

active and frequent participants within the U.S. over-the-counter market segment that would include the Contracts. Applicants believe that to preclude Morgan Stanley and other principal underwriters of a Trust from bidding for the Contracts may prevent a Trust from receiving the best price because it would exclude the bid of entities who might pay a price somewhat higher than the market price since they had the most to gain from the successful marketing of the Trust, and because there would be a perceived lack of competition if independent bidders are aware that major participants in the over-the-counter options market are excluded from bidding. Applicants assert that the competitive bidding process has a direct effect on the quarterly distributions to unitholders since the amount of Treasury Securities purchased will depend upon the amount of the proceeds received from the sale of the Contracts. Accordingly, applicants submit that providing the Trusts with access to all major dealers is in the best interests of the Trusts, its holders, and is consistent with the general purposes of the Act.

3. Applicants believe that Morgan Stanley's dual role as underwriter and bidder for the Contracts would not give it an advantage in structuring the Contracts or assessing their value. The participants in the over-the-counter options market are various sophisticated, established, well-capitalized financial institutions including major investment banking firms, money center banks, insurance companies, and their affiliates. These sophisticated institutions employ almost identical valuation models and technology to price options. Prospective bidders will have a copy of a Trust's prospectus and draft of the Contract at least two business days prior to the day the final bids are due. Although the Contracts will not be typical over-the-counter options, they are not of such a customized nature to make it unlikely for other broker/dealers or financial institutions to submit bids. The Contract's form will be similar to other types of call options used in privately negotiated transactions. Since all of the Contracts' terms have been set, other than price, the bidding procedure has been made as simple as possible. Accordingly, the notice period and information provided in the bidding process are sufficient to ensure competitive, bona fide bids.

4. Applicants assert that the bidding procedures to be followed by Morgan Stanley or any other principal underwriter in purchasing the Contracts, as set forth in Applicants'

Conditions below, will be consistent with the standards of sections 17(b) and 6(c). These procedures ensure that the Trusts receive the best price and execution on the sale of the Contracts and ensure against any overreaching on the part of any party concerned.

5. Lastly, each prospectus will fully disclose that the Contracts will be offered by competitive bid and that Morgan Stanley, and to the extent applicable, any other underwriter, will be among the bidders.

Applicants' Conditions

Applicants agree to the following as conditions to the requested order:

1. The Trustees will select prospective bidders on the basis of such factors as having the necessary capital to purchase Contracts, having the ability to appropriately price the Contracts and being a major participant in the over-the-counter options market. The Contracts will be offered by competitive bid to not less than four major broker-dealers and/or financial institutions who are in the business of making bids on over-the-counter options, at least three of whom are not affiliated persons or principal underwriters of a Trust or affiliated persons or a principal underwriter or affiliated person. At least two business days prior to the date and time that final bids are due, the Trustees will contact prospective bidders, indicate when bidding for the Contracts will commence and invite them to bid. The Trustees will supply prospective bidders with a draft invitation to bid summarizing the terms of the Contract, a copy of the Trust's prospectus and a draft of the Contract. On the business day before final binding bids are due, the Trustees will send a formal notice to prospective bidders. The notice will indicate where and at what time final binding bids are due. No bidder, including Morgan Stanley, will have access to any bids until after the Contracts are awarded. Subject to condition 2 below, the Trustees will sell the Contracts in the manner best calculated to maximize net proceeds to the Trust (e.g., on an aggregate or individual basis).

2. No sale of Contracts by a Trust will be made to Morgan Stanley or another principal underwriter unless (a) if Morgan Stanley or another principal underwriter submits separate bids on individual Contracts, the Trustees receive and document for each Contract bid for by Morgan Stanley or the other principal underwriter at least two bona fide bids from major broker dealers and/or financial institutions who are not affiliated persons or principal underwriters of the Trust or affiliated

persons of a principal underwriter or affiliated person, and (b) if Morgan Stanley or another principal underwriter submits bids for all of the Contracts on an aggregate basis, the Trustees receive and document for all Contracts in the aggregate at least two bona fide bids from major broker dealers and/or financial institutions who are not affiliated persons or principal underwriters of the Trust or affiliated persons of a principal underwriter or affiliated person, and the Trustees determine that either the bid price on an individual Contract or the aggregate bid price, as the case may be, offered by Morgan Stanley or any other underwriter will maximize net proceeds to the Trust. In the event of a tie, the bidders would be permitted to submit one last bid. If there were still a tie following submission of the last bid, the Contracts in question would not be sold to Morgan Stanley or any other principal underwriter.

3. The Administrator, under the supervision of the Trustees, will maintain sufficient records to verify compliance with the conditions of the order. Such records will include the following: (a) The basis upon which the Trustees selected prospective bidders; (b) all bidders contacted; (c) all bidders to whom a bidding form was sent; (d) all bids received; (e) the bidder who was awarded the Contracts; (f) the winning bid prices; and (g) whether the bidders were principal underwriters of the Trust, affiliated persons of the Trust, or affiliated persons of a principal underwriters or affiliated person. All records will be maintained and preserved in the same manner as records required under Rule 31a-1(b)(1) of the Act.

4. Morgan Stanley's legal department, and the legal departments of any parties relying on this order, will prepare guidelines for personnel to make certain that transactions conducted pursuant to the order comply with the conditions set forth in the order and that the parties generally maintain arm's length relationships.

5. The underwriting allocations will be determined at least one business day prior to the day the Trustees invite financial institutions to bid and will not in any way be based on participation in the bidding process.

6. Morgan Stanley, or any party relying on this order, will not have any involvement with respect to the Trustees' selection of prospective bidders or the bids accepted by the Trustees and will not attempt to influence or control in any way the sale of the Contracts to principal