

shareholder services plan agreements with the Distributor and/or other groups, organizations, or institutions concerning the provision of certain services to shareholders of a particular class. The provision of distribution services and shareholder servicing under the plans will complement (and not duplicate) the services to be provided to each Fund by its manager, investment adviser(s), and/or distributor, and by the parties that provide custody, transfer agency, and administrative services to each Fund. In all cases, the Funds shall comply with article III, section 26 of the National Association of Securities Dealers' ("NASD") Rules of Fair Practice as it relates to the maximum amount of asset-based sales charges that may be imposed by an investment company.

11. The expenses of the Funds that cannot be attributed directly to any one Fund ("trust expenses") generally will be allocated to each Fund based on the relative net assets of those Funds.<sup>1</sup> Trust expenses could include, for example, trustees' fees and expenses, unallocated audit and legal fees, certain insurance premiums, expenses relating to shareholder reports and meetings, and printing expenses not attributable to a single Fund or class.

12. Certain expenses may be attributable to a particular Fund, but not a particular class ("Fund expenses"). All such Fund expenses incurred by a Fund will be allocated to each class of its shares based upon the relative net assets of the class, at the beginning of the day, as determined daily. Fund expenses could include, for example, advisory fees, accounting fees, custodian fees, and fees related to the preparation of separate documents of a particular Fund, such as an annual report for such Fund.

13. Class expenses will be charged directly to the net assets of the particular class and thus will be borne on a pro rata basis by the outstanding shares of such class. All allocations of class expenses will be limited to the extent necessary to preserve a Fund's qualification as a regulated investment company pursuant to the Internal Revenue Code of 1986, as amended.

14. Shares of one or more classes ("Purchase Class shares") may automatically convert to another class ("Target Class shares") after a prescribed period of time. Target Class shares thereafter would be subject to lower 12b-1 plan payments, if any, than

Purchase Class shares. Purchase Class shares are currently expected to convert to Target Class shares following the expiration of approximately six years from the purchase date. Target Class shares in all cases will be subject to lower aggregate 12b-1 plan payments, if any, and ongoing class expenses, than Purchase Class shares. The conversion will be on the basis of the relative net asset values of the two classes, without the imposition of any sales or other charge except that any asset-based sales or other charge applicable to the Target Class shares would thereafter be applied to such converted shares. Purchase Class shares in a shareholder's Fund account that were purchased through the reinvestment of dividends and other distributions paid in respect of Purchase Class shares will be considered to be held in a separate sub-account. Each time any Purchase Class shares in a shareholder's Fund account convert to Target Class shares, a pro rata share of the Purchase Class shares then in the sub-account also will convert to Target Class shares. The conversion would be subject to the availability of any opinion by counsel or an Internal Revenue Service private letter ruling to the effect that the conversion does not constitute a taxable event under federal income tax law.

15. Applicants request relief to permit each Fund to waive, defer, or reduce the CDSC in certain circumstances. Any waiver, deferral, or reduction will comply with the conditions in paragraphs (a) through (d) of rule 22d-1 under the Act.

16. The CDSC will not be imposed on redemptions of shares which were purchased more than six years prior to the redemptions (the "CDSC period") or on those shares derived from the reinvestment of dividends and/or distributions. No CDSC will be imposed on an amount which represents an increase in the value of a shareholder's account resulting from capital appreciation above the amount paid for shares purchased in the CDSC period. The amount of the CDSC will be calculated as the lesser of the amount that represents a specified percentage of the net asset value of the shares at the time of purchase, or the amount that represents such percentage of the net asset value of the shares at the time of redemption.

17. In determining the applicability of any CDSC, it will be assumed that a redemption is made first of shares representing reinvestment of the dividends and capital gain distributions, second of shares held by the shareholder for a period equal to or greater than the CDSC period, and

finally of other shares held by the shareholder for the longest period of time. This will result in a charge, if any, imposed at the lowest possible rate.

18. No CDSC will be imposed on any shares issued by the Funds prior to the date of any order granting the exemptive relief requested.

19. Applicants also request the ability to provide a pro rata credit for any CDSC paid in connection with a redemption of shares followed by a reinvestment effected within a specified period not exceeding 365 days of redemption. Such credit will be paid by the Distributor rather than the Fund.

20. The shares in different classes within a Fund will also have different exchange privileges. Shares may be exchanged at net asset value for shares of the corresponding class of other Funds. Applicants anticipate that shares of each class of a Fund will be exchangeable for the corresponding class of one or more other Funds. The Adviser retains the right to disallow exchanges of existing and future classes into HCT. All exchange privileges will comply with rule 11a-3 under the Act.

#### **Applicants' Legal Analysis**

1. Applicants request an order pursuant to section 6(c) providing an exemption from the Act to the extent that the proposed creation, issuance, and sale of new classes of shares representing interests in the existing and future Funds, including the allocation of voting rights thereto and the payment of dividends thereon, might be deemed: (a) to result in a "senior security" within the meaning of section 18(g) of the Act and to be prohibited by section 18(f)(1) of the Act; and (b) to violate the requirement of section 18(i) of the Act that every share of stock issued by a registered management investment company shall have equal voting rights with every other outstanding voting stock.

2. Applicants believe the proposed allocation of expenses and voting rights in the manner described is equitable and would not discriminate against any group of shareholders. Although investors purchasing shares offered in connection with a 12b-1 plan and/or bearing particular class expenses would bear the costs associated with the related services, they also would enjoy the benefits of those services and the exclusive shareholder voting rights with respect to matters affecting the applicable 12b-1 plan. Conversely, investors purchasing shares that are not covered by a plan or not bearing class expenses would not be burdened with such expenses or enjoy such voting rights.

<sup>1</sup> From time to time, a Fund may allocate expenses among its series using an alternative method, including allocation based on the number of shareholders of each series or the number of series in such Fund, as may be appropriate.