Summary of Methodology and Payment Determination
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Executive Summary
This Summary of Methodology and Payment Determination ("Summary") describes State Street’s review of the way we invoiced certain clients of our Global Services Americas business for categories of expenses described below during the approximately 18-year period from late 1998 until early November 2015 ("Review Period"). Our efforts focused on this Review Period because we do not have records accessible through our billing system for earlier periods. Our review included analysis of: (i) our invoicing processes; (ii) the amounts billed to each client in each expense category reviewed; (iii) our costs associated with each expense category reviewed; and (iv) our clients’ fee schedules.

This Summary has been updated as of April 11, 2017, to reflect additional information about our review. In particular, we added information on pages 20 and 21 regarding interest calculation and payment processing.

This Summary was previously updated on October 21, 2016. We have published a copy of this Summary marked to show changes from the previous versions of the Summary distributed in May and in October 2016.

The main findings of our review include: (i) the expense errors predominately affected invoices to clients of our Global Services Americas division; (ii) the review identified errors with respect to the 13 categories of expense identified below; (iii) the total amount invoiced for these expense categories in the Review Period was approximately $435 million; (iv) in the aggregate, for U.S. and non-U.S. clients, errors during the Review Period were approximately $296 million; and (v) we will pay in the aggregate approximately $37 million in interest associated with the incorrect invoicing. Although we are still looking into the question of how these errors occurred and remained uncorrected for so long, a common thread that is reflected in the discussion below of many of the expense categories reviewed is that a unit cost was established in the past but not later updated. Over time, as volumes increased or costs decreased, the gap between the amount that we charged and the actual cost per unit grew. Our controls did not include procedures to periodically reassess these unit costs.

As noted above, we have concluded that the expense billing errors were largely limited to invoices of our Global Services Americas division. Through review of representative invoices, billing records and discussions with business unit and regional management, we have concluded that the expense categories in which the errors occurred are not invoiced by our other two major operating divisions, State Street Global Markets or State Street Global Advisors. With limited exceptions, the market practice of our Global Services division outside of the United States has been to recover costs through fees rather than expense recovery.

We did not conclude that we made errors with respect to many categories of expense. For example, we did not conclude that we made errors in various expense categories as to which the costs we incur are directly attributable to a specific client. Expenses in these categories account for approximately 3% of a typical invoice. Given the nature of these expenses and our processes with respect to them, we have relied upon a limited review consisting of assessing

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1 A small portion of billing errors were identified outside of Global Services America in the AIS division of State Street Global Services in Ireland, in custody business outside of the United States (Canada and Luxembourg), and in the Jersey (UK) division of Global Services International. At the time of the original publication of this Summary in May 2016, the review with respect to errors outside of Global Services America had not yet been completed. The aggregate amount of errors reported in the May and October 2016 versions of the Summary was for U.S. clients only.
representative invoices and billing records and discussions with management to satisfy ourselves of the absence of any errors. The categories of expenses in which we have identified errors involve expenses that were allocated between State Street and its clients and/or among clients. The categories of expenses for which we are making payments represent about 1% of a typical invoice. Unless otherwise notified, clients serviced through our Wealth Manager Services (“WMS”) and Investment Manager Solutions (“IMS”) divisions were not affected by the errors in billing expenses.

The general principles that we followed in conducting the review and determining the payment to clients include:

- The review covered all periods for which we have records accessible through our billing systems, which was 1998 through October 2015.
- We have determined unit costs for each category of expense for each month or year in the Review Period. These unit costs were multiplied by client specific volumes for each month or year during the Review Period to determine a revised billing amount. The difference between the amount originally billed and the revised billing amount is the amount of our payment.
- Volumes and fund counts used in our unit cost determinations and payment calculations have been drawn from our accounting or billing records or estimated where records were not available.
- Except where not readily available or where we concluded estimates were appropriate, all historical expenses are based upon actual third-party invoices or expenses reflected in our accounting records. Where there are gaps in our records, we have estimated the amounts incurred during the period for which actual invoices or accounting records are not available. This document identifies the circumstances in which material estimates have been made and describes our estimation methods.
- Most of the categories of expense we reviewed involve only payments we made to third parties. For a small number of expense categories, we included certain internal costs. These internal costs were incurred in connection with the services provided by third parties and were either variable with the amount of client demand or entirely attributable to the category of expense.
- No amounts have been excluded from our analysis or the payment calculations based upon materiality.
- Where a client’s fee schedule permits a category of expense and that expense was invoiced during some but not all of the Review Period, or where volumes were inaccurately applied in historical invoices, the payment reflects the correct amount that should have been billed. Where our review determined that we over-charged for one permitted expense category and under-charged for another permitted expense category, the over and under charges have been netted in determining the payment to a client. Where an expense category is permissible under the fee schedule but had not historically been billed at all, such expense category has not been taken into account in determining the payment.²
- The statements may include some data that appears to be anomalous. This may result from specific issues as to which we have sought to make simplified assumptions; however, these assumptions are intended to result in a more favourable outcome to our clients.
  - With respect to certain periods, we have not been able to attribute all volumes and fund counts to specific clients. As a result, certain clients may notice unusual volumes and fund counts in selected years that may

² In certain circumstances, we made simplifying assumptions not disclosed in this document where such assumptions would not result in a reduction in the payment to be made to any client.
not correspond to their understanding of volumes and fund counts or other years of historical data. We have chosen to not include these volumes and fund counts in the calculation of the payment amounts, which will cause us to absorb more expense than we would have absorbed if we had been able to associate all volumes and fund counts to clients.

— In some cases, we avoided expense and delay that might have been associated with addressing anomalies in the data by choosing the interpretation of the data more favourable to clients. For example, for certain expense categories, such as Rule 17f-5 reports, our methodology only contemplates a single charge in any given month. However, if we failed to bill one of these expense categories in a month but then in a subsequent month invoiced for both the current and to catch up for the previously unbilled month, our method for determining the payment may only have permitted us to take credit for one of the months.

In the review we determined historical expenses incurred and historical amounts billed, and we recalculated billing amounts on a client-by-client basis. Our determination of historical expenses and billing, including the methodology employed, was led by operations staff from our Global Services Americas division and members of our Corporate Finance group, who are separate from the internal billing group within State Street that has historically been responsible for the preparation of invoices. We also used external forensic accounting and cost-accounting experts to help us develop an appropriate methodology to recalculate billing amounts. Our determination of the amount we will pay to each client was performed by our operations staff from our Global Services Americas division and members of our Corporate Finance group. Our Internal Audit and Corporate Finance groups performed limited testing for consistency of application and accuracy on the application of the revised billing methodology, and the related derived historical unit costs, to the historical expense records. Internal Audit and Corporate Finance used a combination of data analytics and data sampling to perform this testing. As the foregoing indicates, we have generally relied upon internal resources to conduct this review; however, we have sought to provide an appropriate degree of independence by the use of external forensic accounting and cost-accounting experts as well as our corporate functions that are independent of Global Services Americas management and operations and are responsible for evaluating the integrity of our controls.

In some cases, our review has shown that we have not billed certain clients for all expenses that we are entitled to bill based upon the fee schedule. Where our prior billings were not calculated based upon correct volumes or where a category has been billed but there were gaps as to the time periods as to which such expenses were billed, we used the correct information to calculate the amount we will pay to clients. Where we have historically not billed a permitted category of expense at all, we have not taken this under-billing into consideration in determining the amount to be paid to clients. However, going forward we will include in your invoice all categories of out-of-pocket expenses that we are entitled to bill based upon fee schedules currently in effect. If your invoices will include new categories of expenses going forward, we will notify you.

We have determined the amount to be paid to each client who during the Review Period paid invoices that included errors. The payment calculation is based on the terms of the fee schedule or schedules currently in effect, except for a limited number of clients where we have reviewed historical fee schedules as well. We have not reviewed and analyzed historical fee schedules for all clients. We assumed, in most cases, that the provisions relating to expenses in the current fee schedule were in effect, and did not materially change, throughout the entire Review Period. We have taken
this approach both to avoid the delay in making these payments to clients that a comprehensive review of fee schedules would require and because we believe that a further review of fee schedules is unlikely to increase the amount of payment to clients. For a small number of funds, most of which are closed, we were not able to identify a fee schedule. In those cases, we assumed no unusual terms or restrictions applied. These funds were reimbursed according to the methodology described below. If further analysis reflects that a client should receive an additional amount (which we do not anticipate), we will notify the impacted clients promptly. If after we make the payments further analysis of the fee schedules results in a determination that the payment to a client should have been lower, we will not ask clients to refund any excess payment. Nevertheless, if we are unable to resolve a dispute with a client about the amount that we will pay to them, we reserve all of our rights in connection with that dispute. We are committed to a prompt, fair and reasonable resolution of these issues with all of our clients. We are happy to discuss any issues that may arise.

We are evaluating other aspects of our invoicing relating to billing our Investment Servicing clients, including the calculation of asset-based fees. If, as a result of an analysis of our historical billing practices, we determine any actions are necessary that impact you, we will advise you promptly.

We are in the process of making payments to clients, with these payments being made either by credit to a deposit account or, if required by the client, by check on an exception basis.

We intend to bill clients for the identified categories of expense on the basis of the methodologies described below, including by making appropriate use of unit costs that were determined in the manner described in this Summary or as subsequently disclosed to clients. We reinstated billing for delivery and courier and SWIFT messaging starting with the August and September 2016 invoices, respectively, including a catch-up for the period since October 2015. We intend to resume billing for asset pricing and valuation and SOC-1 reports in the second half of 2017, but we will not bill for these two categories of expense retrospectively for the period from October 2015 to the resumption of billing. We will notify you prior to reinstating these expense categories into your invoices. We do not intend, at this time, to reinstate billing for other categories of expense for which billing was suspended in October 2015. If our intentions change, we will notify you prior to commencing billing for any of these categories. For categories of expense to be invoiced on the basis of unit costs, we will in the future review and update those unit costs at least annually.
Statement of Methodology and Payment Determination
STATEMENT OF METHODOLOGY AND PAYMENT DETERMINATION

This Summary describes the scope of our review, how we historically billed for the identified expense categories, how we determined the historical costs associated with those expense categories, and how we intend to calculate the amount to be billed for the expense categories in the future.

This Summary also explains how we determined the amounts to be paid to clients to address our errors in expense billing, and the process by which we will make those payments to clients.

Your client service team is, of course, available to walk you through the information in this document and to answer or help to get answers to any other questions that you may have.

I. Scope of Errors

The review analyzed amounts invoiced during the period from late 1998 until October 2015, which is the period for which we have records accessible through our billing system. For clients who were previously serviced by an entity or business that was acquired by State Street, the review included billing only for the period after the acquisition.³

During the course of our review, we identified 13 categories of expense with billing errors.⁴ These categories are: (1) SEC Rule 17f-5 reports; (2) archiving; (3) checks and check-writing privileges; (4) delivery and courier services; (5) duplication and printing; (6) forms and supplies; (7) micro equipment and support equipment; (8) asset pricing and valuation (where treated under the applicable fee schedule as an expense rather than a fee); (9) SAS 99 data feeds; (10) SOC-1 reports; (11) SWIFT messaging; (12) telephone services; and (13) wires.⁵ These categories all involve an expense that requires allocation either a) between State Street and its clients and/or b) among clients.

Our fee schedules frequently permit us to bill clients for fees (including both asset-based and transaction-based fees for specified services) and for expenses incurred in servicing our clients. In addition to the expense categories listed in the prior paragraph, we also reviewed our billing for all non-fee expense categories. Based on an internal review, we concluded that these other expense categories were not subject to the same kind of client-allocation methodologies that gave rise to the identified errors and were not prone to the kinds of errors now being corrected.⁶ Our compensation arrangements with clients and our billing practices vary by our business units and geography, reflecting a combination of market practices for particular products and regions, historical arrangements and client preferences. We concluded

³ State Street acquired Investors Bank & Trust (“IBT”) in 2007 and migrated the accounts of former IBT clients onto State Street’s billing systems on a rolling basis. Records for legacy IBT clients are not accessible for the period between the date of the acquisition and the date those clients’ accounts were moved into State Street’s billing system. Expense billing information for former IBT clients is only available as of the completion date of the migration into the State Street system. Records for former clients of Kansas City, Missouri-based Investors Fiduciary Trust Company (“KC”) are not accessible before 2007. Finally, records for a subset of European clients in the AIS division of State Street Global Services in Ireland are not accessible before 2002, when the relevant business unit was acquired.

⁴ We previously identified additional categories that we were reviewing. No issues were identified in any category previously identified and not reflected above. We also reviewed certain billings that included allocations of actual vendor charges across a population of customers. A small number of discrete allocation errors were discovered, and impacted clients will be notified. Payments for any impacted client will include these errors.

⁵ These expense categories generally were invoiced as “Out of Pocket Expenses”, “Reimbursable Expenses”, “Other Charges” or some other variant of this language. Some clients negotiated specified fees for similar services (e.g., asset pricing and valuation). These fees were not included within the scope of State Street’s review.

⁶ The review consisted of a review of representative invoices, custody expense billing records and discussions with management.
that only clients of our Global Services Americas division were incorrectly billed for the identified expense categories, and that the errors occurred primarily in the United States. We reached this conclusion after review of our expense billing practices in other divisions and regions, including our two other major operating divisions, State Street Global Markets (“SSGM”) and State Street Global Advisors (“SSGA”), and our Global Services operations in EMEA and Asia Pacific. SSGM generally does not bill its client for expenses falling into the categories under review. SSGA also does not charge clients for such expenses in connection with its asset management services. The Global Services divisions in EMEA and Asia Pacific with limited exceptions do not bill the categories of expense in which we identified errors.

Our review concluded that clients serviced through the following business units within State Street Global Services Americas were subject to expense billing errors: United States Investor Services (“USIS”); Institutional Investor Services (“IIS”); and Alternative Investment Solutions (“AIS”). Unless otherwise notified, clients serviced through the WMS and IMS divisions were not affected.

As part of our review of Global Services Americas expenses, we were able to determine historical expenses incurred and amounts billed, as well as recalculated expense amounts on a client-by-client basis. Our determination of historical expenses and billing, including the methodology employed, was led by operations staff from our Global Services Americas division and members of our Corporate Finance group, who are separate from the internal billing group within State Street that has historically been responsible for the preparation of invoices. We also used external forensic accounting and cost-accounting experts to help us develop an appropriate methodology to recalculate billing amounts. Our determination of the amount we will pay to each client was performed by our operations staff from our Global Services Americas division and members of our Corporate Finance group. Our Internal Audit and Corporate Finance groups performed limited testing for consistency of application and accuracy on the application of the revised billing methodology and the related derived historical unit costs to historical records. Internal Audit and Corporate Finance used a combination of data analytics and data sampling to perform this testing.

II. Review Process

We undertook our review in four steps. First, we determined which categories of expense were subject to error based upon internal analysis with the assistance of a third-party forensic accounting firm and engaged this third-party forensic accounting firm to determine from our records the total amount billed to each client for each of these expense categories during the Review Period.

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7 This review was conducted by State Street Corporate Finance and Legal, with the assistance of a third party forensic accounting firm, and comprised a limited review of representative invoices, billing records and discussions with business unit and regional management.

8 A client that is serviced by both SSGA and Global Services Americas may have experienced billing errors if those expenses were passed through by SSGA from Global Services Americas in SSGA’s provision of asset management services.

9 As noted above, these categories are: (1) SEC Rule 17f-5 reports; (2) archiving; (3) checks and check-writing privileges; (4) delivery and courier services; (5) duplication and printing; (6) forms and supplies; (7) micro equipment and support equipment; (8) asset pricing and valuation; (9) SAS 99 data feeds; (10) SOC-1 reports; (11) SWIFT messaging; (12) telephone services; and (13) wires.
Second, for each of the 13 expense categories under review, we conducted an historical analysis to quantify all of our costs associated with each category of expense under review over the entire Review Period. With the help of external cost accountants, we then determined which costs associated with each category of expense we would recover from clients. In making these assessments, we focused on the variable costs most directly related to each category, as described in the detailed discussion of each expense category below. We calculated unit costs for each expense category; these unit costs varied over time due to changes in our costs incurred and the client fund count and activity volumes associated with the expense category. We calculated a unit cost for each year in the Review Period. Except in the circumstances indicated below, volumes for each year were determined directly from our records. Fund counts were sourced from a State Street database as of June 30th of each year in the Review Period. Feeder accounts and multi-manager composite accounts are included in the fund count. To avoid double counting in the case of fund complexes, the fund counts exclude master accounts, multi-manager sleeve accounts, fund-of-funds, shadow accounts and collateral accounts.

Going forward, we will use, unless we notify you of an alternative methodology, the same process to determine the unit costs for each category of expense.\(^{10}\) All unit costs will be reviewed and validated at least annually.

Third, we reviewed the fee schedules currently in effect for all clients and historical fee schedules for certain clients.\(^ {11}\) Based on the review, we identified unusual fee schedules that we believe might affect the payment for particular clients and verified that the determination of the payment appropriately reflected such unusual provisions.

Lastly, we determined the payment that we will make to each client to remedy the billing errors under review. Not all clients will be entitled to a payment for each category of expense and some clients will not be entitled to any payment. We believe these payments will remedy these errors. As noted above, the payment calculation is based, for most clients, on the terms of the fee schedule or schedules currently in effect. We have not reviewed and analyzed historical fee schedules for all clients. We assumed, in most cases, that the provisions relating to expenses in the current fee schedule were in effect, and did not materially change, throughout the entire period under review. We have taken this approach both to avoid the delay in making these payments to clients that a comprehensive review of fee schedules would require and because we believe that a further review of fee schedules is unlikely to increase the payment amounts. For a small number of funds, most of which are closed, we were not able to identify a fee schedule. In those cases, we assumed no unusual terms or restrictions applied. These funds were reimbursed according to the methodology described below. We intend to continue to review client fee schedules on a sample basis or in response to client requests. If further analysis reflects that a client should receive an additional amount, we will notify that client.

The general principles that we followed in conducting the review and determining the payment to clients include:

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\(^{10}\) In determining historical unit costs, State Street used the total cost from that same or prior year when we determined that we would recover in a given year. Going forward, however, unit costs will be based on State Street’s costs incurred in and unit volumes from the prior year.

\(^{11}\) For a small number of funds, most of which are closed, we were not able to identify a fee schedule. In those cases, we assumed no unusual terms or restrictions applied.
• The review covered all periods for which we have records accessible through our billing system, which was 1998 to October 2015.

• We have determined unit costs for each category of expense for each month or year in the Review Period. These unit costs were multiplied by client specific volumes for each month or year during the Review Period to determine a revised billing amount. The difference between the amount originally billed and the revised billing amount is the amount of our payment.

• Volumes and fund counts used in our unit cost determinations and payment calculations have been drawn from our accounting or billing records or estimated where records were not available.

• Except where not readily available or where we concluded estimates were appropriate, all historical expenses are based upon actual third-party invoices or expenses reflected in our account records. Where there are gaps in our records, we have estimated the amounts incurred during the period for which actual invoices or accounting records are not available. This document identifies the circumstances in which material estimates have been made.

• Most of the categories of expense we reviewed involve only payments made to third parties. For a small number of expense categories, we included certain internal costs. These internal costs were incurred in connection with the services provided by third parties and were either variable with the amount of client demand or entirely attributable to the category of expense.

• No amounts have been excluded from our analysis or the payment calculations based upon materiality.

• Where a client’s fee schedule permits a category of expense and that expense was invoiced during some but not all of the Review Period or where volumes were inaccurately applied in historical invoices, the payment reflects the correct amount that should have been billed. Where our review determined that we over-charged for one permitted expense category and under-charged for another permitted expense category, the over and under charges have been netted in determining the payment to a client. Where an expense category is permissible under the fee schedule but had not historically been billed at all, such expense category has not been taken into account in determining the payment.

• The statements may include some data that appears to be anomalous. This may result from specific issues as to which we have sought to make simplified assumptions; however, these assumptions are intended to result in a more favourable outcome to our clients.

  — With respect to certain periods, we have not been able to attribute all volumes and fund counts to specific clients. As a result, certain clients may notice unusual volumes and fund counts in selected years that may not correspond to their understanding of volumes and fund counts or other years of historical data. We have chosen to not include these volumes and fund counts in the calculation of the payment amounts, which will cause us to absorb more expense than we would have absorbed if we had been able to associate all volumes and fund counts to clients.

  — In some cases, we avoided expense and delay that might have been associated with addressing anomalies in the data by choosing the interpretation of the data more favourable to clients. For example, for certain expense categories, such as Rule 17f-5 reports, our methodology only contemplates a single charge in any given month. However, if we failed to bill one of these expense categories in a month but then in a subsequent month invoiced for both the current and to catch up for the previously unbilled month, our method for determining the payment may only have permitted us to take credit for one of the months.
III. Description of Errors

Outlined below are descriptions of each of the categories of expense under review; how we historically billed for each category of expense; how we calculated historical unit cost; how we intend to bill for these expenses in the future; and how we calculated the payment to each affected client for each expense category. This section describes the methodology and calculations applicable to our core billing practices in the United States. While these practices generally are followed by State Street’s Global Services Americas businesses, certain business units, such as AIS, have adopted variations to these billing practices which impact the payment calculations. These variations are discussed in an appendix to this Summary.

A. SEC Rule 17f-5 Reports

SEC Rule 17f-5 permits a registered US fund or its custodian to custody foreign assets with a foreign custodian, subject to certain eligibility and monitoring requirements. We engage outside lawyers to conduct an annual review of our global foreign sub-custodians and to prepare and issue a report for use by our clients who custody assets with foreign sub-custodians in assessing compliance with these requirements.

Based on our review, we determined that the direct costs related to Rule 17f-5 reports that we will recover from custody clients are the costs incurred for legal opinions from outside counsel, the direct costs incurred for an external design vendor and miscellaneous external vendor costs incurred in the production of the deliverable medium for each Rule 17f-5 report.

Historically, we billed for Rule 17f-5 reports by allocating the cost of producing the prior year’s report across all clients requesting a copy of the report either in printed format or in compact disc (“CD”) format. Over time, as some custody clients began receiving copies of the Rule 17f-5 reports through electronic delivery or by accessing them through mystatestreet.com, we did not revise our cost allocation practice for Rule 17f-5 reports to bill such clients for their share of the cost of obtaining this information. As a result, over time, a diminishing number of custody clients, who received the Rule 17f-5 report in printed or CD format, came to be billed all of these costs.

Following our review, we calculated a unit cost per fund for each year in the Review Period by dividing the sum of the recoverable costs for the prior year by the number of US registered funds holding foreign assets within State Street’s network of foreign sub-custodians in that prior year.

To calculate the payment to clients, for each year in the Review Period, we compared the amount that a client or its funds paid for Rule 17f-5 reports to the historical cost per fund (determined using the allocation methodology described above and cost information from the relevant year). The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.
B. Archiving

We archive documents with a third-party vendor and incur costs to do so. We also incur other costs associated with maintaining client records. Based on our review, we determined that the archiving costs we will recover from clients are third-party vendor costs.

Historically, we billed clients a flat per fund charge for archiving that rarely changed over time. Following our review, we calculated a cost per fund for each year in the Review Period by dividing the total third-party vendor cost incurred in each year by the total number of funds serviced by State Street that year. We deemed all archived files to have been archived for record retention purposes of our clients and not for State Street’s own purposes. Unit costs determined in this manner do not vary based on the volume of archived storage incurred by specific clients.

To calculate the payment to clients, for each year in the Review Period, we compared the amount that a client or its funds paid for archiving to the total of the historical cost per fund (determined using the methodology described above and the cost information from the relevant year)\(^\text{12}\). The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.

C. Checks and Check Writing Privileges

We allowed clients to pay expenses by requesting checks drawn on centrally managed Demand Deposit Accounts (DDA’s) and funded through the clients checking accounts.

Based on our review, we determined that we incur costs related to issuing client checks in our Global Operations group (variable costs for personnel, information systems, and certain transaction processing fees, including Federal Reserve fees) and Accounting Operations group (variable costs for personnel, printers and toner, check stock, postage and courier, and other essential costs).

Historically, for checks written by State Street, we billed many custody clients at a rate of $2.50 for non-certified checks, $8.00 for certified checks, and $15.00 for stop payments, based on historical State Street fees for writing checks. Following our review, for clients for which we wrote checks, we calculated a unit cost which was the per check processing cost. This unit cost was based on actual 2015 data and assumptions about the growth of these costs over time. To calculate the amount to be paid to clients for check processing, we applied the unit cost for each year to the estimated number of checks written in each year and compared that amount to the amount originally charged. The number of checks written by State Street for each client is reflected in State Street’s records.

\(^{12}\) Certain fee schedules allowed billing for archiving as a category of expense at a stated rate. We billed clients with such fee schedules within the expense portion of our invoices. In those cases, the payment incorporates the stated rate for archiving only if it was lower than the unit cost determined for archiving. If the stated rate was higher than the unit cost, it was ignored.
Additionally, many State Street clients kept transfer agent DDA’s with us. Shareholders were allowed to process redemptions against their holdings by writing checks or using Check Writing Privileges ("CWP’s"). Shareholders had to elect this via their transfer agent.

For CWP’s, historically, we billed clients for CWP based on stated fee per check. However, for certain clients, we have been unable to locate a fee schedule reflecting CWP fees. For clients with check writing privileges for which we have not located a fee schedule, we did not apply any unit cost as offset to this billing type and the total amount of these charges will be included in the amounts paid to clients.

To calculate the payment to clients, we applied the unit cost for each year to the estimated number of checks written in each year and compared that amount to the amount originally charged. The number of checks written by State Street for each client is reflected in our records.

D. Delivery and Courier Service

We use various overnight shipping and other express delivery carriers to send materials to clients of our Global Services Americas division or their agents. We also use a delivery logistics vendor to manage this process.

Based on our review, we determined that the costs related to delivery and courier services that we will recover from clients are the external direct variable costs charged by the delivery carriers who make the deliveries, and the direct costs paid to delivery logistics vendors who manage the delivery process.

Historically, we generally billed clients for deliveries and courier services based on the amount charged by the delivery carrier. We determined that we were appropriately charging these costs. In addition, historically, we added to the delivery or courier service fee an additional amount to cover the cost of the delivery logistics vendor. The additional amounts were $0.50 or $1.00, depending on which business of State Street Global Services Americas serviced the client. These fees generally exceeded the actual cost charged by the delivery logistics vendor. Going forward, we will charge our clients the actual cost charged by the delivery carrier and the delivery logistics vendor.

To calculate the payment to clients, we estimated the percentage by which the delivery logistics fee caused invoices to be overstated, and will pay to clients that percentage of the amounts invoiced. To estimate the percentage of overstatement, we used actual delivery data from four months of 2015 for which complete invoice amount and package count data was available, and we made use of delivery logistic vendor-supplied data to estimate the amount we charged per package during the Review Period. For the four months used in our analysis, we deducted the delivery logistic fee from the amount invoiced per package and added the vendor-supplied per package cost to determine actual cost per package, and then compared total actual cost incurred by us to the total amount invoiced to estimate the total

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13 Certain fee schedules allowed billing for CWP as a category of expense at a stated rate. The payment to these clients incorporates the stated rate for checks only if it was lower than the unit cost determined for this category. If the stated rate was higher than the unit cost, it was ignored.

14 The reimbursement is based on readily available invoices for period reviewed.
percentage by which the amount invoiced was overstated. We then used that percentage to calculate the error in other periods. The amount to be paid to a client for this category of expense equals the relevant percentage of the amounts invoiced such client/funds for this category of expense during the Review Period.

E. D. uplication and Printing

We lease document printing and copying machines from a third-party vendor for use in servicing our Global Services Americas clients. We make copies and print documents using these machines principally for the benefit of all these clients.

Based on our review, we determined that the costs related to duplication and printing that we will recover from clients whose fee schedules refer to duplication and printing expense consist of the external variable costs charged by third-party vendors, including equipment leases, equipment maintenance and toner supply. We have not included the cost of paper in this calculation of historical costs. We deemed all duplication and printing costs (other than paper) to have been incurred for purposes of servicing our clients and not for State Street’s own purposes.

Historically, we generally billed clients for printing and duplication based on “click counts” (i.e., the number of pages printed or copied for each client). Later, we began to bill clients a flat per fund charge based on historical click counts and historical third-party vendor variable costs charged by its third-party vendors. This flat per fund charge generally was not updated over time.

Following our review, we calculated a cost per fund for each year in the period by dividing the total third-party variable cost incurred in each year by the number of funds under custody with State Street that year.

To calculate the payment to clients, for each year in the Review Period, we compared the amount the client or the client’s funds paid for duplicating and printing to the historical cost per fund (determined using the methodology described above and the cost information from the relevant year). The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.

F. Forms and Supplies

15 Using these percentages (and the different vendor-supplied cost from before and after the change in 2005), we estimated that USIS and AIS US package delivery invoices were overstated by 13.57% from 2006-2015 and overstated by 14.1% from 1998-2005. Using the same methodology, and IIS data from the same months, we estimated that IIS package delivery invoices were overstated by 4.52% from 1998-2005 and by 4.1% from 2006-2015.
16 2007 to 2015 costs are based on vendor invoices. For 1998 to 2006, costs are based upon vendor invoices for 2007 and an assumed growth rate of 1% per year.
17 Certain fee schedules allowed billing for duplication and printing as a category of expense at a stated rate. We billed clients with such fee schedules within the expense portion of our invoices. In those cases, the payment incorporates that stated rate for duplication and printing only if it was lower than the unit cost determined for duplication and printing. If the stated rate was higher than the unit cost, it was ignored.
18 Our analysis assumes that all costs included in the historical unit cost analysis were for client service purposes and not State Street management purposes.
We purchase office and desk supplies from third-party office supply vendors. We billed expenses in this category only to certain clients previously serviced by Investors Bank and Trust Company ("IBT") whose fee schedules included this category of expense.

Based on our review, we determined that the costs related to office supplies that we will recover from clients for whom forms and supplies are a permitted expense should be based on the cost to us of purchasing supplies for our Global Services Americas business from our third-party office supply vendors. Those costs are based upon State Street’s general ledger, except for 2008, which was estimated based upon the 2009 amount.

Historically, we billed certain clients for office supplies based on a percentage of the client’s assets under custody. We charged a standard number of basis points that varied with the scope of services provided to the client. These rates were not updated over time to reflect the actual cost to State Street of purchasing supplies from our third-party vendors.

Following our review, we calculated a per fund cost for each year in the period by multiplying the third-party vendor cost for that year by the ratio of the fund’s assets to the total assets under custody by Global Services Americas.

To calculate the payment, for each year in the Review Period, we compared the amount paid by a client or the client’s funds for forms and supplies to the historical costs per fund (determined using the methodology described above and the total third-party variable costs incurred for that year). The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.

G. Micro Equipment and Support Equipment

We historically billed certain clients previously serviced by IBT for “Micro Equipment” and “Support Equipment.” “Micro Equipment” originally referred to certain computer and peripheral technology used by IBT fund accountant teams prior to IBT’s acquisition by State Street. “Support Equipment” referred to certain copiers, computers and peripheral equipment used by IBT for non-fund accountant support functions.

Historically, we billed certain former IBT clients for Micro Equipment based on a flat per fund charge. We billed certain former IBT clients for Support Equipment, based on a small percentage of the client’s assets under custody. We determined the number of basis points applied based on the scope of services provided to the client.

Following our review, we determined that we would not recover these charges billed following the IBT acquisition. As such we will pay to clients the entire amount billed with respect to these categories during the Review Period, and will no longer bill clients for these categories of expense.

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19 For this purpose, our Global Operations division is considered to be a part of Global Services Americas.
20 Certain fee schedules allowed billing for forms and supplies as a category of expense at a stated rate. We billed clients with such fee schedules within the expense portion of our invoices. In those cases, the payment incorporates that stated rate for forms and supplies only if it was lower than the unit cost determined for forms and supplies. If the stated rate was higher than the unit cost, it was ignored.
H. Asset Pricing and Valuation

In order to price and value assets held by State Street’s Global Services Americas clients, we obtain asset pricing data from third-party vendors. Most clients pay a fee for pricing and valuation services and are not separately billed for State Street’s cost to obtain asset pricing data. However, certain clients have fee schedules providing for pricing and valuation as a category of expense as opposed to a fee for such services.

Based on our review, we determined that the costs related to pricing and valuation services that we will recover from these clients consist primarily of costs from third-party data vendors and equipment software licenses necessary to receive pricing data.

Historically, we billed these clients for asset pricing and valuation on a monthly basis according to flat rate charges for each asset type in a client’s portfolio. These flat rate charges generally were not updated over time to reflect our changing costs.

Following our review, we calculated a total cost per client for each year in the period using a two-step process. For each year under review, we first matched asset-specific vendor pricing costs to the client funds that held that asset. Second, with respect to pricing costs incurred on behalf of all clients, we divided the total cost by the number of funds in the given year to create a cost per client fund in the given year. Going forward, we intend to propose to the affected clients that their fee schedules be amended to reflect pricing and valuation as a fee.

To calculate the payment to clients, for each year in the Review Period, we compared the amount paid by a client or its funds for pricing to the historical costs per fund (determined using the methodology described above and the cost information from the relevant year). The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.

I. SAS 99 Data Feed

Statement on Auditing Standards No. 99 (“SAS 99”) requires an auditor to obtain sufficient information to identify risks that financial statements may contain a material misstatement as a result of fraud. Beginning in 2004, our Global Services Americas clients could elect to subscribe to a service whereby State Street provides fund transaction and balance information to the fund’s audit firm via a secure data feed to facilitate the audit firm’s SAS 99 analysis.

Based on our review, we determined the costs related to SAS 99 that we will recover from clients consist of the initial data feed set-up costs and ongoing SAS 99 data feed-related technology costs incurred by us.

21 For 2008 and 2009, some pricing vendor costs were not available and costs for 2010 were used for such vendors for those years.
22 Statement on Auditing Standards No. 99: Consideration of Fraud in a Financial Statement Audit (SAS 99), is an auditing statement issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) in October 2002.
Historically, we billed clients who requested our SAS 99 data feed service a flat rate of $250 per fund per year. The $250 flat rate fee was disclosed to some clients in advance at the time they subscribed for the service, but we have not, at this time, been able to confirm that all clients received such notification. Since we have determined that this category of expense was intended to be a fee, and in light of the evidence that many clients were informed as to the amount of the fee when electing the service, we do not intend to make payment to clients concerning SAS 99 data feeds.

Following our review, we calculated a unit cost per fund for each year in the period by dividing the cost incurred that year to support the provision of SAS 99 data feeds by the number of funds receiving a SAS 99 data feed that year. Going forward, we intend to reflect the charge for SAS 99 data as a fee on a client’s fee schedule.

**J. SOC 1 Reports**

We engage independent auditors to review our internal controls relating to our processing of client transactions, preparation of client financial statements and other client services. These independent auditors provide opinions on these controls, which opinions are provided to Global Services Americas clients. These opinions are then made available to the auditors of State Street’s clients to support their audit opinions (instead of engaging in their own audit of our controls). The independent auditors issue their opinions in multiple SOC-1 reports each year with respect to different aspects of our services. Some reports are made available to a subset of clients, some reports are made available to all Global Services Americas clients, and some reports are made available to both Global Services Americas and non-Global Services Americas clients.

Based on our review, we determined the costs for SOC-1 reports that we will recover from clients comprise the costs of the independent auditors, our third-party design vendor (who helps to prepare the reports) and the costs of Internal Audit personnel dedicated to SOC-1.

Historically, we billed clients for SOC-1 reports by: (1) first allocating to each division in Global Services its share of the total costs of SOC-1 reports and (2) each division then allocating such costs among their clients who requested SOC-1 reports. In the mid-2000s, certain business units instituted a flat rate per fund that was not updated over time.

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23 SOC-1 reports, which effectively replaced SAS 70 reports as of June 15, 2011, are prepared in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization. SOC-1 reports retain the original purpose of SAS 70 by providing a means of reporting on the system of internal control for purposes of complying with internal control over financial reporting.

24 The cost of reports made available to only a subset of clients are passed on directly to that subset of clients on the basis of pre-established, negotiated fees and such costs are not a part of our review. These reports are typically prepared at the request of a client or subset of clients. The costs of other reports are allocated across Global Services Americas clients without regard to whether a client specifically requested a particular SOC-1.

25 Costs of the audit firms are based upon either invoices, statements of work or reports prepared by the audit firms. Third party design vendor costs are based upon invoices for the period 2009 to 2015; an estimate based upon accounting records for 2006 to 2008; and, for prior periods, the ratio of the cost of audit firms to the cost of the design vendor during the period from 2006 to 2008. Internal audit costs are based upon actual or estimated headcount and estimated compensation related costs.

26 Certain fee schedules allowed billing for SOC-1 as a category of expense at a stated rate. We billed clients with such fee schedules within the expense portion of our invoices. In those cases, the payment incorporates the stated rate for SOC-1 only if it was lower than the unit cost determined for SOC-1. If the stated rate was higher than the unit cost, it was ignored.
STATEMENT OF METHODOLOGY AND PAYMENT DETERMINATION

Following our review, we determined a cost per fund for each year in the Review Period. For SOC-1 reports made available to all Global Services clients, we included in historical costs: (1) the costs charged to State Street by the independent auditors; (2) design vendor costs; and (3) the Internal Audit personnel costs. We then divided that sum by the number of client funds to which SOC-1 reports were made available to create a sub-unit cost. For SOC-1 reports made available to clients of both the Global Services and other divisions of State Street, we prorated the independent auditor costs for those reports based on the ratio of Global Services Americas to non-Global Services Americas funds. As to the costs allocated to Global Services Americas, we then included in historical costs: (1) the prorated independent auditor cost; (2) design vendor costs; and (3) the Internal Audit personnel costs prorated on the basis of the ratio of Global Services Americas to non-Global Services Americas funds. We then divided that sum by the number of Global Services Americas client funds to which SOC-1 reports were made available to create a second sub-unit cost. State Street then added those two sub-unit costs to create a unit cost for SOC-1 reports in each year.

To calculate the payment to clients, for each year in the Review Period, we compared the amount paid by a client or its funds for SOC-1 reports to the historical costs per fund (determined using the methodology described above and the cost information from the relevant year). The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.

K. SWIFT

We communicate with our clients and other financial institutions using Society for Worldwide Interbank Financial Telecommunication ("SWIFT") messaging, a secure electronic messaging service used globally by financial institutions to exchange information about financial transactions in standardized formats. We charge clients for SWIFT messages generated by three State Street systems: Securities Management and Control ("SMAC") messages, Global Securities Management and Control ("GSMAC"), and Multicurrency Horizon ("MCH") messages. SMAC and GSMAC SWIFT messages facilitate particular transactions. MCH SWIFT messages communicate cash statements, holding reports and trade confirmations. These systems track SWIFT messages at the fund level.

Based on our review, we determined that five elements of SWIFT-related variable cost would be recovered from clients: (1) SWIFT vendor costs; (2) SWIFT-specific software maintenance; (3) communications lines dedicated to SWIFT messaging; (4) sub-custodian SWIFT-related costs; and (5) internal costs for dedicated SWIFT message preparation personnel.

Historically, we set SWIFT rates for most clients as the sum of a flat rate of $5.00 per message unit plus a much smaller amount (e.g., $0.02 or $0.05) per message unit that varied from time to time or with respect to the system that

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27 Over the Review Period, clients were not consistently billed for SWIFT volumes from all three systems.

28 Costs of SWIFT message preparation personnel are based upon estimates of both the number of FTEs used in each year during the Review Period and estimates of compensation of such FTEs.
generated the message. At this point, we have been unable to determine what relationship this rate had with the costs associated with SWIFT messages when that rate was initially set. Moreover, this rate rarely changed once implemented with respect to a particular client. We billed many clients for outgoing SWIFT messages generated from some or all of our three systems referenced above but agreed to invoice certain clients only for messages generated from one or more systems. In many cases, we mistakenly calculated SWIFT charges with reference to the number of messages units generated from less than all three systems. In calculating the unit costs used to determine the amount of payments to clients, we used the number of messages units generated from all systems.

Following our review, we calculated a unit cost per SWIFT message for each year in the Review Period by dividing the sum of the five cost categories described above that were incurred in a given year by the total number of outgoing SWIFT messages sent to and on behalf of clients in that year from all three systems. For the Review Period, where we were unable to locate records reflecting the total number of SWIFT message units billed in certain periods, we have used the best available information or estimates based upon actuals for other years.

To calculate the payment to clients, we multiplied the unit cost per message unit in each year by the total message units sent to or on behalf of the client from all three systems indicated above. However, if the fee schedule specifically limited SWIFT message expense billing to messages generated from a specific system, only those messages were used to calculate the payment. We then compared that amount to the total amount billed to each client for SWIFT messages in each year. The amount to be paid to a client for this category of expense equals the excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds during the Review Period.

L. Telephone Services

In servicing Global Services Americas clients, we incur costs for telephone services including desk phones, mobile phones, teleconference lines and dedicated client data circuits.

Based on our review, we determined that six elements of telephone-related external variable cost would be recovered from Global Services Americas clients: (1) mobile phone and teleconferencing costs; (2) variable voice usage costs; (3) external network support contractors; (4) external maintenance costs; (5) general circuits’ costs; and (6) external managed services costs.

29 SWIFT messages are measured in units based on the number of characters in the message; each message may be comprised of several message units.
30 With respect to certain periods, we have not been able to attribute all volumes and fund counts to specific clients. As a result, certain clients may notice unusual volumes and fund counts in selected years that may not correspond to their understanding of volumes and fund counts or other years of historical data. We have chosen to not include these volumes and fund counts in the calculation of the payment amounts, which will cause us to absorb more expense than we would have absorbed if we had been able to associate all volumes and fund counts to clients.
31 Certain fee schedules allowed billing for SWIFT as a category of expense at a stated rate. We billed clients with such fee schedules within the expense portion of our invoices. In those cases, the payment incorporates the stated rate for SWIFT messages only if it was lower than the unit cost determined for SWIFT messages. If the stated rate was higher than the unit cost, it was ignored.
32 Where available, costs are based upon invoices. For periods prior to 2009, telephone unit costs are based on average unit costs from 2009 to 2015.
Historically, we billed clients for telephone services based on an allocation of the telephone costs associated with each
client's service team. In the mid-2000s, we began billing certain clients based on flat rates per fund derived, in part,
from historical costs. Over time, these flat rates generally were not updated to reflect our changing costs. We deemed
all telephone costs of our client services teams to have been incurred for purposes of servicing our clients and not for
State Street's own purposes.

Following our review, we determined a cost per fund for each year in the period by dividing the cost incurred in that year
in the categories described above attributable to our Global Services Americas division by the number of funds
custodied at State Street during that year.

To calculate the payment to clients, for each year in the Review Period, we compared the amount paid by a client or its
funds for telephone services to the historical costs per fund (determined using the methodology described above and
the cost information from the relevant year). The amount to be paid to a client for this category of expense equals the
excess of the aggregate amounts paid during the Review Period over the historical costs allocated to such client/funds
during the Review Period.

M. Wires

We provide wire transfers for custody clients enabling the secure transfer of funds between financial institutions. Certain
fee schedules allowed billing for wires, as either a fee or a category of expense, at a stated rate. We billed clients with
such fee schedules within the fee portion or the expense portion of our invoices. Our invoices generally applied the
stated rates accurately to the number of wires for each customer. Where such charges were reflected in client invoices
as fees, we have applied the rate stated on the fee schedule, and no adjustment has been made in the client
statements. Some clients’ fee schedules did not have a specified per wire rate and allowed billing for wires as a
category of expense. We billed these clients within the expense portion of our invoices. For clients whose fee
schedules did not state a per wire rate, we determined that we would recover two external variable elements of wire-
related costs: Fed wire costs and information technology systems costs. To calculate the amount to be paid to these
clients, we determined a unit cost per wire for each year in the Review Period by dividing these costs by the total
number of wires in that year. Wire volumes were estimated by dividing the total amount of wire expense billed by $2.00,
which was the rate charged to many customers with fee schedules that did not state a specific rate for wires.
Particularly in the early years, some clients were billed at different rates. The amount to be paid to a client for this
category of expense equals the excess of the aggregate amounts invoiced for wires during the Review Period attributed
to the client over the historical costs allocated to such client during the Review Period using the methodology described
above. We decided to apply a similar methodology with respect to clients with fee schedules that allowed billing for
wires as a category of expense at a stated rate and who were billed for wires within the expense portion of our invoices.

Certain fee schedules allowed billing for telephone as a category of expense at a stated rate. We billed clients with such fee schedules within the expense portion of our invoices. In those cases, the payment incorporates that stated rate only if it was lower than the unit cost determined for telephone services. If the stated rate was higher than the unit cost, it was ignored.
For these clients, we estimated the number of wires by dividing the total amount invoiced for wires in a period by the stated rate.

III. Interest

For each fund of each client, we determined an amount to be paid with respect to each year in the period, and calculated an overall interest amount.

To determine the amount of interest, we used the average of the overnight LIBOR rates based on the US Dollar, with the exception of (i) the period from 6/15/1998 through 12/31/2000, during which the overnight rate was not yet available and (ii) the period since February 17, 2017, which are estimates based upon the overnight LIBOR rate in effect at February 17, 2017. For the 1998 through 2000 period, we used the average of the one-week LIBOR rates for each month. We compounded interest monthly through the point at which clients have been paid their principal balance in full, or through April 30, 2016 for unpaid principal balances.

Interest for ERISA funds was calculated based on IRS guidelines, consistent with U.S. Department of Labor guidance. When multiple funds were billed on a single composite invoice, and at least one of the funds in the composite was an ERISA fund, interest for the composite was calculated using the same methodology as for ERISA funds.

IV. Payment Processing

We are sending clients statements and communicating with them regarding our review and the planned payment commencing in May. The timing of such communications will vary by client and by State Street business unit. All clients will be paid based on the date at which final client payment instructions are obtained with required supporting documentation.

State Street expects that interest paid to clients by State Street or a U.S. affiliate will be treated as U.S. source interest income for U.S. tax purposes. With respect to the interest payments by State Street or a U.S. affiliate contemplated in this disclosure, if we do not have on file for a client the U.S. tax form (Internal Revenue Service Forms W-9 or W-8) necessary to eliminate our obligation to withhold U.S. tax, we generally will seek to obtain the proper form from the client. State Street expects that most non-U.S. clients will not owe U.S. taxes on interest payments by State Street or a U.S. affiliate contemplated in this disclosure, because we expect such payments generally to be treated as “portfolio interest.” Nevertheless, interest payments to a non-U.S. client are subject to U.S. withholding tax liability unless State Street has a Form W-8 on file for the client. In circumstances where we expect our administrative costs of obtaining and processing Forms W-8 or W-9 to exceed the amount of the withholding tax liability, or in order to expedite payments to clients, State Street or a U.S. affiliate may, at its discretion, self-assess and pay the tax we otherwise would withhold to the Internal Revenue Service, and pay the gross interest amount (without withholding) to U.S. and non-U.S. clients.
Non-U.S. clients may be required to file a U.S. income tax return to report the interest paid by State Street or a U.S. affiliate if a Form W-8 is not in place. Clients may wish to consult with their tax advisers depending on their individual circumstances.

V. Future Invoicing

In some cases, our review has shown that we have not billed particular clients at all for categories of expenses that we are entitled to charge them based upon their fee schedule. We have not taken this potential under-billing into consideration in determining their payments. However, going forward we may include all categories of expenses that we are entitled to bill based upon each fee schedule.

The unit costs used in the billing going forward will reflect the same methodology being used for the payment. In the future, we will recalculate the unit costs for each expense category that we use on at least an annual basis and provide the unit costs to you via invoice and upon request.
State Street Alternative Investment Solutions (AIS) Appendix

The descriptions of the historical and prospective billing practices in the attached Summary of Methodology and Payment Determination are applicable to expenses charged to clients of AIS with the following exceptions:

Archiving

AIS followed a different methodology to billing for Archiving than that described in the Summary of Methodology and Payment Determination. AIS employs a process that records the number of boxes in storage for each AIS client. The per box cost from the third party vendor, plus an applied 10% overhead charge, was then multiplied by the number of boxes associated with the client. For AIS clients who incurred the 10% overhead charge, State Street will refund the 10% overhead charge. No other adjustment will be made for AIS clients with respect to Archiving. Going forward, AIS will employ the same unit cost methodology but will not include the 10% overhead charge.

Delivery

AIS followed the same methodology with respect to delivery costs reflected in the Summary of Methodology and Payment Determination; however, AIS also applied a 10% overhead charge to actual direct delivery costs. The 10% overhead charge will be included in the payments to clients with respect to delivery. Going forward that 10% overhead charge will not be assessed.

Printing

AIS followed the same methodology with respect to printing costs reflected in the Summary of Methodology and Payment Determination; however, AIS also applied a 10% overhead charge to third-party printing costs. This charge will be included in the payments to clients with respect to printing. Going forward that 10% overhead charge will not be assessed.

State Street Institutional Investor Services (IIS) Appendix

The descriptions of the historical and prospective billing practices in the attached Summary of Methodology and Payment Determination are applicable to expenses charged to clients of IIS with the following exceptions:

IIS clients are not billed for Telephone expenses.