

# Dreyfus Inflation Adjusted Securities Fund

Seeks returns that exceed the rate of inflation by investing primarily in securities that are adjusted automatically for inflation

**PROSPECTUS** December 1, 2004



YOU, YOUR ADVISOR AND

**Dreyfus**

A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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*See back cover.*

*The fund is designed for institutional investors. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. See “Account Policies” for more information.*

## Dreyfus Inflation Adjusted Securities Fund

Ticker Symbols: Institutional shares: DIASX

Investor shares: DIAVX

# The Fund



### GOAL/APPROACH

The fund seeks returns that exceed the rate of inflation. To pursue this goal, the fund normally invests at least 80% of its assets in inflation-indexed securities. These are fixed-income securities designed to protect investors from a loss of value due to inflation by periodically adjusting their principal and/or coupon according to the rate of inflation. The inflation-indexed securities issued by the U.S. Treasury and some foreign government issuers, for example, accrue inflation into the principal value of the bond. Other issuers may pay out the Consumer Price Index accruals as part of a semi-annual coupon.

The fund primarily invests in high quality, U.S. dollar-denominated, inflation-indexed securities. To a limited extent, the fund may invest in foreign currency-denominated, inflation-protected securities and other fixed-income securities not adjusted for inflation which are rated investment grade or the unrated equivalent as determined by Dreyfus. Such other fixed-income securities may include: U.S. government bonds and notes, corporate bonds, mortgage-related securities and asset-backed securities.

The fund seeks to keep the average effective duration of its portfolio at two to ten years. The fund may invest in securities with effective or final maturities of any length. The fund may adjust its holdings or its average duration based on actual or anticipated changes in interest rates or credit quality.

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities.

### Concepts to understand

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more it will react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** a weighted average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity.

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.



## MAIN RISKS

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The fund's principal risks are discussed below. The value of an investment in the fund will fluctuate, which means investors could lose money.

- *Inflation-indexed bond risk.* Interest payments on inflation-indexed bonds can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed bonds. Any increase in the principal amount of an inflation-indexed bond will be considered taxable ordinary income, even though investors do not receive their principal until maturity. Inflation-indexed bonds issued by corporations generally do not guarantee repayment of principal.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Interest rate risk.* Inflation-adjusted bonds may react differently from other types of debt securities to changes in interest rates and tend to react to changes in "real" interest rates. Real interest rates represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, when real interest rates rise, the prices of inflation-adjusted bonds can fall and, accordingly, the fund's share price. The opposite is true when real interest rates fall.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price. Securities issued by the U.S. Treasury or U.S. government agencies generally present minimal credit risk. However, a security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate.
- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates.

- *Derivatives risk.* The fund may invest in derivative instruments such as options and futures (including those relating to securities, indexes and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.
- *Short sale risk.* The fund may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the fund to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the fund.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

Many types of debt securities, including some inflation-adjusted debt securities, are subject to prepayment risk. Prepayment occurs when the issuer of a security can repay principal prior to the security's maturity. For example, when interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-backed and other asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or other assets. This is known as extension risk and would increase the fund's sensitivity to rising rates and its potential for price declines.

The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the loaned securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions, and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

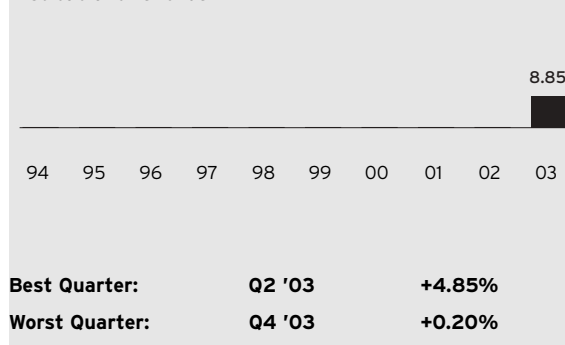


## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the performance of the fund's Institutional shares for the fund's first full calendar year of operations. The table compares the average annual total returns of the fund's Institutional shares and Investor shares to those of the Lehman Brothers U.S. Treasury Inflation Protected Securities Index, generally reflecting the average yield on fixed-rate U.S. Treasury inflation notes. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. Each of the fund's share classes invests in the same portfolio of securities. Performance of one share class will vary from the performance of the fund's other share class due to differences in expenses.

After-tax performance is shown only for Institutional shares. After-tax performance of the fund's other share class will vary. After-tax returns are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

### Year-by-year total returns as of 12/31 each year (%) Institutional shares



The fund's Institutional shares year-to-date total return as of 9/30/04 was 4.37%.

### Average annual total returns as of 12/31/03

	1 Year	Since inception (10/31/02)
<b>Institutional shares</b> <i>returns before taxes</i>	<b>8.85%</b>	<b>9.45%</b>
<b>Institutional shares</b> <i>returns after taxes on distributions</i>	<b>4.84%</b>	<b>5.77%</b>
<b>Institutional shares</b> <i>returns after taxes on distributions and sale of fund shares</i>	<b>5.72%</b>	<b>5.94%</b>
<b>Investor shares</b> <i>returns before taxes</i>	<b>8.58%</b>	<b>9.18%</b>
<b>Lehman Brothers U.S. Treasury Inflation Protected Securities Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>8.40%</b>	<b>10.17%</b>

### What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives investors the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in the fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. Investors could lose money in this fund, but investors also have the potential to make money.



## EXPENSES

Fund investors pay certain fees and expenses in connection with the fund, which are described in the table below. Annual fund operating expenses are paid out of fund assets, so their effect is included in the share price.

Fee table	Institutional shares	Investor shares
<b>Annual fund operating expenses</b>		
<i>% of average daily net assets</i>		
Management fees	0.30%	0.30%
Shareholder services fee	none	0.25%
Other expenses	1.24%	1.25%
<b>Total annual fund operating expenses</b>	<b>1.54%</b>	<b>1.80%</b>
Fee waiver and/or expense reimbursement	(1.24%)	(1.25%)
<b>Net operating expenses*</b>	<b>0.30%</b>	<b>0.55%</b>

*\* Dreyfus has contractually agreed, until July 31, 2005, to waive receipt of its management fee and/or assume expenses of the fund so that fund expenses (excluding taxes, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) do not exceed 0.30% with respect to Institutional shares and 0.55% with respect to Investor shares.*

Expense example	1 Year	3 Years	5 Years	10 Years
<b>Institutional shares</b>	<b>\$31</b>	<b>\$364</b>	<b>\$722</b>	<b>\$1,729</b>
<b>Investor shares</b>	<b>\$56</b>	<b>\$444</b>	<b>\$858</b>	<b>\$2,013</b>

This example shows what an investor could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The figures shown would be the same whether investors sold their shares at the end of a period or kept them. The one-year example and the first year of the three-years, five-years and ten-years examples are based on net operating expenses, which reflects the expense waiver/reimbursement by Dreyfus. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.

**Shareholder services fee:** the fee paid to the fund's distributor for providing shareholder services.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of the fund.



## MANAGEMENT

### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund did not pay Dreyfus a management fee as a result of a fee waiver/expense reimbursement in effect. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC, and the directors of all or substantially all of the Dreyfus funds and the Dreyfus Founders funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.



## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to investors. Investors should contact their financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

The following tables describe the performance of each share class for the fiscal periods indicated. "Total return" shows how much an investment in the fund would have increased (or decreased) during each period, assuming all dividends and distrib-

utions were reinvested. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

<b>Institutional shares</b>	<i>Year Ended July 31,</i>	
	<b>2004</b>	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	12.69	12.50
Investment operations: Investment income – net <sup>2</sup>	.27	.25
Net realized and unrealized gain on investments	.73	.35
Total from investment operations	1.00	.60
Distributions: Dividends from investment income – net	(.58)	(.41)
Dividends from net realized gain on investments	(.86)	–
Total distributions	(1.44)	(.41)
Net asset value, end of period	12.25	12.69
Total Return (%)	8.06	4.82 <sup>3</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	1.54	3.06 <sup>4</sup>
Ratio of net expense to average net assets	.30	.30 <sup>4</sup>
Ratio of net investment income to average net assets	2.17	2.58 <sup>4</sup>
Portfolio turnover rate	951.51	1,306.72 <sup>3</sup>
Net assets, end of period (\$ x 1,000)	3,296	2,621

<sup>1</sup> From October 31, 2002 (commencement of operations) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

<b>Investor shares</b>	<i>Year Ended July 31,</i>	
	<b>2004</b>	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	12.69	12.50
Investment operations: Investment income – net <sup>2</sup>	.26	.23
Net realized and unrealized gain on investments	.71	.35
Total from investment operations	.97	.58
Distributions: Dividends from investment income – net	(.55)	(.39)
Dividends from net realized gain on investments	(.86)	–
Total distributions	(1.41)	(.39)
Net asset value, end of period	12.25	12.69
Total Return (%)	7.79	4.63 <sup>3</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	1.80	3.30 <sup>4</sup>
Ratio of net expenses to average net assets	.55	.55 <sup>4</sup>
Ratio of net investment income to average net assets	2.05	2.33 <sup>4</sup>
Portfolio turnover rate	951.51	1,306.72 <sup>3</sup>
Net assets, end of period (\$ x 1,000)	2,857	2,650

<sup>1</sup> From October 31, 2002 (commencement of operations) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

# Account Information



## ACCOUNT POLICIES

The fund offers two classes of shares — Institutional shares and Investor shares.

The fund is designed for institutional investors, particularly banks, acting for themselves or in a fiduciary, advisory, agency, custodial or similar capacity. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. Generally, each investor will be required to open a single master account with the fund for all purposes. In certain cases, the fund may require investors to maintain separate master accounts for shares held by the investor (i) for its own account, for the account of other institutions and for accounts for which the investor acts as a fiduciary, and (ii) for accounts for which the investor acts in some other capacity. Institutional investors may arrange with the fund's transfer agent for sub-accounting services and will be charged directly for the cost of such services. Institutions purchasing Investor shares or Institutional shares for the benefit of their clients may impose policies, limitations and fees which are different from those described in this prospectus.

**Institutional shares and Investor shares** are identical, except as to the services offered to, and the expenses borne by, each class. Holders of Investor shares, for example, will receive certain account maintenance services that are not provided to holders of Institutional shares. These services are provided pursuant to a Shareholder Services Plan.

## Buying shares

**Fund shares are sold at net asset value per share (NAV)**, which generally is calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. A purchase order will be priced at the next NAV calculated after the order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

**Investors will need to choose** a share class before making an initial investment. All investments must be in U.S. dollars. Third-party checks cannot be accepted. An investor may be charged a fee for any check that does not clear.

Minimum investments		
	Initial	Additional
<b>Institutional shares</b>	<b>\$10,000,000*</b>	<b>none</b>
<b>Investor shares</b>	<b>\$10,000,000*</b>	<b>none</b>
<p>* The minimum initial investment in Institutional shares and Investor shares is \$10,000,000, unless: (a) the investor has invested at least \$10,000,000 in the aggregate among the fund, Dreyfus Institutional Cash Advantage Fund, Dreyfus Institutional Cash Advantage Plus Fund, Dreyfus Institutional Yield Advantage Fund, and any Dreyfus Cash Management fund listed below, or (b) the investor has, in the opinion of Dreyfus Institutional Services Division, adequate intent and availability of assets to reach a future level of investment of \$10,000,000 among the fund, Dreyfus Institutional Cash Advantage Fund, Dreyfus Institutional Cash Advantage Plus Fund, Dreyfus Institutional Yield Advantage Fund, and the Dreyfus Cash Management funds identified below.</p>		

## Selling shares

Investors may sell (redeem) shares at any time by wire, telephone, or compatible computer facility. Fund shares will be sold at the next NAV calculated after the order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with the redemption request. An investor's order will be processed promptly and the investor will generally receive the proceeds within a week.

If an investor's order is received in proper form by Dreyfus Institutional Services Division, or other authorized entity, by 4:00 p.m. Eastern time, the shares will receive the dividend declared on that day, and the proceeds of the sale ordinarily will be transmitted in federal funds on the next business day.

The Dreyfus Cash Management funds include:

- Dreyfus Cash Management
- Dreyfus Cash Management Plus, Inc.
- Dreyfus Government Cash Management
- Dreyfus Government Prime Cash Management
- Dreyfus New York Municipal Cash Management
- Dreyfus Municipal Cash Management
- Dreyfus Tax Exempt Cash Management
- Dreyfus Treasury Cash Management
- Dreyfus Treasury Prime Cash Management

### General policies

Unless the investor declines teleservice privileges on the application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be the investor and reasonably believed by the transfer agent to be genuine. The investor may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

### The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount an investor is redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless shareholders instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to shareholders as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to shareholders as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long the shareholder has been in the fund and whether distributions are reinvested or taken in cash.

If an investor buys shares of a fund when the fund has realized but not yet distributed income or capital gains, the investor will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

A shareholder's sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on a shareholder's investment in the fund generally is the difference between the cost of the shares and the amount received when the shareholder sold them.

The tax status of a shareholder's distributions will be detailed in the shareholder's annual tax statement from the fund. Because everyone's tax situation is unique, please consult a tax adviser before investing.



## SERVICES FOR FUND INVESTORS

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### **Exchange privilege**

**Investors may purchase**, in exchange for Institutional shares or Investor shares of the fund, shares of the same class of Dreyfus Institutional Yield Advantage Fund or of any Dreyfus Cash Management fund listed under “Account Policies” in this prospectus, or Institutional Advantage shares or Investor Advantage shares, respectively, of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund. These funds have different investment objectives that may be of interest to investors. Investors should read the current prospectus for any fund into which they are exchanging before investing. Any new account established through an exchange will have the same privileges as the original account (as long as they are available). There is currently no fee for exchanges.

### **Dreyfus Auto-Exchange privilege**

**Dreyfus Auto-Exchange privilege** enables an investor to invest regularly (on a monthly, semi-monthly, quarterly or annual basis), in exchange for Institutional shares or Investor shares of the fund, in shares of the same class of Dreyfus Institutional Yield Advantage Fund or of any Dreyfus Cash Management fund listed under “Account Policies” in this prospectus, or Institutional Advantage shares or Investor Advantage shares, respectively, of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund, if the investor is a shareholder in such fund. There is currently no fee for this privilege.

### **Account statements**

**Every fund investor automatically receives** regular account statements. Each investor will be sent a yearly statement detailing the tax characteristics of any dividends and distributions the investor has received.



## INSTRUCTIONS FOR **ACCOUNT TRANSACTIONS**

### TO OPEN AN ACCOUNT



#### By Telephone

**Wire** Before wiring funds, call a Dreyfus Institutional Services Division representative with information about the transaction and to obtain an account number. Return a completed application.

Transmit the investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900479841
- the fund name
- the share class
- account number
- account registration
- dealer number (if applicable)

Attn: Lion System

### TO ADD TO AN ACCOUNT

**Wire** Before wiring funds, call a Dreyfus Institutional Services Division representative with information about the transaction.

Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900479841
- the fund name
- the share class
- account number
- account registration
- dealer number (if applicable)

Attn: Lion System

### TO SELL SHARES

**Wire** Before redeeming shares, call a Dreyfus Institutional Services Division representative with information about the transaction.

Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.



#### Via Computer Facilities

Access Lion Remote System, input new account data and retrieve account number for your records.

Access Lion Remote System.

Enter:

- account number
- fund number
- share class
- amount to buy

Print a report of transactions for your records.

Access Lion Remote System, confirm bank account information or select from multiple wire instructions.

Enter:

- account number
- fund number
- share class
- amount to sell

Print a report of transactions for your records.

**The Dreyfus Lion Remote System** provides institutional investment managers with the ability to monitor, control and service their Dreyfus mutual fund accounts through their personal computer. Investment managers use their modem with a local-access dial-up network or use their Internet access with a digital certificate for 128-bit encryption security. Please call Dreyfus Institutional Services Division about the availability of other compatible computerized trading systems.

For information about Dreyfus, access our Internet site at **[www.LIONSALES.com](http://www.LIONSALES.com)**.

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# For More Information

**Dreyfus Inflation Adjusted Securities Fund**  
A series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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### **By telephone**

Call your Dreyfus Institutional Services Division representative or 1-800-346-3621

**By E-mail** Access Dreyfus Institutional Services Division at [www.LIONSALES.com](http://www.LIONSALES.com). You can obtain product information and E-mail requests for information or literature.

### **By mail** Write to:

Dreyfus Institutional Services Division  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:  
<http://www.sec.gov>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.



# Dreyfus Intermediate Term Income Fund

Seeks to maximize total return, consisting of capital appreciation and current income

**PROSPECTUS** December 1, 2004



YOU, YOUR ADVISOR AND

**Dreyfus**

A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## For More Information

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*See back cover.*



## GOAL/APPROACH

The fund seeks to maximize total return, consisting of capital appreciation and current income. To pursue this goal, the fund normally invests at least 80% of its assets in fixed-income securities of U.S. and foreign issuers rated investment grade or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stocks, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs), and foreign bonds.

Typically, the fund's portfolio can be expected to have an average effective maturity ranging between five and ten years and an average effective duration ranging between three and eight years.

For additional yield, the fund may invest up to 20% of its assets in fixed-income securities rated below investment grade ("high yield" or "junk" bonds) to as low as Caa/CCC or the unrated equivalent as determined by Dreyfus.

The fund will focus primarily on U.S. securities, but may invest up to 30% of its total assets in fixed-income securities of foreign issuers, including those of issuers in emerging markets.

The portfolio manager buys and sells fixed-income securities based on credit quality, financial outlook and yield potential. Fixed-income securities with deteriorating credit quality are potential sell candidates, while those offering higher yields are potential buy candidates.

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities. The fund may enter into swap agreements, such as credit default swaps,

# The Fund

which can be used to transfer the credit risk of a security without actually transferring ownership of the security. To enhance current income, the fund also may engage in a series of purchase and sale contracts or forward roll transactions in which the fund sells a mortgage-related security, for example, to a financial institution and simultaneously agrees to purchase a similar security from the institution at a later date at an agreed-upon price.

## Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium-, and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.

**Bond rating:** a ranking of a bond's quality, based on its ability to pay interest and repay principal. Bonds are rated from a high of "AAA" (highly unlikely to default) through a low of "D" (companies already in default).

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more likely it is to react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** an average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity.



## MAIN RISKS

The fund's principal risks are discussed below. The value of your investment in the fund will fluctuate, which means you could lose money.

- *Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price. Although the fund invests primarily in investment grade bonds, the fund may invest to a limited extent in high yield ("junk") bonds, which involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- *Market risk.* The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may significantly overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising rates and its potential for price declines.
- *Derivatives risk.* In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities, indexes, foreign currencies and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.



- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates. The bonds of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies.
- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal.
- *Short sale risk.* The fund may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the fund to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the fund.
- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.

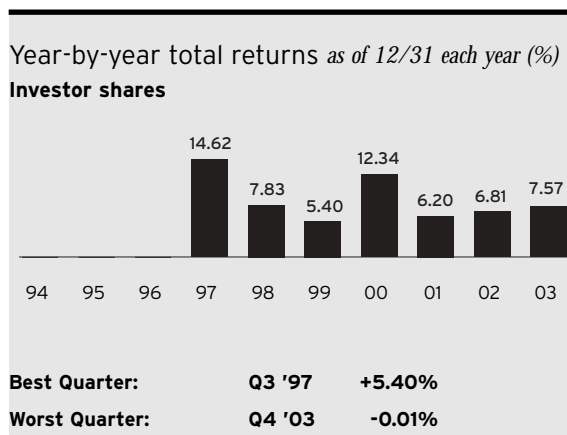
The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions, and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.



## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the changes in the performance of the fund's Investor shares from year to year. The table compares the average annual total returns of the fund's Investor shares and Institutional shares to those of the Lehman Brothers U.S. Aggregate Index and the Merrill Lynch Domestic Master Index, each an unmanaged benchmark of total return performance for bonds. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. Each of the fund's sales classes invests in the same portfolio of securities. Performance of one share class will vary from the performance of the fund's other share class due to differences in expenses.

After-tax performance is shown only for Investor shares. After-tax performance of the fund's Institutional shares will vary. After-tax returns for Investor shares are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.



The fund's Investor shares year-to-date total return as of 9/30/04 was 1.35%.

### Average annual total returns as of 12/31/03

Share class/ inception date	1 Year	5 Years	Since inception
<b>Investor shares</b> (2/2/96)			
<i>returns before taxes</i>	<b>7.57%</b>	<b>7.64%</b>	<b>8.66%</b>
<b>Investor shares</b> <i>returns after taxes on distributions</i>	<b>5.31%</b>	<b>4.87%</b>	<b>5.47%</b>
<b>Investor shares</b> <i>returns after taxes on distributions and sale of fund shares</i>	<b>4.91%</b>	<b>4.78%</b>	<b>5.41%</b>
<b>Institutional shares</b> (5/31/01)			
<i>returns before taxes</i>	<b>7.91%</b>	–	<b>6.40%</b>
<b>Lehman Brothers U.S. Aggregate Index*</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>4.10%</b>	<b>6.62%</b>	<b>6.86%**</b>
<b>Merrill Lynch Domestic Master Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>4.12%</b>	<b>6.62%</b>	<b>6.88%**</b>

\* The Lehman Brothers U.S. Aggregate Index has been selected as the fund's primary index because it is a more widely used measure of taxable bond market performance.

\*\* Based on life of Investor shares. For comparative purposes, the value of each index on 1/31/96 is used as the beginning value on 2/2/96.

### What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives you the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in this fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. You could lose money in this fund, but you also have the potential to make money.



## EXPENSES

As an investor, you pay certain fees and expenses in connection with the fund, which are described in the table below. Annual fund operating expenses are paid out of fund assets, so their effect is included in the share price. The fund has no sales charge (load) or Rule 12b-1 distribution fees.

### Fee table

#### Annual fund operating expenses

<i>% of average daily net assets</i>	<i>Investor shares</i>	<i>Institutional shares</i>
Management fees	0.45%	0.45%
Shareholder services fee	0.25%	none
Other expenses	0.20%	0.08%
<b>Total</b>	<b>0.90%</b>	<b>0.53%</b>

### Expense example

	1 Year	3 Years	5 Years	10 Years
<b>Investor shares</b>	<b>\$92</b>	<b>\$287</b>	<b>\$498</b>	<b>\$1,108</b>
<b>Institutional shares</b>	<b>\$54</b>	<b>\$170</b>	<b>\$296</b>	<b>\$665</b>

This example shows what you could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The figures shown would be the same whether you sold your shares at the end of a period or kept them. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations. During the past fiscal year, Dreyfus waived a portion of its fee and/or assumed certain fund expenses pursuant to an undertaking, reducing total expenses from 0.90% to 0.80% for Investor shares and from 0.53% to 0.52% for Institutional shares. This undertaking was voluntary.

**Shareholder services fee:** the fee paid to the fund's distributor for shareholder account service and maintenance for Investor shares.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of the fund.



## MANAGEMENT

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### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.36% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC, and the directors of all or substantially all of the Dreyfus funds and the Dreyfus Founders funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.

### Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to you. Please contact your financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

### Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

The following tables describe the performance of each share class of the fund for the fiscal periods indicated. "Total return" shows how much your investment in a share class would have increased (or decreased) during each period, assuming you had

reinvested all dividends and distributions. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

Investor shares		2004	Year Ended July 31,			
			2003	2002 <sup>1</sup>	2001	2000
<b>Per-Share Data (\$):</b>						
Net asset value, beginning of period		12.86	12.42	13.22	12.50	12.43
Investment operations:	Investment income – net	.46 <sup>2</sup>	.56 <sup>2</sup>	.72 <sup>2</sup>	.84	.86
	Net realized and unrealized gain (loss) on investments	(.01) <sup>3</sup>	.51	(.64)	.75	.22
Total from investment operations		.45	1.07	.08	1.59	1.08
Distributions:	Dividends from investment income – net	(.54)	(.63)	(.76)	(.84)	(.87)
	Dividends from net realized gain on investments	(.24)	–	(.12)	(.03)	(.14)
Total distributions		(.78)	(.63)	(.88)	(.87)	(1.01)
Net asset value, end of period		12.53	12.86	12.42	13.22	12.50
Total Return (%)		3.59	8.64	.64	13.14	9.05
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets		.90	.90	.86	.94	1.13
Ratio of net expenses to average net assets		.80	.82	.70	.67	.65
Ratio of net investment income to average net assets		3.56	4.34	5.58	6.44	6.95
Portfolio turnover rate		801.49 <sup>4</sup>	838.50	474.20	555.90	566.57
Net assets, end of period (\$ x 1,000)		677,228	831,818	738,618	359,114	60,541

<sup>1</sup> As required, effective August 1, 2001, the fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on fixed-income securities on a scientific basis and including paydown gains and losses in interest income. The effect of this change for the period ended July 31, 2002 was to decrease net investment income per share by \$.04, increase net realized and unrealized gain (loss) on investments per share by \$.04 and decrease the ratio of net investment income to average net assets from 5.90% to 5.58%. Per-share data and ratios/supplemental data for periods prior to August 1, 2001 have not been restated to reflect this change in presentation.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> In addition to the net realized and unrealized gain on investments as shown in the Statement of Operations, this amount includes a decrease in net asset value per share resulting from the timing of issuances and redemptions of shares in relation to fluctuating market values for the fund's investments.

<sup>4</sup> The portfolio turnover rate excluding mortgage dollar roll transactions for the year ended July 31, 2004 was 718.14%.

Institutional shares		2004	Year Ended July 31,		
			2003	2002 <sup>1</sup>	2001 <sup>2</sup>
Per-Share Data (\$):					
Net asset value, beginning of period		12.85	12.41	13.22	13.08
Investment operations:	Investment income – net	.49 <sup>3</sup>	.63 <sup>3</sup>	.76 <sup>3</sup>	.14
	Net realized and unrealized gain (loss) on investments	.00 <sup>4</sup>	.48	(.66)	.14
Total from investment operations		.49	1.11	.10	.28
Distributions:	Dividends from investment income – net	(.58)	(.67)	(.79)	(.14)
	Dividends from net realized gain on investments	(.24)	–	(.12)	–
Total distributions		(.82)	(.67)	(.91)	(.14)
Net asset value, end of period		12.52	12.85	12.41	13.22
Total Return (%)		3.88	9.07	.81	12.86 <sup>5</sup>
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets		.53	.53	.53	1.66 <sup>5</sup>
Ratio of net expenses to average net assets		.52	.50	.45	.45 <sup>5</sup>
Ratio of net investment income to average net assets		3.85	4.88	5.80	6.56 <sup>5</sup>
Portfolio turnover rate		801.49 <sup>6</sup>	838.50	474.20	555.90
Net assets, end of period (\$ x 1,000)		2,850	4,470	7,976	676

<sup>1</sup> As required, effective August 1, 2001, the fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on fixed-income securities on a scientific basis and including paydown gains and losses in interest income. The effect of this change for the period ended July 31, 2002 was to decrease net investment income per share by \$.04, increase net realized and unrealized gain (loss) on investments per share by \$.04 and decrease the ratio of net investment income to average net assets from 6.12% to 5.80%. Per-share data and ratios/supplemental data for periods prior to August 1, 2001 have not been restated to reflect this change in presentation.

<sup>2</sup> The fund commenced offering Institutional shares on May 31, 2001.

<sup>3</sup> Based on average shares outstanding at each month end.

<sup>4</sup> Amount represents less than \$.01 per share.

<sup>5</sup> Annualized.

<sup>6</sup> The portfolio turnover rate excluding mortgage dollar roll transactions for the year ended July 31, 2004 was 718.14%.

# Your Investment



## ACCOUNT POLICIES

### Buying shares

You pay no sales charges to invest in this fund. Your price for fund shares is the net asset value per share (NAV), which is generally calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. Your order will be priced at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

### Minimum investments

	Initial	Additional
<b>Institutional shares*</b> <i>Dreyfus</i>	<b>\$1,000,000</b>	<b>\$100; \$500 for</b> <i>TeleTransfer investments</i>
<b>Investor shares</b> <i>Dreyfus</i>	<b>\$2,500</b>	<b>\$100; \$500 for</b> <i>TeleTransfer investments</i>
<b>Traditional IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Spousal IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Roth IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Education Savings Account</b>	<b>\$500</b>	<b>no minimum</b> <i>after the first year</i>
<b>Dreyfus automatic investment plans</b>	<b>\$100</b>	<b>\$100</b>

All investments must be in U.S. dollars. Third-party checks cannot be accepted. You may be charged a fee for any check that does not clear. Maximum Dreyfus TeleTransfer purchase is \$150,000 per day.

*\* Institutional shares have lower expenses and are offered by the fund to any investor that can maintain a minimum fund account balance of \$1 million. Institutional shares held by investors who do not maintain such a minimum account balance will convert to Investor shares upon 45 days' notice to the investor.*

### Concepts to understand

**Net asset value (NAV):** a share class's price on a given day. A share class's NAV is calculated by dividing the value of its net assets by the number of existing shares in the class.

**Third-party investments:** If you invest through a third party (rather than directly with Dreyfus), the policies and fees may be different than those described herein. Banks, brokers, 401(k) plans, financial advisers and financial supermarkets may charge transaction fees and may set different minimum investments or limitations on buying or selling shares. Consult a representative of your plan or financial institution for further information.



## Selling shares

**You may sell (redeem) shares at any time.** Your shares will be sold at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with your redemption request. Your order will be processed promptly and you will generally receive the proceeds within a week.

**Before selling or writing a check** against shares recently purchased by check, Dreyfus TeleTransfer or Automatic Asset Builder, please note that:

- if you send a written request to sell such shares, the fund may delay sending the proceeds for up to eight business days following the purchase of those shares
- the fund will not honor redemption checks, or process wire, telephone, online or Dreyfus TeleTransfer redemption requests, for up to eight business days following the purchase of those shares

### Limitations on selling shares by phone or online through Dreyfus.com

Proceeds sent by	Minimum phone/online	Maximum phone/online
<b>Check*</b>	<b>no minimum</b>	<b>\$250,000 per day</b>
<b>Wire</b>	<b>\$1,000</b>	<b>\$500,000 for joint accounts every 30 days/ \$20,000 per day</b>
<b>Dreyfus TeleTransfer</b>	<b>\$500</b>	<b>\$500,000 for joint accounts every 30 days/ \$20,000 per day</b>

*\* Not available online on accounts whose address has been changed within the last 30 days.*

## Written sell orders

Some circumstances require written sell orders along with signature guarantees. These include:

- amounts of \$10,000 or more on accounts whose address has been changed within the last 30 days
- requests to send the proceeds to a different payee or address

Written sell orders of \$100,000 or more must also be signature guaranteed.

**A signature guarantee** helps protect against fraud. You can obtain one from most banks or securities dealers, but not from a notary public. For joint accounts, each signature must be guaranteed. Please call us to ensure that your signature guarantee will be processed correctly.

### General policies

Unless you decline teleservice privileges on your application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be you and reasonably believed by the transfer agent to be genuine. You may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

### The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount you are redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)

**In addition, the fund reserves the right to convert, upon 45 days' notice, an investor's Institutional shares to Investor shares if the investor's fund account balance is below \$1 million.**

### Small account policies

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If your account falls below \$500, the fund may ask you to increase your balance. If it is still below \$500 after 45 days, the fund may close your account and send you the proceeds.



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless you instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to you as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to you as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long you have been in the fund and whether you reinvest your distributions or take them in cash.

**If you buy shares of a fund** when the fund has realized but not yet distributed income or capital gains, you will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

Your sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on your investment in the fund generally is the difference between the cost of your shares and the amount you receive when you sell them.

The tax status of your distributions will be detailed in your annual tax statement from the fund. Because everyone's tax situation is unique, please consult your tax adviser before investing.



## SERVICES FOR FUND INVESTORS

### Automatic services

**Buying or selling shares automatically** is easy with the services described below. With each service, you select a schedule and amount, subject to certain restrictions. You can set up most of these services with your application or by calling **1-800-645-6561**.

#### For investing

**Dreyfus Automatic Asset Builder®** For making automatic investments from a designated bank account.

**Dreyfus Payroll Savings Plan** For making automatic investments through a payroll deduction.

**Dreyfus Government Direct Deposit Privilege** For making automatic investments from your federal employment, Social Security or other regular federal government check.

**Dreyfus Dividend Sweep** For automatically reinvesting the dividends and distributions from one Dreyfus fund into another (not available for IRAs).

#### For exchanging shares

**Dreyfus Auto-Exchange Privilege** For making regular exchanges from one Dreyfus fund into another.

#### For selling shares

**Dreyfus Automatic Withdrawal Plan** For making regular withdrawals from most Dreyfus funds.

### Dreyfus Financial Centers

Through a nationwide network of Dreyfus Financial Centers, Dreyfus offers a full array of investment services and products. This includes information on mutual funds, brokerage services, tax-advantaged products and retirement planning.

Experienced financial advisers can help you make informed choices and provide you with personalized attention in handling account transactions. The Financial Centers also offer informative seminars and events. To find the Financial Center nearest you, call **1-800-499-3327**.

### Checkwriting privilege

**You may write redemption checks** against your account in amounts of \$500 or more. These checks are free; however, a fee will be charged if you request a stop payment or if the transfer agent cannot honor a redemption check due to insufficient funds or another valid reason. Please do not post-date your checks or use them to close your account.

### Exchange privilege

**You can exchange shares** worth \$500 or more (no minimum for retirement accounts) from one Dreyfus fund into another. You can request your exchange in writing, by phone or online. Be sure to read the current prospectus for any fund into which you are exchanging before investing. Any new account established through an exchange will have the same privileges as your original account (as long as they are available). There is currently no fee for exchanges, although you may be charged a sales load when exchanging into any fund that has one.

### Dreyfus TeleTransfer privilege

**To move money between your bank account and your Dreyfus fund account** with a phone call or online, use the Dreyfus TeleTransfer privilege. You can set up Dreyfus TeleTransfer on your account by providing bank account information and following the instructions on your application.

### Dreyfus Express®

#### voice-activated account access

**You can easily manage your Dreyfus accounts**, check your account balances, purchase fund shares, transfer money between your Dreyfus funds, get price and yield information and much more — when it's convenient for you — by calling **1-800-645-6561**. Certain requests may require the services of a representative.

### Retirement plans

Dreyfus offers a variety of retirement plans, including traditional and Roth IRAs, and Education Savings Accounts. Here's where you call for information:

- for traditional, rollover and Roth IRAs, and Education Savings Accounts, call **1-800-645-6561**
- for SEP-IRAs, Keogh accounts, 401(k) and 403(b) accounts, call **1-800-358-0910**

## INSTRUCTIONS FOR **REGULAR ACCOUNTS**

### TO OPEN AN ACCOUNT



#### — In Writing —

Complete the application.

Mail your application and a check to:  
The Dreyfus Family of Funds  
P.O. Box 55299, Boston, MA 02205-8553



#### — By Telephone —

**Wire** Call us to request an account application and an account number. Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900275944
- the fund name and the share class
- your account number
- name(s) of investor(s)

Return your application with the account number on the application.

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check.

Mail the slip and the check to:  
The Dreyfus Family of Funds  
P.O. Box 105, Newark, NJ 07101-0105

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900275944
- the fund name and the share class
- your account number
- name(s) of investor(s)

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Call us to request your transaction.

### TO SELL SHARES

Write a redemption check **or** letter of instruction that includes:

- your name(s) and signature(s)
- your account number
- the fund name
- the dollar amount you want to sell
- how and where to send the proceeds

Obtain a signature guarantee or other documentation, if required (see "Account Policies – Selling Shares").

Mail your request to:  
The Dreyfus Family of Funds  
P.O. Box 55263, Boston, MA 02205-8501

**Wire** Be sure the fund has your bank account information on file. Call us to request your transaction. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Be sure the fund has your bank account information on file. Call us to request your transaction. Proceeds will be sent to your bank by electronic check.

**Check** Call us to request your transaction. A check will be sent to the address of record.

## Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

To reach Dreyfus, call toll free in the U.S.

**1-800-645-6561**

Outside the U.S. 516-794-5452

Make checks payable to:

**The Dreyfus Family of Funds**

You also can deliver requests to any Dreyfus Financial Center. Because processing time may vary, please ask the representative when your account will be credited or debited.

# INSTRUCTIONS FOR **REGULAR ACCOUNTS** (continued)

## TO OPEN AN ACCOUNT

## TO ADD TO AN ACCOUNT

## TO SELL SHARES



Online ([www.dreyfus.com](http://www.dreyfus.com))

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Visit the Dreyfus Web site to request your transaction.

**Wire** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Visit the Dreyfus Web site to request your transaction. A check will be sent to the address of record.



Automatically

**With an initial investment** Indicate on your application which automatic service(s) you want. Return your application with your investment.

**Without any initial investment** (not for Institutional shares) Check the Dreyfus Step Program option on your application. Return your application, then complete the additional materials when they are sent to you.

**All services** Call us to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials.

**Dreyfus Automatic Withdrawal Plan** Call us to request a form to add the plan. Complete the form, specifying the amount and frequency of withdrawals you would like.

Be sure to maintain an account balance of \$5,000 or more.

## INSTRUCTIONS FOR IRAS

### TO OPEN AN ACCOUNT



#### In Writing

Complete an IRA application, making sure to specify the fund name and to indicate the year the contribution is for.

Mail your application and a check to:  
The Dreyfus Trust Company, Custodian  
P.O. Box 55552, Boston, MA 02205-8568



#### By Telephone



#### Automatically

**Without any initial investment** (not for Institutional shares) Call us to request a Dreyfus Step Program form. Complete and return the form along with your application.

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check. Indicate the year the contribution is for.

Mail in the slip and the check (see "To Open an Account" at left).

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900275944
- the fund name and the share class
- your account number
- name of investor
- the contribution year

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.

**Telephone Contribution** Call to request us to move money from a regular Dreyfus account to an IRA (both accounts must be held in the same shareholder name).

**All services** Call us to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials. All contributions will count as current year.

### TO SELL SHARES

Write a letter of instruction that includes:

- your name and signature
- your account number
- the fund name
- the dollar amount you want to sell
- how and where to send the proceeds
- whether the distribution is qualified or premature
- whether the 10% TEFRA should be withheld

Obtain a signature guarantee or other documentation, if required (see "Account Policies – Selling Shares").

Mail in your request (see "To Open an Account" at left).

**Systematic Withdrawal Plan** Call us to request instructions to establish the plan.

## Concepts to understand

To reach Dreyfus, call toll free in the U.S.

**1-800-645-6561**

Outside the U.S. 516-794-5452

Make checks payable to:

**The Dreyfus Trust Company, Custodian**

You also can deliver requests to any Dreyfus Financial Center. Because processing time may vary, please ask the representative when your account will be credited or debited.

# For More Information

**Dreyfus Intermediate Term Income Fund**  
A series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Annual/Semiannual Report**

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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**By telephone**

Call 1-800-645-6561

**By mail** Write to:

The Dreyfus Family of Funds  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**By E-mail** Send your request to [info@dreyfus.com](mailto:info@dreyfus.com)

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:

**SEC** <http://www.sec.gov>

**Dreyfus** <http://www.dreyfus.com>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.





# Dreyfus Institutional Yield Advantage Fund

Seeks high current income while maintaining  
a high degree of share price stability

**PROSPECTUS** December 1, 2004

**Investor Shares**



YOU, YOUR ADVISOR AND

**Dreyfus**

A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## For More Information

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*See back cover.*

*The fund is designed for institutional investors. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. See “Account Policies” for more information.*



## GOAL/APPROACH

The fund seeks as high a level of current income as is consistent with the preservation of capital with minimal changes in share price. To pursue its goal, the fund invests only in fixed-income securities of U.S. and foreign issuers rated investment grade at the time of purchase or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stocks, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs) and foreign bonds. The fund is designed to provide a very high degree of share price stability while generating returns higher than money market funds over time and, thus, may be an investment alternative to money market funds and other fixed-income funds. The fund seeks to maintain a minimum average credit quality of "A" with respect to its portfolio.

To help maintain a very high degree of share price stability and preserve shareholders' capital, the fund seeks to keep the average effective duration of its overall portfolio at one year or less. The fund expects its average effective maturity and average effective duration to closely follow each other. The fund may invest in securities with effective or final maturities of any length. The fund may adjust its holdings or its average duration based on actual or anticipated changes in interest rates or credit quality. The fund also may engage in risk management techniques, including short sales, futures contracts, swap agreements and other derivatives, in seeking to reduce share price volatility, increase income and otherwise manage the fund's exposure to investment risks.

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities.

The fund will focus primarily on U.S. securities, but may invest up to 10% of its total assets in fixed-income securities of foreign issuers.

## Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more it will react to interest rate fluctuations and the greater its long-term risks/return potential.

**Average effective maturity:** a weighted average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity. Certain securities, such as mortgage-related securities, may have effective maturities significantly shorter than their stated final maturities.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium-, and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.



## MAIN RISKS

The fund's principal risks are discussed below. The fund is not a money market fund, and the value of an investment in the fund will fluctuate, which means investors could lose money.

- *Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price.
- *Market risk.* The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may significantly overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.
- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates.
- *Derivatives risk.* In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities, indexes and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.

- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity.
- *Short sale risk.* The fund may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the fund to the risk that it will be required to buy the security sold short (also known as "covering the short position") at a time when the security has appreciated in value, thus resulting in a loss to the fund.
- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

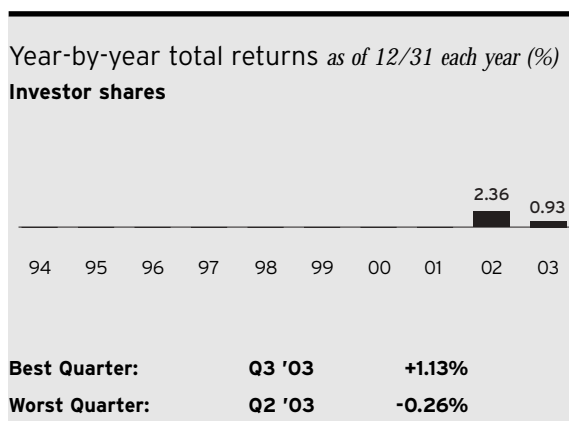
The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.



## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the performance of the fund's Investor shares from year to year. The table compares the average annual total returns of the fund's Investor shares to those of the Citigroup 1-Year Treasury Benchmark-on-the-Run Index, an unmanaged index generally representative of the average yield on 1-year U.S. Treasury bills. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. Each of the fund's share classes invests in the same portfolio of securities. Performance of one share class will vary from the performance of the fund's other share class due to differences in expenses.

After-tax returns for Investor shares are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.



The fund's Investor shares year-to-date total return as of 9/30/04 was 0.10%.

### Average annual total returns as of 12/31/03

	1 Year	Since Inception (11/15/01)
<b>Investor shares</b> <i>returns before taxes</i>	<b>0.93%</b>	<b>1.98%</b>
<b>Investor shares</b> <i>returns after taxes on distributions</i>	<b>-0.11%</b>	<b>0.70%</b>
<b>Investor shares</b> <i>returns after taxes on distributions and sale of fund shares</i>	<b>0.60%</b>	<b>0.92%</b>
<b>Citigroup 1-Year Treasury Benchmark-on-the-Run Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>1.47%</b>	<b>2.37%</b>

### What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives investors the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in the fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. Investors could lose money in this fund, but investors also have the potential to make money.



## EXPENSES

Fund investors pay certain fees and expenses in connection with the fund's Investor shares, which are described in the table below. Annual fund operating expenses are paid out of fund assets, so their effect is included in the share price.

Fee table	
	Investor shares
<b>Annual fund operating expenses</b>	
<i>% of average daily net assets</i>	
Management fees	0.20%
Rule 12b-1 fee	0.25%
Other expenses	0.18%
<b>Total annual fund operating expenses</b>	<b>0.63%</b>
Fee waiver and/or expense reimbursement	(0.18%)
<b>Net operating expenses*</b>	<b>0.45%</b>

*\* Dreyfus has contractually agreed, until July 31, 2005, to waive receipt of its management fee and/or assume expenses of the fund so that fund expenses (excluding taxes, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) do not exceed 0.45% with respect to Investor shares.*

Expense example				
	1 Year	3 Years	5 Years	10 Years
<b>Investor shares</b>	<b>\$46</b>	<b>\$184</b>	<b>\$333</b>	<b>\$769</b>

This example shows what an investor could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The figures shown would be the same whether the investor sold their shares at the end of a period or kept them. The one-year example and the first year of the three-, five- and ten-years examples are based on net operating expenses, which reflect the expense waiver/reimbursement by Dreyfus. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.

**Rule 12b-1 fee:** the fee paid pursuant to a Service Plan to the fund's distributor for distributing Investor shares, for advertising and marketing related to Investor shares, and for providing account service and maintenance. The distributor may pay all or part of this fee to institutions which have purchased Investor shares for the benefit of others. Because this fee is paid on an ongoing basis out of fund assets attributable to Investor shares, over time it will increase the cost of an investment in Investor shares and could cost such investors more than paying other types of sales charges.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of the fund.





## MANAGEMENT

### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.03% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC, and the directors of all or substantially all of the Dreyfus funds and the Dreyfus Founders funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.



## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to investors. Investors should contact their financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

This table describes the performance of the fund's Investor shares for the fiscal periods indicated. "Total return" shows how much an investment in the fund would have increased (or decreased) during each period, assuming all dividends and distrib-

utions were reinvested. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

	Year Ended July 31,		
Investor shares	2004	2003	2002 <sup>1</sup>
Per-Share Data (\$):			
Net asset value, beginning of period	1.96	2.00	2.00
Investment operations: Investment income – net <sup>2</sup>	.04	.05	.05
Net realized and unrealized gain (loss) on investments	(.04)	(.03)	.01
Total from investment operations	.00	.02	.06
Distributions: Dividends from investment income – net	(.05)	(.06)	(.06)
Net asset value, end of period	1.91	1.96	2.00
Total Return (%)	.02	1.12	2.82 <sup>3</sup>
Ratios/Supplemental Data (%):			
Ratio of total expenses to average net assets	.63	.51	.89 <sup>4</sup>
Ratio of net expenses to average net assets	.45	.45	.45 <sup>4</sup>
Ratio of net investment income to average net assets	1.94	2.55	3.71 <sup>4</sup>
Portfolio turnover rate	461.50	441.13	98.01 <sup>3</sup>
Net assets, end of period (\$ x 1,000)	28,926	30,368	14,833

<sup>1</sup> From November 15, 2001 (commencement of operations) to July 31, 2002.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

# Account Information



## ACCOUNT POLICIES

The fund is designed for institutional investors, particularly banks, acting for themselves or in a fiduciary, advisory, agency, custodial or similar capacity. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. Generally, each investor will be required to open a single master account with the fund for all purposes. In certain cases, the fund may request investors to maintain separate master accounts for shares held by the investor (i) for its own account, for the account of other institutions and for accounts for which the investor acts as a fiduciary, and (ii) for accounts for which the investor acts in some other capacity. Institutional investors may arrange with the fund's transfer agent for sub-accounting services and will be charged directly for the cost of such services. Institutions purchasing Investor shares for the benefit of their clients may impose policies, limitations and fees which are different from those described in this prospectus.

**Holders of Investor shares** will receive certain account maintenance services provided pursuant to a Service Plan which generally include the provision of a consolidated statement and checkwriting privileges. Under the Service Plan, the fund pays distribution and service fees at the annual rate of 0.25% of the average daily net assets attributable to Investor shares.

## Buying shares

**Fund shares are sold at net asset value per share (NAV)**, which generally is calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. A purchase order will be priced at the next NAV calculated after the order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

**All investments must be in U.S. dollars.** Third-party checks cannot be accepted. An investor may be charged a fee for any check that does not clear.

Minimum investments		
	Initial	Additional
<b>Investor shares</b>	<b>\$10,000,000*</b>	<b>none</b>
<p>* The minimum initial investment in Investor shares is \$10,000,000, unless: (a) the investor has invested at least \$10,000,000 in the aggregate among the fund, Dreyfus Institutional Cash Advantage Fund, Dreyfus Institutional Cash Advantage Plus Fund, Dreyfus Inflation Adjusted Securities Fund and the Dreyfus Cash Management funds listed below, or (b) the investor has, in the opinion of Dreyfus Institutional Services Division, adequate intent and availability of assets to reach a future level of investment of \$10,000,000 among the funds named above.</p>		

The Dreyfus Cash Management funds include:

- Dreyfus Cash Management
- Dreyfus Cash Management Plus, Inc.
- Dreyfus Government Cash Management
- Dreyfus Government Prime Cash Management
- Dreyfus New York Municipal Cash Management
- Dreyfus Municipal Cash Management
- Dreyfus Tax Exempt Cash Management
- Dreyfus Treasury Cash Management
- Dreyfus Treasury Prime Cash Management

### Selling shares

**Investors may sell (redeem) Investor shares at any time** by wire, telephone, or compatible computer facility. Fund shares will be sold at the next NAV calculated after the order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with the redemption request. An investor's order will be processed promptly and the investor will generally receive the proceeds within a week.

**If an investor's order is received** in proper form by Dreyfus Institutional Services Division, or other authorized entity, by 4:00 p.m. Eastern time, the shares will receive the dividend declared on that day, and the proceeds of the sale ordinarily will be transmitted in federal funds on the next business day.

## General policies

Unless the investor declines teleservice privileges on the application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be the investor and reasonably believed by the transfer agent to be genuine. The investor may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent take reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

## The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount an investor is redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless shareholders instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to shareholders as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to shareholders as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long the shareholder has been in the fund and whether distributions are reinvested or taken in cash.

**If an investor buys shares of a fund** when the fund has realized but not yet distributed income or capital gains, the investor will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

A shareholder's sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on a shareholder's investment in the fund generally is the difference between the cost of the shares and the amount received when the shareholder sold them.

The tax status of a shareholder's distributions will be detailed in the shareholder's annual tax statement from the fund. Because everyone's tax situation is unique, please consult a tax adviser before investing.



## SERVICES FOR FUND INVESTORS

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### Exchange privilege

Investors may purchase, in exchange for Investor shares of the fund, shares of the same class of Dreyfus Inflation Adjusted Securities Fund or of any Dreyfus Cash Management fund listed under “Account Policies” in this prospectus or Investor Advantage shares of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund. These funds have different investment objectives that may be of interest to investors. Investors should read the current prospectus for any fund into which they are exchanging before investing. Any new account established through an exchange will have the same privileges as the original account (as long as they are available). There is currently no fee for exchanges.

### Dreyfus Auto-Exchange privilege

Dreyfus Auto-Exchange privilege enables an investor to invest regularly (on a monthly, semi-monthly, quarterly or annual basis), in exchange for Investor shares of the fund, in shares of the same class of Dreyfus Inflation Adjusted Securities Fund or of any Dreyfus Cash Management fund listed under “Account Policies” in this prospectus, or Investor Advantage shares of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund, if the investor is a shareholder in such fund. There is currently no fee for this privilege.

### Account statements

Every fund investor automatically receives regular account statements. Each investor will also be sent a yearly statement detailing the tax characteristics of any dividends and distributions the investor has received.

## INSTRUCTIONS FOR **ACCOUNT TRANSACTIONS**

### TO OPEN AN ACCOUNT



#### By Telephone

**Wire** Before wiring funds, call a Dreyfus Institutional Services Division representative with information about the transaction.

Transmit the investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485922
- the fund name
- the share class
- account number
- account registration
- dealer number (if applicable)

Attn: Lion System

Call us to obtain an account number. Return a completed application with the account number on the application.

### TO ADD TO AN ACCOUNT

**Wire** Before wiring funds, call a Dreyfus Institutional Services Division representative with information about the transaction.

Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485922
- the share class
- account number
- account registration
- dealer number (if applicable)

Attn: Lion System

### TO SELL SHARES

**Wire** Before redeeming shares, call a Dreyfus Institutional Services Division representative with information about the transaction.

Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.



#### Via Computer Facilities

Access Lion Remote System, input new account data and retrieve account number for your records.

Access Lion Remote System. Enter:

- account number
- fund number
- share class
- amount to buy

Print a report of transactions for your records.

Access Lion Remote System, confirm bank account information or select from multiple wire instructions. Enter:

- account number
- fund number
- share class
- amount to sell

Print a report of transactions for your records.

**The Dreyfus Lion Remote System** provides institutional investment managers with the ability to monitor, control and service their Dreyfus mutual fund accounts through their personal computer. Investment managers use their modem with a local-access dial-up network or use their Internet access with a digital certificate for 128-bit encryption security. Please call Dreyfus Institutional Services Division about the availability of other compatible computerized trading systems.

For information about Dreyfus, access our Internet site at **[www.LIONSALSALES.com](http://www.LIONSALSALES.com)**.









# For More Information

**Dreyfus Institutional Yield Advantage Fund**  
A series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Annual/Semiannual Report**

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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### **By telephone**

Call your Dreyfus Institutional Services Division representative or 1-800-346-3621

**By E-mail** Access Dreyfus Institutional Services Division at [www.LIONSALES.com](http://www.LIONSALES.com). You can obtain product information and E-mail requests for information or literature.

### **By mail** Write to:

Dreyfus Institutional Services Division  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:  
<http://www.sec.gov>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.



# Dreyfus Institutional Yield Advantage Fund

Seeks high current income while maintaining  
a high degree of share price stability

**PROSPECTUS** December 1, 2004

**Institutional Shares**



YOU, YOUR ADVISOR AND  
**Dreyfus**  
A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## For More Information

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*See back cover.*

*The fund is designed for institutional investors. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. See “Account Policies” for more information.*



## GOAL/APPROACH

The fund seeks as high a level of current income as is consistent with the preservation of capital with minimal changes in share price. To pursue its goal, the fund invests only in fixed-income securities of U.S. and foreign issuers rated investment grade at the time of purchase or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stocks, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs) and foreign bonds. The fund is designed to provide a very high degree of share price stability while generating returns higher than money market funds over time and, thus, may be an investment alternative to money market funds and other fixed-income funds. The fund seeks to maintain a minimum average credit quality of "A" with respect to its portfolio.

To help maintain a very high degree of share price stability and preserve shareholders' capital, the fund seeks to keep the average effective duration of its overall portfolio at one year or less. The fund expects its average effective maturity and average effective duration to closely follow each other. The fund may invest in securities with effective or final maturities of any length. The fund may adjust its holdings or its average duration based on actual or anticipated changes in interest rates or credit quality. The fund also may engage in risk management techniques, including short sales, futures contracts, swap agreements and other derivatives, in seeking to reduce share price volatility, increase income and otherwise manage the fund's exposure to investment risks.

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities.

The fund will focus primarily on U.S. securities, but may invest up to 10% of its total assets in fixed-income securities of foreign issuers.

## Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more it will react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** a weighted average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity. Certain securities, such as mortgage-related securities, may have effective maturities significantly shorter than their stated final maturities.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium-, and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.



## MAIN RISKS

The fund's principal risks are discussed below. The fund is not a money market fund, and the value of an investment in the fund will fluctuate, which means investors could lose money.

- **Interest rate risk.** Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- **Call risk.** Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- **Credit risk.** Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price.
- **Market risk.** The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- **Market sector risk.** The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may significantly overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- **Liquidity risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- **Prepayment and extension risk.** When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.
- **Foreign investment risk.** The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates.
- **Derivatives risk.** In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities, indexes and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.



- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity.
- *Short sale risk.* The fund may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the fund to the risk that it will be required to buy the security sold short (also known as "covering the short position") at a time when the security has appreciated in value, thus resulting in a loss to the fund.
- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

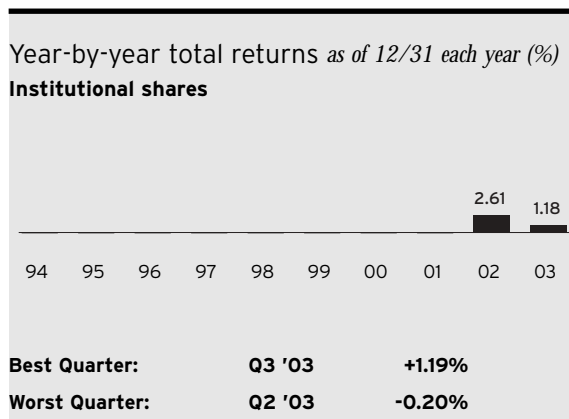
The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.



## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the performance of the fund's Institutional shares from year to year. The table compares the average annual total returns of the fund's Institutional shares to those of the Citigroup 1-Year Treasury Benchmark-on-the-Run Index, an unmanaged index generally representative of the average yield on 1-year U.S. Treasury bills. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. Each of the fund's share classes invests in the same portfolio of securities. Performance of one share class will vary from the performance of the fund's other share class due to differences in expenses.

After-tax returns for Institutional shares are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.



The fund's Institutional shares year-to-date total return as of 9/30/04 was 0.28%.

### Average annual total returns as of 12/31/03

	1 Year	Since Inception (11/15/01)
<b>Institutional shares</b> <i>returns before taxes</i>	<b>1.18%</b>	<b>2.22%</b>
<b>Institutional shares</b> <i>returns after taxes on distributions</i>	<b>0.05%</b>	<b>0.86%</b>
<b>Institutional shares</b> <i>returns after taxes on distributions and sale of fund shares</i>	<b>0.76%</b>	<b>1.08%</b>
<b>Citigroup 1-Year Treasury Benchmark-on-the Run Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>1.47%</b>	<b>2.37%</b>

### What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives investors the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in the fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. Investors could lose money in this fund, but investors also have the potential to make money.



## EXPENSES

Fund investors pay certain fees and expenses in connection with the fund's Institutional shares, which are described in the table below. Annual fund operating expenses are paid out of fund assets, so their effect is included in the share price. The fund has no sales charge (load) or Rule 12b-1 distribution fees for Institutional shares.

Fee table	Institutional shares
<b>Annual fund operating expenses</b>	
<i>% of average daily net assets</i>	
Management fees	0.20%
Other expenses	0.16%
<b>Total annual fund operating expenses</b>	<b>0.36%</b>
Fee waiver and/or expense reimbursement	(0.16%)
<b>Net operating expenses*</b>	<b>0.20%</b>

*\* Dreyfus has contractually agreed, until July 31, 2005, to waive receipt of its management fee and/or assume expenses of the fund so that fund expenses (excluding taxes, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) do not exceed 0.20% with respect to Institutional shares.*

### Expense example

	1 Year	3 Years	5 Years	10 Years
<b>Institutional shares</b>	<b>\$20</b>	<b>\$99</b>	<b>\$186</b>	<b>\$440</b>

This example shows what an investor could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The figures shown would be the same whether the investor sold their shares at the end of a period or kept them. The one-year example and the first year of the three-, five- and ten-years examples are based on net operating expenses, which reflect the expense waiver/reimbursement by Dreyfus. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of the fund.



## MANAGEMENT

### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.03% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC, and the directors of all or substantially all of the Dreyfus funds and the Dreyfus Founders funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.

## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to investors. Investors should contact their financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

This table describes the performance of the fund's Institutional shares for the fiscal periods indicated. "Total return" shows how much an investment in the fund would have increased (or decreased) during each period, assuming all dividends and distri-

butions were reinvested. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

Institutional shares	Year Ended July 31,		
	2004	2003	2002 <sup>1</sup>
<b>Per-Share Data (\$):</b>			
Net asset value, beginning of period	1.96	2.00	2.00
Investment operations: Investment income – net	.04	.06 <sup>2</sup>	.06 <sup>2</sup>
Net realized and unrealized gain (loss) on investments	(.04)	(.03)	–
Total from investment operations	.00	.03	.06
Distributions: Dividends from investment income – net	(.05)	(.07)	(.06)
Net asset value, end of period	1.91	1.96	2.00
Total Return (%)	.25	1.37	3.00 <sup>3</sup>
<b>Ratios/Supplemental Data (%):</b>			
Ratio of total expenses to average net assets	.36	.26	.37 <sup>4</sup>
Ratio of net expenses to average net assets	.20	.20	.20 <sup>4</sup>
Ratio of net investment income to average net assets	2.45	2.77	4.10 <sup>4</sup>
Portfolio turnover rate	461.50	441.13	98.01 <sup>3</sup>
Net assets, end of period (\$ x 1,000)	22,674	166,020	253,254

<sup>1</sup> From November 15, 2001 (commencement of operations) to July 31, 2002.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

# Account Information



## ACCOUNT POLICIES

The fund is designed for institutional investors, particularly banks, acting for themselves or in a fiduciary, advisory, agency, custodial or similar capacity. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. Generally, each investor will be required to open a single master account with the fund for all purposes. In certain cases, the fund may request investors to maintain separate master accounts for shares held by the investor (i) for its own account, for the account of other institutions and for accounts for which the investor acts as a fiduciary, and (ii) for accounts for which the investor acts in some other capacity. Institutional investors may arrange with the fund's transfer agent for sub-accounting services and will be charged directly for the cost of such services. Institutions purchasing Institutional shares for the benefit of their clients may impose policies, limitations and fees which are different from those described in this prospectus.

## Buying shares

**Fund shares are sold at net asset value per share (NAV)**, which generally is calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. A purchase order will be priced at the next NAV calculated after the order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

**All investments must be in U.S. dollars.** Third-party checks cannot be accepted. An investor may be charged a fee for any check that does not clear.

Minimum investments		
	Initial	Additional
<b>Institutional shares</b>	<b>\$10,000,000*</b>	<b>none</b>
* The minimum initial investment in Institutional shares is \$10,000,000, unless: (a) the investor has invested at least \$10,000,000 in the aggregate among the fund, Dreyfus Institutional Cash Advantage Fund, Dreyfus Institutional Cash Advantage Plus Fund, Dreyfus Inflation Adjusted Securities Fund and the Dreyfus Cash Management funds listed below, or (b) the investor has, in the opinion of Dreyfus Institutional Services Division, adequate intent and availability of assets to reach a future level of investment of \$10,000,000 among the funds named above.		

The Dreyfus Cash Management funds include:

- Dreyfus Cash Management
- Dreyfus Cash Management Plus, Inc.
- Dreyfus Government Cash Management
- Dreyfus Government Prime Cash Management
- Dreyfus New York Municipal Cash Management
- Dreyfus Municipal Cash Management
- Dreyfus Tax Exempt Cash Management
- Dreyfus Treasury Cash Management
- Dreyfus Treasury Prime Cash Management

Selling shares

Investors may sell (redeem) Institutional shares at any time by wire, telephone, or compatible computer facility. Fund shares will be sold at the next NAV calculated after the order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with the redemption request. An investor's order will be processed promptly and the investor will generally receive the proceeds within a week.

If an investor's order is received in proper form by Dreyfus Institutional Services Division, or other authorized entity, by 4:00 p.m. Eastern time, the shares will receive the dividend declared on that day, and the proceeds of the sale ordinarily will be transmitted in federal funds on the next business day.



## General policies

Unless the investor declines teleservice privileges on the application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be the investor and reasonably believed by the transfer agent to be genuine. The investor may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

## The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount an investor is redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless shareholders instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to shareholders as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to shareholders as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long the shareholder has been in the fund and whether distributions are reinvested or taken in cash.

**If an investor buys shares of a fund** when the fund has realized but not yet distributed income or capital gains, the investor will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

A shareholder's sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on a shareholder's investment in the fund generally is the difference between the cost of the shares and the amount received when the shareholder sold them.

The tax status of a shareholder's distributions will be detailed in the shareholder's annual tax statement from the fund. Because everyone's tax situation is unique, please consult a tax adviser before investing.



## SERVICES FOR FUND INVESTORS

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### Exchange privilege

Investors may purchase, in exchange for Institutional shares of the fund, shares of the same class of Dreyfus Inflation Adjusted Securities Fund or of any Dreyfus Cash Management fund listed under “Account Policies” in this prospectus, or Institutional Advantage shares of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund. These funds have different investment objectives that may be of interest to investors. Investors should read the current prospectus for any fund into which they are exchanging before investing. Any new account established through an exchange will have the same privileges as the original account (as long as they are available). There is currently no fee for exchanges.

### Dreyfus Auto-Exchange privilege

Dreyfus Auto-Exchange privilege enables an investor to invest regularly (on a monthly, semi-monthly, quarterly or annual basis), in exchange for Institutional shares of the fund, in shares of the same class of Dreyfus Inflation Adjusted Securities Fund or of any Dreyfus Cash Management fund listed under “Account Policies” in this prospectus, or Institutional Advantage shares of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund, if the investor is a shareholder in such fund. There is currently no fee for this privilege.

### Account statements

Every fund investor automatically receives regular account statements. Each investor will also be sent a yearly statement detailing the tax characteristics of any dividends and distributions the investor has received.

## INSTRUCTIONS FOR **ACCOUNT TRANSACTIONS**

### TO OPEN AN ACCOUNT



#### By Telephone

**Wire** Before wiring funds, call a Dreyfus Institutional Services Division representative with information about the transaction.

Transmit the investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485922
- the fund name
- the share class
- account number
- account registration
- dealer number (if applicable)

Attn: Lion System

Return a completed application with the account number on the application.

### TO ADD TO AN ACCOUNT

**Wire** Before wiring funds, call a Dreyfus Institutional Services Division representative with information about the transaction.

Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485922
- the share class
- account number
- account registration
- dealer number (if applicable)

Attn: Lion System

### TO SELL SHARES

**Wire** Before redeeming shares, call a Dreyfus Institutional Services Division representative with information about the transaction.

Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.



#### Via Computer Facilities

Access Lion Remote System, input new account data and retrieve account number for your records.

Access Lion Remote System.  
Enter:

- account number
- fund number
- share class
- amount to buy

Print a report of transactions for your records.

Access Lion Remote System, confirm bank account information or select from multiple wire instructions. Enter:

- account number
- fund number
- share class
- amount to sell

Print a report of transactions for your records.

**The Dreyfus Lion Remote System** provides institutional investment managers with the ability to monitor, control and service their Dreyfus mutual fund accounts through their personal computer. Investment managers use their modem with a local-access dial-up network or use their Internet access with a digital certificate for 128-bit encryption security. Please call Dreyfus Institutional Services Division about the availability of other compatible computerized trading systems.

For information about Dreyfus, access our Internet site at **[www.LIONSALES.com](http://www.LIONSALES.com)**.







# For More Information

**Dreyfus Institutional Yield Advantage Fund**  
A series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Annual/Semiannual Report**

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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### **By telephone**

Call your Dreyfus Institutional Services Division representative or 1-800-346-3621

**By E-mail** Access Dreyfus Institutional Services Division at [www.LIONSALES.com](http://www.LIONSALES.com). You can obtain product information and E-mail requests for information or literature.

### **By mail** Write to:

Dreyfus Institutional Services Division  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:  
<http://www.sec.gov>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.





# Dreyfus Premier Yield Advantage Fund

Seeks high current income while maintaining  
a high degree of share price stability

**PROSPECTUS** December 1, 2004

**Class D Shares**



YOU, YOUR ADVISOR AND

**Dreyfus**

A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## Your Investment

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## For More Information

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*See back cover.*



## GOAL/APPROACH

The fund seeks as high a level of current income as is consistent with the preservation of capital, with minimal changes in share price. To pursue its goal, the fund invests only in fixed-income securities of U.S. and foreign issuers rated investment grade at the time of purchase or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stocks, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs) and foreign bonds. The fund is designed to provide a very high degree of share price stability while generating returns higher than money market funds over time and, thus, may be an investment alternative to money market funds and other fixed-income funds. The fund seeks to maintain a minimum average credit quality of "A" with respect to its portfolio.

To help maintain a very high degree of share price stability and preserve shareholders' capital, the fund seeks to keep the average effective duration of its overall portfolio at one year or less. The fund expects its average effective maturity and average effective duration to closely follow each other. The fund may invest in securities with effective or final maturities of any length. The fund may adjust its holdings or its average duration based on actual or anticipated changes in interest rates or credit quality. The fund also may engage in risk management techniques, including short sales, futures contracts, swap agreements and other derivatives, in seeking to reduce share price volatility, increase income and otherwise manage the fund's exposure to investment risks.

# The Fund

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities.

The fund will focus primarily on U.S. securities, but may invest up to 10% of its total assets in fixed-income securities of foreign issuers.

## Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more it will react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** a weighted average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity. Certain securities, such as mortgage-related securities, may have effective maturities significantly shorter than their stated final maturities.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium-, and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.



## MAIN RISKS

The fund's principal risks are discussed below. The fund is not a money market fund, and the value of your investment in the fund will fluctuate, which means you could lose money.

- *Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price.
- *Market risk.* The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may significantly overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.
- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates.
- *Derivatives risk.* In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities, indexes and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.

- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity.
- *Short sale risk.* The fund may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the fund to the risk that it will be required to buy the security sold short (also known as "covering the short position") at a time when the security has appreciated in value, thus resulting in a loss to the fund.
- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.



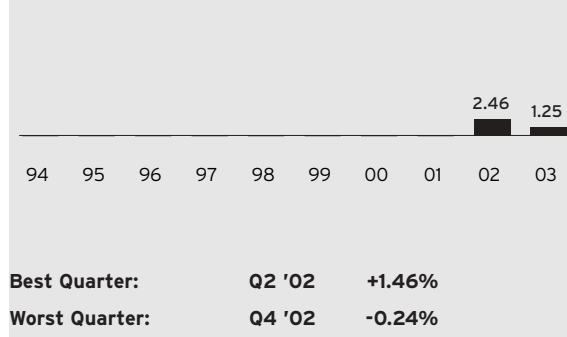
## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the changes in the performance of the fund's Class D shares from year to year. The table compares the average annual total returns of the fund's Class D shares to those of the Citigroup 1-Year Treasury Benchmark-on-the-Run Index, an unmanaged index generally representative of the average yield on 1-year U.S. Treasury bills. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. All of the fund's share classes invest in the same portfolio of securities. Performance of each share class will vary from the performance of the fund's other share classes due to differences in charges and expenses.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

### Year-by-year total returns as of 12/31 each year (%)

#### Class D shares



The fund's Class D year-to-date total return as of 9/30/04 was 0.42%.

### Average annual total returns as of 12/31/03

	1 Year	Since inception (11/15/01)
<b>Class D</b> <i>returns before taxes</i>	<b>1.25%</b>	<b>2.14%</b>
<b>Class D</b> <i>returns after taxes on distributions</i>	<b>0.46%</b>	<b>1.07%</b>
<b>Class D</b> <i>returns after taxes on distributions and sale of fund shares</i>	<b>0.81%</b>	<b>1.18%</b>
<b>Citigroup 1-Year Treasury Benchmark-on-the-Run Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>1.47%</b>	<b>2.37%</b>

### What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives you the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in the fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. You could lose money in this fund, but you also have the potential to make money.



## EXPENSES

As an investor, you pay certain fees and expenses in connection with the fund, which are described for Class D in the table below. Annual fund operating expenses are paid out of fund assets, so their effect is included in the share price. The fund has no sales charge (load) or Rule 12b-1 distribution fees for Class D shares.

### Fee table

#### Annual fund operating expenses

% of average daily net assets

Management fees	0.50%
Shareholder services fee	0.25%
Other expenses	0.13%

#### Total annual fund operating expenses

**0.88%**

Fee waiver and/or expense reimbursement

(0.08%)

#### Net operating expenses\*

**0.80%**

*\* Dreyfus has contractually agreed, until July 31, 2005, to waive receipt of its management fee and/or assume expenses of the fund so that fund expenses (excluding taxes, shareholder services fees, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) do not exceed 0.55% with respect to Class D shares.*

### Expense example

1 Year	3 Years	5 Years	10 Years
<b>\$82</b>	<b>\$273</b>	<b>\$480</b>	<b>\$1,077</b>

This example shows what you could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The one-year example and the first year of the three-, five-, and ten-years examples are based on net operating expenses, which reflect the expense waiver/reimbursement by Dreyfus. The figures shown would be the same whether you sold your shares at the end of a period or kept them. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.

**Shareholder services fee:** the fee paid to the fund's distributor for providing shareholder services.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, record keeping and/or sub-transfer agency services to beneficial owners of the fund.





## MANAGEMENT

### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.42% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC, and the directors of all or substantially all of the Dreyfus funds and the Dreyfus Founders funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.



## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, record keeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to you. Please contact your financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

This table describes the performance of the fund's Class D shares for the fiscal periods indicated. "Total return" shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all divi-

dends and distributions. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

	Year Ended July 31,		
	2004	2003 <sup>1</sup>	2002 <sup>2</sup>
<b>Per-Share Data (\$):</b>			
Net asset value, beginning of period	1.98	2.01	2.00
Investment operations: Investment income – net <sup>3</sup>	.03	.04	.05
Net realized and unrealized gain (loss) on investments	(.02)	(.02)	.01
Total from investment operations	.01	.02	.06
Distributions: Dividends from investment income – net	(.04)	(.05)	(.05)
Net asset value, end of period	1.95	1.98	2.01
Total Return (%)	.48	1.16	3.01 <sup>4</sup>
<b>Ratios/Supplemental Data (%):</b>			
Ratio of total expenses to average net assets	.88	.85	.92 <sup>5</sup>
Ratio of net expenses to average net assets	.80	.80	.75 <sup>5</sup>
Ratio of net investment income to average net assets	1.60	2.10	3.37 <sup>5</sup>
Portfolio turnover rate	309.23	371.43	96.09 <sup>4</sup>
Net assets, end of period (\$ x 1,000)	177,228	313,644	342,499

<sup>1</sup> The fund commenced offering five classes of shares on November 1, 2002. The existing shares were redesignated Class D shares.

<sup>2</sup> From November 15, 2001 (commencement of operations) to July 31, 2002.

<sup>3</sup> Based on average shares outstanding at each month end.

<sup>4</sup> Not annualized.

<sup>5</sup> Annualized.

# Your Investment



## ACCOUNT POLICIES

### Buying shares

You pay no sales charges to invest in Class D shares of the fund. Your price for Class D shares is the fund's net asset value per Class D share (NAV), which is generally calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. Your order will be priced at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value (such as when the value of a security has been materially affected by events occurring after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its NAV), the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

Minimum investments		
	Initial	Additional
<b>Regular accounts</b>	<b>\$10,000</b>	<b>\$100</b> <b>\$500</b> for Dreyfus TeleTransfer investments
<b>Traditional IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Spousal IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Roth IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Education Savings Accounts</b>	<b>\$500</b>	<b>no minimum</b> after the first year
<b>Dreyfus automatic investment plans</b>	<b>\$100</b>	<b>\$100</b>

All investments must be in U.S. dollars. Third-party checks cannot be accepted. You may be charged a fee for any check that does not clear. Maximum Dreyfus TeleTransfer purchase is \$150,000 per day.

### Concepts to understand

**Net asset value (NAV):** a share class's price on a given day. A share class's NAV is calculated by dividing the value of its net assets by the number of existing shares in the class.

**Third-party investments:** If you invest through a third party (rather than directly with Dreyfus), the policies and fees may be different than those described herein. Banks, brokers, 401(k) plans, financial advisers and financial supermarkets may charge transaction fees and may set different minimum investments or limitations on buying or selling shares. Consult a representative of your plan or financial institution for further information.

## Selling shares

You may sell (redeem) shares at any time. Your Class D shares will be sold at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with your redemption request. Your order will be processed promptly and you will generally receive the proceeds within a week.

Before selling shares recently purchased by check, Dreyfus TeleTransfer or Automatic Asset Builder, please note that:

- if you send a written request to sell such shares, the fund may delay sending the proceeds for up to eight business days following the purchase of those shares
- the fund will not process wire, telephone, online or Dreyfus TeleTransfer redemption requests for up to eight business days following the purchase of those shares

### Limitations on selling shares by phone or online through Dreyfus.com

Proceeds sent by	Minimum phone/online	Maximum phone/online
<b>Check*</b>	<b>no minimum</b>	<b>\$250,000</b> per day
<b>Wire</b>	<b>\$1,000</b>	<b>\$500,000</b> for joint accounts every 30 days/ <b>\$20,000</b> per day
<b>Dreyfus TeleTransfer</b>	<b>\$500</b>	<b>\$500,000</b> for joint accounts every 30 days/ <b>\$20,000</b> per day

\* Not available online on accounts whose address has been changed within the last 30 days.

## Written sell orders

Some circumstances require written sell orders along with signature guarantees. These include:

- amounts of \$10,000 or more on accounts whose address has been changed within the last 30 days
- requests to send the proceeds to a different payee or address

Written sell orders of \$100,000 or more must also be signature guaranteed.

**A signature guarantee** helps protect against fraud. You can obtain one from most banks or securities dealers, but not from a notary public. For joint accounts, each signature must be guaranteed. Please call us to ensure that your signature guarantee will be processed correctly.

## General policies

Unless you decline teleservice privileges on your application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be you and reasonably believed by the transfer agent to be genuine. You may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

### The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount you are redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)

### Small account policy

If your account falls below \$500, the fund may ask you to increase your balance. If it is still below \$500 after 45 days, the fund may close your account and send you the proceeds.



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless you instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to you as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to you as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long you have been in the fund and whether you reinvest your distributions or take them in cash.

**If you buy shares of a fund** when the fund has realized but not yet distributed income or capital gains, you will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

Your sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on your investment in the fund generally is the difference between the cost of your shares and the amount you receive when you sell them.

The tax status of your distributions will be detailed in your annual tax statement from the fund. Because everyone’s tax situation is unique, please consult your tax adviser before investing.



## SERVICES FOR FUND INVESTORS

### Automatic services

Buying or selling shares automatically is easy with the services described below. With each service, you select a schedule and amount, subject to certain restrictions. You can set up most of these services with your application or by calling 1-800-554-4611.

#### For investing

<b>Dreyfus Automatic Asset Builder®</b>	For making automatic investments from a designated bank account.
<b>Dreyfus Payroll Savings Plan</b>	For making automatic investments through a payroll deduction.
<b>Dreyfus Government Direct Deposit Privilege</b>	For making automatic investments from your federal employment, Social Security or other regular federal government check.
<b>Dreyfus Dividend Sweep</b>	For automatically reinvesting the dividends and distributions from one Dreyfus fund into another (not available for IRAs).

#### For exchanging shares

<b>Dreyfus Auto-Exchange Privilege</b>	For making regular exchanges from one Dreyfus fund into another.
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#### For selling shares

<b>Dreyfus Automatic Withdrawal Plan</b>	For making regular withdrawals from most Dreyfus funds.
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### Exchange privilege

You can exchange Class D shares worth \$500 or more (no minimum for retirement accounts) of the fund for shares of another Dreyfus fund or for Class D shares of another Dreyfus Premier fund. You can request your exchange in writing, by phone or online. Be sure to read the current prospectus for any fund into which you are exchanging before investing. Any new account established through an exchange will generally have the same privileges as your original account (as long as they are available). There is currently no fee for exchanges, although you may be charged a sales load when exchanging into any fund that has one.

### Dreyfus TeleTransfer privilege

To move money between your bank account and your Dreyfus fund account with a phone call or online, use the Dreyfus TeleTransfer privilege. You can set up Dreyfus TeleTransfer on your account by providing bank account information and following the instructions on your application.

### Dreyfus Express® voice-activated account access

You can easily manage your Dreyfus accounts, check your account balances, purchase fund shares, transfer money between your Dreyfus funds, get price and yield information and much more — when it's convenient for you — by calling 1-800-645-6561. Certain requests may require the services of a representative.

### Dreyfus Financial Centers

Through a nationwide network of Dreyfus Financial Centers, Dreyfus offers a full array of investment services and products. This includes information on mutual funds, brokerage services, tax-advantaged products and retirement planning.

Experienced financial advisers can help you make informed choices and provide you with personalized attention in handling account transactions. The Financial Centers also offer informative seminars and events. To find the Financial Center nearest you, call 1-800-499-3327.

### Retirement plans

Dreyfus offers a variety of retirement plans, including traditional and Roth IRAs, and Education Savings Accounts. Here's where you call for information:

- for traditional, rollover and Roth IRAs, and Education Savings Accounts, call **1-800-645-6561**
- for SEP-IRAs, Keogh accounts, 401(k) and 403(b) accounts, call **1-800-358-0910**

## INSTRUCTIONS FOR REGULAR ACCOUNTS

### TO OPEN AN ACCOUNT



#### In Writing

Complete the application.

Mail your application and a check to:

The Dreyfus Family of Funds

P.O. Box 55299, Boston, MA 02205-8502

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check.

Mail the slip and the check to:

The Dreyfus Family of Funds

P.O. Box 105, Newark, NJ 07101-0105

### TO SELL SHARES

Write a letter of instruction that includes:

- your name(s) and signature(s)
- your account number
- the fund name
- Class D shares
- the dollar amount you want to sell
- how and where to send the proceeds

Obtain a signature guarantee or other documentation, if required (see "Account Policies – Selling Shares").

Mail your request to:

The Dreyfus Family of Funds

P.O. Box 55263, Boston, MA 02205-8501



#### By Telephone

**Wire** Call us to request an account application and an account number. Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485914
- the fund name
- Class D shares
- your account number
- name(s) of investor(s)

Return your application with the account number on the application.

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485914
- the fund name
- Class D shares
- your account number
- name(s) of investor(s)

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Call us to request your transaction.

**Wire** Be sure the fund has your bank account information on file. Call us to request your transaction. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Be sure the fund has your bank account information on file. Call us to request your transaction. Proceeds will be sent to your bank by electronic check.

**Check** Call us to request your transaction. A check will be sent to the address of record.

## Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

To reach Dreyfus, call toll free in the U.S.

**1-800-645-6561**

Outside the U.S. 516-794-5452

Make checks payable to:

**The Dreyfus Family of Funds**

You also can deliver requests to any Dreyfus Financial Center. Because processing time may vary, please ask the representative when your account will be credited or debited.



INSTRUCTIONS FOR **REGULAR ACCOUNTS** (continued)

TO OPEN AN ACCOUNT

TO ADD TO AN ACCOUNT

TO SELL SHARES



Online ([www.dreyfus.com](http://www.dreyfus.com))

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Visit the Dreyfus Web site to request your transaction.

**Wire** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Visit the Dreyfus Web site to request your transaction. A check will be sent to the address of record.



Automatically

**With an initial investment** Indicate on your application which automatic service(s) you want. Return your application with your investment.




**Without any initial investment** Check the Dreyfus Step Program option on your application. Return your application, then complete the additional materials when they are sent to you.

**All services** Call us to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials.

**Dreyfus Automatic Withdrawal Plan** Call us to request a form to add the plan. Complete the form, specifying the amount and frequency of withdrawals you would like.

Be sure to maintain an account balance of \$5,000 or more.

## INSTRUCTIONS FOR IRAS

TO OPEN AN ACCOUNT	TO ADD TO AN ACCOUNT	TO SELL SHARES
 <p><b>In Writing</b></p> <p>Complete an IRA application, making sure to specify the fund name and to indicate the year the contribution is for.</p> <p>Mail your application and a check to: The Dreyfus Trust Company, Custodian P.O. Box 55552, Boston, MA 02205-8568</p>	<p>Fill out an investment slip, and write your account number on your check. Indicate the year the contribution is for.</p> <p>Mail in the slip and the check (see "To Open an Account" at left).</p>	<p>Write a letter of instruction that includes:</p> <ul style="list-style-type: none"> <li>• your name and signature</li> <li>• your account number</li> <li>• the fund name</li> <li>• Class D shares</li> <li>• the dollar amount you want to sell</li> <li>• how and where to send the proceeds</li> <li>• whether the distribution is qualified or premature</li> <li>• whether the 10% TEFRA should be withheld</li> </ul> <p>Obtain a signature guarantee or other documentation, if required (see "Account Policies – Selling Shares").</p> <p>Mail in your request (see "To Open an Account" at left).</p>
 <p><b>By Telephone</b></p>	<p><b>Wire</b> Have your bank send your investment to The Bank of New York, with these instructions:</p> <ul style="list-style-type: none"> <li>• ABA# 021000018</li> <li>• DDA# 8900485914</li> <li>• the fund name</li> <li>• Class D shares</li> <li>• your account number</li> <li>• name of investor</li> <li>• the contribution year</li> </ul> <p><b>Electronic check</b> Same as wire, but insert "111" before your 14-digit account number.</p> <p><b>Telephone Contribution</b> Call to request us to move money from a regular Dreyfus account to an IRA (both accounts must be held in the same shareholder name).</p>	
 <p><b>Automatically</b></p> <p><b>Without any initial investment</b> Call us to request a Dreyfus Step Program form. Complete and return the form along with your application.</p>	<p><b>All services</b> Call us to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials. All contributions will count as current year.</p>	<p><b>Systematic Withdrawal Plan</b> Call us to request instructions to establish the plan.</p>

### Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

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Outside the U.S. 516-794-5452

Make checks payable to:

**The Dreyfus Trust Company, Custodian**

You also can deliver requests to any Dreyfus Financial Center. Because processing time may vary, please ask the representative when your account will be credited or debited.



# For More Information

**Dreyfus Premier Yield Advantage Fund**  
a series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Annual/Semiannual Report**

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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**By telephone**

Call 1-800-645-6561

**By mail** Write to:

The Dreyfus Family of Funds  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**By E-mail** Send your request to [info@dreyfus.com](mailto:info@dreyfus.com)

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:

**SEC** <http://www.sec.gov>

**Dreyfus** <http://www.dreyfus.com>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.



# Dreyfus Premier Short Term Income Fund

Seeks to maximize total return, consisting of  
capital appreciation and current income

**PROSPECTUS** December 1, 2004

**Class D Shares**



YOU, YOUR ADVISOR AND  
**Dreyfus**  
A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## For More Information

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*See back cover.*



## GOAL/APPROACH

The fund seeks to maximize total return, consisting of capital appreciation and current income. To pursue this goal, the fund invests at least 80% of its assets in fixed-income securities of U.S. and foreign issuers rated investment grade or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stocks, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs), and foreign bonds.

Typically, the fund's portfolio can be expected to have an average effective maturity and an average effective duration of three years or less.

For additional yield, the fund may invest up to 20% of its assets in fixed-income securities rated below investment grade ("high yield" or "junk" bonds) to as low as Caa/CCC or the unrated equivalent as determined by Dreyfus.

The fund will focus primarily on U.S. securities, but may invest up to 30% of its total assets in fixed-income securities of foreign issuers, including those of issuers in emerging markets.

The portfolio manager buys and sells fixed-income securities based on credit quality, financial outlook and yield potential. Fixed-income securities with deteriorating credit quality are potential sell candidates, while those offering higher yields are potential buy candidates.

# The Fund

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. To enhance current income, the fund also may engage in a series of purchase and sale contracts or forward roll transactions in which the fund sells a mortgage-related security, for example, to a financial institution and simultaneously agrees to purchase a similar security from the institution at a later date at an agreed-upon price.

## Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium-, and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.

**Bond rating:** a ranking of a bond's quality, based on its ability to pay interest and repay principal. Bonds are rated from a high of "AAA" (highly unlikely to default) through a low of "D" (companies already in default).

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more likely it is to react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** an average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity.



## MAIN RISKS

The fund's principal risks are discussed below. The value of your investment in the fund will fluctuate, which means you could lose money.

- *Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price. Although the fund invests primarily in investment grade bonds, the fund may invest to a limited extent in high yield ("junk") bonds, which involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- *Market risk.* The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates. The bonds of issuers located in emerging markets can be more volatile and less liquid than those of issuers located in more mature economies.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.



- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity.
- *Derivatives risk.* In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities, indexes and interest rates), and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.
- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.
- *Non-diversification risk.* The fund is non-diversified, which means that a relatively high percentage of the fund's assets may be invested in a limited number of issuers. Therefore, the fund's performance may be more vulnerable to changes in the market value of a single issuer and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified fund.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.



## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the changes in the performance of the fund's Class D shares from year to year. The table compares the average annual total returns of the fund's Class D shares to those of the Merrill Lynch 1-5 Year Corporate/Government Index, an unmanaged performance benchmark for investment grade corporate securities and U.S. government securities in that maturity range. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. All of the fund's share classes invest in the same portfolio of securities. Performance of each share class will vary from the performance of the fund's other share classes due to differences in charges and expenses.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.



The fund's Class D year-to-date total return as of 9/30/04 was 0.36%.

### Average annual total returns as of 12/31/03

	1 Year	5 Years	10 Years
<b>Class D</b> <i>returns before taxes</i>	<b>2.54%</b>	<b>5.27%</b>	<b>5.60%</b>
<b>Class D</b> <i>returns after taxes on distributions</i>	<b>1.16%</b>	<b>2.98%</b>	<b>3.04%</b>
<b>Class D</b> <i>returns after taxes on distributions and sale of fund shares</i>	<b>1.65%</b>	<b>3.07%</b>	<b>3.15%</b>
<b>Merrill Lynch 1-5 Year Corporate/Government Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	<b>3.30%</b>	<b>6.21%</b>	<b>6.25%</b>

### What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives you the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in this fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. You could lose money in this fund, but you also have the potential to make money.



## EXPENSES

As an investor, you pay certain fees and expenses in connection with the fund, which are described for Class D in the table below. Annual fund operating expenses are paid out of fund assets, so their effect is included in the share price. The fund has no sales charge (load) or Rule 12b-1 distribution fees for Class D.

Fee table	
<b>Annual fund operating expenses</b>	
<i>% of average daily net assets</i>	
Management fees	0.50%
Shareholder services fee	0.20%
Other expenses	0.17%
<b>Total</b>	<b>0.87%</b>

Expense example			
1 Year	3 Years	5 Years	10 Years
<b>\$89</b>	<b>\$278</b>	<b>\$482</b>	<b>\$1,073</b>
This example shows what you could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The figures shown would be the same whether you sold your shares at the end of a period or kept them. Because actual returns and expenses will be different, the example is for comparison only.			

## Concepts to understand

- Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.
- Shareholder services fee:** the fee paid to the fund's distributor for shareholder account service and maintenance.
- Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, record keeping and/or sub-transfer agency services to beneficial owners of the fund.



## MANAGEMENT

### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.50% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC, and the directors of all or substantially all of the Dreyfus funds and the Dreyfus Founders funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.

## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, record keeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to you. Please contact your financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

The following table describes the performance of the fund's Class D shares for the fiscal periods indicated. "Total return" shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had

reinvested all dividends and distributions. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

	2004	Year Ended July 31,			
		2003 <sup>1</sup>	2002 <sup>2</sup>	2001	2000
<b>Per-Share Data (\$):</b>					
Net asset value, beginning of period	11.50	11.69	12.19	11.70	11.63
Investment operations:					
Investment income – net	.27 <sup>3</sup>	.40 <sup>3</sup>	.64 <sup>3</sup>	.77	.71
Net realized and unrealized gain (loss) on investments	(.23)	(.09)	(.47)	.50	.07
Total from investment operations	.04	.31	.17	1.27	.78
Distributions:					
Dividends from investment income – net	(.40)	(.50)	(.67)	(.78)	(.71)
Dividends from net realized gain on investments	(.01)	–	–	–	–
Total distributions	(.41)	(.50)	(.67)	(.78)	(.71)
Net asset value, end of period	11.13	11.50	11.69	12.19	11.70
Total Return (%)	.28	2.69	1.46	11.17	7.50
<b>Ratios/Supplemental Data (%):</b>					
Ratio of total expenses to average net assets	.87	.88	.80	.84	.84
Ratio of net investment income to average net assets	2.36	3.45	5.31	6.46	6.64
Portfolio turnover rate	695.82 <sup>4</sup>	460.89	220.23	322.69	272.46
Net assets, end of period (\$ x 1,000)	573,676	850,189	1,121,684	806,545	428,093

<sup>1</sup> The fund commenced offering four classes of shares on November 1, 2002. The existing shares were redesignated Class D shares.

<sup>2</sup> As required, effective August 1, 2001, the fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on fixed-income securities on a scientific basis and including paydown gains and losses in interest income. The effect of this change for the period ended July 31, 2002 was to decrease net investment income per share by \$.04, increase net realized and unrealized gain (loss) on investments per share by \$.04 and decrease the ratio of net investment income to average net assets from 5.62% to 5.31%. Per-share data and ratios/supplemental data for periods prior to August 1, 2001 have not been restated to reflect these changes in presentation.

<sup>3</sup> Based on average shares outstanding at each month end.

<sup>4</sup> The portfolio turnover rate excluding mortgage dollar roll transactions for the year ended July 31, 2004 was 665.12%.

# Your Investment



## ACCOUNT POLICIES

### Buying shares

You pay **no sales charges** to invest in Class D shares of the fund. Your price for Class D shares is the net asset value per share (NAV), which is generally calculated as of the close of trading on the New York Stock Exchange (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. Your order will be priced at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value such as when the value of a security has been materially affected by events occurring after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its NAV, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

### Minimum investments

#### Class D

	Initial	Additional
<b>Regular accounts</b>	<b>\$2,500</b>	<b>\$100; \$500</b> for Dreyfus TeleTransfer investments
<b>Traditional IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Spousal IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Roth IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Education Savings Accounts</b>	<b>\$500</b>	<b>no minimum</b> after the first year
<b>Dreyfus automatic investment plans</b>	<b>\$100</b>	<b>\$100</b>

All investments must be in U.S. dollars. Third-party checks cannot be accepted. You may be charged a fee for any check that does not clear. Maximum Dreyfus TeleTransfer purchase is \$150,000 per day.

### Concepts to understand

**Net asset value (NAV):** a share class's price on a given day. A share class's NAV is calculated by dividing the value of its net assets by the number of existing shares in the class.

**Third-party investments:** If you invest through a third party (rather than directly with Dreyfus), the policies and fees may be different than those described herein. Banks, brokers, 401(k) plans, financial advisers and financial supermarkets may charge transaction fees and may set different minimum investments or limitations on buying or selling shares. Consult a representative of your plan or financial institution for further information.

## Selling shares

You may sell (redeem) shares at any time. Your shares will be sold at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with your redemption request. Your order will be processed promptly and you will generally receive the proceeds within a week.

Before selling or writing a check against shares recently purchased by check, Dreyfus TeleTransfer or Automatic Asset Builder, please note that:

- if you send a written request to sell such shares, the fund may delay sending the proceeds for up to eight business days following the purchase of those shares
- the fund will not honor redemption checks, or process wire, telephone, online or Dreyfus TeleTransfer redemption requests, for up to eight business days following the purchase of those shares

### Limitations on selling shares by phone or online through Dreyfus.com

Proceeds sent by	Minimum phone/online	Maximum phone/online
<b>Check*</b>	<b>no minimum</b>	<b>\$250,000</b> per day
<b>Wire</b>	<b>\$1,000</b>	<b>\$500,000</b> for joint accounts every 30 days/ <b>\$20,000</b> per day
<b>Dreyfus TeleTransfer</b>	<b>\$500</b>	<b>\$500,000</b> for joint accounts every 30 days/ <b>\$20,000</b> per day

\* Not available online on accounts whose address has been changed within the last 30 days.

## Written sell orders

Some circumstances require written sell orders along with signature guarantees. These include:

- amounts of \$10,000 or more on accounts whose address has been changed within the last 30 days
- requests to send the proceeds to a different payee or address

Written sell orders of \$100,000 or more must also be signature guaranteed.

**A signature guarantee** helps protect against fraud. You can obtain one from most banks or securities dealers, but not from a notary public. For joint accounts, each signature must be guaranteed. Please call us to ensure that your signature guarantee will be processed correctly.



## General policies

Unless you decline teleservice privileges on your application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be you and reasonably believed by the transfer agent to be genuine. You may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

### The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount you are redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)

### Small account policy

If your account falls below \$500, your fund may ask you to increase your balance. If it is still below \$500 after 45 days, the fund may close your account and send you the proceeds.



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless you instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to you as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to you as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long you have been in the fund and whether you reinvest your distributions or take them in cash.

**If you buy shares of a fund** when the fund has realized but not yet distributed income or capital gains, you will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

Your sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on your investment in the fund generally is the difference between the cost of your shares and the amount you receive when you sell them.

The tax status of your distributions will be detailed in your annual tax statement from the fund. Because everyone’s tax situation is unique, please consult your tax adviser before investing.



## SERVICES FOR FUND INVESTORS

### Automatic services

Buying or selling shares automatically is easy with the services described below. With each service, you select a schedule and amount, subject to certain restrictions. You can set up most of these services with your application or by calling 1-800-645-6561.

#### For investing

**Dreyfus Automatic Asset Builder®** For making automatic investments from a designated bank account.

**Dreyfus Payroll Savings Plan** For making automatic investments through a payroll deduction.

**Dreyfus Government Direct Deposit Privilege** For making automatic investments from your federal employment, Social Security or other regular federal government check.

**Dreyfus Dividend Sweep** For automatically reinvesting the dividends and distributions from one Dreyfus fund into another (not available for IRAs).

#### For exchanging shares

**Dreyfus Auto-Exchange Privilege** For making regular exchanges from one Dreyfus fund into another.

#### For selling shares

**Dreyfus Automatic Withdrawal Plan** For making regular withdrawals from most Dreyfus funds.

### Dreyfus Financial Centers

Through a nationwide network of Dreyfus Financial Centers, Dreyfus offers a full array of investment services and products. This includes information on mutual funds, brokerage services, tax-advantaged products and retirement planning.

Experienced financial advisers can help you make informed choices and provide you with personalized attention in handling account transactions. The Financial Centers also offer informative seminars and events. To find the Financial Center nearest you, call **1-800-499-3327**.

### Checkwriting privilege

You may write redemption checks against your account in amounts of \$500 or more. These checks are free; however, a fee will be charged if you request a stop payment or if the transfer agent cannot honor a redemption check due to insufficient funds or another valid reason. Please do not post-date your checks or use them to close your account.

### Exchange privilege

You can exchange Class D shares worth \$500 or more (no minimum for retirement accounts) for shares of another Dreyfus fund or for Class D shares of another Dreyfus Premier fund. You can request your exchange in writing, by phone or online. Be sure to read the current prospectus for any fund into which you are exchanging before investing. Any new account established through an exchange will have the same privileges as your original account (as long as they are available). There is currently no fee for exchanges, although you may be charged a sales load when exchanging into any fund that has one.

### Dreyfus TeleTransfer privilege

To move money between your bank account and your Dreyfus fund account with a phone call or online, use the Dreyfus TeleTransfer privilege. You can set up Dreyfus TeleTransfer on your account by providing bank account information and following the instructions on your application.

### Dreyfus Express® voice-activated account access

You can easily manage your Dreyfus accounts, check your account balances, purchase fund shares, transfer money between your Dreyfus funds, get price and yield information and much more — when it's convenient for you — by calling 1-800-645-6561. Certain requests may require the services of a representative.

### Retirement plans

Dreyfus offers a variety of retirement plans, including traditional and Roth IRAs, and Education Savings Accounts. Here's where you call for information:

- for traditional, rollover and Roth IRAs, and Education Savings Accounts, call **1-800-645-6561**
- for SEP-IRAs, Keogh accounts, 401(k) and 403(b) accounts, call **1-800-358-0910**

## INSTRUCTIONS FOR REGULAR ACCOUNTS

### TO OPEN AN ACCOUNT



#### In Writing

Complete the application.  
Mail your application and a check to:  
The Dreyfus Family of Funds  
P.O. Box 55268, Boston, MA 02205-8553

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check.  
Mail the slip and the check to:  
The Dreyfus Family of Funds  
P.O. Box 105, Newark, NJ 07101-0105

### TO SELL SHARES

Write a redemption check **or** letter of instruction that includes:

- your name(s) and signature(s)
- your account number
- the fund name
- Class D shares
- the dollar amount you want to sell
- how and where to send the proceeds

Obtain a signature guarantee or other documentation, if required (see "Account Policies – Selling Shares").

Mail your request to:  
The Dreyfus Family of Funds  
P.O. Box 55263, Boston, MA 02205-8501



#### By Telephone

**Wire** Call us to request an account application and an account number. Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900117028
- the fund name
- Class D shares
- your account number
- name(s) of investor(s)

Return your application with the account number on the application.

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900117028
- the fund name
- Class D shares
- your account number
- name(s) of investor(s)

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Call us to request your transaction.

**Wire** Be sure the fund has your bank account information on file. Call us to request your transaction. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Be sure the fund has your bank account information on file. Call us to request your transaction. Proceeds will be sent to your bank by electronic check.

**Check** Call us to request your transaction. A check will be sent to the address of record.

## Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

To reach Dreyfus, call toll free in the U.S.

**1-800-645-6561**

Outside the U.S. 516-794-5452

Make checks payable to:

**The Dreyfus Family of Funds**

You also can deliver requests to any Dreyfus Financial Center. Because processing time may vary, please ask the representative when your account will be credited or debited.

INSTRUCTIONS FOR **REGULAR ACCOUNTS** (continued)

TO OPEN AN ACCOUNT



Online ([www.dreyfus.com](http://www.dreyfus.com))

TO ADD TO AN ACCOUNT

TO SELL SHARES

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Visit the Dreyfus Web site to request your transaction.

**Wire** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Visit the Dreyfus Web site to request your transaction. A check will be sent to the address of record.



Automatically

**With an initial investment** Indicate on your application which automatic service(s) you want. Return your application with your investment.




**Without any initial investment** Check the Dreyfus Step Program option on your application. Return your application, then complete the additional materials when they are sent to you.

**All services** Call us to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the forms along with any other required materials.

**Dreyfus Automatic Withdrawal Plan** Call us to request a form to add the plan. Complete the form, specifying the amount and frequency of withdrawals you would like.

Be sure to maintain an account balance of \$5,000 or more.

## INSTRUCTIONS FOR IRAS

TO OPEN AN ACCOUNT	TO ADD TO AN ACCOUNT	TO SELL SHARES
 <b>In Writing</b> — <p>Complete an IRA application, making sure to specify the fund name and to indicate the year the contribution is for.</p> <p>Mail your application and a check to: The Dreyfus Trust Company, Custodian P.O. Box 55552, Boston, MA 02205-8568</p>	<p>Fill out an investment slip, and write your account number on your check. Indicate the year the contribution is for.</p> <p>Mail in the slip and the check (see “To Open an Account” at left).</p>	<p>Write a letter of instruction that includes:</p> <ul style="list-style-type: none"> <li>• your name and signature</li> <li>• your account number</li> <li>• the fund name</li> <li>• Class D shares</li> <li>• the dollar amount you want to sell</li> <li>• how and where to send the proceeds</li> <li>• whether the distribution is qualified or premature</li> <li>• whether the 10% TEFRA should be withheld</li> </ul> <p>Obtain a signature guarantee or other documentation, if required (see “Account Policies – Selling Shares”).</p> <p>Mail in your request (see “To Open an Account” at left).</p>
 <b>By Telephone</b> — <p>_____</p>	<p><b>Wire</b> Have your bank send your investment to The Bank of New York, with these instructions:</p> <ul style="list-style-type: none"> <li>• ABA# 021000018</li> <li>• DDA# 8900117028</li> <li>• the fund name</li> <li>• Class D shares</li> <li>• your account number</li> <li>• name of investor</li> <li>• the contribution year</li> </ul> <p><b>Electronic check</b> Same as wire, but insert “111” before your 14-digit account number.</p> <p><b>Telephone Contribution</b> Call to request us to move money from a regular Dreyfus account to an IRA (both accounts must be held in the same shareholder name).</p>	<p>_____</p>
 <b>Automatically</b> — <p><b>Without any initial investment</b> Call us to request a Dreyfus Step Program form. Complete and return the form along with your application.</p>	<p><b>All services</b> Call us to request a form to add any automatic investing service (see “Services for Fund Investors”). Complete and return the form along with any other required materials. All contributions will count as current year.</p>	<p><b>Systematic Withdrawal Plan</b> Call us to request instructions to establish the plan.</p>

### Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

To reach Dreyfus, call toll free in the U.S.

**1-800-645-6561**

Outside the U.S. 516-794-5452

Make checks payable to:

**The Dreyfus Trust Company, Custodian**

You also can deliver requests to any Dreyfus Financial Center. Because processing time may vary, please ask the representative when your account will be credited or debited.



# For More Information

**Dreyfus Premier Short Term Income Fund**  
A series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Annual/Semiannual Report**

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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**By telephone**

Call 1-800-645-6561

**By mail** Write to:

The Dreyfus Family of Funds  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**By E-mail** Send your request to [info@dreyfus.com](mailto:info@dreyfus.com)

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:

**SEC** <http://www.sec.gov>

**Dreyfus** <http://www.dreyfus.com>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.





# Dreyfus Premier Short Term Income Fund

Seeks to maximize total return, consisting of  
capital appreciation and current income

**PROSPECTUS** December 1, 2004

**Class A, B and P Shares**



YOU, YOUR ADVISOR AND

**Dreyfus**

A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## For More Information

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*See back cover.*



## GOAL/APPROACH

The fund seeks to maximize total return, consisting of capital appreciation and current income. To pursue this goal, the fund invests at least 80% of its assets in fixed-income securities of U.S. and foreign issuers rated investment grade or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stocks, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs), and foreign bonds.

Typically, the fund's portfolio can be expected to have an average effective maturity and an average effective duration of three years or less.

For additional yield, the fund may invest up to 20% of its assets in fixed-income securities rated below investment grade ("high yield" or "junk" bonds) to as low as Caa/CCC or the unrated equivalent as determined by Dreyfus.

The fund will focus primarily on U.S. securities, but may invest up to 30% of its total assets in fixed-income securities of foreign issuers, including those of issuers in emerging markets.

The portfolio manager buys and sells fixed-income securities based on credit quality, financial outlook and yield potential. Fixed-income securities with deteriorating credit quality are potential sell candidates, while those offering higher yields are potential buy candidates.

# The Fund

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund may enter into swap agreements, such as credit default swaps, which can be used to transfer the credit risk of a security without actually transferring ownership of the security. To enhance current income, the fund also may engage in a series of purchase and sale contracts or forward roll transactions in which the fund sells a mortgage-related security, for example, to a financial institution and simultaneously agrees to purchase a similar security from the institution at a later date at an agreed-upon price.

## Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium-, and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.

**Bond rating:** a ranking of a bond's quality, based on its ability to pay interest and repay principal. Bonds are rated from a high of "AAA" (highly unlikely to default) through a low of "D" (companies already in default).

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more likely it is to react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** an average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity.



## MAIN RISKS

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The fund's principal risks are discussed below. The value of your investment in the fund will fluctuate, which means you could lose money.

- *Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price. Although the fund invests primarily in investment grade bonds, the fund may invest to a limited extent in high yield ("junk") bonds, which involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. The prices of high yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- *Market risk.* The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates. The bonds of issuers located in emerging markets can be more volatile and less liquid than those of issuers located in more mature economies.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.

- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity.
- *Derivatives risk.* In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities, indexes and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.

## What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives you the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in this fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. You could lose money in this fund, but you also have the potential to make money.

- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.
- *Non-diversification risk.* The fund is non-diversified, which means that a relatively high percentage of the fund's assets may be invested in a limited number of issuers. Therefore, the fund's performance may be more vulnerable to changes in the market value of a single issuer and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified fund.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.



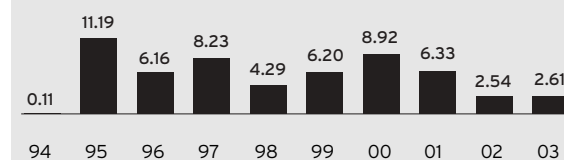
## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the performance of the fund's Class A shares from year to year. Sales loads are not reflected in the chart; if they were, the returns shown would have been lower. The table compares the average annual total returns of the fund's Class A, B and P shares to those of the Merrill Lynch 1-5 Year Corporate/Government Index, an unmanaged performance benchmark for investment grade corporate securities and U.S. government securities in that maturity range. These returns include the fund's applicable sales loads. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. The historical performance of the fund's Class D shares, which are not offered in this prospectus, is used to calculate the performance shown in the bar chart and table for periods prior to November 1, 2002 (the date Class A, B and P shares were initially offered). All of the fund's share classes invest in the same portfolio of securities. Performance of each share class will vary from the performance of the fund's other share classes due to difference in charges and expenses. The performance figures shown have not been adjusted to reflect differences in service and distribution fees; if these expenses had been reflected, the performance shown for Class A, B and P shares would have been lower.

After-tax performance is shown only for Class A shares (based on the fund's Class D performance for periods prior to November 1, 2002, adjusted to reflect sales loads). After-tax performance of the fund's other share classes will vary. After-tax returns are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

Year-by-year total returns as of 12/31 each year (%)

**Class A shares\***



**Best Quarter:** Q2 '95 +4.15%

**Worst Quarter:** Q1 '94 -0.79%

The fund's Class A year-to-date total return as of 9/30/04 was 0.34%.

Average annual total returns as of 12/31/03\*

	1 Year	5 Years	10 Years
<b>Class A</b> returns before taxes	-0.49%	4.66%	5.29%
<b>Class A</b> returns after taxes on distributions	-1.83%	2.38%	2.74%
<b>Class A</b> returns after taxes on distributions and sale of fund shares	-0.32%	2.55%	2.88%
<b>Class B</b> returns before taxes	-1.94%	3.04%	5.55%
<b>Class P</b> returns before taxes	2.72%	5.34%	5.63%
<b>Merrill Lynch 1-5 Year Corporate/ Government Index</b> reflects no deduction for fees, expenses or taxes	3.30%	6.21%	6.25%

\* Based on Class D performance for periods prior to November 1, 2002, adjusted to reflect class-specific sales charges.



## EXPENSES

As an investor, you pay certain fees and expenses in connection with the fund, which are described in the table below.

Fee table			
	Class A	Class B	Class P
<b>Shareholder transaction fees</b> ( <i>fees paid from your account</i> )			
Maximum front-end sales charge on purchases <i>% of offering price</i>	<b>3.00</b>	<b>none</b>	<b>none</b>
Maximum contingent deferred sales charge (CDSC) <i>% of purchase or sale price, whichever is less</i>	<b>none*</b>	<b>4.00</b>	<b>none</b>
<b>Annual fund operating expenses</b> ( <i>expenses paid from fund assets</i> )			
<i>% of average daily net assets</i>			
Management fees	<b>.50</b>	<b>.50</b>	<b>.50</b>
Rule 12b-1 fee	<b>none</b>	<b>.50</b>	<b>none</b>
Shareholder services fee	<b>.25</b>	<b>.25</b>	<b>.25</b>
Other expenses	<b>.15</b>	<b>.29</b>	<b>.11</b>
<b>Total</b>	<b>.90</b>	<b>1.54</b>	<b>.86</b>

\* Shares bought without an initial sales charge as part of an investment of \$250,000 or more may be charged a CDSC of 0.75% if redeemed within 18 months.

Expense example				
	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	<b>\$389</b>	<b>\$578</b>	<b>\$784</b>	<b>\$1,375</b>
<b>Class B</b>				
<i>with redemption</i>	<b>\$557</b>	<b>\$786</b>	<b>\$1,039</b>	<b>\$1,504**</b>
<i>without redemption</i>	<b>\$157</b>	<b>\$486</b>	<b>\$839</b>	<b>\$1,504**</b>
<b>Class P</b>	<b>\$88</b>	<b>\$274</b>	<b>\$477</b>	<b>\$1,061</b>

\*\* Assumes conversion of Class B to Class A at end of the sixth year following the date of purchase.

This example shows what you could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.

**Rule 12b-1 fee:** the fee paid to the fund's distributor for financing the sale and distribution of Class B shares. Because this fee is paid out of the fund's assets on an ongoing basis, over time it will increase the cost of your investment and may cost you more than paying other types of sales charges.

**Shareholder services fee:** the fee paid to the fund's distributor for providing shareholder services.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of the fund.





## MANAGEMENT

### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.50% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC and the directors of certain of the Dreyfus funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.



## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to you. Please contact your financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

The following tables describe the performance of the fund's Class A, B and P shares for the fiscal periods indicated. "Total return" shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had

reinvested all dividends and distributions. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

Class A	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	11.51	11.59
Investment operations: Investment income – net <sup>2</sup>	.26	.17
Net realized and unrealized gain (loss) on investments	(.23)	.12
Total from investment operations	.03	.29
Distributions: Dividends from investment income – net	(.39)	(.37)
Dividends from net realized gain on investments	(.01)	–
Total distributions	(.40)	(.37)
Net asset value, end of period	11.14	11.51
Total Return (%) <sup>3</sup>	.24	2.52 <sup>4</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	.90	.89 <sup>5</sup>
Ratio of net investment income to average net assets	2.31	2.09 <sup>5</sup>
Portfolio turnover rate	695.82 <sup>6</sup>	460.89
Net assets, end of period (\$ x 1,000)	16,296	18,578

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Exclusive of sales charge.

<sup>4</sup> Annualized.

<sup>5</sup> Not annualized.

<sup>6</sup> The portfolio turnover rate excluding mortgage dollar roll transactions for the year ended July 31, 2004 was 665.12%.

Class B	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	11.50	11.59
Investment operations: Investment income – net <sup>2</sup>	.19	.14
Net realized and unrealized gain (loss) on investments	(.23)	.10
Total from investment operations	(.04)	.24
Distributions: Dividends from investment income – net	(.32)	(.33)
Dividends from net realized gain on investments	(.01)	–
Total distributions	(.33)	(.33)
Net asset value, end of period	11.13	11.50
Total Return (%) <sup>3</sup>	(.39)	2.11 <sup>4</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	1.54	1.43 <sup>5</sup>
Ratio of net investment income to average net assets	1.64	1.67 <sup>5</sup>
Portfolio turnover rate	695.82 <sup>5</sup>	460.89
Net assets, end of period (\$ x 1,000)	13,323	11,367

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Exclusive of sales charge.

<sup>4</sup> Not annualized.

<sup>5</sup> Annualized.

<sup>6</sup> The portfolio turnover rate excluding mortgage dollar roll transactions for the year ended July 31, 2004 was 665.12%.

Class P	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	11.51	11.59
Investment operations: Investment income – net <sup>2</sup>	.28	.20
Net realized and unrealized gain (loss) on investments	(.22)	.09
Total from investment operations	.06	.29
Distributions: Dividends from investment income – net	(.41)	(.37)
Dividends from net realized gain on investments	(.01)	–
Total distributions	(.42)	(.37)
Net asset value, end of period	11.15	11.51
Total Return (%)	.38	2.53 <sup>3</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	.86	.85 <sup>4</sup>
Ratio of net investment income to average net assets	2.41	2.33 <sup>4</sup>
Portfolio turnover rate	695.82 <sup>5</sup>	460.89
Net assets, end of period (\$ x 1,000)	12,121	19,763

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

<sup>5</sup> The portfolio turnover rate excluding mortgage dollar roll transactions for the year ended July 31, 2004 was 665.12%.

# Your Investment



## SHAREHOLDER GUIDE

The Dreyfus Premier Funds are designed primarily for people who are investing through a third party, such as a bank, broker-dealer or financial adviser, or in a 401(k) or other retirement plan. Third parties with whom you open a fund account may impose policies, limitations and fees which are different from those described in this prospectus. Consult a representative of your plan or financial institution for further information.

Your financial representative may receive different compensation for selling one class of shares than for selling another class. It is important to remember that the CDSCs and Rule 12b-1 fees for Class B shares have the same purpose as the front-end sales charge on sales of Class A shares: to compensate the distributor for concessions and expenses it pays to dealers and financial institutions for selling shares.

### Deciding which class of shares to buy

This prospectus offers Class A, B and P shares of the fund. The different classes represent investments in the same portfolio of securities, but the classes are subject to different expenses and will likely have different share prices. When choosing a class, you should consider your investment amount, anticipated holding period, the potential costs over your holding period and whether you qualify for any reduction or waiver of the sales charge.

When you invest in Class A shares you generally pay an initial sales charge. Class A and Class P shares have no ongoing Rule 12b-1 fees. Each class is subject to a shareholder service fee. Please see below for more information regarding the eligibility requirements.

A more complete description of each class follows. You should review these arrangements with your investment professional before determining which class to invest in.

	Class A	Class B	Class P
Initial sales charge	up to 2.00%	none	none
Ongoing distribution fee (Rule 12b-1 fee)	none	0.50%	none
Ongoing shareholder service fee	0.25%	0.25%	0.25%
Contingent deferred sales charge	0.75% on sale of shares bought within eighteen months without an initial sales charge as part of an investment of \$250,000 or more	sliding scale over six years	none
Conversion feature	no	yes	no
Recommended purchase maximum	none	\$100,000	none

## Class A share considerations

When you invest in Class A shares, you pay the public offering price, which is the share price, or NAV, plus the initial sales charge that may apply to your purchase. The amount of the initial sales charge is based on the size of your investment, as the following table shows. We also describe below how you may reduce or eliminate the initial sales charge. (See “Sales charge reductions and waivers.”)

Since some of your investment goes to pay an up-front sales charge when you purchase Class A shares, you purchase fewer shares than you would with the same investment in Class B shares. Nevertheless, you are usually better off purchasing Class A shares, rather than Class B shares, and paying an up-front sales charge if you:

- plan to own the shares for an extended period of time, since the higher ongoing service and/or Rule 12b-1 fees on Class B shares may eventually exceed the cost of the up-front sales charge
- qualify for a reduced or waived sales charge

If your initial investment is \$100,000 or more, however, Class P shares will always be the most advantageous choice.

Class A sales charges

Purchase amount	Sales charge as a % of offering price	Sales charge as a % of NAV
Less than \$50,000	3.00%	3.09%
\$50,000 to \$99,999	2.00%	2.04%
\$100,000 to \$249,999	1.00%	1.01%
\$250,000 or more *	none	none

*\* No sales charge applies on investments of \$250,000 or more, but a contingent deferred sales charge of 0.75% may be imposed on certain redemptions of such shares within eighteen months of the date of purchase.*

### Sales charge reductions and waivers

To receive a reduction or waiver of your initial sales charge, you must let your financial intermediary or the fund know at the time you purchase shares that you qualify for such a reduction or waiver. If you do not let your financial intermediary or the fund know that you are eligible for a reduction or waiver, you may not receive the reduction or waiver to which you are otherwise entitled. In order to receive a reduction or waiver, you may be required to provide your financial intermediary or the fund with evidence of your qualification for the reduction or waiver, such as records regarding shares of Dreyfus Premier Funds or Founders Funds held in accounts with that financial intermediary and other financial intermediaries. Additional information regarding reductions and waivers of sales loads is available, free of charge, at [www.dreyfus.com](http://www.dreyfus.com) and in the fund's Statement of Additional Information.

You can reduce your initial sales charge in the following ways:

- *Rights of accumulation.* You can count toward the amount of your investment your total account value in all share classes of the fund and certain other Dreyfus Premier Funds or Founders Funds that are subject to a sales charge. For example, if you have \$250,000 invested in shares of certain other Dreyfus Premier Funds or Founders Funds, you can invest in Class A shares of the fund without an initial sales charge. We may terminate or change this privilege at any time on written notice.
- *Letter of intent.* You can sign a letter of intent, in which you agree to invest a certain amount (your goal) in the fund and certain other Dreyfus Premier Funds or Founders Funds over a 13-month period, and your initial sales charge will be based on your goal. A 90-day back-dated period can also be used to count previous purchases toward your goal. Your goal must be at least \$50,000, and your initial investment must be at least \$5,000. The sales charge will be adjusted if you do not meet your goal.

- *Combine with family members.* You can also count toward the amount of your investment all investments in certain other Dreyfus Premier Funds or Founders Funds, in any class of shares, by your spouse and your children under age 21 (family members), including their rights of accumulation and goals under a letter of intent. Certain other groups may also be permitted to combine purchases for purposes of reducing or eliminating sales charges. (See "How to Buy Shares" in the Statement of Additional Information.)

**Class A shares may be purchased** at NAV without payment of a sales charge by the following individuals and entities:

- full-time or part-time employees, and their family members, of Dreyfus or any of its affiliates
- board members of Dreyfus and board members of the Dreyfus Family of Funds
- full-time employees, and their family members, of financial institutions that have entered into selling agreements with the fund's distributor
- "wrap" accounts for the benefit of clients of financial institutions, provided they have entered into an agreement with the fund's distributor specifying operating policies and standards
- qualified separate accounts maintained by an insurance company; and any state, county or city or instrumentality thereof

**Class A shares may be purchased** at NAV without payment of a sales charge by employees participating in certain qualified or non-qualified employee benefit plans.

## Class B share considerations

**Class B shares may be acquired only through an exchange** of Class B shares of another Dreyfus Premier Fund or Class B shares of certain funds advised by Founders. Since you pay no initial sales charge, an investment of less than \$250,000 in Class B shares buys more shares than the same investment would in Class A shares. However, you will pay higher ongoing service and/or distribution fees. Over time these fees may cost you more than paying an initial sales charge on Class A shares.

**Due to availability of sales charge discounts** for Class A shares and the higher ongoing fees for Class B shares, the fund will generally not accept a purchase order for Class B shares in the amount of \$100,000 or more. While the fund will take reasonable steps to prevent investments of \$100,000 or more in Class B shares, it may not be able to identify such investments made through certain financial intermediaries or omnibus accounts.

Class B shares sold within six years are subject to the following CDSCs:

Class B sales charges	
For shares sold in the:	CDSC as a % of amount redeemed subject to the charge
First year	4.00%
Second year	4.00%
Third year	3.00%
Fourth year	3.00%
Fifth year	2.00%
Sixth year	1.00%
Thereafter	none

Class B shares convert to Class A shares (which are not subject to a Rule 12b-1 fee) at the end of the calendar quarter six years after the date they were purchased.

## Class P share considerations

Class P shares are offered only to investors who can make an initial investment of at least \$100,000 in the fund.

Since you pay no initial sales charge, an investment of less than \$250,000 in Class P shares buys more shares than the same investment would in Class A shares. There also is no CDSC imposed on redemptions of Class P shares, and you do not pay any ongoing distribution fees.

## CDSC waivers

**The CDSC on Class A and B shares** may be waived in the following cases:

- permitted exchanges of shares, except if shares acquired by exchange are then redeemed within the period during which a CDSC would apply to the initial shares purchased
- redemptions made within one year of death or disability of the shareholder
- redemptions due to receiving required minimum distributions from retirement accounts upon reaching age 70 ½
- redemptions of Class B shares through the fund's Automatic Withdrawal Plan, if such redemptions do not exceed 12% of the value of the account annually
- redemptions from qualified and unqualified employee benefit plans

## Buying shares

The **net asset value (NAV)** of each class is generally calculated as of the close of trading on the New York Stock Exchange (NYSE) (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. Your order will be priced at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

**Orders to buy and sell shares** received by dealers by the close of trading on the NYSE and transmitted to the distributor or its designee by the close of its business day (normally 5:15 p.m. Eastern time) will be based on the NAV determined as of the close of trading on the NYSE that day.

Minimum investments		
	Initial	Additional
<b>Regular accounts:</b>		
<b>Class P</b>	<b>\$100,000</b>	<b>\$100; \$500</b> for Dreyfus TeleTransfer investments
<b>Classes A and B</b>	<b>\$1,000</b>	<b>\$100; \$500</b> for Dreyfus TeleTransfer investments
<b>Traditional IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Spousal IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Roth IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Education Savings Accounts</b>	<b>\$500</b>	<b>no minimum</b> after the first year
All investments must be in U.S. dollars. Third-party checks cannot be accepted. You may be charged a fee for any check that does not clear. Maximum Dreyfus TeleTransfer purchase is \$150,000 per day.		

## Concepts to understand

**Net asset value (NAV):** the market value of one share, computed by dividing the total net assets of a fund or class by its shares outstanding. The fund's Class A shares are offered to the public at NAV plus a sales charge. Class B and P shares are offered at NAV, but Class B shares generally are subject to higher annual operating expenses and a CDSC.



## Selling shares

**You may sell (redeem) shares at any time.** Your shares will be sold at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with your redemption request. Your order will be processed promptly and you will generally receive the proceeds within a week.

**To keep your CDSC as low as possible,** each time you request to sell shares we will first sell shares that are not subject to a CDSC, and then those subject to the lowest charge. The CDSC is based on the lesser of the original purchase cost or the current market value of the shares being sold, and is not charged on shares you acquired by reinvesting your dividends. As described above in this prospectus, there are certain instances when you may qualify to have the CDSC waived. Consult your financial representative or the SAI for additional details.

**Before selling or writing a check against shares recently purchased** by check, Dreyfus TeleTransfer or Automatic Asset Builder, please note that:

- if you send a written request to sell such shares, the fund may delay sending the proceeds for up to eight business days following the purchase of those shares
- the fund will not honor redemption checks, or process wire, telephone, online or Dreyfus TeleTransfer redemption requests, for up to eight business days following the purchase of those shares

### Limitations on selling shares by phone or online

Proceeds sent by	Minimum phone/online	Maximum phone/online
<b>Check*</b>	<b>no minimum</b>	<b>\$250,000 per day</b>
<b>Wire</b>	<b>\$1,000</b>	<b>\$500,000 for joint accounts every 30 days/ \$20,000 per day</b>
<b>Dreyfus TeleTransfer</b>	<b>\$500</b>	<b>\$500,000 for joint accounts every 30 days/ \$20,000 per day</b>

*\* Not available online on accounts whose address has been changed within the last 30 days.*

## Written sell orders

Some circumstances require written sell orders along with signature guarantees. These include:

- amounts of \$10,000 or more on accounts whose address has been changed within the last 30 days
- requests to send the proceeds to a different payee or address

Written sell orders of \$100,000 or more must also be signature guaranteed.

**A signature guarantee** helps protect against fraud. You can obtain one from most banks or securities dealers, but not from a notary public. For joint accounts, each signature must be guaranteed. Please call us to ensure that your signature guarantee will be processed correctly.

## General policies

Unless you decline teleservice privileges on your application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be you and reasonably believed by the transfer agent to be genuine. You may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

## The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount you are redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)

## Small account policy

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If your account falls below \$500, the fund may ask you to increase your balance. If it is still below \$500 after 45 days, the fund may close your account and send you the proceeds.



## DISTRIBUTIONS AND TAXES

The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless you instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to you as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to you as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long you have been in the fund and whether you reinvest your distributions or take them in cash.

**If you buy shares of a fund** when the fund has realized but not yet distributed income or capital gains, you will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

Your sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on your investment in the fund generally is the difference between the cost of your shares and the amount you receive when you sell them.

The tax status of your distributions will be detailed in your annual tax statement from the fund. Because everyone's tax situation is unique, please consult your tax adviser before investing.



## SERVICES FOR FUND INVESTORS

The third party through whom you purchased fund shares may impose different restrictions on these services and privileges offered by the fund, or may not make them available at all. Consult your financial representative for more information on the availability of these services and privileges.

### Automatic services

**Buying or selling shares automatically** is easy with the services described below. With each service, you select a schedule and amount, subject to certain restrictions. You can set up most of these services with your application, or by calling your financial representative or **1-800-554-4611**.

#### For investing

<b>Dreyfus Automatic Asset Builder®</b>	For making automatic investments from a designated bank account.
<b>Dreyfus Payroll Savings Plan</b>	For making automatic investments through a payroll deduction.
<b>Dreyfus Government Direct Deposit Privilege</b>	For making automatic investments from your federal employment, Social Security or other regular federal government check.
<b>Dreyfus Dividend Sweep</b>	For automatically reinvesting the dividends and distributions from the fund into another Dreyfus fund or certain Founders-advised funds (not available for IRAs).

#### For exchanging shares

<b>Dreyfus Auto-Exchange Privilege</b>	For making regular exchanges from the fund into another Dreyfus fund or certain Founders-advised funds.
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#### For selling shares

<b>Dreyfus Automatic Withdrawal Plan</b>	For making regular withdrawals from most Dreyfus funds. There will be no CDSC on Class B shares, as long as the amount of any withdrawal does not exceed on an annual basis 12% of the greater of the account value at the time of the first withdrawal under the plan, or at the time of the subsequent withdrawal.
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### **Checkwriting privilege (Class A only)**

**You may write redemption checks** against your account for Class A shares in amounts of \$500 or more. These checks are free; however, a fee will be charged if you request a stop payment or if the transfer agent cannot honor a redemption check due to insufficient funds or another valid reason. Please do not postdate your checks or use them to close your account.

### **Exchange privilege**

**You can exchange shares worth \$500 or more** (no minimum for retirement accounts) from one class of the fund into the same class of another Dreyfus Premier fund or Founders-advised fund. In addition, you may exchange Class P shares into Class A shares of another Dreyfus Premier fund or of certain funds advised by Founders. You can request your exchange by contacting your financial representative. Be sure to read the current prospectus for any fund into which you are exchanging before investing. Any new account established through an exchange will generally have the same privileges as your original account (as long as they are available). There is currently no fee for exchanges, although shareholders exchanging Class A shares purchased at NAV may be charged any applicable sales load when exchanging into Class A shares of other funds.

### **Dreyfus TeleTransfer privilege**

**To move money between your bank account** and your Dreyfus fund account with a phone call or online, use the Dreyfus TeleTransfer privilege. You can set up Dreyfus TeleTransfer on your account by providing bank account information and following the instructions on your application, or contact your financial representative.

### **Reinvestment privilege**

**Upon written request, you can reinvest** up to the number of Class A or B shares you redeemed within 45 days of selling them at the current share price without any sales charge. If you paid a CDSC, it will be credited back to your account. This privilege may be used only once.

### **Account statements**

**Every fund investor** automatically receives regular account statements. You'll also be sent a yearly statement detailing the tax characteristics of any dividends and distributions you have received.

## INSTRUCTIONS FOR **REGULAR ACCOUNTS**

### TO OPEN AN ACCOUNT



#### — In Writing —

Complete the application.

Mail your application and a check to:

Name of Fund

P.O. Box 55268, Boston, MA 02205-8502

Attn: Institutional Processing



#### — By Telephone —

**Wire** Call us to request an account application and an account number. Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900117028
- the fund name
- the share class
- your account number
- name(s) of investor(s)
- dealer number if applicable

Return your application with the account number on the application.

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check.

Mail the slip and the check to:

Name of Fund

P.O. Box 55268, Boston, MA 02205-8502

Attn: Institutional Processing

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900117028
- the fund name
- the share class
- your account number
- name(s) of investor(s)
- dealer number if applicable

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Call us to request your transaction.

### TO SELL SHARES

Write a redemption check (Class A only) **or** write a letter of instruction that includes:

- your name(s) and signature(s)
- your account number
- the fund name
- the share class
- the dollar amount you want to sell
- how and where to send the proceeds

Obtain a signature guarantee or other documentation, if required (see "Shareholder Guide – Selling Shares").

Mail your request to:

The Dreyfus Family of Funds

P.O. Box 55268, Boston, MA 02205-8502

Attn: Institutional Processing

**Wire** Call us or your financial representative to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Call us or your financial representative to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Call us or your financial representative to request your transaction. A check will be sent to the address of record.

To open an account, make subsequent investments or to sell shares, please contact your financial representative or call toll free in the U.S. **1-800-554-4611**.

Make checks payable to: **The Dreyfus Family of Funds**.

### Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

## INSTRUCTIONS FOR **REGULAR ACCOUNTS** (continued)

### TO OPEN AN ACCOUNT



— Online ([www.dreyfus.com](http://www.dreyfus.com)) —

### TO ADD TO AN ACCOUNT

### TO SELL SHARES

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Visit the Dreyfus Web site to request your transaction.

**Wire** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Visit the Dreyfus Web site to request your transaction. A check will be sent to the address of record.



— Automatically —

**With an initial investment** Indicate on your application which automatic service(s) you want. Return your application with your investment.

**All services** Call us or your financial representative to request a form to add any automatic investing service (see “Services for Fund Investors”). Complete and return the form along with any other required materials.

**Dreyfus Automatic Withdrawal Plan** Call us or your financial representative to request a form to add the plan. Complete the form, specifying the amount and frequency of withdrawals you would like.

Be sure to maintain an account balance of \$5,000 or more.

## INSTRUCTIONS FOR IRAS

### TO OPEN AN ACCOUNT



#### — In Writing —

Complete an IRA application, making sure to specify the fund name and to indicate the year the contribution is for.

Mail your application and a check to:  
The Dreyfus Trust Company, Custodian  
P.O. Box 55552, Boston, MA 02205-8568  
Attn: Institutional Processing

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check. Indicate the year the contribution is for.

Mail the slip and the check to:  
The Dreyfus Trust Company, Custodian  
P.O. Box 55552, Boston, MA 02205-8568  
Attn: Institutional Processing

### TO SELL SHARES

Write a letter of instruction that includes:

- your name and signature
- your account number and fund name
- the share class
- the dollar amount you want to sell
- how and where to send the proceeds
- whether the distribution is qualified or premature
- whether the 10% TEFRA should be withheld

Obtain a signature guarantee or other documentation, if required (see "Shareholder Guide – Selling Shares").

Mail your request to:  
The Dreyfus Trust Company  
P.O. Box 55552, Boston, MA 02205-8568  
Attn: Institutional Processing



#### — By Telephone —

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900117028
- the fund name
- the share class
- your account number
- name of investor
- the contribution year
- dealer number if applicable

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.



#### — Automatically —

**All services** Call us or your financial representative to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials.

All contributions will count as current year.

**Systematic Withdrawal Plan** Call us to request instructions to establish the plan.

For information and assistance, contact your financial representative or call toll free in the U.S. **1-800-554-4611.**

Make checks payable to: **The Dreyfus Trust Company, Custodian.**

# For More Information

## Dreyfus Premier Short Term Income Fund

A series of Dreyfus Investment Grade Funds, Inc.

SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

### Annual/Semiannual Report

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

### Statement of Additional Information (SAI)

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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**By telephone**

Call your financial representative or 1-800-554-4611.

**By mail** Write to:

The Dreyfus Premier Family of Funds  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:  
<http://www.sec.gov>.

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.





# Dreyfus Premier Yield Advantage Fund

Seeks high current income while maintaining  
a high degree of share price stability

**PROSPECTUS** December 1, 2004

**Class A, B, P and S Shares**



YOU, YOUR ADVISOR AND  
**Dreyfus**  
A MELLON FINANCIAL COMPANY™

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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## For More Information

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*See back cover.*

## Dreyfus Premier Yield Advantage Fund

Ticker Symbols

Class A: DPYAX

Class B: DPYBX

Class P: DPYPX

Class S: DPYSX



### GOAL/APPROACH

The fund seeks as high a level of current income as is consistent with the preservation of capital, with minimal changes in share price. To pursue its goal, the fund invests only in fixed-income securities of U.S. and foreign issuers rated investment grade at the time of purchase or the unrated equivalent as determined by Dreyfus. These securities include: U.S. government bonds and notes, corporate bonds, municipal bonds, convertible securities, preferred stock, inflation-indexed securities, asset-backed securities, mortgage-related securities (including CMOs) and foreign bonds. The fund is designed to provide a very high degree of share price stability while generating returns higher than money market funds over time and, thus, may be an investment alternative to money market funds and other fixed-income funds. The fund seeks to maintain a minimum average credit quality of "A" with respect to its portfolio.

To help maintain a very high degree of share price stability and preserve shareholders' capital, the fund seeks to keep the average effective duration of its overall portfolio at one year or less. The fund expects its average effective maturity and average effective duration to closely follow each other. The fund may invest in securities with effective or final maturities of any length. The fund may adjust its holdings or its average duration based on actual or anticipated changes in interest rates or credit quality. The fund also may engage in risk management techniques, including short sales, futures contracts, swap agreements and other derivatives, in seeking to reduce share price volatility, increase income and otherwise manage the fund's exposure to investment risks.

# The Fund

The fund may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns, to manage interest rate risk, or as part of a hedging strategy. The fund also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities.

The fund will focus primarily on U.S. securities, but may invest up to 10% of its total assets in fixed-income securities of foreign issuers.

### Concepts to understand

**Investment grade securities:** fixed-income securities rated BBB or Baa or above by nationally recognized rating agencies are considered investment grade.

**Duration:** a measure of an investment's "interest rate risk," or how sensitive an investment or the fund's portfolio may be to changes in interest rates. Generally, the longer a fund's duration, the more it will react to interest rate fluctuations and the greater its long-term risk/return potential.

**Average effective maturity:** a weighted average of the stated maturities of the bonds held by the fund, adjusted to reflect provisions or market conditions that may cause a bond's principal to be repaid earlier than at maturity. Certain securities, such as mortgage-related securities, may have effective maturities significantly shorter than their stated final maturities.

**Mortgage-related securities:** pools of residential or commercial mortgages whose cash flows are "passed through" to the holders of the securities via monthly payments of interest and principal.

**CMO (collateralized mortgage obligation):** a security that pools together mortgages and separates them into short-, medium- and long-term positions (called tranches). Tranches pay different rates of interest depending on their maturity and cash flow predictability.



## MAIN RISKS

The fund's principal risks are discussed below. The fund is not a money market fund, and the value of your investment in the fund will fluctuate, which means you could lose money.

- *Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the fund's effective maturity and duration, the more its share price is likely to react to interest rates.
- *Call risk.* Some bonds give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield.
- *Credit risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price.
- *Market risk.* The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They also may decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Market sector risk.* The fund's overall risk level will depend on the market sectors in which the fund is invested and the current interest rate, liquidity and credit quality of such sectors. The fund may significantly overweight or underweight certain companies, industries or market sectors, which may cause the fund's performance to be more or less sensitive to developments affecting those companies, industries or sectors.
- *Liquidity risk.* When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the fund's share price may fall dramatically. Investments in foreign securities tend to have greater exposure to liquidity risk than domestic securities.
- *Prepayment and extension risk.* When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield, or cause the fund's share price to fall. When interest rates rise, the effective duration of the fund's mortgage-related and asset-backed securities may lengthen due to a drop in prepayments of the underlying mortgages or assets. This is known as extension risk and would increase the fund's sensitivity to rising interest rates and its potential for price declines.
- *Foreign investment risk.* The prices and yields of foreign bonds can be affected by political and economic instability or changes in currency exchange rates.
- *Derivatives risk.* In addition to mortgage-related and asset-backed securities, the fund may invest in other derivative instruments such as options, futures and options on futures (including those relating to securities indexes and interest rates), swaps and other credit derivatives. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the fund will not correlate with the fund's other investments.

- *Inflation-indexed security risk.* Interest payments on inflation-indexed securities can be unpredictable and will vary as the principal and/or interest is periodically adjusted based on the rate of inflation. If the index measuring inflation falls, the interest payable on these securities will be reduced. The U.S. Treasury has guaranteed that in the event of a drop in prices, it would repay the par amount of its inflation-indexed securities. Inflation-indexed securities issued by corporations generally do not guarantee repayment of principal. Any increase in the principal amount of an inflation-indexed security will be considered taxable ordinary income, even though investors do not receive their principal until maturity.
- *Short sale risk.* The fund may make short sales, which involves selling a security it does not own in anticipation that the security's price will decline. Short sales expose the fund to the risk that it will be required to buy the security sold short (also known as "covering the short position") at a time when the security has appreciated in value, thus resulting in a loss to the fund.
- *Leveraging risk.* The use of leverage, such as borrowing money to purchase securities, engaging in reverse repurchase agreements, lending portfolio securities and engaging in forward commitment transactions, will magnify the fund's gains or losses.

## Other potential risks

Under adverse market conditions, the fund could invest some or all of its assets in U.S. Treasury securities and money market securities. Although the fund would do this for temporary defensive purposes, it could reduce the benefit from any upswing in the market. During such periods, the fund may not achieve its investment objective.

The fund may engage in short-term trading, which could produce higher transaction costs and taxable distributions and lower the fund's after-tax performance. The fund's forward roll transactions will increase its portfolio turnover rate.

The fund may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the fund will receive collateral from the borrower equal to at least 100% of the value of the loaned securities. Should the borrower of the securities fail financially, the fund may experience delays in recovering the loaned securities or exercising its rights in the collateral.

## What this fund is – and isn't

This fund is a mutual fund: a pooled investment that is professionally managed and gives you the opportunity to participate in financial markets. It strives to reach its stated goal, although as with all mutual funds, it cannot offer guaranteed results.

An investment in this fund is not a bank deposit. It is not insured or guaranteed by the FDIC or any other government agency. It is not a complete investment program. You could lose money in this fund, but you also have the potential to make money.



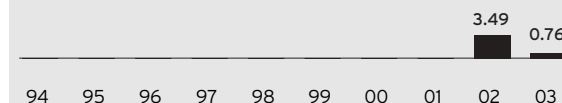
## PAST PERFORMANCE

The bar chart and table shown illustrate the risks of investing in the fund. The bar chart shows the performance of the fund's Class A shares from year to year. Sales loads are not reflected in the chart; if they were, the returns shown would have been lower. The table compares the average annual total returns of the fund's Class A, B, P and S shares to those of the Citigroup 1-Year Treasury Benchmark-on-the-Run Index, an unmanaged index generally representative of the average yield on 1-year U.S. Treasury bills. These returns include the fund's applicable sales loads. All returns assume reinvestment of dividends and distributions. Of course, past performance is no guarantee of future results. The historical performance of the fund's Class D shares, which are not offered in this prospectus, is used to calculate the performance shown in the bar chart and table for periods prior to November 1, 2002 (the date Class A, B, P and S shares were initially offered). All of the fund's share classes invest in the same portfolio of securities. Performance of each share class will vary from the performance of the fund's other share classes due to differences in charges and expenses. The performance figures shown for periods prior to November 1, 2002 have not been adjusted to reflect differences in service and distribution fees; if these expenses had been reflected, the performance shown for Class A, B, P and S shares would have been lower.

After-tax performance is shown only for Class A shares (based on the fund's Class D performance for periods prior to November 1, 2002, adjusted to reflect sales loads). After-tax performance of the fund's other share classes will vary. After-tax returns are calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown, and the after-tax returns shown are not relevant to investors who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

Year-by-year total returns as of 12/31 each year (%)

**Class A shares\***



**Best Quarter:** Q2 '02 +1.46%

**Worst Quarter:** Q4 '03 -0.45%

The fund's Class A year-to-date total return as of 9/30/04 was 0.94%.

Average annual total returns as of 12/31/03\*

	1 Year	Since inception (11/15/01)
<b>Class A</b> <i>returns before taxes</i>	-1.21%	1.44%
<b>Class A</b> <i>returns after taxes on distributions</i>	-1.98%	0.37%
<b>Class A</b> <i>returns after taxes on distributions and sale of fund shares</i>	-0.78%	0.58%
<b>Class B</b> <i>returns before taxes</i>	-3.94%	0.35%
<b>Class P</b> <i>returns before taxes</i>	0.75%	2.14%
<b>Class S</b> <i>returns before taxes</i>	1.98%	1.20%
<b>Citigroup 1-Year Treasury Benchmark-on-the-Run Index</b> <i>reflects no deduction for fees, expenses or taxes</i>	1.47%	2.37%

\* Based on Class D performance for periods prior to November 1, 2002, adjusted to reflect class-specific sales charges.



## EXPENSES

As an investor, you pay certain fees and expenses in connection with the fund, which are described in the table below.

Fee table				
	Class A	Class B*	Class P	Class S
<b>Shareholder transaction fees</b> ( <i>fees paid from your account</i> )				
Maximum front-end sales charge on purchases <i>% of offering price</i>	2.00	none	none	none
Maximum contingent deferred sales charge (CDSC) <i>% of purchase or sale price, whichever is less</i>	none**	4.00	none	2.50
<b>Annual fund operating expenses</b> ( <i>expenses paid from fund assets</i> )				
<i>% of average daily net assets</i>				
Management fees	.50	.50	.50	.50
Rule 12b-1 fee	none	.75	none	.25
Shareholder services fee	.25	.25	.25	.25
Other expenses	.15	.14	.10	.18
<b>Total annual fund operating expenses</b>	.90	1.64	.85	1.18
Fee waiver and/or expense reimbursements	(.10)	(.09)	(.05)	(.13)
<b>Net operating expenses***</b>	.80	1.55	.80	1.05

\* Class B shares are available only through exchanges of Class B shares of another fund in the Dreyfus Premier Family of Funds or Class B shares of certain funds advised by Founders Asset Management LLC (Founders), an affiliate of Dreyfus.

\*\* Shares bought without an initial sales charge as part of an investment of \$250,000 or more may be charged a CDSC of 0.50% if redeemed within 18 months.

\*\*\* Dreyfus has contractually agreed, until July 31, 2005, to waive receipt of its management fee and/or assume expenses of the fund so that fund expenses (excluding Rule 12b-1 fees, shareholder services fees, taxes, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) do not exceed 0.55%.

Expense example				
	1 Year	3 Years	5 Years	10 Years
<b>Class A</b>	<b>\$290</b>	<b>\$481</b>	<b>\$688</b>	<b>\$1,286</b>
<b>Class B</b>				
with redemption	\$558	\$808	\$1,083	\$1,557 <sup>†</sup>
without redemption	\$158	\$508	\$883	\$1,557 <sup>†</sup>
<b>Class P</b>	<b>\$82</b>	<b>\$266</b>	<b>\$466</b>	<b>\$1,044</b>
<b>Class S</b>				
with redemption	\$357	\$362	\$636	\$1,420 <sup>†</sup>
without redemption	\$107	\$362	\$636	\$1,420 <sup>†</sup>

<sup>†</sup> Assumes conversion of Class B and Class S to Class A at end of the sixth year following the date of purchase.

This example shows what you could pay in expenses over time. It uses the same hypothetical conditions other funds use in their prospectuses: \$10,000 initial investment, 5% total return each year and no changes in expenses. The one-year example and the first year of the three-, five-, and ten-years examples are based on net operating expenses, which reflect the expense waiver/reimbursement by Dreyfus. Because actual returns and expenses will be different, the example is for comparison only.

## Concepts to understand

**Management fee:** the fee paid to Dreyfus for managing the fund's portfolio and assisting in all aspects of the fund's operations.

**Rule 12b-1 fee:** the fee paid to the fund's distributor for financing the sale and distribution of Class B and S shares. Because this fee is paid out of the fund's assets on an ongoing basis, over time it will increase the cost of your investment and may cost you more than paying other types of sales charges.

**Shareholder services fee:** the fee paid to the fund's distributor for providing shareholder services.

**Other expenses:** fees paid by the fund for miscellaneous items such as transfer agency, custody, professional and registration fees. The fund also makes payments to certain financial intermediaries, including affiliates, who provide sub-administration, recordkeeping and/or sub-transfer agency services to beneficial owners of the fund.





## MANAGEMENT

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### Investment adviser

The investment adviser for the fund is The Dreyfus Corporation (Dreyfus), 200 Park Avenue, New York, New York 10166. Founded in 1947, Dreyfus manages approximately \$155 billion in approximately 200 mutual fund portfolios. For the past fiscal year, the fund paid Dreyfus a management fee at the annual rate of 0.42% of the fund's average daily net assets. Dreyfus is the primary mutual fund business of Mellon Financial Corporation (Mellon Financial), a global financial services company with approximately \$3.7 trillion of assets under management, administration or custody, including approximately \$670 billion under management. Mellon Financial provides financial services for institutions, corporations and individuals, offering institutional asset management, mutual funds, private wealth management, asset servicing, human resources services and treasury services. Mellon Financial is headquartered in Pittsburgh, Pennsylvania.

The Dreyfus asset management philosophy is based on the belief that discipline and consistency are important to investment success. For each fund, Dreyfus seeks to establish clear guidelines for portfolio management and to be systematic in making decisions. This approach is designed to provide each fund with a distinct, stable identity.

The Dreyfus Taxable Fixed Income Team, which consists of sector specialists, collectively makes investment decisions for the fund. The team's specialists focus on, and monitor conditions in, the different sectors of the fixed-income market. Once different factors have been analyzed, the sector specialists then decide on allocation weights for the portfolio and recommend securities for investment.

Two class actions have been filed against Mellon Financial, Mellon Bank, N.A., Dreyfus, Founders Asset Management LLC and the directors of certain Dreyfus funds, on behalf of a purported class and derivatively on behalf of said funds, alleging violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, and the common law. The complaints alleged, among other things, (i) that 12b-1 fees and directed brokerage were improperly used to pay brokers to recommend Dreyfus funds over other funds, (ii) that such payments were not disclosed to investors, (iii) that economies of scale and soft-dollar benefits were not passed on to investors, and (iv) that 12b-1 fees charged to certain funds that were closed to new investors were also improper. The complaints sought compensatory and punitive damages, rescission of the advisory contracts and an accounting and restitution of any unlawful fees, as well as an award of attorneys' fees and litigation expenses. On April 22, 2004, the actions were consolidated under the caption *In re Dreyfus Mutual Funds Fee Litigation*, and a consolidated amended complaint was filed on September 13, 2004. While adding new parties and claims under state and federal law, the allegations in the consolidated amended complaint essentially track the allegations in the prior complaints pertaining to 12b-1 fees, directed brokerage, soft dollars and revenue sharing. Dreyfus and the funds believe the allegations to be totally without merit and intend to defend the action vigorously.

Additional lawsuits arising out of these circumstances and presenting similar allegations and requests for relief may be filed against the defendants in the future. Neither Dreyfus nor the Dreyfus funds believe that any of the pending actions will have a material adverse effect on the Dreyfus funds or Dreyfus' ability to perform its contract with the Dreyfus funds.



## Distributor

The fund's distributor is Dreyfus Service Corporation (DSC), a wholly owned subsidiary of Dreyfus. Dreyfus or DSC may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the fund or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the fund. These additional payments may be made to intermediaries, including affiliates, that provide shareholder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the financial intermediary. Cash compensation also may be paid to intermediaries for inclusion of the fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a financial intermediary or its employees to recommend or sell shares of the fund to you. Please contact your financial representative for details about any payments they or their firm may receive in connection with the sale of fund shares or the provision of services to the fund.

From time to time, Dreyfus or DSC also may provide cash or non-cash compensation to financial intermediaries or their representatives in the form of occasional gifts; occasional meals, tickets or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

## Code of ethics

The fund, Dreyfus and DSC have each adopted a code of ethics that permits its personnel, subject to such code, to invest in securities, including securities that may be purchased or held by the fund. The Dreyfus code of ethics restricts the personal securities transactions of its employees, and requires portfolio managers and other investment personnel to comply with the code's preclearance and disclosure procedures. The primary purpose of the code is to ensure that personal trading by Dreyfus employees does not disadvantage any Dreyfus-managed fund.



## FINANCIAL HIGHLIGHTS

The following tables describe the performance of the fund's Class A, B, P and S shares for the fiscal periods indicated. "Total return" shows how much your investment in the fund would have increased (or decreased) during each period, assuming you

had reinvested all dividends and distributions. These figures have been independently audited by Ernst & Young LLP, whose report, along with the fund's financial statements, is included in the annual report, which is available upon request.

Class A	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	2.00	2.00
Investment operations: Investment income – net <sup>2</sup>	.03	.03
Net realized and unrealized gain (loss) on investments	(.02)	.01
Total from investment operations	.01	.04
Distributions: Dividends from investment income – net	(.04)	(.04)
Net asset value, end of period	1.97	2.00
Total Return (%) <sup>3</sup>	.49	1.88 <sup>4</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	.90	1.01 <sup>5</sup>
Ratio of net expenses to average net assets	.80	.80 <sup>5</sup>
Ratio of net investment income to average net assets	1.61	1.48 <sup>5</sup>
Portfolio turnover rate	309.23	371.43
Net assets, end of period (\$ x 1,000)	7,339	11,802

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Exclusive of sales charge.

<sup>4</sup> Not annualized.

<sup>5</sup> Annualized.

Class B	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	1.98	2.00
Investment operations: Investment income – net <sup>2</sup>	.02	.01
Net realized and unrealized gain (loss) on investments	(.02)	.00 <sup>3</sup>
Total from investment operations	–	.01
Distributions: Dividends from investment income – net	(.02)	(.03)
Net asset value, end of period	1.96	1.98
Total Return (%) <sup>4</sup>	.23	.29 <sup>5</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	1.64	1.74 <sup>6</sup>
Ratio of net expenses to average net assets	1.55	1.55 <sup>6</sup>
Ratio of net investment income to average net assets	.77	.74 <sup>6</sup>
Portfolio turnover rate	309.23	371.43
Net assets, end of period (\$ x 1,000)	6,343	5,290

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Amount represents less than \$.01 per share.

<sup>4</sup> Exclusive of sales charge.

<sup>5</sup> Not annualized.

<sup>6</sup> Annualized.

Class P	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	1.98	2.00
Investment operations: Investment income – net <sup>2</sup>	.03	.03
Net realized and unrealized (loss) on investments	(.01)	(.01)
Total from investment operations	.02	.02
Distributions: Dividends from investment income – net	(.04)	(.04)
Net asset value, end of period	1.96	1.98
Total Return (%)	.98	.85 <sup>3</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	.85	.86 <sup>4</sup>
Ratio of net expenses to average net assets	.80	.80 <sup>4</sup>
Ratio of net investment income to average net assets	1.64	1.43 <sup>4</sup>
Portfolio turnover rate	309.23	371.43
Net assets, end of period (\$ x 1,000)	43,117	125,292

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Not annualized.

<sup>4</sup> Annualized.

Class S	Year Ended July 31,	
	2004	2003 <sup>1</sup>
<b>Per-Share Data (\$):</b>		
Net asset value, beginning of period	1.98	2.00
Investment operations: Investment income – net <sup>2</sup>	.03	.02
Net realized and unrealized (loss) on investments	(.02)	(.01)
Total from investment operations	.01	.01
Distributions: Dividends from investment income – net	(.03)	(.03)
Net asset value, end of period	1.96	1.98
Total Return (%) <sup>3</sup>	.76	.65 <sup>4</sup>
<b>Ratios/Supplemental Data (%):</b>		
Ratio of total expenses to average net assets	1.18	1.05 <sup>5</sup>
Ratio of net expenses to average net assets	1.05	1.05 <sup>5</sup>
Ratio of net investment income to average net assets	1.35	1.23 <sup>5</sup>
Portfolio turnover rate	309.23	371.43
Net assets, end of period (\$ x 1,000)	925	1,520

<sup>1</sup> From November 1, 2002 (commencement of initial offering) to July 31, 2003.

<sup>2</sup> Based on average shares outstanding at each month end.

<sup>3</sup> Exclusive of sales charge.

<sup>4</sup> Not annualized.

<sup>5</sup> Annualized.

# Your Investment



## SHAREHOLDER GUIDE

The Dreyfus Premier Funds are designed primarily for people who are investing through a third party, such as a bank, broker-dealer or financial adviser, or in a 401(k) or other retirement plan. Third parties with whom you open a fund account may impose policies, limitations and fees which are different from those described in this prospectus. Consult a representative of your plan or financial institution for further information.

Your financial representative may receive different compensation for selling one class of shares than for selling another class. It is important to remember that the CDSCs and Rule 12b-1 fees for Class B and Class S shares have the same purpose as the front-end sales charge on sales of Class A shares: to compensate the distributor for concessions and expenses it pays to dealers and financial institutions for selling shares.

### Deciding which class of shares to buy

This prospectus offers Class A, B, P and S shares of the fund. The different classes represent investments in the same portfolio of securities, but the classes are subject to different expenses and will likely have different share prices. When choosing a class, you should consider your investment amount, anticipated holding period, the potential costs over your holding period and whether you qualify for any reduction or waiver of the sales charge.

When you invest in Class A shares you generally pay an initial sales charge. Class A and Class P shares have no ongoing Rule 12b-1 fees, and Class S shares have lower ongoing Rule 12b-1 fees than Class B shares. Each class is subject to a shareholder service fee. Please see below for more information regarding the eligibility requirements.

A more complete description of each class follows. You should review these arrangements with your investment professional before determining which class to invest in.

	Class A	Class B	Class P	Class S
Initial sales charge	up to 2.00%	none	none	none
Ongoing distribution fee (Rule 12b-1 fee)	none	0.75%	none	0.25%
Ongoing shareholder service fee	0.25%	0.25%	0.25%	0.25%
Contingent deferred sales charge	0.50% on sale of shares bought within eighteen months without an initial sales charge as part of an investment of \$250,000 or more	sliding scale over six years	none	sliding scale over six years
Conversion feature	no	yes	no	yes
Recommended purchase maximum	none	\$100,000	none	\$100,000

### Class A share considerations

When you invest in Class A shares, you pay the public offering price, which is the share price, or NAV, plus the initial sales charge that may apply to your purchase. The amount of the initial sales charge is based on the size of your investment, as the following table shows. We also describe below how you may reduce or eliminate the initial sales charge. (See “Sales charge reductions and waivers.”)

Since some of your investment goes to pay an up-front sales charge when you purchase Class A shares, you purchase fewer shares than you would with the same investment in Class B or Class S shares. Nevertheless, you are usually better off purchasing Class A shares, rather than Class B or Class S shares, and paying an up-front sales charge if you:

- plan to own the shares for an extended period of time, since the higher ongoing service and/or Rule 12b-1 fees on Class B and Class S shares may eventually exceed the cost of the up-front sales charge
- qualify for a reduced or waived sales charge

If your initial investment is \$100,000 or more, however, Class P shares will always be the most advantageous choice.

Class A sales charges

Purchase amount	Sales charge as a % of offering price	Sales charge as a % of NAV
Less than \$50,000	2.00%	2.04%
\$50,000 to \$99,999	1.75%	1.78%
\$100,000 to \$249,999	1.50%	1.52%
\$250,000 or more *	none	none

\* No sales charge applies on investments of \$250,000 or more, but a contingent deferred sales charge of 0.50% may be imposed on certain redemptions of such shares within eighteen months of the date of purchase.

### Sales charge reductions and waivers

To receive a reduction or waiver of your initial sales charge, you must let your financial intermediary or the fund know at the time you purchase shares that you qualify for such a reduction or waiver. If you do not let your financial intermediary or the fund know that you are eligible for a reduction or waiver, you may not receive the reduction or waiver to which you are otherwise entitled. In order to receive a reduction or waiver, you may be required to provide your financial intermediary or the fund with evidence of your qualification for the reduction or waiver, such as records regarding shares of Dreyfus Premier Funds or Founders Funds held in accounts with that financial intermediary and other financial intermediaries. Additional information regarding reductions and waivers of sales loads is available, free of charge, at [www.dreyfus.com](http://www.dreyfus.com) and in the fund's Statement of Additional Information.

**You can reduce your initial sales charge** in the following ways:

- *Rights of accumulation.* You can count toward the amount of your investment your total account value in all share classes of the fund and certain other Dreyfus Premier Funds or Founders Funds that are subject to a sales charge. For example, if you have \$250,000 invested in shares of certain other Dreyfus Premier Funds or Founders Funds, you can invest in Class A shares of the fund without an initial sales charge. We may terminate or change this privilege at any time on written notice.
- *Letter of intent.* You can sign a letter of intent, in which you agree to invest a certain amount (your goal) in the fund and certain other Dreyfus Premier Funds or Founders Funds over a 13-month period, and your initial sales charge will be based on your goal. A 90-day back-dated period can also be used to count previous purchases toward your goal. Your goal must be at least \$50,000, and your initial investment must be at least \$5,000. The sales charge will be adjusted if you do not meet your goal.

- *Combine with family members.* You can also count toward the amount of your investment all investments in certain other Dreyfus Premier Funds or Founders Funds, in any class of shares, by your spouse and your children under age 21 (family members), including their rights of accumulation and goals under a letter of intent. Certain other groups may also be permitted to combine purchases for purposes of reducing or eliminating sales charges. (See "How to Buy Shares" in the Statement of Additional Information.)

**Class A shares may be purchased** at NAV without payment of a sales charge by the following individuals and entities:

- full-time or part-time employees, and their family members, of Dreyfus or any of its affiliates
- board members of Dreyfus and board members of the Dreyfus Family of Funds
- full-time employees, and their family members, of financial institutions that have entered into selling agreements with the fund's distributor
- "wrap" accounts for the benefit of clients of financial institutions, provided they have entered into an agreement with the fund's distributor specifying operating policies and standards
- qualified separate accounts maintained by an insurance company; and any state, county or city or instrumentality thereof

**Class A shares may be purchased** at NAV without payment of a sales charge by employees participating in certain qualified or non-qualified employee benefit plans.

### Class B and Class S share considerations

**Class B shares may be acquired only through an exchange** of Class B shares of another Dreyfus Premier Fund or Class B shares of certain funds advised by Founders. Since you pay no initial sales charge, an investment of less than \$250,000 in Class B or Class S shares buys more shares than the same investment would in Class A shares. However, you will pay higher ongoing service and/or distribution fees. Over time these fees may cost you more than paying an initial sales charge on Class A shares.

**Due to availability of sales charge discounts** for Class A shares and the higher ongoing fees for Class B and Class S shares, the fund will generally not accept a purchase order for Class B shares in the amount of \$100,000 or more and will generally not accept a purchase order for Class S shares in the amount of \$100,000 or more. While the fund will take reasonable steps to prevent investments of \$100,000 or more in Class B shares, and \$100,000 or more in Class S shares, it may not be able to identify such investments made through certain financial intermediaries or omnibus accounts.

Class B and Class S shares sold within six years are subject to the following CDSCs:

Class B and Class S sales charges		
For shares sold in the:	CDSC as a % of amount redeemed subject to the charge	
	Class B	Class S
First year	4.00%	2.50%
Second year	4.00%	2.50%
Third year	3.00%	1.75%
Fourth year	3.00%	1.00%
Fifth year	2.00%	0.75%
Sixth year	1.00%	0.50%
Thereafter	none	none

Class B and Class S shares convert to Class A shares (which are not subject to a Rule 12b-1 fee) at the end of the calendar quarter six years after the date they were purchased. If you intend to hold your shares less than six years, Class S shares will generally be more economical than Class B shares.

### Class P share considerations

Class P shares are offered only to investors who can make an initial investment of at least \$100,000 in the fund.

Since you pay no initial sales charge, an investment of less than \$250,000 in Class P shares buys more shares than the same investment would in Class A shares. There also is no CDSC imposed on redemptions of Class P shares, and you do not pay any ongoing distribution fees.

### CDSC waivers

**The CDSC on Class A, B and S shares** may be waived in the following cases:

- permitted exchanges of shares, except if shares acquired by exchange are then redeemed within the period during which a CDSC would apply to the initial shares purchased
- redemptions made within one year of death or disability of the shareholder
- redemptions due to receiving required minimum distributions from retirement accounts upon reaching age 70 ½
- redemptions of Class B shares through the fund's Automatic Withdrawal Plan, if such redemptions do not exceed 12% of the value of the account annually
- redemptions from qualified and unqualified employee benefit plans



## Buying shares

The **net asset value (NAV)** of each class is generally calculated as of the close of trading on the New York Stock Exchange (NYSE) (usually 4:00 p.m. Eastern time) on days the exchange is open for regular business. Your order will be priced at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. The fund's investments generally are valued on the basis of market quotations or by one or more independent pricing services approved by the fund's board. The pricing service's procedures are reviewed under the general supervision of the board. If market quotations or prices from a pricing service are not readily available, or are determined not to reflect accurately fair value, the fund may value those investments at fair value as determined in accordance with procedures approved by the fund's board. Fair value of investments may be determined by the fund's board, its pricing committee or its valuation committee in good faith using such information as it deems appropriate under the circumstances. Using fair value to price securities may result in a value that is different from a security's most recent closing price and from the prices used by other mutual funds to calculate their net asset values. Foreign securities may trade on days when the fund does not calculate its NAV and thus may affect the fund's NAV on days when investors have no access to the fund.

**Orders to buy and sell shares** received by dealers by the close of trading on the NYSE and transmitted to the distributor or its designee by the close of its business day (normally 5:15 p.m. Eastern time) will be based on the NAV determined as of the close of trading on the NYSE that day.

### Minimum investments

	Initial	Additional
<b>Regular accounts:</b>		
<b>Class P</b>	<b>\$100,000</b>	<b>\$100; \$500</b> for Dreyfus TeleTransfer investments
<b>Classes A, B and S</b>	<b>\$10,000</b>	<b>\$100; \$500</b> for Dreyfus TeleTransfer investments
<b>Traditional IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Spousal IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Roth IRAs</b>	<b>\$750</b>	<b>no minimum</b>
<b>Education Savings Accounts</b>	<b>\$500</b>	<b>no minimum</b> after the first year

All investments must be in U.S. dollars. Third-party checks cannot be accepted. You may be charged a fee for any check that does not clear. Maximum Dreyfus TeleTransfer purchase is \$150,000 per day.

## Concepts to understand

**Net asset value (NAV):** the market value of one share, computed by dividing the total net assets of a fund or class by its shares outstanding. The fund's Class A shares are offered to the public at NAV plus a sales charge. Classes B, P and S are offered at NAV, but Classes B and S generally are subject to higher annual operating expenses and a CDSC.

## Selling shares

**You may sell (redeem) shares at any time.** Your shares will be sold at the next NAV calculated after your order is accepted by the fund's transfer agent or other authorized entity. Any certificates representing fund shares being sold must be returned with your redemption request. Your order will be processed promptly and you will generally receive the proceeds within a week.

**To keep your CDSC as low as possible,** each time you request to sell shares we will first sell shares that are not subject to a CDSC, and then those subject to the lowest charge. The CDSC is based on the lesser of the original purchase cost or the current market value of the shares being sold, and is not charged on shares you acquired by reinvesting your dividends. As described above in this prospectus, there are certain instances when you may qualify to have the CDSC waived. Consult your financial representative or the SAI for additional details.

**Before selling shares recently purchased by check, Dreyfus TeleTransfer or Automatic Asset Builder, please note that:**

- if you send a written request to sell such shares, the fund may delay sending the proceeds for up to eight business days following the purchase of those shares
- the fund will not process wire, telephone, online or Dreyfus TeleTransfer redemption requests for up to eight business days following the purchase of those shares

### Limitations on selling shares by phone or online

Proceeds sent by	Minimum phone/online	Maximum phone/online
<b>Check*</b>	<b>no minimum</b>	<b>\$250,000 per day</b>
<b>Wire</b>	<b>\$1,000</b>	<b>\$500,000 for joint accounts every 30 days/ \$20,000 per day</b>
<b>Dreyfus TeleTransfer</b>	<b>\$500</b>	<b>\$500,000 for joint accounts every 30 days/ \$20,000 per day</b>

*\* Not available online on accounts whose address has been changed within the last 30 days.*

## Written sell orders

Some circumstances require written sell orders along with signature guarantees. These include:

- amounts of \$10,000 or more on accounts whose address has been changed within the last 30 days
- requests to send the proceeds to a different payee or address

Written sell orders of \$100,000 or more must also be signature guaranteed.

**A signature guarantee** helps protect against fraud. You can obtain one from most banks or securities dealers, but not from a notary public. For joint accounts, each signature must be guaranteed. Please call us to ensure that your signature guarantee will be processed correctly.

## General policies

Unless you decline teleservice privileges on your application, the fund's transfer agent is authorized to act on telephone or online instructions from any person representing himself or herself to be you and reasonably believed by the transfer agent to be genuine. You may be responsible for any fraudulent telephone or online order as long as the fund's transfer agent takes reasonable measures to confirm that instructions are genuine.

Dreyfus discourages excessive trading, short-term market timing and other abusive trading practices. Such trading practices may disrupt portfolio management strategies and harm fund performance. Accordingly, the fund reserves the right to refuse any purchase or exchange request that it believes would materially adversely affect the fund or its operations, including those from any individual or group who, in Dreyfus' view, is likely to engage in excessive trading, short-term market timing or other abusive trading practices. Multiple accounts under common ownership or control may be considered as one account for purposes of determining a pattern of excessive trading, short-term market timing or other abusive trading practices. Protection of shareholder interests is paramount, so that, as an example, transactions placed by suspected excessive traders may not be deemed accepted by the fund and may be cancelled or revoked by the fund on the next business day following receipt by the fund or its transfer agent. While the fund will take reasonable steps to prevent trading practices believed to be harmful to the fund, it may not be able to identify such trading conducted through certain financial intermediaries or omnibus accounts.

## The fund also reserves the right to:

- refuse any purchase or exchange request
- change or discontinue its exchange privilege, or temporarily suspend the privilege during unusual market conditions
- change its minimum investment amounts
- delay sending out redemption proceeds for up to seven days (generally applies only in cases of very large redemptions, excessive trading or during unusual market conditions)
- "redeem in kind," or make payments in securities rather than cash, if the amount you are redeeming is large enough to affect fund operations (for example, if it exceeds 1% of the fund's assets)

## Small account policy

If your account falls below \$500, the fund may ask you to increase your balance. If it is still below \$500 after 45 days, the fund may close your account and send you the proceeds.



## DISTRIBUTIONS AND TAXES

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The fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The fund normally pays dividends once a month and capital gain distributions annually. Fund dividends and capital gain distributions will be reinvested in the fund unless you instruct the fund otherwise. There are no fees or sales charges on reinvestments.

**Distributions paid by the fund** are subject to federal income tax, and may also be subject to state or local taxes (unless you are investing through a tax-advantaged retirement account). For federal tax purposes, in general, certain fund distributions, including distributions of short-term capital gains, are taxable to you as ordinary income. Other fund distributions, including dividends from U.S. companies and certain foreign companies and distributions of long-term capital gains, are taxable to you as qualified dividends and capital gains.

**High portfolio turnover** and more volatile markets can result in significant taxable distributions to shareholders, regardless of whether their shares have increased in value. The tax status of any distribution generally is the same regardless of how long you have been in the fund and whether you reinvest your distributions or take them in cash.

**If you buy shares of a fund** when the fund has realized but not yet distributed income or capital gains, you will be “buying a dividend” by paying the full price for the shares and then receiving a portion back in the form of a taxable distribution.

Your sale of shares, including exchanges into other funds, may result in a capital gain or loss for tax purposes. A capital gain or loss on your investment in the fund generally is the difference between the cost of your shares and the amount you receive when you sell them.

The tax status of your distributions will be detailed in your annual tax statement from the fund. Because everyone’s tax situation is unique, please consult your tax adviser before investing.



## SERVICES FOR FUND INVESTORS

The third party through whom you purchased fund shares may impose different restrictions on these services and privileges offered by the fund, or may not make them available at all. Consult your financial representative for more information on the availability of these services and privileges.

### Automatic services

**Buying or selling shares automatically** is easy with the services described below. With each service, you select a schedule and amount, subject to certain restrictions. You can set up most of these services with your application, or by calling your financial representative or **1-800-554-4611**.

#### For investing

<b>Dreyfus Automatic Asset Builder®</b>	For making automatic investments from a designated bank account.
<b>Dreyfus Payroll Savings Plan</b>	For making automatic investments through a payroll deduction.
<b>Dreyfus Government Direct Deposit Privilege</b>	For making automatic investments from your federal employment, Social Security or other regular federal government check.
<b>Dreyfus Dividend Sweep</b>	For automatically reinvesting the dividends and distributions from the fund into another Dreyfus fund or certain Founders-advised funds (not available for IRAs).

#### For exchanging shares

<b>Dreyfus Auto-Exchange Privilege</b>	For making regular exchanges from the fund into another Dreyfus fund or certain Founders-advised funds.
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#### For selling shares

<b>Dreyfus Automatic Withdrawal Plan</b>	For making regular withdrawals from most Dreyfus funds. There will be no CDSC on Class B shares, as long as the amount of any withdrawal does not exceed on an annual basis 12% of the greater of the account value at the time of the first withdrawal under the plan, or at the time of the subsequent withdrawal.
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### Exchange privilege

**You can exchange shares worth \$500 or more** (no minimum for retirement accounts) from one class of the fund into the same class of another Dreyfus Premier fund or Founders-advised fund. You can also exchange Class S shares into Class B shares of another Dreyfus Premier fund or Class B shares of certain funds advised by Founders (if such funds do not offer Class S shares). In addition, you may exchange Class P shares into Class A shares of another Dreyfus Premier fund or Class A shares of certain funds advised by Founders. You can request your exchange by contacting your financial representative. Be sure to read the current prospectus for any fund into which you are exchanging before investing. Any new account established through an exchange will generally have the same privileges as your original account (as long as they are available). There is currently no fee for exchanges, although shareholders exchanging Class A shares purchased at NAV may be charged any applicable sales load when exchanging into Class A shares of other funds.

### Dreyfus TeleTransfer privilege

**To move money between your bank account and your Dreyfus fund account with a phone call or online, use the Dreyfus TeleTransfer privilege.** You can set up Dreyfus TeleTransfer on your account by providing bank account information and following the instructions on your application, or contact your financial representative.

### Reinvestment privilege

**Upon written request, you can reinvest up to the number of Class A, B or S shares you redeemed within 45 days of selling them at the current share price without any sales charge.** If you paid a CDSC, it will be credited back to your account. This privilege may be used only once.

### Account statements

**Every fund investor automatically receives regular account statements.** You'll also be sent a yearly statement detailing the tax characteristics of any dividends and distributions you have received.

## INSTRUCTIONS FOR **REGULAR ACCOUNTS**

### TO OPEN AN ACCOUNT



#### In Writing

Complete the application.

Mail your application and a check to:

Name of Fund

P.O. Box 55268, Boston, MA 02205-8502

Attn: Institutional Processing

### TO ADD TO AN ACCOUNT

Fill out an investment slip, and write your account number on your check.

Mail the slip and the check to:

Name of Fund

P.O. Box 55268, Boston, MA 02205-8502

Attn: Institutional Processing

### TO SELL SHARES

Write a letter of instruction that includes:

- your name(s) and signature(s)
- your account number
- the fund name
- the share class
- the dollar amount you want to sell
- how and where to send the proceeds

Obtain a signature guarantee or other documentation, if required (see "Shareholder Guide – Selling Shares").

Mail your request to:

The Dreyfus Family of Funds

P.O. Box 55268, Boston, MA 02205-8502

Attn: Institutional Processing



#### By Telephone

**Wire** Call us to request an account application and an account number. Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485914
- the fund name
- the share class
- your account number
- name(s) of investor(s)
- dealer number if applicable

Return your application with the account number on the application.

**Wire** Have your bank send your investment to The Bank of New York, with these instructions:

- ABA# 021000018
- DDA# 8900485914
- the fund name
- the share class
- your account number
- name(s) of investor(s)
- dealer number if applicable

**Electronic check** Same as wire, but insert "111" before your 14-digit account number.

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Call us to request your transaction.

**Wire** Call us or your financial representative to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Call us or your financial representative to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Call us or your financial representative to request your transaction. A check will be sent to the address of record.

To open an account, make subsequent investments or to sell shares, please contact your financial representative or call toll free in the U.S. **1-800-554-4611**.

Make checks payable to: **The Dreyfus Family of Funds**.

### Concepts to understand

**Wire transfer:** for transferring money from one financial institution to another. Wiring is the fastest way to move money, although your bank may charge a fee to send or receive wire transfers. Wire redemptions from the fund are subject to a \$1,000 minimum.

**Electronic check:** for transferring money out of a bank account. Your transaction is entered electronically, but may take up to eight business days to clear. Electronic checks usually are available without a fee at all Automated Clearing House (ACH) banks.

## INSTRUCTIONS FOR **REGULAR ACCOUNTS** (continued)

### TO OPEN AN ACCOUNT



Online ([www.dreyfus.com](http://www.dreyfus.com))

### TO ADD TO AN ACCOUNT

### TO SELL SHARES

**Dreyfus TeleTransfer** Request Dreyfus TeleTransfer on your application. Visit the Dreyfus Web site to request your transaction.

**Wire** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be wired to your bank.

**Dreyfus TeleTransfer** Visit the Dreyfus Web site to request your transaction. Be sure the fund has your bank account information on file. Proceeds will be sent to your bank by electronic check.

**Check** Visit the Dreyfus Web site to request your transaction. A check will be sent to the address of record.



Automatically




**With an initial investment** Indicate on your application which automatic service(s) you want. Return your application with your investment.

**All services** Call us or your financial representative to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials.

**Dreyfus Automatic Withdrawal Plan** Call us or your financial representative to request a form to add the plan. Complete the form, specifying the amount and frequency of withdrawals you would like.

Be sure to maintain an account balance of \$5,000 or more.

## INSTRUCTIONS FOR IRAS

TO OPEN AN ACCOUNT	TO ADD TO AN ACCOUNT	TO SELL SHARES
 <p><b>In Writing</b></p> <p>Complete an IRA application, making sure to specify the fund name and to indicate the year the contribution is for.</p> <p>Mail your application and a check to: The Dreyfus Trust Company, Custodian P.O. Box 55552, Boston, MA 02205-8568 Attn: Institutional Processing</p>	<p>Fill out an investment slip, and write your account number on your check. Indicate the year the contribution is for.</p> <p>Mail the slip and the check to: The Dreyfus Trust Company, Custodian P.O. Box 55552, Boston, MA 02205-8568 Attn: Institutional Processing</p>	<p>Write a letter of instruction that includes:</p> <ul style="list-style-type: none"> <li>• your name and signature</li> <li>• your account number and fund name</li> <li>• the share class</li> <li>• the dollar amount you want to sell</li> <li>• how and where to send the proceeds</li> <li>• whether the distribution is qualified or premature</li> <li>• whether the 10% TEFRA should be withheld</li> </ul> <p>Obtain a signature guarantee or other documentation, if required (see "Shareholder Guide – Selling Shares").</p> <p>Mail your request to: The Dreyfus Trust Company P.O. Box 55552, Boston, MA 02205-8568 Attn: Institutional Processing</p>
 <p><b>By Telephone</b></p>	<p><b>Wire</b> Have your bank send your investment to The Bank of New York, with these instructions:</p> <ul style="list-style-type: none"> <li>• ABA# 021000018</li> <li>• DDA# 8900485914</li> <li>• the fund name</li> <li>• the share class</li> <li>• your account number</li> <li>• name of investor</li> <li>• the contribution year</li> <li>• dealer number if applicable</li> </ul> <p><b>Electronic check</b> Same as wire, but insert "111" before your 14-digit account number.</p>	
 <p><b>Automatically</b></p>	<p><b>All services</b> Call us to request a form to add any automatic investing service (see "Services for Fund Investors"). Complete and return the form along with any other required materials.</p> <p>All contributions will count as current year.</p>	<p><b>Systematic Withdrawal Plan</b> Call us to request instructions to establish the plan.</p>

For information and assistance, contact your financial representative or call toll free in the U.S. **1-800-554-4611**.  
Make checks payable to: **The Dreyfus Trust Company, Custodian.**









# For More Information

**Dreyfus Premier Yield Advantage Fund**  
A series of Dreyfus Investment Grade Funds, Inc.  
SEC file number: 811-6718

More information on this fund is available free upon request, including the following:

## **Annual/Semiannual Report**

Describes the fund's performance, lists portfolio holdings and contains a letter from the fund's manager discussing recent market conditions, economic trends and fund strategies that significantly affected the fund's performance during the last fiscal year.

## **Statement of Additional Information (SAI)**

Provides more details about the fund and its policies. A current SAI is on file with the Securities and Exchange Commission (SEC) and is incorporated by reference (is legally considered part of this prospectus).

To obtain information:

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### **By telephone**

Call your financial representative or 1-800-554-4611

### **By mail** Write to:

The Dreyfus Premier Family of Funds  
144 Glenn Curtiss Boulevard  
Uniondale, NY 11556-0144

**On the Internet** Text-only versions of certain fund documents can be viewed online or downloaded from:  
<http://www.sec.gov>

You can also obtain copies, after paying a duplicating fee, by visiting the SEC's Public Reference Room in Washington, DC (for information, call 1-202-942-8090) or by E-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102.



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DREYFUS INVESTMENT GRADE FUNDS, INC.

DREYFUS PREMIER SHORT TERM INCOME FUND

*(Class A, Class B, Class D and Class P Shares)*

DREYFUS PREMIER YIELD ADVANTAGE FUND

*(Class A, Class B, Class D, Class P and Class S Shares)*

DREYFUS INSTITUTIONAL YIELD ADVANTAGE FUND

*(Institutional Shares and Investor Shares)*

DREYFUS INFLATION ADJUSTED SECURITIES FUND

*(Institutional Shares and Investor Shares)*

DREYFUS INTERMEDIATE TERM INCOME FUND

*(Institutional Shares and Investor Shares)*

STATEMENT OF ADDITIONAL INFORMATION

DECEMBER 1, 2004

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This Statement of Additional Information, which is not a prospectus, supplements and should be read in conjunction with the current Prospectus of Dreyfus Premier Short Term Income Fund, Dreyfus Premier Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund, Dreyfus Institutional Yield Advantage Fund and Dreyfus Intermediate Term Income Fund, each dated December 1, 2004, each a separate series (each, a "Fund" and, collectively, the "Funds") of Dreyfus Investment Grade Funds, Inc. (the "Company"), as each Prospectus may be revised from time to time. Dreyfus Premier Yield Advantage Fund offers five classes of shares, Dreyfus Premier Short Term Income Fund offers four classes of shares, and Dreyfus Institutional Yield Advantage Fund, Dreyfus Intermediate Term Income Fund and Dreyfus Inflation Adjusted Securities Fund each offer two classes of shares.

To obtain a copy of the Prospectus for Dreyfus Intermediate Term Income Fund, or for Class D shares of Dreyfus Premier Short Term Income Fund or Dreyfus Premier Yield Advantage Fund, please write to the Company at 144 Glenn Curtiss Boulevard, Uniondale, New York 11556-0144, visit the Dreyfus.com website, or call one of the following numbers:

Call Toll Free 1-800-645-6561

In New York City -- Call 1-718-895-1206

Outside the U.S. -- Call 516-794-5452

To obtain a copy of the Prospectus for Class A, Class B, Class P or Class S (as applicable) shares ("Dreyfus Premier Shares") of Dreyfus Premier Yield Advantage Fund or Dreyfus Premier Short Term Income Fund, please call your financial adviser or write to the Fund at the above address, visit the Dreyfus.com website or call toll free 1-800-554-4611.

To obtain a copy of the Prospectus for Dreyfus Institutional Yield Advantage Fund or Dreyfus Inflation Adjusted Securities Fund, write to the Fund at the above address or call toll

free, in the case of institutional investors, 1-800-346-3621 (in New York City, call 1-718-895-1605), or in the case of individuals or entities for whom institutions may purchase or redeem Institutional shares of the Fund, 1-800-554-4611.

The most recent Annual Reports and Semi-Annual Reports to Shareholders for each Fund are separate documents supplied with this Statement of Additional Information, and the financial statements, accompanying notes and report of independent auditors (Annual Reports only) appearing in the Reports are incorporated by reference into this Statement of Additional Information.

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## DESCRIPTION OF THE COMPANY AND FUNDS

The Company is a Maryland corporation that was organized on June 26, 1992. Each Fund is a separate series of the Company, an open-end management investment company, known as a mutual fund. Each of Dreyfus Intermediate Term Income Fund, Dreyfus Premier Yield Advantage Fund, Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund is a diversified fund, which means that, with respect to 75% of the Fund's total assets, the Fund will not invest more than 5% of its assets in the securities of any single issuer, nor hold more than 10% of the outstanding voting securities of any single issuer (other than, in each case, securities of other investment companies and securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities). Dreyfus Premier Short Term Income Fund is a non-diversified fund, which means that the proportion of the Fund's assets that may be invested in the securities of a single issuer is not limited by the Investment Company Act of 1940, as amended (the "1940 Act").

The Dreyfus Corporation (the "Manager") serves as each Fund's investment adviser.

Dreyfus Service Corporation (the "Distributor") is the distributor of each Fund's shares.

### Certain Portfolio Securities

The following information supplements (except as noted) and should be read in conjunction with the relevant Fund's Prospectus.

Fixed-Income Securities. Each of Dreyfus Premier Short Term Income Fund, Dreyfus Intermediate Term Income Fund and Dreyfus Inflation Adjusted Securities Fund invests at least 80% of its assets in, and each of Dreyfus Premier Yield Advantage Fund and Dreyfus Institutional Yield Advantage Fund invests only in, fixed-income securities rated at least investment grade by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P") or Fitch Ratings ("Fitch," and with Moody's and S&P, the "Rating Agencies"), or the unrated equivalent as determined by the Manager. For additional yield, Dreyfus Premier Short Term Income Fund and Dreyfus Intermediate Term Income Fund each may invest up to 20% of its assets in fixed-income securities rated below investment grade ("high yield" or "junk bonds") and as low as Caa by Moody's or CCC by S&P or Fitch or the unrated equivalent as determined by the Manager. Dreyfus Premier Yield Advantage Fund and Dreyfus Institutional Yield Advantage Fund each maintain a minimum average portfolio credit quality of "A." Securities rated Baa and above by Moody's or BBB and above by S&P or Fitch are considered investment grade.

Fixed-income securities may include corporate debt securities such as corporate bonds, debentures, notes and other similar instruments, including certain convertible securities. Debt securities may be acquired with warrants attached. Corporate income-producing securities also may include forms of preferred or preference stock. The rate of interest on a corporate debt security may be fixed, floating or variable, and may vary inversely with respect to a reference rate such as interest rates or other financial indicators. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies. Such securities may include those whose principal

amount or redemption price is indexed to, and thus varies directly with, changes in the market price of certain commodities, including gold bullion or other precious metals. A Fund may invest in such securities to the extent described in its Prospectus or in this Statement of Additional Information.

The average distribution of Fund investments in corporate bonds (excluding any preferred stock, convertible preferred stock or convertible bonds) by ratings for the fiscal year ended July 31, 2004, calculated monthly on a dollar-weighted basis, for each of Dreyfus Premier Short Term Income Fund and Dreyfus Intermediate Term Income Fund was as follows:

Moody's	or	S&P or Fitch	Dreyfus Premier Short Term Income Fund Percentage	Dreyfus Intermediate Term Income Fund Percentage
Aaa		AAA	56.8%	67.7%
Aa		AA	8.8%	3.6%
A		A	12.9%	16.1%
Baa		BBB	16.8%	12.1%
Ba		BB	4.0%	3.8%
B		B	.8%	6.1%
Caa		CCC	.2%	.3%
Ca		CC	-0-	.1%
NR		NR	1.5%*	1.5%***
			<u>101.8%**</u>	<u>111.3%****</u>

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\* The Manager determined these unrated securities to be of comparable quality to securities rated in the following rating categories: Aaa/AAA (.9%) and Caa/CCC (.6%).

\*\* The Fund also held equity convertible bonds rated A/A (3.2%) and Baa/BBB (.4%).

\*\*\* The Manager determined these unrated securities to be of comparable quality to securities rated in the following rating categories: Aaa/AAA (.2%), A/A (.6%), Ba/BB (.5%) and Caa/CCC (.2%).

\*\*\*\* The Fund also held convertible preferred stocks rated A/A (.4%), Baa/BBB (.5%) and Ba/BB (.5%), and convertible bonds rated Aaa/AAA (.4%), Baa/BBB (.5%) and B/B (.3%).

The actual distribution of each Fund's corporate bond investments by ratings on any given date will vary, and the distribution of a Fund's investments by ratings as set forth above should not be considered as representative of the Fund's future portfolio composition.

U.S. Government Securities. (All Funds) Each Fund may invest in U.S. Treasury securities which include Treasury Bills, Treasury Notes and Treasury Bonds that differ in their interest rates, maturities and times of issuance. Treasury Bills have initial maturities of one year or less; Treasury Notes have initial maturities of one to ten years; and Treasury Bonds generally have initial maturities of greater than ten years. In addition to U.S. Treasury securities, each



Fund, may invest in securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities. 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. These securities bear fixed, floating or variable rates of interest. While the U.S. Government currently provides financial support to such U.S. Government-sponsored agencies or instrumentalities, no assurance can be given that it will always do so, since it is not so obligated by law.

**Inflation-Indexed Securities.** (All Funds) Dreyfus Inflation Adjusted Securities Fund normally will invest at least 80% of its assets in, and each other Fund may invest in, inflation-indexed securities, which are fixed-income securities whose value is periodically adjusted according to the rate of inflation. Two structures are common. The U.S. Treasury and some other issuers utilize a structure that accrues inflation into the principal value of the security. Most other issuers pay out the Consumer Price Index ("CPI") accruals as part of a semiannual coupon.

Inflation-indexed securities issued by the U.S. Treasury have varying maturities and pay interest on a semi-annual basis equal to a fixed percentage of the inflation-adjusted principal amount. If the periodic adjustment rate measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds, even during a period of deflation. However, the current market value of the bonds is not guaranteed and will fluctuate. A Fund also may invest in other inflation-related bonds which may or may not provide a similar guarantee. If a guarantee of principal is not provided, the adjusted principal value of the bond repaid at maturity may be less than the original principal amount.

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates. Real interest rates in turn are tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of inflation-indexed bonds. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed bonds. Any increase in the principal amount of an inflation-indexed bond will be considered taxable ordinary income, even though investors do not receive their principal until maturity.

While these securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in value. If interest rates rise due to reasons other than inflation (for example, due to changes in currency exchange rates), investors in these securities may not be protected to the extent that the increase is not reflected in the bond's inflation measure.

The periodic adjustment of U.S. inflation-indexed bonds is tied to the Consumer Price Index for Urban Consumers ("CPI-U"), which is calculated monthly by the U.S. Bureau of Labor Statistics. The CPI-U is a measurement of changes in the cost of living, made up of components

such as housing, food, transportation and energy. Inflation-indexed bonds issued by a foreign government are generally adjusted to reflect a comparable inflation index calculated by that government. There can be no assurance that the CPI-U or any foreign inflation index will accurately measure the real rate of inflation in the prices of goods and services. Moreover, there can be no assurance that the rate of inflation in a foreign country will be correlated to the rate of inflation in the United States.

The taxation of inflation-indexed Treasury securities is similar to the taxation of conventional bonds. Both interest payments and the difference between original principal and the inflation-adjusted principal will be treated as interest income subject to taxation. Interest payments are taxable when received or accrued. The inflation adjustment to the principal is subject to tax in the year the adjustment is made, not at maturity of the security when the cash from the repayment of principal is received. If an upward adjustment has been made (which typically should happen), investors in non-tax-deferred accounts will pay taxes on this amount currently. Decreases in the indexed principal can be deducted only from current or previous interest payments reported as income. Inflation-indexed Treasury securities therefore have a potential cash flow mismatch to an investor, because investors must pay taxes on the inflation-adjusted principal before the repayment of principal is received. It is possible that, particularly for high income tax bracket investors, inflation-indexed Treasury securities would not generate enough income in a given year to cover the tax liability they could create. This is similar to the current tax treatment for zero-coupon bonds and other discount securities. If inflation-indexed Treasury securities are sold prior to maturity, capital losses or gains are realized in the same manner as traditional bonds. The Funds, however, distributes income on a monthly basis. Fund investors will receive dividends that represent both the interest payments and the principal adjustments of the inflation-indexed securities held in the Fund's portfolio. See "Dividends, Distributions and Taxation."

Municipal Obligations. (All Funds, except Dreyfus Inflation Adjusted Securities Fund) Municipal obligations are debt obligations issued by states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, or multistate agencies or authorities, generally to obtain funds for various public purposes and include certain industrial development bonds issued by or on behalf of public authorities. Municipal obligations are classified as general obligation bonds, revenue bonds and notes. General obligation bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable from the revenue derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source, but not from the general taxing power. Industrial development bonds, in most cases, are revenue bonds that do not carry the pledge of the credit of the issuing municipality, but generally are guaranteed by the corporate entity on whose behalf they are issued. Notes are short-term instruments which are obligations of the issuing municipalities or agencies and are sold in anticipation of a bond sale, collection of taxes or receipt of other revenues. Municipal obligations include municipal lease/purchase agreements which are similar to installment purchase contracts for property or equipment issued by municipalities. Municipal obligations bear fixed, floating or variable rates of interest, which are determined in some instances by formulas under which the municipal obligation's interest rate will change directly or inversely to changes in interest rates or an index, or multiples thereof, in many cases subject to a maximum and minimum. Certain municipal obligations are subject to

redemption at a date earlier than their stated maturity pursuant to call options, which may be separated from the related municipal obligation and purchased and sold separately. Each Fund also may acquire call options on specific municipal obligations. A Fund generally would purchase these call options to protect the Fund from the issuer of the related municipal obligation redeeming, or other holder of the call option from calling away, the municipal obligation before maturity.

While, in general, municipal obligations are tax exempt securities having relatively low yields as compared to taxable, non-municipal obligations of similar quality, certain municipal obligations are taxable obligations, offering yields comparable to, and in some cases greater than, the yields available on other permissible Fund investments. Dividends received by shareholders on Fund shares which are attributable to interest income received by the Fund from municipal obligations generally will be subject to Federal income tax. Each Fund may invest in municipal obligations, the ratings of which correspond with the ratings of other permissible Fund investments. Each Fund currently intends to invest no more than 25% of its assets in municipal obligations. However, this percentage may be varied from time to time without shareholder approval.

**Mortgage-Related Securities.** (All Funds) Mortgage-related securities are a form of derivative collateralized by pools of commercial or residential mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations and stripped mortgage-backed securities, mortgage pass-through securities, interests in real estate mortgage investment conduits ("REMICs"), adjustable rate mortgages, real estate investment trusts ("REITs"), including debt and preferred stock issued by REITS, as well as other real estate-related securities. The mortgage-related securities in which a Fund may invest include those with fixed, floating and variable interest rates, those with interest rates based on multiples of changes in a specified index of interest rates and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest.

**Residential Mortgage-Related Securities.** Each Fund may invest in mortgage-related securities representing participation interests in pools of one- to four-family residential mortgage loans issued or guaranteed by governmental agencies or instrumentalities, such as the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), or issued by private entities. Residential mortgage-related securities may be issued using a variety of structures, including multi-class structures featuring senior and subordinated classes.

Mortgage-related securities issued by GNMA include GNMA Mortgage Pass-Through Certificates (also known as "Ginnie Maes") which are guaranteed as to the timely payment of principal and interest by GNMA and such guarantee is backed by the full faith and credit of the United States. GNMA certificates also are supported by the authority of GNMA to borrow funds from the U.S. Treasury to make payments under its guarantee. Mortgage-related securities issued by FNMA include FNMA Guaranteed Mortgage Pass-Through Certificates (also known as "Fannie Maes") which are solely the obligations of FNMA and are not backed by or entitled to the full faith and credit of the United States. Fannie Maes are guaranteed as to timely payment

of principal and interest by FNMA. Mortgage-related securities issued by FHLMC include FHLMC Mortgage Participation Certificates (also known as "Freddie Macs" or "PCs"). Freddie Macs are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by FHLMC. FHLMC guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. When FHLMC does not guarantee timely payment of principal, FHLMC may remit the amount due on account of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one year after it becomes payable.

Commercial Mortgage-Related Securities. Each Fund may invest in commercial mortgage-related securities which generally are multi-class debt or pass-through certificates secured by mortgage loans on commercial properties. These mortgage-related securities generally are structured to provide protection to the senior class investors against potential losses on the underlying mortgage loans. This protection generally is provided by having the holders of subordinated classes of securities ("Subordinated Securities") take the first loss if there are defaults on the underlying commercial mortgage loans. Other protection, which may benefit all of the classes or particular classes, may include issuer guarantees, reserve funds, additional Subordinated Securities, cross-collateralization and over-collateralization.

Subordinated Securities. Each Fund may invest in Subordinated Securities issued or sponsored by commercial banks, savings and loan institutions, mortgage bankers, private mortgage insurance companies and other non-governmental issuers. Subordinated Securities have no governmental guarantee, and are subordinated in some manner as to the payment of principal and/or interest to the holders of more senior mortgage-related securities arising out of the same pool of mortgages. The holders of Subordinated Securities typically are compensated with a higher stated yield than are the holders of more senior mortgage-related securities. On the other hand, Subordinated Securities typically subject the holder to greater risk than senior mortgage-related securities and tend to be rated in a lower rating category, and frequently a substantially lower rating category, than the senior mortgage-related securities issued in respect of the same pool of mortgages. Subordinated Securities generally are likely to be more sensitive to changes in prepayment and interest rates and the market for such securities may be less liquid than is the case for traditional fixed-income securities and senior mortgage-related securities.

Collateralized Mortgage Obligations ("CMOs") and Multi-Class Pass-Through-Securities. Each Fund may invest in CMOs which are multiclass bonds backed by a pool of mortgage pass-through certificates or mortgage loans. CMOs may be collateralized by (a) Ginnie Mae, Fannie Mae, or Freddie Mac pass-through certificates, (b) unsecuritized mortgage loans insured by the Federal Housing Administration or guaranteed by the Department of Veterans' Affairs, (c) unsecuritized conventional mortgages, (d) other mortgage-related securities, or (e) any combination thereof.

Each class of CMOs, often referred to as a "tranche," is issued at a specific coupon rate and has a stated maturity or final distribution date. Principal prepayments on collateral underlying a CMO may cause it to be retired substantially earlier than the stated maturities or final distribution dates. The principal and interest on the underlying mortgages may be allocated

among the several classes of a series of a CMO in many ways. One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over an index, such as the London Interbank Offered Rate ("LIBOR") (or sometimes more than one index). These floating rate CMOs typically are issued with lifetime caps on the coupon rate thereon. The Fund also may invest in inverse floating rate CMOs. Inverse floating rate CMOs constitute a tranche of a CMO with a coupon rate that moves in the reverse direction to an applicable index such as LIBOR. Accordingly, the coupon rate thereon will increase as interest rates decrease. Inverse floating rate CMOs are typically more volatile than fixed or floating rate tranches of CMOs.

Many inverse floating rate CMOs have coupons that move inversely to a multiple of the applicable indexes. The effect of the coupon varying inversely to a multiple of an applicable index creates a leverage factor. Inverse floaters based on multiples of a stated index are designed to be highly sensitive to changes in interest rates and can subject the holders thereof to extreme reductions of yield and loss of principal. The markets for inverse floating rate CMOs with highly leveraged characteristics at times may be very thin. The Fund's ability to dispose of its positions in such securities will depend on the degree of liquidity in the markets for such securities. It is impossible to predict the amount of trading interest that may exist in such securities, and, therefore, the future degree of liquidity.

Stripped Mortgage-Backed Securities. Each Fund may invest in stripped mortgage-backed securities which are created by segregating the cash flows from underlying mortgage loans or mortgage securities to create two or more new securities, each with a specified percentage of the underlying securities' principal or interest payments. Mortgage securities may be partially stripped so that each investor class receives some interest and some principal. When securities are completely stripped, however, all of the interest is distributed to holders of one type of security, known as an interest-only security, or IO, and all of the principal is distributed to holders of another type of security known as a principal-only security, or PO. Strips can be created in a pass-through structure or as tranches of a CMO. The yields to maturity on IOs and POs are very sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in IOs. Conversely, if the underlying mortgage assets experience less than anticipated prepayments of principal, the yield on POs could be materially and adversely affected.

Real Estate Investment Trusts. Each Fund may invest in REITs. A REIT is a corporation, or a business trust that would otherwise be taxed as a corporation, which meets the definitional requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code permits a qualifying REIT to deduct dividends paid, thereby effectively eliminating corporate level Federal income tax and making the REIT a pass-through vehicle for Federal income tax purposes. To meet the definitional requirements of the Code, a REIT must, among other things, invest substantially all of its assets in interests in real estate (including mortgages and other REITs) or cash and government securities, derive most of its income from rents from real property or interest on loans secured by mortgages on real property, and distribute to shareholders annually a substantial portion of its otherwise taxable income.

REITs are characterized as equity REITs, mortgage REITs and hybrid REITs. Equity REITs, which may include operating or finance companies, own real estate directly and the value

of, and income earned by, the REITs depend upon the income of the underlying properties and the rental income they earn. Equity REITs also can realize capital gains (or losses) by selling properties that have appreciated (or depreciated) in value. Mortgage REITs can make construction, development or long-term mortgage loans and are sensitive to the credit quality of the borrower. Mortgage REITs derive their income from interest payments on such loans. Hybrid REITs combine the characteristics of both equity and mortgage REITs, generally by holding both ownership interests and mortgage interests in real estate. The value of securities issued by REITs are affected by tax and regulatory requirements and by perceptions of management skill. They also are subject to heavy cash flow dependency, defaults by borrowers or tenants, self-liquidation and the possibility of failing to qualify for tax-free status under the Code or to maintain exemption from the 1940 Act.

Private Entity Securities. Each Fund may invest in mortgage-related securities issued by commercial banks, savings and loan institutions, mortgage bankers, private mortgage insurance companies and other non-governmental issuers. Timely payment of principal and interest on mortgage-related securities backed by pools created by non-governmental issuers often is supported partially by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. There can be no assurance that the private insurers or mortgage poolers can meet their obligations under the policies, so that if the issuers default on their obligations the holders of the security could sustain a loss. No insurance or guarantee covers the Fund or the price of the Fund's shares. Mortgage-related securities issued by non-governmental issuers generally offer a higher rate of interest than government-agency and government-related securities because there are no direct or indirect government guarantees of payment.

Other Mortgage-Related Securities. Other mortgage-related securities that the Funds may invest in include securities other than those described above that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property, including CMO residuals. Other mortgage-related securities may be equity or debt securities issued by agencies or instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans, including savings and loan associations, homebuilders, mortgage banks, commercial banks, investment banks, partnerships, trusts and special purpose entities of the foregoing.

Asset-Backed Securities. (All Funds) Asset-backed securities are a form of derivative. The securitization techniques used for asset-backed securities are similar to those used for mortgage-related securities. These securities include debt securities and securities with debt-like characteristics. The collateral for these securities has included home equity loans, automobile and credit card receivables, boat loans, computer leases, airplane leases, mobile home loans, recreational vehicle loans and hospital account receivables. Each Fund may invest in these and other types of asset-backed securities that may be developed in the future.

Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may provide a Fund with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility

that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.

Foreign Government Obligations; Securities of Supranational Entities. (All Funds) A Fund may invest in obligations issued or guaranteed by one or more foreign governments or any of their political subdivisions, agencies or instrumentalities that are determined by the Manager to be of comparable quality to the other obligations in which the Fund may invest. Such securities also include debt obligations of supranational entities. Supranational entities include international organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies. Examples include the International Bank for Reconstruction and Development (the World Bank), the European Coal and Steel Community, the Asian Development Bank and the InterAmerican Development Bank.

Convertible Securities. (All Funds, except Dreyfus Inflation Adjusted Securities Fund) Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock. Convertible securities have characteristics similar to both fixed-income and equity securities. Convertible securities generally are subordinated to other similar but non-convertible securities of the same issuer, although convertible bonds, as corporate debt obligations, enjoy seniority in right of payment to all equity securities, and convertible preferred stock is senior to common stock of the same issuer. Because of the subordination feature, however, convertible securities typically have lower ratings than similar non-convertible securities.

Although to a lesser extent than with fixed-income securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock. While no securities investments are without risk, investments in convertible securities generally entail less risk than investments in common stock of the same issuer.

Convertible securities provide for a stable stream of income with generally higher yields than common stocks, but there can be no assurance of current income because the issuers of the convertible securities may default on their obligations. A convertible security, in addition to providing fixed income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock. There can be no assurance of capital appreciation, however, because securities prices fluctuate. Convertible securities, however, generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.

Each of these Funds may invest in convertible preferred stocks that offer enhanced yield features, such as PERCS (Preferred Equity Redemption Cumulative Stock). PERCS are preferred stock which generally feature a mandatory conversion date, as well as a capital appreciation limit that is usually expressed in terms of a stated price. The Fund also may invest in other classes of enhanced convertible securities, such as ACES (Automatically Convertible Equity Securities), PEPS (Participating Equity Preferred Stock), PRIDES (Preferred Redeemable Increased Dividend Equity Securities), SAILS (Stock Appreciation Income Linked Securities), TECONS (Term Convertible Notes), QICS (Quarterly Income Cumulative Securities) and DECS (Dividend Enhanced Convertible Securities). These securities are company-issued convertible preferred stock. Unlike PERCS, they do not have a capital appreciation limit. They are designed to provide the investor with high current income with some prospect of future capital appreciation, issued with three- or four-year maturities, and typically have some built-in call protection. Investors have the right to convert them into shares of common stock at a preset conversion ratio or hold them until maturity. Upon maturity they will convert mandatorily into either cash or a specified number of shares of common stock.

Warrants. (All Funds, except Dreyfus Inflation Adjusted Securities Fund) A warrant is a form of derivative issued by a corporation which gives the holder the right to subscribe to a specified amount of the corporation's capital stock at a set price for a specified period of time. Each of these Funds may invest up to 5% of its net assets in warrants, except that this limitation does not apply to warrants purchased by the Fund that are sold in units with, or attached to, other securities.

Zero Coupon, Pay-In-Kind and Step-Up Securities. (All Funds) Each Fund may invest in zero coupon U.S. Treasury securities, which are Treasury Notes and Bonds that have been stripped of their unmatured interest coupons, the coupons themselves and receipts or certificates representing interests in such stripped debt obligations and coupons. Zero coupon securities also are issued by corporations and financial institutions which constitute a proportionate ownership of the issuer's pool of underlying U.S. Treasury securities. A zero coupon security pays no interest to its holders during its life and is sold at a discount to its face value at maturity. Each Fund may invest in pay-in-kind bonds, which are bonds that generally pay interest through the issuance of additional bonds. Each Fund also may purchase step-up coupon bonds, which are debt securities that typically do not pay interest for a specified period of time and then pay interest at a series of different rates. The market prices of these securities generally are more volatile and are likely to respond to a greater degree to changes in interest rates than securities that pay cash interest periodically having similar maturities and credit qualities. In addition, unlike bonds that pay cash interest throughout the period to maturity, the Fund will realize no cash until the cash payment date unless a portion of such securities are sold and, if the issuer defaults, the Fund may obtain no return at all on its investment. Federal income tax law requires the holder of a zero coupon security or of certain pay-in-kind or step-up bonds to accrue income with respect to these securities prior to the receipt of cash payments. To maintain its qualification as a regulated investment company and avoid liability for Federal income taxes, the Fund may be required to distribute such income accrued with respect to these securities and may have to dispose of portfolio securities under disadvantageous circumstances in order to generate cash to satisfy these distribution requirements. See "Dividends, Distributions and Taxes."



Equity Securities. (Dreyfus Premier Short Term Income Fund and Dreyfus Intermediate Term Income Fund only) From time to time, these Funds may hold common stock sold in units with, or attached to, debt securities purchased by the Fund. In connection with its investments in corporate debt securities, or restructuring of investments owned by the Fund, these Funds may receive warrants or other non-income producing equity securities. Each of these Funds may retain such securities, including equity securities received upon conversion of convertible securities, until the Manager determines it is appropriate in light of current market conditions for the Fund to dispose of such securities.

Illiquid Securities. (All Funds) Each Fund may invest up to 15% of the value of its net assets in securities as to which a liquid trading market does not exist, provided such investments are consistent with the Fund's investment objective. These securities may include securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale, repurchase agreements providing for settlement in more than seven days after notice, and certain privately negotiated, non-exchange traded options and securities used to cover such options. As to these securities, the Fund is subject to a risk that should the Fund desire to sell them when a ready buyer is not available at a price the Fund deems representative of their value, the value of the Fund's net assets could be adversely affected.

Investment Companies. (All Funds) Each Fund may invest in securities issued by investment companies. Under the 1940 Act, the Fund's investment in such securities, subject to certain exceptions, currently is limited to (i) 3% of the total voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets in the aggregate. As a shareholder of another investment company, the Fund would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that the Fund bears directly in connection with its own operations. Each Fund also may invest its uninvested cash reserves or cash it receives as collateral from borrowers of its portfolio securities in connection with the Fund's securities lending program in shares of one or more money market funds advised by the Manager. Such investments will not be subject to the limitations described above, except that a Fund's aggregate investment of uninvested cash reserves in such money market funds may not exceed 25% of its total assets. See "Lending Portfolio Securities."

Money Market Instruments. (All Funds) When the Manager determines that adverse market conditions exist, a Fund may adopt a temporary defensive position and invest some or all of its assets in money market instruments, including U.S. Government securities, repurchase agreements, bank obligations and commercial paper. A Fund also may purchase money market instruments when it has cash reserves or in anticipation of taking a market position.

### Investment Techniques

The following information supplements (except as noted) and should be read in conjunction with the relevant Fund's Prospectus.

Duration. (All Funds) As a measure of a fixed income security's cash flow, duration is an alternative to the concept of "term to maturity" in assessing the price volatility associated with

changes in interest rates. Generally, the longer the duration, the more volatility an investor should expect. For example, the market price of a bond with a duration of three years would be expected to decline 3% if interest rates rose 1%. Conversely, the market price of the same bond would be expected to increase 3% if interest rates fell 1%. The market price of a bond with a duration of six years would be expected to increase or decline twice as much as the market price of a bond with a three-year duration. Duration is a way of measuring a security's maturity in terms of the average time required to receive the present value of all interest and principal payments as opposed to its term to maturity. The maturity of a security measures only the time until final payment is due; it does not take account of the pattern of a security's cash flows over time, which would include how cash flow is affected by prepayments and by changes in interest rates. Incorporating a security's yield, coupon interest payments, final maturity and option features into one measure, duration is computed by determining the weighted average maturity of a bond's cash flows, where the present values of the cash flows serve as weights. In computing the duration of a Fund, the Manager will estimate the duration of obligations that are subject to features such as prepayment or redemption by the issuer, put options retained by the investor or other imbedded options, taking into account the influence of interest rates on prepayments and coupon flows.

Portfolio Maturity. (All Funds) For purposes of calculating average effective portfolio maturity, a security that is subject to redemption at the option of the issuer on a particular date (the "call date") which is prior to the security's stated maturity may be deemed to mature on the call date rather than on its stated maturity date. The call date of a security will be used to calculate average effective portfolio maturity when the Manager reasonably anticipates, based upon information available to it, that the issuer will exercise its right to redeem the security. The Manager may base its conclusion on such factors as the interest rate paid on the security compared to prevailing market rates, the amount of cash available to the issuer of the security, events affecting the issuer of the security, and other factors that may compel or make it advantageous for the issuer to redeem a security prior to its stated maturity.

Borrowing Money. (All Funds) Each Fund is permitted to borrow to the extent permitted under the 1940 Act, which permits an investment company to borrow in an amount up to 33-1/3% of the value of its total assets. Dreyfus Inflation Adjusted Securities Fund currently intends to borrow money only for temporary or emergency (not leveraging) purposes. While such borrowings exceed 5% of the Fund's total assets, the Fund will not make any additional investments. Money borrowed will be subject to interest costs. Dreyfus Premier Short Term Income Fund, Dreyfus Premier Yield Advantage Fund, Dreyfus Institutional Yield Advantage Fund and Dreyfus Intermediate Term Income Fund may borrow money for investment purposes as described below under "Leverage."

Leverage. (All Funds, except Dreyfus Inflation Adjusted Securities Fund) Leveraging (that is, buying securities using borrowed money) exaggerates the effect on net asset value of any increase or decrease in the market value of a Fund's portfolio. These borrowings will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased; in certain cases, interest costs may exceed the return received on the securities purchased. For borrowings for investment purposes, the 1940 Act requires the Fund to maintain continuous asset coverage (total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed. If the required coverage should decline as a result of market fluctuations

or other reasons, the Fund may be required to sell some of its portfolio holdings within three days to reduce the amount of its borrowings and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time. The Fund also may be required to maintain minimum average balances in connection with such borrowing or pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate. Except for reverse repurchase agreement transactions described below, a Fund's borrowings generally will be unsecured.

Reverse Repurchase Agreements. (All Funds) Each Fund may enter into reverse repurchase agreements with banks, broker/dealers or other financial institutions. This form of borrowing involves the transfer by the Fund of an underlying debt instrument in return for cash proceeds based on a percentage of the value of the security. The Fund retains the right to receive interest and principal payments on the security. At an agreed upon future date, the Fund repurchases the security at principal plus accrued interest. To the extent a Fund enters into a reverse repurchase agreement, the Fund will segregate permissible liquid assets at least equal to the aggregate amount of its reverse repurchase obligations, plus accrued interest, in certain cases, in accordance with releases promulgated by the Securities and Exchange Commission. The Securities and Exchange Commission views reverse repurchase transactions as collateralized borrowings by the Fund.

Short-Selling. (All Funds, except Dreyfus Premier Short Term Income Fund) In these transactions, the Fund sells a security it does not own in anticipation of a decline in the market value of the security. To complete the transaction, the Fund must borrow the security to make delivery to the buyer. The Fund is obligated to replace the security borrowed by purchasing it subsequently at the market price at 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, which would result in a loss or gain, respectively.

A Fund will not sell securities short if, after effect is given to any such short sale, the total market value of all securities sold short would exceed 25% of the value of the Fund's net assets.

A Fund also may make short sales "against the box," in which the Fund enters into a short sale of a security it owns.

Until the Fund closes its short position or replaces the borrowed security, it will: (a) segregate permissible liquid assets in an amount that, together with the amount provided as collateral, always equals the current value of the security sold short; or (b) otherwise cover its short position.

Lending Portfolio Securities. (All Funds) Each Fund may lend securities from its portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. In connection with such loans, the Fund remains the owner of the loaned securities and continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities. The Fund also has the right to terminate a loan at any time. The Fund may call the loan to vote proxies if a material issue affecting the Fund's investment is to be voted upon. Loans of portfolio securities may not exceed 33-1/3% of the value of the Fund's total assets (including the value of all assets received as

collateral for the loan). The Fund will receive collateral consisting of cash, U.S. Government securities or irrevocable letters of credit which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. If the collateral consists of a letter of credit or securities, the borrower will pay the Fund a loan premium fee. If the collateral consists of cash, the Fund will reinvest the cash and pay the borrower a pre-negotiated fee or "rebate" from any return earned on the investment. The Fund may participate in a securities lending program operated by Mellon Bank, N.A., as lending agent (the "Lending Agent"). The Lending Agent will receive a percentage of the total earnings of the Fund derived from lending its portfolio securities. Should the borrower of the securities fail financially, the Fund may experience delays in recovering the loaned securities or exercising its rights in the collateral. Loans are made only to borrowers that are deemed by the Manager to be of good financial standing. In a loan transaction, the Fund will also bear the risk of any decline in value of securities acquired with cash collateral. A Fund will minimize this risk by limiting the investment of cash collateral to money market funds advised by the Manager, repurchase agreements or other high quality instruments with short maturities.

Derivatives. (All Funds) In addition to mortgage-related securities and asset-backed securities, each Fund (except as noted) may invest in, or enter into, for a variety of reasons, including to hedge certain market risks, to manage the interest rate sensitivity (sometimes called duration) of fixed-income securities, to provide a substitute for purchasing or selling particular securities or, except for Dreyfus Premier Short Term Income Fund, to increase potential income gain. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Examples of derivative instruments in which a Fund may invest include options and futures contracts, and, except for Dreyfus Inflation Adjusted Securities Fund, options on futures contracts, credit derivatives and interest rate swaps. Derivatives may provide a cheaper, quicker or more specifically focused way for the Fund to invest than "traditional" securities would. A portfolio manager may decide not to employ any of these strategies and there is no assurance that any derivatives strategy used by a Fund will succeed.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives permit a Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the Fund can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities. However, derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Fund's performance.

If a Fund invests in derivatives at inopportune times or judges market conditions incorrectly, such investments may lower the Fund's return or result in a loss. A Fund also could experience losses if its derivatives were poorly correlated with its other investments, or if the Fund were unable to liquidate its position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. This guarantee usually is supported by a daily variation margin system operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. By contrast, no clearing agency guarantees over-the-counter derivatives. Therefore, each party to an over-the-counter derivative bears the risk that the counterparty will default. Accordingly, the Manager will consider the creditworthiness of counterparties to over-the-counter derivatives in the same manner as it would review the credit quality of a security to be purchased by the Fund. Over-the-counter derivatives are less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it.

Neither the Company nor any of the Funds will be a commodity pool. In addition, as a registered investment company, the Company has filed notice with the Commodity Futures Trading Commission and National Futures Association of its eligibility for an exclusion from the definition of commodity pool operator and, therefore, the Company is not subject to registration or regulation as a commodity pool operator under the Commodity Exchange Act.

Futures Transactions—In General. (All Funds) A Fund may enter into futures contracts in U.S. domestic markets or, except for Dreyfus Premier Short Term Income Fund, on exchanges located outside the United States. Foreign markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the United States. Foreign markets, however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits the Fund might realize in trading could be eliminated by adverse changes in the currency exchange rate, or the Fund could incur losses as a result of those changes. Transactions on foreign exchanges may include both commodities which are traded on domestic exchanges and those which are not. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the Commodity Futures Trading Commission.

Engaging in these transactions involves risk of loss to a Fund which could adversely affect the value of the Fund's net assets. Although each Fund intends to purchase or sell futures contracts only if there is an active market for such contracts, no assurance can be given that a liquid market will exist for any particular contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially subjecting the Fund to substantial losses.

Successful use of futures by a Fund also is subject to the Manager's ability to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the

transaction being hedged and the price movements of the futures contract. For example, if a Fund uses futures to hedge against the possibility of a decline in the market value of securities held in its portfolio and the prices of such securities instead increase, the Fund will lose part or all of the benefit of the increased value of securities which it has hedged because it will have offsetting losses in its futures positions. Furthermore, if in such circumstances the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements. A Fund may have to sell such securities at a time when it may be disadvantageous to do so.

Pursuant to regulations and/or published positions of the Securities and Exchange Commission, a Fund may be required to segregate permissible liquid assets to cover its obligations relating to its transactions in derivatives. To maintain this required cover, the Fund may have to sell portfolio securities at disadvantageous prices or times since it may not be possible to liquidate a derivative position at a reasonable price. In addition, the segregation of such assets will have the effect of limiting the Fund's ability otherwise to invest those assets.

Specific Futures Transactions. (All Funds) A Fund may purchase and sell interest rate futures contracts. An interest rate future obligates the Fund to purchase or sell an amount of a specific debt security at a future date at a specific price.

A Fund, except Dreyfus Short Term Income Fund, may purchase and sell currency futures. A currency future obligates the Fund to purchase or sell an amount of a specific currency at a future date at a specific price.

A Fund may purchase and sell stock index futures contracts. A stock index future obligates the Fund to pay or receive an amount of cash equal to a fixed dollar amount specified in the futures contract multiplied by the difference between the settlement price of the contract on the contract's last trading day and the value of the index based on the stock prices of the securities that comprise it at the opening of trading in such securities on the next business day.

Interest Rate Swaps. (All Funds, except Dreyfus Premier Short Term Income Fund) Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest (for example, an exchange of floating rate payments for fixed-rate payments). The exchange commitments can involve payments to be made in the same currency or in different currencies. The use of interest rate swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio security transactions. If the Manager is incorrect in its forecasts of market values, interest rates and other applicable factors, the investment performance of the Fund would diminish compared with what it would have been if these investment techniques were not used. Moreover, even if the Manager is correct in its forecasts, there is a risk that the swap position may correlate imperfectly with the price of the asset or liability being hedged. There is no limit on the amount of interest rate swap transactions that may be entered into by a Fund. These transactions do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the other party to an interest rate swap defaults, the Fund's risk of loss consists of the net amount of interest payments that the Fund contractually is entitled to receive.

Credit Derivatives. (All Funds) Each Fund may engage in credit derivative transactions, such as those involving default price risk derivatives and market spread derivatives. Default price risk derivatives are linked to the price of reference securities or loans after a default by the issuer or borrower, respectively. Market spread derivatives are based on the risk that changes in market factors, such as credit spreads, can cause a decline in the value of a security, loan or index. There are three basic transactional forms for credit derivatives: swaps, options and structured instruments. The use of credit derivatives is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. If the Manager is incorrect in its forecasts of default risks, market spreads or other applicable factors, the investment performance of the Fund would diminish compared with what it would have been if these techniques were not used. Moreover, even if the Manager is correct in its forecasts, there is a risk that a credit derivative position may correlate imperfectly with the price of the asset or liability being hedged. The Fund's risk of loss in a credit derivative transaction varies with the form of the transaction. For example, if the Fund purchases a default option on a security, and if no default occurs with respect to the security, the Fund's loss is limited to the premium it paid for the default option. In contrast, if there is a default by the grantor of a default option, the Fund's loss will include both the premium it paid for the option and the decline in value of the underlying security that the default option hedged.

Options—In General. (All Funds, except Dreyfus Premier Short Term Income Fund) A Fund may purchase call and put options and write (i.e., sell) covered call and put option contracts. Dreyfus Intermediate Term Income Fund may invest up to 5% of its assets, represented by the premium paid, in the purchase of call and put options, and may write covered call and put option contracts to the extent of 20% of the value of its net assets at the time such option contracts are written. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security or securities at the exercise price at any time during the option period, or at a specific date. Conversely, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security or securities at the exercise price at any time during the option period, or at a specific date.

A covered call option written by the Fund is a call option with respect to which the Fund owns the underlying security or otherwise covers the transaction by segregating cash or other securities. A put option written by the Fund is covered when, among other things, the Fund segregates permissible liquid assets having a value equal to or greater than the exercise price of the option to fulfill the obligation undertaken. The principal reason for writing covered call and put options is to realize, through the receipt of premiums, a greater return than would be realized on the underlying securities alone. The Fund receives a premium from writing covered call or put options which it retains whether or not the option is exercised.

There is no assurance that sufficient trading interest to create a liquid secondary market on a securities exchange will exist for any particular option or at any particular time, and for some options no such secondary market may exist. A liquid secondary market in an option may cease to exist for a variety of reasons. In the past, for example, higher than anticipated trading activity or order flow, or other unforeseen events, at times have rendered certain of the clearing facilities inadequate and resulted in the institution of special procedures, such as trading rotations, restrictions on certain types of orders or trading halts or suspensions in one or more options. There can be no assurance that similar events, or events that may otherwise interfere

with the timely execution of customers' orders, will not recur. In such event, it might not be possible to effect closing transactions in particular options. If, as a covered call option writer, the Fund is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise or it otherwise covers its position.

Specific Options Transactions. (All Funds, except Dreyfus Premier Short Term Income Fund) A Fund may purchase and sell call and put options on foreign currency. These options convey the right to buy or sell the underlying currency at a price which is expected to be lower or higher than the spot price of the currency at the time the option is exercised or expires.

A Fund may purchase cash-settled options on interest rate swaps and interest rate swaps denominated in foreign currency in pursuit of its investment objective. A cash-settled option on a swap gives the purchaser the right, but not the obligation, in return for the premium paid, to receive an amount of cash equal to the value of the underlying swap as of the exercise date. These options typically are purchased in privately negotiated transactions from financial institutions, including securities brokerage firms.

Successful use by the Fund of options will be subject to the Manager's ability to predict correctly movements in foreign currencies or interest rates. To the extent the Manager's predictions are incorrect, the Fund may incur losses.

Future Developments. (All Funds) A Fund may take advantage of opportunities in options and futures contracts and options on futures contracts and any other derivatives which are not presently contemplated for use by the Fund or which are not currently available but which may be developed, to the extent such opportunities are both consistent with the Fund's investment objective and legally permissible for the Fund. Before entering into such transactions or making any such investment, the Fund will provide appropriate disclosure in its Prospectus or this Statement of Additional Information.

Forward Roll Transactions. (All Funds) To enhance current income, each Fund may enter into forward roll transactions with respect to mortgage-related securities. In a forward roll transaction, the Fund sells a mortgage-related security to a financial institution, such as a bank or broker-dealer, and simultaneously agrees to purchase a similar security from the institution at a later date at an agreed upon price. The securities that are purchased will bear the same interest rate as those sold, but generally will be collateralized by different pools of mortgages with different pre-payment histories than those sold. During the period between the sale and purchase, the Fund will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale typically will be invested in short-term instruments, particularly repurchase agreements, and the income from these investments, together with any additional fee income received on the sale will be expected to generate income for the Fund exceeding the yield on the securities sold. Forward roll transactions involve the risk that the market value of the securities sold by the Fund may decline below the purchase price of those securities. The Fund will segregate permissible liquid assets at least equal to the amount of the repurchase price (including accrued interest).



Forward Commitments. (All Funds) Each Fund may purchase or sell securities on a forward commitment, when-issued or delayed-delivery basis, which means delivery and payment take place a number of days after the date of the commitment to purchase or sell the securities at a predetermined price and/or yield. Typically, no interest accrues to the purchaser until the security is delivered. When purchasing a security on a forward commitment, when-issued or delayed-delivery basis, a Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and takes such fluctuations into account when determining its net asset value. Because the Fund is not required to pay for these securities until the delivery date, these risks are in addition to the risks associated with the Fund's other investments. If the Fund is fully or almost fully invested when forward commitment, when-issued or delayed-delivery purchases are outstanding, such purchases may result in a form of leverage. The Fund intends to engage in forward commitment, when-issued and delayed-delivery purchases to increase its portfolio's financial exposure to the types of securities in which it invests. Leveraging the portfolio in this manner will increase the Fund's exposure to changes in interest rates and will increase the volatility of its returns. The Fund will segregate permissible liquid assets at least equal at all times to the amount of the Fund's purchase commitments. At no time will the Fund have more than 33-1/3% of its assets committed to purchase securities on a forward commitment basis.

Securities purchased on a forward commitment, when-issued or delayed-delivery basis are subject to changes in value (generally changing in the same way, i.e., appreciating when interest rates decline and depreciating when interest rates rise) based upon the public's perception of the creditworthiness of the issuer and changes, real or anticipated, in the level of interest rates. Securities purchased on a forward commitment, when-issued or delayed-delivery basis may expose a Fund to risks because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a forward commitment, when-issued or delayed-delivery basis can involve the additional risk that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment, when-issued or delayed-delivery basis when a Fund is fully or almost fully invested may result in greater potential fluctuation in the value of the Fund's net assets and its net asset value per share.

Foreign Currency Transactions. (Dreyfus Premier Short Term Income Fund, Dreyfus Intermediate Term Income Fund and Dreyfus Inflation Adjusted Securities Fund only) Each of these Funds may enter into foreign currency transactions for a variety of purposes, including: to fix in U.S. dollars, between trade and settlement date, the value of a security a Fund has agreed to buy or sell; to hedge the U.S. dollar value of securities a Fund already owns, particularly if it expects a decrease in the value of the currency in which the foreign security is denominated; or to gain exposure to the foreign currency in an attempt to realize gains.

Foreign currency transactions may involve, for example, a Fund's purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies. A short position would involve the Fund agreeing to exchange an amount of a currency it did not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the currency the Fund contracted to receive. A Fund's success in these transactions will depend principally on the Manager's ability to predict accurately the future exchange rates between foreign currencies and the U.S. dollar.

Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates also can be affected unpredictably by intervention by U.S. or foreign governments or central banks, or the failure to intervene, or by currency controls or political developments in the United States or abroad.

#### Certain Investment Considerations and Risks

Lower Rated Securities. (Dreyfus Premier Short Term Income Fund and Dreyfus Intermediate Term Income Fund only) Each of these Funds may invest up to 20% of its net assets in securities rated below investment grade such as those rated Ba by Moody's or BB by S&P and Fitch and as low as those rated Caa/CCC by the Rating Agencies. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. Securities rated Ba by Moody's are judged to have speculative elements; their future cannot be considered as well assured and often the protection of interest and principal payments may be very moderate. Securities rated BB by S&P or Fitch are regarded as having predominantly speculative characteristics and, while such obligations have less near-term vulnerability to default than other speculative grade debt, they face major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. Securities rated Caa by Moody's are of poor standing and may be in default or there may be present elements of danger with respect to principal or interest. S&P and Fitch typically assign a CCC rating to debt which has a current identifiable vulnerability to default and is dependent upon favorable business, financial and economic conditions to meet timely payments of interest and repayment of principal. Such securities, though high yielding, are characterized by great risk. See "Appendix" for a general description of securities ratings. The retail secondary market for these securities may be less liquid than that of higher rated securities; adverse conditions could make it difficult at times for the Fund to sell certain securities or could result in lower prices than those used in calculating the Fund's net asset value.

The ratings of Moody's, S&P and Fitch represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety or interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of portfolio investments, the Manager also will evaluate these securities and the ability of the issuers of such securities to pay interest and principal. A Fund's ability to achieve its investment objective may be more dependent on the Manager's credit analysis than might be the case for a fund that invested solely in higher rated securities.

Companies that issue certain of these securities often are highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risk associated with acquiring the securities of such issuers generally is greater than is the case with the higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of these securities may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be

affected adversely by specific corporate developments, forecasts, or the unavailability of additional financing. The risk of loss because of default by the issuer is significantly greater for the holders of these securities because such securities generally are unsecured and often are subordinated to other creditors of the issuer.

Because there is no established retail secondary market for many of these securities, the Fund anticipates that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market for these securities does exist, it generally is not as liquid as the secondary market for higher rated securities. The lack of a liquid secondary market may have an adverse impact on market price and yield and the Fund's ability to dispose of particular issues when necessary to meet the Fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer. The lack of a liquid secondary market for certain securities also may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing the Fund's portfolio and calculating its net asset value. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of these securities. In such cases, judgment may play a greater role in valuation because less reliable, objective data may be available.

These securities may be particularly susceptible to economic downturns. An economic recession could adversely affect the ability of the issuers of lower rated securities to repay principal and pay interest thereon and increase the incidence of default for such securities. It is likely that an economic recession also would disrupt severely the market for such securities and have an adverse impact on their value.

A Fund may acquire these securities during an initial offering. Such securities may involve special risks because they are new issues. No Fund has any arrangement with any person concerning the acquisition of such securities, and the Manager will review carefully the credit and other characteristics pertinent to such new issues.

The credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon, pay-in-kind and step-up securities. In addition to the risks associated with the credit rating of the issuers, the market prices of these securities may be very volatile during the period no interest is paid.

Mortgage-Related Securities. (All Funds) Mortgage-related securities are complex derivative instruments, subject to both credit and prepayment risk, and may be more volatile and less liquid than more traditional debt securities. Mortgage-related securities generally are subject to credit risks associated with the performance of the underlying mortgage properties and to prepayment risk. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third party guarantees or other forms of credit support. Improved credit risk does not reduce prepayment risk which is unrelated to the rating assigned to the mortgage-related security. Prepayment risk can lead to fluctuations in value of the mortgage-related security which may be pronounced. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Certain mortgage-related securities that may be purchased by a Fund, such as inverse floating

rate collateralized mortgage obligations, have coupons that move inversely to a multiple of a specific index which may result in a form of leverage. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages, and, therefore, it is not possible to predict accurately the security's return to the Fund. Moreover, with respect to certain stripped mortgage-backed securities, if the underlying mortgage securities experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment even if the securities are rated in the highest rating category by a nationally recognized statistical rating organization. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates. Were the prepayments on the Fund's mortgage-related securities to decrease broadly, the Fund's effective duration, and thus sensitivity to interest rate fluctuations, would increase.

Foreign Securities. (All Funds) Foreign securities markets generally are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States.

Because evidences of ownership of foreign securities usually are held outside the United States, the Fund investing in such securities will be subject to additional risks which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Moreover, foreign securities held by the Fund may trade on days when the Fund does not calculate its net asset value and thus affect the Fund's net asset value on days when investors have no access to the Fund.

Developing countries in which a Fund, other than Dreyfus Inflation Adjusted Securities Fund, may invest have economic structures that are generally less diverse and mature, and political systems that are less stable, than those of developed countries. The markets of developing countries may be more volatile than the markets of more mature economies; however, such markets may provide higher rates of return to investors. Many developing countries providing investment opportunities for the Funds have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have adverse effects on the economies and securities markets of certain of these countries.

Since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Simultaneous Investments. (All Funds) Investment decisions for each Fund are made independently from those of the other investment companies advised by the Manager. The Manager has adopted written trade allocation procedures for its equity and fixed-income trading desks. Under the procedures, portfolio managers or the trading desks will ordinarily seek to aggregate (or "bunch") orders that are placed or received concurrently for more than one investment company or account. In some cases, this procedure may adversely affect the size of the position obtained for or disposed of by the Fund or the price paid or received by the Fund. Each Fund, together with other investment companies advised by the Manager or its affiliates, may own significant positions in portfolio companies which, depending on market conditions, may affect adversely a Fund's ability to dispose of some or all of its positions should it desire to do so.

### Investment Restrictions

Under normal circumstances, Dreyfus Inflation Adjusted Securities Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in inflation-indexed securities (or other investments with similar economic characteristics), and each Fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in investment grade securities. Each Fund has adopted a policy to provide its shareholders with at least 60 days' prior notice of any change in its policy to so invest 80% of its assets.

Each Fund's investment objective is a fundamental policy, which cannot be changed without approval by the holders of a majority (as defined in the 1940 Act) of the Fund's outstanding voting shares. In addition, each Fund has adopted investment restrictions numbered 1 through 7 as fundamental policies, and each Fund, other than Dreyfus Premier Short Term Income Fund, has adopted investment restrictions numbered 14 and 15 as fundamental policies. Investment restrictions numbered 8 through 13 are not fundamental policies and may be changed, as to a Fund, by vote of a majority of the Company's Board members at any time. No Fund may:

1. Invest in commodities, except that the Fund may purchase and sell futures contracts, including those relating to indices, and options on futures contracts or indices.
2. Purchase, hold or deal in real estate, or oil, gas or other mineral leases or exploration or development programs, but the Fund may purchase and sell securities that are secured by real estate or issued by companies that invest or deal in real estate. In particular, the Fund may purchase mortgage-backed securities and real estate investment trust securities.
3. Borrow money, except to the extent permitted under the 1940 Act (which currently limits borrowing to no more than 33-1/3% of the value of the Fund's total assets). For purposes of this Investment Restriction, the entry into options, futures contracts, including those relating to indices, and options on futures contracts or indices shall not constitute borrowing.

4. Make loans to others, except through the purchase of debt obligations and the entry into repurchase agreements. However, the Fund may lend its portfolio securities in an amount not to exceed 33-1/3% of the value of its total assets. Any loans of portfolio securities will be made according to guidelines established by the Securities and Exchange Commission and the Company's Board. **With respect to Dreyfus Inflation Adjusted Securities Fund, however, this Investment Restriction No. 4 was adopted as follows:** The Fund may not lend any securities or make loans to others, except to the extent permitted under the 1940 Act (which currently limits such loans to no more than 33-1/3% of the value of the Fund's total assets) or as otherwise permitted by the Securities and Exchange Commission. For purposes of this Investment Restriction, the purchase of debt obligations (including acquisitions of loans, loan participations or other forms of debt instruments) and the entry into repurchase agreements shall not constitute loans by the Fund. Any loans of portfolio securities will be made according to guidelines established by the Securities and Exchange Commission and the Fund's Board.

5. Act as an underwriter of securities of other issuers, except to the extent the Fund may be deemed an underwriter under the Securities Act of 1933 by virtue of disposing of portfolio securities.

6. Invest more than 25% of the value of its total assets in the securities of issuers in any single industry, provided that there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities.

7. Issue any senior security (as such term is defined in Section 18(f) of the 1940 Act), except to the extent the activities permitted in Investment Restriction Nos. 1, 3, and 9 may be deemed to give rise to a senior security.

8. Invest in the securities of a company for the purpose of exercising management or control, but the Fund will vote the securities it owns in its portfolio as a shareholder in accordance with its views.

9. Pledge, mortgage or hypothecate its assets, except to the extent necessary to secure permitted borrowings and to the extent related to the purchase of securities on a when-issued or forward commitment basis and the deposit of assets in escrow in connection with writing covered put and call options and collateral and initial or variation margin arrangements with respect to options, futures contracts, including those relating to indices, and options on futures contracts or indices.

10. Purchase, sell or write puts, calls or combinations thereof, except as described in the Prospectus and Statement of Additional Information.

11. Enter into repurchase agreements providing for settlement in more than seven days after notice or purchase securities which are illiquid, if, in the aggregate, more than 15% of the value of the Fund's net assets would be so invested.

12. Purchase securities of other investment companies, except to the extent permitted under the 1940 Act.

13. Purchase securities on margin, but the Fund may make margin deposits in connection with transactions in futures, including those relating to indices, and options on futures or indices.

The following investment restrictions numbered 14 and 15 do not apply to Dreyfus Premier Short Term Income Fund. Dreyfus Intermediate Term Income Fund, Dreyfus Premier Yield Advantage Fund, Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund may not:

14. Invest more than 5% of its assets in the obligations of any single issuer, except that up to 25% of the value of the Fund's total assets may be invested, and securities issued or guaranteed by the U.S. Government, or its agencies or instrumentalities may be purchased, without regard to any such limitation.

15. Hold more than 10% of the outstanding voting securities of any single issuer. This Investment Restriction applies only with respect to 75% of the Fund's total assets.

If a percentage restriction is adhered to at the time of investment, a later change in percentage resulting from a change in values or assets will not constitute a violation of such restriction. With respect to Investment Restriction No. 3, however, if borrowings exceed 33-1/3% of the value of a Fund's total assets as a result of changes in values or assets, the Fund must take steps to reduce such borrowings at least to the extent of such excess.

The Company and the Manager have received an exemptive order from the Securities and Exchange Commission which, among other things, permits each Fund to use cash collateral received in connection with lending the Fund's securities and other uninvested cash to purchase shares of one or more registered money market funds advised by the Manager in excess of limitations imposed by the 1940 Act.

## MANAGEMENT OF THE COMPANY

The Company's Board is responsible for the management and supervision of each Fund, and approves all significant agreements with those companies that furnish services to the Fund. These companies are as follows:

The Dreyfus Corporation .....	Investment Adviser
Dreyfus Service Corporation .....	Distributor
Dreyfus Transfer, Inc. ....	Transfer Agent
Mellon Bank, N.A. ....	Custodian

Board members of the Company, together with information as to their positions with the Company, principal occupations and other board memberships and affiliations, are shown below.

## Board Members of the Company<sup>1</sup>

<u>Name (Age) Position with Company (Since)</u>	<u>Principal Occupation During Past 5 Years</u>	<u>Other Board Memberships and Affiliations</u>
Joseph S. DiMartino (61) Chairman of the Board (1995)	Corporate Director and Trustee	The Muscular Dystrophy Association, <i>Director</i> Levcor International, Inc., an apparel fabric processor, <i>Director</i> Century Business Services, Inc., a provider of outsourcing functions for small and medium size companies, <i>Director</i> The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, <i>Director</i> Azimuth Trust, an institutional asset management firm, <i>Member of Board of Managers and Advisory Board</i>
Clifford L. Alexander, Jr. (71) Board Member (2003)	President of Alexander & Associates, Inc., a management consulting firm (January 1981 – present) Chairman of the Board of Moody's Corporation (October 2000 – October 2003) Chairman of the Board and Chief Executive Officer of The Dun and Bradstreet Corporation (October 1999 – September 2000)	Wyeth (formerly, American Home Products Corporation), a global leader in pharmaceuticals, consumer healthcare products and animal health products, <i>Director</i> Mutual of America Life Insurance Company, <i>Director</i>
Lucy Wilson Benson (77) Board Member (1994)	President of Benson and Associates, consultants to business and government	The International Executive Services Corps., <i>Director</i> Citizens Network for Foreign Affairs, <i>Vice Chairperson</i> Council on Foreign Relations, <i>Member</i> Lafayette College Board of Trustees <i>Vice Chairperson</i> Atlanta Council of the U.S., <i>Director</i>
David W. Burke (68) Board Member (1994)	Corporate Director and Trustee	John F. Kennedy Library Foundation, <i>Director</i> U.S.S. Constitution Museum, <i>Director</i>
Whitney I. Gerard (69) Board Member (1993)	Partner of Chadbourne & Parke LLP	None
Arthur A. Hartman (78) Board Member (1992)	Chairman of First NIS Regional Fund (ING/Barings Management) and New Russia Fund Advisory Council Member to Barings Vostok	APCO Associates, Inc., <i>Senior Consultant</i>
George L. Perry (70) Board Member (1992)	Economist and Senior Fellow at Brookings Institution	None

<sup>1</sup> None of the Board members are "interested persons" of the Company, as defined in the 1940 Act.



Board members are elected to serve for an indefinite term. The Company has standing audit, nominating and compensation committees, each comprised of its Board members who are not "interested persons" of the Company, as defined in the 1940 Act. The function of the audit committee is (i) to oversee the Company's accounting and financial reporting processes and the audits of the Funds financial statements and (ii) to assist in the Board's oversight of the integrity of the Funds financial statements, the Funds compliance with legal and regulatory requirements and the independent auditors' qualifications, independence and performance. The Company's nominating committee is responsible for selecting and nominating persons as members of the Board for election or appointment by the Board and for election by shareholders. In evaluating potential nominees, including any nominees recommended by shareholders, the committee takes into consideration various factors listed in the Nominating Committee Charter, including character and integrity, business and professional experience, and whether the committee believes the person has the ability to apply sound and independent business judgment and would act in the interest of the Funds and their shareholders. The nominating committee will consider recommendations for nominees from shareholders submitted to the Secretary of the Company, c/o The Dreyfus Corporation Legal Department, 200 Park Avenue, 8<sup>th</sup> Floor West, New York, New York 10166, which includes information regarding the recommended nominee as specified in the Nominating Committee Charter. The function of the compensation committee is to establish the appropriate compensation for serving on the Board. The Company also has a standing pricing committee comprised of any one Board member. The function of the pricing committee is to assist in valuing the Funds' investments. During the fiscal year ended July 31, 2004, the audit committee met four times and the nominating committee met once. The compensation and pricing committees did not meet during the past fiscal year.

The table below indicates the dollar range of each Board member's ownership of Fund shares and shares of other funds in the Dreyfus Family of Funds for which he or she is a Board member, in each case as of December 31, 2003.

	<b>Joseph S. DiMartino</b>	<b>Clifford L. Alexander</b>	<b>Lucy Wilson Benson</b>	<b>David W. Burke</b>	<b>Whitney I. Gerard</b>	<b>Arthur A. Hartman</b>	<b>George L. Perry</b>
Dreyfus Premier Short Term Income Fund	None	None	None	None	None	None	None
Dreyfus Intermediate Term Income Fund	None	None	None	None	None	None	None
Dreyfus Premier Yield Advantage Fund	None	None	None	None	None	None	None
Dreyfus Institutional Yield Advantage Fund	None	None	None	None	None	None	None
Dreyfus Inflation Adjusted Securities Fund	None	None	None	None	None	None	None
Aggregate Holdings of Funds in the Dreyfus Family of Funds for which Responsible as a Board Member	Over \$100,000	Over \$100,000	Over \$100,000	Over \$100,000	Over \$100,000	None	None

As of December 31, 2003, none of the Board members or their immediate family members owned securities of the Manager, the Distributor or any person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with the Manager or the Distributor.

The Company typically pays its Board members its allocated portion of an annual retainer of \$60,000 and a fee of \$7,500 per meeting (with a minimum of \$500 per meeting and per telephone meeting) attended for the Company and seventeen other funds (comprised of 33 portfolios) in the Dreyfus Family of Funds and reimburses them for their expenses. The Chairman of the Board receives an additional 25% of such compensation. Emeritus Board members, if any, are entitled to receive an annual retainer and a per meeting fee of one-half the amount paid to them as Board members. The aggregate amount of compensation paid to each Board member by the Company for the fiscal year ended July 31, 2004, and by all funds in the Dreyfus Family of Funds for which such person was a Board member (the number of portfolios of such funds is set forth in parenthesis next to each Board member's total compensation) for the year ended December 31, 2003, was as follows:

Name of Board Member	Aggregate Compensation From the Company*	Total Compensation From the Company and Fund Complex Paid to Board Member(**)
Joseph S. DiMartino	\$10,657	\$800,306 (191)
Clifford L. Alexander	\$8,524	\$198,500 (65)
Lucy Wilson Benson	\$8,524	\$116,000 (39)
David W. Burke	\$8,524	\$283,744 (83)
Whitney I. Gerard	\$8,524	\$98,000 (37)
Arthur A. Hartman	\$7,842	\$90,500 (37)
George L. Perry	\$8,524	\$98,000 (37)

\* Amount does not include reimbursed expenses for attending Board meetings, which amounted to \$10,260 for all Board members as a group.

\*\* Represents the number of separate portfolios comprising the investment companies in the Fund Complex, including the Funds, for which the Board member serves.

#### Officers of the Company

STEPHEN E. CANTER, President since March 2000. Chairman of the Board, Chief Executive Officer, and Chief Operating Officer of the Manager, and an officer of 97 investment companies (comprised of 190 portfolios) managed by the Manager. Mr. Canter also is a Board Member and, where applicable, an Executive Committee Member of the other

investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 59 years old and has been an employee of the Manager since May 1995.

STEPHEN R. BYERS, Executive Vice President since October 2002. Chief Investment Officer, Vice Chairman, and a Director of the Manager, and an officer of 97 investment companies (comprised of 190 portfolios) managed by the Manager. Mr. Byers also is an Officer, Director or an Executive Committee Member of certain other investment management subsidiaries of Mellon Financial Corporation, each of which is an affiliate of the Manager. He is 51 years old and has been an employee of the Manager since January 2000. Prior to joining the Manager, he served as an Executive Vice President—Capital Markets, Chief Financial Officer and Treasurer at Gruntal & Co., L.L.C.

J. CHARLES CARDONA, Executive Vice President since November 2001. Vice Chairman and a director of the Manager, Executive Vice President of the Distributor, President of Dreyfus Institutional Services Division, and an officer of 14 other investment companies (comprised of 18 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since February 1981. (Authorized to act on behalf of Dreyfus Institutional Yield Advantage Fund only.)

MARK N. JACOBS, Vice President since March 2000. Executive Vice President, Secretary and General Counsel of the Manager, and an officer of 98 investment companies (comprised of 206 portfolios) managed by the Manager. He is 58 years old and has been an employee of the Manager since June 1977.

JAMES WINDELS, Treasurer since November 2001. Director—Mutual Fund Accounting of the Manager, and an officer of the 98 investment companies (comprised of 206 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since April 1985.

MICHAEL A. ROSENBERG, Secretary since March 2000. Associate General Counsel of the Manager, and an officer of 95 investment companies (comprised of 199 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since October 1991.

STEVEN F. NEWMAN, Assistant Secretary since March 2000. Associate General Counsel and Assistant Secretary of the Manager, and an officer of 98 investment companies (comprised of 206 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since July 1980.

ROBERT R. MULLERY, Assistant Secretary since March 2000. Associate General Counsel of the Manager, and an officer of 26 investment companies (comprising 58 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Assistant Secretary since January 2003. Associate General Counsel of the Manager, and an officer of 26 investment companies (comprised of 87 portfolios)

managed by the Manager. He is 39 years old and has been an employee of the Manager since October 1990.

ERIK D. NAVILOFF, Assistant Treasurer since December 2002. Senior Accounting Manager Taxable Fixed Income Funds of the Manager and an officer of 19 investment companies (comprised of 74 portfolios) managed by the Manager. He is 36 years old and has been an employee of Dreyfus since November 1992.

KENNETH J. SANDGREN, Assistant Treasurer since November 2001. Mutual Fund Tax Director of the Manager, and an officer of 98 investment companies (comprised of 206 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since June 1993.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004. Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (98 investment companies, comprising 206 portfolios). From November 2001 through March 2004, Mr. Connolly was First Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. Mr. Connolly has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001. He is 47 years old.

WILLIAM GERMENIS, Anti-Money Laundering Compliance Officer since August 2002. Vice President and Anti-Money Laundering Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 93 investment companies (comprised of 201 portfolios) managed by the Manager. He is 33 years old and has been an employee of the Distributor since October 1998.

The address of each Board member and officer of the Company is 200 Park Avenue, New York, New York 10166.

The Company's Board members and officers, as a group, owned less than 1% of each Fund's shares outstanding on November 8, 2004.

The following persons were known by the Company to own of record 5% or more of the outstanding voting securities of the Funds indicated below as of November 8, 2004. A shareholder who beneficially owns, directly or indirectly, more than 25% of a Fund's voting securities may be deemed a "control person" (as defined in the 1940 Act) of the Fund.

(1) Dreyfus Institutional Yield Advantage (Institutional shares): SEI Private Trust Company, c/o Mellon, ATTN: Mutual Funds, One Freedom Valley Drive, Oaks, PA 19456-65.7001%; Wichita State University Foundation, 1845 Fairmount, Wichita, KS 67260-0001 – 24.4023%; (2) Dreyfus Institutional Yield Advantage (Investor shares): Suntrust Equitable Securities, Attn: Center 3907 23<sup>rd</sup> Floor, 303 Peachtree St, NE, Atlanta, GA 30308-3201 – 52.4011%; Comerica Bank, Attn: Jennifer Castillo, 201 W. Fort St- 3<sup>rd</sup> Floor, Detroit, MI – 46.4616%; (3) Dreyfus Premier Yield Advantage (Class A): Citigroup Global Markets, Inc., 00109801250, 333 West 34<sup>th</sup> Street, 3<sup>rd</sup> Floor, New York, NY 10001-2402 – 33.5624%; NFSC

FEBO # C1Q-747858, Venkateswara Gourabathina, Lakshmi Kanna Gajapathy, 32 Kennedy Ct., Princeton, NJ 08540-4637 – 12.2815%; Pershing LLC, P.O. Box 2052, Jersey City, NJ 07303-2052 – 16.5451%; (4) Dreyfus Premier Yield Advantage (Class B): Jona A. Perlmutter TR & M.D. Perlmutter TR, Donna R. Perlmutter TR UA, DTD, 05/04/1984 Perlmutter Fam TR, 10507 Le Conte Ave., Los Angeles, Ca 90024-3305 – 12.1807%; Guarantee & Trust Co., TTEE, FBO Jona A. Perlmutter M.D., IRA Rollover TR DTD 10-25-00, 10507 Le Conte Ave., Los Angeles, CA 90024-3305 – 9.3551%; Pershing LLC, P.O. Box 2052, Jersey City, NJ 07303-2052 – 14.0680%; Anna L. Kearney, c/o P. Michael Lahan, 53 Lafayette St., Norwich, CT 06360-3407-7.1304%; Citigroup Global Markets, Inc., 00109801250, 333 West 34<sup>th</sup> St.- 3<sup>rd</sup> Floor, New York, NY 10001-2402- 5.2886%; First Clearing, LLC, A/C 4825-8003, Charlotte Knowles IRA, FCC As Custodian, 244 Seaview St., Melbourne, FL 32951-3474- 5.0589%; (5) Dreyfus Premier Yield Advantage (Class D): Pershing LLC, P.O. Box 2052, Jersey City, NJ 07303-2052 – 13.5194%; Charles Schwab & Co., Inc., Special Custody Acct, FBO Customers, Attn: Mutual Funds, 101 Montgomery St., San Francisco, CA 94104-4122 – 6.9289%; NFSC FEBO # X17-305103, Felice Spadafora, Jean Spadafora, 9 Garson Rd., Carle Place, NY 11514-1104-6.1192%; (6) Dreyfus Premier Yield Advantage (Class P): Wells Fargo Investments LLC, A/C 2172-9264, 608 Second Avenue South- 8<sup>th</sup> Floor, Minneapolis, MN 55479-0001 – 16.6734%; First Clearing, LLC, A/C 2172-9264, Kenneth E. Copeland (R/O IRA), FCC As Custodian, 6901 Fox Green East, Chesterfield, VA 23832-6652 – 8.3309%; NFSC FEBO # W86-127825, George J. Vingas TTEE, George J. Vingas Trust, U/A 12/16/92, 7450 Olivetas Ave, La Jolla, CA 92037-4902- 20.4127%; (7) Dreyfus Premier Yield Advantage (Class S): Pershing LLC, P.O. Box 2052, Jersey City, NJ 07303-2052 – 24.5321%; Raymond James & Assoc Inc., FBO Bruce Rev TR, Bin # 44913988, 880 Carillon Pkwy, St. Petersburg, FL 33716-1100 – 9.2352%; NFSC FEBO #C1A-013870, St. Francis of Assissi, 400 Lincoln Rd., Brooklyn, NY 11225-4306-17.4837%; Morgan Stanley DW Inc. Cust for Andrew K. Bennett' P.O. Box 250, New York, NY 10008-0250- 6.4196%; First Clearing Corporation, A/C 1601-4485, Jeffery Blonstein C/F, Jacqueline Blonstein, 12 Oval Rd., Millburn, NJ 07041-1405- 5.8262%; (8) Dreyfus Premier Short Term Income (Class A): Citigroup Global Markets, Inc., 00109801250, 333 West 34<sup>th</sup> Street, 3<sup>rd</sup> Floor, New York, NY 10001 – 31.4886%; NFSC FEBO #RCT-304530, NFS/FMTC Rollover IRA, FBO Marion T. Walker, 44073 Conway Street, Sorrento, LA 70778-3508-28.7214%; Pershing LLC, P.O. Box 2052, Jersey City, NJ 07303-2052- 6.5390%; First Clearing, LLC, A/C 4566-6868, John W. Lynn DDS LTD PSP, John W. Lynn TTEE DTD 9/1/80, 1233 Northampton Rd., Petersburg, VA 23805-1931- 5.0774% (9) Dreyfus Premier Short Term Income (Class B): Citigroup Global Markets, Inc., 00109801250, 333 West 34<sup>th</sup> Street, 3<sup>rd</sup> Floor, New York, NY 10001 – 16.7226%; Fiserv Securities, Inc., FAO 65957507, ATTN: Mutual Funds, One Commerce Square, 2005 Market Street, Suite 1200, Philadelphia, PA 19103 – 13.4127%; Pershing LLC, P.O. Box 2052, Jersey City, NY 07303-2052 – 11.4994%; American Enterprise Investment, FBO 215038421, P.O. Box 9446, Minneapolis, MN 55440-9446 – 8.3415%; NFSC FEBO #C1Q-955248, Irving Draznin, Ester Feldman, 41 West 83<sup>rd</sup> St., Apt. 7C, New York, NY 10024-5263- 17.5937%; (10) Dreyfus Premier Short Term Income (Class D): Charles Schwab & Co. Inc., Reinvest Account, 101 Montgomery St. #DEPT, San Francisco, CA 94104-4122 – 13.3998%; Pershing LLC., P.O. Box 2052; Jersey City, NJ 07303-2052 – 5.3243%; NFSC FEBO # X48-055166, Charles F. Doyle, Helen M. Doyle, 1027 Brookfield Rd., Rockford, IL 61107-3633- 16.8961% (11) Dreyfus Premier Short Term Income (Class P): NFSC FEBO #T16-417955, Sean C. Nelson, Catherine Shalloe, 52 S. Knoll, Mill Valley, CA 94941-2410 – 41.4220%; First Clearing Corporation, A/C 8026-6502, Hayat Ghafari Stein TTEE, Hayat Ghafari Stein Rev LVG, 1745 Morningside Way, Bloomfield Hill, MI 48302-1244 –

13.3492%; Pershing LLC, P.O. Box 2052, Jersey City, NJ 07303-2052 – 24.6406%; (12) Dreyfus Intermediate Term Income (Institutional shares): SEI Private Trust Company, c/o Mellon, ATTN: Mutual Funds, One Freedom Valley Dr., Oaks, PA 19456 – 89.2811% ; Munfy & Co., c/o The Muncy Bank & Trust Co., 2 N. Main Street, Muncy, PA 17756-1004 – 7.8308%; (13) Dreyfus Intermediate Term Income (Investor shares): Charles Schwab & Co., Inc., Special Custody Acct., FBO of Customers, Attn: Mutual Funds; 101 Montgomery St., San Francisco, CA 94104-4122 – 32.3129%; Wells Fargo Bank NA FBO, Trico Marine ops- Dreyfus Intern Ter. 13673502, P.O. Box 1533, Minneapolis, MN 55480-1533 – 22.5851%; NFSC FEBO # 184-171573, FMT CO Cust IRA Rollover, FBO Robert O. McCrae, 920 Kenilworth Ct., Walnut Creek, CA 94596-6031 – 7.8523%; Union Bank of California NA, Trust Nominee, FBO J. D'Addario & Co. Inc., A/C #4650000311 DTD 7/3/01, P.O. Box 5024, Costa Mesa, CA 92628-5024 – 6.7325% (14) Dreyfus Inflation Adjusted Securities (Investor shares): MBCIC, c/o Mellon Financial Corp., Attn: Delaware Fin. Dep. AIM 198-0000, 4001 Kennett Pike, Ste. 218, 2 Greenville Crossing ; Greenville, DE 19807-2029 – 98.7115%; (15) MBCIC, c/o Mellon Financial Corp., Attn: Delaware Fin. Dep AIM 198-0000, 4001 Kennett Pike Ste 218, 2 Greenville Crossing , Greenville, DE 19807-2029 – 87.6039%; SEI Private Trust Company, c/o Mellon, ATTN: Mutual Funds, One Freedom Valley Dr., Oaks, PA 19456 – 12.3876%.

## MANAGEMENT ARRANGEMENTS

Investment Adviser. The Manager is a wholly-owned subsidiary of Mellon Financial Corporation ("Mellon"). Mellon is a global financial holding company incorporated under Pennsylvania law in 1971 and registered under the Federal Bank Holding Company Act of 1956, as amended. Mellon provides a comprehensive range of financial products and services in domestic and selected international markets.

The Manager provides management services pursuant to a Management Agreement (the "Agreement") between the Company and the Manager. As to each Fund, the Agreement is subject to annual approval by (i) the Company's Board or (ii) vote of a majority (as defined in the 1940 Act) of the outstanding voting securities of such Fund, provided that in either event the continuance also is approved by a majority of the Board members who are not "interested persons" (as defined in the 1940 Act) of the Company or the Manager, by vote cast in person at a meeting called for the purpose of voting on such approval. As to each Fund, the Agreement is terminable without penalty, on 60 days' notice, by the Company's Board or by vote of the holders of a majority of the Fund's outstanding voting securities, or, on not less than 90 days' notice, by the Manager. The Agreement will terminate automatically, as to the relevant Fund, in the event of its assignment (as defined in the 1940 Act).

In approving the current Agreement, the Board considered with respect to each Fund a number of factors, including the nature and quality of the services provided by the Manager; the investment philosophy and investment approach as applied to the Fund by the Manager; the investment management expertise of the Manager in respect of the Fund's investment strategies; the personnel, resources and experience of the Manager; the Fund's performance history and the management fees paid to the Manager relative to those mutual funds with similar investment objectives, strategies and restrictions; the Manager's costs of providing services under the Agreement; the relationship between the fees paid to the Manager under the Agreement and the

Company's Service Plan and Distribution Plan; and ancillary benefits the Manager may receive from its relationship with the Company.

The following persons are officers and/or directors of the Manager: Stephen E. Canter, Chairman of the Board, Chief Executive Officer, and Chief Operating Officer; Michael G. Millard, President and a director; Stephen R. Byers, Chief Investment Officer, Vice Chairman and a director; J. Charles Cardona, Vice Chairman and a director; J. David Officer, Vice Chairman and a director; Ronald P. O'Hanley III, Vice Chairman and a director; Diane P. Durnin, Executive Vice President; Mark N. Jacobs, Executive Vice President, General Counsel and Secretary; Patrice M. Kozlowski, Senior Vice President-Corporate Communications; Lisa A. Fox, Vice President—Human Resources; Anthony Mayo, Vice President-Information Systems; Angela E. Price, Vice President; Theodore A. Schachar, Vice President-Tax; Alex G. Sciulli, Vice President; Wendy H. Strutt, Vice President; William H. Maresca, Controller; Joseph W. Connolly, Chief Compliance Officer; James Bitetto, Assistant Secretary; Steven F. Newman, Assistant Secretary; and Steven G. Elliott, David F. Lamere, Martin G. McGuinn and Richard W. Sabo, directors.

The Manager manages each Fund's investments in accordance with the stated policies of such Fund, subject to the approval of the Company's Board. The Manager is responsible for investment decisions, and provides the Funds with portfolio managers who are authorized by the Board to execute purchases and sales of securities. The Dreyfus taxable fixed income team manages each Fund and consists of the following persons: Gerald Thunelius, Kenneth Smalley, Gregory Jordan, Samuel Weinstock, William Howarth, Martin Fetherston and Keith Chan. The Manager also maintains a research department with a professional staff of portfolio managers and securities analysts who provide research services for the Fund and for other funds advised by the Manager.

Mellon Bank and its affiliates may have deposit, loan and commercial banking or other relationships with the issuers of securities purchased by a Fund. The Manager has informed the Company that in making its investment decisions it does not obtain or use material inside information that Mellon or its affiliates may possess with respect to such issuers.

The Manager's Code of Ethics subjects its employees' personal securities transactions to various restrictions to ensure that such trading does not disadvantage any fund advised by the Manager. In that regard, portfolio managers and other investment personnel of the Manager must preclear and report their personal securities transactions and holdings, which are reviewed for compliance with the Code of Ethics, and are also subject to the oversight of Mellon's Investment Ethics Committee. Portfolio managers and other investment personnel who comply with the preclearance and disclosure procedures of the Code of Ethics and the requirements of the Committee may be permitted to purchase, sell or hold securities which also may be or are held in funds they manage or for which they otherwise provide investment advice.

The Manager maintains office facilities on behalf of the Funds, and furnishes statistical and research data, clerical help, accounting, data processing, bookkeeping and internal auditing and certain other required services to the Funds. The Manager may pay the Distributor for shareholder services from the Manager's own assets, including past profits but not including the management fees paid by the Funds. The Distributor may use part or all of such payments to pay

Service Agents (as defined below) in respect of these services. The Manager also may make such advertising and promotional expenditures, using its own resources, as it from time to time deems appropriate.

All expenses incurred in the operation of the Company are borne by the Company, except to the extent specifically assumed by the Manager. The expenses borne by the Company include: taxes, interest, loan commitment fees, interest and distributions paid on securities sold short, brokerage fees and commissions, if any, fees of Board members who are not officers, directors, employees or holders of 5% or more of the outstanding voting securities of the Manager, Securities and Exchange Commission fees, state Blue Sky qualification fees, advisory fees, charges of custodians, transfer and dividend disbursing agents' fees, certain insurance premiums, industry association fees, outside auditing and legal expenses, costs of maintaining the Company's existence, costs of independent pricing services, costs attributable to investor services (including, without limitation, telephone and personnel expenses), costs of preparing and printing prospectuses and statements of additional information for regulatory purposes and for distribution to existing shareholders, costs of shareholders' reports and meetings, and any extraordinary expenses. In addition, each class of shares bears any class specific expenses allocated to such class, such as expenses related to the distribution and/or shareholder servicing of such class. Class B and Class S shares (as applicable) of Dreyfus Premier Yield Advantage Fund and Dreyfus Premier Short Term Income Fund and Investor Shares of Dreyfus Institutional Yield Advantage Fund are subject to annual distribution fees, and Class A, Class B, Class D, Class P and Class S shares (as applicable) of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund and Investor Shares of Dreyfus Intermediate Term Income Fund and Dreyfus Inflation Adjusted Securities Fund are subject to annual shareholder service fees. See "Distribution and Servicing Arrangements." Expenses attributable to a particular Fund are charged against the assets of that Fund; other expenses of the Company are allocated among the Funds on the basis determined by the Board, including, but not limited to, proportionately in relation to the net assets of each Fund.

As compensation for the Manager's services to the Company, the Company has agreed to pay the Manager a monthly management fee at the annual rate of 0.50% of the value of Dreyfus Premier Short Term Income Fund's average daily net assets, 0.50% of the value of Dreyfus Premier Yield Advantage Fund's average daily net assets, 0.30% of the value of Dreyfus Inflation Adjusted Securities Fund's average daily net assets, 0.20% of the value of Dreyfus Institutional Yield Advantage Fund's average daily net assets, and, effective May 31, 2001, 0.45% of the value of Dreyfus Intermediate Term Income Fund's average daily net assets (previously 0.55%).

For the fiscal years ended July 31, 2002, 2003 and 2004, the management fees paid with respect to Dreyfus Premier Short Term Income Fund amounted to \$5,193,794, \$4,893,068 and \$3,896,189, respectively.

For the fiscal years ended July 31, 2002, 2003 and 2004, the management fees payable with respect to Dreyfus Intermediate Term Income Fund amounted to \$2,717,238, \$3,721,208 and \$3,497,340, respectively; however, such amounts were reduced by \$932,610, \$618,228 and \$734,549 in fiscal 2002, 2003 and 2004, respectively, pursuant to an undertaking by the



Manager, which resulted in Dreyfus Intermediate Term Income Fund paying the Manager \$1,784,628 in fiscal 2002, \$3,102,980 in fiscal 2003 and \$2,762,791 in fiscal 2004.

For the period November 15, 2001 (commencement of operations) through July 31, 2002 and the fiscal years ended July 31, 2003 and 2004, the management fees payable with respect to Dreyfus Premier Yield Advantage Fund amounted to \$459,030, \$2,424,209 and \$1,873,475, respectively; however, such amounts were reduced by \$152,864, \$280,343 and \$287,326 in fiscal 2002, 2003 and 2004, respectively, pursuant to an undertaking by the Manager, which resulted in Dreyfus Premier Yield Advantage Fund paying the Manager \$306,166 in fiscal 2002, \$2,143,866 in fiscal 2003 and \$1,586,149 in 2004.

For the period November 15, 2001 (commencement of operations) through July 31, 2002 and the fiscal years ended July 31, 2003 and 2004, the management fees payable with respect to Dreyfus Institutional Yield Advantage Fund amounted to \$134,057, \$717,081 and 169,209, respectively; however, such amounts were reduced by \$121,186, \$219,348 and \$140,389 in fiscal 2002, 2003 and 2004, respectively, pursuant to an undertaking by the Manager, which resulted in Dreyfus Institutional Yield Advantage Fund paying the Manager \$12,871 in fiscal 2002, \$497,733 in fiscal 2003 and \$28,820 in fiscal 2004.

For the period November 15, 2002 (commencement of operations) through July 31, 2003, and the fiscal year ended July 31, 2004, the management fees payable with respect to Dreyfus Inflation Adjusted Securities Fund amounted to \$11,805 and \$17,494, respectively; however, receipt of such amounts was waived pursuant to an undertaking by the Manager, which resulted in no management fees being paid by Dreyfus Premier Inflation Adjusted Securities Fund to the Manager in fiscal 2003 and fiscal 2004.

As to each Fund, the Manager has agreed that if in any fiscal year the aggregate expenses of the Fund, exclusive of taxes, brokerage, interest on borrowings and (with the prior written consent of the necessary state securities commissions) extraordinary expenses, but including the management fee, exceed the expense limitation of any state having jurisdiction over the Fund, the Fund may deduct from the payment to be made to the Manager under the Agreement, or the Manager will bear, such excess expense to the extent required by state law. Such deduction or payment, if any, will be estimated daily, and reconciled and effected or paid, as the case may be, on a monthly basis.

The aggregate of the fees payable to the Manager is not subject to reduction as the value of a Fund's net assets increases.

Distributor. The Distributor, a wholly-owned subsidiary of the Manager located at 200 Park Avenue, New York, New York 10166, serves as each Fund's distributor on a best efforts basis pursuant to an agreement with the Company which is renewable annually.

The Distributor compensates certain financial institutions (which may include banks), securities dealers ("Selected Dealers") and other industry professionals (collectively, "Service Agents"), for selling Class A shares subject to a contingent deferred sales charge ("CDSC"), and Class B shares and Class S shares at the time of purchase from its own assets. The proceeds of the CDSC and fees pursuant to the Fund's Distribution Plan (described below), in part, are used to defray these expenses. The Distributor also may act as a Service Agent and retain sales loads

and CDSCs and Distribution Plan fees. For purchases of Class A shares subject to a CDSC, the Distributor generally will pay Service Agents on new investments made through such Service Agents a commission of up to 0.75% of the amount invested in Dreyfus Premier Short Term Income Fund and 0.50% of the amount invested in Dreyfus Premier Yield Advantage Fund. For purchases of Class B shares and Class S shares, the Distributor generally will pay Service Agents on new investments made through such Service Agents 4% and 2.5%, respectively of the net asset value of such shares purchased by their clients. In addition to compensating Service Agents for selling Class S shares of Dreyfus Premier Yield Advantage Fund at the time of purchase, the Distributor will compensate certain Service Agents at the time of any exchange of such Class S shares for Class B shares of another fund in the Dreyfus Premier Family of Funds or Class B shares of certain funds advised by Founders Asset Management LLC (“Founders”), an indirect subsidiary of the Manager (if such fund does not offer Class S shares). The Distributor may pay such Service Agents up to 2.0% of the net asset value of Class S shares exchanged for Class B shares within two years of their purchase and up to 1% of the net asset value of any Class S shares exchanged for Class B shares thereafter. The amounts retained on the sale of Fund shares by the Distributor from sales loads and from DCSCs, as applicable, with respect to Class A, Class B and Class S shares, are set forth below.

<u>Fund</u>	<u>Share Class</u>	<u>Period from November 1, 2002 (commencement of initial offering of Class</u>	<u>Fiscal Year ended July 31, 2004</u>
Dreyfus Premier Short Term Income Fund	Class A	\$22,392	\$21,590
	Class B	\$7,819	\$58,393
Dreyfus Premier Yield Advantage Fund	Class A	\$11,089	\$26,851
	Class B	\$0	\$123,045
	Class S	\$3,372	\$16,008

The Distributor may pay Service Agents that have entered into agreements with the Distributor a fee based on the amount invested through such Service Agents in Fund shares by employees participating in qualified or non-qualified employee benefit plans, including pension, profit-sharing and other deferred compensation plans, whether established by corporations, partnerships, non-profit entities or state and local governments (“Retirement Plans”), or other programs. The term “Retirement Plans” does not include IRAs, IRA “Rollover Accounts” or IRAs set up under a Simplified Employee Pension Plan (“SEP-IRAs”). Generally, the Distributor may pay such Service Agents a fee of up to 1% of the amount invested through the Service Agents. The Distributor, however, may pay Service Agents a higher fee and reserves the right to cease paying these fees at any time. The Distributor will pay such fees from its own funds, other than amounts received from the Fund, including past profits or any other source available to it. Sponsors of such Retirement Plans or the participants therein should consult their Service Agent for more information regarding any such fee payable to the Service Agent.

The Manager or the Distributor may provide additional cash payments out of its own resources to financial intermediaries that sell shares of the Funds or provide other services. Such payments are in addition to any sales charges, 12b-1 fees and/or shareholder services fees or other expenses paid by the Funds. These additional payments may be made to Service Agents, including affiliates, that provide share holder servicing, sub-administration, recordkeeping and/or sub-transfer agency services, marketing support and/or access to sales meetings, sales representatives and management representatives of the Service Agent. Cash compensation also may be paid to Service Agents for inclusion of a Fund on a sales list, including a preferred or select sales list or in other sales programs. These payments sometimes are referred to as "revenue sharing." In some cases, these payments may create an incentive for a Service Agent to recommend or sell shares of the Fund to you. Please contact your Service Agent for details about any payments they may receive in connection with the sale of Fund shares or the provisions of services to the Funds.

From time to time, the Manager or the Distributor also may provide cash or non-cash compensation to Service Agents in the form of: occasional gifts; occasional meals, tickets, or other entertainment; support for due diligence trips; educational conference sponsorship; support for recognition programs; and other forms of cash or non-cash compensation permissible under broker-dealer regulations, as periodically amended.

<u>Fund</u>	<u>Share Class</u>	<u>Period from November 1, 2002 (commencement of initial offering of Class) through July 31, 2003</u>	<u>Fiscal Year ended July 31, 2004</u>
Dreyfus Premier Short Term Income Fund	Class A	\$22,392	\$21,590
	Class B	\$7,819	\$58,393
Dreyfus Premier Yield Advantage Fund	Class A	\$11,089	\$26,851
	Class B	\$0	\$123,045
	Class S	\$3,372	\$16,008

Transfer and Dividend Disbursing Agent and Custodian. Dreyfus Transfer, Inc. (the "Transfer Agent"), a wholly-owned subsidiary of the Manager, 200 Park Avenue, New York, New York 10166, is the Company's transfer and dividend disbursing agent. Under a transfer agency agreement with the Company, the Transfer Agent arranges for the maintenance of shareholder account records for each Fund, the handling of certain communications between shareholders and the Fund and the payment of dividends and distributions payable by the Fund. For these services, the Transfer Agent receives a monthly fee computed on the basis of the number of shareholder accounts it maintains for the Fund during the month, and is reimbursed for certain out-of-pocket expenses.

Mellon Bank, N.A. (the "Custodian"), an affiliate of the Manager, One Mellon Bank Center, Pittsburgh, Pennsylvania 15258, is each Fund's custodian. Under a custody agreement with the Company, the Custodian holds each Fund's securities and keeps all necessary accounts

and records. For its custody services, the Custodian receives a monthly fee based on the market value of the Funds' assets held in custody and receives certain securities transaction charges.

## HOW TO BUY SHARES

The Funds offer investors different classes of shares in the applicable Prospectus. Class A, Class B and Class S shares bear sales charges in different forms and amounts and bear different levels of expenses, as described below. Class D shares, Class P shares, Institutional shares, and Investor shares are sold without a sales charge.

When purchasing shares of a Fund, you must specify which Class is being purchased. Your Service Agent can help you choose the share class that is appropriate for your investment. The decision as to which Class of shares is most beneficial to you depends on a number of factors, including the amount and the intended length of your investment in the Fund. Please refer to the Fund's Prospectus for a further discussion of those factors.

In many cases, neither the Distributor nor the Transfer Agent will have the information necessary to determine whether a quantity discount or reduced sales charge is applicable to a purchase. You or your Service Agent must notify the Distributor whenever a quantity discount or reduced sales charge is applicable to a purchase and must provide the Distributor with sufficient information at the time of purchase to verify that each purchase qualifies for the privilege or discount.

Service Agents may receive different levels of compensation for selling different Classes of shares. Management understands that some Service Agents may impose certain conditions on their clients which are different from those described in a Fund's Prospectus and this Statement of Additional Information, and to the extent permitted by applicable regulatory authority, may charge their clients direct fees. As discussed under "Management Arrangements - Distributor," Service Agents may receive revenue sharing payments from the Manager or the Distributor. The receipt of such payments could create an incentive for a Service Agent to recommend or sell shares of a Fund instead of other mutual funds where such payments are not received. Please contact your Service Agent for details about any payments they may receive in connection with the sale of Fund shares or the provision of services to the Funds.

Stock certificates are issued only upon your written request. No certificates are issued for fractional shares. The Company reserves the right to reject any purchase order.

Shares of Dreyfus Intermediate Term Income Fund, Dreyfus Institutional Yield Advantage Fund, Dreyfus Inflation Adjusted Securities Fund and Class D Shares only of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund--General. These shares are sold without a sales charge through the Distributor or a Service Agents that has entered into an agreement with the Distributor to sell these shares.

These shares are sold on a continuous basis at the net asset value per share next determined after an order in proper form is received by the Transfer Agent or other entity authorized to receive orders on behalf of the Fund. Net asset value per share is determined as of the close of trading on the floor of the New York Stock Exchange (usually 4:00 p.m., Eastern time), on days the New York Stock Exchange is open for regular business. For purposes of

determining net asset value per share, certain options and futures contracts may be valued 15 minutes after the close of trading on the floor of the New York Stock Exchange. Net asset value per share of each class of shares is computed by dividing the value of the Fund's net assets represented by such class (i.e., the value of its assets less liabilities) by the total number of shares of such class outstanding. For information regarding the methods employed in valuing a Fund's investments, see "Determination of Net Asset Value."

Shares of Dreyfus Intermediate Term Income Fund and Class D Shares of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund only--General.

The minimum initial investment for Institutional shares of Dreyfus Intermediate Term Income Fund is \$1,000,000, and holders of Institutional share must maintain a minimum account balance of \$1,000,000. The remainder of this paragraph does not apply to Institutional shares. The minimum initial investment for Class D shares of Dreyfus Premier Short Term Income Fund and the Investor shares of Dreyfus Intermediate Term Income Fund is \$2,500, or \$1,000 if you are a client of a Service Agent which maintains an omnibus account in the Fund and has made an aggregate minimum initial purchase for its customers of \$2,500. The minimum initial investment for Class D shares of Dreyfus Premier Yield Advantage Fund is \$10,000.

Subsequent investments must be at least \$100. However, the minimum initial investment is \$750 for Dreyfus-sponsored Keogh Plans, IRAs (including regular IRAs, spousal IRAs for a non-working spouse, Roth IRAs, SEP-IRAs, and rollover IRAs) and 403(b)(7) Plans with only one participant and \$500 for Dreyfus-sponsored Education Savings Accounts, with no minimum for subsequent purchases. The initial investment must be accompanied by the Account Application. For full-time or part-time employees of the Manager or any of its affiliates or subsidiaries, directors of the Manager, Board members of a fund advised by the Manager, including members of the Company's Board, or the spouse or minor child of any of the foregoing, the minimum initial investment is \$1,000. For full-time or part-time employees of the Manager or any of its affiliates or subsidiaries who elect to have a portion of their pay directly deposited into their Fund accounts, the minimum initial investment is \$50. Fund shares are offered without regard to the minimum initial investment requirements to Board members of a fund advised by the Manager, including members of the Fund's Board, who elected to have all or a portion of their compensation for serving in the capacity automatically invested in the Fund. The Company reserves the right to offer Fund shares without regard to minimum purchase requirements to employees participating in certain Retirement Plans or other programs where contributions or account information can be transmitted in a manner and form acceptable to the Company. The Company reserves the right to further vary the initial and subsequent investment minimum requirements on a Fund at any time.

These shares also are offered without regard to the minimum initial investment requirements through Dreyfus Automatic Asset Builder<sup>®</sup>, Dreyfus Government Direct Deposit Privilege or Dreyfus Payroll Savings Plan pursuant to the Dreyfus Step Program described under "Shareholder Services." These services enable you to make regularly scheduled investments and may provide you with a convenient way to invest for long-term financial goals. You should be aware, however, that periodic investment plans do not guarantee a profit and will not protect you against loss in a declining market. **The Dreyfus Step Program does not apply to holders of Institutional shares of Dreyfus Intermediate Term Income Fund.**

For certain institutions that have entered into agreements with the Distributor, payment for the purchase of Fund shares may be transmitted, and must be received by the Transfer Agent, within three business days after the order is placed. If such payment is not received within three business days after the order is placed, the order may be canceled and the institution could be held liable for resulting fees and/or losses.

Shares of Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund only--General. Each of these Funds offers two classes of shares—Institutional shares and Investor shares. The classes are identical, except as to the expenses borne by each class which may affect performance.

Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund are designed for institutional investors, particularly banks, acting for themselves or in a fiduciary, advisory, agency, custodial or similar capacity. Fund shares may not be purchased directly by individuals, although institutions may purchase shares for accounts maintained by individuals. Generally, each investor will be required to open a single master account with the Fund for all purposes. In certain cases, the Fund may request investors to maintain separate master accounts for shares held by the investor (i) for its own account, for the account of other institutions and for accounts for which the institution acts as a fiduciary, and (ii) for accounts for which the investor acts in some other capacity. An institution may arrange with the Transfer Agent for sub-accounting services and will be charged directly for the cost of such services. Institutions purchasing Fund shares have agreed to transmit copies of the Fund's Prospectus and all relevant Fund materials, including proxy materials, to each individual or entity for whose account the shares were purchases, to the extent required by law.

The minimum initial investment for each such Fund is \$10,000,000, unless: (a) the investor has invested at least \$10,000,000 in the aggregate among any class of shares of the Funds, Dreyfus Cash Management, Dreyfus Cash Management Plus, Inc., Dreyfus Government Cash Management, Dreyfus Government Prime Cash Management, Dreyfus Municipal Cash Management Plus, Dreyfus New York Municipal Cash Management, Dreyfus Tax Exempt Cash Management, Dreyfus Treasury Cash Management, Dreyfus Treasury Prime Cash Management, Dreyfus Institutional Cash Advantage Fund, and Dreyfus Institutional Cash Advantage Plus Fund; or (b) the investor has, in the opinion of Dreyfus Institutional Services Division, adequate intent and availability of funds to reach a future level of investment of \$10,000,000 among any class of shares of the funds identified above. There is no minimum for subsequent purchases. The initial investment must be accompanied by the Account Application. Fund shares may be purchased by wire, by telephone or through a compatible automated interface or trading system. All payments should be made in U.S. dollars and, to avoid fees and delays, should be drawn only on U.S. banks. To place an order by telephone or to determine whether their automated facilities are compatible with the Fund's, investors should call Dreyfus Institutional Services Division at one of the telephone numbers listed on the cover.

Fund shares are sold on a continuous basis at the net asset value per share next determined after an order in proper form and Federal Funds (monies of member banks in the Federal Reserve System which are held on deposit at a Federal Reserve Bank) are received by the Transfer Agent or other entity authorized to receive orders on behalf of the Fund. If an investor does not remit Federal Funds, its payment must be converted into Federal Funds. This

usually occurs within one business day of receipt of a bank wire and within two business days of receipt of a check drawn on a member bank of the Federal Reserve System. Checks drawn on banks which are not members of the Federal Reserve System may take considerably longer to convert into Federal Funds. Prior to receipt of Federal Funds, the investor's money will not be invested.

Dreyfus Premier Shares only--General. Class A shares, Class B shares, Class P shares and Class S shares may be purchased only by clients of Service Agents. Subsequent purchases may be sent directly to the Transfer Agent or your Service Agent. Class B shares of Dreyfus Premier Yield Advantage Fund are available only through an exchange of Class B shares from another fund in the Dreyfus Premier Family of Funds.

The various Dreyfus Premier Shares are designed to enable an investor to choose the method of purchasing Fund shares that is most beneficial to the investor based on all factors to be considered, including the amount and intended length of the investment. Your Service Agent may not offer all classes of shares of these Funds. You should consult your Service Agent in this regard.

The minimum initial investment for Class A, Class B and Class S shares is \$1,000 for Dreyfus Premier Short Term Income Fund and \$10,000 for Dreyfus Premier Yield Advantage Fund. The minimum initial investment for Class P shares of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund is \$100,000. Subsequent investments for Premier Shares must be at least \$100. However, the minimum initial investment for Class A, Class B and Class S shares is \$750 for Dreyfus-sponsored Keogh Plans, IRAs (including regular IRAs, spousal IRAs for a non-working spouse, Roth IRAs, SEP-IRAs and rollover IRAs) and 403(b)(7) Plans with only one participant and \$500 for Dreyfus-sponsored Education Savings Accounts, with no minimum for subsequent purchases. The initial investment must be accompanied by the Account Application. The Company reserves the right to offer Fund shares without regard to minimum purchase requirements to government-sponsored programs or to employees participating in certain Retirement Plans or other programs where contributions or account information can be transmitted in a manner and form acceptable to the Company. The Company reserves the right to vary further the initial and subsequent investment minimum requirements at any time.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various limitations on the amount that may be contributed to certain Retirement Plans. These limitations apply with respect to participants at the plan level and, therefore, do not directly affect the amount that may be invested in a Fund by a Retirement Plan. Participants and plan sponsors should consult their tax advisers for details.

Dreyfus Premier Shares also may be purchased through Dreyfus-Automatic Asset Builder<sup>®</sup>, Dreyfus Government Direct Deposit Privilege or Dreyfus Payroll Savings Plan described under "Shareholder Services." These services enable you to make regularly scheduled investments and may provide you with a convenient way to invest for long-term financial goals. You should be aware, however, that periodic investment plans do not guarantee a profit and will not protect an investor against loss in a declining market.

Dreyfus Premier Shares are sold on a continuous basis. Net asset value per share is determined as of the close of trading on the floor of the New York Stock Exchange (usually 4:00 p.m., Eastern time), on days the New York Stock Exchange is open for regular business. For purposes of determining net asset value, certain options and futures contracts may be valued 15 minutes after the close of trading on the floor of the New York Stock Exchange. Net asset value per share of each Class is computed by dividing the value of the Fund's net assets represented by such Class (i.e., the value of its assets less liabilities) by the total number of shares of such Class outstanding. For information regarding the methods employed in valuing the Funds' investments, see "Determination of Net Asset Value."

If an order is received in proper form by the Transfer Agent or other entity authorized to receive orders on behalf of the Fund by the close of trading on the floor of the New York Stock Exchange (usually 4:00 p.m., Eastern time) on a business day, Fund shares will be purchased at the public offering price determined as of the closing of trading on the floor of the New York Stock Exchange on that day. Otherwise, Fund shares will be purchased at the public offering price determined as of the close of trading on the floor of the New York Stock Exchange on the next business day, except where shares are purchased through a dealer as provided below.

Orders for the purchase of Dreyfus Premier Shares received by dealers by the close of trading on the floor of the New York Stock Exchange on any business day and transmitted to the Distributor or its designee by the close of its business day (usually 5:15 p.m., Eastern time) will be based on the public offering price per share determined as of the close of trading on the floor of the New York Stock Exchange on that day. Otherwise, the orders will be based on the next determined public offering price. It is the dealer's responsibility to transmit orders so that they will be received by the Distributor or its designee before the close of its business day. For certain institutions that have entered into agreements with the Distributor, payment for the purchase of Fund shares may be transmitted, and must be received by the Transfer Agent, within three business days after the order is placed. If such payment is not received within three business days after the order is placed, the order may be canceled and the institution could be held liable for resulting fees and/or losses.

Dreyfus Premier Shares--Class A Shares. The public offering price for Class A shares is the net asset value per share of that Class plus a sales load as shown below:

Dreyfus Premier Short Term Income Fund

<u>Amount of Transaction</u>	<u>Total Class A Sales Load</u>		Dealers' Reallowance as a % of offering price
	As a % of offering price per share	As a % of net asset value per share	
Less than \$50,000	3.00	3.09	2.50
\$50,000 to less than \$100,000	2.00	2.04	1.75
\$100,000 to less than \$250,000	1.00	1.01	0.90
\$250,000 or more	-0-	-0-	-0-



A CDSC of 0.75% will be assessed at the time of redemption of Class A shares purchased without an initial sales charge as part of an investment of at least \$250,000 and redeemed within 18 months of purchase. The Distributor may pay Service Agents an amount up to 0.75% of the net asset value of Class A shares purchased by their clients that are subject to a CDSC.

Dreyfus Premier Yield Advantage Fund

<u>Amount of Transaction</u>	<u>Total Class A Sales Load</u>		<u>Dealers' Reallocation as a % of offering price</u>
	<u>As a % of offering price per share</u>	<u>As a % of net asset value per share</u>	
Less than \$50,000	2.00	2.04	1.75
\$50,000 to less than \$100,000	1.75	1.78	1.50
\$100,000 to less than \$250,000	1.50	1.52	1.25
\$250,000 or more	-0-	-0-	-0-

A CDSC of 0.50% will be assessed at the time of redemption of Class A shares purchased without an initial sales charge as part of an investment of at least \$250,000 and redeemed within 18 months of purchase. The Distributor may pay Service Agents an amount up to 0.50% of the net asset value of Class A shares purchased by their clients that are subject to a CDSC.

The scale of sales loads applies to purchases of Class A shares made by any "purchaser," which term includes an individual and/or spouse purchasing securities for his, her or their own account or for the account of any minor children, or a trustee or other fiduciary purchasing securities for a single trust estate or a single fiduciary account trust estate or a single fiduciary account (including a pension, profit-sharing, or other employee benefit trust created pursuant to a plan qualified under Section 401 of the Code) although more than one beneficiary is involved; or a group of accounts established by or on behalf of the employees of an employer or affiliated employers pursuant to an employee benefit plan or other program (including accounts established pursuant to Sections 403(b), 408(k) and 457 of the Code); or an organized group which has been in existence for more than six months, provided that it is not organized for the purpose of buying redeemable securities of a registered investment company and provided, that the purchases are made through a central administration or a single dealer, or by other means which result in economy of sales effort or expense.

Set forth below is an example of the method of computing the offering price of Dreyfus Premier Shares' Class A shares. The example assumes a purchase of Class A shares of the Fund aggregating less than \$50,000, subject to the schedule of sales charges set forth above at a price based upon the net asset value of a Class A share of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund on July 31, 2004:

	Dreyfus Premier Short Term Income Fund	Dreyfus Premier Yield Advantage Fund
Net Asset Value Per Share	\$11.14	\$1.97
Per Share Sales Charge – Class A- 3.00% of offering price (3.09% of net asset value per share)	\$0.34	\$0.04
Per Share Sales Charge – Class A- 2.00% of offering price (2.04% of net asset value)	N/A	\$0.04
Per Share Offering Price to the Public	<u>\$11.48</u>	<u>\$2.01</u>

Full-time employees of member firms of the National Association of Securities Dealers, Inc. ("NASD") and full-time employees of other financial institutions which have entered into an agreement with the Distributor pertaining to the sale of Fund shares (or which otherwise have a brokerage related or clearing arrangement with an NASD member firm or financial institution with respect to the sale of such shares) may purchase Class A shares for themselves directly or pursuant to an employee benefit plan or other program, or for their spouses or minor children, at net asset value, provided that they have furnished the Distributor with such information as it may request from time to time in order to verify eligibility for this privilege. This privilege also applies to full-time employees of financial institutions affiliated with NASD member firms whose full-time employees are eligible to purchase Class A shares at net asset value. In addition, Class A shares are offered at net asset value to full-time or part-time employees of the Manager or any of its affiliates or subsidiaries, directors of the Manager, Board members of a fund advised by the Manager, including members of the Company's Board, or the spouse or minor child of any of the foregoing.

Class A shares are offered at net asset value without a sales load to employees participating in Retirement Plans. Class A shares also may be purchased (including by exchange) at net asset value without a sales load for Dreyfus-sponsored IRA "Rollover Accounts" with the distribution proceeds from a qualified retirement plan or a Dreyfus-sponsored 403(b)(7) plan, provided that, at the time of such distribution, such qualified retirement plan or Dreyfus-sponsored 403(b)(7) plan invested all or a portion of its assets in funds in the Dreyfus Premier Family of Funds or the Dreyfus Family of Funds, or certain funds advised by Founders, or certain other products made available by the Distributor to such plans.

Class A shares may be purchased at net asset value through certain broker-dealers and other financial institutions which have entered into an agreement with the Distributor, which includes a requirement that such shares be sold for the benefit of clients participating in a "wrap account" or a similar program under which such clients pay a fee to such broker-dealer or other financial institution.

Class A shares also may be purchased at net asset value, subject to appropriate documentation, by (i) qualified separate accounts maintained by an insurance company pursuant to the laws of any State or territory of the United States, (ii) a State, county or city or instrumentality thereof, (iii) a charitable organization (as defined in Section 501(c)(3) of the Code) investing \$50,000 or more in Fund shares, and (iv) a charitable remainder trust (as defined in Section 501(c)(3) of the Code).

Dreyfus Premier Shares--Class B Shares. Class B shares of Dreyfus Premier Yield Advantage Fund are available only through an exchange of Class B shares of another fund in the Dreyfus Premier Family of Funds or Class B shares of certain funds advised by Founders. The public offering price for Class B shares is the net asset value per share of that Class. No initial sales charge is imposed at the time of purchase. A CDSC is imposed, however, on certain redemptions of Class B shares as described in the relevant Prospectus and in this Statement of Additional Information under "How to Redeem Shares--Contingent Deferred Sales Charge--Class B Shares."

Approximately six years after the date of purchase, Class B shares automatically will convert to Class A shares, based on the relative net asset values for shares of each such Class. Class B shares that have been acquired through the reinvestment of dividends and distributions will be converted on a pro rata basis together with other Class B shares, in the proportion that a shareholder's Class B shares converting to Class A shares bears to the total Class B shares held by the shareholder, excluding shares acquired through the reinvestment of dividends and distributions.

Dreyfus Premier Shares--Class P Shares. The public offering price for Class P shares is the net asset value per share of that Class.

Dreyfus Premier Shares--Class S Shares. The public offering price for Class S shares is the net asset value per share of that Class. No initial sales charge is imposed at the time of purchase. A CDSC is imposed, however, on certain redemptions of Class S shares as described in the relevant Prospectus and in this Statement of Additional Information under "How to Redeem Shares--Contingent Deferred Sales Charge--Class S Shares."

Approximately six years after the date of purchase, Class S shares automatically will convert to Class A shares, based on the relative net asset values for shares of each such Class. Class S shares that have been acquired through the reinvestment of dividends and distributions will be converted on a pro rata basis together with other Class S shares, in the proportion that a shareholder's Class S shares converting to Class A shares bears to the total Class S shares held by the shareholder, excluding shares acquired through the reinvestment of dividends and distributions.

Dreyfus Premier Shares--Dealer Reallowance--Class A Shares. The dealer reallowance provided with respect to Class A shares may be changed from time to time but will remain the same for all dealers. The Distributor, at its own expense, may provide additional promotional incentives to dealers that sell shares of funds advised by the Manager which are sold with a sales load, such as Class A shares. In some instances, these incentives may be offered only to certain dealers who have sold or may sell significant amounts of such shares.

Dreyfus Premier Shares—Right of Accumulation--Class A Shares. Reduced sales loads apply to any purchase of Class A shares, by you and any related "purchaser" as defined above, where the aggregate investment including such purchase, is \$50,000 or more. If, for example, you previously purchased and still hold shares of a Dreyfus Premier Fund, or shares of certain other funds advised by the Manager or Founders which are subject to a front-end sales load or a CDSC or shares acquired by a previous exchange of such shares (hereinafter referred to as "Eligible Funds"), or combination thereof, with an aggregate current market value of \$40,000 and subsequently purchase Class A shares of such Fund having a current value of \$20,000, the sales load applicable to the subsequent purchase would be reduced to 1.75%, with respect to Dreyfus Premier Yield Advantage Fund, or 2.00% with respect to Dreyfus Premier Short Term Income Fund, of the offering price in the case of Class A shares. All present holdings of Eligible Funds may be combined to determine the current offering price of the aggregate investment in ascertaining the sales load applicable to each subsequent purchase.

To qualify at the time of purchase, you or your Service Agent must notify the Distributor if orders are made by wire, or the Transfer Agent if orders are made by mail, and/or code any such orders appropriately. The reduced sales load is subject to confirmation of your holdings through a check of appropriate records.

Using Federal Funds. (All Funds) The Transfer Agent or the Fund may attempt to notify the investor upon receipt of checks drawn on banks that are not members of the Federal Reserve System as to the possible delay in conversion into Federal Funds, and may attempt to arrange for a better means of transmitting the money. If the investor is a customer of a Service Agent and an order to purchase Fund shares is paid for other than in Federal Funds, the Service Agent, acting on behalf of its customer, will complete the conversion into, or itself advance, Federal Funds generally on the business day following receipt of the customer order. The order is effective only when so converted and received by the Custodian.

Dreyfus TeleTransfer Privilege. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) You may purchase shares by telephone or online if you have checked the appropriate box and supplied the necessary information on the Account Application or have filed a Shareholder Services Form with the Transfer Agent. The proceeds will be transferred between the bank account designated in one of these documents and your Fund account. Only a bank account maintained in a domestic financial institution which is an Automated Clearing House ("ACH") member may be so designated.

Dreyfus TeleTransfer purchase orders may be made at any time. If purchase orders are received by 4:00 p.m., Eastern time, on any day the Transfer Agent and the New York Stock Exchange are open for regular business, Fund shares will be purchased at the public offering

price determined that day. If purchase orders made after 4:00 p.m., Eastern time, on any day the Transfer Agent and the New York Stock Exchange are open for regular business, or made on Saturday, Sunday or any Fund holiday (e.g., when the New York Stock Exchange is not open for business), Fund shares will be purchased at the public offering price determined on the next bank business day following such purchase order. To qualify to use the Dreyfus TeleTransfer Privilege, the initial payment for purchase of Fund shares must be drawn on, and redemption proceeds paid to, the same bank and account as are designated on the Account Application or Shareholder Services Form on file. If the proceeds of a particular redemption are to be sent to an account at any other bank, the request must be in writing and signature-guaranteed. See "How to Redeem Shares—Dreyfus TeleTransfer Privilege."

Reopening an Account. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Institutional shares of Dreyfus Intermediate Term Income Fund) You may reopen an account with a minimum investment of \$100 without filing a new Account Application during the calendar year the account is closed or during the following calendar year, provided the information on the old Account Application is still applicable.

## DISTRIBUTION AND SERVICING ARRANGEMENTS

Class B and Class S shares (as applicable) of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund are subject to a Distribution Plan and Investor shares of Dreyfus Institutional Yield Advantage Fund are subject to a Service Plan, and shares of each Fund, except Dreyfus Institutional Yield Advantage Fund and Institutional shares of Dreyfus Intermediate Term Income Fund, are subject to a Shareholder Services Plan.

Service Plan. (Investor Shares of Dreyfus Institutional Yield Advantage Fund only). The Company has adopted a plan (the "Service Plan") pursuant to Rule 12b-1 under the 1940 Act with respect to Investor shares of Dreyfus Institutional Yield Advantage Fund. Rule 12b-1 adopted by the Securities and Exchange Commission under the 1940 Act provides, among other things, that an investment company may bear expenses of distributing its shares only pursuant to a plan adopted in accordance with the Rule. Under the Service Plan, the Fund pays the Distributor for distributing Investor shares, for advertising and marketing Investor shares and for providing certain services relating to Investor shares shareholder accounts, such as answering shareholder inquiries regarding the Fund and providing reports and other information, and services related to the maintenance of such shareholder accounts ("Servicing"), at an annual rate of 0.25% of the value of Dreyfus Institutional Yield Advantage Fund's average daily net assets attributable to Investor shares. The Distributor may pay one or more Service Agents a fee in respect to the Fund's Investor shares owned by shareholders with whom the Service Agent has a Servicing relationship or for whom the Service Agent is the dealer or holder of record. The Distributor determines the amounts, if any, to be paid to Service Agents under the Service Plan and the basis on which such payments are made. Generally, Service Agents will provide holders of Investor shares a consolidated statement and checkwriting privileges. The fees payable under the Service Plan are payable without regard to actual expenses incurred.

A quarterly report of the amounts expended under the Service Plan, and the purposes for which such expenditures were incurred, must be made to the Board for its review. In addition, the Service Plan provides that it may not be amended to increase materially the costs which

holders of Investor shares may bear pursuant to the Service Plan without the approval of the holders of such shares and that other material amendments of the Service Plan must be approved by the Board, and by the Board members who are not "interested persons" (as defined in the 1940 Act) of the Company and have no direct or indirect financial interest in the operation of the Service Plan or in any agreements entered into in connection with the Service Plan, by vote cast in person at a meeting called for the purpose of considering such amendments. The Service Plan is subject to annual approval by such vote of its Board members cast in person at a meeting called for the purpose of voting on the Service Plan. The Service Plan may be terminated at any time by vote of a majority of the Board members who are not "interested persons" and have no direct or indirect financial interest in the operation of the Service Plan or in any agreements entered into in connection with the Service Plan or by vote of a majority of holders of Investor shares.

For the fiscal year ended July 31, 2004, Dreyfus Institutional Yield Advantage Fund paid \$75,866 to the Distributor pursuant to the Service Plan with respect to Investor shares of the Fund.

Distribution Plan. (Class B and Class S shares, as applicable, of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund only) Rule 12b-1 adopted by the Securities and Exchange Commission under the 1940 Act provides, among other things, that an investment company may bear expenses of distributing its shares only pursuant to a plan adopted in accordance with the Rule. The Company's Board has adopted such a plan (the "Distribution Plan") with respect to Class B shares of Dreyfus Premier Short Term Income Fund and Class B and Class S shares of Dreyfus Premier Yield Advantage Fund pursuant to which the Fund pays the Distributor for distributing each such Class of shares at the annual rate of 0.50% of the value of the average daily net assets of Class B shares of Dreyfus Premier Short Term Income Fund, and 0.75% and 0.25% of the value of the average daily net assets of Class B and Class S shares, respectively, of Dreyfus Premier Yield Advantage Fund. The Distributor may pay one or more Service Agents in respect of advertising, marketing and other distribution services, with respect to Class B and Class S, as applicable, and determines the amounts, if any, to be paid to Service Agents and the basis on which such payments are made. The Company's Board believes that there is a reasonable likelihood that the Distribution Plan will benefit the Funds and the holders of Class B and Class S shares, as applicable.

A quarterly report of the amounts expended under the Distribution Plan, and the purposes for which such expenditures were incurred, must be made to the Board for its review. In addition, the Distribution Plan provides that it may not be amended to increase materially the costs which holders of Class B or Class S shares may bear pursuant to the Distribution Plan without the approval of the holders of such shares and that other material amendments of the Distribution Plan must be approved by the Board, and by the Board members who are not "interested persons" (as defined in the 1940 Act) of the Company and have no direct or indirect financial interest in the operation of the Distribution Plan or in any agreements entered into in connection with the Distribution Plan, by vote cast in person at a meeting called for the purpose of considering such amendments. The Distribution Plan is subject to annual approval by such vote of the Board cast in person at a meeting called for the purpose of voting on the Distribution Plan. As to the relevant Class of shares of the Fund, the Distribution Plan may be terminated at any time by vote of a majority of the Board members who are not "interested persons" and have

no direct or indirect financial interest in the operation of the Distribution Plan or in any agreements entered into in connection with the Distribution Plan or by vote of the holders of a majority of such Class of shares.

For the fiscal year ended July 31, 2004, Dreyfus Premier Short Term Income Fund Class B paid \$66,271 and Dreyfus Premier Yield Advantage Fund Class B and S paid \$45,127 and \$3,136 respectively, to the Distributor pursuant to the Distribution Plan.

Shareholder Services Plan. (All Funds and Classes of Shares, except Dreyfus Institutional Yield Advantage Fund and Institutional shares of Dreyfus Intermediate Term Income Fund and Dreyfus Inflation Adjusted Securities Fund.) The Company has adopted a Shareholder Services Plan with respect to Class A, Class B, Class D, Class P and Class S shares, as applicable, of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund and shares of each other Fund except Dreyfus Institutional Yield Advantage Fund and Institutional Shares of Dreyfus Intermediate Term Income Fund and Dreyfus Inflation Adjusted Securities Fund, pursuant to which the Company pays the Distributor for the provision of certain services to Fund shareholders a fee at the annual rate of 0.20% of the value of the average daily net assets of Class D shares of Dreyfus Premier Short Term Income Fund, and 0.25% of the value of the average daily net assets attributable to each such other class of shares of each such Fund. The services provided may include personal services relating to shareholder accounts, such as answering shareholder inquiries regarding the Company and providing reports and other information, and services related to the maintenance of such shareholder accounts. Under the Shareholder Services Plan, the Distributor may make payments to Service Agents in respect of these services. The Distributor determines the amounts to be paid to Service Agents.

A quarterly report of the amounts expended under the Shareholder Services Plan, and the purposes for which such expenditures were incurred, must be made to the Board for its review. In addition, the Shareholder Services Plan provides that material amendments must be approved by the Company's Board, and by the Board members who are not "interested persons" (as defined in the 1940 Act) of the Company and have no direct or indirect financial interest in the operation of the Shareholder Services Plan or in any agreements entered into in connection with the Shareholder Services Plan, by vote cast in person at a meeting called for the purpose of considering such amendments. As to each Fund, the Shareholder Services Plan is subject to annual approval by such vote of the Board members cast in person at a meeting called for the purpose of voting on the Shareholder Services Plan. The Shareholder Services Plan is terminable with respect to each Fund at any time by vote of a majority of the Board members who are not "interested persons" and have no direct or indirect financial interest in the operation of the Shareholder Services Plan or in any agreements entered into in connection with the Shareholder Services Plan.

For the fiscal year ended July 31, 2004, pursuant to the Shareholder Services Plan, the indicated Funds and classes of shares paid the Distributor as follows:

	<u>Class</u>	<u>Amount Paid to Distributor</u>
Dreyfus Premier Short Term Income Fund	Class A	\$47,840
	Class B	\$33,135

	<u>Class</u>	<u>Amount Paid to Distributor</u>
	Class D	\$1,439,959
	Class P	\$67,224
Dreyfus Intermediate Term Income Fund	Investor	\$1,933,953
Dreyfus Premier Yield Advantage Fund	Class A	\$24,163
	Class B	\$15,042
	Class D	\$659,538
	Class P	\$234,859
	Class S	\$3,136
Dreyfus Inflation Adjusted Securities Fund	Investor	\$7,012

## HOW TO REDEEM SHARES

General. (All Funds) Each Fund ordinarily will make payment for all shares redeemed within seven days after receipt by the Transfer Agent of a redemption request in proper form, except as provided by the rules of the Securities and Exchange Commission. However, with respect to each Fund other than Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund, if you have purchased Fund shares by check, by Dreyfus TeleTransfer Privilege or through Dreyfus-Automatic Asset Builder<sup>®</sup> and subsequently submit a written redemption request to the Transfer Agent, the Fund may delay sending the redemption proceeds for up to eight business days after the purchase of such shares. In addition, the Fund will not honor redemption checks under the Checkwriting Privilege (if offered), and will reject requests to redeem shares by wire or telephone, online or pursuant to the Dreyfus TeleTransfer Privilege, for a period of up to eight business days after receipt by the Transfer Agent of the purchase check, the Dreyfus TeleTransfer purchase or the Dreyfus-Automatic Asset Builder order against which such redemption is requested. These procedures will not apply if your shares were purchased by wire payment, or if you otherwise have a sufficient collected balance in your account to cover the redemption request. Fund shares may not be redeemed until the Transfer Agent has received your Account Application.

If you hold shares of more than one Class of Dreyfus Premier Shares, any request for redemption must specify the Class of shares being redeemed. If you fail to specify the Class of shares to be redeemed or if you own fewer shares of the Class than specified to be redeemed, the redemption request may be delayed until the Transfer Agent receives further instructions from you or your Service Agent.

Contingent Deferred Sales Charge--Class B Shares. (Dreyfus Premier Shares only) A CDSC payable to the Distributor is imposed on any redemption of Class B shares which reduces the current net asset value of your Class B shares to an amount which is lower than the dollar amount of all payments by you for the purchase of Class B shares of the Fund held by you at the time of redemption. No CDSC will be imposed to the extent that the net asset value of the Class B shares redeemed does not exceed (i) the current net asset value of Class B shares acquired through reinvestment of dividends or capital gain distributions, plus (ii) increases in the net asset



value of your Class B shares above the dollar amount of all your payments for the purchase of Class B shares held by you at the time of redemption.

If the aggregate value of Class B shares redeemed has declined below their original cost as a result of the Fund's performance, a CDSC may be applied to the then-current net asset value rather than the purchase price.

In circumstances where the CDSC is imposed, the amount of the charge will depend on the number of years from the time you purchased the Class B shares until the time of redemption of such shares. Solely for purposes of determining the number of years from the time of any payment for the purchase of Class B shares, all payments during a month will be aggregated and deemed to have been made on the first day of the month. The following table sets forth the rates of the CDSC for Class B shares:

<u>Year Since Purchase Payment Was Made</u>	<u>CDSC as a % of Amount Invested or Redemption Proceeds (whichever is less)</u>
First	4.00
Second	4.00
Third	3.00
Fourth	3.00
Fifth	2.00
Sixth	1.00

In determining whether a CDSC is applicable to a redemption, the calculation will be made in a manner that results in the lowest possible rate. It will be assumed that the redemption is made first of amounts representing shares acquired pursuant to the reinvestment of dividends and distributions; then of amounts representing the increase in net asset value of Class B shares above the total amounts of payments for the purchase of Class B shares made during the preceding six years; and finally, of amounts representing the cost of shares held for the longest period.

For example, assume an investor purchased 100 shares at \$10 per share for a cost of \$1,000. Subsequently, the shareholder acquired five additional shares through dividend reinvestment. During the second year after the purchase the investor decided to redeem \$500 of the investment. Assuming at the time of the redemption the net asset value had appreciated to \$12 per share, the value of the investor's shares would be \$1,260 (105 shares at \$12 per share). The CDSC would not be applied to the value of the reinvested dividend shares and the amount which represented appreciation (\$260). Therefore, \$240 of the \$500 redemption proceeds (\$500 minus \$260) would be charged at a rate of 4% (the applicable rate in the second year after purchase) for a total CDSC of \$9.60.

Contingent Deferred Sales Charge--Class S Shares. (Dreyfus Premier Yield Advantage Fund only) A CDSC payable to the Distributor is imposed on any redemption of Class S shares. The following table sets forth the rates of the CDSC for Class S shares:

<u>Year Since Purchase Payment Was Made</u>	<u>CDSC as a % of Amount Invested or Redemption Proceeds (whichever is less)</u>
First.....	2.50
Second .....	2.50
Third .....	1.75
Fourth.....	1.00
Fifth .....	0.75
Sixth.....	0.50

The basis for calculating the payment of any such CDSC will be the method used in calculating the CDSC for Class B shares. See "Contingent Deferred Sales Charge--Class B Shares" above.

Waiver of CDSC. (Dreyfus Premier Shares only) The CDSC may be waived in connection with (a) redemptions made within one year after the death or disability, as defined in Section 72(m)(7) of the Code, of the shareholder, (b) redemptions by employees participating in Retirement Plans, (c) redemptions as a result of a combination of any investment company with the Fund by merger, acquisition of assets or otherwise, (d) a distribution following retirement under a tax-deferred retirement plan or upon attaining age 70-1/2 in the case of an IRA or Keogh plan or custodial account pursuant to Section 403(b) of the Code, and (e) redemptions pursuant to the Automatic Withdrawal Plan, as described below. If the Company's Board determines to discontinue the waiver of the CDSC, the disclosure herein will be revised appropriately. Any Fund shares subject to a CDSC which were purchased prior to the termination of such waiver will have the CDSC waived as provided in the Fund's Prospectus or this Statement of Additional Information at the time of the purchase of such shares.

To qualify for a waiver of the CDSC, at the time of redemption you must notify the Transfer Agent or your Service Agent must notify the Distributor. Any such qualification is subject to confirmation of your entitlement.

Redemption Through a Selected Dealer. (Dreyfus Premier Shares only) If you are a customer of a Selected Dealer, you may make redemption requests to your Selected Dealer. If the Selected Dealer transmits the redemption request so that it is received by the Transfer Agent prior to the close of trading on the floor of the New York Stock Exchange (usually 4:00 p.m., Eastern time) on a day the New York Stock Exchange is open for regular business, the redemption request will be effective on that day. If a redemption request is received by the Transfer Agent after the close of trading on the floor of the New York Stock Exchange, the redemption request will be effective on the next business day. It is the responsibility of the Selected Dealer to transmit a request so that it is received in a timely manner. The proceeds of

the redemption are credited to your account with the Selected Dealer. See "How to Buy Shares" for a discussion of additional conditions or fees that may be imposed upon redemption.

In addition, the Distributor or its designee will accept orders from Selected Dealers with which the Distributor has sales agreements for the repurchase of shares held by shareholders. Repurchase orders received by dealers by the close of trading on the floor of the New York Stock Exchange on any business day and transmitted to the Distributor or its designee prior to the close of its business day (usually 5:15 p.m., Eastern time), are effected at the price determined as of the close of trading on the floor of the New York Stock Exchange on that day. Otherwise, the shares will be redeemed at the next determined net asset value. It is the responsibility of the Selected Dealer to transmit orders on a timely basis. The Selected Dealer may charge the shareholder a fee for executing the order. This repurchase arrangement is discretionary and may be withdrawn at any time.

Reinvestment Privilege. (Dreyfus Premier Shares only) Upon written request, you may reinvest up to the number of Class A, or Class B shares you have redeemed, within 45 days of redemption, at the then-prevailing net asset value without a sales load, or reinstate your account for the purpose of exercising Fund Exchanges. Upon reinstatement, with respect to Class B shares, or Class A shares if such shares were subject to a CDSC, your account will be credited with an amount equal to the CDSC previously paid upon redemption of the shares reinvested. The Reinvestment Privilege may be exercised only once.

Checkwriting Privilege. (Dreyfus Intermediate Term Income Fund and Class A and Class D shares of Dreyfus Premier Short Term Income Fund only) Each of these Funds provides redemption checks ("Checks") automatically upon opening an account for Class A, Class D or Class P shares, unless you specifically refuse the Checkwriting Privilege by checking the applicable "No" box on the Account Application. Checks will be sent only to the registered owner(s) of the account and only to the address of record. The Checkwriting Privilege may be established for an existing account by a separate signed Shareholder Services Form. The Account Application or Shareholder Services Form must be manually signed by the registered owner(s). Checks are drawn on your Fund account and may be made payable to the order of any person in an amount of \$500 or more. When a Check is presented to the Transfer Agent for payment, the Transfer Agent, as your agent, will cause the Fund to redeem a sufficient number of shares in your account to cover the amount of the Check. Dividends are earned until the Check clears. After clearance, a copy of the Check will be returned to you. You generally will be subject to the same rules and regulations that apply to checking accounts, although election of this Privilege creates only a shareholder-transfer agent relationship with the Transfer Agent. If you hold shares in a Dreyfus-sponsored IRA account, you may be permitted to make withdrawals from your IRA account using checks furnished to you by The Dreyfus Trust Company.

You should date your Checks with the current date when you write them. Please do not postdate your Checks. If you do, the Transfer Agent will honor, upon presentment, even if presented before the date of the Check, all postdated Checks which are dated within six months of presentment for payment, if they are otherwise in good order.

Checks are free, but the Transfer Agent will impose a fee for stopping payment of a Check upon your request or if the Transfer Agent cannot honor a Check due to insufficient funds or other valid reason. If the amount of the Check is greater than the value of the shares in your account, the Check will be returned marked insufficient funds. Checks should not be used to close an account.

This Privilege will be terminated immediately, without notice, with respect to any account which is, or becomes, subject to backup withholding on redemptions. Any Check written on an account which has become subject to backup withholding on redemptions will not be honored by the Transfer Agent.

Wire Redemption Privilege. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) By using this Privilege, you authorize the Transfer Agent to act on telephone, letter or online redemption instructions from any person representing himself or herself to be you, and reasonably believed by the Transfer Agent to be genuine. Ordinarily, the Fund will initiate payment for shares redeemed pursuant to this Privilege on the next business day if the Transfer Agent receives a redemption request in proper form. Redemption proceeds (\$1,000 minimum) will be transferred by Federal Reserve wire only to the commercial bank account specified by you on the Account Application or Shareholder Services Form, or to a correspondent bank if your bank is not a member of the Federal Reserve System. Fees ordinarily are imposed by such bank and borne by the investor. Immediate notification by the correspondent bank to your bank is necessary to avoid a delay in crediting the funds to your bank account.

To change the commercial bank or account designated to receive wire redemption proceeds, a written request must be sent to the Transfer Agent. This request must be signed by each shareholder, with each signature guaranteed as described below under "Stock Certificates; Signatures."

Redemption by Wire or Telephone. (Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund only) By using this procedure, the investor authorizes the Transfer Agent to act on wire, telephone or letter redemption instructions from any person representing himself or herself to be an authorized representative of the investor and reasonably believed by the Transfer Agent to be genuine. Ordinarily, the Fund will initiate payment for shares redeemed pursuant to this procedure on the next business day after receipt if the Transfer Agent receives the redemption request in proper form. Such payment will be made to a bank that is a member of the Federal Reserve System.

Redemption Through Compatible Computer Facilities. (Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund only) The Fund makes available to institutions the ability to redeem shares through compatible computer facilities. Investors desiring to redeem shares in this manner should call Dreyfus Institutional Services Division at one of the telephone numbers listed on the cover to determine whether their computer facilities are compatible and to receive instructions for redeeming shares in this manner.

Dreyfus TeleTransfer Privilege. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) You may request by telephone

or online that redemption proceeds be transferred between your Fund account and your bank account. Only a bank account maintained in a domestic financial institution which is an ACH member may be designated. Redemption proceeds will be on deposit in your account at an ACH member bank ordinarily two business days after receipt of the redemption request. You should be aware that if you have selected the Dreyfus TeleTransfer Privilege, any request for a Dreyfus TeleTransfer transaction will be effected through the ACH system unless more prompt transmittal specifically is requested. See "How to Buy Shares—Dreyfus TeleTransfer Privilege."

Stock Certificates; Signatures. (All Funds) Any certificates representing Fund shares to be redeemed must be submitted with the redemption request. Written redemption requests must be signed by each shareholder, including each holder of a joint account, and each signature must be guaranteed. Signatures on endorsed certificates submitted for redemption also must be guaranteed. The Transfer Agent has adopted standards and procedures pursuant to which signature-guarantees in proper form generally will be accepted from domestic banks, brokers, dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations, as well as from participants in the New York Stock Exchange Medallion Signature Program, the Securities Transfer Agents Medallion Program ("STAMP") and the Stock Exchanges Medallion Program. Guarantees must be signed by an authorized signatory of the guarantor and "Signature-Guaranteed" must appear with the signature. The Transfer Agent may request additional documentation from corporations, executors, administrators, trustees or guardians, and may accept other suitable verification arrangements from foreign investors, such as consular verification. For more information with respect to signature-guarantees, please call one of the telephone numbers listed on the cover.

Redemption Commitment. (All Funds) The Fund has committed itself to pay in cash all redemption requests by any shareholder of record, limited in amount during any 90-day period to the lesser of \$250,000 or 1% of the value of the Fund's net assets at the beginning of such period. Such commitment is irrevocable without the prior approval of the Securities and Exchange Commission. In the case of requests for redemption in excess of such amount, the Fund's Board reserves the right to make payments in whole or in part in securities or other assets of the Fund in case of an emergency or any time a cash distribution would impair the liquidity of the Fund to the detriment of the existing shareholders. In such event, the securities would be valued in the same manner as the portfolio of the Fund is valued. If the recipient sells such securities, brokerage charges might be incurred.

Suspension of Redemptions. (All Funds) The right of redemption may be suspended or the date of payment postponed (a) during any period when the New York Stock Exchange is closed (other than customary weekend and holiday closings), (b) when trading in the markets the Fund ordinarily utilizes is restricted, or when an emergency exists as determined by the Securities and Exchange Commission so that disposal of the Fund's investments or determination of its net asset value is not reasonably practicable or (c) for such other periods as the Securities and Exchange Commission by order may permit to protect the Fund's shareholders.

## SHAREHOLDER SERVICES

Fund Exchanges. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) You may purchase, in exchange for shares of a

Fund, shares of the same class of another fund in the Dreyfus Family or Dreyfus Premier Family of Funds or shares of certain funds advised by Founders or shares of certain other funds in the Dreyfus Family of Funds, to the extent such shares are offered for sale in your state of residence. Class D shares may be exchanged for shares of any class of such funds open to direct investment by individuals. In addition, Class P shares may be exchanged for Class A shares of another fund in the Dreyfus Premier Family of Funds or a fund advised by Founders, and Class S shares of Dreyfus Premier Yield Advantage Fund may be exchanged for Class B shares of another fund in the Dreyfus Premier Family of Funds or a fund advised by Founders (if such fund does not offer Class S shares), to the extent such shares are offered for sale in the investor's state of residence. However, Class B shares may not be exchanged for Class S shares. Shares of other funds purchased by exchange will be purchased on the basis of relative net asset value per share as follows:

(A) Exchanges for shares of funds offered without a sales load will be made without a sales load.

(B) Shares of funds purchased without a sales load may be exchanged for shares of other funds sold with a sales load, and the applicable sales load will be deducted.

(C) Shares of funds purchased with a sales load may be exchanged without a sales load for shares of other funds sold without a sales load.

(D) Shares of funds purchased with a sales load, shares of funds acquired by a previous exchange from shares purchased with a sales load and additional shares acquired through reinvestment of dividends or distributions of any such funds (collectively referred to herein as "Purchased Shares") may be exchanged for shares of other funds sold with a sales load (referred to herein as "Offered Shares"), but if the sales load applicable to the Offered Shares exceeds the maximum sales load that could have been imposed in connection with the Purchased Shares (as the time the Purchased Shares were acquired), without giving effect to any reduced loads, the difference may be deducted.

(E) Shares of funds subject to a CDSC exchanged for shares of another fund will be subject to the higher applicable CDSC of the two funds and, for purposes of calculating CDSC rates and conversion periods, if any, will be deemed to have been held since the date the shares being exchanged were initially purchased.

To accomplish an exchange under item (D) above, you or your Service Agent acting on your behalf must notify the Transfer Agent of your prior ownership of fund shares and your account number.

Class B and Class S shares subject to a CDSC also may be exchanged for shares of Dreyfus Worldwide Dollar Money Market Fund, Inc. The shares so purchased will be held in a special account created solely for this purpose ("Exchange Account"). Exchanges of shares from an Exchange Account only can be made into certain other funds managed or administered by the Manager. No CDSC is charged when an investor exchanges into an Exchange Account; however, the applicable CDSC will be imposed when shares are redeemed from an Exchange Account or other applicable Fund account. Upon redemption, the applicable CDSC will be calculated without regard to the time such shares were held in an Exchange Account. See "How

to Redeem Shares." Redemption proceeds for Exchange Account shares are paid by Federal wire or check only. Exchange Account shares also are eligible for the Dreyfus Auto-Exchange Privilege, Dreyfus Dividend Sweep and the Automatic Withdrawal Plan.

To request an exchange, you or your Service Agent acting on your behalf must give exchange instructions to the Transfer Agent in writing, by telephone or online. The ability to issue exchange instructions by telephone or online is given to all Fund shareholders automatically, unless you check the applicable "No" box on the Account Application, indicating that you specifically refuse this privilege. By using this privilege, you authorize the Transfer Agent to act on telephonic and online instructions (including over the Dreyfus Express<sup>R</sup> response telephone system) from any person representing himself or herself to be you, and reasonably believed by the Transfer Agent to be genuine. Exchanges may be subject to limitations as to the amount involved or the number of exchanges permitted. Shares issued in certificate form are not eligible for telephone or online exchange. No fees currently are charged shareholders directly in connection with exchanges, although the Fund reserves the right, upon not less than 60 days' written notice, to charge shareholders a nominal administrative fee in accordance with rules promulgated by the Securities and Exchange Commission.

To establish a personal retirement plan by exchange, shares of the fund being exchanged must have a value of at least the minimum initial investment required for the fund into which the exchange is being made.

During times of drastic economic or market conditions, the Fund may suspend Fund Exchanges temporarily without notice and treat exchange requests based on their separate components — redemption orders with a simultaneous request to purchase the other fund's shares. In such a case, the redemption request would be processed at the Fund's next determined net asset value but the purchase order would be effective only at the net asset value next determined after the fund being purchased receives the proceeds of the redemption, which may result in the purchase being delayed.

Fund Exchanges. (Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund only) An investor may purchase, in exchange for Institutional shares or Investor shares of each of these Funds, shares of the same class of the other Fund, Dreyfus Cash Management, Dreyfus Cash Management Plus, Inc., Dreyfus Government Cash Management, Dreyfus Government Prime Cash Management, Dreyfus New York Municipal Cash Management, Dreyfus Municipal Cash Management Plus, Dreyfus Tax Exempt Cash Management, Dreyfus Treasury Cash Management and Dreyfus Treasury Prime Cash Management, or Institutional Advantage shares or Investor Advantage shares, respectively, of Dreyfus Institutional Cash Advantage Fund or Dreyfus Institutional Cash Advantage Plus Fund, which have different investment objectives and policies that may be of interest to investors.

Shares will be exchanged at the net asset value next determined after receipt of an exchange request in proper form. By using the Telephone Exchange Privilege, an investor authorizes the Transfer Agent to act on exchange instructions from any person representing himself or herself to be an authorized representative of the investor and reasonably believed by the Transfer Agent to be genuine. Telephone exchanges may be subject to limitations as to the amount involved or the number of telephone exchanges permitted. Shares in certificate form are

not eligible for telephone exchange. No fees currently are charge investors directly in connection with exchanges, although the Fund reserves the right, upon not less than 60 days' written notice, to charge investors a nominal administrative fee in accordance with rules promulgated by the Securities and Exchange Commission.

Dreyfus Auto-Exchange Privilege. (All Funds) Dreyfus Auto-Exchange Privilege permits you to purchase (on a semi-monthly, monthly, quarterly, or annual basis), in exchange for shares of a Fund other than Dreyfus Institutional Yield Advantage Fund, shares of the same class of another fund in the Dreyfus Family or Dreyfus Premier Family of Funds or of a fund advised by Founders, if the investor is a shareholder in such fund, as described under the relevant "Fund Exchanges" section above. This Privilege is available only for existing accounts and to shareholders residing in any state in which shares of the fund being acquired may legally be sold. Shares will be exchanged on the basis of relative net asset value as described above under "Fund Exchanges." Enrollment in or modification or cancellation of this Privilege is effective three business days following notification by the investor. An investor will be notified if the investor's account falls below the amount designated to be exchanged under this Privilege. In this case, the investor's account will fall to zero unless additional investments are made in excess of the designated amount prior to the next Auto-Exchange transaction. Shares held under IRA and other retirement plans are eligible for this Privilege. Exchanges of IRA shares may be made between IRA accounts and from regular accounts to IRA accounts, but not from IRA accounts to regular accounts. With respect to all other retirement accounts, exchanges may be made only among those accounts.

Shareholder Services Forms and prospectuses of the other funds may be obtained by calling 1-800-645-6561, visiting the Dreyfus.com website, or contacting your financial representative. The Company reserves the right to reject any exchange request in whole or in part. Shares may be exchanged only between accounts having certain identical identifying designations. The Fund Exchanges service or Dreyfus Auto-Exchange Privilege may be modified or terminated at any time upon notice to shareholders.

Dreyfus-Automatic Asset Builder®. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) Dreyfus-Automatic Asset Builder permits you to purchase Fund shares (minimum of \$100 and maximum of \$150,000 per transaction) at regular intervals selected by you. Fund shares are purchased by transferring funds from the bank account designated by you.

Dreyfus Government Direct Deposit Privilege. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) Dreyfus Government Direct Deposit Privilege enables you to purchase Fund shares (minimum of \$100 and maximum of \$50,000 per transaction) by having Federal salary, Social Security, or certain veterans', military or other payments from the U.S. Government automatically deposited into your Fund account.

Dreyfus Payroll Savings Plan. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) Dreyfus Payroll Savings Plan permits you to purchase Fund shares (minimum of \$100 per transaction) automatically on a regular basis. Depending upon your employer's direct deposit program, you may have part or all of your



paycheck transferred to your existing Dreyfus account electronically through the ACH system at each pay period. To establish a Dreyfus Payroll Savings Plan account, you must file an authorization form with your employer's payroll department. It is the sole responsibility of your employer to arrange for transactions under the Dreyfus Payroll Savings Plan.

Dreyfus Step Program. (Investor shares of Dreyfus Intermediate Term Income Fund and Class D shares of Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund only). The Dreyfus Step Program enables you to purchase Fund shares without regard to the Fund's minimum initial investment requirements through Dreyfus-Automatic Asset Builder<sup>®</sup>, Dreyfus Government Direct Deposit Privilege or Dreyfus Payroll Savings Plan. To establish a Dreyfus Step Program account, you must supply the necessary information on the Account Application and file the required authorization form(s) with the Transfer Agent. For more information concerning this Program, or to request the necessary authorization form(s), please call toll free 1-800-782-6620. You may terminate your participation in this Program at any time by discontinuing your participation in Dreyfus-Automatic Asset Builder, Dreyfus Government Direct Deposit Privilege or Dreyfus Payroll Savings Plan, as the case may be, as provided under the terms of such Privilege(s). If you wish to purchase Fund shares through the Dreyfus Step Program in conjunction with a Dreyfus-sponsored retirement plan, you may do so only for IRAs, SEP-IRAs and IRA "Rollover Accounts." The Fund may modify or terminate this Program at any time.

Dreyfus Dividend Options. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) Dreyfus Dividend Sweep allows you to invest automatically your dividends or dividends and capital gain distributions, if any, from a Fund in shares of the same class of another fund in the Dreyfus Family or Dreyfus Premier Family of Funds or of certain funds advised by Founders of which you are a shareholder, as described above under "Fund Exchanges." Shares of other funds purchased pursuant to this privilege will be purchased on the basis of relative net asset value per share as follows:

(A) Dividends and distributions paid by a fund may be invested without a sales load in shares of other funds offered without a sales load.

(B) Dividends and distributions paid by a fund that does not charge a sales load may be invested in shares of other funds sold with a sales load, and the applicable sales load will be deducted.

(C) Dividends and distributions paid by a fund that charges a sales load may be invested in shares of other funds sold with a sales load (referred to herein as "Offered Shares"), but if the sales load applicable to the Offered Shares exceeds the maximum sales load charged by the fund from which dividends or distributions are being swept (without giving effect to any reduced loads), the difference may be deducted.

(D) Dividends and distributions paid by a fund may be invested in shares of other funds that impose a CDSC and the applicable CDSC, if any, will be imposed upon redemption of such shares.

Dreyfus Dividend ACH permits you to transfer electronically dividends or dividends and capital gain distributions, if any, from a Fund to a designated bank account. Only an account

maintained at a domestic financial institution that is an ACH member may be so designated. Banks may charge a fee for this service.

Automatic Withdrawal Plan. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) The Automatic Withdrawal Plan permits you to request withdrawal of a specified dollar amount (minimum of \$50) on either a monthly or quarterly basis if you have a \$5,000 minimum account. Withdrawal payments are the proceeds from sales of Fund shares, not the yield on the shares. If withdrawal payments exceed reinvested dividends and distributions, your shares will be reduced and eventually may be depleted. An Automatic Withdrawal Plan may be established by filing an Automatic Withdrawal Plan application with the Transfer Agent or by oral request from any of the authorized signatories on the account by calling the Fund at the appropriate telephone number, as listed on B-2 of this Statement of Additional Information. The Automatic Withdrawal Plan may be terminated at any time by you, the Fund or the Transfer Agent. Shares for which stock certificates have been issued may not be redeemed through the Automatic Withdrawal Plan.

No CDSC with respect to Class B shares will be imposed on withdrawals made under the Automatic Withdrawal Plan, provided that any amount withdrawn under the plan does not exceed on an annual basis 12% of the greater of (1) the account value at the time of the first withdrawal under the Automatic Withdrawal Plan, or (2) the account value at the time of the subsequent withdrawal. Withdrawals with respect to Class B shares under the Automatic Withdrawal Plan that exceed such amounts will be subject to a CDSC. Withdrawals of Class S shares under the Automatic Withdrawal Plan will be subject to any applicable CDSC. Purchases of additional Class A shares where the sales load is imposed concurrently with withdrawals of Class A shares generally are undesirable.

Certain retirement plans, including Dreyfus-sponsored retirement plans, may permit certain participants to establish an automatic withdrawal plan from such Retirement Plans. Participants should consult their Retirement Plan sponsor and tax adviser for details. Such a withdrawal plan is different than the Automatic Withdrawal Plan.

Letter of Intent--Class A Shares. (Dreyfus Premier Short Term Income Fund and Dreyfus Premier Yield Advantage Fund only) By signing a Letter of Intent form, you become eligible for the reduced sales load on purchases of Class A shares based on the total number of shares of Eligible Funds (as defined under "Right of Accumulation" above) purchased by you and any related "purchaser" (as defined above) in a 13 month period pursuant to the terms and conditions set forth in the Letter of Intent. Shares of any Eligible Fund purchased within 90 days prior to the submission of the Letter of Intent may be used to equal or exceed the amount specified in the Letter of Intent. A minimum initial purchase of \$5,000 is required. You can obtain a Letter of Intent form by calling 1-800-554-4611.

Each purchase you make during the 13-month period (which begins on the date you submit the Letter of Intent) will be at the public offering price applicable to a single transaction of the aggregate dollar amount you select in the Letter of Intent. The Transfer Agent will hold in escrow 5% of the amount indicated in the Letter of Intent for payment of a higher sales load if you do not purchase the full amount indicated in the Letter of Intent. When you fulfill the terms of the Letter of Intent by purchasing the specified amount the escrowed amount will be released

and additional shares representing such amount credited to your account. If your purchases meet the total minimum investment amount specified in the Letter of Intent within the 13-month period, an adjustment will be made at the conclusion of the 13-month period to reflect any reduced sales load applicable to shares purchased during the 90-day period prior to submission of the Letter of Intent. If your purchases qualify for a further sales load reduction, the sales load will be adjusted to reflect your total purchase at the end of 13 months. If total purchases are less than the amount specified, the offering price of the shares you purchased (including shares representing the escrowed amount) during the 13-month period will be adjusted to reflect the sales load applicable to the aggregate purchases you actually made (which will reduce the number of shares in your account), unless you have redeemed the shares in your account, in which case the Transfer Agent, as attorney-in-fact pursuant to the terms of the Letter of Intent, will redeem an appropriate number of Class A shares of the Fund held in escrow to realize the difference between the sales load actually paid and the sales load applicable to the aggregate purchases actually made and any remaining shares will be credited to your account. Signing a Letter of Intent does not bind you to purchase, or the Fund to sell, the full amount indicated at the sales load in effect at the time of signing, but you must complete the intended purchase to obtain the reduced sales load. At the time you purchase Class A shares, you must indicate your intention to do so under a Letter of Intent. Purchases pursuant to a Letter of Intent will be made at the then-current net asset value plus the applicable sales load in effect at the time such Letter of Intent was submitted.

Corporate Pension/Profit-Sharing and Personal Retirement Plans. (All Funds, except Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund) Each Fund makes available to corporations a variety of prototype pension and profit-sharing plans including a 401(k) Salary Reduction Plan. In addition, the Fund makes available Keogh Plans, IRAs (including regular IRAs, spousal IRAs for a non-working spouse, Roth IRAs, SEP-IRAs, and IRA "Rollover Accounts"), Education Savings Accounts and 403(b)(7) Plans. Plan support services also are available.

If you wish to purchase Fund shares in conjunction with a Keogh Plan, a 403(b)(7) Plan or an IRA, including a SEP-IRA, you may request forms for adoption of such plans from the Distributor.

The entity acting as custodian for Keogh Plans, 403(b)(7) Plans or IRAs may charge a fee, payment of which could require the liquidation of shares. All fees charged are described in the appropriate form.

Shares may be purchased in connection with these plans only by direct remittance to the entity acting as custodian. Purchases for these plans may not be made in advance of receipts of funds.

You should read the prototype retirement plan and the form of custodial agreement for further details on eligibility, service fees and tax implications, and should consult a tax adviser.

## DETERMINATION OF NET ASSET VALUE

Valuation of Portfolio Securities. Substantially all of each Fund's investments (excluding short-term investments) are valued each business day by one or more independent pricing

services (the "Service") approved by the Board. Securities valued by the Service for which quoted bid prices in the judgment of the Service are readily available and are representative of the bid side of the market are valued at the mean between the quoted bid prices (as obtained by the Service from dealers in such securities) and asked prices (as calculated by the Service based upon its evaluation of the market for such securities). The value of other investments is determined by the Service based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. Short-term investments are not valued by the Service and are valued at the mean price or yield equivalent for such securities or for securities of comparable maturity, quality and type as obtained from market makers. Other investments that are not valued by the Service are valued at the average of the most recent bid and asked prices in the market in which such investments are primarily traded, or at the last sales price for securities traded primarily on an exchange or the national securities market. Securities traded on Nasdaq generally will be valued at the Nasdaq Official Closing Price. In the absence of reported sales of investments traded primarily on an exchange or the national securities market, the average of the most recent bid and asked prices is used. Bid price is used when no asked price is available. Any assets or liabilities initially expressed in terms of foreign currency will be translated into U.S. dollars at the midpoint of the New York interbank market spot exchange rate as quoted on the day of such translation by the Federal Reserve Bank of New York or, if no such rate is quoted on such date, at the exchange rate previously quoted by the Federal Reserve Bank of New York or at such other quoted market exchange rate as may be determined to be appropriate by the Manager. Expenses and fees, including the management fee and the fees paid pursuant to the Distribution Plan, Service Plan and Shareholder Services Plan, as applicable (reduced by the expense limitation, if any), are accrued daily and taken into account for the purpose of determining the net asset value of a Fund's shares. Because of the difference in operating expenses incurred by each class of shares, the per share net asset value of each class of shares of the Funds will differ.

Restricted securities, as well as securities or other assets for which recent market quotations are not readily available or are determined by the Company not to reflect accurately fair value (such as when an event occurs after the close of the exchange on which the security is principally traded and that is determined by the Company to have changed the value of the security), or which are not valued by the Service, are valued at fair value as determined in good faith based on procedures approved by the Company's Board, including fair value determinations made by the Board, its pricing committee or its valuation committee using such information as it deems appropriate. The factors that maybe considered when fair valuing a security include fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which securities are purchased or sold, and public trading in similar securities of the issuer or comparable issuers. The valuation of a security based on fair value procedures may differ from the security's most recent closing price, and from the prices used by other mutual funds to calculate their net asset values. Restricted securities which are, or are convertible into, securities of the same class of other securities for which a public market exists usually will be valued at such market value less the same percentage discount at which the restricted securities were purchased. This discount will be revised periodically by the Board if the Board members believe that it no longer reflects the value of the restricted securities. Restricted securities not of the same class as securities for which a public

market exists usually will be valued initially at cost. Any subsequent adjustment from cost will be based upon considerations deemed relevant by the Board.

New York Stock Exchange Closings. The holidays (as observed) on which the New York Stock Exchange is closed currently are: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas.

## DIVIDENDS, DISTRIBUTIONS AND TAXES

Management of the Company believes that each Fund has qualified for treatment as a "regulated investment company" under the Code for the fiscal year ended July 31, 2004. It is expected that Dreyfus Inflation Adjusted Securities Fund will qualify as a regulated investment company under the Code. Each Fund intends to continue to so qualify if such qualification is in the best interests of its shareholders. As a regulated investment company, each Fund will pay no Federal income tax on net investment income and net realized securities gains to the extent that such income and gains are distributed to shareholders in accordance with applicable provisions of the Code. To qualify as a regulated investment company, the Fund must distribute at least 90% of its net income (consisting of net investment income and net short-term capital gains) to its shareholders and meet certain asset diversification and other requirements. If a Fund does not qualify as a regulated investment company, it will be treated for tax purposes as an ordinary corporation subject to Federal income tax. The term "regulated investment company" does not imply the supervision of management or investment practices or policies by any government agency.

Each Fund ordinarily declares dividends from net investment income on each day the New York Stock Exchange is open for business.

Dreyfus Premier Yield Advantage Fund and Dreyfus Premier Short Term Income Fund: Shares begin earning income dividends on the date of purchase. Earnings for Saturdays, Sundays and holidays are declared as dividends on the preceding business day. Dividends usually are paid on the last calendar day of each month.

Dreyfus Intermediate Term Income Fund, Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund: Shares begin earning income dividends on the date following the date of purchase. Earnings for Saturdays, Sundays and holidays are declared as dividends on the next business day. Dividends usually are paid on the last business day of each month.

All Funds: Distributions from net realized securities gains, if any, generally are declared and paid once a year, but a Fund may make distributions on a more frequent basis to comply with the distribution requirements of the Code, in all events in a manner consistent with the provisions of the 1940 Act. A Fund will not make distributions from net realized securities gains unless its capital loss carryovers, if any, have been utilized or have expired. Dividends and distributions among share classes in the same Fund may vary due to the different expenses of such share classes.

If you elect to receive dividends and distributions in cash, and your dividend and distribution check is returned to the Fund as undeliverable or remains uncashed for six months, the Fund reserves the right to reinvest such dividend or distribution and all future dividends and distributions payable to you in additional Fund shares at net asset value. No interest will accrue on amounts represented by uncashed distribution or redemption checks.

Any dividend or distribution paid shortly after an investor's purchase may have the effect of reducing the aggregate net asset value of the shares below the cost of his other investment. Such a dividend or distribution would be a return of investment in an economic sense, although taxable as stated above. In addition, the Code provides that if a shareholder has not held his other shares more than for six months (or shorter period as the Internal Revenue Service may prescribe by regulation) and has received a capital gain distribution with respect to such shares, any loss incurred on the sale of such shares will be treated as long-term capital loss to the extent of the capital gain distribution.

Ordinarily, gains and losses realized from portfolio transactions will be treated as capital gain or loss. However, a portion of the gain or loss realized from the sale or other disposition of foreign currencies (including foreign currency denominated bank deposits) and non-U.S. dollar denominated securities (including debt instruments and certain forward contracts and options) may be treated as ordinary income or loss. In addition, all or a portion of any gains realized from engaging in "conversion transactions" (generally including certain transactions designed to convert ordinary income into capital gain) may be treated as ordinary income.

Gain or loss, if any, realized by a Fund from certain forward contracts and options transactions ("Section 1256 contracts") will be treated as 60% long-term capital gain or loss and 40% short-term capital gain or loss. Gain or loss will arise upon exercise or lapse of Section 1256 contracts as well as from closing transactions. In addition, any Section 1256 contracts remaining unexercised at the end of the Fund's taxable year will be treated as sold for their then fair market value, resulting in additional gain or loss to such Fund characterized in the manner described above.

Offsetting positions held by a Fund involving certain futures or forward contracts or options transactions with respect to actively traded personal property may be considered for tax purposes to constitute "straddles." To the extent the straddle rules apply to positions established by a Fund, losses realized by the Fund may be deferred to the extent of unrealized gain in the offsetting position. In addition, short-term capital loss on straddle positions may be characterized as long-term capital loss, and long-term capital gains on straddle positions may be treated as short-term capital gains or ordinary income. Certain of the straddle positions held by a Fund may constitute "mixed straddles." The Fund may make one or more elections with respect to the treatment of the "mixed straddles," resulting in different tax consequences. In certain circumstances, the provisions governing the tax treatment of straddles override or modify certain of the provisions discussed above.

If a Fund either (1) holds an appreciated financial position with respect to stock, certain debt obligations, or partnership interests ("appreciated financial position") and then enters into a short sale, futures, forward, or offsetting notional principal contract (collectively, a "Contract") with respect to the same or substantially identical property or (2) holds an appreciated financial

position that is a Contract and then acquires property that is the same as, or substantially identical to, the underlying property, the Fund generally will be taxed as if the appreciated financial position were sold at its fair market value on the date the Fund enters into the financial position or acquires the property, respectively.

If the Fund enters into certain derivatives (including forward contracts, long positions under notional principal contracts, and related puts and calls) with respect to equity interests in certain pass-thru entities (including other regulated investment companies, real estate investment trusts, partnerships, real estate mortgage investment conduits and certain trusts and foreign corporations), long-term capital gain with respect to the derivative may be recharacterized as ordinary income to the extent it exceeds the long-term capital gain that would have been realized had the interest in the pass-thru entity been held directly by the Fund during the term of the derivative contract. Any gain recharacterized as ordinary income will be treated as accruing at a constant rate over the term of the derivative contract and may be subject to an interest charge. The Treasury has authority to issue regulations expanding the application of these rules to derivatives with respect to debt instruments and/or stock in corporations that are not pass-thru entities.

Investment by a Fund in securities issued or acquired at a discount, or providing for deferred interest or for payment of interest in the form of additional obligations could under special tax rules affect the amount, timing and character of distributions to shareholders by causing the Fund to recognize income prior to the receipt of cash payments. For example, the Fund could be required to accrue a portion of the discount (or deemed discount) at which the securities were issued each year and to distribute such income in order to maintain its qualification as a regulated investment company. In such case, the Fund may have to dispose of securities which it might otherwise have continued to hold in order to generate cash to satisfy these distribution requirements.

Federal regulations require that you provide a certified taxpayer identification number ("TIN") upon opening or reopening an account. See the Account Application for further information concerning this requirement. Failure to furnish a certified TIN to the Company could subject you to a \$50 penalty imposed by the Internal Revenue Service.

## PORTFOLIO TRANSACTIONS

The Manager assumes general supervision over placing orders on behalf of the Company for the purchase or sale of portfolio securities. Allocation of brokerage transactions, including their frequency, is made in the best judgment of the Manager and in a manner deemed fair and reasonable to shareholders. The primary consideration is prompt execution of orders at the most favorable net price. Subject to this consideration, the brokers selected will include those that supplement the Manager's research facilities with statistical data, investment information, economic facts and opinions. Information so received is in addition to and not in lieu of services required to be performed by the Manager and the Manager's fees are not reduced as a consequence of the receipt of such supplemental information. Such information may be useful to the Manager in serving both the Company and other funds that it advises and, conversely, supplemental information obtained by the placement of business of other clients may be useful to the Manager in carrying out its obligations to the Company.

Brokers also will be selected because of their ability to handle special executions such as are involved in large block trades or broad distributions, provided the primary consideration is met. Large block trades may, in certain cases, result from two or more funds advised or administered by the Manager being engaged simultaneously in the purchase or sale of the same security. Certain of the Funds' transactions in securities of foreign issuers may not benefit from the negotiated commission rates available to the Funds for transactions in securities of domestic issuers. When transactions are executed in the over-the-counter market, each Fund will deal with the primary market makers unless a more favorable price or execution otherwise is obtainable. Foreign exchange transactions are made with banks or institutions in the interbank market at prices reflecting a mark-up or mark-down and/or commission.

Portfolio turnover may vary from year to year as well as within a year. High turnover rates are likely to result in greater brokerage expenses. The overall reasonableness of brokerage commissions paid is evaluated by the Manager based upon its knowledge of available information as to the general level of commissions paid by other institutional investors for comparable services.

For the fiscal years ended July 31, 2002, 2003 and 2004, total brokerage commissions paid amounted to \$82,788, \$42,204 and \$64,044, respectively, with respect to Dreyfus Premier Short Term Income Fund and \$220,084, \$599,656 and \$97,693, respectively, with respect to Dreyfus Intermediate Term Income Fund, none of which was paid to the Distributor. There were no determinable gross spreads and concessions on principal transactions for each of the fiscal years ended July 31, 2002, 2003 and 2004. For the period November 15, 2001 (commencement of operations) through July 31, 2002 and for the fiscal years ended July 31, 2003 and 2004, total brokerage commissions paid amounted to \$5,098, \$168,338 and \$189,443, respectively, with respect to Dreyfus Premier Yield Advantage Fund none of which was paid to the Distributor. For the period November 15, 2001 (commencement of operations) through July 31, 2002 and for the fiscal year ended July 31, 2003 and 2004, total brokerage commissions paid amounted to \$3,703, \$113,120 and \$51,461, respectively, with respect to the Dreyfus Institutional Yield Advantage Fund, none of which was paid to the distributor. Dreyfus Inflation Adjusted Securities Fund paid brokerage commissions totaling \$651 for the period November 1, 2002 (commencement of operations) through July 31, 2003 and more paid in 2004.

Regular Broker-Dealer. A Fund may execute with one or more of its "regular brokers or dealers," as defined in Rule 10b-1 under the 1940 Act. Rule 10b-1 provides that a "regular broker dealer" is one of the ten brokers or dealers that, during the Fund's most recent fiscal year (i) received the greater dollar amount of brokerage commissions from participating, either directly or indirectly, in the Fund's portfolio transactions, (ii) enagages as principal in the larges dollar amount of the Fund's portfolio transactions or (iii) sold the largest dollar amount of the Fund's securities. The following is a list of each Fund that acquired securities of its regular brokers or dealers for the fiscal year ended July 31, 2004, the issuer of the securities and the aggregate value per issuer, as of July 31, 2004, of such securities:

Merrill Lynch, Pierce, Fenner & Smith, Inc., 171,000; Goldman, Sachs & Co., 7,000; Morgan Stanley Dean Witter & Co., 5,000; Cantor Fitzgerald & Co., 2,000; UBS Warburg LLC, 2,000; Banc of American Securities LLC, 1,000.



## SUMMARY OF THE PROXY VOTING POLICY, PROCEDURES AND GUIDELINES OF THE DREYFUS FAMILY OF FUNDS

The Board of each fund in the Dreyfus Family of Funds has delegated to the Manager the authority to vote proxies of companies held in the fund's portfolio. The Manager, through its participation on the Mellon Proxy Policy Committee (the "MPPC"), applies Mellon's Proxy Voting Policy, related procedures, and voting guidelines when voting proxies on behalf of the funds.

The Manager recognizes that an investment adviser is a fiduciary that owes its clients, including funds it manages, a duty of utmost good faith and full and fair disclosure of all material facts. An investment adviser's duty of loyalty requires an adviser to vote proxies in a manner consistent with the best interest of its clients and precludes the adviser from subrogating the clients' interests to its own. In addition, an investment adviser voting proxies on behalf of a fund must do so in a manner consistent with the best interests of the fund and its shareholders.

The Manager seeks to avoid material conflicts of interest by participating in the MPPC, which applies detailed, pre-determined written proxy voting guidelines (the "Voting Guidelines") in an objective and consistent manner across client accounts, based on internal and external research and recommendations provided by a third party vendor, and without consideration of any client relationship factors. Further, the MPPC engages a third party as an independent fiduciary to vote all proxies of funds managed by Mellon or its affiliates (including the Dreyfus Family of Funds), and may engage an independent fiduciary to vote proxies of other issuers at its discretion.

All proxies received by the funds are reviewed, categorized, analyzed and voted in accordance with the Voting Guidelines. The guidelines are reviewed periodically and updated as necessary to reflect new issues and any changes in Mellon's or the Manager's policies on specific issues. Items that can be categorized under the Voting Guidelines are voted in accordance with any applicable guidelines or referred to the MPPC, if the applicable guidelines so require. Proposals that cannot be categorized under the Voting Guidelines are referred to the MPPC for discussion and vote. Additionally, the MPPC reviews proposals where it has identified a particular company, industry or issue for special scrutiny. With regard to voting proxies of foreign companies, the MPPC weighs the cost of voting and potential inability to sell the securities (which may occur during the voting process) against the benefit of voting the proxies to determine whether or not to vote. With respect to securities lending transactions, the MPPC seeks to balance the economic benefits of continuing to participate in an open securities lending transaction against the inability to vote proxies.

When evaluating proposals, the MPPC recognizes that the management of a publicly-held company may need protection from the market's frequent focus on short-term considerations, so as to be able to concentrate on such long-term goals as productivity and development of competitive products and services. In addition, the MPPC generally supports proposals designed to provide management with short-term insulation from outside influences so as to enable them to bargain effectively with potential suitors to the extent such proposals are discrete and not bundled with other proposals. The MPPC believes that a shareholder's role in the governance of a publicly-held company is generally limited to monitoring the performance of the company and

its management and voting on matters which properly come to a shareholder vote. However, the MPPC generally opposes proposals designed to insulate an issuer's management unnecessarily from the wishes of a majority of shareholders. Accordingly, the MPPC generally votes in accordance with management on issues that the MPPC believes neither unduly limit the rights and privileges of shareholders nor adversely affect the value of the investment.

On questions of social responsibility where economic performance does not appear to be an issue, the MPPC attempts to ensure that management reasonably responds to the social issues. Responsiveness will be measured by management's efforts to address the particular social issue including, where appropriate, assessment of the implications of the proposal to the ongoing operations of the company. The MPPC will pay particular attention to repeat issues where management has failed in its commitment in the intervening period to take actions on issues.

In evaluating proposals regarding incentive plans and restricted stock plans, the MPPC typically employs a shareholder value transfer model. This model seeks to assess the amount of shareholder equity flowing out of the company to executives as options are exercised. After determining the cost of the plan, the MPPC evaluates whether the cost is reasonable based on a number of factors, including industry classification and historical performance information. The MPPC generally votes against proposals that permit or are silent on the repricing or replacement of stock options without shareholder approval. Information regarding how the Manager voted proxies for the Funds is available on the Dreyfus Family of Funds' website at <http://www.dreyfus.com> and on the Securities and Exchange Commission's website at <http://www.sec.gov> on the Company's Form N-PX filed with the SEC.

## INFORMATION ABOUT THE COMPANY AND FUNDS

Each Fund share has one vote and, when issued and paid for in accordance with the terms of the offering, is fully paid and non-assessable. For Dreyfus Intermediate Term Income Fund, Dreyfus Institutional Yield Advantage Fund and Dreyfus Inflation Adjusted Securities Fund, the Fund's shares are classified into two classes. Shares of Dreyfus Premier Short Term Income Fund are classified into four classes and shares of Dreyfus Premier Yield Advantage Fund are classified into five classes. Shareholders will vote in the aggregate and not by class, except as otherwise required by law or with respect to any matter which affects only one class. Shares have no preemptive, subscription or conversion rights and are freely transferable.

Unless otherwise required by the 1940 Act, ordinarily it will not be necessary for the Company to hold annual meetings of shareholders. As a result, Fund shareholders may not consider each year the election of Board members or the appointment of auditors. However, the holders of at least 10% of the shares outstanding and entitled to vote may require the Company to hold a special meeting of shareholders for purposes of removing a Board member from office. Shareholders may remove a Board member by the affirmative vote of a majority of the Company's outstanding voting shares. In addition, the Board will call a meeting of shareholders for the purpose of electing Board members if, at any time, less than a majority of the Board members then holding office have been elected by shareholders.

The Company is a "series fund," which is a mutual fund divided into separate portfolios, each of which is treated as a separate entity for certain matters under the 1940 Act and for other

purposes. A shareholder of one portfolio is not deemed to be a shareholder of any other portfolio. For certain matters shareholders vote together as a group; as to others they vote separately by portfolio.

To date, the Board has authorized the creation of five series of shares (i.e., the "Funds"). All consideration received by the Company for shares of one of the series and all assets in which such consideration is invested will belong to that series (subject only to the rights of creditors of the Company) and will be subject to the liabilities related thereto. The income attributable to, and the expenses of, one series (and as to classes within a fund) are treated separately from those of the other series (and classes). The Company has the ability to create, from time to time, new series and classes of shares without shareholder approval.

Rule 18f-2 under the 1940 Act provides that any matter required to be submitted under the provisions of the 1940 Act or applicable state law or otherwise to the holders of the outstanding voting securities of an investment company, such as the Company, will not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding shares of each series affected by such matter. Rule 18f-2 further provides that a series shall be deemed to be affected by a matter unless it is clear that the interests of each series in the matter are identical or that the matter does not affect any interest of such series. The Rule exempts the selection of independent accountants and the election of Board members from the separate voting requirements of the Rule.

Dreyfus Intermediate Term Income Fund and Dreyfus Premier Short Term Income Fund are intended to be long-term investment vehicles and are not designed to provide investors with a means of speculating on short-term market movements. A pattern of frequent purchases and exchanges can be disruptive to efficient portfolio management and, consequently, can be detrimental to the Fund's performance and its shareholders. If the Fund's management determines that an investor is following an abusive investment strategy, it may reject any purchase request, or terminate the investor's exchange privilege, with or without prior notice. Such investors also may be barred from purchasing other funds in the Dreyfus Family of Funds. Accounts under common ownership or control will be considered as one account for purposes of determining a pattern of excessive trading. In addition, the Company may refuse or restrict purchase or exchange requests for Fund shares by any person or group if, in the judgment of the Fund's management, the Fund would be unable to invest the money effectively in accordance with its investment objective and policies or could otherwise be adversely affected or if the Fund receives or anticipates receiving simultaneous orders that may significantly affect the Fund. If an exchange request is refused, the Company will take no other action with respect to the Fund shares until it receives further instructions from the investor. While the Company will take reasonable steps to prevent excessive short-term trading deemed to be harmful to a Fund, it may not be able to identify excessive trading conducted through certain financial intermediaries omnibus accounts.

**In addition, Dreyfus Intermediate Term Income Fund will convert Institutional shares to Investor shares where, upon 45 days' notice, a holder of Institutional shares does not maintain a minimum balance of \$1 million.**

The Company sends annual and semi-annual financial statements to all its shareholders.

## COUNSEL AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038-4982, as counsel for the Company, has rendered its opinion as to certain legal matters regarding the due authorization and valid issuance of the shares being sold pursuant to the Funds' Prospectuses.

Ernst & Young LLP, 5 Times Square, New York, New York 10036, and independent registered public accounting firm serves as independent auditors of the Company.

## APPENDIX A

### Rating Categories

Description of certain ratings assigned by Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"):

#### **S&P**

##### Long-term

#### **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.

#### **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 obligation. 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.

**N.R.**

The designation 'N.R.' indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

Note: The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign designation to show relative standing within the major rating categories.

**Short-term****A-1**

A short-term obligation rated 'A-1' is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are given a plus sign (+) designation. This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

**A-2**

A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

**Moody's****Long-term****Aaa**

Bonds 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 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 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 some time in the future.

**Baa**

Bonds 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 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 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 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.

Note: Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from 'Aa' through 'Caa'. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

**Prime rating system (short-term)**

Issuers rated **Prime-1** (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

Leading market positions in well-established industries.

High rates of return on funds employed.

Conservative capitalization structure with moderate reliance on debt and ample asset protection.

Broad margins in earnings coverage of fixed financial charges and high internal cash generation.

Well-established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated **Prime-2** (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

## **Fitch**

### Long-term investment grade

#### **AAA**

**Highest credit quality.** 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

#### **AA**

**Very high credit quality.** 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

#### **A**

**High credit quality.** 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

#### **BBB**

**Good credit quality.** 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

### Long-term speculative grade

#### **BB**

**Speculative.** 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

#### **B**

**Highly speculative.** 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.



## **CCC**

**High default risk.** Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments.

### Short-term

A short-term rating has a time horizon of less than 12 months for most obligations, or up to three years for U.S. public finance securities, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

## **F1**

**Highest credit quality.** Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

## **F2**

**Good credit quality.** A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.