

in this application. The Company has entered into an investment advisory agreement with the Adviser pursuant to which the Adviser will provide investment management and advisory services to the Funds. The Company has also entered into a principal underwriting agreement with the Distributor. Investment Company Administration Corporation serves as administrator to the Company. Applicants request that relief extend to the Company, its present series, and any other series (the "Funds") that may in the future be advised by the Adviser or any entity controlling, controlled by, or under common control with the Adviser.

2. The Company has adopted a distribution plan pursuant to rule 12b-1 under the Act (the "Rule 12b-1 Plan"). The Company has also adopted a non-rule 12b-1 shareholder service plan (the "Service Plan"). Applicants propose to establish a multi-class distribution system. Under the multi-class distribution system, each Fund will have the opportunity to provide investors with the option of purchasing shares: (1) With a conventional front-end sales load, a distribution fee and/or a service fee ("Class A shares" or the "Front-End Load Option"); and (b) subject to a CDSC and a distribution fee and/or a service fee ("Class C shares" or the "Deferred Option"). The front-end sales load for Class A shares will be subject to reductions for larger purchases, and a CDSC for redemptions of certain purchases.

3. Each Fund also may create additional classes of shares. The only differences among the classes will relate solely to: (a) the designation of each class of shares of the Fund; (b) the exclusive right of each class of shares to vote on matters related to the Fund's Rule 12b-1 Plan and/or Service Plan; (c) the impact of the disproportionate payments made under the Plans; (d) Class Expenses, as set forth in condition 1; (e) each class of shares would have different exchange privileges; and (f) each class of shares might have different rights of conversion into other classes.

4. All expenses incurred by a Fund will be allocated to each class of its shares based upon the relative daily net assets of the class. Rule 12b-1 Plan payments, Service Plan payments, and Class Expenses which may be attributable to a particular class of shares of a Fund will be charged directly to the net assets of the particular class. Because of the higher fees paid by the holders of certain classes, the net income attributable to and the dividends payable on shares of one class may differ from the net

income attributable to and the dividends payable on shares of other classes in the same Fund. As a result, the net asset values per share of the classes will differ at times.

5. The Adviser may waive or reimburse Company expenses and/or Fund expenses (with or without a waiver or reimbursement of Class Expenses) but only if the same proportionate amounts of Company expenses and/or Fund expenses are waived or reimbursed for each class. Thus, any Company expenses that are waived or reimbursed would be credited to each Fund of the Company according to the relative net assets of the Funds, and in turn credited to each class of each Fund based on the relative net assets of the classes. Similarly, any Fund expenses that are waived or reimbursed would be credited to each class of that Fund according to the relative net assets of the classes.

6. Shares of a class of one Fund will be exchangeable for shares of the same class of another Fund. Any exchanges will comply with the provisions of the rule 11a-3 under the Act.

7. Applicants also propose that Funds be permitted to charge a CDSC on certain classes of shares if the shares are redeemed within a prescribed time after their purchase (the "CDSC Period"). The amount of the CDSC will be calculated as a specified percentage of the lesser of the net asset value at the time of purchase or at the time of redemption. No CDSC will be imposed on amounts representing increases in the value of shares due to capital appreciation, redemptions of shares acquired through reinvestment of dividends or distributions, or redemptions of shares held for longer than the CDSC Period. In determining whether the CDSC is payable, it will be assumed that shares not subject to the CDSC are redeemed first and that other shares are then redeemed in the order purchased. This will result in a charge, if any, being imposed at the lowest possible rate.

8. Applicants request the ability to waive or reduce the CDSC on certain redemptions. Any waiver of the CDSC will comply with the requirements set forth in subparagraphs (a) through (d) of rule 22d-1 under the Act. The sum of any front-end sales charge, asset-based sales charge, and CDSC will not exceed the maximum sales charge as provided in Article III, Section 26(d) of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD").

Applicant's Legal Analysis

1. Applicants request an exemption under section 6(c) of the Act from

sections 18(f)(1), 18(g), and 18(i) of the Act to the extent that the proposed issuance and sale of shares might be deemed to result in the issuance of a "senior security" within the meaning of section 18(g) and thus be deemed to be prohibited by section 18(f)(1) and to violate the equal voting provisions of section 18(i). Applicants believe that the proposed allocation of expenses and voting rights in the manner described above is equitable and would not discriminate against any group of shareholders.

2. Applicants also request an exemption under section 6(c) from sections 2(a)(32), 2(a)(35), 22(c), and 22(d) of the Act and rule 22c-1 thereunder, to assess and, under certain circumstances, waive or reduce a CDSC with respect to certain redemptions of shares. Applicants believe that this would allow shareholders the option of having more investment dollars working for them from the time of their share purchases than if a sales load were imposed at the time of purchase.

Applicants' Conditions

Applicants agree that any order granting the requested relief shall be subject to the following conditions:

1. Each class of shares will represent interests in the same portfolio of investments of a Fund and will be identical in all respects, except as set forth below. The only differences among the classes of shares of the same Fund will relate solely to: (a) The designation of each class of shares of the Fund; (b) the exclusive right of each class of shares to vote on matters related to the Fund's Rule 12b-1 Plan and/or Service Plan, except as provided in condition 15 below; (c) the impact of disproportionate payments made under the Plans; (d) Class Expenses, which will be limited to: (i) Incremental transfer agency costs attributable to a class of shares of the Fund; (ii) printing and postage expenses related to preparing and distributing materials such as shareholder reports, prospectuses, and proxy statements to current shareholders of a specific class; (iii) SEC registration fees incurred by a class of shares; (iv) the expense of administrative personnel and services as required to support the shareholders of a specific class; (v) trustees' fees or expenses incurred as a result of issues relating to one class of shares; (vi) accounting expenses relating solely to one class of shares; (vii) blue sky registration fees incurred by one class of shares; (viii) litigation or other legal expenses relating solely to one class of shares; and (ix) any other incremental expenses subsequently identified that