

broker-dealer registered under the Securities Exchange Act of 1934 ("1934 Act"), distributes each Fund's shares. The Adviser and the Distributor are both wholly-owned subsidiaries of Van Kampen Investments. The Distributor and Van Kampen Investments act as administrator to Prime Rate and Senior Floating Rate, respectively. Van Kampen Investments is an indirect, wholly-owned subsidiary of Morgan Stanley.

2. Applicants request that the order also apply to any other registered closed-end management investment company that may be organized in the future for which the Adviser, the Distributor or Van Kampen Investments or any entity controlling, controlled by, or under common control with the Adviser, the Distributor or Van Kampen Investments acts as investment adviser, principal underwriter or administrator and which provides periodic liquidity with respect to its shares pursuant to rule 13e-4 under the 1934 Act or operates as an interval fund pursuant to rule 23c-3 under the Act.<sup>1</sup>

3. The investment objective of each of the Funds is to provide a high level of current income, consistent with the preservation of capital. The Funds invest primarily in adjustable rate senior loans. In normal market conditions, each Fund plans to invest at least 80% of its total assets in adjustable senior rate loans. Each Fund may also invest up to 20% of its total assets in any combination of the following: (a) warrants, equity securities and junior debt securities, in each case that are acquired in connection with the acquisition, restructuring or disposition of a senior loan, and (b) high quality short-term debt securities.

4. The Funds continuously offer their shares to the public at net asset value. Shares of Prime Rate and shares of Senior Floating Rate are currently sold without a front-end sales charge, although they are subject to early withdrawal charges ("EWCs") payable to the Distributor if the shareholder redeems his or her shares during the first five years or first year, respectively, after purchasing the shares. The Funds' shares are not offered or traded in the secondary market and are not listed on any exchange or quoted on any quotation medium. The Funds consider each quarter to offer to repurchase a portion of their outstanding shares at their then current net asset value pursuant to rule 13e-4 under the 1934

Act. The Funds may in the future operate as "interval funds" pursuant to rule 23c-3 under the Act and make periodic repurchase offers to their shareholders.

5. The Funds seek the flexibility to be structured as multiple class funds and currently intend to offer three different classes of shares. The Funds may offer shares at net asset value, plus a front-end sales charge ("Class A Shares"). The Funds may issue shares similar to certain classes of shares issued by other funds in the Van Kampen group of investment companies in that such shares are offered at net asset value with no front-end sales charge and are subject to a deferred sales charge. Prime Rate currently offers shares at net asset value without a sales charge, but subject to an EWC on shares that are repurchased by Prime Rate within five years of the date of purchase ("Class B Shares"). Senior Floating Rate currently offers shares at net asset value without a sales charge, but subject to an EWC on shares that are repurchased within one year of the date of purchase and an annual asset-based service fee of up to 0.25% of average daily net assets ("Class C Shares"). Prime Rate may add a class of shares, designated as Class C Shares, similar to the Class C Shares of Senior Floating Rate, and Senior Floating Rate may add a class of shares, designated as Class B Shares, similar to Class B Shares of Prime Rate. The Funds' shares may become subject to an annual asset-based distribution fee of up to 0.75% of average daily net assets, as well as to an annual asset-based service fee of up to 0.25% of average daily net assets. The Funds may in the future offer additional classes of shares with a front-end sales charge, an EWC and/or asset-based service or distribution fees.

6. Applicants represent that any asset-based service and distribution fees will comply with the provisions of rule 2830(d) of the Conduct Rules of the National Association of Securities Dealers, Inc. ("NASD Sales Charge Rule"). Applicants also represent that each Fund will disclose in its prospectus, the fees, expenses and other characteristics of each class of shares offered for sale by the prospectus, as is required for open-end multiple class funds under Form N-1A.

7. Each Fund will allocate all expenses incurred by it among the various classes of shares based on the net assets of the Fund attributable to each class, except that the net asset value and expenses of each class will reflect distribution fees, service fees, and any other incremental expenses of that class. Expenses of a Fund allocated to a particular class of shares will be

borne on a *pro rata* basis by each outstanding share of that class. Each Fund may create additional classes of shares in the future that may have different terms from Class B and Class C shares. Applicants state that each Fund will comply with the provisions of rule 18f-3 under the Act as if it were an open-end investment company.

8. Each Fund may waive the EWC for certain categories of shareholders or transactions to be established from time to time. With respect to any waiver of, scheduled variation in, or elimination of the EWC, each Fund will comply with rule 22d-1 under the Act as if the Fund were an open-end investment company.

9. Each Fund may offer its shareholders an exchange feature under which shareholders of the Fund may, during the Fund's periodic repurchase periods, exchange their shares for shares of the same class of other registered open-end investment companies or registered closed-end investment companies in the Van Kampen group of investment companies. If either Fund operates pursuant to rule 23c-3, Fund shares so exchanged will count as part of the repurchase offer amount as specified in rule 23c-3 under the Act. Any exchange option will comply with rule 11a-3 under the Act as if the Fund were an open-end investment company subject to that rule. In complying with rule 11a-3, each Fund will treat the EWCs as if they were a contingent deferred sales charge ("CDSC").

## Applicants' Legal Analysis

### Multiple Classes of Shares

1. Section 18(c) of the Act provides, in relevant part, that a closed-end investment company may not issue or sell any senior security if, immediately thereafter, the company has outstanding more than one class of senior security. Applicants state that the creation of multiple classes of shares of the Funds may be prohibited by section 18(c).

2. Section 18(i) of the Act provides that each share of stock issued by a registered management investment company will be a voting stock and have equal voting rights with every other outstanding voting stock. Applicants state that multiple classes of shares of the Funds may violate section 18(i) of the Act because each class would be entitled to exclusive voting rights with respect to matters solely related to that class.

3. Section 6(c) of the Act provides that the Commission may exempt any person, security or transaction or any class or classes of persons, securities or transactions from any provision of the Act, or from any rule thereunder, if and

<sup>1</sup> Any registered closed-end management investment company relying on this relief in the future will do so in a manner consistent with the terms and conditions of the application. Applicants represent that each entity presently intending to rely on the requested relief is listed as an applicant.