</b> fair market value on the grant date.	<b>X</b>
1501-4	Vote AGAINST IF the amendment allows the plan administrator to reprice or replace underwater options.	<b>X</b>
1501-5	Vote AGAINST IF the amendment extends post-retirement exercise period of outstanding options.	<b>X</b>
1501-6	Vote AGAINST IF the amendment enhances existing change-in-control features or adds change-in-control provisions to the plan.	<b>X</b>
1501-7	Vote AGAINST IF the amendment adds time-lapsing restricted stock awards that fully vest in less than <b>XX</b> years.	
1501-8	Vote AGAINST IF the amendment increases the per employee limit for awards.	<b>X</b>
1501-9	Vote AGAINST IF the amendment allows for multiple awards and does not set a limit on the number of shares that can be granted as awards other than options.	<b>X</b>
1501-10	Vote AGAINST IF potential dilution from all company plans, including this proposal, as calculated by ISS, is more than <b>XX%</b> .	

#### **Add Shares to Stock Incentive Plan (1502)**

1502-1	Always vote FOR a management proposal to add shares to a stock incentive plan for employees.	
1502-2	Always vote AGAINST a management proposal to add shares to a stock incentive plan for employees.	
1502-3	Vote AGAINST IF the dilution represented by the proposal, as calculated by ISS, is more than <b>5%</b> .	<b>X</b>
1502-4	Vote AGAINST IF the potential dilution from all company plans, including this proposal, as calculated by ISS, is more than <b>10%</b> .	<b>X</b>
1502-5	Vote AGAINST IF the non-employee directors are eligible to receive awards under the plan.	<b>X</b>
1502-6	Vote AGAINST IF the compensation committee is not fully independent.	
1502-7	Vote AGAINST IF the plan allows the plan administrators to reprice or replace underwater options.	<b>X</b>

1502-8	Vote AGAINST IF the plan allows non-qualified options to be priced at less than <b>85%</b> of the fair market value on the grant date.	<b>X</b>
1502-9	Vote AGAINST IF the plan has a share replenishment feature (evergreen plan) – that is, it adds a specified number or percentage of outstanding shares for award each year.	<b>X</b>
1502-10	Vote AGAINST IF the plan allows for multiple awards and does not set a limit on the number of shares that can be granted as awards other than options.	<b>X</b>
1502-11	Vote AGAINST IF the plan permits the award of time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1502-12	Vote AGAINST IF the company’s equity dilution (overhang), including this proposal, exceeds the 75th percentile of its peer group.	<b>X</b>
1502-13	Vote AGAINST IF the proposed plan allows for the accelerated vesting of awards upon shareholder approval of a merger or similar business transaction.	
1502-14	Vote AGAINST IF the proposed plan allows the plan administrator to provide loans to exercise awards.	
1502-15	Vote AGAINST IF the proposed plan allows the plan administrator to accelerate the vesting requirements of outstanding awards.	<b>X</b>
1502-16	Vote AGAINST IF the proposed plan allows the plan administrator to grant reloaded stock options.	<b>X</b>
1502-17	Vote AGAINST IF the company authorized the repricing or replacement of underwater options without shareholder approval within the past three years.	
1502-18	Vote AGAINST IF the options granted to the top 5 executives in the last fiscal year exceed <b>30%</b> of total options granted in that year.	<b>X</b>
1502-19	Vote AGAINST IF the company’s three-year average annual grant rate exceeds the 75th percentile of its peer group.	<b>X</b>
1502-20	Vote AGAINST IF the company does not expense stock options.	
1502-21	Vote AGAINST IF the company has not granted premium-priced, indexed or performance-vesting options in the past fiscal year, or does not express an intention to do so.	
1502-22	Vote AGAINST IF the minimum vesting period for options granted under it is less than <b>XX</b> years.	

**Limit Per-Employee Awards (1503)**

1503-1	Always vote FOR a management proposal to limit per-employee annual option awards.	
1503-2	Always vote AGAINST a management proposal to limit per-employee annual option awards.	
1503-3	Vote AGAINST IF the per-employee limit is more than <b>50,000</b> shares per year.	
1503-4	Vote AGAINST IF the aggregate per-employee limit is more than <b>1,000,000</b> shares over the life of the plan.	

**Extend Term of Stock Incentive Plan (1505)**

1505-1	Always vote FOR a management proposal to extend the term of a stock incentive plan for employees.	
1505-2	Always vote AGAINST a management proposal to extend the term of a stock incentive plan for employees.	
1505-3	Vote AGAINST IF the non-employee directors are eligible to receive awards under the plan.	<b>X</b>
1505-4	Vote AGAINST IF the potential dilution from all company plans, as calculated by ISS, is more than <b>10%</b> .	<b>X</b>
1505-5	Vote AGAINST IF the compensation committee is not fully independent.	

1505-6	Vote AGAINST IF the plan allows the plan administrators to reprice or replace underwater options.	X
1505-7	Vote AGAINST IF the plan allows non-qualified options to be priced at less than <b>85%</b> of the fair market value on the grant date.	X
1505-8	Vote AGAINST IF the plan allows for multiple awards and does not set a limit on the number of shares that can be granted as awards other than options.	X
1505-9	Vote AGAINST IF the plan permits the award of time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1505-10	Vote AGAINST IF the company's equity dilution (overhang), including this proposal, exceeds the 75th percentile of its peer group.	X
1505-11	Vote AGAINST IF the proposed plan allows for the accelerated vesting of awards upon shareholder approval of a merger or similar business transaction.	
1505-12	Vote AGAINST IF the proposed plan allows the plan administrator to provide loans to exercise awards.	
1505-13	Vote AGAINST IF the proposed plan allows the plan administrator to accelerate the vesting requirements of outstanding awards.	X
1505-14	Vote AGAINST IF the proposed plan allows the plan administrator to grant reloaded stock options.	X
1505-15	Vote AGAINST IF the company authorized the repricing or replacement of underwater options without shareholder approval within the past three years.	
1505-16	Vote AGAINST IF the options granted to the top 5 executives in the last fiscal year exceed <b>XX%</b> of the options granted in the past fiscal year.	
1505-17	Vote AGAINST IF the company's three-year average annual grant rate exceeds the 75th percentile of its peer group.	X
1505-18	Vote AGAINST IF the company does not expense stock options.	
1505-19	Vote AGAINST IF the company has not granted premium-priced, indexed or performance-vesting options in the past fiscal year, or does not express an intention to do so.	
1505-20	Vote AGAINST IF the minimum vesting period for options granted under it is less than <b>XX</b> years.	

**Adopt Director Stock Incentive Plan (1510)**

1510-1	Always vote FOR a management proposal to adopt a stock incentive plan for non-employee directors.	
1510-2	Always vote AGAINST a management proposal to adopt a stock incentive plan for non-employee directors.	X
1510-3	Vote AGAINST IF the plan allows non-qualified options to be priced at less than <b>XX%</b> of the fair market value on grant date.	
1510-4	Vote AGAINST IF the dilution represented by the proposal, as calculated by ISS, is more than <b>XX%</b> .	
1510-5	Vote AGAINST IF the potential dilution from all company plans, including this proposal, as calculated by ISS, is more than <b>XX%</b> .	
1510-6	Vote AGAINST IF the proposed plan is an omnibus plan that authorizes 5 or more types of awards or gives the compensation committee discretion to issue a wide range of stock-based awards.	
1510-7	Vote AGAINST IF the proposed plan allows for non-formula, discretionary awards.	
1510-8	Vote AGAINST IF the plan includes an incentive to receive shares instead of cash.	
1510-9	Vote AGAINST IF the company's equity dilution (overhang), including this proposal, exceeds the 75th percentile of its peer group.	

1510-10	Vote AGAINST IF the company does not expense stock options.	
1510-11	Vote AGAINST IF the minimum vesting period for options granted under it is less than <b>XX</b> years.	
1510-12	Vote AGAINST IF the plan permits the award of time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1510-13	Vote AGAINST IF the plan allows the plan administrators to reprice or replace underwater options.	

**Amend Director Stock Incentive Plan (1511)**

1511-1	Always vote FOR a management proposal to amend a stock incentive plan for non-employee directors.	
1511-2	Always vote AGAINST a management proposal to amend a stock incentive plan for non-employee directors.	<b>X</b>
1511-3	Vote AGAINST IF the amendment increases the size of the option awards.	
1511-4	Vote AGAINST IF the amendment would make the plan an omnibus plan that authorizes 5 or more types of awards or gives the compensation committee discretion to issue a wide range of stock-based awards.	
1511-5	Vote AGAINST IF the amendment would permit the granting of non-formula, discretionary awards.	
1511-6	Vote AGAINST IF the amendment would provide an incentive to receive shares instead of cash.	
1511-7	Vote AGAINST IF the amendment adds time-lapsing restricted stock awards that fully vest in less than <b>XX</b> years.	
1511-8	Vote AGAINST IF the potential dilution from all company plans, including this proposal, as calculated by ISS, is more than <b>XX</b> %.	

**Add Shares to Director Stock Incentive Plan (1512)**

1512-1	Always vote FOR a management proposal to add shares to a stock incentive plan for non-employee directors.	
1512-2	Always vote AGAINST a management proposal to add shares to a stock incentive plan for non-employee directors.	<b>X</b>
1512-3	Vote AGAINST IF the plan allows non-qualified options to be priced at less than <b>XX</b> % of fair market value on the grant date.	
1512-4	Vote AGAINST IF the dilution represented by the proposal, as calculated by ISS, is more than <b>XX</b> %.	
1512-5	Vote AGAINST IF the potential dilution of all plans, including this proposal, as calculated by ISS, is more than <b>XX</b> %.	
1512-6	Vote AGAINST IF the proposed plan is an omnibus plan that authorizes 5 or more types of awards or gives the compensation committee discretion to issue a wide range of stock-based awards.	
1512-7	Vote AGAINST IF the proposed plan allows for non-formula, discretionary awards.	
1512-8	Vote AGAINST IF the proposed plan includes an incentive to receive shares instead of cash.	
1512-9	Vote AGAINST IF the company's equity dilution (overhang), including this proposal, exceeds the 75th percentile of its peer group.	
1512-10	Vote AGAINST IF the company does not expense stock options.	
1512-11	Vote AGAINST IF the minimum vesting period for options granted under it is less than <b>XX</b> years.	

1512-12	Vote AGAINST IF the plan permits the award of time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1512-13	Vote AGAINST IF the plan allows the plan administrators to reprice or replace underwater options.	

**Adopt Employee Stock Purchase Plan (1520)**

1520-1	Always vote FOR a management proposal to adopt an employee stock purchase plan.	
1520-2	Always vote AGAINST a management proposal to adopt an employee stock purchase plan.	
1520-3	Vote AGAINST IF the proposed plan allows employees to purchase stock at less than <b>95%</b> of the stock's fair market value.	<b>X</b>
1520-4	Vote AGAINST IF the equity dilution represented by the proposed plan, as calculated by ISS, is more than <b>XX%</b> .	
1520-5	Vote AGAINST IF the potential dilution of all plans, including this proposal, as calculated by ISS, is more than <b>XX%</b> .	

**Amend Employee Stock Purchase Plan (1521)**

1521-1	Always vote FOR a management proposal to amend an employee stock purchase plan.	
1521-2	Always vote AGAINST a management proposal to amend an employee stock purchase plan.	
1521-3	Vote AGAINST IF the proposal allows employees to purchase stock at prices of less than <b>95%</b> of the stock's fair market value.	<b>X</b>

**Add Shares to Employee Stock Purchase Plan (1522)**

1522-1	Always vote FOR a management proposal to add shares to an employee stock purchase plan.	
1522-2	Always vote AGAINST a management proposal to add shares to an employee stock purchase plan.	
1522-3	Vote AGAINST IF the proposed plan allows employees to purchase stock at less than <b>95%</b> of the stock's fair market value.	<b>X</b>
1522-4	Vote AGAINST IF the equity dilution represented by this proposal is more than <b>XX%</b> of the outstanding common equity.	
1522-5	Vote AGAINST IF the potential dilution from all plans, including this proposal, as calculated by ISS, is more than <b>XX%</b> .	

**Adopt Stock Award Plan (1530)**

1530-1	Always vote FOR a management proposal to adopt a stock award plan.	
1530-2	Always vote AGAINST a management proposal to adopt a stock award plan.	<b>X</b>
1530-3	Vote AGAINST IF the plan allows for time-lapsing restricted stock awards that fully vest in less than <b>XX</b> years.	
1530-4	Vote AGAINST IF the dilution represented by this proposal, as calculated by ISS, is more than <b>XX%</b> .	
1530-5	Vote AGAINST IF the potential dilution from all plans, including this proposal, as calculated by ISS (overhang), is more than <b>XX%</b> .	
1530-6	Vote AGAINST IF the equity overhang, including this proposal, exceeds the 75th percentile of the company's peer group.	

**Amend Stock Award Plan (1531)**

1531-1	Always vote FOR a management proposal to amend a stock award plan.	
1531-2	Always vote AGAINST a management proposal to amend a stock award plan.	<b>X</b>
1531-3	Vote AGAINST IF the amendment shortens the vesting requirement or lessens the performance requirements.	
1531-4	Vote AGAINST IF the amendment increases the per-employee limit for awards.	
1531-5	Vote AGAINST IF the potential dilution from all plans, including this proposal, as calculated by ISS (overhang), is more than <b>XX</b> %.	

**Add Shares to Stock Award Plan (1532)**

1532-1	Always vote FOR a management proposal to add shares to a stock award plan.	
1532-2	Always vote AGAINST a management proposal to add shares to a stock award plan.	<b>X</b>
1532-3	Vote AGAINST IF the plan allows for time-lapsing restricted stock awards that fully vest in less than <b>XX</b> years.	
1532-4	Vote AGAINST IF the equity dilution represented by this proposal, as calculated by ISS, is more than <b>XX</b> %.	
1532-5	Vote AGAINST IF the potential dilution from all plans, including this proposal, as calculated by ISS (overhang), is more than <b>XX</b> %.	
1532-6	Vote AGAINST IF the equity overhang, including this proposal, exceeds the 75th percentile of its peer group.	

**Adopt Director Stock Award Plan (1540)**

1540-1	Always vote FOR a management proposal to adopt a stock award plan for non-employee directors.	
1540-2	Always vote AGAINST a management proposal to adopt a stock award plan for non-employee directors.	<b>X</b>
1540-3	Vote AGAINST IF the plan allows for time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1540-4	Vote AGAINST IF the dilution represented by this proposal, as calculated by ISS, is more than <b>XX</b> %.	
1540-5	Vote AGAINST IF the potential dilution from all plans (including this proposal), as calculated by ISS, is more than <b>XX</b> %.	
1540-6	Vote AGAINST IF the proposed plan would permit the granting of non-formula, discretionary awards.	
1540-7	Vote AGAINST IF the plan would provide an incentive to receive shares instead of cash.	

**Amend Director Stock Award Plan (1541)**

1541-1	Always vote FOR a management proposal to amend a stock award plan for non-employee directors.	
1541-2	Always vote AGAINST a management proposal to amend a stock award plan for non-employee directors.	<b>X</b>
1541-3	Vote AGAINST IF the amendment increases the award size.	
1541-4	Vote AGAINST IF the amendment adds time-lapsing restricted stock that vest in less than <b>XX</b> years.	

1541-5	Vote AGAINST IF the amendment would permit the granting of non-formula, discretionary awards.	
1541-6	Vote AGAINST IF the proposed amendment would include an incentive to receive shares instead of cash.	
1541-7	Vote AGAINST IF the potential dilution from all plans, including this proposal, as calculated by ISS (overhang), is more than <b>XX%</b> .	

**Add Shares to Director Stock Award Plan (1542)**

1542-1	Always vote FOR a management proposal to add shares to a stock award plan for non-employee directors.	
1542-2	Always vote AGAINST a management proposal to add shares to a stock award plan for non-employee directors.	<b>X</b>
1542-3	Vote AGAINST IF the plan allows for time-lapsing restricted stock that fully vest in less than <b>XX</b> years.	
1542-4	Vote AGAINST IF the dilution represented by this proposal, as calculated by ISS, is more than <b>XX%</b> .	
1542-5	Vote AGAINST IF the potential dilution from all plans (including this proposal), as calculated by ISS, is more than <b>XX%</b> .	
1542-6	Vote AGAINST IF the proposed plan would permit the granting of non-formula, discretionary awards.	
1542-7	Vote AGAINST IF the proposed plan includes an incentive to receive shares instead of cash.	

**Approve Annual Bonus Plan (1560)**

1560-1	Always vote FOR a management proposal to approve an annual bonus plan.	<b>X</b>
1560-2	Always vote AGAINST a management proposal to approve an annual bonus plan.	
1560-3	Vote AGAINST IF the maximum per-employee payout is not disclosed.	
1560-4	Vote AGAINST IF the maximum per-employee bonus payable is more than <b>XX%</b> of the participant's base salary.	
1560-5	Vote AGAINST IF the maximum per-employee bonus payable is more than <b>\$\$\$</b> .	
1560-6	Vote AGAINST IF the performance criteria is not disclosed.	

**Approve Savings Plan (1561)**

1561-1	Always vote FOR a management proposal to adopt a savings plan.	<b>X</b>
1561-2	Always vote AGAINST a management proposal to adopt a savings plan.	

**Approve Option/Stock Awards (1562)**

1562-1	Always vote FOR a management proposal to grant a one-time option or stock award.	
1562-2	Always vote AGAINST a management proposal to grant a one-time option or stock award.	<b>X</b>
1562-3	Vote AGAINST IF the option/stock award is priced less than <b>XX%</b> of the fair market value on the grant date.	
1562-4	Vote AGAINST IF the dilution represented by the option/stock award, as calculated by ISS, is more than <b>XX%</b> .	

1562-5	Vote AGAINST IF the award is time-lapsing stock that fully vest in less than <b>XX</b> years.	
1562-6	Vote AGAINST IF the option/stock award is unrestricted shares.	
1562-7	Vote AGAINST IF potential dilution from all company plans including this proposal, as calculated by ISS, is more than <b>XX%</b> of the total outstanding common equity.	
1562-8	Vote AGAINST IF the company's equity dilution (overhang), including this proposal, as calculated by ISS, exceeds the 75th percentile of its peer group.	
1562-9	Vote AGAINST IF the company's three-year average annual grant rate exceeds the 75th percentile of its peer group.	
1562-10	Vote AGAINST IF the option is not premium-priced or indexed, or does not vest based on future performance.	

**Adopt Deferred Compensation Plan (1563)**

1563-1	Always vote FOR a management proposal to adopt a deferred compensation plan.	
1563-2	Vote AGAINST a management proposal to adopt a deferred compensation plan for non-employee directors.	
1563-3	Vote AGAINST a management proposal to adopt a deferred compensation plan for executives.	
1563-4	Vote AGAINST IF the dilution is more than <b>10%</b> of the outstanding common equity.	<b>X</b>

**Approve Long-Term Bonus Plan (1564)**

1564-1	Always vote FOR a management proposal to approve a long-term bonus plan.	
1564-2	Always vote AGAINST a management proposal to approve a long-term bonus plan.	
1564-3	Vote AGAINST IF the maximum per-employee payout is not disclosed.	<b>X</b>
1564-4	Vote AGAINST IF the maximum per-employee bonus payable over the performance period is more than <b>50%</b> of the participant's base salary.	<b>X</b>
1564-5	Vote AGAINST IF the maximum per-employee bonus payable over the performance period is more than <b>\$XX</b> .	
1564-6	Vote AGAINST IF the proposal creates dilution of more than <b>10%</b> of the outstanding common equity.	<b>X</b>
1564-7	Vote AGAINST IF the performance criteria is not disclosed.	

**Approve Employment Agreements (1565)**

1565-1	Always vote FOR a management proposal to approve an employment agreement or contract.	<b>X</b>
1565-2	Always vote AGAINST a management proposal to approve an employment agreement or contract.	

**Amend Deferred Compensation Plan (1566)**

1566-1	Always vote FOR a management proposal to amend a deferred compensation plan.	
1566-2	Always vote AGAINST a management proposal to amend a deferred compensation plan.	<b>X</b>

**Exchange Underwater Options (1570)**

1570-1	Always vote FOR a management proposal to exchange underwater options (options with a per-share exercise price that exceeds the underlying stock's current market price).	
1570-2	Always vote AGAINST a management proposal to exchange underwater options (options with a per-share exercise price that exceeds the underlying stock's current market price).	<b>X</b>
1570-3	Vote AGAINST IF directors or any of the 5 highest paid executives are eligible to participate in the repricing exchange program.	
1570-4	Vote AGAINST IF the exchange ratio is not linked to the economic value of the underwater options.	
1570-5	Vote AGAINST IF the company exchanged underwater options within the last three years.	

**Amend Annual Bonus Plan (1581)**

1581-1	Always vote FOR a management proposal to amend an annual bonus plan.	
1581-2	Always vote AGAINST a management proposal to amend an annual bonus plan.	<b>X</b>
1581-3	Vote AGAINST IF the amendment increases the maximum annual per-employee bonus.	

**Reapprove Option/Bonus Plan for OBRA (1582)**

1582-1	Always vote FOR a management proposal to reapprove a stock option plan or bonus plan for purposes of OBRA.	
1582-2	Always vote AGAINST a management proposal to reapprove a stock option plan or bonus plan for purposes of OBRA.	
1582-3	Vote AGAINST IF the maximum per-employee payout is not disclosed.	<b>X</b>
1582-4	Vote AGAINST IF the performance criteria is not disclosed.	
1582-5	Vote AGAINST IF the company repriced or replaced options in the past fiscal year.	

**Amend Long-Term Bonus Plan (1586)**

1586-1	Always vote FOR a management proposal to amend a long-term bonus plan.	<b>X</b>
1586-2	Always vote AGAINST a management proposal to amend a long-term bonus plan.	
1586-3	Vote AGAINST IF the plan increases the per-employee maximum bonus.	

**SHAREHOLDER PROPOSALS**

**SP-Shareholder Approval of Auditors (2000)**

2000-1	Always vote FOR a shareholder proposal calling for stockholder ratification of auditors.	<b>X</b>
2000-2	Always vote AGAINST a shareholder proposal calling for stockholder ratification of auditors.	

**SP-Auditors Must Attend Annual Meeting (2001)**

2001-1	Always vote FOR a shareholder proposal calling for the auditors to attend the annual meeting.	<b>X</b>
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2001-2	Always vote AGAINST a shareholder proposal calling for the auditors to attend the annual meeting.	
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**SP-Limit Consulting by Auditors (2002)**

2002-1	Always vote FOR a shareholder proposal calling for limiting consulting by auditors.	<b>X</b>
2002-2	Always vote AGAINST a shareholder proposal calling for limiting consulting by auditors.	

**SP-Rotate Auditors (2003)**

2003-1	Always vote FOR a shareholder proposal calling for the rotation of auditors.	<b>X</b>
2003-2	Always vote AGAINST a shareholder proposal calling for the rotation of auditors.	

**SP-Restore Preemptive Rights (2010)**

2010-1	Always vote FOR a shareholder proposal to restore preemptive rights.	<b>X</b>
2010-2	Always vote AGAINST a shareholder proposal to restore preemptive rights.	

**SP-Study Sale or Spin-Off (2030)**

2030-1	Always vote FOR a shareholder proposal asking the company to study sales, spin-offs or other strategic alternatives.	<b>X</b>
2030-2	Always vote AGAINST a shareholder proposal asking the company to study sales, spin-offs or other strategic alternatives.	

**SP-Adopt Confidential Voting (2100)**

2100-1	Always vote FOR a shareholder proposal asking the board to adopt confidential voting and independent tabulation of the proxy ballots.	<b>X</b>
2100-2	Always vote AGAINST a shareholder proposal asking the board to adopt confidential voting and independent tabulation of the proxy ballots.	

**SP-Counting Shareholder Votes (2101)**

2101-1	Always vote FOR a shareholder proposal asking the company to refrain from counting abstentions and broker non-votes in vote tabulations.	<b>X</b>
2101-2	Always vote AGAINST a shareholder proposal asking the company to refrain from counting abstentions and broker non-votes in vote tabulations.	

**SP-No Discretionary Voting (2102)**

2102-1	Always vote FOR a shareholder proposal to eliminate the company's discretion to vote unmarked proxy ballots.	<b>X</b>
2102-2	Always vote AGAINST a shareholder proposal to eliminate the company's discretion to vote unmarked proxy ballots.	

**SP-Equal Access to the Proxy (2110)**

2110-1	Always vote FOR a shareholder proposal to provide equal access to the proxy materials for shareholders.	<b>X</b>
2110-2	Always vote AGAINST a shareholder proposal to provide equal access to the proxy materials for shareholders.	
2110-3	Vote AGAINST IF the ballot will become open to shareholders' nominees.	

2110-4	Vote AGAINST IF the change will allow shareholder statements.	
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**SP-Improve Meeting Reports (2120)**

2120-1	Always vote FOR a shareholder proposal to improve annual meeting reports.	<b>X</b>
2120-2	Always vote AGAINST a shareholder proposal to improve annual meeting reports.	

**SP-Change Annual Meeting Location (2130)**

2130-1	Always vote FOR a shareholder proposal to change the annual meeting location.	<b>X</b>
2130-2	Always vote AGAINST a shareholder proposal to change the annual meeting location.	

**SP-Change Annual Meeting Date (2131)**

2131-1	Always vote FOR a shareholder proposal to change the annual meeting date.	<b>X</b>
2131-2	Always vote AGAINST a shareholder proposal to change the annual meeting date.	

**SP-Board Inclusiveness (2201)**

2201-1	Always vote FOR a shareholder proposal asking the board to include more women and minorities as directors.	<b>X</b>
2201-2	Always vote AGAINST a shareholder proposal asking the board to include more women and minorities as directors.	

**SP-Increase Board Independence (2202)**

2202-1	Always vote FOR a shareholder proposal seeking to increase board independence.	<b>X</b>
2202-2	Always vote AGAINST a shareholder proposal seeking to increase board independence.	

**SP-Director Tenure/Retirement Age (2203)**

2203-1	Always vote FOR a shareholder proposal seeking to limit the period of time a director can serve by establishing a retirement or tenure policy.	
2203-2	Always vote AGAINST a shareholder proposal seeking to limit the period of time a director can serve by establishing a retirement or tenure policy.	<b>X</b>
2203-3	Vote AGAINST IF the proposal seeks to establish a tenure policy shorter than <b>XX</b> years.	
2203-4	Vote AGAINST IF the proposal seeks to establish a retirement age of more than <b>XX</b> years.	

**SP-Minimum Stock Ownership by Directors (2204)**

2204-1	Always vote FOR a shareholder proposal to require minimum stock ownership by directors.	<b>X</b>
2204-2	Always vote AGAINST a shareholder proposal to require minimum stock ownership by directors.	
2204-3	Vote AGAINST IF the minimum level of ownership required is more than <b>XX</b> shares.	

**SP-Allow Union/Employee Representatives on the Board (2205)**

2205-1	Always vote FOR a shareholder proposal that seeks to provide for union or employee representatives on the board of directors.	
2205-2	Always vote AGAINST a shareholder proposal that seeks to provide for union or employee representatives on the board of directors.	<b>X</b>

**SP-Directors' Role in Corporate Strategy (2206)**

2206-1	Always vote FOR a shareholder proposal seeking to increase disclosure regarding the board's role in the development and monitoring of the company's long-term strategic plan.	
2206-2	Always vote AGAINST a shareholder proposal seeking to increase disclosure regarding the board's role in the development and monitoring of the company's long-term strategic plan.	<b>X</b>

**SP-Increase Nominating Committee Independence (2210)**

2210-1	Always vote FOR a shareholder proposal to increase the independence of the nominating committee.	<b>X</b>
2210-2	Always vote AGAINST a shareholder proposal to increase the independence of the nominating committee.	

**SP-Create Nominating Committee (2211)**

2211-1	Always vote FOR a shareholder proposal to create a nominating committee of the board.	<b>X</b>
2211-2	Always vote AGAINST a shareholder proposal to create a nominating committee of the board.	
2211-3	Vote AGAINST IF the proposal includes no requirements on the number of independent directors required to serve on the committee.	

**SP-Create Shareholder Committee (2212)**

2212-1	Always vote FOR a shareholder proposal urging the creation of a shareholder committee.	
2212-2	Always vote AGAINST a shareholder proposal urging the creation of a shareholder committee.	
2212-3	Vote AGAINST IF the proposal is a binding bylaw amendment.	<b>X</b>

**SP-Independent Board Chairman (2214)**

2214-1	Always vote FOR a shareholder proposal asking that the chairman of the board of directors be chosen from among the ranks of the non-employee directors.	
2214-2	Always vote AGAINST a shareholder proposal asking that the chairman of the board of directors be chosen from among the ranks of the non-employee directors.	<b>X</b>

**SP-Lead Director (2215)**

2215-1	Always vote FOR a shareholder proposal asking that a lead director be chosen from among the ranks of non-employee directors.	<b>X</b>
2215-2	Always vote AGAINST a shareholder proposal asking that a lead director be chosen from among the ranks of the non-employee directors.	

**SP-Adopt Cumulative Voting (2220)**

2220-1	Always vote FOR a shareholder proposal calling for the adoption of cumulative voting.	<b>X</b>
2220-2	Always vote AGAINST a shareholder proposal calling for the adoption of cumulative voting.	

**SP-Require Nominee Statement in Proxy (2230)**

2230-1	Always vote FOR a shareholder proposal to require directors to place a statement of candidacy in the proxy statement.	
2230-2	Always vote AGAINST a shareholder proposal to require directors to place a statement of candidacy in the proxy statement.	<b>X</b>

**SP-Double Board Nominees (2231)**

2231-1	Always vote FOR a shareholder proposal to nominate two director candidates for each open board seat.	
2231-2	Always vote AGAINST a shareholder proposal to nominate two director candidates for each open board seat.	<b>X</b>

**SP-Director Liability (2240)**

2240-1	Always vote FOR a shareholder proposal to make directors liable for acts or omissions that constitute a breach of fiduciary care resulting from a director's gross negligence and/or reckless or willful neglect.	<b>X</b>
2240-2	Always vote AGAINST a shareholder proposal to make directors liable for acts or omissions that constitute a breach of fiduciary care resulting from a director's gross negligence and/or reckless or willful neglect.	

**SP-Repeal Classified Board (2300)**

2300-1	Always vote FOR a shareholder proposal to repeal a classified board.	<b>X</b>
2300-2	Always vote AGAINST a shareholder proposal to repeal a classified board.	
2300-3	Vote AGAINST IF the company does not have a shareholder rights plan (poison pill).	

**SP-Redeem or Vote on Poison Pill (2310)**

2310-1	Always vote FOR a shareholder proposal asking the board to redeem or to allow shareholders to vote on a poison pill shareholder rights plan.	<b>X</b>
2310-2	Always vote AGAINST a shareholder proposal asking the board to redeem or to allow shareholders to vote on a poison pill shareholder rights plan.	
2310-3	Vote AGAINST IF the proposal seeks only to redeem the current rights plan (and does not ask for a shareholder vote.)	
2310-4	Vote AGAINST IF the board has an independent majority.	
2310-5	Vote AGAINST IF the proposal is binding rather than merely precatory (advisory).	
2310-6	Vote AGAINST IF the pill does not contain a dead-hand provision.	
2310-7	Vote AGAINST IF the company elects the entire board annually.	

**SP-Eliminate Supermajority Provision (2320)**

2320-1	Always vote FOR a shareholder proposal that seeks to eliminate supermajority provisions.	<b>X</b>
2320-2	Always vote AGAINST a shareholder proposal that seeks to eliminate supermajority provisions.	

**SP-Reduce Supermajority Provision (2321)**

2321-1	Always vote FOR a shareholder proposal that seeks to reduce supermajority provisions.	<b>X</b>
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2321-2	Always vote AGAINST a shareholder proposal that seeks to reduce supermajority provisions.	
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**SP-Repeal Fair Price Provision (2324)**

2324-1	Always vote FOR a shareholder proposal that seeks to repeal fair price provisions.	
2324-2	Always vote AGAINST a shareholder proposal that seeks to repeal fair price provisions.	<b>X</b>

**SP-Restore Right to Call a Special Meeting (2325)**

2325-1	Always vote FOR a shareholder proposal to restore shareholders' right to call a special meeting.	<b>X</b>
2325-2	Always vote AGAINST a shareholder proposal to restore shareholders' right to call a special meeting.	

**SP-Restore Right to Act by Written Consent (2326)**

2326-1	Always vote FOR a shareholder proposal to restore shareholders' right to act by written consent.	<b>X</b>
2326-2	Always vote AGAINST a shareholder proposal to restore shareholders' right to act by written consent.	

**SP-Prohibit Targeted Share Placement (2330)**

2330-1	Always vote FOR a shareholder proposal to limit the board's discretion to issue targeted share placements or to require shareholder approval before such block placements can be made.	<b>X</b>
2330-2	Always vote AGAINST a shareholder proposal to limit the board's discretion to issue targeted share placements or to require shareholder approval before such block placements can be made.	

**SP-Opt Out of State Takeover Statute (2341)**

2341-1	Always vote FOR a shareholder proposal seeking to force the company to opt out of a state takeover statutory provision.	<b>X</b>
2341-2	Always vote AGAINST a shareholder proposal seeking to force the company to opt out of a state takeover statutory provision.	

**SP-Reincorporation (2342)**

2342-1	Always vote FOR a shareholder proposal to reincorporate the company in another state.	<b>X</b>
2342-2	Always vote AGAINST a shareholder proposal to reincorporate the company in another state.	
2342-3	Vote AGAINST IF the new state has stronger anti-takeover provisions.	

**SP-Adopt Anti-Greenmail Provision (2350)**

2350-1	Always vote FOR a shareholder proposal to limit greenmail payments.	<b>X</b>
2320-2	Always vote AGAINST a shareholder proposal to limit greenmail payments.	

**SP-Restrict Executive Compensation (2400)**

2400-1	Always vote FOR a shareholder proposal to restrict executive compensation.	<b>X</b>
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2400-2	Always vote AGAINST a shareholder proposal to restrict executive compensation.	
2400-3	Vote AGAINST IF the proposal limits executive pay without linking compensation to financial performance.	

**SP-Disclose Executive Compensation (2401)**

2401-1	Always vote FOR a shareholder proposal to enhance the disclosure of executive compensation.	<b>X</b>
2401-2	Always vote AGAINST a shareholder proposal to enhance the disclosure of executive compensation.	
2401-3	Vote AGAINST IF the proposal extends reporting to all executives paid more than \$XX.	

**SP-Restrict Director Compensation (2402)**

2402-1	Always vote FOR a shareholder proposal to restrict director compensation.	<b>X</b>
2402-2	Always vote AGAINST a shareholder proposal to restrict director compensation.	

**SP-Cap Executive Pay (2403)**

2403-1	Always vote FOR a shareholder proposal to cap executive pay.	<b>X</b>
2403-2	Always vote AGAINST a shareholder proposal to cap executive pay.	

**SP-Pay Directors in Stock (2405)**

2405-1	Always vote FOR a shareholder proposal calling for directors to be paid with company stock.	<b>X</b>
2405-2	Always vote AGAINST a shareholder proposal calling for directors to be paid with company stock.	
2405-3	Vote AGAINST IF the resolution would require directors to receive their entire compensation in the form of company stock.	

**SP-Approve Executive Compensation (2406)**

2406-1	Always vote FOR a shareholder proposal calling for shareholder votes on executive pay.	<b>X</b>
2406-2	Always vote AGAINST a shareholder proposal calling for shareholder votes on executive pay.	

**SP-Restrict Director Pensions (2407)**

2407-1	Always vote FOR a shareholder proposal calling for the termination of director retirement plans.	<b>X</b>
2407-2	Always vote AGAINST a shareholder proposal calling for the termination of director retirement plans.	

**SP-Review/Report on/Link Executive Pay to Social Performance (2408)**

2408-1	Always vote FOR a shareholder proposal that asks management to review, report on and/or link executive compensation to non-financial criteria, particularly social criteria.	<b>X</b>
2408-2	Always vote AGAINST a shareholder proposal that asks management to review, report on and/or link executive compensation to non-financial criteria, particularly social criteria.	

2408-3	Vote AGAINST IF the resolution goes beyond the request for a review and/or report, and includes actual linkage of pay to social performance.	
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**SP-No Repricing of Underwater Options (2409)**

2409-1	Always vote FOR a shareholder proposal seeking shareholder approval to reprice or replace underwater stock options.	<b>X</b>
2409-2	Always vote AGAINST a shareholder proposal seeking shareholder approval to reprice or replace underwater stock options.	
2409-3	Vote AGAINST IF the proposal seeking shareholder approval to reprice is binding.	

**SP-Golden Parachutes (2414)**

2414-1	Always vote FOR a shareholder proposal calling for a ban or shareholder vote on future golden parachutes.	<b>X</b>
2414-2	Always vote AGAINST a shareholder proposal calling for a ban or shareholder vote on future golden parachutes.	
2414-3	Vote AGAINST IF the highest payout formula of current agreements does not exceed <b>XX</b> times an executive's salary and bonus.	

**SP-Award Performance-Based Stock Options (2415)**

2415-1	Always vote FOR a shareholder proposal seeking to award performance-based stock options.	<b>X</b>
2415-2	Always vote AGAINST a shareholder proposal seeking to award performance-based stock options.	

**SP-Expense Stock Options (2416)**

2416-1	Always vote FOR a shareholder proposal establishing a policy of expensing the costs of all future stock options issued by the company in the company's annual income statement.	
2416-2	Always vote AGAINST a shareholder proposal establishing a policy of expensing the costs of all future stock options issued by the company in the company's annual income statement.	<b>X</b>

**SP-Pension Fund Surplus (2417)**

2417-1	Always vote FOR a shareholder proposal that requests future executive compensation be determined without regard to any pension fund income.	
2417-2	Always vote AGAINST a shareholder proposal that requests future executive compensation be determined without regard to any pension fund income.	<b>X</b>

**SP-Create Compensation Committee (2420)**

2420-1	Always vote FOR a shareholder proposal to create a compensation committee.	<b>X</b>
2420-2	Always vote AGAINST a shareholder proposal to create a compensation committee.	

**SP-Hire Independent Compensation Consultant (2421)**

2421-1	Always vote FOR a shareholder proposal to require that the compensation committee hire its own independent compensation consultants-separate from the compensation consultants working with corporate management-to assist with executive compensation issues.	<b>X</b>
2421-2	Always vote AGAINST a shareholder proposal to require that the compensation committee hire its own independent compensation consultants-separate from the compensation consultants working with corporate management-to assist with executive compensation issues.	

**SP-Increase Compensation Committee Independence (2422)**

2422-1	Always vote FOR a shareholder proposal to increase the independence of the compensation committee.	<b>X</b>
2422-2	Always vote AGAINST a shareholder proposal to increase the independence of the compensation committee.	

**SP-Increase Audit Committee Independence (2500)**

2500-1	Always vote FOR a shareholder proposal to increase the independence of the audit committee.	<b>X</b>
2500-2	Always vote AGAINST a shareholder proposal to increase the independence of the audit committee.	

**SP-Increase Key Committee Independence (2501)**

2501-1	Always vote FOR a shareholder proposal to increase the independence of key committees.	<b>X</b>
2501-2	Always vote AGAINST a shareholder proposal to increase the independence of key committees.	

1. SOCIAL ISSUE PROPOSALS

**SP-Develop/Report on Human Rights Policy (3000)**

3000-1	Always vote FOR a shareholder proposal that asks the company to develop or report on human rights policies.	
3000-2	Always vote AGAINST a shareholder proposal that asks the company to develop or report on human rights policies.	
3000-3	Vote AGAINST IF the company does not operate in countries of concern.	<b>X</b>

**SP-Review Operations' Impact on Local Groups (3005)**

3005-1	Always vote FOR a shareholder proposal that asks the company to review its operations' impact on local groups.	
3005-2	Always vote AGAINST a shareholder proposal that asks the company to review its operations' impact on local groups.	<b>X</b>
3005-3	Vote AGAINST IF the proposal calls for action beyond reporting.	

**SP-Burma-Limit or End Operations (3030)**

3030-1	Always vote FOR a shareholder proposal that asks the company to limit or end operations in Burma.	
3030-2	Always vote AGAINST a shareholder proposal that asks the company to limit or end operations in Burma.	
3030-3	Vote AGAINST IF the company's operations are de minimus and do not involve oil or mining.	<b>X</b>
3030-4	Vote AGAINST IF the company does not contract directly with the Burmese government.	

**SP-Burma-Review Operations (3031)**

3031-1	Always vote FOR a shareholder proposal that asks management to review operations in Burma.	<b>X</b>
3031-2	Always vote AGAINST a shareholder proposal that asks management to review operations in Burma.	

**SP-China-No Use of Forced Labor (3040)**

3040-1	Always vote FOR a shareholder proposal that asks management to certify that company operations are free of forced labor.	<b>X</b>
3040-2	Always vote AGAINST a shareholder proposal that asks management to certify that company operations are free of forced labor.	

**SP-China-Adopt Code of Conduct (3041)**

3041-1	Always vote FOR a shareholder proposal that asks management to implement and/or increase activity on each of the principles of the U.S. Business Principles for Human Rights of Workers in China.	
3041-2	Always vote AGAINST a shareholder proposal that asks management to implement and/or increase activity on each of the principles of the U.S. Business Principles for Human Rights of Workers in China.	
3041-3	Vote AGAINST IF the company has de minimus operations involving China.	<b>X</b>

**SP-Review Military Contracting Criteria (3100)**

3100-1	Always vote FOR a shareholder proposal that asks management to develop social, economic and ethical criteria that the company could use to determine the acceptability of military contracts and to govern the execution of the contracts.	
3100-2	Always vote AGAINST a shareholder proposal that asks management to develop social, economic and ethical criteria that the company could use to determine the acceptability of military contracts and to govern the execution of the contracts.	
3100-3	Vote AGAINST IF the company derives less than 50% of its revenues from military-related operations.	<b>X</b>

**SP-Review Economic Conversion (3110)**

3110-1	Always vote FOR a shareholder proposal that asks management to create a plan for converting the company's facilities that are dependent on defense contracts toward production for commercial markets.	
3110-2	Always vote AGAINST a shareholder proposal that asks management to create a plan for converting the company's facilities that are dependent on defense contracts toward production for commercial markets.	
3110-3	Vote AGAINST IF the company derives less than 50% of its revenues from defense contracts.	<b>X</b>

**SP-Review Space Weapons (3120)**

3120-1	Always vote FOR a shareholder proposal that asks management to report on the company's government contracts for the development of ballistic missile defense technologies and related space systems.	
3120-2	Always vote AGAINST a shareholder proposal that asks management to report on the company's government contracts for the development of ballistic missile defense technologies and related space systems.	<b>X</b>

**SP-Review Foreign Military Sales (3130)**

3130-1	Always vote FOR a shareholder proposal that asks management to report on the company's foreign military sales or foreign offset activities.	<b>X</b>
3130-2	Always vote AGAINST a shareholder proposal that asks management to report on the company's foreign military sales or foreign offset activities.	
3130-3	Vote AGAINST IF all of the company's current weapons programs result in sales to both the U.S. and foreign governments, or to the U.S. government exclusively.	

**SP-Limit or End Nuclear Weapons Production (3150)**

3150-1	Always vote FOR a shareholder proposal that asks management to limit or end nuclear weapons production.	
3150-2	Always vote AGAINST a shareholder proposal that asks management to limit or end nuclear weapons production.	<b>X</b>

**SP-Review Nuclear Weapons Production (3151)**

3151-1	Always vote FOR a shareholder proposal that asks management to review nuclear weapons production.	
3151-2	Always vote AGAINST a shareholder proposal that asks management to review nuclear weapons production.	<b>X</b>

**SP-Review Charitable Giving Policy (3210)**

3210-1	Always vote FOR a shareholder proposal that asks the company to establish shareholder-designated contribution programs.	
3210-2	Always vote AGAINST a shareholder proposal that asks the company to establish shareholder-designated contribution programs.	
3210-3	Vote AGAINST IF the company has a well-managed program or the proposal will be unduly burdensome.	<b>X</b>

**SP-Limit or End Charitable Giving (3215)**

3215-1	Always vote FOR a shareholder proposal that asks the company to limit or end charitable giving.	
3215-2	Always vote AGAINST a shareholder proposal that asks the company to limit or end charitable giving.	
3215-3	Vote AGAINST IF the company's giving is not excessive or the proposal would end all giving.	<b>X</b>

**SP-Review Political Spending (3220)**

3220-1	Always vote FOR a shareholder proposal that asks the company to increase disclosure of political spending and activities.	
3220-2	Always vote AGAINST a shareholder proposal that asks the company to increase disclosure of political spending and activities.	
3220-3	Vote AGAINST IF the information requested is already easily available or if compliance is costly.	<b>X</b>

**SP-Limit or End Political Spending (3221)**

3221-1	Always vote FOR a shareholder proposal that asks the company to limit or end political spending.	
3221-2	Always vote AGAINST a shareholder proposal that asks the company to limit or end political spending.	
3221-3	Vote AGAINST IF the total contributions were less than \$50,000 or the proposal would end all spending.	<b>X</b>

**SP-Disclose Prior Government Service (3222)**

3222-1	Always vote FOR a shareholder proposal requesting disclosure of company executives' prior government service.	
3222-2	Always vote AGAINST a shareholder proposal requesting disclosure of company executives' prior government service.	<b>X</b>

**SP-Affirm Political Nonpartisanship (3224)**

3224-1	Always vote FOR a shareholder proposal requesting affirmation of political nonpartisanship.	
3224-2	Always vote AGAINST a shareholder proposal requesting affirmation of political nonpartisanship.	<b>X</b>

**SP-Review Tobacco Marketing (3300)**

3300-1	Always vote FOR a shareholder proposal that asks management to report on or change tobacco product marketing practices.	
3300-2	Always vote AGAINST a shareholder proposal that asks management to report on or change tobacco product marketing practices.	
3300-3	Vote AGAINST IF no prima facie evidence suggests company targets youth or uses unregulated channels.	

3300-4	Vote AGAINST IF there is no prima facie evidence the company's marketing practices are illegal.	
3300-5	Vote AGAINST IF the proposal calls for action beyond reporting.	<b>X</b>

**SP-Sever Links with Tobacco Industry (3307)**

3307-1	Always vote FOR a shareholder proposal to sever links with the tobacco industry.	
3307-2	Always vote AGAINST a shareholder proposal to sever links with the tobacco industry.	<b>X</b>
3307-3	Vote AGAINST IF the proposal is submitted to a tobacco company.	
3307-4	Vote AGAINST IF the company is NOT a health care company.	
3307-5	Vote AGAINST IF the company has retail outlets for tobacco products.	
3307-6	Vote AGAINST IF the company provides products to the tobacco industry.	
3307-7	Vote AGAINST IF the proposal concerns media outlets for tobacco advertising.	
3307-8	Vote AGAINST IF the proposal concerns tobacco farmers.	

**SP-Review or Reduce Tobacco Harm to Health (3308)**

3308-1	Always vote FOR a shareholder proposal that asks the company to review or reduce tobacco harm to health.	
3308-2	Always vote AGAINST a shareholder proposal that asks the company to review or reduce tobacco harm to health.	<b>X</b>
3308-3	Vote AGAINST IF the proposal concerns adoption of a no-smoking policy.	
3308-4	Vote AGAINST IF the proposal concerns research or changes to product ingredients.	
3308-5	Vote AGAINST IF the proposal concerns changes to package labeling and health warnings.	

**SP-Review or Promote Animal Welfare (3320)**

3320-1	Always vote FOR a shareholder proposal that asks management to review or promote animal welfare.	
3320-2	Always vote AGAINST a shareholder proposal that asks management to review or promote animal welfare.	<b>X</b>
3320-3	Vote AGAINST IF the proposal calls for an end to consumer product safety tests with animals.	
3320-4	Vote AGAINST IF the proposal calls for action beyond reporting.	

**SP-Review Drug Pricing or Distribution (3340)**

3340-1	Always vote FOR a shareholder proposal that asks the company to report or take action on pharmaceutical drug pricing or distribution.	
3340-2	Always vote AGAINST a shareholder proposal that asks the company to report or take action on pharmaceutical drug pricing or distribution.	
3340-3	Vote AGAINST IF the proposal asks for more than a report.	<b>X</b>

3340-4	Vote AGAINST IF the proposal relates only to domestic pricing.	
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**SP-Oppose Embryo/Fetal Destruction (3350)**

3350-1	Always vote FOR a shareholder proposal that asks the company to take action on embryo or fetal destruction.	
3350-2	Always vote AGAINST a shareholder proposal that asks the company to take action on embryo or fetal destruction.	<b>X</b>

**SP-Review Nuclear Facility/Waste (3400)**

3400-1	Always vote FOR a shareholder proposal that asks the company to review or report on nuclear facilities or nuclear waste.	
3400-2	Always vote AGAINST a shareholder proposal that asks the company to review or report on nuclear facilities or nuclear waste.	
3400-3	Vote AGAINST IF the proposal asks for action beyond reporting.	<b>X</b>
3400-4	Vote AGAINST IF the proposal asks for cessation of nuclear-related activities.	

**SP-Review Energy Efficiency & Renewables (3410)**

3410-1	Always vote FOR a shareholder proposal that asks the company to review its reliance on nuclear and fossil fuels, its development or use of solar and wind power, or its energy efficiency.	
3410-2	Always vote AGAINST a shareholder proposal that asks the company to review its reliance on nuclear and fossil fuels, its development or use of solar and wind power, or its energy efficiency.	
3410-3	Vote AGAINST IF the proposal asks for more than a report.	<b>X</b>

**SP-Endorse Ceres Principles (3420)**

3420-1	Always vote FOR a shareholder proposal that asks management to endorse the Ceres principles.	
3420-2	Always vote AGAINST a shareholder proposal that asks management to endorse the Ceres principles.	
3420-3	Vote AGAINST IF the company has well-established environmental management practices.	
3420-4	Vote AGAINST IF the company has an average or better environmental performance record.	

**SP-Control Generation of Pollutants (3422)**

3422-1	Always vote FOR a shareholder proposal that asks the company to control generation of pollutant(s).	
3422-2	Always vote AGAINST a shareholder proposal that asks the company to control generation of pollutant(s).	
3422-3	Vote AGAINST IF the proposal asks for action beyond reporting.	<b>X</b>
3422-4	Vote AGAINST IF the company reports its emissions and plans to limit their future growth.	
3422-5	Vote AGAINST IF the company reports its emissions and plans to reduce them from established levels.	

**SP-Report on Environmental Impact or Plans (3423)**

3423-1	Always vote FOR a shareholder proposal that asks the company to report on its environmental impact or plans.	
3423-2	Always vote AGAINST a shareholder proposal that asks the company to report on its environmental impact or plans.	
3423-3	Vote AGAINST IF management has issued a written statement beyond the legal minimum.	<b>X</b>

**SP-Report or Take Action on Climate Change (3425)**

3425-1	Always vote FOR a shareholder proposal that asks management to report or take action on climate change.	
3425-2	Always vote AGAINST a shareholder proposal that asks management to report or take action on climate change.	
3425-3	Vote AGAINST IF management has issued a statement acknowledging a global warming threat.	
3425-4	Vote AGAINST IF management acknowledges a global warming threat and has issued company policy.	
3425-5	Vote AGAINST IF management has issued a statement and committed to targets and timetable.	
3425-6	Vote AGAINST IF the company is not a major emitter of greenhouse gases.	

**SP-Review or Curb Bioengineering (3430)**

3430-1	Always vote FOR a shareholder proposal that asks management to report on, label or restrict sales of bioengineered products.	
3430-2	Always vote AGAINST a shareholder proposal that asks management to report on, label or restrict sales of bioengineered products.	
3430-3	Vote AGAINST IF the proposal asks for action beyond reporting.	<b>X</b>
3430-4	Vote AGAINST IF the proposal calls for a moratorium on sales of bioengineered products.	

**SP-Preserve/Report on Natural Habitat (3440)**

3440-1	Always vote FOR a shareholder proposal that asks the company to preserve natural habitat.	
3440-2	Always vote AGAINST a shareholder proposal that asks the company to preserve natural habitat.	
3440-3	Vote AGAINST IF the proposal asks for action beyond reporting.	<b>X</b>
3440-4	Vote AGAINST IF the proposal does not address a unique habitat.	

**SP-Review Developing Country Debt (3500)**

3500-1	Always vote FOR a shareholder proposal asking the company to review its developing country debt and lending criteria and to report to shareholders on its findings.	
3500-2	Always vote AGAINST a shareholder proposal asking the company to review their developing country debt and lending criteria and to report to shareholders on its findings.	
3500-3	Vote AGAINST IF the proposal asks for action beyond reporting.	<b>X</b>

**SP-Review Social Impact of Financial Ventures (3503)**

3503-1	Always vote FOR a shareholder proposal that requests a company to assess the environmental, public health, human rights, labor rights or other socioeconomic impacts of	
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	its credit decisions.	
3503-2	Always vote AGAINST a shareholder proposal that requests a company to assess the environmental, public health, human rights, labor rights or other socioeconomic impacts of its credit decisions.	
3503-3	Vote AGAINST IF the proposal asks for action beyond reporting.	<b>X</b>

**SP-Review Fair Lending Policy (3520)**

3520-1	Always vote FOR a shareholder proposal requesting reports and/or reviews of plans and/or policies on fair lending practices.	
3520-2	Always vote AGAINST a shareholder proposal requesting reports and/or reviews of plans and/or policies on fair lending practices.	<b>X</b>
3520-3	Vote AGAINST IF the proposal asks for action beyond reporting.	

**SP-Review Plant Closings (3600)**

3600-1	Always vote FOR a shareholder proposal that asks the company to establish committees to consider issues related to facilities closure and relocation of work.	
3600-2	Always vote AGAINST a shareholder proposal that asks the company to establish committees to consider issues related to facilities closure and relocation of work.	<b>X</b>

**SP-Report on EEO (3610)**

3610-1	Always vote FOR a shareholder proposal that asks management to report on the company's affirmative action policies and programs, including releasing its EEO-1 forms and providing statistical data on specific positions within the company.	
3610-2	Always vote AGAINST a shareholder proposal that asks management to report on the company's affirmative action policies and programs, including releasing its EEO-1 forms and providing statistical data on specific positions within the company.	
3610-3	Vote AGAINST IF the company releases its EEO-1 reports.	
3610-4	Vote AGAINST IF the company's EEO-1 reports and compliance record indicate it is average.	<b>X</b>
3610-5	Vote AGAINST IF the information indicates a well-established affirmative action program.	

**SP-Drop Sexual Orientation from EEO Policy (3614)**

3614-1	Always vote FOR a shareholder proposal that asks management to drop sexual orientation from EEO policy.	
3614-2	Always vote AGAINST a shareholder proposal that asks management to drop sexual orientation from EEO policy.	<b>X</b>

**SP-Adopt Sexual Orientation Anti-Bias Policy (3615)**

3615-1	Always vote FOR a shareholder proposal that asks management to adopt a sexual orientation non-discrimination policy.	
3615-2	Always vote AGAINST a shareholder proposal that asks management to adopt a sexual orientation non-discrimination policy.	<b>X</b>

**SP-Review Mexican Work Force Conditions (3621)**

3621-1	Always vote FOR a shareholder proposal that asks management to report on or review Mexican operations.	
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3621-2	Always vote AGAINST a shareholder proposal that asks management to report on or review Mexican operations.	X
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**SP-Adopt Standards for Mexican Operation (3622)**

3622-1	Always vote FOR a shareholder proposal that asks management to adopt standards for Mexican operations.	
3622-2	Always vote AGAINST a shareholder proposal that asks management to adopt standards for Mexican operations.	X

**SP-Review or Implement MacBride Principles (3630)**

3630-1	Always vote FOR a shareholder proposal that asks management to review or implement the MacBride principles.	
3630-2	Always vote AGAINST a shareholder proposal that asks management to review or implement the MacBride principles.	
3630-3	Vote AGAINST IF no fair employment problems exist.	X

**SP-Urge MacBride on Contractor/Franchisee (3632)**

3632-1	Always vote FOR a shareholder proposal that asks the company to encourage its contractors and franchisees to implement the MacBride principles.	
3632-2	Always vote AGAINST a shareholder proposal that asks the company to encourage its contractors and franchisees to implement the MacBride principles.	
3632-3	Vote AGAINST IF no fair employment problems exist at contractor/franchisee.	X

**SP-Review Global Labor Practices (3680)**

3680-1	Always vote FOR a shareholder proposal that asks management to report on or review its global labor practices or those of their contractors.	
3680-2	Always vote AGAINST a shareholder proposal that asks management to report on or review its global labor practices or those of their contractors.	
3680-3	Vote AGAINST IF the company already reports publicly using a recognized standard.	
3680-4	Vote AGAINST IF the resolution asks for more than a report.	X

**SP-Monitor/Adopt ILO Conventions (3681)**

3681-1	Always vote FOR a shareholder proposal that asks management to adopt, implement or enforce a global workplace code of conduct based on the International Labor Organization's (ILO) core labor conventions.	
3681-2	Always vote AGAINST a shareholder proposal that asks management to adopt, implement or enforce a global workplace code of conduct based on the International Labor Organization's (ILO) core labor conventions.	
3681-3	Vote AGAINST IF the proposal asks the company to use third-party monitors.	
3681-4	Vote AGAINST IF the company has a reasonable code and monitoring system.	X

**SP-Report on Sustainability (3700)**

3700-1	Always vote FOR a shareholder proposal requesting reports on sustainability.	
3700-2	Always vote AGAINST a shareholder proposal requesting reports on sustainability.	

3700-3	Always vote AGAINST IF the company has already issued a report in GRI format.	<b>X</b>
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As revised November 15, 2005

## II. Guardian Investor Services LLC

### Introduction

In its capacity as investment sub-adviser to RS Asset Allocation Fund, RS S&P 500 Index Fund, and certain other Funds which may from time to time hold equity securities, GIS has a fiduciary duty to the shareholders of the Funds to evaluate each company in which the Funds invest, in order to satisfy itself that the company meets certain management, financial and corporate governance standards. GIS believes that each investment should reflect a sound economic decision that benefits the shareholders of the Funds; thus, as a guiding principle, in voting proxies GIS seeks to maximize the shareholders' economic interests. Accordingly, these policies and procedures are designed to ensure that GIS votes proxies in the best interests of shareholders of the Funds, regardless of any relationship between GIS, or any affiliate of GIS, with the company soliciting the proxy. With limited exceptions, GIS intends to vote all proxies solicited by issuers.

### Proxy Voting Service

GIS has retained the services of Institutional Shareholder Services ("ISS"), an independent proxy voting service, to act as its agent in voting proxies. ISS performs independent research on the management, financial condition and corporate governance policies of numerous companies, and makes voting recommendations. ISS votes proxies on GIS's behalf at shareholder meetings and is responsible for retaining copies of each proxy statement and maintaining records of how each proposal was voted.

In making its voting determinations, ISS has developed policies that involve an analysis of various factors relevant to the issuer and/or the proxy matter presented. After conducting its own evaluation of ISS's factors and policies, GIS has instructed ISS to make a voting determination based upon the ISS factors and policies. The policies and the factors ISS considers in its voting determinations are further detailed in the guidelines. GIS has instructed ISS to vote "for," "against," or on a "case-by-case" basis, along with ISS's recommendations. In cases where ISS may not vote a proxy, a proposal may be referred to GIS for consideration.

### Conflicts of Interest

Sometimes a conflict of interest may arise in connection with the proxy voting process. For example, GIS may have a material conflict of interest due to a significant business relationship with the company or a business relationship with a third party that has a material interest in the outcome of the vote, or a GIS employee may have a personal conflict of interest due to a personal or familial relationship with someone at the company soliciting the proxy. Central to these proxy voting policies is GIS's philosophy that proxies should be voted only in the best interests of the shareholders of the Funds. Accordingly, these proxy voting policies are applied uniformly to avoid material conflicts of interest.

Guardian has taken certain measures to prevent economic or political incentives on the part of fund management or other Guardian business units to influence the outcome of a vote. GIS has created an information barrier between fund management and those other business units that may have inside or other information about a company, to prevent fund management from obtaining information that could have the potential to influence proxy voting decisions.

If an occasion arises in which ISS is unable to vote a proxy due to its own conflict of interest, ISS will ask GIS to provide specific voting instructions. In such situations, GIS shall vote the proxy in accordance with these policies and procedures. In all other cases, ISS votes proxies on behalf of GIS and the Funds applying uniform policies.

If ISS is unable to vote a proxy due to a conflict and has referred it to GIS for voting instructions, and there is a potential material conflict of interest between the issuer and Guardian or a Guardian affiliate or employee, the proxy proposal will be referred to Guardian's Mutual Fund Oversight Committee. The Mutual Fund Oversight Committee will provide voting instructions on the proposal after consulting with the fund manager and taking into account all factors it deems relevant. If the Mutual Fund Oversight Committee believes a material conflict exists that cannot be resolved by the committee, it will refer the proposal to the Board of Trustees for guidance.

### **III. UBS Global Asset Management (Americas), Inc.**

The proxy voting policy of UBS Global Asset Management ("UBS Global AM") is based on its belief that voting rights have economic value and must be treated accordingly. Generally, UBS Global AM expects the boards of directors of companies issuing securities held by its clients to act in the service of the shareholders, view themselves as stewards of the company, exercise good judgment and practice diligent oversight of the management of the company. While there is no absolute set of rules that determine appropriate corporate governance under all circumstances and no set of rules will guarantee ethical behavior, there are certain principles, which provide evidence of good corporate governance. UBS Global AM may delegate to an independent proxy voting and research service the authority to exercise the voting rights associated with certain client holdings. Any such delegation shall be made with the direction that the votes be exercised in accordance with UBS Global AM's proxy voting policy.

When UBS Global AM's view of a company's management is favorable, UBS Global AM generally supports current management initiatives. When UBS Global AM's view is that changes to the management structure would probably increase shareholder value, UBS Global AM may not support existing management proposals. In general, UBS Global AM generally exercises voting rights in accordance with the following principles: (1) with respect to board structure, (a) the roles of chairman and chief executive should be separated, (b) board members should have appropriate and diverse experience and be capable of providing good judgment and diligent oversight of management, and (c) the board should include executive and non-executive members and the non-executive members should provide a challenging, but generally supportive environment; and (2) with respect to board responsibilities, (a) the whole board should be fully involved in endorsing strategy and in all major strategic decisions, and (b) the board should ensure that, among other things, at all times the interests of executives and shareholders are aligned and the financial audit is independent and accurate. In addition, UBS Global AM focuses on the following areas of concern when voting its clients' securities: economic value resulting from acquisitions or disposals; operational performance; quality of management; independent board members not holding management accountable; quality of internal controls; lack of transparency; inadequate succession planning; poor approach to social responsibility; inefficient management structure; and corporate activity designed to frustrate the ability of shareholders to hold the board accountable or realize the maximum value of their investment. UBS Global AM exercises its voting rights in accordance with overarching rationales outlined by its proxy voting policies and procedures that are based on the principles described above.

UBS Global AM has implemented procedures designed to identify whether it has a conflict of interest in voting a particular proxy proposal, which may arise as a result of its or its affiliates' client relationships, marketing efforts or banking, investment banking and broker/dealer activities. To address such conflicts, UBS Global AM has imposed information barriers between it and its affiliates who conduct banking, investment banking and broker/dealer activities and has implemented procedures to prevent business, sales and marketing issues from influencing its proxy votes. Whenever UBS Global AM is aware of a conflict with respect to a particular proxy, the UBS Global AM Corporate Governance Committee is required to review and resolve the manner in which such proxy is voted.

### **IV. Baillie Gifford Overseas Limited**

#### **General Statement and Approach**

Baillie Gifford Overseas Limited ("BGO") recognizes that it has a fiduciary duty to act solely in the best interests of its clients. In that regard BGO and its affiliates (collectively, "Baillie Gifford") have adopted Global Corporate Governance Principles and Guidelines (the "Guidelines"), which include proxy voting policies and procedures that are designed, among other things, to ensure that proxies for the securities owned by clients for which BGO exercises voting authority and discretion are voted in the best interests of those clients in accordance with BGO's fiduciary duties, Rule 206(4)-6 under the Investment Advisers Act of 1940 and other applicable law.

The Guidelines include principles (the “Principles”) that articulate corporate governance standards relating to the basic rights and equitable treatment of shareholders, the role of stakeholders (as established by law), disclosure and transparency on all material matters, and the responsibilities and accountability of the board of directors. The Principles are based upon the widely supported principles developed by the Organisation for Economic Cooperation and Development, which BGO believes are appropriate for most markets BGO recognizes, however, that given the differences in national corporate and market regulation, one set of standards is unlikely to be appropriate for all of the markets in which it invests. Therefore, the Guidelines include as appendices detailed corporate governance standards for the United Kingdom and Japan and may include overseas corporate governance codes, where these are available and appropriate. In order to provide an indication of how the Principles should be interpreted in practice, the Guidelines include some “best practice” guidelines as to voting on specific issues (e.g., generally opposing new appointments that combine the role of chairman and chief executive, considering opposing the re-election of non-executive directors who are not independent if they are members of the audit or remuneration committees or if less than three or a minority of the board’s non-executive directors is independent).

BGO recognizes, however, that companies within particular markets operate under significantly differing conditions and for this reason it does not apply any of the principles, practices or standards included in the Guidelines rigidly. Rather, it applies them with care, giving due consideration to the specific circumstances of individual companies. In this way it takes a pragmatic and flexible approach to corporate governance, consistent with its overriding aim of looking after the long term financial interests of its clients.

BGO looks to have confidence in the quality and integrity of management. Consequently, its investment process involves keeping closely in touch with company management, learning how it plans to take the company’s business forward and seeking to understand its goals and attitude towards shareholders. BGO believes that such dialogue is important in selecting successful investments for its clients. Nevertheless, where the formal aspects of a company’s corporate governance fall short of the Guidelines and this is not fully supported by its circumstances, BGO encourages improvements in face to face meetings and, where appropriate, votes against management recommendations at general meetings. In general, BGO focuses on the issues it feels are most significant and where it can be most effective, including the alignment of management’s interests with those of shareholders, the effective operation of the board and its committees and the protection of shareholder rights.

#### Proxy Voting Administration

Baillie Gifford’s Corporate Governance Team develops and administers the Guidelines. The Corporate Governance Team sits alongside the investment teams and is supported by personnel dedicated to the voting of proxies. The Corporate Governance Manager reports to the Chief of Investment Staff. In evaluating each proxy, the Corporate Governance Team follows the Guidelines. It also considers third party analysis, Baillie Gifford’s own research and discussions with company management. If a proxy involves a non-routine matter, the Corporate Governance Team will consult with the appropriate investment team regarding the proposed vote.

#### Conflicts of Interest

BGO recognizes the importance of managing potential conflicts of interest that may exist when voting a proxy solicited by a company with whom Baillie Gifford has a material business or personal relationship. The Corporate Governance Manager is responsible for monitoring possible material conflicts of interest with respect to proxy voting. Application of the Guidelines to vote proxies will in most instances adequately address any possible conflicts of interest. However, as noted above, BGO does not rigidly apply the Guidelines and proxies may relate to matters not specifically addressed in the Guidelines. For proxy votes that involve a potential conflict of interest, that are inconsistent with (or not covered by) the Guidelines but that are consistent with management’s recommendation, the Management Committee, which comprises five senior Baillie Gifford partners, will review the voting rationale, consider whether business relationships between Baillie Gifford and the company have influenced the proposed inconsistent vote and decide the course of action to be taken in the best interests of its clients.

If BGO invests on behalf of its advisory clients in pooled vehicles advised by Baillie Gifford (in-house pooled funds), it will provide such clients with the opportunity to direct how their units in these funds should be voted on non-routine matters.

#### Overseas Voting — Share Blocking

For clients that have delegated voting authority and discretion to BGO, BGO endeavors to vote all of their shares in all markets. However, it is difficult to vote in some overseas markets because of costly trading restrictions. For example, in the French and Italian markets, BGO's clients' shares are "blocked," which means that BGO is unable to direct selling should it so desire, from the time that it votes until the close of the company meeting. This is clearly a risk to clients, particularly if BGO might consider selling the shares. BGO will therefore only vote in these markets where it views the benefits of voting clients' shares, such as with respect to a merger or acquisition, as exceeding the risks involved.