

ATTORNEY GENERAL OF THE STATE OF NEW YORK
BUREAU OF INVESTMENT PROTECTION

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In the Matter of :
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INVESCO FUNDS GROUP, INC. :
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**ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)**

WHEREAS, Eliot Spitzer, Attorney General of the State of New York (the “Attorney General”), brought an action in the name of the State of New York pursuant Civil Practice Law and Rules § 1301, Article 23-A of the General Business Law (the “Martin Act”), General Business Law § 349 and Section 63(12) of the Executive Law for a judgment and order permanently enjoining INVESCO Funds Group, Inc. (“IFG” or “defendant”) from engaging in fraudulent activities and breaches of its fiduciary obligations in connection with the purchase and sale of securities and awarding plaintiff damages, restitution, disgorgement of profits, disgorgement of management fees, fines, penalties and other just and proper relief, which action is entitled State of New York v. Invesco Funds Group, Inc. et al., Index No. 03/403885 (Supreme Court, New York County) (the “Action”).

WHEREAS, pursuant to the provisions of the Martin Act, the Attorney General commenced an investigation in December 2003 into the practices, procedures and conduct of IFG during the period 1997 through September 2003 respecting: (a) market

timing (as hereinafter described) of mutual funds advised by IFG; and (b) possible late trading of mutual funds advised by IFG (the "Investigation").

WHEREAS, the Investigation was conducted in cooperation with parallel investigations of IFG by the U.S. Securities and Exchange Commission ("SEC"), the Colorado Attorney General and the Colorado Division of Securities;

WHEREAS, defendant advised the INVESCO Funds, which are listed in Schedule A hereto ("INVESCO Funds" or the "Funds"), and conducted business in the State of New York and accepted trades in the INVESCO Funds from investors who are residents of the State of New York, and through firms located in the State of New York;

WHEREAS, the complaint dated December 2, 2003 (the "Complaint"), in the Action alleges, among other things, that, in violation of the Martin Act, General Business Law § 349, and Executive Law § 63(12):

- (a) the defendant allowed certain investors to conduct "market timing"¹ transactions in the INVESCO Funds in contravention of the express restrictions of the applicable prospectuses and in breach of defendants' fiduciary obligations to fund shareholders;
- (b) the entities permitted to "time" the INVESCO Funds included Canary Capital, LLC, a hedge fund;
- (c) the defendant violated its fiduciary duties by failing to disclose the timing arrangements from the investing public; and
- (d) these "market timing" transactions caused substantial dilution and other harm to the long-term shareholders of the INVESCO Funds.

¹ "Market timing" refers to the practice of short-term investing in mutual fund shares and/or the exploitation of pricing inefficiencies in mutual fund share pricing.

WHEREAS, IFG has cooperated in the Investigation by producing documentary evidence and identifying evidence relevant to the Investigation;

WHEREAS, based upon the Investigation, the Attorney General has determined certain practices by IFG have violated the Martin Act, General Business Law § 349, and Executive Law § 63(12);

WHEREAS, IFG has advised the New York Attorney General of its desire and agreement to resolve the Investigation;

WHEREAS, IFG integrated its operations and Funds with its sister company, AIM Advisers, Inc. (“AIM”) beginning in mid-2003, and consequently does not have any assets under management, does not distribute any investment products, and does not have any operations;

WHEREAS, AIM manages the funds formerly advised by IFG and has agreed with the Attorney General in a separate Assurance of Discontinuance dated Oct. 8, 2004 (the “AIM Assurance of Discontinuance”) to implement numerous undertakings pertaining to the governance and management fee structure of the AIM Funds as well as the funds formerly advised by IFG; and

WHEREAS, the Attorney General finds the following sanctions appropriate and in the public interest and IFG agrees to the sanctions provided herein.

NOW, THEREFORE, IFG, without admitting or denying the allegations of the Complaint, and the Attorney General hereby enter into this Assurance of Discontinuance, pursuant to Executive Law § 63(15), and agree as follows:

FINDINGS

1. IFG is a Delaware corporation with its headquarters in Denver, Colorado. At all relevant times, IFG served as an investment adviser to more than 45 series or mutual funds, and conducted business in the State of New York by virtue of serving as the investment adviser to series and mutual funds in which New York residents invested.
2. The Attorney General has jurisdiction over this matter pursuant to the Martin Act, GBL § 349, and Executive Law § 63 (12).
3. The IFG practices alleged in the Complaint regarding market timing violated the Martin Act, GBL § 349, and Executive Law § 63 (12).

AGREEMENT

IT NOW APPEARING THAT IFG desires to settle and resolve the Investigation without admitting or denying the Attorney General's Findings or the allegations of the Complaint, which Findings and allegations are not binding on any other person or entity in this or any other proceeding, the Attorney General and IFG hereby enter into this Assurance of Discontinuance, pursuant to Executive Law § 63 (15), and agree as follows:

I. Affirmative Relief

A. Disgorgement and/or Restitution and Civil Penalty

1. IFG shall pay \$215 million in disgorgement and/or restitution plus a civil money penalty in the amount of \$110 million for a total payment of \$325 million exclusive of the value of the management fee reductions provided for in section I.C.

hereof. Respondent AIM Advisors, as the successor adviser to IFG, shall pay these penalty and disgorgement amounts ordered against IFG. The \$325 million payment shall be remitted to and administered by the SEC in accordance with its Order pertaining to IFG and AIM dated Oct. 8, 2004 (the "SEC Order"). Amounts ordered to be paid as civil money penalties pursuant to this Assurance of Discontinuance (i.e., pursuant to the terms of the SEC Order) shall be treated as penalties paid to the government for all purposes, including tax purposes.

2. IFG agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, payment made pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Assurance of Discontinuance. Nothing in this Assurance of Discontinuance shall: (i) prevent IFG from bringing claims (including claims for indemnity and/or contribution) against persons or entities for injuries sustained as a result of market timing or late trading; or (ii) limit or impair the rights of persons other than IFG under any applicable insurance policy.

3. No payments made or costs incurred by IFG pursuant to or in connection with this Assurance of Discontinuance shall be borne directly or indirectly by any Fund or the shareholders thereof. IFG agrees and undertakes that it and its affiliates shall not directly or indirectly assess any fee or charge to any Fund or the shareholders thereof to defray, recoup or reimburse any such payments or costs, including, but not limited to, the reduction in management fees provided for in Section I.C. of the AIM Assurance of Discontinuance. AIM and any of its subsidiaries that advise Funds

formerly advised by IFG shall operate in accordance with Section I.D. of the AIM Assurance of Discontinuance. Within 15 days after the end of IFG's fiscal years 2004 through 2009, the president or chief executive officer of IFG shall certify in writing to the Attorney General that IFG has complied in all material respects with the provisions of Section I.A. (unless IFG has been dissolved before any such date).

B. General Relief

1. IFG admits the jurisdiction of the Attorney General over IFG in connection with the subject matter of the Investigation. IFG will cease and desist from engaging in any acts in violation of the Martin Act, General Business Law § 349, and/or Executive Law § 63(12) and will comply with the Martin Act, General Business Law § 349, and Executive Law § 63(12).

2. A violation of this Assurance of Discontinuance by IFG shall constitute prima facie proof of violation of the Martin Act, General Business Law § 349, and Executive Law § 63(12) in any civil action or proceeding hereafter commenced by the Attorney General.

C. Reduction of Management Fee Rates for Five Years

1. AIM shall establish reduced Net Management Fee Rates for certain of the Funds, including certain of the Funds formerly advised by IFG, as provided by section I.C. of the AIM Assurance of Discontinuance.

D. Corporate Governance of Mutual Funds

1. AIM, and any of its subsidiaries that advise funds formerly advised by IFG, shall operate in accordance with the provisions contained in Sections I.D. and

I.E. of the AIM Assurance of Discontinuance for such time period as may be required by the AIM Assurance of Discontinuance.

2. In the event that IFG, or any subsidiary, affiliate or successor (as defined below) that formerly advised or distributed INVESCO Funds, reenters the business of advising or distributing mutual funds, IFG (or any such subsidiary, affiliate or successor) shall operate in accordance with the provisions contained in Section I.D. and I.E. of the AIM Assurance of Discontinuance for such time period as may be required by the AIM Assurance of Discontinuance and expenses shall be borne exclusively by IFG (or any such subsidiary, affiliate or successor).

II. Other Provisions

A. Scope of This Assurance of Discontinuance

1. This Assurance of Discontinuance concludes the Investigation brought by the Attorney General and any action the Attorney General could commence against IFG and any of its current corporate affiliates arising from or relating to the subject matter of the Investigation; provided, however, that nothing contained in this Assurance of Discontinuance shall be construed to cover claims of any type by any other state agency or any claims that may be brought by the Attorney General to enforce IFG's obligations arising from or relating to the provisions contained in this Assurance of Discontinuance. This Assurance of Discontinuance shall not prejudice, waive or affect any claims, rights or remedies of the Attorney General with respect to any person or entity other than IFG, its current corporate affiliates or the INVESCO Funds.

2. If IFG or AIM does not make the payments as provided in section I.A. of this Assurance of Discontinuance (i.e., pursuant to the SEC Order), or the Net Management Fee Reductions as provided by section I.C. of the AIM Assurance of Discontinuance, or IFG or AIM defaults on any of its obligations under this Assurance of Discontinuance, the Attorney General may terminate this Assurance of Discontinuance, at his sole discretion, upon written notice to IFG or AIM followed by IFG's or AIM's failure to cure within a reasonable time, and IFG and AIM agree that any statute of limitations or other time related defenses applicable to the subject of the Investigation and any claims arising from or relating thereto are tolled from and after December 31, 2003. In the event of such termination, IFG and AIM expressly agree and acknowledge that this Assurance of Discontinuance shall in no way bar or otherwise preclude the Attorney General from commencing, conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Investigation, against IFG or AIM, or from using in any way any statements, documents or other materials; produced or provided by IFG or AIM after commencement of the Investigation, including, without limitation, any statements, documents or other materials provided for purposes of settlement negotiations.

3. For any person or entity not a party hereto, this Assurance of Discontinuance does not prohibit, limit or create: (a) any private rights or remedies against IFG; (b) liability of IFG; or (c) defenses of IFG, its current or former affiliates, or their respective heirs, successors, executors, administrators, and assigns to claims asserted by any person or entity not a party hereto.

4. This Assurance of Discontinuance is not intended by the Attorney General to subject IFG or any of its affiliates to any disqualifications under the laws of any state, or the District of Columbia, Puerto Rico or any territory (collectively, "State") including, without limitation, any disqualifications from relying upon the State registration exemptions or State safe harbor provisions.

5. The SEC Order, assurances of discontinuance entered into or orders issued by the Attorney General of the State of Colorado or the Colorado Division of Securities, respectively, and this Assurance of Discontinuance, and any order of any other State in related proceedings against IFG or its affiliates (collectively, the "Settlement Documents") shall not disqualify IFG or its affiliates from any business that they otherwise are qualified, licensed or permitted to perform under the applicable law of the State of New York and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Settlement Documents are hereby waived.

B. Cooperation

1. IFG, its current affiliates, and its successors, assigns, and/or purchasers of all or substantially all its assets ("IFG Entities") agree to cooperate fully and promptly with the Attorney General with regard to any investigation, litigation or other proceeding initiated by the Attorney General or to which the Attorney General is a party, whether pending or subsequently initiated, relating to market timing or late trading. The IFG Entities shall use their best efforts to ensure that all the current and former

officers, directors, trustees, agents and employees of the IFG Entities and/or the Funds also fully and promptly cooperate with the Attorney General.

2. Cooperation shall include, without limitation:

(a) production, voluntarily and without service of subpoena, of all documents or other tangible evidence requested by the Attorney General and any compilations or summaries of information or data that the Attorney General requests be prepared, with the exception of any information or documents with respect to which the IFG Entities have a statutory or presently existing contractual obligation of confidentiality to persons or entities who are not parties to this Assurance of Discontinuance (“Confidential Information”) and information or documents protected by the attorney-client and/or work product privileges (“Privileged Information”);

(b) without the necessity of a subpoena, having the current officers, directors, trustees, agents and employees of the IFG Entities attend any proceedings in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current officers, directors, trustees, agents and employees answer any and all inquiries that may be put by the Attorney General to any of them at any proceedings or otherwise (“proceedings” include, but are not limited to, any meetings, interviews, depositions, hearings, trials or other proceedings), except to the extent to which such inquiries call for the disclosure of Confidential Information or Privileged Information;

(c) the IFG Entities using their best efforts to cause then current and former trustees and agents of the INVESCO Funds and former officers,

directors, trustees, agents and employees of the IFG Entities to attend any proceedings in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and to answer any and all inquiries that may be put by the Attorney General to any of them at any proceedings or otherwise, except to the extent to which such inquiries call for the disclosure of Confidential Information or Privileged Information;

(d) fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession relevant to all inquiries made by the Attorney General, except to the extent to which such inquiries call for the disclosure of Confidential Information or Privileged Information;

(e) making IFG's outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in this Assurance of Discontinuance and to answer questions, except to the extent to which such presentations or questions call for the disclosure of Confidential Information or Privileged Information.

3. All communications relating to cooperation pursuant to this Assurance of Discontinuance may be made to IFG's attorneys as follows:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attention: Robert N. Shwartz, Esq.
Tel: (212) 909-6850
Fax: (212) 909-6836

with a copy to:

A I M Advisors, Inc.
11 Greenway Plaza
Houston, TX 77046
Attention: General Counsel

4. In the event that any of the IFG Entities fails to comply with this section of the Assurance of Discontinuance, the Attorney General, after written notice and a 15-day opportunity to cure, shall be entitled, in addition to any other remedies in the Assurance of Discontinuance or otherwise, to: (a) liquidated damages of \$100,000 for each day that any of the IFG Entities is in non-compliance; and (b) specific performance.

C. No Indemnification

1. Except as otherwise required by law or presently existing written agreement, including, but not limited to, presently existing articles of incorporation and presently existing bylaws of IFG and/or its affiliates, IFG shall not make any payments of indemnification or allowances of expenses respecting "market timing" and "late trading" transactions to any person, including, without limitation, current or former directors, officers, employees or agents. However, any such payments by IFG required by applicable law or by such presently existing written agreements shall be payable at the time and in the manner of IFG's choosing.

2. Nothing in this Assurance of Discontinuance shall prevent or limit IFG from indemnifying the Funds or their successors in connection with any business combination, merger or otherwise.

D. Miscellaneous Provisions

1. This Assurance of Discontinuance and any dispute related thereto shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

2. No failure or delay by the Attorney General in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative.

3. IFG consents to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance of Discontinuance.

4. IFG enters into this Assurance of Discontinuance voluntarily and represents that no threats, offers, promises or inducements of any kind have been made by the Attorney General or any member, officer, employee, agent or representative of the Attorney General to induce IFG to enter into this Assurance of Discontinuance.

5. IFG agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in this Assurance of Discontinuance or creating the impression that this Assurance of Discontinuance is without factual basis. Nothing in this paragraph affects IFG's: (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or in defense or prosecution of other legal proceedings in which the Attorney General is not a party.

6. This Assurance of Discontinuance may be changed, amended or modified only by a writing signed by all parties hereto.

7. This Assurance of Discontinuance, together with the attached schedules, constitutes the entire agreement between the Attorney General and IFG and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance of Discontinuance.

8. This Assurance of Discontinuance shall be binding upon IFG and its successors, assigns, and/or purchasers of all or substantially all its assets ("Successors") for as long as IFG or any Successor continues to provide investment advisory services to the Funds or any successors thereof (including any funds with which an INVESCO Fund is merged or its assets are transferred, or any reorganized mutual fund into which the assets of any INVESCO Fund are transferred) provided, however, that any Successor to IFG may petition the Attorney General and obtain relief from such undertakings.

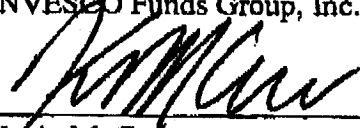
9. This Assurance of Discontinuance shall be effective and binding only when this Assurance of Discontinuance is signed by all parties. This Assurance of Discontinuance may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one instrument.

WHEREFORE, the following signatures are affixed hereto on the dates set forth below.

Dated: October 7, 2004

INVESCO Funds Group, Inc.

By



Kevin M. Carome
President

ACKNOWLEDGMENT

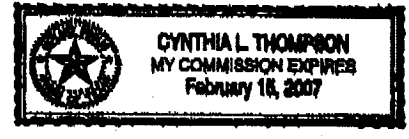
STATE OF TEXAS)

:ss.

COUNTY OF HARRIS)

On this 7th day of October, 2004, before me personally came Kevin M. Carome, known to me, who, being duly sworn by me, did depose and say that he is President of INVESCO Funds Group, Inc., the entity described in the foregoing Assurance of Discontinuance, is duly authorized by its Board of Directors to execute the same, and that he signed his name in my presence by like authorization.

Cynthia L. Thompson
Notary Public
My commission expires: 2-15-2007



Dated: October 7, 2004

ELIOT SPITZER,
Attorney General of the State of New York

By: Roger L. Waldman
Roger L. Waldman
Senior Enforcement Counsel

Investment Protection Bureau

Dated: October 8, 2004

Schedule A

AIM COMBINATION STOCK & BOND FUNDS

INVESCO Core Equity Fund

INVESCO Total Return Fund (successor by merger of INVESCO Balanced Fund)

AIM COUNSELOR SERIES TRUST

INVESCO Advantage Health Sciences Fund (formerly named INVESCO Advantage Global Health Sciences Fund)

INVESCO Multi-Sector Fund

AIM EQUITY FUNDS

AIM Blue Chip Fund (successor by merger of INVESCO Growth & Income Fund)

AIM Large Cap Basic Value Fund (successor by merger of INVESCO Value Equity Fund)

AIM Large Cap Growth Fund (successor by merger of INVESCO Growth Fund)

AIM INTERNATIONAL MUTUAL FUNDS

INVESCO International Core Equity Fund (formerly named INVESCO International Blue Chip Value Fund)

AIM European Growth Fund successor by merger of INVESCO European Fund

AIM INVESTMENT SECURITIES FUNDS

AIM High Yield Fund (successor by merger of INVESCO High Yield Fund)

AIM Income Fund (successor by merger of INVESCO Select Income Fund)

AIM Intermediate Government Fund (successor by merger of INVESCO U.S. Government Securities Fund)

AIM Money Market (successor by merger of INVESCO Cash Reserves Fund)

AIM Municipal Bond Fund (successor by merger of INVESCO Tax-Free Bond Fund)

AIM Real Estate Fund (successor by merger of INVESCO Real Estate Opportunity Fund)

AIM SPECIAL OPPORTUNITIES FUNDS

AIM Opportunites Fund III (successor by merger of INVESCO Advantage Fund)

AIM SECTOR FUNDS

INVESCO Energy Fund

INVESCO Financial Services Fund

INVESCO Gold & Precious Metals Fund

INVESCO Health Sciences Fund

INVESCO Leisure Fund

INVESCO Technology Fund (also successor by merger of INVESCO Telecommunications)

INVESCO Utilities Fund

AIM STOCK FUNDS

INVESCO Dynamics Fund
INVESCO Mid-Cap Growth Fund
INVESCO Small Company Growth Fund
INVESCO S&P 500 Index Fund

AIM TAX-EXEMPT FUNDS

AIM Tax-Exempt Cash Fund (successor by merger of INVESCO Tax-Free Money Fund)

AIM TREASURER'S SERIES TRUST

INVESCO Stable Value Fund
INVESCO Treasurer's Money Market Reserve Fund
INVESCO Treasurer's Tax-Exempt Reserve Fund
INVESCO U.S. Government Money Fund

AIM VARIABLE INSURANCE FUNDS

INVESCO VIF – Core Equity Fund
INVESCO VIF – Dynamics Fund
INVESCO VIF – Financial Services Fund
INVESCO VIF – Health Sciences Fund
INVESCO VIF – Leisure Fund
INVESCO VIF – Real Estate Opportunity Fund (renamed AIM VI Real Estate Fund)
INVESCO VIF – Small Company Growth Fund
INVESCO VIF – Technology Fund (also successor by merger of INVESCO VIF – Telecommunications Fund)
INVESCO VIF – Total Return Fund
INVESCO VIF – Utilities Fund
AIM VI Growth Fund (successor by merger of INVESCO VIF – Growth Fund)
AIM VI High Yield Fund (successor by merger of INVESCO VIF – High Yield Fund)