

entity, a "Dresdner Entity") are referred to as "Affiliated Lending Funds."¹

2. The New York branch of the Bank operates a securities lending program ("Program"). Lenders in the Program include, among others: (a) Affiliated Lending Funds, (b) other registered management investment companies or series thereof ("Other Lending Funds," together with the Affiliated Lending Funds, the "Registered Lending Funds") and (c) investment entities excluded from the definition of investment company under section 3(c)(1) or 3(c)(7) of the Act ("Private Lending Funds," together with the Registered Lending Funds, the "Lending Funds").

3. The Registered Investment Funds will be open-end management investment companies registered under the Act and advised by a Dresdner Entity. The Private Investment Funds will rely on section 3(c)(1) or 3(c)(7) of the Act and will be advised by a Dresdner Entity. Shares of the Investment Funds will not be subject to any sales load, redemption fee, asset-based sales charge or service fee, as defined in rule 2830(b)(9) of the Conduct Rules of the National Association of Securities Dealers, Inc. ("NASD Conduct Rules"). Certain Investment Funds will hold themselves out as money market funds and will comply with rule 2a-7 under the Act. Other Investment Funds will seek to achieve a high level of current income consistent with the preservation of capital and the maintenance of liquidity and will invest in high quality securities with relatively short maturities.

4. Under the Program, the Bank will enter into an agreement ("Lending Agreement") with each Lending Fund that appoints the Bank to serve as its lending agent and authorizes the Bank to enter into a master borrowing agreement ("Borrowing Agreement") with persons designated by the Lending Fund as eligible to borrow its portfolio securities (each a "Borrower"). Under the Lending Agreement, the Bank will invest any Cash Collateral received in the Program on behalf of a Lending Fund directly in various types of instruments, accounts and investment vehicles, including Shares of one or more Investment Funds. The Lending Agreement and the Borrowing Agreement will also establish for each transaction the initial and on-going collateralization requirements and the types of collateral that may be accepted.

Personnel providing day-to-day lending agency services to the Affiliated Lending Funds will not provide investment advisory services to the Affiliated Lending Funds or participate in any way in the selection of portfolio securities for, or other aspects of the management of, the Affiliated Lending Funds. The duties to be performed by the Bank as lending agent with respect to any Registered Lending Fund will not exceed the parameters described in Norwest Minnesota, N.A., SEC No-Action Letter (pub. avail. May 25, 1995). The Bank will not purchase Shares of an Investment Fund with Cash Collateral unless participation in the Program has been approved by a majority of the directors or trustees of the Registered Lending Fund that are not "interested persons" within the meaning of section 2(a)(19) of the Act.

5. When a securities loan is collateralized by Cash Collateral, the Borrower is entitled to receive a fixed return on the collateral for the term of the loan ("Borrower's Rebate"). The difference between the Borrower's Rebate and the actual return on the investment of the collateral will be divided between the Lending Fund and the Bank in accordance with the terms of the Lending Agreement. When the collateral is not Cash Collateral, the Lending Agreement will set a loan fee to be paid by the Borrower, which likely will approximate the return the Lending Fund would receive had the Borrower delivered Cash Collateral. The amount of the fee will be divided between the Lending Fund and the Bank in accordance with the terms of the Lending Agreement.

6. The applicants request relief to permit: (a) The Lending Funds to invest Cash Collateral in the Investment Funds, (b) the Registered Lending Funds to pay the Bank a fee based on a share of the revenue derived from securities lending activities, (c) Affiliated Lending Funds to lend portfolio securities to the Affiliated Borrowers, and (d) a Dresdner Entity to engage in principal transactions with, and receive brokerage commissions from, the Other Lending Funds.

Applicants' Legal Analysis

A. Investment of Cash Collateral by the Lending Funds in the Investment Funds

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company representing more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or, together with

the securities of other investment companies, more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) of the Act provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person or transaction from any provision of section 12(d)(1) if and to the extent that the exemption is consistent with the public interest and the protection of investors.

2. Applicants request an exemption under section 12(d)(1)(J) to permit the Lending Funds to invest Cash Collateral in Shares of the Registered Investment Funds in excess of the limits imposed by section 12(d)(1)(A), and each Registered Investment Fund to sell its Shares to the Lending Funds in excess of the limits in section 12(d)(1)(B).

3. Applicants state that none of the abuses meant to be addressed by section 12(d)(1) of the Act will be created by the proposed investment of Cash Collateral in the Registered Investment Funds. Applicants represent that the proposed arrangement will not result in an inappropriate layering of fees because Shares of the Investment Funds will be sold without a sales load, redemption fee, asset-based sales charge or service fee as defined in the NASD Conduct Rules. Applicants also represent that no Investment Fund will acquire shares of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

4. Sections 17(a)(1) and 17(a)(2) of the Act prohibit an affiliated person of a registered investment company, or any affiliated person of the affiliated person ("second-tier affiliate") from selling any security to, or purchasing any security from, the registered investment company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include: any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; any person directly or indirectly controlling, controlled by, or under common control with, the other person; and, in the case of an investment company, its investment adviser. Control is defined

¹ All existing Affiliated Lending Funds that currently intend to rely on the requested relief have been named as applicants. Any other existing or future entity may rely on the requested relief only in accordance with the terms and conditions of the application.