

notice period and information provided in the bidding/offering process should be sufficient to ensure competitive, bona fide bids/offers.

5. Applicants believe that the safeguards set forth in the application are sufficient to ensure that neither SG Cowen nor SG Paris will be able to overreach any SG Trust to the detriment of that SG Trust or its shareholders, and that the proposed transactions will be reasonable and fair, consistent with the general policy of the relevant SG Trust, and consistent with the general purposes of the Act. Applicants also submit that the requested relief is necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicants' Conditions

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

1. Prior to recommending to the Board that an SG Trust purchase a Portfolio Put or Index Option from or sell a Portfolio Call to, SG Paris, an Independent Agent will conduct a competitive bidding process in which the Independent Agent solicits bids or offers on each type of Derivative form at least three Unaffiliated Bidders. At a reasonable amount of time prior to the date bids are to be submitted, the Independent Agent will solicit bids by supplying prospective bidders with a bid invitation letter that includes any requirement for the bidder to include audited financial statements in the SG Trust's registration statement, a copy of the draft prospectus of the SG Trust, and a draft of the terms of the relevant Derivative. No bidder, including SG Paris, will have access to any bids until after the respective Derivatives have been purchased or sold. An SG Trust may not purchase a Portfolio Put or Index Option from or sell a Portfolio Call to SG Paris unless two bona fide bids have been received for the relevant Derivative from Unaffiliated Bidders.

2. If the Independent Agent recommends that the Board approve the purchase or sale of a Derivative in a transaction with SG Paris, the Independent Agent must provide the Board with an explanation of the basis for its recommendation and a summary of the material terms of any bids that were rejected.

3. The Board will represent an SG Trust in any negotiations relating to a Derivative purchased from or sold to SG Paris, including the negotiation of the final terms of the Derivative and any negotiations with SG Paris in

conjunction with a default on a Derivative.

4. The purchase or sale of a Derivative in a transaction with SG Paris will be subject to approval by the Board, including a majority of Independent Trustees, who will determine that the purchase or sale of the Derivative is in the best interests of the SG Trust and its shareholders and meets the standards specified in section 17(b) of the Act. In considering the purchase and sale of the Derivatives, the Board will determine that (a) the offer price on a Portfolio Put and the bid price on a Portfolio Call will maximize the Net Premium, and (b) the offer price on an Index Option will maximize the return to the SG Trust. In the event that SG Paris and an Unaffiliated Bidder both submit the best bid for a particular Derivative, the bidders will be permitted to submit another bid. If the bids are still the same, the relevant Derivative will not be purchased from or sold to SG Paris, except as described below. Under normal circumstances, the Board will approve the purchase of the Portfolio Put and the sale of the Portfolio Call to the bidders offering the best price on each. However, to avoid potential adverse tax consequences, the Portfolio Call will not be sold to the same entity from which the Portfolio Put is purchased. Accordingly, if the same bidder offers the best price on both the Portfolio Call and the Portfolio Put, the Board will consider the second most favorable bids on both the Portfolio Call and Portfolio Put, and select the Derivatives that would maximize the Net Premium. In the event that the next best bid on either the Portfolio Call or Portfolio Put would generate an identical Net Premium and SG Paris has offered the next best bid on either the Portfolio Call or Portfolio Put, the Board will approve the purchase of the Portfolio Put from or sale of the Portfolio Call to the Unaffiliated Bidder. All Board findings relating to the purchase and sale of the Derivatives, and the basis for the findings, will be reflected in the Board minutes. The terms of the Derivatives will not be subject to any material modification without the approval of the Board, including a majority of the Independent Trustees, after the purchase and sale of the Derivatives have been approved.

5. SG Paris will not purchase or sell a Derivative to an SG Trust on less favorable terms than for similar transactions with unaffiliated parties that are similarly situated to the SG Trust.

6. The Administrator will immediately report any default on either a Portfolio Put or Index Option to the

Board. The Board, including a majority of Independent Trustees, will evaluate the default and will determine the amounts due to the SG Trust. The SG Trust will not settle any default for less than the full amount determined by the Board without obtaining a further exemptive order from the Commission.

7. No less than a majority of a Board will consist of Independent Trustees.

8. The Independent Trustees will be represented by independent legal counsel within the meaning of Rule 0-1 under the Act.

9. The administrator, under the supervision of the Board, will maintain sufficient records to verify compliance with the conditions of the order. Such records will include, without limitation: (a) An explanation of the basis upon which the Independent Agent selected prospective bidders; (b) a list of all bidders to whom a bid invitation letter (or similar electronic invitation) was sent and copies of the bid invitation letters and accompanying materials; (c) copies of all bids received, including the winning bids; (d) the materials provided to the Board in connection with the Independent Agent's recommendation regarding the sale and purchase of each Derivative; (e) the final price and terms of each Derivative with an explanation of the reason the purchase or sale is considered an affiliated transaction; and (f) records of any negotiations with the counterparties to the Derivatives, including with respect to any default in connection with a Portfolio Put or Index Option and the satisfaction of any obligations to an SG Trust. All such records will be maintained for a period ending not less than six years after the Termination Date, the first two years in an easily accessible place, and will be available for inspection by the staff of the Commission.

10. The underwriting allocations of an SG Trust will be determined at least one business day prior to the day the Independent Agent invites financial institutions to bid and will not in any way be based on participation in the bidding process.

11. The applicants will not have any involvement with respect to the Independent Agent's selection of prospective bidders or the bids approved by the Board and will not attempt to influence or control in any way the sale or purchase of the Derivatives aside from placing a bid for each Derivative.

12. Each SG Trust will comply with section 12(d)(1)(F) of the Act in all respects except for the sales load limitation of section 12(d)(1)(F)(ii).

13. No investment company whose shares are purchased by an SG Trust