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NEW REGULATORY ENVIRONMENT SIGNIFICANTLY CHANGES ROLE AND COMPOSITION OF MUTUAL FUND BOARDS OF DIRECTORS, FINDS PFPC STUDY

– More than 100 directors share insights on demands, personal satisfaction resulting from current regulatory environment –

WILMINGTON, Del., Nov. 7, 2007 – While the mutual fund industry has witnessed considerable regulatory change since 2003 to protect shareholders through increased oversight and transparency, little attention has been given to the impact of the regulatory changes on those individuals who serve on the boards of directors for fund companies. In fact, an evolution has occurred around the board table where the players have changed and the stakes are higher, according to a landmark study that provides rare insight into the minds of 154 independent board members, affiliated board members and fund executives released today by PFPC.

In response to increased demands, one-third of directors surveyed report spending more than 50 hours per quarter (200 hours per year) on board responsibilities, and turnover is relatively high. One in four respondents noted at least one member of their board had resigned as a result of the additional time spent due to increased regulatory burden or personal liability concerns. Although 65 percent of directors surveyed believe the job is more difficult today, an overwhelming majority (96 percent) report enjoying their time as directors and plan to continue to serve.

LOOKING FOR A FEW GOOD PEOPLE

Four out of 10 board members report that their boards have increased the number of directors given the burden of new regulations or need for additional expertise in a particular area.

“Fund boards are getting larger out of necessity in response to the reforms introduced by Sarbanes-Oxley - greater transparency and accountability – and the increased compliance and controls that came out of SEC Rule 38a-1. Both have significantly increased the workload

for fund directors,” said Linda Hoard, senior vice president and senior counsel at PFPC. “For example, Sarbanes Oxley requires funds to disclose whether or not their audit committee has a financial expert. Rather than disclose that they did not have a current member who met the criteria of a financial expert, many fund boards went out and recruited from a limited talent pool.”

Recruiting qualified candidates to serve as audit committee financial experts has been difficult or very difficult, according to 58 percent of directors surveyed. Equally challenging is recruitment of independent board members which 51 percent of respondents also identified as difficult or very difficult.

This influx of new directors has resulted in more than fresh faces around the board table. The PFPC study indicates the new boards have distinct characteristics, including:

Professional Expertise - Majority of all board members surveyed have backgrounds in financial services (56 percent) and corporate management (21 percent); independent directors bring diverse expertise from legal (12 percent), accounting (7 percent) and academic (9 percent) backgrounds.

Gender – Remains a challenge with male directors comprising three quarters of the board members surveyed; only one out of five respondents was a woman.

Age - 95 percent of interested board members surveyed are under the age of 65; nearly one-third (32 percent) of independent members are 65 or older. One third (34 percent) of directors recruited in the past five years are under the age 45. However, only 5 percent of those on the board for more than five years are under the age of 45.

LEVEL OF DIFFICULTY

Two-thirds of all board members surveyed (67 percent) and three-quarters of independent board members believe it is more difficult to be a mutual fund director today. Tenure impacted the responses. The more experienced directors, those serving 16 or more years, are more inclined than those with five years or less to feel the role today is more difficult (85 percent compared to 59 percent).

“The increased regulatory environment, combined with greater expectations among shareholders and rapid growth in the industry in general, have all contributed to the increased burden on directors,” said Hoard.

Liability anxiety is a concern for board members, with one in four board respondents noting concern that he/she does not have adequate personal liability insurance. One-third (36 percent) of interested board members and 16 percent of independent directors surveyed have obtained additional personal liability coverage.

SHAREHOLDERS AND DIRECTORS BENEFIT

While there is little consistency in what motivated directors to serve as board members,

there is little doubt about their personal satisfaction, at 96 percent, and their commitment to continuing in that role.

Most importantly, seven out of 10 directors (71 percent) agreed or strongly agreed that investors have benefited from increased disclosure, and three quarters of directors (77 percent) agreed that shareholders have gained greater confidence in the fund industry.

SURVEY METHODOLOGY

The PFPC Mutual Fund Board Study was conducted by the independent research firm Artemis Strategy Group, headquartered in Washington, D.C. The study was based on 154 telephone interviews conducted with 57 independent board members, 44 interested board members and 53 fund executives, including presidents, chief compliance officers, chief executive officers and chief financial officers. The study was completed in July 2007.

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