

“Adviser”) and RFD is the distributor of the Investment Company. The Funds consist of both money market funds and funds with fluctuating net asset values, the shares of which are sold and redeemed daily at net asset value without a sales or redemption charge.

2. Applicants proposed to create a multi-class distribution system.¹ The Investment Company would be permitted to offer an unlimited number of additional classes of shares (“New Shares”) in connection with (a) a plan adopted pursuant to rule 12b-1 under the Act (the “Services Plan”); and/or (b) a non-rule 12b-1 administrative plan (the “Shareholder Administrative Plan”); or (c) neither the Services Plan nor the Shareholder Administrative Plan (collectively, the “Plans”). The services provided pursuant to the Plans will augment or replace (and not be duplicative of) the services to be provided to the Funds by FRIMCo and RFD. Applicants propose to “unbundle” the services to be provided to the Funds to permit organizations, such as broker-dealers or banks, to select those services they wish to provide to their customers under Services Plan agreements and/or Shareholder Administrative Plan agreements (collectively, “Plan Agreement”).²

3. A Fund would pay the distributor and/or an organization for its services and assistance in accordance with the terms of its particular Plan Agreement(s) (the “Plan Payments”). Plan Payments will not exceed the limits imposed under Article III, Section 26 of the Rules of Fair Practice of the National Association of Securities Dealers (“NASD”).

4. The New Shares of a Fund would be identical in all respects, except that: (a) Each class of New Shares would have a different class designation; (b) each class of New Shares offered in connection with a Plan would bear the expense of the Plan Payments applicable to such class; (c) each class

¹ Existing shares of the Funds are expected to comprise one or more different classes.

² Twelve of the Funds (the “Internal Fee Funds”) follow the conventional practice of paying FRIMCo a management fee from Fund assets. Ten of the Funds (the “External Fee Funds”) require investors to pay a management fee directly to FRIMCo pursuant to contracts between each investor and FRIMCo. Each shareholder of an External Fee Fund pays the same *pro rata* amount for advisory services as each other shareholder of the Fund. In the future, FRIMCo may elect to “internalize” the portion of the management fee attributable to advisory services, administrative services, or both, so that fees for those services are deducted from Fund assets in the same manner as done for the Internal Fee Funds. In no event, if the requested relief is granted, would a Fund issue both a class of shares with an internal fee arrangement and one with an external fee arrangement.

of New Shares could, as more fully described below, also bear certain other expenses (“Class Expenses”) that are directly attributable only to the class; (d) only the holders of the New Shares of the class or classes involved would be entitled to vote on matters pertaining to a Plan and any related agreements relating to such class or classes; and (e) classes of New Shares may have different exchange privileges.

5. Expenses of the Investment Company that cannot be attributed directly to any one Fund will be allocated to each Fund based on the relative net assets of such Fund (“Investment Company Expenses”). Expenses that may be attributable to a Fund but not to a particular class will be allocated to a class (“Fund Expenses”).

6. FRIMCo may choose to reimburse or waive Class Expenses of certain classes on a voluntary, temporary basis. The amount of Class Expenses waived or reimbursed by FRIMCo may vary from class to class. Class Expenses are, by their nature, specific to a given class and therefore are expected to vary from one class to another. Applicants thus believe that it is acceptable and consistent with shareholder expectations to reimburse or waive Class Expenses at different levels for different classes of the same Fund.

7. In addition, FRIMCo may waive or reimburse Investment Company Expenses and/or Fund Expenses (with or without a waiver or reimbursement of Class Expenses) but only if the same proportionate amount of Investment Company Expenses and/or Fund Expenses is waived or reimbursed for each class. Thus, any Investment Company Expenses that are waived or reimbursed would be credited to each class of a Fund based on the relative net assets of the classes. Similarly, any Fund Expenses that are waived or reimbursed would be credited to each class of that Fund according to the relative net assets of the classes. Investment Company Expenses and Fund Expenses apply equally to all classes of a given Fund. Accordingly, it may not be appropriate to waive or reimburse Investment Company Expenses or Fund Expenses at different levels for different classes of the same Fund.

8. The Investment Company may also offer classes of shares (“Institutional Shares”) that are available solely to: (a) Unaffiliated benefit plans, such as qualified retirement plans, other than individual retirement accounts and self-employed retirement plans, with total assets in excess of such minimum amounts as the Funds may establish and

with such other characteristics as the Funds may establish;³ (b) tax-exempt retirement plans of FRIMCo and its affiliates, including the retirement plans of FRIMCo’s affiliated brokers; (c) banks and insurance companies that are not affiliated with FRIMCo purchasing for their own investment; (d) investment companies not affiliated with FRIMCo; and (e) endowment funds of non-profit organizations that are not affiliated with FRIMCo (each, an “Institutional Investor”).

9. Each class of Institutional Shares will have attributes designed to meet specific investment needs of a particular category of Institutional Investor. Institutional Shares will be subject to either lower or no servicing fees under any Plan, and may bear lower transfer agency fees and other operating expenses than some other classes of shares. Only Institutional Investors will be eligible to invest in Institutional Shares. Applicants may choose not to make a particular class of Institutional Shares available to one or more categories of Institutional Investors.

No Institutional Investor that is eligible to invest in any class of Institutional Shares will be permitted to invest in any class other than a class of Institutional Shares. Accordingly, there will be no overlap between the investors eligible to invest in Institutional Shares and investors eligible to invest in other shares of a Fund.

Applicants’ Legal Analysis

1. Applicants request an order pursuant to section 6(c) of the Act exempting them from sections 18(f)(1) and 18(g) of the Act to the extent that the proposed issuance and sale of an unlimited number of classes of new Shares may result in a “senior security” prohibited by section 18(f), and in a violation of section 18(i), to the extent that the different voting rights associated with such classes may be deemed to result in one or more classes of shares having unequal voting rights with other classes of shares.

2. The proposed allocation of expenses and voting rights relating to the Plans in the manner described is equitable and would not discriminate against any group of shareholders. The proposed arrangement does not involve borrowing and does not affect a Fund’s existing assets or reserves. Nor will the proposed arrangement increase the speculative character of a Fund’s shares,

³ These plans will have a separate trustee who is vested with investment discretion as to plan assets, will have limitations on the ability of plan beneficiaries to access their plan investments without incurring adverse tax consequences, and will not include self-directed plans.