ACT IC A
SECTION 15(a)
RULE
PUBLIC AVAILABILITY 8/5/97

PUBLIC

Our Ref. No. 97-198-CC
INVESCO
File No. 801-1569

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Your letter dated April 8, 1997 requests our assurance that we would not recommend that the Commission take any enforcement action under Section 15(a) of the Investment Company Act of 1940 (the "1940 Act") against the INVESCO family of investment companies ("Funds") or their investment adviser or sub-advisers if, as more fully described in your letter, the investment advisers and sub-advisers reallocate the advisory fees paid by the Funds without obtaining the approval of the shareholders of the Funds.

You state that the Funds comprise fifteen registered open-end investment companies, eleven of which have multiple series. You further state that each Fund or series of a Fund, as applicable, has entered into an Investment Advisory Agreement with INVESCO Funds Group, Inc. (the "Adviser") which, in turn, has entered into Sub-Advisory Agreements with an affiliated company on behalf of each Fund or series (the "Sub-Advisers"). You state that the Advisory Agreements were approved by the shareholders of the appropriate Funds or series.[1]

You further state that pursuant to the Sub-Advisory Agreements, the Adviser has delegated to the Sub-Adviser for each Fund or series the responsibility for managing the investment and reinvestment of Fund assets, maintaining a continuous investment program for the Fund, providing investment analysis and research, and making recommendations concerning the exercise of rights pertaining to the Fund's portfolio securities. For these services, the Adviser pays each Sub-Adviser a portion of the advisory fee paid by the applicable Fund or series to the Adviser. The fee payable to each Sub-Adviser is set forth in the applicable Sub-Advisory Agreement; the fee varies by Sub-Adviser depending on the nature and size of the applicable Fund or series.

You state that the current allocation of fees between the Adviser and each Sub-Adviser was based on an estimate or prediction of what the allocation of services to and responsibility for the applicable Fund or series would be as between the Adviser and the Sub-Adviser. You represent that

[1]You also state that the Sub-Advisory Agreements were approved by the shareholders of the applicable Funds or series. Telephone conversation with Susan M. Casey (May 20, 1997).

further analysis has shown that an allocation of two-thirds of the advisory fee to the Adviser and one-third to the Sub-Adviser would reflect more accurately how the services and responsibilities for the Funds or series have been apportioned. You state that the proposed fee reallocation would result in a decrease in the payments made to the Sub-Adviser with respect to most Funds and series, and a corresponding increase in the payments retained by the Adviser. Payments made to certain Sub-Advisers, however, would increase, resulting in a corresponding decrease in the amount retained by the Adviser. You represent that the services provided under the Advisory Agreements and Sub-Advisory Agreements will not be affected by the proposed reallocation of fees.[2]

You represent that management of the Funds intends to seek the approval of the Boards of Directors of the affected Funds (including a majority of the independent Directors who are not "interested persons" of the Funds) of the proposed fee reallocation. You further state that if the Boards of Directors approve the proposed reallocation and amendments, the Adviser will ensure that the shareholders of the affected Funds and series receive prompt notice of the reallocation.

Section 15(a)(1) of the Act provides, in relevant part, that it is unlawful "for any person to serve or act as investment adviser of a registered investment company, except pursuant to a written contract, which contract . . . has been approved by the vote of a majority of the outstanding voting securities of such registered company, and precisely describes all compensation to be paid thereunder." You acknowledge that, as a result of the proposed reallocation of the advisory fees paid by the Funds and series among the Adviser and Sub-Advisers, the Sub-Advisory Agreements would no longer precisely describe the compensation to be paid under the contracts. You represent that each Sub-Advisory Agreement would be amended in accordance with the provisions of Section 15 of the 1940 Act, other than the shareholder vote requirement, to reflect the reallocation.[3]

You maintain, however, that the proposed reallocation does not implicate the concerns that Section 15(a) of the 1940 Act was designed to address. You state that the central purpose of the shareholder vote requirement of Section 15(a) is to protect fund shareholders from abuses that may arise due to "trafficking" in advisory contracts, or other material modifications that may harm shareholders, such as unwarranted fee increases or a decline in the services for which funds pay fees.

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[2]Id.

[3]Telephone conversation with Susan M. Casey (August 1, 1997).

Based on the facts and representations in your letter and telephone conversations, particularly your representations that (i) none of the Adviser or Sub-Advisers will reduce the quality or quantity of its services with respect to a Fund or series and (ii) each Sub-Advisory Agreement will be amended in accordance with the provisions of Section 15 of the 1940 Act, other than the shareholder vote requirement, to reflect the reallocation, we would not recommend enforcement action to the Commission under Section 15(a) if the advisory fees paid by the Funds and series are reallocated between the Adviser and each Sub-Adviser as described in your letter without obtaining shareholder approval. This position expresses the staff's position with respect to enforcement only and does not purport to express any legal conclusion on the question presented.[4] You should note that any different facts or representations may require a different conclusion.

Alison M. Fuller

Alison M. Fuller
Attorney

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[4]The position set forth in this letter is limited to reallocations of advisory fees and supersedes our position set forth in The AAL Mutual Funds (pub. avail. Feb. 28, 1990). The staff also would not recommend enforcement action to the Commission under Section 15(a) of the 1940 Act if each Fund or series had been a party to the appropriate Sub-Advisory Agreement, or if the Adviser and Sub-Advisers had not been affiliated.

KIRKPATRICK & LOCKHART LLP

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1940 Act – Section 15(a)
Section 2(a)(20)
Rule 2(a)(6)

April 8, 1997

Office of Chief Counsel
Division of Investment Management
Securities and Exchange Commission
450 Fifth Street, NW, MS 10-6
Washington, DC 20549

Dear Sir or Madam:

We are writing to request, on behalf of the INVESCO family of investment companies ("Funds") and their advisors and sub-advisors (all of which are entities either directly or indirectly owned by AMVESCO PLC), that the Staff of the Division of Investment Management ("Staff") advise that it will not recommend enforcement against the Funds, their advisors or sub-advisors under Section 15(a) of the Investment Company Act of 1940 ("1940 Act") if the proposed program to reallocate fees among the advisors and sub-advisors (which is described in detail below) is implemented without obtaining a vote of the shareholders of the Funds.

BACKGROUND

The Funds and Their Current Advisory Arrangements

The Funds are currently comprised of fifteen registered open-end investment companies, fourteen of which are organized as Maryland corporations, and one of which is organized as a Massachusetts business trust. Eleven of the Funds have multiple series. Each Fund or series, as applicable, has entered into an Investment Advisory Agreement with INVESCO Funds Group, Inc. ("IFG"). (IFG may be referred to herein as the "Advisor.") IFG, in turn, has entered into Sub-Advisory Agreements with an affiliated company on behalf of each Fund or series for which it performs investment management services. There are six of these affiliated companies currently serving as sub-advisors to the Funds: INVESCO Trust Company, INVESCO Capital Management, Inc., INVESCO Management & Research, Inc., INVESCO Realty Advisers, Inc., INVESCO Asset Management Limited and INVESCO Asia Limited. (The foregoing entities may be referred to herein as the "Sub-Advisors.") The Advisor and the Sub-Advisors are each owned,

indirectly, by the same ultimate parent company, AMVESCO PLC.[1] Exhibit A to this letter lists each of the Funds that is the subject of this request, its Advisor and its Sub-Advisor.

Each Fund's Investment Advisory Agreement (or Investment Advisory Agreements, in the case of Funds with multiple series) has been approved by the shareholders of the Fund or series. Under the Investment Advisory Agreements, IFG has agreed to manage the investment and reinvestment of Fund assets, to maintain a continuous investment program for the Fund, to provide investment analysis and research, to make recommendations concerning the exercise of rights pertaining to the Fund's portfolio securities and to calculate the Fund's net asset value. IFG also furnishes the executive, administrative and clerical services required to operate each Fund and ensure that its operations are in compliance with applicable law.

Pursuant to the Sub-Advisory Agreements between IFG and the respective Sub-Advisors, IFG has delegated to the Sub-Advisor for each Fund or series the responsibility for managing the investment and reinvestment of Fund assets, maintaining a continuous investment program for the Fund, providing investment analysis and research, and making recommendations concerning the exercise of rights pertaining to the Fund's portfolio securities. For these services, IFG (not the Fund) pays a portion of its advisory fees to the Sub-Advisor. The portion of the advisory fees paid over to the Sub-Advisor is set forth in each Sub-Advisory Agreement, and varies depending on the nature and size of the Fund or series.

Exhibit A to this letter sets forth, for each Fund or series, the fees such Fund or series pays to IFG for investment advisory services and the fees paid by IFG to the Sub-Advisor of that Fund or series for Sub-Advisory services. For your reference, we have also included, as Exhibit B to this letter, examples of the Funds' Investment Advisory Agreements and Sub-Advisory Agreements.

The Proposed Fee Reallocation

Historically, the allocation of each Fund's or series' advisory fees between that Fund's or series' Advisor and Sub-Advisor, as reflected in the Investment Advisory Agreement and Sub-Advisory Agreement for that Fund or series, was based on an estimate or prediction of what the allocation of services to, and responsibility for, that Fund or series would be as between the Advisor and Sub-Advisor. Such estimates and predictions are reflected in the current fee

[1] AMVESCO PLC was formerly known as INVESCO PLC. It changed its name on February 28, 1997, upon the consummation of a merger with AIM Management Group. AMVESCO PLC is a publicly-traded holding company that, through its subsidiaries, engages in the business of investment management on an international basis. As a result of the merger, subject to shareholder approval, certain Funds that are not the subject of this request will no longer be advised by IFG.

structures, as detailed in Exhibit A. Further analysis, however, has shown that an allocation of two-thirds of the advisory fee to the Advisor and one-third to the Sub-Advisor would reflect more accurately how the services and responsibilities for the Funds and series have, over time, been apportioned between the Advisor and Sub-Advisors. In addition to reflecting more accurately the allocation of services and responsibilities between the Advisors and the Sub-Advisors, management of the Funds believes that the proposed revised fee allocation would be easier and less costly to administer. If the simple two-thirds/one-third allocation is applied to the Funds or series, there would be fewer separate fee schedules to track than the numerous different fee allocations currently provided for in the Sub-Advisory Agreements.

Therefore, management of the Funds intends to seek the approval of the Boards of Directors of the affected Funds (including a majority of the Directors who are not "interested persons" of the Funds) for a reallocation of the advisory fees for each Fund or series, so that the Advisor will pay no more than one-third of the total advisory fees received with respect to that Fund or series to the Sub-Advisor. If Board approval is obtained, the Advisor will ensure that the shareholders of the affected Funds and series receive prompt notice of the reallocation in either a revised prospectus or a prospectus supplement.

ANALYSIS

Section 15(a) of the 1940 Act provides, as relevant here, that:

> It shall be unlawful for any person to serve or act as an investment adviser of a registered investment company, except pursuant to a written contract, which contract, whether with such registered company or with an investment adviser of such registered company, has been approved by the vote of a majority of the outstanding voting securities of such registered company, and – (1) precisely describes all compensation to be paid thereunder. . . . (emphasis added)

The central purpose of the shareholder vote requirement imposed by Section 15(a) is to inhibit "trafficking" in investment advisory contracts.[2]

Each Sub-Advisor may be deemed an "investment adviser" to any Fund or series that it sub-advises.[3] As shown in Exhibit A, the proposed fee reallocation would result in a decrease in

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[2] See Hearings on S. 3580 before a Subcommittee of the Senate Committee on banking and currency, 76th Cong., 3d Sess. 253 (statement of David Schenker, Chief Counsel, Investment Trust Study).

[3] Section 2(a)(20)(iii) of the 1940 Act defines an "investment adviser" to mean, as relevant here, "(A) any person . . . who pursuant to contract with such company regularly furnishes advice to

the payments made to the Sub-Advisor with respect to most Funds or series, and a corresponding increase in the payments retained by the Advisor. Therefore, the description of the Sub-Advisor's compensation in the Sub-Advisory Agreements would be superseded by the new allocation, and would no longer "precisely describe" the compensation to be paid under the Sub-Advisory Agreement for each Fund or series. (Of course, the description of the compensation in the Investment Advisory Agreement for each Fund or series would remain completely accurate.)

We are aware that, as a general matter, the Staff has viewed any change to an advisory fee as a modification of the contract for which prior shareholder approval is required. The Staff has reasoned that "[w]hen an adviser and a fund agree to modify the advisory fee described in the advisory contract, that contract no longer describes precisely all compensation to be paid thereunder," and therefore "Section 15(a) requires that shareholders vote on a fee modification (effected either orally or in writing) prior to its implementation."[4]

There are, however, two lines of no-action authority that argue for suspending the technical requirements of Section 15(a) in situations where imposition of those requirements would result in the delay and expense of a shareholder meeting to approve new contracts when, from the perspective of the fund's shareholders, no material change in the advisory arrangements will occur. Such changes are unlikely to involve the conflicts of interest or overreaching that the shareholder vote requirement of Section 15(a) was designed to prevent. As discussed below, when it is clear from the facts and circumstances in a particular case that the concerns addressed by the shareholder vote requirement of Section 15(a) are not implicated, the Staff has shown flexibility in permitting investment companies to modify contracts without the delay and expense of submitting the modified contracts to a shareholder vote.

Transfer of Advisory Contracts to an Affiliated Investment Advisor. Section 15(a)(4) of the 1940 Act requires that an investment advisory contract provide for its automatic termination in the event of assignment. Such assignments trigger a requirement for a shareholder vote to approve a new investment advisory contract, even if the new contract is similar in all material respects to the "assigned" contract. The impact of this statutory provision has been mitigated by

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such company with respect to the desirability of investing in, purchasing or selling securities or other property . . ., and (B) any other person who pursuant to contract with a person described in clause (A) regularly performs substantially all of the duties undertaken by such person described in clause (A) . . . . " It is not entirely clear that, in fact, each Sub-Advisor performs "substantially all" of the duties undertaken by the Advisor. As noted above, management of the Funds believes that the Sub-Advisors, generally, perform about one-third of the activities necessary to maintain and operate each Fund or series, although they have been delegated primary responsibility for investing the Funds' assets.

[4] See, e.g., PMD Investment Company (pub. avail. April 22, 1991).

Rule 2a-6, which provides that "[a] transaction which does not result in a change of actual control or management of the investment adviser" is not considered an assignment for purposes of Section 15(a)(4).[5]

In a series of no-action letters, the Staff has interpreted Section 15(a)(4) and Rule 2a-6 as permitting transfers of advisory contracts among affiliated entities without the necessity for a shareholder vote. For example, in Nikko International Capital Management Co., Ltd. (pub. avail. June 1, 1987), the Staff agreed that it would not recommend enforcement action for the transfer of a sub-advisory agreement from one indirectly controlled affiliate of The Nikko Securities Co., Ltd. to another. Similarly, in Spears, Benzak, Salomon & Farrell, Inc. (pub. avail. January 21, 1986), the Staff agreed not to recommend enforcement if a fund's advisory contract was transferred for "reasons of administrative efficiency" from its current adviser to a new entity that would be owned by the same four shareholders who owned the current advisor. In these cases, the transfer of the contracts was not deemed to be an assignment because it would have no impact on fund shareholders – advisory fees, investment management personnel, ultimate control of the advisory entity and the services to be rendered to the fund by the advisor would all remain unchanged. As a result, there was no need to seek shareholder approval of the "new" contract. In our view, if a new contract with a new advisory entity does not require shareholder approval when the transfer of the advisory relationship results from a corporate restructuring of affiliated entities, then a reallocation of advisory fees among affiliated entities – with no change in the amount of the fees paid by fund shareholders, and no change in advisory personnel or in the nature of the services rendered – should not require shareholder approval.

Fee Reductions. The Staff has also shown flexibility in permitting an advisory fee to be reduced without prior shareholder approval, where no other changes to the contract are being made that would in any way adversely affect shareholders. The Staff's earlier no-action positions in this area permitted reduction of an advisory fee only where shareholders would have the opportunity to approve the new or modified advisory agreement at an upcoming shareholder meeting.[6] More recently, however, the Staff has appeared to look more to the central concerns

[5] As was noted in the release proposing Rule 2a-6, ". . . where there is no change in the actual control or management of the investment adviser or principal underwriter – and, hence, the actual management of the investment company – as a result of the transaction, the transaction would not appear to conflict with the Congressional concerns embodied in the act." [footnote omitted]. Investment Company Act Rel. No. 10809 (August 6, 1980).

[6] See, e.g. Lord, Abbett & Co. (pub. avail. May 16, 1977) (Staff took the position that it would not recommend enforcement action if, as the result of a court-approved settlement of a lawsuit, the advisor to an investment company reduced the advisory fee prior to obtaining shareholder approval at the next annual meeting); USAA Mutual Fund, Inc. (pub. avail. January 30, 1990) (Staff took the position that it would not recommend enforcement action if advisory agreements

of the shareholder vote requirement, and concluded that it may be suspended when the only contract modification at issue is a reduction in fees (with no change in the services provided). As the Staff stated in Limited Term Municipal Fund, Inc. (Nov. 17, 1992), "a majority of an investment company's outstanding voting securities always would approve a proposed advisory contract amendment that had no effect other than to reduce the percentage of the company's assets to be paid to the adviser," and that to require the fund to call a shareholder meeting "for the sole purpose of approving the advisory contract amendment" would disadvantage the fund by causing it to incur needless expenses associated with the meeting.[7]

AAL Mutual Funds (pub. avail. February 28, 1990) (the "AAL Letter") presented a situation that is superficially similar to the fee reallocation proposed with respect to the Funds. In the AAL Letter, the Staff was asked to take a no-action position with respect to a proposed change in a sub-advisory contract, without a shareholder vote, that would reduce the portion of the advisory fee paid to a third-party sub-advisor without reducing the advisory fee. The Staff relied on its earlier no-action letters, and denied the relief requested because the proposal would permit the advisor to retain additional compensation without any "immediate" benefit to the shareholders of the Fund. We believe the situation in the AAL Letter, however, is distinguishable because it involved an unaffiliated advisor and sub-advisor. The reduction in sub-advisory fees and the concomitant increase in advisory fees had very real economic consequences. In contrast, IFG and all of the Sub-Advisors are indirectly owned by the same corporate entity – what is proposed is an internal reallocation whose economic consequences are no more substantive, from the perspective of the Funds' shareholders, than those presented by the internal transfer of advisory contracts discussed above.

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were amended to reduce the management fee for a one-year period prior to shareholder approval where the advisor represented that it would use its best efforts to obtain shareholder approval within that period); see also PMD Investment Company (pub. avail. April 22, 1991) (where fund is required by state law to hold an annual meeting, Staff refuses to provide no-action relief, finding it "inappropriate" for a fund "to forego seeking the approval of all shareholders" for an amended advisory agreement that would reduce the fund's advisory fee, notwithstanding that the fund's 72% shareholder had indicated his willingness to provide his written consent to the fee reduction, thus making the outcome of any subsequent shareholder vote a "foregone conclusion").

[7] See also Washington Mutual Investors Fund, Inc. (May 14, 1993) (Staff agreed to take no-action position with respect to a permanent amendment to an advisory contract that would reduce fees without seeking shareholder approval). Similarly (although the situation did not involve a fee reduction), the Staff recently agreed to take a no-action position that permitted, without a shareholder vote, the adoption of an advisory contract by a new fund in the context of a de-spoking transaction where the only change to the contract was the substitution of the new fund as party to the contract. Principal Preservation Portfolios, Inc. (pub. avail. January 11, 1996).

Conclusion. The shareholder vote requirement of Section 15(a) is imposed to protect shareholders from the abuses that may arise due to "trafficking" in advisory contracts, or other material modifications that may harm investors, such as unwarranted fee increases or a decline in the services for which they pay fees. In situations where none of these concerns are implicated, the Staff has shown the flexibility to protect investors from the expenses and burdens that may be imposed if technical requirements are enforced to no real purpose. We respectfully submit that the proposed reallocation of the Funds' advisory fees between the affiliated Advisor and Sub-Advisors is just such a case, and ask that the Staff confirm that it will not recommend enforcement action against the Funds, the Advisor or the Sub-Advisors if the fee reallocation is implemented as discussed above.

Thank you in advance for your consideration of this request. If you have any questions or would like any additional information or documents, please call the undersigned at (202) 778-9036 or Clifford J. Alexander at (202) 778-9068.

Sincerely yours,

Susan M. Casey

Susan M. Casey

cc: Glen A. Payne, Esq.

EXHIBIT A

INVESCO FUNDS GROUP, INC.
INVESTMENT ADVISORY
FEE STRUCTURE

Fund Name	Subadviser	Advisory Fee	Current Sub-Advisory Fee	Current Sub-Advisory Fee as a % of Advisory Fee	Proposed Sub-Advisory Fee	Proposed Sub-Advisory Fee as a % of Advisory Fee
INVESCO Diversified Funds, Inc. INVESCO Small Company Fund	INVESCO Management Research, Inc. ("IMR")	.75% of total assets	.375% of total assets	50%	0.25%	33.33%
INVESCO Dynamics Fund, Inc.	INVESCO Trust Company ("ITC")	.60% 1st $350m. .55% 2nd $350m. .50% > $700m.	.25% ≤ $200m. .20% > $200m.	41.67% 36.36% 40.00%	0.20% 1st $350m. 0.1833% 2d $350m. 0.1667% > $700m.	33.33% 33.33% 33.33%
INVESCO Emerging Opportunities Fund, Inc. INVESCO Emerging Growth Fund	ITC	.75% 1st $350m. .65% 2nd $350m. .55% > $700m.	.25% ≤ $200m. .20% > $200m.	33.33% 30.77% 36.36%	0.25% 1st $200m. 0.20% next $500m. 0.1833% > $700m.	33.33% 33.33% 33.33%
INVESCO Growth Fund, Inc.	ITC	.60% 1st $350m. .55% 2nd $350m. .50% > $700m.	.25% ≤ $200m. .20% > $200m.	41.67% 36.36% 40.00%	0.20% 1st $350m. 0.1833% 2nd $350m. 0.1667% > $700m.	33.33% 33.33% 33.33%
INVESCO Income Funds, Inc.						
INVESCO High Yield Fund	ITC	.50% 1st $350m. .40% next $200m. .30% > $500m.	.25% ≤ $200m. .20% > $200m.	50.00% 50.00% 66.67%	0.1667% 1st $300 m. 0.1333% next $200m. 0.1000% > $500m.	33.33% 33.33% 33.33%
INVESCO Select Income Fund	ITC	.55% 1st $300m. .45% next $200m. .35% > $500m.	.25% ≤ $200m. .20% > $200m.	45.45% 44.44% 57.14%	0.1833% 1st $300m. 0.1500% next $200m. 0.1167% > $500m.	33.33% 33.33% 33.33%
INVESCO Short-Term Bond Fund	ITC	.50% 1st $300m. .40% next $200m. .30% > $500m.	.25% 1st $300m. .20% next $200m. .15% > $500m.	50.00% 50.00% 50.00%	0.1667% 1st $300m. 0.1333% next $200m. 0.1000% > $500m.	33.33% 33.33% 33.33%
INVESCO U.S. Government Securities Fund	ITC	.55% 1st $300m. .45% next $200m. .35% > $500m.	.25% ≤ $200m. .20% > $200m.	45.45% 44.44% 57.14%	0.1833% 1st $300m. 0.1500% next $200m. 0.1167% > $700m.	33.33% 33.33% 33.33%

Fund Name	Subadviser	Advisory Fee	Current Sub-Advisory Fee	Current Sub-Advisory Fee as a % of Advisory Fee	Proposed Sub-Advisory Fee	Proposed Sub-Advisory Fee as a % of Advisory Fee
INVESCO Industrial Income Fund, Inc.	ITC	.60% 1st $350m. .55% 2nd $350m. .50% > $700m.	.25% ≤ $200m. .20% > $200m.	41.67% 36.36% 40.00%	0.20% 1st $350m. 0.1833% 2nd $350m. 0.1667% > $700m.	33.33% 33.33% 33.33%
INVESCO International Funds, Inc.						
INVESCO European Fund	INVESCO Asset Management, Ltd. ("IAML")	.75% 1st $350m. .65% 2nd $350m. .55% > $700m.	.45% 1st $350m. .40% 2nd $350m. .35% > $700m.	60.00% 61.54% 63.64%	0.25% 1st $350m. 0.2166% 2nd $350m. 0.1833% > $700m.	33.33% 33.33% 33.33%
INVESCO Pacific Basin Fund	IAML	.75% 1st $350m. .65% 2nd $350m. .55% > $700m.	.45% 1st $350m. .40% 2nd $350m. .35% > $700m.	60.00% 61.54% 63.64%	0.25% 1st $350m. 0.2166% 2nd $350m. 0.1833% > $700m.	33.33% 33.33% 33.33%
INVESCO International Growth Fund	IAML	1.00% 1st $500m. 0.75% 2nd $500m. 0.65% > $1 billion	0.25% 1st $500m. 0.1875% 2nd $500m. 0.1625% > $1 billion	25.00% 25.00% 25.00%	0.333% 1st $500m. 0.25% 2nd $500m. 0.2167% > $1 billion	33.33% 33.33% 33.33%
INVESCO Money Market Funds, Inc.						
INVESCO Cash Reserves Fund, INVESCO Tax-Exempt Money Fund, INVESCO U.S. Government Money Fund	ITC	.50% 1st $300m. .40% next $200m. .30% > $500m.	.15% of total assets	30.00% 37.50% 50.00%	0.1667% 1st $300m. 0.1333% next $200m. 0.10% > $500m.	33.33% 33.33% 33.33%
INVESCO Multiple Asset Funds, Inc.						
INVESCO Balanced Fund	ITC	.60% 1st $350m. .55% 2nd $350m. .50% > $700m.	.300% 1st $350m. .275% 2nd $350m. .25% > $700m.	50.00% 50.00% 50.00%	0.20% 1st $350m. 0.1833% 2nd $350m. 0.1667% > $700m.	33.33% 33.33% 33.33%
INVESCO Multi-Asset Allocation Fund	IMR	.75% 1st $500m. .65% 2nd $500m. .50% > $1 billion	.375% 1st $500m. .325% 2nd $500m. .250% > $1 billion	50.00% 50.00% 50.00%	0.25% 1st $500m. 0.2166% 2nd $500m. 0.1667% > $1 billion	33.33% 33.33% 33.33%

Fund Name	Subadviser	Advisory Fee	Current Sub-Advisory Fee	Current Sub-Advisory Fee as a % of Advisory Fee	Proposed Sub-Advisory Fee	Proposed Sub-Advisory Fee as a % of Advisory Fee
INVESCO Specialty Funds, Inc.						
INVESCO Worldwide Capital Goods Fund, INVESCO Worldwide Communications Fund	ITC	.65% 1st $500m. .55% 2nd $500m. .45% > $1 billion	.325% 1st $500m. .275% 2nd $500m. .225% > $1 billion	50.00% 50.00% 50.00%	0.2166% 1st $500m. 0.1833% 2nd $500m. 0.15% > $1 billion	33.33% 33.33% 33.33%
INVESCO Latin American Growth Fund	IAML	.75% 1st $500m. .65% 2nd $500m. .55% > $1 billion	.375% 1st $500m. .325% 2nd $500m. .275% > $1 billion	50.00% 50.00% 50.00%	0.25% 1st $500m. 0.2166% 2nd $500m. 0.1833% > $1 billion	33.33% 33.33% 33.33%
INVESCO European Small Company Fund	IAML	.75% 1st $500m. .65% 2nd $500m. .55% > $1 billion	.375% 1st $500m. .325% 2nd $500m. .275% > $1 billion	50.00% 50.00% 50.00%	0.25% 1st $500m. 0.2166% 2nd $500m. 0.1833% > $1 billion	33.33% 33.33% 33.33%
INVESCO Asian Growth Fund	INVESCO Asia Ltd.	.75% 1st $500m. .65% 2nd $500m. .55% > $1 billion	.375% 1st $500m. .325% 2nd $500m. .275% > $1 billion	50.00% 50.00% 50.00%	0.25% 1st $500m. 0.2166% 2nd $500m. 0.1833% > $1 billion	33.33% 33.33% 33.33%
INVESCO Realty Fund	INVESCO Realty Advisors, Inc.	0.75% of total assets	0.30% of total assets	40.00%	0.25%	33.33%
INVESCO Strategic Portfolios, Inc.						
Energy, Environmental, Financial Services, Gold, Health Sciences, Leisure, Technology and Utilities Portfolios	ITC	.75% 1st $350m. .65% 2nd $350m. .55% > $700m.	.25% ≤ $200m. .20% > $200m.	33.33% 30.77% 36.36%	0.25% 1st $350m. 0.2167% 2nd $350m. 0.1833% > $700m.	33.33% 33.33% 33.33%
INVESCO Tax-Free Income Funds, Inc.						
INVESCO Tax-Free Intermediate Bond Fund	ITC	.50% 1st $300m. .40% next $200m. .30% > $500m.	.25% 1st $300m. .20% 2nd $200m. .15% > $500m.	50.00% 50.00% 50.00%	0.1667% 1st $300m. 0.1333% next $200m. 0.10% > $500m	33.33% 33.33% 33.33%
INVESCO Tax-Free Long-Term Bond Fund	ITC	.55% 1st $300m. .45% next $200m. .35% > $500m.	.25% ≤ $200m. .20% > $200m.	45.45% 44.44% 57.14%	0.1833% 1st $300m. 0.15% next $200m. 0.1167% > $500m.	33.33% 33.33% 33.33%

Fund Name	Subadviser	Advisory Fee	Current Sub-Advisory Fee	Current Sub-Advisory Fee as a % of Advisory Fee	Proposed Sub-Advisory Fee	Proposed Sub-Advisory Fee as a % of Advisory Fee
INVESCO Value Trust						
INVESCO Intermediate Government Bond Fund	ICM	.60% 1st $500m. .50% 2nd $500m. .40% > $1 billion	.16% 1st $500m. .13% 2nd $500m. .11% > $ 1 billion	26.67% 26.00% 27.50%	0.20% 1st $500m. 0.1667% 2nd $500m. 0.1333% > $1 billion	33.33% 33.33% 33.33%
INVESCO Total Return Fund, INVESCO Value Equity Fund	ICM	.75% 1st $500m. .65% 2nd $500m. .50% > $1 billion	.20% 1st $500m. .17% 2nd $500m. .13% > $ 1 billion	26.67% 26.00% 27.50%	0.25% 1st $500m. 0.2167% 2nd $500m. 0.1667% > $1 billion	33.33% 33.33% 33.33%
INVESCO Variable Investment Funds, Inc.						
High Yield Portfolio, Utilities Portfolio	ITC	.60% 1st $500m. .55% 2nd $500m. .45 > $1 billion	.300% 1st $500m. .275% 2nd $500m. .225% > $1 billion	50.00% 50.00% 50.00%	0.20% 1st $500m. 0.1833% 2nd $500m. 0.15% > $1 billion	33.33% 33.33% 33.33%
Industrial Income Portfolio, Total Return Portfolio	ITC	.75% 1st $500m. .65% 2nd $500m. .55 > $1 billion	.375% 1st $500m. .325% 2nd $500m. .275% > $1 billion	50.00% 50.00% 50.00%	0.25% 1st $500m. 0.2166% 2nd $500m. 0.1833% > $1 billion	33.33% 33.33% 33.33%
Emerging Growth Portfolio, Health Services Portfolio, Technology Portfolio	ITC	0.75% 1st $350m. 0.65% next $350m. 0.55% > $700m.	0.25% 1st $200m. 0.20% > $200m.	33.33% 30.77% 36.36%	0.25% 1st $200m. 0.2167% next $500m. 0.1833% > $700m.	33.33% 33.33% 33.33%
Dynamics Portfolio	ITC	0.60% 1st $350m. 0.55% 2nd $350m. 0.50% > $700m.	0.25% 1st $200m. 0.20% > $200m.	41.67% 36.36% 40.00%	0.20% 1st $350m. 0.1833% next $350m. 0.1677% > $700m.	33.33% 33.33% 33.33%

INVESTMENT ADVISORY AGREEMENT

THIS AGREEMENT is made this 28th day of February, 1997, in Denver, Colorado, by and between INVESCO FUNDS GROUP, INC. (the "Adviser"), a Delaware corporation, and INVESCO Diversified Funds, Inc., a Maryland corporation (the "Fund").

WITNESSETH:

WHEREAS, the Fund is a corporation organized under the laws of the State of Maryland; and

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as a diversified, open-end management investment company and has one class of shares (the "Shares"), which is divided into additional series, each representing an interest in a separate portfolio of investments, with the first such series being designated as the INVESCO Small Company Fund (the "Portfolio"); and

WHEREAS, the Fund desires that the Adviser manage its investment operations and the Adviser desires to manage said operations;

NOW, THEREFORE, in consideration of these premises and of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. *Investment Management Services.* The Adviser hereby agrees to manage the investment operations of the Fund and its Portfolio, subject to the terms of this Agreement and to the supervision of the Fund's directors (the "Directors"). The Adviser agrees to perform, or arrange for the performance of, the following specific services for the Fund:

(a) to manage the investment and reinvestment of all the assets, now or hereafter acquired, of the Fund and the Portfolio of the Fund;

(b) to maintain a continuous investment program for the Fund and each Portfolio of the Fund, consistent with (i) the Fund's and Portfolio's investment policies as set forth in the Fund's Articles of Incorporation, Bylaws, and Registration Statement, as from time to time amended, under the Investment Company Act of 1940, as amended (the "1940 Act"), and in any prospectus and/or statement of additional information of the Fund or any Portfolio of the Fund, as from time to time amended and in use under the Securities Act of 1933, as amended, and (ii) the Fund's status as a regulated investment company under the Internal Revenue Code of 1986, as amended;

(c) to determine what securities are to be purchased or sold for the Fund and the Portfolio, unless otherwise directed by the Directors of the Fund, and to execute transactions accordingly;

(d) to provide to the Fund and the Portfolio of the Fund the benefit of all of the investment analyses and research, the reviews of current economic conditions and trends, and the consideration of long-range investment policy now or hereafter generally available to investment advisory customers of the Adviser;

(e) to determine what portion of the Fund and each Portfolio of the Fund should be invested in common stocks, preferred stocks, Government obligations, commercial paper, certificates of deposit, bankers' acceptances, variable amount notes, corporate debt obligations, and any other authorized securities;

(f) to make recommendations as to the manner in which voting rights, rights to consent to Fund and/or Portfolio action and any other rights pertaining to the Fund's portfolio securities shall be exercised; and

(g) to calculate the net asset value of the Fund and each Portfolio, as applicable, as required by the 1940 Act, subject to such procedures as may be established from time to time by the Fund's Directors, based upon the information provided to the Adviser by the Fund or by the custodian, co-custodian or sub-custodian of the Fund's or any of the Portfolio's assets (the "Custodian") or such other source as designated by the Directors from time to time.

With respect to execution of transactions for the Fund and for the Portfolio, the Adviser shall place, or arrange for the placement of, all orders for the purchase or sale of portfolio securities with brokers or dealers selected by the Adviser. In connection with the selection of such brokers or dealers and the placing of such orders, the Adviser is directed at all times to obtain for the Fund and the Portfolio the most favorable execution and price; after fulfilling this primary requirement of obtaining the most favorable execution and price, the Adviser is hereby expressly authorized to consider as a secondary factor in selecting brokers or dealers with which such orders may be placed whether such firms furnish statistical, research and other information or services to the Adviser. Receipt by the Adviser of any such statistical or other information and services should not be deemed to give rise to any requirement for adjustment of the advisory fee payable pursuant to paragraph 4 hereof. The Adviser may follow a policy of considering sales of shares of the Fund as a factor in the selection of broker/dealers to execute portfolio transactions, subject to the requirements of best execution discussed above.

The Adviser shall for all purposes herein provided be deemed to be an independent contractor.

2. Allocation of Costs and Expenses. The Adviser shall reimburse the Fund monthly for any salaries paid by the Fund to officers, Directors, and full-time employees of the Fund who also are officers, general partners or employees of the Adviser or its affiliates. Except for such sub-accounting, recordkeeping, and administrative services which are to be provided by the Adviser to the Fund under the Administrative Services Agreement between the Fund and the Adviser dated April 30, 1993, which was approved on April 21, 1993, by the Fund's board of directors, including all of the independent directors, at the Fund's request the Adviser shall also furnish to the Fund, at the expense of the Adviser, such competent executive, statistical, administrative, internal accounting and clerical services as may be required in the judgment of the Directors of the Fund. These services will include, among other things, the maintenance (but not preparation) of the Fund's accounts and records, and the preparation (apart from legal and accounting costs) of all requisite corporate documents such as tax returns and reports to the Securities and Exchange Commission and Fund shareholders. The Adviser also will furnish, at the Adviser's expense, such office space, equipment and facilities as may be reasonably requested by the Fund from time to time.

Except to the extent expressly assumed by the Adviser herein and except to the extent required by law to be paid by the Adviser, the Fund shall pay all costs and expenses in connection with the operations and organization of the Fund. Without limiting the generality of the foregoing, such costs and expenses payable by the Fund include the following:

(a) all brokers' commissions, issue and transfer taxes, and other costs chargeable to the Fund and any Portfolio in connection with securities transactions to which the Fund or any Portfolio is a party or in connection with securities owned by the Fund or any Portfolio;

(b) the fees, charges and expenses of any independent public accountants, custodian, depository, dividend disbursing agent, dividend reinvestment agent, transfer agent, registrar, independent pricing services and legal counsel for the Fund or for any Portfolio;

(c) the interest on indebtedness, if any, incurred by the Fund or any Portfolio;

(d) the taxes, including franchise, income, issue, transfer, business license, and other corporate fees payable by the Fund or any Portfolio to federal, state, county, city, or other governmental agents;

(e) the fees and expenses involved in maintaining the registration and qualification of the Fund and of its shares under laws administered by the Securities and Exchange Commission or under other applicable regulatory requirements, including the preparation and printing of prospectuses and statements of additional information;

(f) the compensation and expenses of its Directors;

(g) the costs of printing and distributing reports, notices of shareholders' meetings, proxy statements, dividend notices, prospectuses, statements of additional information and other communications to the Fund's shareholders, as well as all expenses of shareholders' meetings and Directors' meetings;

(h) all costs, fees or other expenses arising in connection with the organization and filing of the Fund's Articles of Incorporation, including its initial registration and qualification under the 1940 Act and under the Securities Act of 1933, as amended, the initial determination of its tax status and any rulings obtained for this purpose, the initial registration and qualification of its securities under the laws of any state and the approval of the Fund's operations by any other federal or state authority;

(i) the expenses of repurchasing and redeeming shares of the Fund;

(j) insurance premiums;

(k) the costs of designing, printing, and issuing certificates representing shares of beneficial interest of the Fund;

(l) extraordinary expenses, including fees and disbursements of Fund counsel, in connection with litigation by or against the Fund or any Portfolio;

(m) premiums for the fidelity bond maintained by the Fund pursuant to Section 17(g) of the 1940 Act and rules promulgated thereunder (except for such premiums as may be allocated to the Adviser as an insured thereunder); and

(n) association and institute dues.

3. *Use of Affiliated Companies.* In connection with the rendering of the services required to be provided by the Adviser under this Agreement, the Adviser may, to the extent it deems appropriate and subject to compliance with the requirements of applicable laws and regulations, and upon receipt of written approval of the Fund, make use of its affiliated companies and their employees; provided that the Adviser shall supervise and remain fully responsible for all such services in accordance with and to the extent provided by this Agreement and that all costs and expenses associated with the providing of services by any such companies or employees and required by this Agreement to be borne by the Adviser shall be borne by the Adviser or its affiliated companies.

4. *Compensation of the Adviser.* For the services to be rendered and the charges and expenses to be assumed by the Adviser hereunder, the Fund shall pay to the Adviser an advisory fee which will be computed on a daily basis and paid as of the last

day of each month, using for each daily calculation the most recently determined net asset value of the Portfolio of the Fund, as determined by valuations made in accordance with the Fund's procedure for calculating the Portfolio's net asset value as described in the Fund's Prospectus and/or Statement of Additional Information. On an annual basis the advisory fee applicable to the Portfolio shall be computed at the annual rate of 0.75% of the Portfolio's average net assets.

During any period when the determination of the Portfolio's net asset value is suspended by the Directors of the Fund, the net asset value of a share of the Portfolio as of the last business day prior to such suspension shall, for the purpose of this paragraph 4, be deemed to be the net asset value at the close of each succeeding business day until it is again determined. However, no such fee shall be paid to the Adviser with respect to any assets of the Fund or any Portfolio thereof which may be invested in any other investment company for which the Adviser serves as investment adviser. The fee provided for hereunder shall be prorated in any month in which this Agreement is not in effect for the entire month.

If, in any given year, the sum of the Portfolio's expenses exceeds the most restrictive state imposed annual expense limitation, the Adviser will be required to reimburse the Portfolio for such excess expenses promptly. Interest, taxes and extraordinary items such as litigation costs are not deemed expenses for purposes of this paragraph and shall be borne by the Fund or Portfolio in any event. Expenditures, including costs incurred in connection with the purchase or sale of portfolio securities, which are capitalized in accordance with generally accepted accounting principles applicable to investment companies, are accounted for as capital items and shall not be deemed to be expenses for purposes of this paragraph.

5. *Avoidance of Inconsistent Positions and Compliance with Laws.* In connection with purchases or sales of securities for the investment portfolio of the Fund or any Portfolio, neither the Adviser nor its officers or employees will act as a principal or agent for any party other than the Fund or Portfolio or receive any commissions. The Adviser will comply with all applicable laws in acting hereunder including, without limitation, the 1940 Act; the Investment Advisers Act of 1940, as amended; and all rules and regulations duly promulgated under the foregoing.

6. *Duration and Termination.* This Agreement shall become effective as of the date it is approved by a majority of the outstanding voting securities of the Portfolio of the Fund, and unless sooner terminated as hereinafter provided, shall remain in force for an initial term ending two years from the date of execution, and from year to year thereafter, but only as long as such continuance is specifically approved at least annually (i) by a vote of a majority of the outstanding voting securities of the Portfolio of the Fund or by the Directors of the Fund, and (ii) by a majority of the Directors of the Fund who are not interested persons of the Adviser or the Fund by votes cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may, on 60 days' prior written notice, be terminated without the payment of any penalty, by the Directors of the Fund, or by the vote of a majority of the outstanding voting securities of the Fund or Portfolio, as the case may be, or by the Adviser. This Agreement shall immediately terminate in the event of its assignment, unless an order is issued by the Securities and Exchange Commission conditionally or unconditionally exempting such assignment from the provisions of Section 15(a) of the 1940 Act, in which event this Agreement shall remain in full force and effect subject to the terms and provisions of said order. In interpreting the provisions of this paragraph 6, the definitions contained in Section 2(a) of the 1940 Act and the applicable rules under the 1940 Act (particularly the definitions of "interested person," "assignment" and "vote of a majority of the outstanding voting securities") shall be applied.

The Adviser agrees to furnish to the Directors of the Fund such information on an annual basis as may reasonably be necessary to evaluate the terms of this Agreement.

Termination of this Agreement shall not affect the right of the Adviser to receive payments on any unpaid balance of the compensation described in paragraph 4 earned prior to such termination.

7. Non-Exclusive Services. The Adviser shall, during the term of this Agreement, be entitled to render investment advisory services to others, including, without limitation, other investment companies with similar objectives to those of the Fund or any Portfolio of the Fund. The Adviser may, when it deems such to be advisable, aggregate orders for its other customers together with any securities of the same type to be sold or purchased for the Fund or any Portfolio in order to obtain best execution and lower brokerage commissions. In such event, the Adviser shall allocate the shares so purchased or sold, as well as the expenses incurred in the transaction, in the manner it considers to be most equitable and consistent with its fiduciary obligations to the Fund or any Portfolio and the Adviser's other customers.

8. *Liability.* The Adviser shall have no liability to the Fund or any Portfolio or to the Fund's shareholders or creditors, for any error of judgment, mistake of law, or for any loss arising out of any investment, nor for any other act or omission, in the performance of its obligations to the Fund or any Portfolio not involving willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties hereunder.

9. *Miscellaneous Provisions.*

Notice. Any notice under this Agreement shall be in writing, addressed and delivered or mailed, postage prepaid, to the other party at such address as such other party may designate for the receipt of such notice.

Amendments Hereof. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Fund and the Adviser, and no material amendment of this Agreement shall be effective

unless approved by (1) the vote of a majority of the Directors of the Fund, including a majority of the Directors who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such amendment, and (2) the vote of a majority of the outstanding voting securities of the Portfolio; provided, however, that this paragraph shall not prevent any immaterial amendment(s) to this Agreement, which amendment(s) may be made without shareholder approval, if such amendment(s) are made with the approval of (1) the Directors and (2) a majority of the Directors of the Fund who are not interested persons of the Adviser or the Fund.

Severability. Each provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held illegal or made invalid by a court decision, statute, rule or otherwise, such illegality or invalidity shall not affect the validity or enforceability of the remainder of this Agreement.

Headings. The headings in this Agreement are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the size, extent or intent of this Agreement or any provision hereof.

Applicable Law. This Agreement shall be construed in accordance with the laws of the State of Colorado and the applicable provisions of the 1940 Act. To the extent that the applicable laws of the State of Colorado, or any of the provisions herein, conflict with applicable provisions of the 1940 Act, the latter shall control.

IN WITNESS WHEREOF, the Adviser and the Fund each has caused this Agreement to be duly executed on its behalf by an officer thereunto duly authorized, the day and year first above written.

INVESCO DIVERSIFIED FUNDS, INC.

By: _____
President

ATTEST:

_____
Secretary

INVESCO FUNDS GROUP, INC.

By: _____
Senior Vice President

ATTEST:

_____
Secretary

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SUB-ADVISORY AGREEMENT

AGREEMENT made this 28th day of February, 1997, by and between INVESCO Funds Group, Inc. ("INVESCO"), a Delaware corporation, and INVESCO MANAGEMENT & RESEARCH, INC., a Massachusetts corporation ("the Sub-Adviser").

WITNESSETH:

WHEREAS, INVESCO DIVERSIFIED FUNDS, INC. (the "Company") is engaged in business as a diversified, open-end management investment company registered under the Investment Company Act of 1940, as amended (hereinafter referred to as the "Investment Company Act") and has one class of shares (the "Shares"), which may be divided into additional series, each representing an interest in a separate portfolio of investments, with the first such series being designated the INVESCO Small Company Fund (the "Fund"); and

WHEREAS, INVESCO and the Sub-Adviser are engaged in rendering investment advisory services and are registered as investment advisers under the Investment Advisers Act of 1940; and

WHEREAS, INVESCO has entered into an Investment Advisory Agreement with the Company (the "INVESCO Investment Advisory Agreement"), pursuant to which INVESCO is required to provide investment advisory services to the Company, and, upon receipt of written approval of the Company, is authorized to retain companies which are affiliated with INVESCO to provide such services; and

WHEREAS, the Sub-Adviser is willing to provide investment advisory services to the Company on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, INVESCO and the Sub-Adviser hereby agree as follows:

ARTICLE I

DUTIES OF THE SUB-ADVISER

INVESCO hereby employs the Sub-Adviser to act as investment adviser to the Company and to furnish the investment advisory services described below, subject to the broad supervision of INVESCO and Board of Directors of the Company, for the period and on the terms and conditions set forth in this Agreement. The Sub-Adviser hereby accepts such assignment and agrees during such period, at its own expense, to render such services and to assume the obligations herein set forth for the compensation provided for herein. The Sub-Adviser shall for all purposes herein be deemed to be an independent contractor and, unless otherwise expressly provided or

authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

The Sub-Adviser hereby agrees to manage the investment operations of the Fund, subject to the supervision of the Company's directors (the "Directors") and INVESCO. Specifically, the Sub-Adviser agrees to perform the following services:

(a) to manage the investment and reinvestment of all the assets, now or hereafter acquired, of the Fund, and to execute all purchases and sales of portfolio securities;

(b) to maintain a continuous investment program for the Fund, consistent with (i) the Fund's investment policies as set forth in the Company's Articles of Incorporation, Bylaws, and Registration Statement, as from time to time amended, under the Investment Company Act of 1940, as amended (the "1940 Act"), and in any prospectus and/or statement of additional information of the Fund, as from time to time amended and in use under the Securities Act of 1933, as amended, and (ii) the Company's status as a regulated investment company under the Internal Revenue Code of 1986, as amended;

(c) to determine what securities are to be purchased or sold for the Fund, unless otherwise directed by the Directors of the Company or INVESCO, and to execute transactions accordingly;

(d) to provide to the Fund the benefit of all of the investment analysis and research, the reviews of current economic conditions and trends, and the consideration of long-range investment policy now or hereafter generally available to investment advisory customers of the Sub-Adviser;

(e) to determine what portion of the Fund should be invested in the various types of securities authorized for purchase by the Fund; and

(f) to make recommendations as to the manner in which voting rights, rights to consent to Fund action and any other rights pertaining to the Fund's portfolio securities shall be exercised.

With respect to execution of transactions for the Fund, the Sub-Adviser is authorized to employ such brokers or dealers as may, in the Sub-Adviser's best judgment, implement the policy of the Fund to obtain prompt and reliable execution at the most favorable price obtainable. In assigning an execution or negotiating the commission to be paid therefor, the Sub-Adviser is authorized to consider the full range and quality of a broker's services which benefit the Fund, including but not limited to research and analytical capabilities, reliability of performance, and financial soundness and responsibility. Research services prepared and furnished by brokers through which the Sub-Adviser effects securities transactions on behalf of the Fund may be used by the Sub-Adviser in servicing all of its accounts, and not all such services may be used by

the Sub-Adviser in connection with the Fund. In the selection of a broker or dealer for execution of any negotiated transaction, the Sub-Adviser shall have no duty or obligation to seek advance competitive bidding for the most favorable negotiated commission rate for such transaction, or to select any broker solely on the basis of its purported or "posted" commission rate for such transaction, provided, however, that the Sub-Adviser shall consider such "posted" commission rates, if any, together with any other information available at the time as to the level of commissions known to be charged on comparable transactions by other qualified brokerage firms, as well as all other relevant factors and circumstances, including the size of any contemporaneous market in such securities, the importance to the Fund of speed, efficiency, and confidentiality of execution, the execution capabilities required by the circumstances of the particular transactions, and the apparent knowledge or familiarity with sources from or to whom such securities may be purchased or sold. Where the commission rate reflects services, reliability and other relevant factors in addition to the cost of execution, the Sub-Adviser shall have the burden of demonstrating that such expenditures were bona fide and for the benefit of the Fund.

ARTICLE II

ALLOCATION OF CHARGES AND EXPENSES

The Sub-Adviser assumes and shall pay for maintaining the staff and personnel necessary to perform its obligations under this Agreement, and shall, at its own expense, provide the office space, equipment and facilities necessary to perform its obligations under this Agreement. Except to the extent expressly assumed by the Sub-Adviser herein and except to the extent required by law to be paid by the Sub-Adviser, INVESCO and/or the Company shall pay all costs and expenses in connection with the operations of the Fund.

ARTICLE III

COMPENSATION OF THE SUB-ADVISER

For the services rendered, facilities furnished, and expenses assumed by the Sub-Adviser, INVESCO shall pay to the Sub-Adviser a fee, computed daily and paid as of the last day of each month, using for each daily calculation the most recently determined net asset value of the Fund, as determined by a valuation made in accordance with the Fund's procedures for calculating its net asset value as described in the Fund's Prospectus and/or Statement of Additional Information. The advisory fee to the Sub-Adviser shall be computed at the annual rate of 0.375% of the Fund's average net assets. During any period when the determination of the Fund's net asset value is suspended by the Directors of the Fund, the net asset value of a share of the Fund as of the last business day prior to such suspension shall, for the purpose of this Article III, be deemed to be the net asset value at the close of each succeeding business day until it is again determined. However, no such fee shall be paid to the

Sub-Adviser with respect to any assets of the Fund which may be invested in any other investment company for which the Sub-Adviser serves as investment adviser or sub-adviser. The fee provided for hereunder shall be prorated in any month in which this Agreement is not in effect for the entire month. The Sub-Adviser shall be entitled to receive fees hereunder only for such periods as the INVESCO Investment Advisory Agreement remains in effect.

ARTICLE IV

ACTIVITIES OF THE SUB-ADVISER

The services of the Sub-Adviser to the Fund are not to be deemed to be exclusive, the Sub-Adviser and any person controlled by or under common control with the Sub-Adviser (for purposes of this Article IV referred to as "affiliates") being free to render services to others. It is understood that directors, officers, employees and shareholders of the Fund are or may become interested in the Sub-Adviser and its affiliates, as directors, officers, employees and shareholders or otherwise and that directors, officers, employees and shareholders of the Sub-Adviser, INVESCO and their affiliates are or may become interested in the Fund as directors, officers and employees.

ARTICLE V

AVOIDANCE OF INCONSISTENT POSITIONS AND COMPLIANCE WITH APPLICABLE LAWS

In connection with purchases or sales of securities for the investment portfolio of the Fund, neither the Sub-Adviser nor any of its directors, officers or employees will act as a principal or agent for any party other than the Fund or receive any commissions. The Sub-Adviser will comply with all applicable laws in acting hereunder including, without limitation, the 1940 Act; the Investment Advisers Act of 1940, as amended; and all rules and regulations duly promulgated under the foregoing.

ARTICLE VI

DURATION AND TERMINATION OF THIS AGREEMENT

This Agreement shall become effective as of the date it is approved by a majority of the outstanding voting securities of the Fund, and shall remain in force for an initial term of two years from the date of execution, and from year to year thereafter until its termination in accordance with this Article VI, but only so long as such continuance is specifically approved at least annually by (i) the Directors of the Fund, or by the vote of a majority of the outstanding voting securities of the Fund, and (ii) a majority of those Directors who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may be terminated at any time, without the payment of any penalty, by INVESCO, the Fund by vote of the Directors of the Company, or by vote of a majority of the outstanding voting securities of the Fund, or by the Sub-Adviser. A termination by INVESCO or the Sub-Adviser shall require sixty days' written notice to the other party and to the Company, and a termination by the Company shall require such notice to each of the parties. This Agreement shall automatically terminate in the event of its assignment to the extent required by the Investment Company Act of 1940 and the Rules thereunder.

The Sub-Adviser agrees to furnish to the Directors of the Company such information on an annual basis as may reasonably be necessary to evaluate the terms of this Agreement.

Termination of this Agreement shall not affect the right of the Sub-Adviser to receive payments on any unpaid balance of the compensation described in Article III hereof earned prior to such termination.

ARTICLE VII

AMENDMENTS OF THIS AGREEMENT

No provision of this Agreement may be orally changed or discharged, but may only be modified by an instrument in writing signed by the Sub-Adviser and INVESCO. In addition, no amendment to this Agreement shall be effective unless approved by (1) the vote of a majority of the Directors of the Company, including a majority of the Directors who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such amendment and (2) the vote of a majority of the outstanding voting securities of the Fund (other than an amendment which can be effective without shareholder approval under applicable law).

ARTICLE VIII

DEFINITIONS OF CERTAIN TERMS

In interpreting the provisions of this Agreement, the terms "vote of a majority of the outstanding voting securities," "assignments," "affiliated person" and "interested person," when used in this Agreement, shall have the respective meanings specified in the Investment Company Act and the Rules and Regulations thereunder, subject, however, to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

ARTICLE IX

GOVERNING LAW

This Agreement shall be construed in accordance with the laws of the State of Colorado and the applicable provisions of the Investment Company Act. To the extent that the applicable laws of the State of Colorado, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

ARTICLE X

MISCELLANEOUS

Notice. Any notice under this Agreement shall be in writing, addressed and delivered or mailed, postage prepaid, to the other party at such address as such other party may designate for the receipt of such notice.

Severability. Each provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held illegal or made invalid by a court decision, statute, rule or otherwise, such illegality or invalidity shall not affect the validity or enforceability of the remainder of this Agreement.

Headings. The headings in this Agreement are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the size, extent or intent of this Agreement or any provision hereof.