

majority of Independent Directors, makes the findings referred to in paragraph (a) above.

(c) In connection with the initial implementation of an arrangement whereby the Bank will be compensated as lending agent based on a percentage of the revenue generated by an Affiliated Lending Fund's participation in the Program, the Affiliated Lending Fund's Board shall secure a certificate from the Bank attesting to the factual accuracy of clause (iv) in paragraph (a) above. In addition, the Board will request and evaluate, and the Bank shall furnish, such information and materials as the Board, with and upon the advice of agents, consultants or counsel, determines to be appropriate in making the findings referred to in paragraph (a) above. Such information shall include, in any event, information concerning the fees charged by the Bank to other institutional investors for providing similar services.

(d) The Board of each Affiliated Lending Fund, including a majority of the Independent Directors, will (i) determine at each regular quarterly meeting that the loan transactions during the prior quarter were effected in compliance with the conditions and procedures set forth in the application and (ii) review no less frequently than annually the conditions and procedures set forth in the application for continuing appropriateness.

(e) Each Affiliated Lending Fund will (i) maintain and preserve permanently in an easily accessible place a written copy of the procedures and conditions described in the application and (ii) maintain and preserve for a period of not less than six (6) years from the end of the fiscal year in which any loan transaction pursuant to the Program occurred, the first two (2) years in an easily accessible place, a written record of each such loan transaction setting forth a description of the security loaned, the identity of the person on the other side of the loan transaction, the terms of the loan transaction, and the information or materials upon which the determination was made that each loan was made in accordance with the procedures set forth above and the conditions to the application.

3. With respect to Other Lending Funds, applicants state that the affiliations with the Bank arise solely as result of the investment of Cash Collateral in the Investment Funds. Applicants state that a Dresdner Entity would not have any influence over the decisions made by any Other Lending Fund, and that any fee arrangement between the Other Lending Funds and

the Bank will be the product of arm's-length bargaining.

C. Lending to Affiliated Borrowers

1. Section 17(a)(3) of the Act makes it unlawful for any affiliated person of a registered investment company or second-tier affiliate, acting as principal, to borrow money or other property from the registered investment company. Under section 2(a)(3)(C) of the Act, an Affiliated Borrower would be deemed a second-tier affiliate of Affiliated Lending Funds for which Dresdner Entities serve as investment advisers. In addition, applicants state that to the extent that an Affiliated Lending Fund or Other Lending Fund acquires Shares of an Investment Fund, an Affiliated Borrower also could be deemed a second-tier affiliate of the Affiliated Lending Fund or Other Lending Fund. Accordingly, section 17(a)(3) would prohibit the Affiliated Borrowers from borrowing securities from the Registered Lending Funds.

2. As noted above, section 17(d) and rule 17d-1 generally prohibit joint transactions involving registered investment companies and their affiliates unless the Commission has approved the transaction. Applicants request relief under sections 6(c) and 17(b) of the Act exempting the Registered Lending Funds from section 17(a)(3), and under section 17(d) and rule 17d-1 to permit the Registered Lending Funds to lend portfolio securities to Affiliated Borrowers.

3. Applicants state that each loan to an Affiliated Borrower by an Affiliated Lending Fund will be made with a spread that is no lower than that applied to comparable loans to unaffiliated Borrowers.² Applicants further state that at least 50% of the loans made by the Affiliated Lending Funds, on an aggregate basis, will be made to unaffiliated Borrowers. Moreover, all loans will be made with spreads that are no lower than those set forth in a schedule of spreads which will be established by each Affiliated Lending Fund's Board and a majority of the Independent Directors and monitored by an officer of the Affiliated Lending Fund. The Board, including a majority of the Independent Directors, also will review quarterly reports on all lending activity.

² A "spread" is the compensation earned by a Lending Fund from a securities loan, which compensation is in the form either of a lending fee payable by the Borrower to the Lending Fund (when non-cash collateral is posted) or of the excess retained by the Lending Fund over a rebate rate payable by the Lending Fund to the Borrower (when Cash Collateral is posted and then invested by the Lending Fund).

D. Transactions by Other Lending Funds with Dresdner Entities

1. As noted above, sections 17(a)(1), (2) and (3) prohibit certain principal transactions between a registered investment company and its affiliates. To the extent that a Dresdner Entity and the Investment Funds are deemed to be under common control, they could be affiliated persons of one another. Applicant also asserts that each Dresdner Entity that serves as investment adviser to an Investment Fund could be deemed an affiliated person of the Investment Fund and a second-tier affiliate of an Other Lending Fund that owns 5% or more of an Investment Fund.

2. Applicants request relief under sections 6(c) and 17(b) from section 17(a) to permit principal transactions between Other Lending Funds and Dresdner Entities where the affiliation between the parties arises solely as a result of an investment by an Other Lending Fund in Shares of the Investment Funds. Applicants state that there will be no element of self-dealing because the Dresdner Entities will have no influence over the decisions made by any Other Lending Fund. Applicants assert that each transaction will be the product of arm's length bargaining. Because the interests of the Other Lending Funds' investment advisers are solely and directly aligned with those of the Other Lending Funds, applicants believe it is reasonable to conclude that the consideration paid to or received by the Other Lending Funds in connection with a principal transaction with a Dresdner Entity will be reasonable and fair.

3. Section 17(e) of the Act makes it unlawful for any affiliated person of a registered investment company, or any second-tier affiliate, acting as a broker in connection with the sale of securities to or by that registered investment company, to receive from any source a commission for effecting the transaction that exceeds specified limits. Rule 17e-1 provides that a commission shall be deemed an usual and customary broker's commission if certain procedures are followed by the registered investment company.

4. Applicants request relief under section 6(c) from section 17(e) to the extent necessary to permit Dresdner Entities to receive fees or commissions for acting as broker or agent in connection with the purchase or sale of securities for any Other Lending Fund for which a Dresdner Entity becomes a second-tier affiliate solely because of the investment by the Other Lending Fund in Shares of Investment Funds.