

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT of 1940**  
**Release No. 2784A / September 23, 2008**

**INVESTMENT COMPANY ACT of 1940**  
**Release No. 28387A/ September 23, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13230**

**In the Matter of**

**AmSouth Bank, N.A. (now known  
as Regions Bank), and  
AmSouth Asset Management, Inc.  
(now known as Morgan Asset  
Management),**

**Respondents.**

**CORRECTED ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 203(e)  
AND 203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940, AND  
SECTIONS 9(b) AND 9(f) OF THE  
INVESTMENT COMPANY ACT OF  
1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS  
AND A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against AmSouth Bank, N.A. and AmSouth Asset Management, Inc. (“Respondents”).<sup>1</sup>

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the

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<sup>1</sup> AmSouth Bank, N.A. is now part of Regions Bank, a subsidiary of Regions Financial Corporation. AmSouth Asset Management, Inc. is now part of Morgan Asset Management, which is also a subsidiary of Regions Financial Corporation.

Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Order"), as set forth below.

### III.

On the basis of this Order and Respondents' Offer, the Commission finds<sup>2</sup> that

#### Summary

These proceedings arise out of improper and undisclosed arrangements between AmSouth Bank, N.A. and AmSouth Asset Management, Inc. (collectively "AmSouth"), investment advisers to the AmSouth Funds, and BISYS Fund Services, Inc. ("BISYS"), a mutual fund administrator. AmSouth entered into two written side agreements with BISYS, pursuant to which BISYS rebated a portion of its administration fee to AmSouth so that AmSouth would continue to recommend BISYS as an administrator for the AmSouth Funds to the AmSouth Funds' board of trustees. Through these side agreements, AmSouth used a portion of BISYS' administration fee to pay for marketing expenses related to the AmSouth Funds. AmSouth also used money rebated by BISYS to pay expenses entirely unrelated to marketing, including the salary, bonus, benefits, and country club membership of the president of the AmSouth Funds. Also, under the terms of a side letter in 2000, the AmSouth Funds paid additional moneys to BISYS through a "new fund accounting fee." The fee was not used to compensate BISYS for providing fund accounting services. AmSouth, or a predecessor bank, had spent \$3.5 million more on marketing than BISYS had set aside. In exchange for releasing AmSouth from its obligation to repay these moneys to BISYS, AmSouth agreed to divert \$1 million of the new fund accounting fee to BISYS and recommend retention of BISYS as administrator for a five-year term to the AmSouth Funds board of trustees. The \$1 million generated by the new fund accounting fee would repay part of the \$3.5 million that AmSouth (or a predecessor bank) had overspent from the marketing budget; the remainder of the deficit would be waived. Distribution expenses paid from these rebated administration fees were related to but not provided for by the AmSouth Funds' 12b-1 plan. From July 1999 to June 2004, BISYS rebated \$16,182,034 of its total administration fees of \$49,351,334 to AmSouth pursuant to these side agreements.

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<sup>2</sup> The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

In addition to the side agreements, BISYS and AmSouth also entered into an undisclosed consulting arrangement in 2000. Under this consulting arrangement, BISYS and AmSouth agreed that in exchange for AmSouth recommending to the trustees that BISYS provide securities lending services to the AmSouth Funds, BISYS would pay some of the securities lending fees it received back to AmSouth as consulting fees. Under this consulting agreement, AmSouth purportedly provided general marketing advice to BISYS to market AmSouth's own funds and received \$1,161,000 in total consulting fees. Neither the existence of side and consulting agreements nor the terms of these agreements were disclosed to the AmSouth Funds' independent trustees or to the Fund shareholders. As a result, AmSouth Asset Management willfully violated Sections 206(1) and 206(2) of the Advisers Act, and AmSouth Bank and AmSouth Asset Management willfully violated Section 34(b) of the Investment Company Act. Additionally, as a result, AmSouth Bank and AmSouth Asset Management willfully aided and abetted and caused violations of Section 12(b) of the Investment Company Act and Rule 12b-1 thereunder.

#### **A. RESPONDENTS**

1. During the relevant period, AmSouth was based in Birmingham, Alabama. AmSouth Bank was a subsidiary of AmSouth Bancorporation, and was an unregistered investment adviser that served as the investment adviser to the AmSouth Funds from October 1, 1987, to May 11, 2001. AmSouth Bank was succeeded as adviser by its wholly-owned subsidiary, AmSouth Investment Management Company, LLC ("AIMCO"), a registered investment adviser, on May 12, 2001. On October 1, 2003, respondent AmSouth Asset Management, Inc. ("AAMI") succeeded AIMCO as adviser to the Funds. In 2005, the assets of the AmSouth Funds were merged into, or otherwise became part of, another mutual fund family which is not managed or advised by any of the Respondents or their successors or affiliates.

2. During the relevant period, AmSouth Asset Management, Inc. was a registered investment adviser based in Birmingham, Alabama, and a wholly-owned subsidiary of AmSouth Bank. From October 1, 2003 through September 23, 2005, AAMI was the investment adviser to the AmSouth Funds. AAMI ceased acting as investment adviser to the AmSouth Funds when the assets of the AmSouth Funds became merged into, or otherwise became a part of, another unaffiliated mutual fund complex.

#### **B. OTHER RELEVANT ENTITIES**

3. BISYS Fund Services, Inc. was a Columbus, Ohio-based division of BISYS Investment Services, a wholly-owned subsidiary of The BISYS Group, Inc., a publicly-traded Delaware corporation with its principal executive offices in Roseland, New Jersey. BISYS served as administrator for approximately 50 mutual fund families with total net assets under management of \$275 billion.<sup>3</sup> On or about August 1, 2007, Citigroup acquired the BISYS Group, including its mutual fund administrative operations.

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<sup>3</sup> On September 26, 2006, the Commission instituted a settled administrative and cease-and-desist proceeding against BISYS Fund Services, Inc., arising from its improper marketing arrangements with AmSouth and 26 other mutual fund advisers. In the Matter of BISYS Fund

4. AmSouth Funds was a Massachusetts business trust registered with the Commission as an investment company until September 23, 2005, when AmSouth Funds was merged into another fund complex, the Pioneer Group, and ceased to exist. AmSouth Funds was an open-end investment company that consisted of 23 individual mutual funds with up to three classes of shares each. AmSouth Funds had a board of trustees consisting of two interested and six independent trustees.

## **C. THE UNDISCLOSED SCHEME AND IMPROPER SIDE AGREEMENTS**

### **1. The Undisclosed Marketing Arrangement**

5. The relationship between AmSouth Funds and BISYS, as administrator, was governed by a written administration agreement approved by the AmSouth Funds' board of trustees. The administration agreement provided that BISYS would receive a 20 basis points ("bps") fee for fund administration services for most of the AmSouth Funds.<sup>4</sup> These services included, but were not limited to, preparing offering documents such as prospectuses and statements of additional information ("SAIs"), compliance reports, and shareholder reports. Marketing services were not included in the administration agreement.

#### **a. AmSouth Negotiates an Undisclosed Side Agreement in 1999**

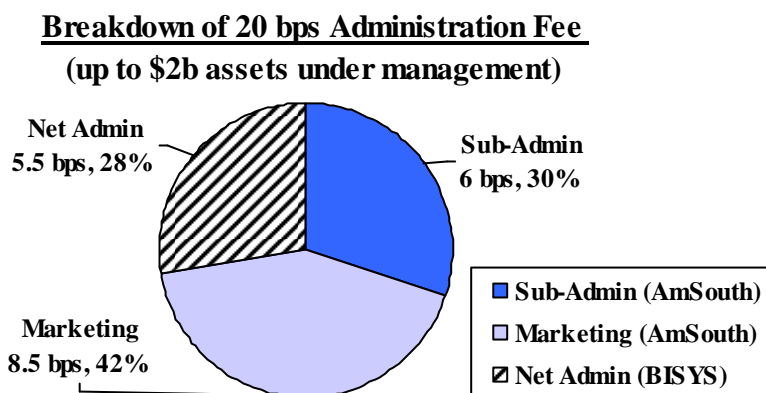
6. On or about October 14, 1999, AmSouth executed a side agreement in the form of a letter from BISYS Fund Services. In the side letter, BISYS agreed to pay a specific amount of the administration fee paid to BISYS by the AmSouth Funds to AmSouth for marketing and sub-administration services in exchange for AmSouth recommending to the AmSouth Funds' trustees that they enter into a contract extension with BISYS to provide administration services. The side letter was important to AmSouth. A senior executive of AmSouth told BISYS' managing director that the side letter was a "deal breaker" and that if BISYS "won't do it," one of BISYS' competitors would.

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Services, Inc., Investment Advisers Act of 1940 Release No. 2554, Investment Company Act of 1940 Release No. 27500 (September 26, 2006). BISYS agreed to the issuance by the Commission of a cease-and-desist order prohibiting it from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act, and Sections 12(b) and 34(b) of the Investment Company Act, and Rule 12b-1(d) thereunder. BISYS also was ordered to pay disgorgement of \$9,698,835 plus prejudgment interest of \$1,703,981.66 and a civil penalty of \$10,000,000 which moneys were included in a Fair Fund for distribution to the victims of BISYS' violations, and it agreed to retain an independent distribution consultant to distribute the Fair Fund and to retain an independent consultant to review and report on its compliance with certain relevant requirements under the Investment Company Act and Advisers Act.

<sup>4</sup> A "basis point" equals one one-hundredth of one percent. Accordingly, 20 bps equals 0.20%.

7. In the 1999 side letter, AmSouth and BISYS agreed that the AmSouth Funds would pay BISYS a 20 bps fee for administration and fund accounting services, and also agreed that AmSouth would receive part of that fee, between 5 and 6 bps, for providing sub-administration services to the AmSouth Funds. BISYS also agreed to pay AmSouth \$200,000 per year for dedicated marketing personnel and to accrue between 8.5 bps and 12.5 bps (less any waivers) for AmSouth to use for marketing. For assets under management up to \$2 billion, for example, administration fees were divided as follows:



The 1999 side letter thus provided that the soon-to-be entered administration contract for 20 bps would be split two ways: one-fourth to BISYS; and three-fourths (less waivers) to AmSouth, purportedly for sub-administration and marketing.

8. Since the inception of the AmSouth Funds, AmSouth and BISYS used part of the administration fee to pay expenses related to marketing the AmSouth Funds, such as printing brochures and the salaries and expenses of marketing personnel. Generally, AmSouth paid for marketing expenses and BISYS reimbursed AmSouth. Prior to the signing of the 1999 side agreement, AmSouth -- or a bank that AmSouth acquired which had a similar arrangement with BISYS concerning mutual funds it advised -- had spent \$1.2 million more than BISYS had set aside in the marketing budget. Accordingly, in addition to the marketing arrangement described above, AmSouth negotiated a provision in the side agreement that BISYS would forgive the \$1.2 million in marketing budget overspending in exchange for AmSouth recommending to the AmSouth Funds' trustees that BISYS' contract be extended for two years.

9. The 1999 side letter stated that "fund agreements will be amended and restated to reflect the terms set forth in this letter" and that "[o]bviously, while this letter represents our mutual understanding, these terms will become binding upon the execution of the new, definitive fund agreements, which we will finalize over the next thirty days." Except for the overall fee (20 bps) and term (two years), however, the provisions relating to the marketing budget were not included in the subsequently executed administration agreements that were approved by the AmSouth Funds' trustees at a board meeting held on November 23, 1999.

10. The November 23, 1999 AmSouth Funds board meeting was attended by

AmSouth officers familiar with the side letter. No one disclosed the 1999 side letter or its terms to the independent trustees, however. AmSouth knew the AmSouth Funds likely did not receive the lowest cost administration fees because an important part of the negotiations between BISYS and AmSouth was the commitment by BISYS to provide an agreed marketing budget.

**b. AmSouth Negotiates a Side Agreement in 2000 Containing a Similar Marketing Arrangement**

11. In December 2000, AmSouth and BISYS entered into a new side agreement, through a side letter, in connection with the renegotiation of the overall administration agreement to provide administration services to the AmSouth Funds for a five-year term. The December 2000 side letter was signed on or about December 19, 2000.

12. In the 2000 side letter, the proposed administration fee remained 20 bps (before waivers) for most of the AmSouth Funds. BISYS continued to set aside part of its administration fee for marketing the AmSouth Funds.

13. The 2000 side letter also stated that the marketing budget deficit, or overspending, had reached \$3.5 million, a substantial increase over the previous year's deficit of \$1.2 million. The 2000 side letter provided that, in exchange for AmSouth's recommendation to the Fund trustees that the Funds enter into a five-year administration contract with BISYS, BISYS would eliminate the \$3.5 million fund support deficit. The parties further agreed how the deficit would be eliminated. First, the parties agreed that BISYS could charge the AmSouth Funds a separate 2 basis point "fund accounting fee" for fund accounting services and use this "fund accounting fee" to pay down the deficit by \$1 million. At that time, fund accounting services did not require a separate fee – the services were included in the overall administration fee. Second, the remainder of the deficit, \$2.5 million, would be waived by BISYS so long as BISYS remained administrator to the AmSouth Funds through the end of 2001. The Funds then paid the 2 bps "fund accounting fee." The independent trustees did not know that the fee would be used to pay down part of the marketing deficit; rather, they believed that the fund accounting fee was put in place to support fund accounting services.

14. At the December 19, 2000 AmSouth Funds board meeting, during which the renewal of the administration contract was discussed, AmSouth supported the recommendation that BISYS' contract be renewed for a five-year term but failed to disclose the side agreement signed that same day. AmSouth represented to the Fund trustees that fund management had carefully evaluated alternative providers of administration, fund accounting, and transfer agency services and had concluded that BISYS was the most attractive provider of such services, given the cost and quality of the services. AmSouth also said that locking in a favorable contractual arrangement at this time with BISYS would be in the best interests of the Funds' shareholders.

**c. AmSouth Exercises Discretion over the Use of Marketing Funds Pursuant to the Undisclosed Side Letters**

15. AmSouth and BISYS both treated the marketing budget as AmSouth's

discretionary funds. Although BISYS paid the marketing expenses directly or by reimbursing AmSouth, the principal decision maker as to how the marketing dollars were used pursuant to the side letter was AmSouth.

16. From at least 1999 through September 2003, BISYS paid certain non-marketing related expenses from the marketing budget. On or about December 31, 1999, AmSouth settled a dispute with a custodian of an AmSouth-acquired mutual fund complex through a payment by BISYS under the marketing budget. Although BISYS required AmSouth to submit written reimbursement requests for marketing expenses, BISYS never rejected its requests until approximately the summer of 2004. In fact, until the fall of 2003, BISYS did not even have internal guidelines or policies governing what constituted a “marketing expense.”

17. From July 1999 through June 2004, AmSouth spent approximately \$16.1 million on “marketing.” AmSouth spent money designated as “marketing” expenses on items such as the approximate \$200,000 per year salary and bonus, for an AmSouth officer and president of the AmSouth Funds, as well as the \$15,000 initiation fee and \$360 monthly dues for the officer’s and Fund president’s membership in a golf country club in Birmingham, Alabama.

18. BISYS maintained the marketing budget for AmSouth until October 2004. On or about October 1, 2004, when the marketing budget was terminated, the AmSouth Funds’ gross administration fees were reduced by 5 bps from 20 bps to 15 bps, before taking account of waivers.

## **2. The Undisclosed Consulting Arrangement**

19. In addition to the side letters described above with regard to the administration agreement, AmSouth and BISYS entered into another type of arrangement, this time with regard to securities lending. Prior to December 15, 1999, the AmSouth Funds did not have a securities lending agreement with any entity. In late 1999, BISYS and AmSouth agreed that in exchange for AmSouth recommending to the AmSouth Funds’ board to retain BISYS to provide securities lending services to the AmSouth Funds, BISYS would use part of its securities lending fee to pay AmSouth for purported services pursuant to the consulting agreement. Under the consulting agreement, AmSouth ostensibly provided BISYS with general marketing advice. The consulting agreement, did not concern securities lending, however. Rather, the consulting agreement was a vehicle for BISYS to pay additional monies to AmSouth. The services provided by AmSouth pursuant to the consulting agreement were provided before, during, and after the termination of the consulting agreement. The only connection between the consulting agreement and the securities lending agreement was that fees paid by the Funds to BISYS for its securities lending services were the source of moneys paid to AmSouth pursuant to the consulting agreement between BISYS and AmSouth.

20. In approximately April 2000, AmSouth and BISYS entered into a consulting agreement, in which AmSouth agreed to provide general consulting services to BISYS “in connection with marketing efforts on behalf of AmSouth Funds” for an unspecified fee. Under this consulting agreement, AmSouth would “render advice and answer inquiries concerning the

marketing of the Funds,” “assist in the preparation and implementation of marketing plans for the Funds,” and “assist in the preparation and distribution of sales and advertising materials for the Funds.” However, these “consulting services” generally were those that AmSouth was already expected to perform as adviser to the Funds and had previously performed without receiving the additional compensation provided for in the consulting agreement.

21. AmSouth received \$1.16 million in quarterly payments from October 6, 2000 through February 1, 2002 under this agreement. AmSouth did not disclose the consulting agreement to the AmSouth Funds’ trustees.

22. BISYS made payments to AmSouth purportedly under the consulting agreement out of money originating from the AmSouth Funds’ securities lending program that began on December 15, 1999. Through this program, the AmSouth Funds loaned securities in their portfolios for short-term use by other financial institutions. BISYS administered the program for the Funds, and a broker-dealer facilitated the loans. Under the securities lending agreement, the AmSouth Funds received half of the revenue generated from securities lending and the other half of the revenue was to be split by BISYS 50-50 with the broker-dealer as fees for operating the program. Instead, BISYS split the other 50% as follows: 15% to Cantor Fitzgerald, 15% to BISYS, and 20% to AmSouth via consulting payments. Although the board approved the securities lending agreement, the board did not approve or indeed know about, BISYS’ fee split with AmSouth.

23. When the consulting agreement was terminated on or about February 2002, the fee split for the securities lending program changed to provide more revenue to the AmSouth Funds (70%) and less to BISYS and the broker-dealer. BISYS and the broker-dealer split the remaining 30%. Accordingly, the securities lending program contained fees that could have been reduced, thereby increasing the returns of the AmSouth Funds.

### **3. AmSouth Causes Misleading Partial Disclosures To Be Made to the AmSouth Funds’ Trustees and to Fund Shareholders**

24. The independent trustees were generally aware that BISYS provided marketing assistance with respect to the AmSouth Funds from its administration or other service fees. However, the independent trustees were not told specifically how much was spent for marketing or how those monies were spent. The independent trustees also were not told that the marketing budget was ever in an overspent position. They were not told that AmSouth and BISYS secretly agreed to pay down \$1 million of the marketing budget deficit from the new fund accounting fee and to waive the remainder, \$2.5 million, so long as BISYS remained administrator for the entire year 2001. Most importantly, the independent trustees were never told about the marketing side letters or consulting agreement.

25. At the September 23, 2003 AmSouth Funds’ board meeting, a BISYS representative made a presentation to the AmSouth Funds’ board providing the independent trustees with more detail concerning the marketing payments. He distributed to the AmSouth Funds’ board a one-page summary of the program, called the Distribution Assistance Program or



DAP, describing it generally as an “informal arrangement under which BISYS voluntarily expends its own assets in marketing the Funds.” He told the trustees that BISYS spent approximately 25% of its administration fee on marketing, and provided them with a one-page bar chart containing a general breakdown of how those moneys were spent. He also told the trustees that “all applicable regulatory rules were being followed.” AmSouth reviewed and approved the information underlying the one-page bar chart, which omitted the material facts that the salary, bonus, and country club membership of an officer of AmSouth and president of the AmSouth Funds were paid out of the marketing budget. At that meeting, AmSouth did not disclose that the DAP failed to describe the formal nature of the arrangement in which BISYS agreed to set aside a certain portion of its administration fee to be used at AmSouth’s direction in exchange for AmSouth recommending BISYS as administrator to the AmSouth Funds’ board.

26. From at least 1999 through September 2005, AmSouth and BISYS each participated in drafting prospectuses and SAIs for the AmSouth Funds. From at least 1999 through November 28, 2003, AmSouth did not disclose to shareholders information concerning the marketing side letters and consulting agreement. In November 28, 2003, AmSouth Funds’ SAI stated that “[t]he Distributor [BISYS] and/or its affiliates, may finance from their own resources, certain activities intended to result in the distribution of the Funds’ Class A Shares and Class B Shares.” This belated disclosure, however, was misleading because it failed to provide shareholders any meaningful information concerning the existence or magnitude of the conflict of interest created by the marketing budget. BISYS did not, in fact, finance distribution activities from its own resources but rather paid for marketing through its administration fees. AmSouth Funds shareholders were never informed that the undisclosed marketing agreements harmed them by diverting part of the administration fee to benefit BISYS (through renewal of administration contracts) and AmSouth (by subsidizing expenses AmSouth would otherwise likely have incurred).

27. Additionally, the administration contract was filed as an exhibit to the SAI. The SAI was materially misleading because the failure to disclose the side letters made the administration agreement incomplete and misleading. The failure to file the side letters as exhibits was materially misleading because Item 23 of Form N-1A requires a registrant to file “[o]ther material contracts not made in the ordinary course of business to be performed in whole or in part after the filing” of the registration statement.

#### **D. VIOLATIONS**

28. As a result of the conduct described above, AmSouth Asset Management willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

29. As a result of the conduct described above, AmSouth Bank and AmSouth Asset Management willfully violated Section 34(b) of the Investment Company Act, which prohibits the making of any untrue statement of a material fact in any investment company registration statement and makes unlawful for any person to omit to state therein any fact necessary in order to prevent the statements made therein, in the light of the circumstances under which they were made, from being materially misleading.

30. As a result of the conduct described above, AmSouth Bank and AmSouth Asset Management willfully aided and abetted and caused the AmSouth Funds' violations of Section 12(b) of the Investment Company Act and Rule 12b-1(a)(1) thereunder by failing to comply with their duty under Rule 12b-1(d) to furnish information reasonably necessary to the directors' evaluation of the Rule 12b-1 plan.

#### IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents AmSouth Bank's and AmSouth Asset Management's Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent AmSouth Asset Management cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act, and Respondents AmSouth Bank and AmSouth Asset Management cease and desist from committing or causing any violations and any future violations of Sections 12(b) and 34(b) of the Investment Company Act, and Rule 12b-1 thereunder.

B. IT IS FURTHER ORDERED that, the Respondents shall, jointly and severally, within 30 days of the entry of this Order, pay disgorgement in the amount of \$7,789,282 (\$9,787,282 less the \$1,998,000 previously repaid by AmSouth to the AmSouth Funds), prejudgment interest in the amount of \$2,198,952.81, and \$1,500,000.00 in civil money penalty, for a total amount of \$11,488,234.81, to the Pioneer Funds as described in Section IV.D. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by United States postal money order, certified check, bank cashier's check, bank wire, or bank money order; (B) made payable to the Pioneer Funds as described in Section IV.D.; and (C) submitted under cover letter that identifies AmSouth Bank and AmSouth Asset Management as the Respondents in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Michele Wein Layne, Associate Regional Director, U.S. Securities and Exchange Commission, 5670 Wilshire Blvd, Suite 1100, Los Angeles, CA 90036.

C. IT IS FURTHER ORDERED that, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, interest and penalties referenced in paragraph IV.B. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that they shall not, after offset or reduction in any Related Investor Action based on Respondents' payment of disgorgement in this action, argue that it is entitled to, nor shall it further benefit by offset or reduction of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order

granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as found in the Order instituted by the Commission in this proceeding.

D. The Respondents shall distribute the following amounts to the affected Pioneer Funds listed below:

<u>Fund</u>	<u>Distributable Amount</u>
Pioneer Oak Ridge Large Cap Growth Fund	\$494,798.28
Pioneer Oak Ridge Large Cap Growth Fund	\$617,377.74
Pioneer Fund	\$399,790.58
Pioneer Value Fund	\$930,776.79
Pioneer Mid Cap Value Fund	\$514,213.39
Pioneer Growth Opportunities Fund	\$557,179.39
Pioneer International Equity Fund	\$1,091,726.96
Pioneer Research Fund	\$241,597.58
Pioneer Classic Balanced Fund	\$324,772.40
Pioneer Ibbotson Aggressive Allocation Fund	\$111,321.00
Pioneer Ibbotson Growth Allocation Fund	\$147,965.47
Pioneer Ibbotson Moderate Allocation Fund	\$234,015.35
Pioneer Ibbotson Moderate Allocation Fund	\$103,394.12
Pioneer Bond Fund	\$1,263,820.72
Pioneer AMT-Free Municipal Fund	\$105,462.00
Pioneer Tax Free Income Fund	\$651,727.56
Pioneer Tax Free Income Fund	\$73,065.18
Pioneer Government Income Fund	\$344,072.64
Pioneer Short Term Income Fund	\$345,910.75
Pioneer Treasury Reserves Fund	\$324,427.76
Pioneer Cash Reserves Fund	\$1,210,055.78
Pioneer Tax Free Money Market Fund	\$282,495.70
Pioneer Institutional Money Market Fund	\$844,959.67
Pioneer Oak Ridge Large Cap Growth VCT Portfolio	\$33,086.12
Pioneer Fund VCT Portfolio	\$116,835.35
Pioneer Fund VCT Portfolio	\$123,383.65

By the Commission.

Florence E. Harmon  
Acting Secretary