

be offered only to certain institutional offerees (the "Indirect Investor Classes"). The offerees of the shares of Class I, Class II, Class III and additional classes other than the Indirect Investor Classes (collectively, the "Direct Investor Classes"), and offerees of the Indirect Investor Classes, will not overlap. The Indirect Investor Classes will be offered exclusively to the following five limited categories of investors: (a) Benefit plans such as qualified retirement plans, other than individual retirement accounts and retirement plans of self-employed persons, with total assets in excess of \$5 million or such other amounts as the Funds may establish and with such other characteristics as the Funds may establish; (b) defined contribution retirement plans maintained by the Advisers or their affiliates for the benefit of their employees; (c) banks and insurance companies purchasing shares for their own accounts; (d) registered investment companies not affiliated with the Advisers; and (e) endowment funds of non-profit organizations.

4. All expenses incurred by a Fund will be borne by each class of shares in the same proportion that the net assets attributable to that class bears to such Fund's total net assets except for the expenses of each 12b-1 distribution plan, non-rule 12b-1 shareholder services plan and any expenses determined by the trustees to be properly allocated to a class of shares.

5. Shareholders of one class of shares of a Fund may exchange shares of that class for shares of the same class of another Fund. Additionally, shareholders of a class in which the investor is no longer eligible for participation may exchange his or her shares of such Fund for shares of a Fund in which he or she is eligible to participate. All exchange privileges will comply with rule 11a-3 under the Act.

6. The Funds currently contemplate that the classes of shares of the Funds will not convert to another class of shares. However, the Funds reserve the right to adopt a conversion feature with respect to such classes of shares or future additional classes of shares. A Fund may permit one class of shares ("Purchase Class") to convert to another class of shares ("Target Class") after expiration of a certain period. Such Purchase Class shares (except those purchased through the reinvestment of dividends and other distributions) would automatically convert to Target Class shares at the relative net asset values of each of the classes, and would thereafter be subject to a lower rule 12b-1 distribution and/or shareholder services plan fee, in the aggregate. All

Purchase Class shares in a shareholder's account that were purchased through the reinvestment of dividends and other distributions paid in respect of Purchase Class (and which have not converted to Target Class) would be considered to be held in a separate sub-account. Each time any shares of the Purchase Class in the shareholder's account (other than those in the sub-account) convert to a Target Class, a proportionate number of the shares of the Purchase Class in the sub-account also will convert to such Target Class.

B. The CDSC

1. Applicants are currently parties to an Existing CDSC Order, which permits the assessment of a CDSC in certain circumstances related to purchases of \$1 million or more of fund shares. Any order granted in connection with this application will supersede the Existing CDSC Order and will apply equally to any CDSC imposed on any class of the Funds, as well as any CDSC arrangements to be imposed in the future.

2. The proposed CDSC will not be imposed on redemptions of those shares which were purchased more than a specified period (the "CDSC Period") prior to their redemption, or those shares derived from reinvestment of dividends or other distributions including capital gains. Furthermore, no CDSC will be imposed on an amount which represents an increase in the value of the shareholder's account resulting from capital appreciation above the amount paid for shares of beneficial interest purchased during the CDSC Period. In determining the applicability and rate of any CDSC, it would be assumed that a redemption is made first of shares representing capital appreciation, second, of shares representing reinvestment of dividends and capital gains distributions, third, of shares held by the shareholders 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.

3. Applicants request relief to permit each Fund to waive or reduce the CDSC in certain circumstances. Any waiver or reduction will comply with the conditions in paragraph (a) through (d) of rule 22d-1 of the Act. If the trustees of the Fund determine to discontinue the waiver, deferral or reduction of a CDSC, the disclosure in each Fund's prospectus will be appropriately revised. The sum of any front-end sales charge, asset-based sales charge, and CDSC will comply with the requirements of Article III, Section 26(d) of the Rules of Fair Practice of the

National Association of Securities Dealers, Inc. ("NASD").

Applicants' Legal Analysis

1. Applicants request an exemption under section 6(c) of the Act to the extent that the proposed issuance and sale of multiple classes of shares representing interests in the Funds 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 equal voting provisions of section 18(i) of the Act. The multiple class distribution system does not involve borrowings and does not adversely affect the Funds' existing assets or reserves. The proposed arrangement will not increase the speculative character of the shares of the Funds.

2. Applicants 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 the extent necessary to permit the Funds to assess a CDSC on certain redemptions of shares and to permit the Funds to waive or reduce CDSCs with respect to certain types of redemptions. Applicants believe that the imposition of a CDSC on shares in certain classes is fair and in the best interests of its shareholders.

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 will relate solely to: (a) The impact of the disproportionate payments made under the rule 12b-1 distribution plans and the shareholder services plans (if any), as applicable; (b) other expenses that are subsequently identified and determined to be properly allocated to one or more classes of shares that shall be approved by the SEC pursuant to an amended order; (c) the fact that the classes will vote separately with respect to a Fund's rule 12b-1 distribution plan and non-rule 12b-1 shareholder services plan, except as provided in condition 15, below; (d) the conversion feature applicable only to certain classes of shares; (e) the different exchange privileges of the classes of shares of a Fund; and (f) the designations of the classes of shares of a Fund.

2. The trustees, including a majority of the independent trustees, have approved the multiple class distribution system. The minutes of the meetings of