

June 12, 1998

Dreyfus fund manager engaged in fraudulent activities.

On April 13, 1998 the Dreyfus Corporation announced it had replaced Michael L. Schonberg as the lead portfolio manager of the Dreyfus Aggressive Growth Fund and the Dreyfus Premier Aggressive Growth Fund ("Dreyfus Funds"). Mr. Schonberg had managed the Dreyfus Funds for approximately two and a half years.

In a press release announcing Mr. Schonberg's removal, Dreyfus presented the action as an effective management step toward improved performance. Mr. Schonberg was portrayed as a valuable member of their team who would continue to serve as a portfolio manager.

The Dreyfus announcement produced an article in The Wall Street Journal that focused on the Dreyfus Funds' performance and the management change. There was no mention of wide spread comments in the investment community that Mr. Schonberg had personally received secret payments in return for buying fraudulent stocks with the Dreyfus Funds.

On June 8, 1998 Asensio & Company released a Strong Sell research report on Chromatics Color Sciences International, Inc. (OTC Symbol: CCSI) (Price: \$7.4375) Asensio & Company specializes in investigating fraudulent stock promotions and publishing research on grossly overvalued companies that disseminate false information. Asensio & Company has not sold short, nor has the firm advised its clients to sell short, any of Mr. Schonberg's holdings other than Chromatics. Asensio & Company's knowledge of Mr. Schonberg's fraudulent activities is purely coincidental to the firm's Chromatics research work and due diligence.

Upon discovering Mr. Schonberg's fraudulent activities related to his Chromatics stock purchases Asensio & Company initiated an investigation of the Dreyfus Funds' other holdings. We received reports on a total of 19 companies that are highly suspicious. Each of these companies is or has been overvalued as a result of stock promotions. We also found two companies where Mr. Schonberg purchased shares in private transactions before he used Dreyfus Funds' money to buy stock in the open market. The following are some brief comments on seven of these companies that shed light on Mr. Schonberg's use of the Dreyfus Funds in fraudulent transactions.

Mr. Schonberg purchased for the Dreyfus Funds 500,000 shares of Systems of Excellence, Inc. (Symbol: SEXI) a company that went bankrupt in 1996. According to the SEC, SEXI was the most important case of Internet stock-touting fraud in terms of illegal profits. At least five individuals have plead guilty to felony charges stemming from the manipulation. Investors Associates Inc., the underwriter of Chromatics' public offering that was barred from the securities industry in 1997, was investigated by the SEC for its connection to the sale of unregistered SEXI securities.

Mr. Schonberg bought 20,000 shares of American Medical Technologies, Inc. (Symbol: AMTI) since renamed Tidel Technologies, Inc. (Symbol: ATMS) for his personal account. As of February 1998 the Dreyfus Funds held 350,000 shares of ATMS.

Mr. Schonberg also purchased for the Dreyfus Funds 1,170,225 of EA Industries, Inc. (Symbol: EA) a Broad Capital

Associates, Inc. sponsored stock with a book value of \$0.37 per share. Broad Capital has been charged with distributing unregistered stock.

Mr. Schonberg bought for the Dreyfus Funds 590,958 shares of Bentley Pharmaceuticals, Inc. (Symbol: BNT) formerly known as Belmac Corp. of St. Petersburg, Florida. Belmac Corp.'s co-founder was charged with securities fraud by the SEC. Edward Vimond has been a director of Chromatics since 1992 and was a paid consultant to the company for at least its first three years as a public company. Mr. Vimond was formerly Chairman of Belmac.

The current Chairman of Bentley is James R. Murphy, a former vice-president of Macrochem (Symbol: MCHM). Peter Janssen and Bruce Meyers of Janssen-Meyers Associates, L.P. personally hold 1.6 million shares and 1.05 million shares of Macrochem respectively. Mr. Schonberg purchased for the Dreyfus Funds 1,345,000 shares of Macrochem.

Mr. Schonberg bought 135,000 shares of Cytoclonal Pharmaceuticals Inc. (Symbol: CYPH) for the Dreyfus Funds. Kinder Investments L.P., a fund established for the children and grandchildren of J. Morton Davis head of D.H. Blair, controlled 9.0% of Cytoclonal's voting power as of March 19, 1997. Kinder also participated in the private placement for Chromatics. Peter Janssen controlled 8.9% of Cytoclonal and Bruce Meyers controlled 9.0% of the voting rights. Both Mr. Janssen and Mr. Meyers are former employees of D.H. Blair.

Mr. Schonberg purchased for the Dreyfus Funds 918,000 shares of CCA Companies Incorporated (Symbol: RIPE), a development stage food preservative company, brought public by Janssen-Meyers Associates, L.P. RIPE announced two months after going public its intentions to enter the Russian hotel and casino market.

Dreyfus has a duty to supervise the actions of its portfolio managers. In a separate report we provide details on Mr. Schonberg's Chromatics stock trading. Our Chromatics work clearly reveals gross negligence on Dreyfus' behalf. We believe that Dreyfus is ignoring the simple facts in order to avoid regulatory action and economic loss. Dreyfus appears willing to keep a known wrong-doer on its payroll. We believe it is improper for Dreyfus to pass losses that are its responsibility to the public.

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.