In the Matter of Janus Capital Management LLC
(Administrative Proceeding File No. 3-11590)

Modified Plan of Distribution

I. Introduction

Pursuant to the Securities and Exchange Commission ("SEC") Order dated August 18, 2004, respondent Janus Capital Management LLC ("JCM") has retained Christopher M. James as the Independent Distribution Consultant ("IDC"). Professor James is the William H. Dial/SunBank Eminent Scholar and Professor of Finance at the University of Florida. Prior to joining the faculty of the University of Florida, Professor James taught at the University of Oregon and the University of Michigan. Professor James also held positions at the Federal Reserve Bank of San Francisco, the Federal Deposit Insurance Corporation, the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System and the United States Treasury Department. Professor James' academic research has been in the areas of financial institutions, securities pricing and corporate finance and he serves on the editorial boards of four scholarly journals including the Journal of Financial Economics. Professor James was assisted in this assignment by Cornerstone Research, an economics consulting firm. JCM has agreed to pay all costs associated with the engagement of the IDC.

Pursuant to the SEC Order, the task of the IDC is to:

> "…develop a Distribution Plan for the distribution of all of the disgorgement and penalty ordered in Section IV, Paragraph C of the Order, and any interest or earnings thereon, according to a methodology developed in consultation with JCM and acceptable to the staff of the Commission and the independent Trustees of the Janus funds. The Distribution Plan shall provide for investors to receive, from the monies available for distribution in order of priority, (i) their proportionate share of losses suffered by the fund due to market timing, and (ii) a proportionate share of advisory fees paid by funds that suffered such losses during the period of such market timing."[1]

[1] SEC Order, paragraph 33.

This Plan is subject to approval by the SEC, which retains jurisdiction over the implementation of the Plan. The IDC will inform the SEC staff of any material changes in the Plan, and will obtain approval from the SEC prior to their implementation. If material changes are required, this Plan may be amended upon the motion of JCM, the Fund Administrator or upon the SEC's own motion. For good cause shown, the Commission staff may extend any of the dates and/or time limits set forth in the Plan.

A. Discretionary Frequent Trading Arrangements

JCM, a subsidiary of Janus Capital Group Inc., is the investment advisor to the Janus family of mutual funds ("Janus funds"). According to the SEC Order, between November 2001 and September 2003, JCM entered into or maintained discretionary frequent trading arrangements with twelve entities. Although account holders were typically allowed only four redemptions per year, these arrangements permitted the twelve entities to transact more frequently in certain Janus funds. As part of its arrangements with these twelve entities, JCM waived redemption fees that would normally be assessed on frequent traders.[2] This "discretionary frequent trading" potentially could have imposed certain disproportionate costs – including dilution of returns and increased administrative and transaction costs – on the long-term shareholders of the funds at issue.

The IDC limited the analysis to losses (or costs) resulting from the discretionary frequent trading activity of the twelve entities and has made no attempt to identify other transactions that might be "market timing" transactions.[3] The IDC's analysis is applicable to the facts of this case and may or may not be applicable to other cases.

[2] SEC Order, paragraphs 6 through 11.

[3] JCM made a series of representations on which the IDC relied in preparing this Plan of Distribution. For example, JCM is not aware of any excessive short-term trading and/or market timing activity by its employees.

B. Twelve Entities

Twelve entities entered into discretionary frequent trading arrangements with JCM, and JCM is not aware of any other entities with which JCM entered into discretionary trading arrangements. Only nine of these twelve traded more than four times per year, and the IDC examined all purchases and sales by these nine entities. These nine entities, referred to herein as "discretionary frequent traders," are:

1. Canadian Imperial
2. Ikebana
3. Roundhill
4. Rydex
5. Shorewood
6. Signalert
7. Thornberry
8. Trautman
9. Tripod

To identify transactions by these nine entities under the discretionary frequent trading arrangements, the IDC relied on a list of account numbers developed by JCM in consultation with Ernst & Young (consultant to the Independent Trustees of the Janus funds) and the IDC.

C. Funds

The IDC also limited the analysis to losses suffered by investors in the seven funds in which the discretionary frequent trading occurred. The seven funds, referred to herein as the "affected funds," are:

1. Adviser International Growth (I Shares)
2. Adviser Worldwide (I Shares)
3. Enterprise
4. High Yield
5. Mercury
6. Overseas
7. Worldwide

D. Relevant Time Periods

For each of the affected funds, the IDC examined transactions by the discretionary frequent traders only during the period of time in which discretionary frequent trading arrangements were in effect. These time periods, referred to herein as the "relevant time periods," are:

1.	Adviser International Growth	(4/8/02 – 9/22/03)
2.	Adviser Worldwide	(4/30/02 – 9/22/03)
3.	Enterprise	(6/12/02 – 9/4/03)
4.	High Yield	(11/26/02 – 9/10/03)[4]
5.	Mercury	(11/7/01 – 9/4/03)
6.	Overseas	(11/30/01 – 9/10/03)
7.	Worldwide	(1/28/03 – 9/10/03)

A detailed analysis of the discretionary frequent trading in each affected fund during the relevant time period is attached as Appendix 1.

E. Aggregate Losses

The IDC has calculated the aggregate losses suffered by investors in the affected funds during the relevant time periods as a result of trades made by discretionary frequent traders. In the IDC's opinion, a calculation of aggregate losses is a necessary prerequisite to the determination of investors' "proportionate share of losses suffered," as required by the SEC order.

Dilution losses were calculated using two different methodologies, depending on whether the discretionary frequent traders' funds appear to have been held in cash or invested in securities. For the two Adviser Funds, where the empirical analysis suggests that portfolio managers held the funds invested by discretionary frequent traders as cash, the IDC calculates dilution using the total profits methodology. For the remaining five funds, where the analysis suggests that the presence of discretionary frequent traders had no impact on the trading behavior of the port

[4] One discretionary frequent trader, Signalert, remained invested in the High Yield Fund subsequent to JCM's request to close its accounts. Signalert closed its account on February 2, 2004. When the account was closed, the transaction did not result in dilution under the next-day NAV methodology.

Table 1: Aggregate Losses By Affected Fund

Source: Janus Position Data; Janus Transaction Data;
Portfolio Trading Data; Bloomberg; Federal Reserve Statistical Release

Fund	Dilution	Incremental Portfolio Trading and Administrative Costs	Total Foregone Appreciation	Total
Adviser Worldwide	$6,195,940	$28	$293,312	$6,489,280
Mercury	5,072,281	1,380,788	1,229,568	7,682,637
Adviser International Growth	3,299,046	30	559,813	3,858,889
Enterprise	1,044,885	101,044	298,468	1,444,397
Overseas	434,407	48,514	23,273	506,194
Worldwide	340,665	183,462	12,956	537,083
High Yield	93,424	304,561	17,944	415,929
Total	**$16,480,648**	**$2,018,427**	**$2,435,334**	**$20,934,409**

Note: For Adviser Worldwide and Adviser International Growth Funds, dilution is calculated using the total profits methodology. For all other funds, dilution is calculated using the next-day NAV methodology. Transaction costs are $0 for Adviser Worldwide and Adviser International Funds because the dilution is calculated using the total profits methodology, which assumes that the discretionary frequent traders' investments were held in cash and therefore did not result in incremental portfolio trading costs. In the remaining funds, dilution is calculated using the next-day NAV methodology, that assumes the discretionary frequent traders' investments were invested in fund securities after one day, and therefore are assumed to result in incremental portfolio trading costs. The losses include losses to discretionary frequent traders on days they held their investments in the fund and losses to JCM and JCG officers and directors with holdings in the fund.

folio managers, the IDC calculates dilution using the next-day NAV (net asset value) methodology. The IDC calculates aggregate dilution across the seven funds in the amount of $16,480,648. The IDC calculates foregone appreciation on this dilution as of September 17, 2004, the date settlement funds were put into escrow, to be $2,133,535. The IDC also calculates incremental portfolio trading costs and administrative costs resulting from discretionary frequent trading activity of $2,018,427 plus foregone appreciation of $301,799, as of September 17, 2004. It is the opinion of the IDC that the total aggregate losses to investors in the seven Janus funds as a result of discretionary frequent trading activity amount to $20,934,409, as of September 17, 2004 ("Aggregate Losses"). The Aggregate Losses are summarized in Table 1, and a detailed analysis of these losses and the methodology used by the IDC is attached as Appendix 2.

II. Allocation of Settlement Amount

Under the SEC Order, shareholders are to be reimbursed for "(i) their proportionate share of losses suffered by the fund due to market timing, and (ii) a proportionate share of advisory fees paid by funds that suffered such losses during the period of such market timing."[5] For JCM, the funds available to be distributed equal $100 million – $50 million in disgorgement and $50 million in civil money penalties.[6] The settlement funds were placed in escrow at Wells Fargo, N.A. (Corporate Trust Services) on September 17, 2004 and have since been earning interest, which will also be distributed.[7] The funds were transferred to the Department of Treasury's Bureau of Public Debt on October 21, 2005 in the amount of $51,017,545.99 and on December 15, 2005 in the amount of $50,986,000.00. These funds are invested in direct obligations of the United States government. The $100 million settlement payment plus the interest earned since September 17, 2004 will be referred to herein as the Fair Fund.

As summarized above and detailed in Appendix 2, the Aggregate Losses total $20,934,409. Once the Aggregate Losses are allocated to individual accounts (see the section entitled "Allocation of Aggregate Losses" below), the remainder of the Fair Fund will be available to compensate shareholders for other harms, if any. This remainder (the "Additional Funds") will be distributed in proportion to the Aggregate Loss suffered by each account (see the section entitled "Allocation of the Additional Funds" below). Any funds that remain undistributed for any reason will be distributed to the affected funds in proportion to the Aggregate Losses sustained by their shareholders (see the section entitled "Allocation of Undistributed Funds" below). The IDC believes that this methodology is fair and reasonable in the context of this case.

[5] SEC Order, paragraph 33.

[6] SEC Order, Section IV(D)(1).

[7] Pursuant to the SEC Order, Section IV(D)(3), the funds in the escrow account were invested in short-term U.S. Treasury securities with maturities of six months or shorter.

A. Allocation of Aggregate Losses

To allocate the Aggregate Losses to unique accounts, the IDC calculated for each fund a daily loss per share and then multiplied this loss per share by the number of shares held in an account on a particular day. The daily loss was calculated as the sum of the dilution and incremental portfolio trading costs on that day, plus the foregone appreciation associated with those losses. This daily loss was then divided by the number of shares that were diluted to determine the loss per share. Administrative costs were allocated proportionally to other losses. The Aggregate Losses allocated to unique accounts equal $21,101,522 (the "Allocated Losses").[8]

JCM's accounts can be broadly classified into three general categories. The first category includes individually owned accounts that JCM classifies internally as either direct retail accounts or individual matrix accounts. These are accounts that were opened either directly with a JCM affiliate or through a broker, but for which the ultimate shareholder is a single person or entity. Almost all (98%) of the accounts invested in the seven Janus funds during the relevant time period fell into this category. The second category includes pooled or omnibus intermediated accounts. This category includes accounts in which an intermediary, such as a broker/dealer, has aggregated the trades of its customers into a single account. In such accounts, the ultimate shareholders are the intermediary's customers. Information pertaining to the identity, contact information, or individual share balances of the ultimate shareholder resides with the intermediary. During the relevant time period, there were approximately 330 accounts of this type. However, these accounts incurred approximately 49% of the total losses. The third and final category includes plan owned accounts. These are accounts such as 401(k) plans, profit-sharing plans or other plans, which generally hold shares in trust for a pooled group of plan participants.

[8] The Allocated Losses differ from the Aggregate Losses for two reasons. First, the aggregate loss figure includes losses incurred by discretionary frequent traders on days they held their investments in the funds as well as officers and directors of JCM and Janus Capital Group (JCM's holding company). As the discretionary frequent traders as well as officers and directors of JCM and Janus Capital Group are excluded in the distribution of the settlement funds, their losses were excluded from the allocation, thereby reducing the total allocated losses by $17,175. Second, a small number of accounts benefited from the presence of the discretionary frequent traders (i.e., incurred negative losses), thereby reducing the aggregate losses suffered. In the allocation, the losses incurred by such accounts were set equal to zero, consequently increasing the cumulative losses allocated to unique accounts by $184,287.

The ultimate shareholder of these accounts is the plan itself, even though the shares may be held in trust for the group of plan participants. There were approximately 23,000 accounts of this type during the relevant time period, accounting for 24% of the total losses. Tables 2, 3, and 4 summarize the distribution of the $21,101,522 in total losses allocated to unique accounts that were calculated for these three types of accounts respectively.

Table 2: Aggregate Losses Allocation Summary of Individually Owned Accounts by Dollar Amount

Source: Janus Position Data; Janus Transaction Data; Bloomberg; Federal Reserve Statistical Release

	Number of Accounts	% of Total Accounts	Calculated Losses	% of Total Calculated Losses	Average Calculated Loss per Account
Between $0 – $2	873,505	64.7%	475,357	8.4%	$1
Between $2 – $4	184,503	13.7%	523,613	9.3%	$3
Between $4 – $6	89,348	6.6%	438,436	7.8%	$5
Between $6 – $8	50,142	3.7%	347,327	6.1%	$7
Between $8 – $10	33,515	2.5%	299,107	5.3%	$9
Between $10 – $20	70,907	5.3%	983,857	17.4%	$14
Between $20 – $40	32,224	2.4%	877,862	15.5%	$27
Between $40 – $60	8,063	0.6%	388,040	6.9%	$48
Between $60 – $80	2,968	0.2%	203,587	3.6%	$69
Between $80 – $100	1,482	0.1%	131,557	2.3%	$89
Between $100 – $1,000	2,546	0.2%	475,321	8.4%	$187
Between $1,000 – $2,000	56	0.0%	78,766	1.4%	$1,407
Between $2,000 – $5,000	9	0.0%	24,579	0.4%	$2,731
Greater than $5,000	4	0.0%	403,424	7.1%	$100,856
Total	**1,349,272**	**100.0%**	**$5,650,833**	**100.0%**	**$4**

Note: Some account numbers appear in multiple funds. In those instances, the calculated loss amount represents the total amount of calculated loss owed to that account across all funds in which it appears. Accounts are classified as individually owned, omnibus or plan based on their registration information.

Table 3: Aggregate Losses Allocation Summary of Omnibus Accounts by Dollar Amount

Source: Janus Position Data; Janus Transaction Data; Bloomberg; Federal Reserve Statistical Release

	Number of Accounts	% of Total Accounts	Calculated Losses	% of Total Calculated Losses	Average Calculated Loss per Account
Between $0 – $2	156	47.6%	15	0.0%	$0
Between $2 – $10	5	1.5%	17	0.0%	$3
Between $10 – $100	14	4.3%	650	0.0%	$46
Between $100 – $1,000	37	11.3%	17,442	0.2%	$471
Between $1,000 – $100,000	91	27.7%	1,391,844	13.4%	$15,295
Between $100,000 – $1,000,000	23	7.0%	6,278,703	60.3%	$272,987
Greater than $1,000,000	2	0.6%	2,724,876	26.2%	$1,362,438
Total	**328**	**100.0%**	**$10,413,546**	**100.0%**	**$31,749**

Note: Some account numbers appear in multiple funds. In those instances, the calculated loss amount represents the total amount of calculated loss owed to that account across all funds in which it appears. Accounts are classified as individually owned, omnibus or plan based on their registration information.

Table 4: Aggregate Losses Allocation Summary of Plan Accounts by Dollar Amount

Source: Janus Position Data; Janus Transaction Data; Bloomberg; Federal Reserve Statistical Release

	Number of Accounts	% of Total Accounts	Calculated Losses	% of Total Calculated Losses	Average Calculated Loss per Account
Between $0 – $2	13,105	56.0%	4,825	0.1%	$0
Between $2 – $4	1,935	8.3%	5,528	0.1%	$3
Between $4 – $6	1,188	5.1%	5,879	0.1%	$5
Between $6 – $8	736	3.1%	5,120	0.1%	$7
Between $8 – $10	526	2.2%	4,703	0.1%	$9
Between $10 – $20	1,500	6.4%	21,271	0.4%	$14
Between $20 – $40	1,165	5.0%	32,893	0.7%	$28
Between $40 – $60	516	2.2%	25,321	0.5%	$49
Between $60 – $80	334	1.4%	23,276	0.5%	$70
Between $80 – $100	226	1.0%	20,199	0.4%	$89
Between $100 – $1,000	1,561	6.7%	534,562	10.6%	$342
Between $1,000 – $100,000	585	2.5%	2,765,428	54.9%	$4,727
Between $100,000 – $1,000,000	3	0.0%	424,886	8.4%	$141,629
Greater than $1,000,000	1	0.0%	1,163,252	23.1%	$1,163,252
Total	**23,381**	**100.0%**	**$5,037,143**	**100.0%**	**$215**

Note: Some account numbers appear in multiple funds. In those instances, the calculated loss amount represents the total amount of calculated loss owed to that account across all funds in which it appears. Accounts are classified as individually owned, omnibus or plan based on their registration information.

B. Allocation of the Additional Funds

After allocating $21,101,522 to cover the Allocated Losses, the Additional Funds will be allocated in proportion to the losses suffered by each account. Tables 5, 6, and 7 show the distribution of the entire Fair Fund (i.e. the Allocated Losses plus the Additional Funds) across the three categories of accounts, respectively.

Table 5: Fair Fund Allocation Summary of Individually Owned Accounts by Dollar Amount

Source: Janus Position Data; Janus Transaction Data; Bloomberg; Federal Reserve Statistical Release

	Number of Accounts	% of Total Accounts	Distributed Amount	% of Total Distributed Amount	Average Distributed Amount per Account
Between $0 – $2	478,898	35.5%	306,429	1.1%	$1
Between $2 – $4	164,533	12.2%	472,554	1.8%	$3
Between $4 – $6	104,576	7.8%	520,085	1.9%	$5
Between $6 – $8	79,573	5.9%	552,907	2.1%	$7
Between $8 – $10	61,887	4.6%	556,215	2.1%	$9
Between $10 – $20	181,513	13.5%	2,578,555	9.6%	$14
Between $20 – $40	135,483	10.0%	3,820,160	14.3%	$28
Between $40 – $60	54,162	4.0%	2,644,686	9.9%	$49
Between $60 – $80	28,319	2.1%	1,956,943	7.3%	$69
Between $80 – $100	16,729	1.2%	1,494,552	5.6%	$89
Between $100 – $1,000	42,943	3.2%	8,477,877	31.7%	$197
Between $1,000 – $2,000	435	0.0%	570,278	2.1%	$1,311
Between $2,000 – $5,000	155	0.0%	441,136	1.6%	$2,846
Greater than $5,000	66	0.0%	2,386,890	8.9%	$36,165
Total	**1,349,272**	**100.0%**	**$26,779,266**	**100.0%**	**$20**

Note: Some account numbers appear in multiple funds. In those instances, the calculated loss amount represents the total amount of calculated loss owed to that account across all funds in which it appears. Accounts are classified as individually owned, omnibus or plan based on their registration information.

Table 6: Fair Fund Allocation Summary of Omnibus Accounts by Dollar Amount

Source: Janus Position Data; Janus Transaction Data; Bloomberg; Federal Reserve Statistical Release

	Number of Accounts	% of Total Accounts	Distributed Amount	% of Total Distributed Amount	Average Distributed Amount per Account
Between $0 – $2	146	44.5%	12	0.0%	$0
Between $2 – $10	11	3.4%	66	0.0%	$6
Between $10 – $100	8	2.4%	331	0.0%	$41
Between $100 – $1,000	13	4.0%	4,756	0.0%	$366
Between $1,000 – $100,000	103	31.4%	2,150,085	4.4%	$20,875
Between $100,000 – $1,000,000	33	10.1%	12,598,196	25.5%	$381,764
Greater than $1,000,000	14	4.3%	34,596,292	70.1%	$2,471,164
Total	**328**	**100.0%**	**$49,349,739**	**100.0%**	**$150,457**

Note: Some account numbers appear in multiple funds. In those instances, the calculated loss amount represents the total amount of calculated loss owed to that account across all funds in which it appears. Accounts are classified as individually owned, omnibus or plan based on their registration information.

Table 7: Fair Fund Allocation Summary of Plan Accounts by Dollar Amount

Source: Janus Position Data; Janus Transaction Data; Bloomberg; Federal Reserve Statistical Release

	Number of Accounts	% of Total Accounts	Distributed Amount	% of Total Distributed Amount	Average Distributed Amount per Account
Between $0 – $2	9,098	38.9%	3,348	0.0%	$0
Between $2 – $4	1,702	7.3%	4,924	0.0%	$3
Between $4 – $6	1,116	4.8%	5,523	0.0%	$5
Between $6 – $8	739	3.2%	5,137	0.0%	$7
Between $8 – $10	611	2.6%	5,502	0.0%	$9
Between $10 – $20	1,939	8.3%	27,835	0.1%	$14
Between $20 – $40	1,891	8.1%	54,050	0.2%	$29
Between $40 – $60	949	4.1%	46,709	0.2%	$49
Between $60 – $80	625	2.7%	43,389	0.2%	$69
Between $80 – $100	436	1.9%	39,156	0.2%	$90
Between $100 – $1,000	2,759	11.8%	912,313	3.8%	$331
Between $1,000 – $100,000	1,490	6.4%	10,947,649	45.9%	$7,347
Between $100,000 – $1,000,000	25	0.1%	6,262,810	26.2%	$250,512
Greater than $1,000,000	1	0.0%	5,512,647	23.1%	$5,512,647
Total	**23,381**	**100.0%**	**$23,870,995**	**100.0%**	**$1,021**

Note: Some account numbers appear in multiple funds. In those instances, the calculated loss amount represents the total amount of calculated loss owed to that account across all funds in which it appears. Accounts are classified as individually owned, omnibus or plan based on their registration information.

C. Allocation of Undistributed Funds

After distributing the funds according to the foregoing allocation of losses, funds will still remain in the Fair Fund. For example, amounts undistributed would include allocations to: accounts with distribution amounts below the *de minimis* amount, accountholders that cannot be located with commercially reasonable effort, accountholders that return or do not cash distribution checks, and accountholders that refuse distribution. One hundred and eighty days after the final distribution date any undistributed amounts will be placed into an account (the "Undistributed Funds" account). Investors in the seven affected funds who did not receive a distribution under the Plan, or who dispute the amount of the distribution they did receive under the Plan, may file a dispute form with the IDC and request payment from the Undistributed Funds ac-

count.[9] This account will close after all disputes are resolved, and in any event no later than nine months after the final distribution date, and any remaining undistributed funds will be allocated to the seven affected funds in proportion to the losses suffered by the shareholders in each fund. JCM shall pay the expenses incurred in connection with the dispute resolution process and the Undistributed Funds account.

D. Distribution Issues

Not later than 30 days after the Commission's final approval of the Plan, the Fund Administrator will, subject to the IDC's supervision, attempt to notify the nine discretionary frequent traders that they are excluded in the distribution of the settlement funds. The notice will also inform the discretionary frequent traders that they can review the Plan through the JCM website. A discretionary frequent trader may dispute its exclusion from the distribution by submitting, to the Fund Administrator, a sworn statement under penalty of perjury containing information about why it should not be excluded from the distribution. Any submission must be made to the IDC, through the Fund Administrator, within 45 days after Plan approval. The IDC will resolve any dispute in his sole discretion and his decisions will be final.

Any submissions may be shared with the staff of the Commission. False statements in connection with any submissions may subject the certifying individual or entity to civil or criminal sanctions, including but not limited to, liability under 18 U.S. C. § 1001, liability for any false statements made in an unsworn certificate under penalty of perjury as permitted by 28 U.S.C. § 1746, or liability under any other applicable law.

[9] Such investors may file with the administrator a dispute form, accompanied by such evidence as the investor believes sufficient to support the investor's position. The IDC may request additional information. The dispute form will be available on www.janus.com, and must be filed no later than ninety days after the final distribution date. The IDC shall have the sole discretion to determine whether any person who files a dispute form is entitled to a distribution from the Undistributed Funds account, and if so in what amount.

Distribution for Individually Owned Accounts

A $10 *de minimis* threshold will be used for both current and former accountholders.[10] For JCM, a $10 threshold would mean that 90% of the funds owed to individually owned accountholders would be distributed. For current accountholders, JCM may directly credit the account for the amount to be distributed. For accountholders whose accounts are not directly credited, the Fund Administrator will be retained to use commercially reasonable efforts to locate such investors and to oversee mailing of the checks to them.

Distribution for Omnibus Accounts

The omnibus broker/dealer accounts include not only accounts held by large brokerage houses such as Schwab or Fidelity but also a number of smaller companies. For many of these smaller companies, the cost of effectuating the distribution to the ultimate investors may exceed the amount of the distribution. In addition, given the relatively small distribution amounts owed to such companies, the amounts ultimately received by individual investors may fall well below the $10 *de minimis* threshold established for individually owned accounts. A $1,000 *de minimis* threshold will be applied to omnibus accounts. For JCM, a $1,000 *de minimis* threshold would mean that over 99% of the funds owed to omnibus broker/dealer accounts would be distributed. One hundred fifty omnibus clients are entitled to distributions in excess of $1,000. It appears reasonable to make these distributions. For example, one such client, entitled to a distribution of approximately $50,000, has indicated that its omnibus position represents the interests of 2,255 individual investors. On average, each of these individual investors will receive in excess of $22 – well above the $10 *de minimis* threshold for individual investors.

The omnibus accountholders may choose to provide the IDC with the data or they may choose to handle the distribution themselves, using guidelines and algorithms provided by the IDC to determine the amount owed to each individual customer. For those companies that choose to provide the data, the IDC will process and effectuate the distribution to individual

[10] This is consistent with the threshold established by IDCs for other mutual fund complexes.

shareholders. If requested, JCM shall reimburse the company for any commercially reasonable expenses incurred in providing the data, not to exceed the amount of the distribution. The IDC and the Fund Administrator shall use commercially reasonable efforts to maintain the confidentiality of all data. For those companies that choose to handle the distribution themselves, JCM shall reimburse the company for commercially reasonable distribution expenses incurred, not to exceed the amount of the distribution. These companies will not receive the funds until they have performed the necessary calculations pursuant to the guidelines and algorithms provided by the IDC, and will also be required to certify that they have distributed the funds in accordance with the Plan. In the event of any disputes between JCM and an omnibus provider, the IDC shall be the final arbiter of such disputes, including but not limited to what constitutes a "commercially reasonable expense" as used in this paragraph. When a reasonable alternative distribution mechanism is requested by an omnibus accountholder, the IDC may consider employing the alternative mechanism so long as the mechanism does not materially increase the administrative expense or decrease the funds payable to individual investors.

Distribution for Plan Accounts

"Retirement Plan" as used in this Plan means an employee benefit plan, as such plans are defined in Section 3(3) of ERISA, 29 U.S.C. § 1002(3), which is not an Individual Retirement Account (IRA), whether or not the employee benefit plan is subject to Title I of ERISA. Funds will be distributed to IRAs pursuant to the preceding two sections of this Plan.

Assets of Retirement Plans are held in trust by a trustee, and the trust is the legal owner of the assets. This Plan requires fiduciaries and intermediaries of Retirement Plans, as defined in Department of Labor Field Assistance Bulletin No. 2006-01 (April 19, 2006), to distribute the monies received in accordance with their legal, fiduciary, and contractual obligations and consistent with guidance issued by the Department of Labor, including but not limited to Field Assistance Bulletin No. 2006-01.

An intermediary to one or more Retirement Plans may allocate the distribution it receives pursuant to this Plan among eligible Retirement Plans participating in an omnibus account administered by such intermediary according to the procedures set forth in the preceding section or

according to the average share or dollar balances of the Retirement Plans' investment in the affected funds during the relevant time periods, provided, however, that for the purposes of such allocation each Retirement Plan itself (and not the individual plan participants) shall be treated as the beneficial owner.

The fiduciary of a Retirement Plan receiving a distribution may distribute it pursuant to one of the following four alternatives, which are not exclusive:

(1) The distribution may be allocated to current and former participants in the Retirement Plan using the methodology described in the preceding section. The IDC will make the guidelines and algorithms available to Retirement Plan fiduciaries.

(2) The distribution may be allocated pro rata (based on total account balance) among the accounts of all persons who are currently participants in the Retirement Plan (whether or not they are currently employees).

(3) The distribution may be allocated per capita among the accounts of all persons who are currently participants in the Retirement Plan (whether or not they are currently employees).

(4) If none of the three preceding alternatives is administratively feasible (because, for example, the costs of effecting the allocation exceed the amount of the distribution), the distribution may, to the extent permitted by the Retirement Plan, be allocated to paying the reasonable expenses of administering the Retirement Plan.

Distributions to Retirement Plans will be subject to the $10 de minimis threshold. Except as set forth in the preceding section, intermediaries and fiduciaries will not be reimbursed the costs and expenses associated with allocating any distribution.

E. Administration of the Plan

Pursuant to the SEC Order dated August 18, 2004, the IDC in conjunction with JCM is required to "take all necessary and appropriate steps to administer the final plan for distribution

of disgorgement and penalty funds."[11] Rust Consulting, Inc. will serve as the Fund Administrator and assist in the distribution process under the supervision of the IDC.[12]

Customers whose accounts are not directly credited shall receive a physical check. A physical check will be mailed to the last known address for the customer after that address has been compared to the address name matching system. All physical checks shall bear a stale date 180 days from the date of issue. The IDC shall require the use of a positive payment system to honor checks as they are presented for payment. Checks that are not negotiated prior to the stale date shall be voided and the issuing financial institution shall be instructed to stop payment on those checks.

All payments shall be preceded or accompanied by a communication that includes, as appropriate: (a) a statement characterizing the distribution; (b) a description of the tax information reporting and other related tax matters; (c) a statement that checks will be void after 180 days; and (d) the name of a person to contact, to be used in the event of any questions regarding the distribution. Any such information letter or other mailing to recipients characterizing their distributions shall be submitted to the assigned Commission staff for review and approval. Distribution checks, on their face, or in the accompanying mailing will clearly indicate that the money is being distributed from an SEC Fair Fund.

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[11] SEC Order, paragraph 33.

[12] Under the supervision of the IDC, the Fund Administrator will be responsible for, among other things: overseeing the administration of the Fair Fund, obtaining accurate mailing information for shareholders, preparing accountings, cooperating with the tax administrator in providing the information necessary to accomplish the income tax compliance, and distributing money from the Fair Fund to shareholders in accordance with this Plan. Cornerstone Research has agreed to assist the Fund Administrator as follows: (1) receive intermediary data and perform distribution calculations for customers within omnibus relationships that exceed the $1,000 *de minimis* threshold; (2) calculate distribution amounts for accounts held directly with the fund that exceed the account and plan *de minimis* threshold; (3) provide JCM with the population of accounts and calculated amounts per account that did not meet the *de minimis* threshold; (4) collaborate with JCM to create a data file and record layout for the Fund Administrator so distribution payments are made to investors; (5) provide the Fund Administrator with the data set of calculated distribution amounts by channel; (6) provide consulting services periodically to the Fund Administrator to answer questions, clarify data, and address other items related to the distribution amounts; and (7) run ad hoc reports and other items as needed for JCM against calculated account data.

The Fund Administrator maintains and will continue to maintain insurance until termination of the Fund. The current primary insurer, Illinois Unions Ins. Co. (ACE USA), is a company which, as of its most recent renewal, was rated ("A+ XV") by A.M. Best. The Fund Administrator maintains and will continue to maintain until termination of the Fund, E&O insurance in the amount of $10,000,000. It has a policy limit of $10,000,000 per occurrence and an overall limit of $10,000,000 during the life of the policy. The Fund Administrator also maintains an additional $5,000,000 in excess E&O insurance, as well as $2,000,000 in fiduciary insurance. Lastly, the Fund Administrator maintains a crime policy in the amount of $5,000,000 per occurrence, which provides protection against employee dishonesty, forgery or fraudulent alteration of securities, and electronic and computer crime exposures, which include losses due to transfer, payment or delivery of funds as a result of fraudulent input, preparation or modification of computer instructions, data or fraudulent electronic transmissions or communications. Under the Plan of Distribution, at no time will there be funds under the custody and control of the Fund Administrator that exceed the amount covered by insurance. For the reasons stated in this paragraph, the IDC requests that the bond requirement for the Fund Administrator be waived by the Commission.

Deutsche Bank will hold Fair Fund assets during the check-cashing period and require use of a positive payment system. Once the Fair Fund assets are transferred from the Bureau of Public Debt to Deutsche Bank, they shall be placed in an escrow account which shall invest and reinvest the escrow property in AAA-rated money market mutual funds registered under the Investment Act of 1940 that directly invest in short-term U.S. Treasury securities and obligations, all backed by the full faith and credit of the U.S. Government; provided however, that the money market mutual funds' investments in short-term U.S. Treasury securities will not be made through repurchase agreement or other derivative products. This shall be done pursuant to the terms of an escrow agreement that must be acceptable to the staff of the Commission. When checks are presented for payment by recipients of the distribution, and validated by the Fund Administrator, the exact amount necessary to pay such presented checks shall be transferred from the escrow account into a distribution account bearing the name and taxpayer identification number of the Fair Fund, and validated presented checks shall be paid from this distribution account. For any payment to be made by wire instruction, the appropriate funds will be distributed

by the escrow agent from the escrow account directly to the payee in accordance with written instructions provided to the escrow agent by the Fund Administrator. Deutsche Bank maintains a Financial Institutions (FI) Bond, including errors and omissions coverage with an aggregate limit of 200,000,000 Euro and a bankers blanket bond of 250,000,000 Euro. The primary insurer is Chubb, a company which, as of its most recent renewal, was rated ("A+ XV") by A.M. Best. Deutsche Bank annually assesses the adequacy of its policy limits through extensive analysis of historical loss data, exposure to loss and internal company controls. Deutsche Bank limits are reviewed annually by the company's Board of Directors.[13]

Requirements of SEC Rule 1101(b)

The SEC's rules on Fair Fund require that certain information be included in a plan of distribution. Those elements are summarized here:

(1) Procedure for the receipt of additional funds. This plan provides for the distribution to Janus fund investors of the $100 million (plus interest) that JCM paid pursuant to the August 14, 2004 order. This Fair Fund has been deposited at the Bureau of Public Debt for investment in short-term U.S. Treasury securities and obligations. Other than interest from those investments, it is not anticipated that the Fair Fund will receive additional funds. In the event the IDC is engaged by JCM to assist with additional distributions from outside entities, the IDC expects to prepare one or more supplemental plan(s) of distribution, which will specify any account where funds will be held and the instruments in which the funds may be invested.

(2) Specification of categories of persons potentially eligible to receive proceeds from the Fair Fund. Subject to the *de minimis* thresholds, investors in the seven affected funds during the relevant time periods are potentially eligible to receive proceeds from the Fair Fund.

[13] The applicable certificates of insurance of both the Fund Administrator and the Bank have been made available to the assigned SEC staff for review and have been deemed "not unacceptable."

(3) Procedures for providing notice to such persons of the existence of the Fair Fund and their potential eligibility to receive proceeds of the Fair Fund. Once the Commission approves this Plan of Distribution, JCM will provide notice and make available a copy of this Plan through its website and 800-number call center. The Commission retains the right to review and approve any material posted on the website. The Plan will also be available on the Commission's website.

(4) Procedures for making and approving claims, procedures for handling disputed claims, and a cut-off date for the making of claims. This Fair Fund is not being distributed according to a claims-made process, so the procedures for making and approving claims are not applicable. The dispute procedures are set forth above in section II.C. entitled "Allocation of Undistributed Funds."

(5) A proposed date for the termination of the Fair Fund, including provision for the disposition of any funds not otherwise distributed. Any funds remaining in the Undistributed Funds account will be allocated to the Funds as set forth above in the section entitled "Allocation of Undistributed Funds." The proposed dates for the operation and termination of the Fair Fund are as follows: (a) the initial distributions will be made within 30 days after receiving Commission approval of this Plan; (b) the final distribution will be made within six months after the initial distribution; and (c) all funds, including the Undistributed Funds account, will be distributed within nine months after the final distribution date.

(6) Procedures for the administration of the Fair Fund, including selection, compensation, and, as necessary, indemnification of a fund administrator to oversee the fund, process claims, prepare accountings, file tax returns, and, subject to the approval of the Commission, make distributions from the Fair Fund to investors who were harmed by the violation. As summarized in note 11 above, Rust Consulting will perform the functions of the Fund Administrator, subject to the supervision of the IDC, with the assistance of Cornerstone Research. The Fund Administrator will also make the accountings required by

SEC Rule 1105(f). All fees and other expenses of administering the Plan shall be paid by JCM, except for tax liabilities, which shall be paid according to Rule 1105(e). All other tax-related matters are described in the section below entitled “tax provisions.”

Validation and approval of disbursing the distribution funds

In order to distribute funds, the IDC will submit a validated list of payees and the payment amounts to the assigned Commission staff, who will obtain authorization from the Commission to disburse pursuant to Rule 1101(b)(6). The payees and amounts will be validated at the IDC’s direction by Rust Consulting and/or Cornerstone Research. The validation will state that the list was compiled in accordance with the Plan and provides all information necessary to make disbursement to each distributee. Unless otherwise directed by the Commission, the Commission staff will arrange for the transfer of funds to the bank account established by the Fund Administrator for the distribution of funds to payees based upon the validated list of payees and representation by the Fund Administrator that the checks/wires will be issued as soon as reasonably possible, but not later than five business days.

Tax Provisions

(1) The Fair Fund constitutes a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5.

(2) The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. Upon approval of the Fair Fund Distribution Plan, the Commission shall cause the balance in the Fair Fund to be deposited to an account in the name of and bearing the Taxpayer Identification Number of the Qualified Settlement Fund ("QSF account"). The Fund Administrator shall be the signer on the accounts in the name of the Qualified Settlement Fund, subject to the continuing jurisdiction and control of the Commission. The IDC shall authorize Deutsche Bank to provide account information to the Tax Administrator. The IDC shall use the assets and earnings of the Fair Fund to provide payments to Investors and to

provide the Tax Administrator with assets to pay tax liability and tax compliance fees and costs. Duplicate statements for the QSF account shall be provided directly to the IDC and to the Tax Administrator. The QSF account shall be invested in direct obligations of the United States Government of a type and term necessary to meet the cash requirements of the payments to Investors, tax obligations and fees.

(3) The Commission has appointed Damasco & Associates as the Tax Administrator of the Fund. Securities Exchange Act of 1934 Release No. 52642 (Oct. 20, 2005). The IDC, the Fund Administrator, and JCM will cooperate with the Tax Administrator in providing information necessary to accomplish the income tax compliance, ruling and advice work assigned to the Tax Administrator by the Commission. The Tax Administrator shall be compensated by JCM.

(4) The methods of calculation of each eligible investor's share of the Fair Fund are intended to result in a payment to each eligible investor that restores the impaired value of the investor's investment in the affected funds. Some of this impaired value is susceptible to calculation, while some of this impaired value is not. The methods of calculation are intended by the Commission to fairly estimate the impaired value that each investor has suffered and make a payment in that amount.

(5) The Fair Fund shall terminate effective 120 days after the final distribution to investors, the resolution of uncashed or unclaimed checks, and the final accounting by the Fund Administrator has been submitted to and approved by the Commission, whichever is later. Prior to the termination of the Fair Fund the IDC shall cooperate with the Tax Administrator to retain adequate reserves for tax liability and for the costs of tax compliance. Prior to termination as defined in this paragraph, all undistributed assets remaining in the Fair Fund, minus any reserves for tax liability and tax compliance costs shall be remitted by the Commission to the United States Treasury or to such other person or entity as the Commission may direct.

Submitted on: April 24, 2008 By: 

Christopher M. James

IDC for Janus Capital Management LLC

APPENDIX 1

APPENDIX 1

Overview of the Seven Funds and Discretionary Frequent Trading Activity in Each Fund

Adviser International Growth Fund

The Adviser International Growth Fund is only available to investors through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund invests at least 80% of its net assets in securities of issuers from at least five different countries, excluding the United States.[1] As of July 31, 2003, the fund's reported net assets were $477.6 million.[2]

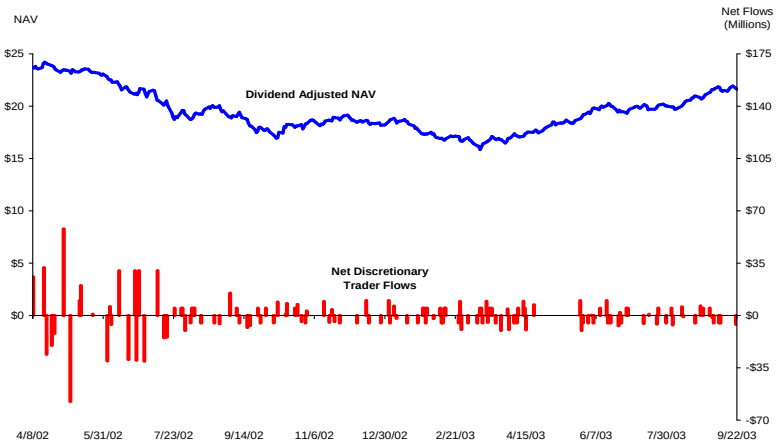
Three discretionary frequent traders – Trautman, Rydex, and Roundhill – transacted in this fund between April 2002 and September 2003. Trautman's trades were the largest, averaging $7.5 million per trade with an aggregate trading volume of $1.0 billion. Trautman also traded the most frequently, buying into the fund 71 times and holding for an average of 13 days. Figure 1-1 depicts the NAV and discretionary frequent trader flows in the Adviser International Growth Fund during the relevant time period. Table 1-1 provides details regarding the discretionary frequent trader activity in the fund.

[1] Janus Adviser Series Prospectus, June 2, 2003, page 39.

[2] Janus Adviser Series 2003 Annual Report, page 81.

Figure 1-1: Adviser International Growth Fund Net Asset Value and Discretionary Frequent Trader Flows 4/8/02 – 9/22/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

Table 1-1: Adviser International Growth Fund Summary of Discretionary Frequent Trader Activity

Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Roundhill	7/18/03	9/4/03	$6,102,615	10	4	$610,261	4
Rydex	10/10/02	6/17/03	$112,129,545	54	27	$2,076,473	2
Trautman	4/8/02	9/22/03	$1,046,334,262	139	71	$7,527,585	13

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

Adviser Worldwide Fund

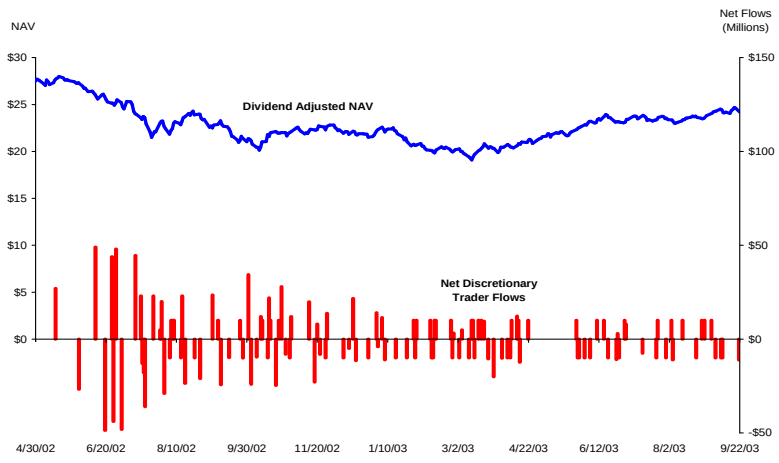
The Adviser Worldwide Fund is only available to investors through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund invests primarily in common stocks of companies of any size

located throughout the world and in issuers from at least five different countries, including the United States.[3] As of July 31, 2003, the fund's reported net assets were $1.1 billion.[4]

Two discretionary frequent traders – Trautman and Rydex – transacted in this fund between May 2002 and September 2003. Trautman traded the greatest dollar amount, averaging $12.5 million per trade, and the most frequently, buying into the fund 72 times and holding for an average of 13 days. Figure 1-2 depicts the NAV and discretionary frequent trader flows in the Adviser Worldwide Fund during the relevant time period. Table 1-2 provides details regarding the discretionary frequent trader activity in the fund.

Figure 1-2: Adviser Worldwide Fund Net Asset Value and Discretionary Frequent Trader Flows 4/30/02 – 9/22/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

[3] Janus Adviser Series Prospectus, June 2, 2003, page 40.

[4] Janus Adviser Series 2003 Annual Report, page 81.

Table 1-2: Adviser Worldwide Fund Summary of Discretionary Frequent Trader Activity

Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Rydex	10/10/02	4/16/03	$94,603,378	38	19	$2,489,563	2
Trautman	5/14/02	9/22/03	$1,738,673,874	139	72	$12,508,445	13

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

Enterprise Fund

The Enterprise Fund is available to investors directly from Janus or through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund invests primarily in common stocks selected for their growth potential. The fund invests at least 50% of its equity assets in medium-sized companies.[5] As of October 31, 2003, the fund's reported net assets were $1.9 billion.[6]

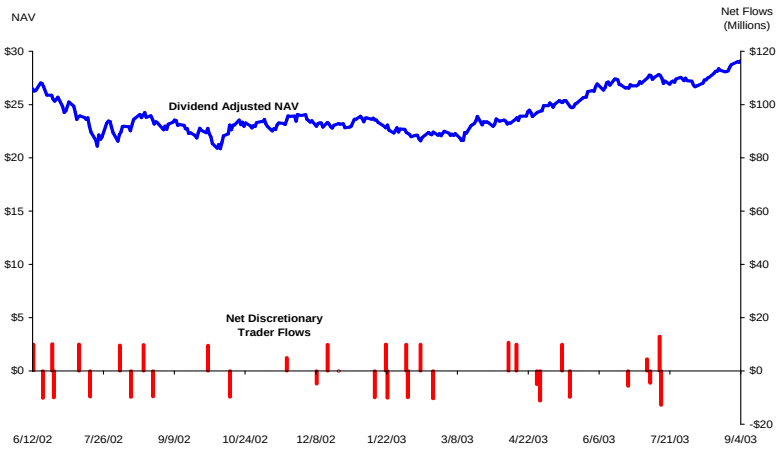
Two discretionary frequent traders – Trautman and Roundhill – transacted in this fund between June 2002 and July 2003. Once again, Trautman accounted for the largest dollar value, averaging $8.3 million per trade, and the greatest frequency, buying into the fund 17 times and holding for seven days on average. Figure 1-3 depicts the NAV and discretionary frequent trader flows in the Enterprise Fund during the relevant time period. Table 1-3 provides details regarding the discretionary frequent trader activity in the fund.

[5] Janus Equity Funds Prospectus, February 28, 2003, page 26.

[6] Janus Equity Funds 2003 Annual Report, page 124.

Figure 1-3: Enterprise Fund Net Asset Value and Discretionary Frequent Trader Flows 6/12/02 – 9/4/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

Table 1-3: Enterprise Fund Summary of Discretionary Frequent Trader Activity

Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Roundhill	7/7/03	7/9/03	$9,085,914	2	1	$4,542,957	2
Trautman	6/12/02	7/16/03	$297,318,816	36	17	$8,258,856	7

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

High Yield Fund

The High Yield Fund is available to investors directly from Janus or through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund seeks to obtain high current income, with capital appreciation as a secondary objective. The fund invests at least 80% of its net assets in high

yield/high-risk securities rated below investment grade.[7] As of October 31, 2003, the fund's reported net assets were $768.0 million.[8]

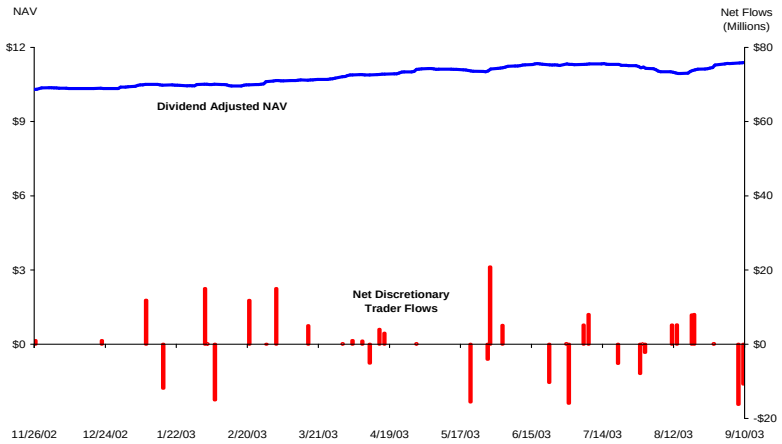
Six discretionary frequent traders – Signalert, Thornberry, Tripod, Shorewood, Rydex and Ikebana – transacted in this fund between November 2002 and September 2003. Tripod accounted for the largest dollar value transacted in this fund, with an average of $10.2 million per trade and an aggregate volume of $92.1 million. Signalert traded the most frequently, with 11 purchases during the period. Holding periods were much longer in this fund compared with other funds. The average holding periods ranged from 13 days for Ikebana's three purchases to 159 days for Rydex's three purchases. Signalert's 11 purchases were held for 78 days on average. Figure 1-4 depicts the NAV and discretionary frequent trader flows in the High Yield Fund during the relevant time period. Table 1-4 provides details regarding the discretionary frequent trader activity in the fund.

[7] Janus Income Funds Prospectus, February 28, 2003, page 17.

[8] Janus Income Funds 2003 Annual Report, page 43.

Figure 1-4: High Yield Fund Net Asset Value and Discretionary Frequent Trader Flows 11/26/02 – 9/10/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

Table 1-4: High Yield Fund Summary of Discretionary Frequent Trader Activity

Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Ikebana	7/9/03	9/8/03	$47,972,022	6	3	$7,995,337	13
Rydex	11/26/02	8/1/03	$4,312,175	6	3	$718,696	159
Shorewood	4/15/03	9/10/03	$28,761,967	8	5	$3,595,246	21
Signalert	1/10/03	4/25/03	$40,478,178	14	11	$2,891,298	78
Thornberry	3/17/03	9/10/03	$41,291,990	12	8	$3,440,999	15
Tripod	2/3/03	7/1/03	$92,143,997	9	6	$10,238,222	27

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

Mercury Fund

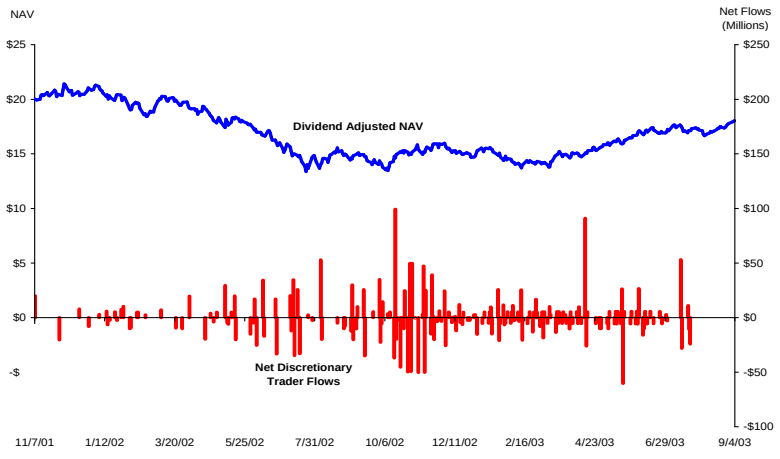
The Mercury Fund is available to investors directly from Janus or through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund invests primarily in common stocks selected for their growth potential and in companies of any size, from larger, well-established companies to

smaller, emerging growth companies.[9] As of October 31, 2003, the fund's reported net assets were $5.3 billion.[10]

Two discretionary frequent traders – Trautman and Canadian Imperial – transacted in this fund between November 2001 and July 2003. Again, Trautman accounted for the largest dollar value traded, with an average of $9.9 million per trade, and the greatest frequency, buying into the fund 97 times and holding for an average of six days. Figure 1-5 depicts the NAV and discretionary frequent trader flows in the Mercury Fund during the relevant time period. Table 1-5 provides details regarding the discretionary frequent trader activity in the fund.

Figure 1-5: Mercury Fund Net Asset Value and Discretionary Frequent Trader Flows 11/7/01 – 9/4/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

[9] Janus Equity Funds Prospectus, February 28, 2003, page 26.

[10] Janus Equity Funds 2003 Annual Report, page 124.

Table 1-5: Mercury Fund Summary of Discretionary Frequent Trader Activity
Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Trautman	11/7/01	7/24/03	$1,965,626,806	199	97	$9,877,522	6
Canadian Imperial	10/21/02	7/2/03	$906,125,024	107	53	$8,468,458	2

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

Overseas Fund

The Overseas Fund is available to investors directly from Janus or through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund invests at least 80% of its net assets in securities of issuers from countries outside of the United States and in securities of issuers from at least five different countries, excluding the United States.[11] As of October 31, 2003, the fund's reported net assets were $2.8 billion.[12]

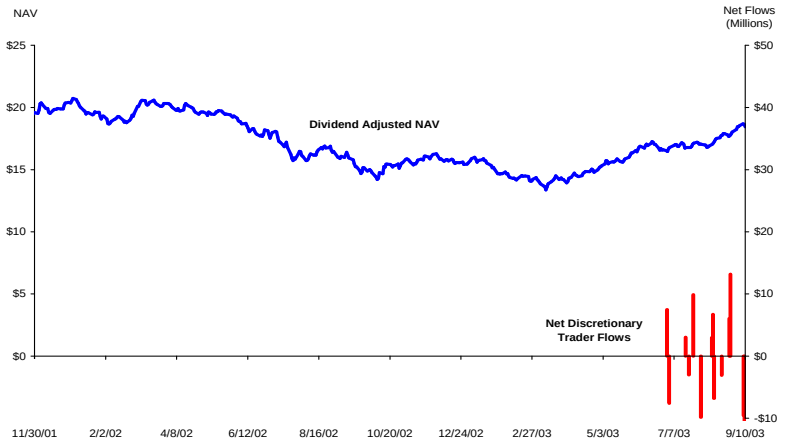
Roundhill was the only discretionary frequent trader to transact in the Overseas Fund. Roundhill bought into the fund 10 times, with an average dollar value of $3.6 million, and remained for an average of five days. Figure 1-6 depicts the NAV and discretionary frequent trader flows in the Overseas Fund during the relevant time period. Table 1-6 provides details regarding the discretionary frequent trader activity in the fund.

[11] Janus Equity Funds Prospectus, February 28, 2003, page 11.

[12] Janus Equity Funds 2003 Annual Report, page 125.

Figure 1-6: Overseas Fund Net Asset Value and Discretionary Frequent Trader Flows 11/30/01 – 9/10/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

Table 1-6: Overseas Fund Summary of Discretionary Frequent Trader Activity

Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Roundhill	7/1/03	9/10/03	$99,652,073	28	10	$3,559,003	5

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

Worldwide Fund

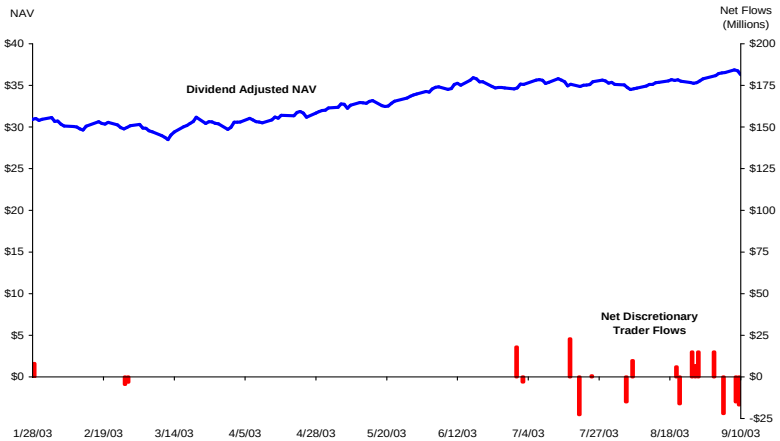
The Worldwide Fund is available to investors directly from Janus or through retirement plans, brokers, bank trust departments, financial advisers, or other financial intermediaries. According to the fund's prospectus, the fund invests primarily in common stocks of companies of any size located throughout the world and in issuers from at least five different countries, includ-

ing the United States.[13] As of October 31, 2003, the fund's reported net assets were $11.3 billion.[14]

Trautman and Roundhill were the two discretionary frequent traders that transacted in the Worldwide Fund. Trautman accounted for the largest dollar value, with an average of $13.4 million per trade and an aggregated traded volume of $188.2 million. Roundhill traded more frequently, however, buying into the fund nine times and remaining for four days on average. Figure 1-7 depicts the NAV and discretionary frequent trader flows in the Worldwide Fund during the relevant time period. Table 1-7 provides details regarding the discretionary frequent trader activity in the fund.

Figure 1-7: Worldwide Fund Net Asset Value and Discretionary Frequent Trader Flows 1/28/03 – 9/10/03

Source: Janus Transaction Data; Bloomberg



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Net Discretionary Trader Flows equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day.

[13] Janus Equity Funds Prospectus, February 28, 2003, pages 27 - 28.

[14] Janus Equity Funds 2003 Annual Report, page 125.

Table 1-7: Worldwide Fund Summary of Discretionary Frequent Trader Activity

Source: Janus Transaction Data

Discretionary Frequent Traders	Date of First Trade	Date of Last Trade	Aggregate $ Value Traded	# of Trades	# of Buys	$ Per Trade	Average Holding Period (in Days)
Roundhill	7/1/03	9/5/03	$97,461,651	25	9	$3,898,466	4
Trautman	1/28/03	9/10/03	$188,176,955	14	7	$13,441,211	9

Note: The $ value traded is equal to the sum of the absolute values of all purchases and sales. The $ per trade is the $ value traded divided by the # of trades. Average holding period is in trading days.

APPENDIX 2

APPENDIX 2

Calculation of Aggregate Losses

The IDC considered the following categories of losses resulting from the discretionary frequent trading arrangements: (1) dilution of returns; (2) incremental portfolio trading costs and administrative costs; and (3) foregone appreciation.

A. Dilution of Returns

Dilution results from two components – stale prices and any incremental cash held in the portfolio that would have been otherwise invested in securities.

Stale Price Effect

Purchases and sales of certain mutual fund shares are often executed at a net asset value ("NAV") that does not necessarily reflect current information about the value of portfolio securities. This is because the price at which mutual fund shares trade is based on a NAV calculated once daily, as of the close of the New York Stock Exchange (normally 4 PM ET) next following the trade order; at that time, the values of portfolio securities might be many hours old – i.e., "stale." Consequently, the change in NAV on the following day may be in large part predictable by the information that was known, but not yet incorporated in the NAV, as of 4 PM ET.

This "stale price effect" creates an opportunity for investors to time their entry to and exit from the fund so that they share in positive returns and avoid negative returns. However, because the fund manager cannot invest the cash received from new investors at the stale prices underlying the NAV, the returns earned by the investors transacting at stale prices are at the expense of existing fund shareholders.

A potential method for quantifying the "stale price effect" is to calculate dilution as the *expected* next-day return given information that is available at 4 PM ET. The first step of such a methodology is to model fund returns as a function of information available the prior day, in an attempt to replicate a trading strategy that might be used to capitalize on stale prices. Such an approach might be appropriate in cases where the universe of potentially dilutive transactions is

unknown, because it can help to identify trades that are likely motivated by a market-timing strategy.[1]

In the case of the Janus funds, however, where the issue relates to *discretionary frequent trading* and not necessarily *market timing*, and where the identity of the discretionary frequent trader is known, there is no need to understand the trading strategy the discretionary frequent traders may have followed. Moreover, since the trading strategy (if any) that the discretionary frequent traders pursued is unknown, an attempt to model their trading strategies would be, at best, an approximation. Therefore, the actual returns earned by the discretionary frequent traders are a better proxy for their expected returns than any predicted returns calculated from a hypothetical trading model. Accordingly, the IDC chose to quantify the stale price effect for the Janus funds using the next-day return (i.e., the next-day NAV methodology). As discussed in the *Total Dilution* section, below, for those funds where the dilution impact is limited to the stale price effect, the IDC calculated dilution using this next-day NAV methodology.

The discretionary frequent traders in the Janus funds at issue caused dilution to the extent that their transactions were executed at NAVs based on stale prices. For these funds, the empirical evidence suggests that the staleness in prices does not persist beyond one day. In particular, a regression of daily fund returns against lagged fund returns, as shown in Table 2-1, suggests that the correlation in returns do not persist beyond one day. In addition to estimating the regression models shown in Table 2-1, the IDC estimated, using the daily returns of each fund, partial autocorrelation coefficients up to ten lags. Consistent with the fund returns following an autoregressive process of no higher order than one, none of the partial autocorrelation coefficients for lags greater than one are statistically significant at the 5 percent level.

[1] This is the methodology adopted by Peter Tufano, IDC for the Putnam Funds.

Table 2-1: Serial Correlation in Fund Returns

Source: Bloomberg

Dependent Variable: Fund Return $_t$							
Independent Variables	**Adviser Worldwide**	**Mercury**	**Adviser International Growth**	**Enterprise**	**Overseas**	**Worldwide**	**High Yield**
Intercept	0.000	0.000	0.000	0.000	0.000	0.001	0.000
t-stat	-0.418	-0.256	-0.325	0.546	-0.092	1.664	1.796
Fund Return$_{t-1}$	0.156 *	0.044	0.185 *	-0.010	0.211 *	0.090	0.306 *
t-stat	2.902	0.936	3.510	-0.178	4.403	1.112	4.210
Fund Return$_{t-2}$	-0.003	-0.056	0.013	0.005	-0.011	-0.029	0.096
t-stat	-0.053	-1.193	0.243	0.080	-0.221	-0.366	1.257
Fund Return$_{t-3}$	-0.046	-0.067	-0.051	-0.061	-0.040	0.048	0.022
t-stat	-0.842	-1.422	-0.957	-1.058	-0.811	0.595	0.295
Fund Return$_{t-4}$	0.026	-0.002	0.038	-0.027	0.035	0.082	-0.002
t-stat	0.472	-0.050	0.707	-0.466	0.716	1.039	-0.032
Fund Return$_{t-5}$	-0.091	-0.020	-0.068	-0.068	-0.055	-0.174 *	0.125
t-stat	-1.675	-0.432	-1.275	-1.190	-1.137	-2.216	1.626
Fund Return$_{t-6}$	-0.028	-0.020	-0.068	-0.017	-0.087	-0.052	0.011
t-stat	-0.521	-0.419	-1.272	-0.300	-1.782	-0.660	0.140
Fund Return$_{t-7}$	-0.030	-0.070	0.059	-0.128 *	0.054	-0.176 *	0.013
t-stat	-0.557	-1.488	1.107	-2.266	1.102	-2.267	0.169
Fund Return$_{t-8}$	0.093	0.081	0.035	0.073	0.038	0.057	0.069
t-stat	1.706	1.730	0.647	1.286	0.786	0.724	0.866
Fund Return$_{t-9}$	0.065	0.015	0.066	0.043	0.046	0.089	-0.061
t-stat	1.188	0.327	1.231	0.748	0.941	1.140	-0.770
Fund Return$_{t-10}$	-0.103	-0.065	-0.070	-0.081	-0.061	0.028	-0.128
t-stat	-1.907	-1.383	-1.321	-1.414	-1.276	0.356	-1.672
Number of Observations	352	458	368	310	446	156	197
R-squared	0.059	0.027	0.060	0.038	0.067	0.094	0.179

Note: The dependent variable is the fund return from day t-1 to day t. The independent variables are the lagged fund returns. The regression coefficients are calculated over the period of discretionary frequent trading for each fund. An asterisk (*) indicates that the estimated coefficient is significant at the 5% level.

Discretionary Frequent Traders' Impact on Cash

A second potential source of dilution from the discretionary frequent trader transactions – beyond the "stale price effect" – is the potential impact of discretionary frequent traders' flows on the cash position of the fund. If fund managers altered the portion of cash held in their portfolios in response to cash flows from the discretionary frequent traders, the overall return of the fund could be impacted. At the extreme, a fund manager might choose to keep the discretionary frequent trader's inflows as cash, anticipating a quick redemption by the discretionary frequent trader. In such a case, the cash position of the fund would be distorted during the discretionary frequent trader's entire holding period. The resulting dilution would equal the holding period return earned by the discretionary frequent trader.

The IDC empirically examined whether the discretionary frequent trader transactions were likely to impact the cash holdings of the seven funds at issue. In particular, the IDC examined the following three questions: First, can discretionary frequent trader flows be distinguished from normal daily inflows and outflows? Second, is the duration of the discretionary frequent trader investments short-term and predictable? Finally, is there a significant relationship between the cash holdings of a portfolio and the flows of the discretionary frequent traders? If discretionary frequent trader flows are distinguishable from other daily flows, have a predictable short-term duration, and are significantly related to cash holdings, then the hypothesis that discretionary frequent trader flows were held in cash cannot be rejected. Therefore, if the answers to all three questions are affirmative, dilution is estimated based upon an assumption that discretionary frequent trader investments were held in cash.

If the portfolio manager cannot identify discretionary frequent trader flows, she cannot alter her behavior in response to them. To determine whether the inflows and outflows were noticeably larger on days with discretionary frequent trader transactions, the IDC compared the mean flow (by fund, measured as an absolute value) on days when discretionary frequent traders transacted with the mean flow on days without discretionary frequent trader transactions and test whether the difference in means is statistically significant. Table 3-2 summarizes the results for each fund. In general, flows are larger on days that discretionary frequent traders transacted, although the statistical significance of the difference in means varies across the seven funds. The greatest and most statistically significant differences occur in the two Adviser funds, while the Worldwide Fund is not significant.

Table 2-2: Comparison of Fund Flows
With and Without Frequent Trader Transactions
Source: Janus Transaction Data; Bloomberg

	Mean Flow		
Fund	**Days with Discretionary Frequent Trader Transactions**	**Days without Discretionary Frequent Trader Transactions**	**Z-Statistic**
Adviser Worldwide	$18,867,615	$3,655,294	12.16
Mercury	14,631,918	5,021,536	8.19
Adviser International Growth	20,864,611	8,148,138	9.50
Enterprise	10,019,660	2,987,601	7.42
Overseas	42,222,076	29,074,279	2.33
Worldwide	21,825,279	15,318,754	2.05
High Yield	10,930,018	3,191,270	5.70

Note: The Z-statistic tests whether the mean flow on days with discretionary frequent trader transactions and days without discretionary frequent trader transactions are significantly different. A Z-statistic greater than 1.96 indicates statistical significance at the 5% level.

To address the second question, the IDC looked at the average time the discretionary frequent traders' funds remain invested. If the manager could predict that the discretionary frequent traders' funds would be redeemed within a short period of time, he might be more likely to hold the funds as cash rather than investing them in risky securities. For most funds, the discretionary frequent traders' average time horizons are fairly short. Only the High Yield Fund has an average duration longer than two weeks. Furthermore, for a given inflow, the likelihood of redemption within two weeks time is greater than 75% for all funds except for High Yield.

To further examine the relationship between discretionary frequent trader flows and cash, the IDC ran the following OLS regression:

$$\%\text{Cash}_t = \beta_0 + \beta_1 \text{Flow}_{t-1} + \beta_2 \text{Flow}_{t-2} + \beta_3 \text{Flow}_{t-3} + \beta_4 \text{Flow}_{t-4} + \beta_5 \text{Flow}_{t-5}$$

where:

$$\%\text{Cash}_t = \frac{\text{Cash}}{\text{Fund Net Assets}} \text{ on day } t;$$

Cash = Cash & Cash Equivalents, including Receivables & Other Assets, Net of Liabilities; and

$$\text{Flow}_{t\text{-}1} = \frac{\text{Discretionary Frequent Trader Flow}}{\text{Fund Net Assets}} \text{ on day } t\text{-}1.$$

If discretionary frequent trader flows had no impact on the composition of the portfolio, one would expect no relationship between cash and discretionary frequent trader flows. In contrast, if discretionary frequent trader flows were held in cash, then one would expect to find a positive and statistically significant relationship between cash and discretionary frequent trader flows.

A graphic comparison of the daily inflows and outflows of the discretionary frequent traders with each fund's cash holdings is contained in Figure 2-1 on the following page and the results of the regression are contained in Table 2-3 below. For five of the funds (Mercury, Enterprise, Worldwide, Overseas, and High Yield) there appears to be no systematic relationship between the discretionary frequent trader flows and the cash position of the fund. Only for the Adviser International Growth Fund and the Adviser Worldwide Fund do the data suggest that the discretionary frequent trader flows may have been held as cash. Note also that the estimated coefficient on one day lagged cash flows for the two advisor funds are not significantly different from one.

Table 2-3: Cash Analysis Regression Results

Source: Janus Cash Position Data; Janus Transaction Data; Bloomberg

Dependent Variable: Fund Cash Position$_t$ / Net Assets$_t$

Independent Variables	Adviser Worldwide	Mercury	Adviser International Growth	Enterprise	Overseas	Worldwide	High Yield
Intercept	0.077 *	0.081 *	0.081 *	0.079 *	0.040 *	0.026 *	0.083 *
t-stat	27.847	32.418	29.071	31.857	27.979	20.490	25.530
Cash Flow of Frequent Traders$_{t-1}$ / Net Assets$_{t-1}$	1.086 *	0.775	0.741 *	1.451	0.318	-1.080	0.403
t-stat	3.682	0.721	3.479	1.003	0.092	-0.327	0.550
Cash Flow of Frequent Traders$_{t-2}$ / Net Assets$_{t-2}$	0.840 *	1.247	0.500 *	1.216	-0.357	-1.548	0.120
t-stat	2.840	1.044	2.340	0.836	-0.103	-0.464	0.156
Cash Flow of Frequent Traders$_{t-3}$ / Net Assets$_{t-3}$	0.738 *	1.475	0.359	1.383	-0.239	-4.890	0.436
t-stat	2.476	1.213	1.701	0.950	-0.069	-1.353	0.566
Cash Flow of Frequent Traders$_{t-4}$ / Net Assets$_{t-4}$	0.718 *	1.368	0.474 *	1.281	0.722	-7.224 *	1.101
t-stat	2.427	1.146	2.217	0.880	0.209	-1.989	1.432
Cash Flow of Frequent Traders$_{t-5}$ / Net Assets$_{t-5}$	0.337	1.025	0.083	1.237	-3.304	-8.641 *	0.754
t-stat	1.144	0.955	0.389	0.855	-0.957	-2.406	0.976
Number of Observations	352	458	368	310	446	156	197
R-squared	0.068	0.005	0.051	0.010	0.002	0.060	0.019

Note: The dependent variable is the ratio of the fund cash position to net assets on day t. The independent variables are the lagged ratios of discretionary frequent traders' flows to net assets. The regression coefficients are calculated over the period of discretionary frequent trading for each fund. An asterisk (*) indicates that the estimated coefficient is significant at the 5% level.

Figure 2-1: Fund Cash Position

Source: Janus Transaction Data; Janus Cash Position Data; Bloomberg

Figure 8a: Adviser Worldwide
4/30/02 – 9/22/03

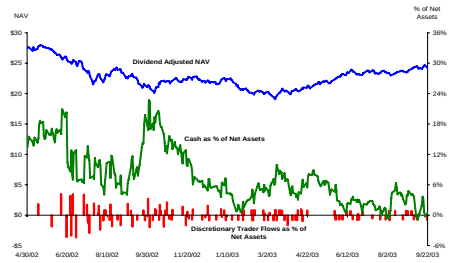


Figure 8b: Mercury
11/7/01 – 9/4/03

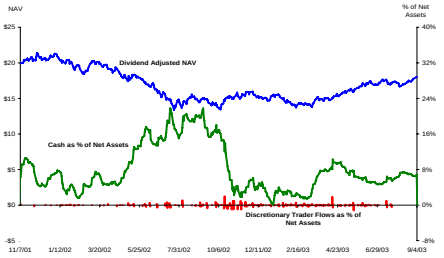


Figure 8c: Adviser International Growth
4/8/02 – 9/22/03

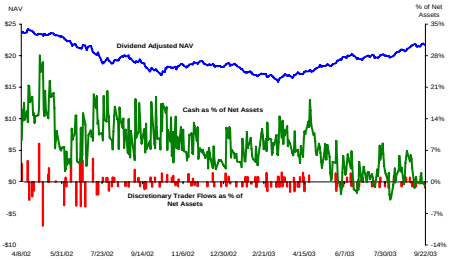


Figure 8d: Enterprise
6/12/02 – 9/4/03

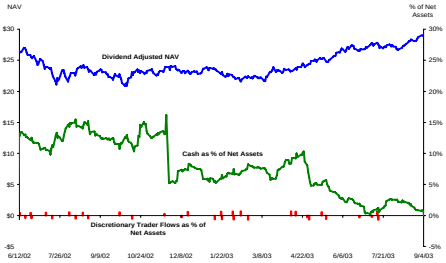


Figure 8e: Overseas
11/30/01 – 9/10/03

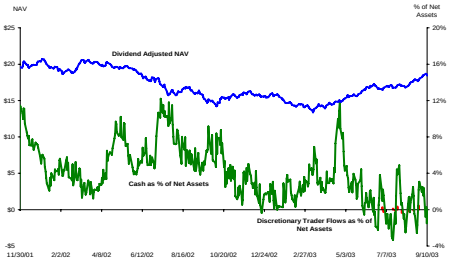


Figure 8f: Worldwide
1/28/03 – 9/10/03

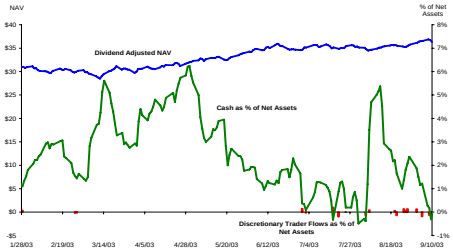
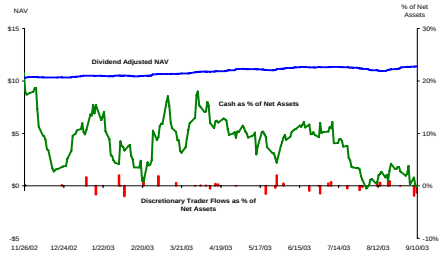


Figure 8g: High Yield
11/26/02 – 9/10/03



Note: Dividend adjusted NAV equals the actual NAV adjusted for dividend distributions. Cash as % of Net Assets equals cash and cash equivalents divided by net assets. Discretionary frequent trader flows as % of net assets equal discretionary frequent trader purchases minus discretionary frequent trader sales on any given day divided by net assets.

For the Adviser funds, therefore, the hypothesis that the portfolio manager held the discretionary frequent trader flows in cash could not be rejected. The data indicate a significant relationship between cash holdings and discretionary frequent trader inflows for the Adviser funds. Moreover, the difference in the size of flows on days discretionary frequent traders transacted is the largest for these two funds and the traders remained invested for predictable short-term periods. For the remaining funds, however, there does not appear to be a relationship between cash and discretionary frequent trader flows.

Total Dilution

Based on the empirical analysis discussed above, the IDC concluded that the discretionary frequent trader flows did not have an impact on the trading behavior of the portfolio managers in the Mercury, Enterprise, Overseas, Worldwide and High Yield funds. Accordingly, the dilution impact for these funds is limited to the stale price effect. The IDC measured dilution for these funds as the next-day return earned by the discretionary frequent traders. This methodology is consistent with Greene and Hodges (2002), who measure dilution as the next-day return on all flows into or out of a fund.[2] In this next-day NAV methodology, aggregate dilution (δ_t) to a fund resulting from discretionary frequent trader transactions on a given day is calculated as follows:

$$\delta_t^{NextDayNAV} = \left(\mathrm{NAV}_{t+1} - \mathrm{NAV}_t\right) \times \mathrm{Shares}_t$$

where:

t = Day of the discretionary frequent trader transactions;

NAV = Net Asset Value; and

[2] Greene, Jason T., and Charles W. Hodges (2002), "The dilution impact of daily fund flows on open-end mutual funds," *Journal of Financial Economics*, Vol. 65 pp. 131-158.

Shares_t = Shares traded by discretionary frequent traders on day *t*.[3]

For the Adviser Worldwide and Adviser International Growth funds, the hypothesis that the portfolio managers altered their behavior in response to discretionary frequent trader flows could not be rejected.[4] For those funds, the total profits methodology was used to calculate aggregate dilution (δ_T) as follows:

$$\delta_T^{TotalProfit} = \left(\text{NAV}_{T+1} - \text{NAV}_t\right) \times \text{SharesPurchased}_t$$

where:

t = Day of the discretionary frequent trader purchase;

T = Holding period for shares purchased on day *t*;

NAV = Net Asset Value; and

SharesPurchased_t = Shares purchased by discretionary frequent traders on day *t*.

Because the Advisor fund positions held by the discretionary frequent traders were closed prior to the end of the relevant period, there is no need to choose between a FIFO or LIFO methodology for calculating profits. Instead, dilution is calculated as a day-by-day series of next-day NAV calculations, where dilution on a particular day equals the return earned by the discretionary frequent trader on that day. Dilution is calculated for every day a discretionary frequent trader was invested in the funds.

It is important to point out that the distribution of losses to unique accounts is not sensitive to the choice of methodology used to calculate dilution. There is a high degree of correlation (approximately 98%) between the percentage of dilution losses allocated to a unique account

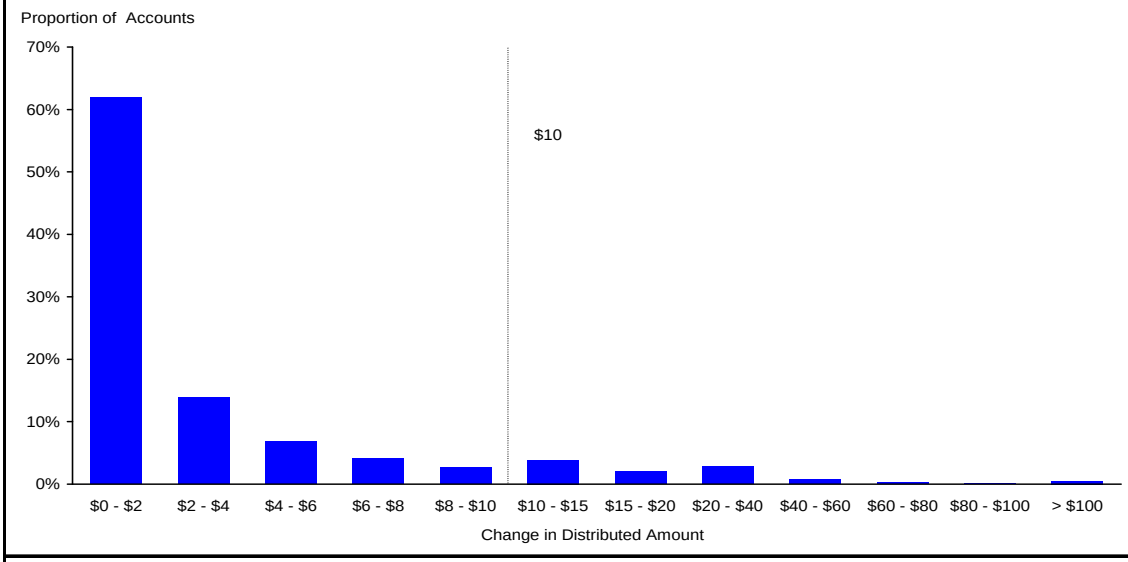
[3] Dilution is calculated for all purchases and sales of shares by the discretionary frequent traders, except for dividend reinvestments. Dividend reinvestments are not included because the trader does not control the timing of such share purchases. Dividend returns have been incorporated into the analysis through the use of dividend-adjusted NAVs. For example, if a discretionary frequent trader purchases or sells on the day prior to a dividend payout, the dividend return is included in the next day return.

[4] During the relevant period, JCM did not transact in futures or hold future positions in the seven affected funds.

using the next-day NAV methodology and the percentage of dilution losses allocated to that same account using the total profits methodology. If the next-day NAV methodology were used for all seven of the funds, 84% of the distributed dollars would go to the same accounts as under the current methodology. Moreover, as shown in Figure 2-2, use of the next-day NAV methodology for all seven funds would change the distributions to approximately 90% of accounts by less than ten dollars.

Figure 2-2: Change in Account Level Distributions if Next-Day NAV is Used for All Funds

Source: Janus Position Data; Janus Transaction Data; Portfolio Trading Data; Bloomberg; Federal Reserve Statistical Release



Note: Change in distributed amount equals the absolute value of the difference between the current distributions and what would be distributed if next-day NAV were used for all seven funds.

The IDC calculated aggregate dilution to the shareholders of the seven Janus funds as a result of discretionary frequent trading activity to be $16,480,648. Table 2-4 contains the dilution amount by fund. Nearly 90% of the dilution occurred in the Adviser Worldwide, Adviser International Growth and Mercury funds, where the discretionary frequent traders transacted most often.

Table 2-4: Aggregate Dilution by Fund

Source: Janus Position Data; Janus Transaction Data; Bloomberg

Fund	Dilution
Adviser Worldwide	$6,195,940
Mercury	$5,072,281
Adviser International Growth	$3,299,046
Enterprise	$1,044,885
Overseas	$434,407
Worldwide	$340,665
High Yield	$93,424
Total	**$16,480,648**

Note: For shareholders of Adviser Worldwide and Adviser International Growth Funds, I calculate dilution using the total profits methodology. For shareholders of all other funds, I calculate dilution using the next-day NAV methodology.

B. Portfolio Trading Costs and Administrative Costs

Incremental Portfolio Trading Costs

When the inflows and outflows from the discretionary frequent traders lead to an increase in portfolio trading activity, the fund incurs incremental transaction costs that are borne by all of the shareholders, including the discretionary frequent traders. For the Adviser funds, where the dilution methodology assumes the discretionary frequent trader funds were held in cash, there can be no incremental transaction costs associated with the discretionary frequent trader transactions. For the remaining funds, to determine whether the flows by discretionary frequent traders led to increased portfolio trading, the IDC examined, on a daily basis, the relationship between

discretionary frequent trader flows, the flows of other shareholders, and the portfolio trading activity on the following day.[5] Three types of scenarios occur.

In the first scenario, discretionary frequent trader flows are in the same direction as the flows of other shareholders, thereby increasing total net flows. If the fund is a net purchaser of securities following inflows or a net seller of securities following outflows, then such discretionary frequent trader flows were considered to have led to increased portfolio trading. The incremental trading costs associated with this increased portfolio trading were calculated as follows. If the portfolio purchases (sales) are less than the total inflows (outflows), then the ratio of discretionary frequent trader flows to total flows were calculated and applied to the total purchase (selling) costs. If the portfolio purchases (sales) exceed the total inflows (outflows), the ratio of discretionary frequent trader flows to total portfolio purchases (sales) was calculated and applied to the total purchase (selling) costs.

In the second scenario, discretionary frequent trader flows exceed the flows of other shareholders and reverse the direction of total net flows. Incremental transaction costs were calculated as follows. If the portfolio purchases (sales) exceed the total inflows (outflows), then the ratio of discretionary frequent trader flows to total portfolio purchases (sales) was calculated and applied to the total purchase (selling) costs. If the portfolio purchases (sales) are less than the total inflows (outflows), the incremental costs equal the total purchase (selling) costs.

In the third and final scenario, discretionary frequent trader flows are smaller than and in the opposite direction of the flows of other shareholders, thereby offsetting a portion of the total net flows. If the fund purchases securities following an inflow that is reduced by discretionary frequent trader flows, such flows were considered to have led to a reduction in portfolio trading. The incremental cost savings equal the purchase (selling) costs times the ratio of discretionary frequent trader inflows (outflows) flows to portfolio purchases (sales).

[5] Because the funds use a t+1 accounting system, fund flows on day t are not observed by the portfolio manager and, hence, cannot impact his/her trading activity until day t+1.

The transaction costs included in the calculation consist of commissions, charges associated with certain foreign transactions and SEC Section 31 fees charged by broker-dealers.[6] The IDC also considered whether the discretionary frequent trader transactions led to portfolio trading activity that was likely to have had a temporary market price impact. During the relevant period, JCM did not collect information on the market price impact of its portfolio trades.[7] To test whether the discretionary frequent trader transactions led to portfolio trading activity that was likely to have had a temporary market price impact, the IDC compared the funds' trades in each individual security to the total volume traded in that security on the days following the five largest discretionary frequent trader flows in each fund. For most equity securities, the funds' trades accounted for less than 20% of total traded volume.[8] For those equity securities where a fund's trades accounted for a large percentage of the total volume on a given day, the IDC examined individual executions to determine the extent to which JCM's trades may have impacted the price of the security. JCM's portfolio trades are placed through brokers who execute the orders in small quantities at market prices. The IDC compared the prices at the time each order was placed to the prices received in the individual executions and found that, for most securities, the individual executions were at prices which improved on the price at the time the order was placed, indicating there was no market price impact from JCM's trading. For debt securities, the IDC examined the individual executions of the largest trades, by face value traded, and reached the same conclusion as above. It is conceivable that large trades, even in small quantities, could have impacted the bid-ask spread. Again, JCM does not collect data on bid-ask spread costs associated with its portfolio trades. As the IDC had no data to quantify this potential impact, the IDC did not include it in the calculation.

Using the methodology described above, the incremental portfolio trading costs are $1,914,348, as detailed in Table 2-5, below.

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[6] Details regarding this fee can be found at the following website: http://www.sec.gov/answers/sec31.htm.

[7] JCM did not rely upon an independent third party to evaluate the execution performance of its brokers until very recently. During the period in question, JCM traders evaluated broker executions on an informal, trade-by-trade basis and did not prepare any reports calculating the market price impact of trades or bid-ask spreads.

[8] For purposes of this analysis, 20% was selected for tractability reasons. Given the results, the IDC had no reason to believe that the use of another threshold would change the conclusions.

Incremental Administrative Costs

In addition to increased portfolio trading costs, the presence of the discretionary frequent traders lead to incremental administrative costs that were borne by fund shareholders. Any fund expenses that were variable with respect to additional accounts and/or shareholder transactions would have increased because of the presence of the discretionary frequent traders and the frequency of their transactions. Such variable expenses are encompassed in the transfer agent fees and expenses paid by the funds. As detailed in Table 2-5, below, the incremental administrative costs are $104,079 as a result of the discretionary frequent traders' presence in the seven funds.

Table 2-5: Incremental Porfolio Trading Costs and Administrative Costs by Fund

Source: Janus Transaction Data; Portfolio Trading Data

Fund	Incremental Porfolio Trading Costs	Administrative Costs	Total
Adviser Worldwide	$0	$28	$28
Mercury	1,328,844	51,944	1,380,788
Adviser International Growth	0	30	30
Enterprise	93,060	7,984	101,044
Overseas	46,631	1,883	48,514
Worldwide	176,064	7,398	183,462
High Yield	269,749	34,811	304,561
Total	**$1,914,348**	**$104,079**	**$2,018,427**

Note: Transaction costs are $0 for Adviser Worldwide and Adviser International Funds because the dilution is calculated using the total profits methodology, which assumes that the discretionary frequent traders' investments were held in cash and therefore did not result in incremental portfolio trading costs. In the remaining funds, I calculate dilution using the next-day NAV methodology, that assumes the discretionary frequent traders' investments were invested in fund securities after one day, and therefore are assumed to result in incremental portfolio trading costs.

Note that canceled redemption fees were not included in the analysis of shareholder losses. Canceled redemption fees are an element of loss to shareholders only to the extent that they are surrogates for incremental transaction and administrative costs associated with frequent

trading. Because the incremental transaction and administrative costs were incurred by the funds, it is not appropriate to include an amount for canceled redemption fees.[9]

C. Foregone Appreciation

Foregone appreciation is the return the shareholders would have earned on losses from dilution and incremental costs. As a result of these losses, shareholders have been denied the benefit of subsequent fund returns and have also been relieved of the corresponding risk. Accordingly, the economically correct rate of return to use in calculating foregone appreciation is the risk-free rate.

Nonetheless, in order to compensate shareholders for foregone appreciation, the IDC calculated foregone appreciation on each day a loss occurred at a rate that is equal to the greater of the cumulative risk-free return or fund return through the end of the discretionary frequent trading period. To this amount, the cumulative risk-free return from the end of the discretionary frequent trading period until September 17, 2004 is added. Table 2-6 compares the risk-free returns with the fund returns during the discretionary frequent trading period for each fund.

[9] The IDC has also measured advisory fees during the relevant time period in various ways. For example, the total fees earned by JCM on assets invested by discretionary frequent traders in the affected funds were $819,541. The total fees earned by JCM on all assets in the affected funds were $194,057,141. The total fees earned by JCM on all assets in the affected funds on days a discretionary frequent trader purchased shares were $22,159,587. The total fees earned by JCM on all assets in the affected funds on days a discretionary frequent trader purchased or sold shares were $42,905,955. The IDC has reached no opinion as to whether any or all of these measures constitutes an element of loss to fund investors under any governing legal standard.

Table 2-6: Cumulative Returns to Janus Funds vs. Risk Free Rate

Source: Bloomberg; Federal Reserve Statistical Release

		Cumulative Returns	
		90 Day	
Fund	**Trading Period**	**Treasury Bill**	**Fund**
Adviser Worldwide	4/30/02 – 9/22/03	1.87%	(12.13%)
Mercury	11/7/01 – 9/4/03	2.70%	(9.90%)
Adviser International Growth	4/8/02 – 9/22/03	1.98%	(8.70%)
Enterprise	6/12/02 – 9/4/03	1.61%	10.05%
Overseas	11/30/01 – 9/10/03	2.58%	(5.88%)
Worldwide	1/28/03 – 9/10/03	0.66%	17.23%
High Yield	11/26/02 – 9/10/03	0.87%	10.54%
Remainder of Period for Mercury and Enterprise Funds	9/5/03 – 9/17/04	1.16%	
Remainder of Period for Overseas, Worldwide, and High Yield Funds	9/11/03 – 9/17/04	1.14%	
Remainder of Period for Adviser Funds	9/23/03 – 9/17/04	1.11%	

Tables 2-7 and 2-8 detail the foregone appreciation calculated on dilution and incremental portfolio trading costs, respectively.[10]

[10] Foregone appreciation on administrative costs was not calculated because these costs were incurred throughout the trading period and cannot be linked to a particular transaction. As these costs are allocated proportionally to dilution and incremental trading costs, any calculation of foregone appreciation on such costs would result in an insignificant proportional increase in the overall losses calculated and would not impact the distribution to a particular investor.

Table 2-7: Aggregate Dilution with Foregone Appreciation

Source: Janus Position Data; Janus Transaction Data;
Bloomberg; Federal Reserve Statistical Release

Fund	Dilution	Foregone Appreciation	Total
Adviser Worldwide	$6,195,940	$293,312	$6,489,252
Mercury	5,072,281	968,423	6,040,704
Adviser International Growth	3,299,046	559,813	3,858,859
Enterprise	1,044,885	279,536	1,324,421
Overseas	434,407	20,196	454,603
Worldwide	340,665	7,866	348,531
High Yield	93,424	4,389	97,813
Total	**$16,480,648**	**$2,133,535**	**$18,614,183**

Note: For shareholders of Adviser Worldwide and Adviser International Growth Funds, I calculate dilution using the total profits methodology. For shareholders of all other funds, I calculate dilution using the next-day NAV methodology.

Table 2-8: Incremental Transaction Costs by Fund

Source: Janus Transaction Data; Portfolio Trading Data; Bloomberg; Federal Reserve Statistical Release

Fund	Incremental Porfolio Trading Costs	Foregone Appreciation	Administrative Costs	Total
Adviser Worldwide	$0	$0	$28	$28
Mercury	1,328,844	261,145	51,944	1,641,933
Adviser International Growth	0	0	30	30
Enterprise	93,060	18,932	7,984	119,976
Overseas	46,631	3,077	1,883	51,591
Worldwide	176,064	5,090	7,398	188,552
High Yield	269,749	13,555	34,811	318,116
Total	**$1,914,348**	**$301,799**	**$104,079**	**$2,320,226**

Note: Transaction costs are $0 for Adviser Worldwide and Adviser International Funds because the dilution is calculated using the total profits methodology, which assumes that the discretionary frequent traders' investments were held in cash and therefore did not result in incremental portfolio trading costs. In the remaining funds, I calculate dilution using the next-day NAV methodology, that assumes the discretionary frequent traders' investments were invested in fund securities after one day, and therefore are assumed to result in incremental portfolio trading costs.

D. Aggregate Losses

The IDC calculated Aggregate Losses suffered by investors in the seven funds during the relevant time periods attributable to the nine discretionary frequent traders to be $20,934,409. Table 2-9 summarizes these losses by fund.

Table 2-9: Aggregate Dilution, Incremental Transaction Costs, and Foregone Appreciation

Source: Janus Transaction Data; Portfolio Trading Data; Bloomberg; Federal Reserve Statistical Release

Fund	Dilution	Incremental Portfolio Trading and Administrative Costs	Total Foregone Appreciation	Total
Adviser Worldwide	$6,195,940	$28	$293,312	$6,489,280
Mercury	5,072,281	1,380,788	1,229,568	7,682,637
Adviser International Growth	3,299,046	30	559,813	3,858,889
Enterprise	1,044,885	101,044	298,468	1,444,397
Overseas	434,407	48,514	23,273	506,194
Worldwide	340,665	183,462	12,956	537,083
High Yield	93,424	304,561	17,944	415,929
Total	**$16,480,648**	**$2,018,427**	**$2,435,334**	**$20,934,409**

Note: For shareholders of Adviser Worldwide and Adviser International Growth Funds, I calculate dilution using the total profits methodology. For shareholders of all other funds, I calculate dilution using the next-day NAV methodology. Transaction costs are $0 for Adviser Worldwide and Adviser International Funds because the dilution is calculated using the total profits methodology, which assumes that the discretionary frequent traders' investments were held in cash and therefore did not result in incremental portfolio trading costs. In the remaining funds, I calculate dilution using the next-day NAV methodology, that assumes the discretionary frequent traders' investments were invested in fund securities after one day, and therefore are assumed to result in incremental portfolio trading costs.