

PEGASYSTEMS INC
Form 10-Q/A
April 25, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2006

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 1-11859

PEGASYSTEMS INC.

(Exact name of Registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of

incorporation or organization)

101 Main Street

04-2787865
(IRS Employer

Identification No.)

02142-1590

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

Cambridge, MA

(Address of principal executive offices)

(Zip Code)

(617) 374-9600

(Registrant's telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 35,367,873 shares of the Registrant's common stock, \$.01 par value per share, outstanding on April 16, 2007.

Table of Contents

PEGASYSTEMS INC.

Index to Form 10-Q

	Page
Part I - Financial Information	
Item 1. Unaudited Condensed Consolidated Financial Statements	
<u>Condensed Consolidated Balance Sheets at March 31, 2006 (as restated) and December 31, 2005 (as restated)</u>	4
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2006 (as restated) and 2005 (as restated)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2006 (as restated) and 2005 (as restated)</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	29
Part II - Other Information	
Item 1. <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 2. <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>	34
Item 3. <u>Defaults upon Senior Securities</u>	34
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	34
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	35
<u>SIGNATURES</u>	36

Table of Contents

EXPLANATORY NOTE

On March 5, 2007, Pegasystems Inc. (the Company) issued a press release and filed a related Current Report on Form 8-K with the Securities and Exchange Commission (the SEC), in which it announced that it would be restating its previously issued financial statements and other financial information for the years 2005, 2004 and 2003, and financial information for the years 2002 and 2001, and for each of the quarters in the years 2005 and 2004.

The Company is restating the previously issued financial statements to correct the timing of revenue recognition for arrangements which include fixed-price services. The Company is also restating the previously issued financial statements to correct the timing of revenue recognition for time and materials services provided but not yet invoiced and to correct certain other immaterial errors.

This Amendment No. 1 (this Form 10-Q/A) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (the Original Form 10-Q) is being filed to restate the condensed consolidated financial statements for the three months ended March 31, 2006 and 2005.

This Form 10-Q/A also includes revisions and additional disclosures in response to comments from the SEC staff. Although the SEC staff did not require the Company to amend its previous filings with respect to these comments, the revisions and additional disclosures included in this Form 10-Q/A reflect the Company's commitment to address the comments in future filings.

Specifically, this Form 10-Q/A amends and restates the following portions of the Original Form 10-Q:

Part I, Item 1. *Unaudited Condensed Consolidated Financial Statements;*

Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations;*

Part I, Item 4. *Controls and Procedures;*

Part II, Item 1A. *Risk Factors;*

Part II, Item 6. *Exhibits;* and

Exhibits 31.1, 31.2, 32.1 and 32.2.

Except as required to reflect the items described above, no other modifications or updates have been made to the Original Form 10-Q. Information not affected by items described above remains unchanged and reflects the disclosures made at the time of, and as of the dates described in, the Original Form 10-Q. This Form 10-Q/A does not describe events occurring after the Original Form 10-Q (including with respect to exhibits), or modify or update disclosures (including forward-looking statements) which may have been affected by events or changes in facts occurring after the date of the Original Form 10-Q. Accordingly, this Form 10-Q/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the Original Form 10-Q, as information in such filings may update or supersede certain information contained in this Form 10-Q/A.

In light of the restatements referenced above, readers should not rely on our previously issued financial statements for the quarters ended March 31, 2006 and 2005.

Table of Contents**PEGASYSTEMS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

(in thousands, except share-related data)

	March 31, 2006 (As Restated See Note 4)	December 31, 2005 (As Restated See Note 4)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 17,016	\$ 21,314
Short-term investments	99,957	93,421
Total cash and short-term investments	116,973	114,735
Trade accounts receivable, net of allowance for doubtful accounts of \$365 in 2006 and 2005	35,506	26,978
Short-term license installments	25,813	26,537
Prepaid expenses and other current assets	4,221	4,752
Total current assets	182,513	173,002
Long-term license installments, net of unearned interest income	22,281	31,371
Equipment and improvements, net of accumulated depreciation and amortization	2,098	1,947
Computer software for internal use, net of accumulated amortization	1,035	845
Other assets	113	143
Goodwill	2,346	2,346
Total assets	\$ 210,386	\$ 209,654
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accrued payroll related expenses	\$ 4,994	\$ 8,162
Accounts payable and accrued expenses	11,341	10,769
Deferred revenue	24,516	20,528
Current portion of capital lease obligation	104	103
Total current liabilities	40,955	39,562
Long-term deferred income taxes	792	1,176
Capital lease obligation, net of current portion	36	63
Other long-term liabilities	1,484	1,171
Total liabilities	43,267	41,972
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$.01 par value, 70,000,000 shares authorized; 35,586,747 and 35,565,918 shares issued and outstanding at March 31, 2006 and December 31, 2005 respectively	356	356
Additional paid-in capital	119,313	118,968

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

Stock warrants	107	107
Retained earnings	46,977	47,888
Accumulated other comprehensive income (loss):		
Net unrealized loss on investments available-for-sale	(652)	(623)
Foreign currency translation adjustments	1,018	986
Total stockholders' equity	167,119	167,682
Total liabilities and stockholders' equity	\$ 210,386	\$ 209,654

See notes to unaudited condensed consolidated financial statements.

Table of Contents**PEGASYSTEMS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**

(in thousands, except per share amounts)

	Three months ended	
	2006 (As Restated See Note 4)	March 31, 2005 (As Restated See Note 4)
Revenue:		
Software license	\$ 6,998	\$ 10,880
Services	22,201	13,533
Total revenue	29,199	24,413
Cost of revenue:		
Cost of software license	31	88
Cost of services	14,087	7,165
Total cost of revenue	14,118	7,253
Gross profit	15,081	17,160
Operating expenses:		
Research and development	5,402	4,968
Selling and marketing	9,810	8,888
General and administrative	2,637	3,267
Total operating expenses	17,849	17,123
(Loss) income from operations	(2,768)	37
Installment receivable interest income	447	564
Other interest income, net	1,115	625
Other income (expense), net	245	(316)
Income (loss) before provision (benefit) for income taxes	(961)	910
Provision (benefit) for income taxes	(50)	300
Net income (loss)	\$ (911)	\$ 610
Earnings per share, basic and diluted	\$ (0.03)	\$ 0.02
Weighted average number of common shares outstanding, basic	35,572	36,044
Weighted average number of common shares outstanding, diluted	35,572	36,829

See notes to unaudited condensed consolidated financial statements.

Table of Contents**PEGASYSTEMS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

(in thousands)

	Three months ended	
	March 31, 2006 (As Restated See Note 4)	2005 (As Restated See Note 4)
Cash flows from operating activities:		
Net income (loss)	\$ (911)	\$ 610
Adjustment to reconcile net income (loss) to cash flows from operating activities:		
Stock option income tax benefits	(42)	11
Deferred income taxes	(351)	200
Depreciation, amortization, and other non cash items	611	396
Stock-based compensation expense	263	
Change in operating assets and liabilities:		
Trade accounts receivable and license installments	1,289	7,157
Prepaid expenses and other current assets	534	(742)
Accounts payable and accrued expenses	(2,575)	(2,858)
Deferred revenue	3,988	7,104
Other long-term assets and liabilities	313	105
Cash flows from operating activities	3,119	11,983
Cash flows from investing activities:		
Purchase of investments	(21,608)	(14,088)
Maturing and called investments	14,900	2,000
Sale of investments		11,575
Investment in software, equipment and improvements	(806)	(311)
Cash flows from investing activities	(7,514)	(824)
Cash flows from financing activities:		
Payments under capital lease obligation	(25)	(24)
Excess tax benefit from stock option exercises	42	
Exercise of stock options	351	89
Repurchase of common stock	(311)	(931)
Cash flows from financing activities	57	(866)
Effect of exchange rate on cash and cash equivalents	40	(175)
Net increase (decrease) in cash and cash equivalents	(4,298)	10,118
Cash and cash equivalents, beginning of period	21,314	20,905
Cash and cash equivalents, end of period	\$ 17,016	\$ 31,023
Supplemental disclosures of cash flow information:		
Cash paid during the year-to-date period for:		

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

Interest	\$	3	\$	4
Income taxes	\$	150	\$	154

See notes to unaudited condensed consolidated financial statements.

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. BASIS OF PRESENTATION**

The Company has prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005, as amended.

In the opinion of management, the Company has prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year 2006. Certain prior period amounts have been reclassified to conform to the current presentation as described in the following notes.

2. SIGNIFICANT ACCOUNTING POLICIES*(a) Equipment and improvements, net of accumulated depreciation and amortization*

Equipment and improvements are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are generally three years for equipment and five years for furniture and fixtures. Leasehold improvements are amortized over the lesser of the life of the lease or the useful life of the asset. Repairs and maintenance costs are expensed as incurred. Equipment and improvements, accumulated depreciation and intangible assets as of December 31, 2005 have been reclassified to conform to the current presentation. The cost and accumulated depreciation of equipment and improvements consisted of the following:

(in thousands)	March 31, 2006	December 31, 2005
Computer equipment	\$ 3,836	\$ 3,669
Furniture and fixtures	2,004	2,004
Leasehold improvements	2,393	2,053
Equipment under capital leases	594	594
	8,827	8,320
Less: accumulated depreciation and amortization	(6,729)	(6,373)
Equipment and improvements, net of accumulated depreciation	\$ 2,098	\$ 1,947

(b) Computer software for internal use, net of accumulated amortization

The Company capitalizes and amortizes costs associated with computer software developed or purchased for internal use in accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). The Company amortizes capitalized software costs generally over three years commencing on the date the software is placed into service. During the first quarter of 2006, the Company capitalized costs totaling \$0.2 million for computer software developed for internal use. The cost and accumulated amortization of computer software for internal use consisted of the following:

(in thousands)	March 31, 2006	December 31, 2005
Computer software purchased	\$ 2,680	\$ 2,575

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

Computer software developed for internal use	207	
Computer software developed for internal use, not yet placed in service	273	317
	3,160	2,892
Less: accumulated depreciation and amortization	(2,125)	(2,047)
Computer software for internal use, net of accumulated amortization	\$ 1,035	\$ 845

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(c) Earnings per share**

Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share includes, to the extent inclusion of such shares would be dilutive to earnings per share, the effect of outstanding options and warrants, computed using the treasury stock method.

(in thousands, except per share amounts)	Three months ended March 31,	
	2006	2005
Basic		
Net income (loss)	\$ (911)	\$ 610
Weighted average common shares outstanding	35,572	36,044
Earnings (loss) per share, basic	\$ (0.03)	\$ 0.02
Diluted		
Net income (loss)	\$ (911)	\$ 610
Weighted average common shares outstanding	35,572	36,044
Effect of assumed exercise of stock options and warrant		785
Weighted average common shares outstanding, assuming dilution	35,572	36,829
Earnings (loss) per share, diluted	\$ (0.03)	\$ 0.02
Outstanding options and warrants excluded as impact would be anti-dilutive	9,277	5,934

(d) Segment reporting

The Company currently operates in one operating segment – rules-based business process management, or BPM, software. The Company derives substantially all of its operating revenue from the sale and support of one group of similar products and services. Substantially all of the Company's assets are located within the United States. The Company derived its operating revenue from the following geographic areas (sales outside the United States are principally through export from the United States) for the three months ended March 31:

(\$ in thousands)	2006		2005	
United States	\$ 19,331	66%	\$ 18,040	74%
United Kingdom	3,626	12%	3,024	12%
Europe, other	5,380	19%	2,025	8%
Other	862	3%	1,324	6%
	\$ 29,199	100%	\$ 24,413	100%

In the first quarter of 2006, one customer represented 10% of the Company's total revenue. In the first quarter of 2005, two customers represented 18% and 10% of the Company's total revenue, respectively.

(e) Stock options

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (SFAS 123R). This Statement is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and its related implementation guidance. SFAS 123R establishes accounting for equity instruments exchanged for employee services. Under the provisions of SFAS 123R, share-based compensation is measured at the grant date, based upon the fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). The majority of the Company's share-based compensation arrangements vest over either a four or five year vesting schedule.

Prior to January 1, 2006, the Company accounted for share-based compensation to employees in accordance with APB 25 and related interpretations. The Company also followed the disclosure requirements of SFAS 123 as amended by SFAS 148, *Accounting for Stock-Based Compensation Transition and Disclosure*.

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Effective January 1, 2006, the Company adopted the provisions of SFAS 123R using the modified prospective approach, and, accordingly, prior period amounts have not been restated. Under this approach, the Company is required to record compensation cost for all share-based payments granted after the date of adoption based on the grant date fair value, estimated in accordance with the provisions of SFAS 123R, and for the unvested portion of all share-based payments previously granted that remain outstanding based on the grant date fair value, estimated in accordance with the original provisions of SFAS 123. The Company expenses its share-based compensation under the ratable method, which treats each vesting tranche as if it were an individual grant.

The Company periodically grants stock options for a fixed number of shares of common stock to its employees, directors and non-employee contractors, with an exercise price greater than or equal to the fair market value of the Company's common stock at the date of the grant. At March 31, 2006, the Company had four stock-based compensation plans, which are described more fully below. The following table presents the share-based compensation expense included in the Company's unaudited consolidated statement of income.

	Three months ended
(in thousands, except per share amounts)	March 31, 2006
Stock-based compensation expense:	
Cost of services	\$ 69
Research and development	40
Selling and marketing	109
General and administrative	45
Total stock-based compensation before tax	263
Income tax benefit	(95)
Net share-based compensation expense	\$ 168
Effect on earnings per share:	
Basic	less than \$ 0.01
Diluted	less than \$ 0.01

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in its statements of cash flows. SFAS 123R requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of compensation cost recognized for the options (excess tax benefits) to be classified as financing cash flows. There was \$42 thousand of excess tax benefit classified as a financing cash inflow that would have been classified as an operating cash inflow if the Company had not adopted SFAS 123R.

The Company estimates the fair value of stock options using a Black-Scholes valuation model. Key inputs used to estimate the fair value of stock options include the exercise price of the award, the expected post-vesting option life, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

For the first quarter of 2006, the fair value of stock options was estimated on the date of grant using a Black-Scholes option valuation model, with the following assumptions:

Three months ended

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

	March 31, 2006
Expected volatility ⁽¹⁾	77%
Expected post-vesting option life ⁽²⁾	3.6 years
Interest rate (risk free) ⁽³⁾	4.83%
Expected annual dividend yield	None

-
- (1) The expected volatility for each grant is determined based on the average of historical weekly price changes of the Company's common stock over a period of time which approximates the expected option term.
 - (2) The expected post-vesting option life for each grant is determined based on the historical exercise behavior of employees and post-vesting employment termination behavior
 - (3) The risk-free interest rate for the expected term of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant.

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Prior to January 1, 2006, the Company accounted for stock-based compensation plans in accordance with the provisions of APB 25, as permitted by SFAS No. 123, and, accordingly, did not recognize compensation expense for the issuance of options with an exercise price equal to greater than the market price at the date of grant. Had the fair value based method as prescribed by SFAS 123 been applied to the Company's financial statements, the effect on net income and earnings per share for the first quarter of 2005 would have been as follows:

	Three months ended
(in thousands, except per share amounts)	March 31, 2005
Net income, as reported	\$ 610
Add: Employee compensation expense for stock options included in reported net income, net of income taxes	
Less: Total employee compensation expense for stock options determined under fair value method, net of income taxes	(1,285)
Net income (loss), pro forma	\$ (675)
Earnings (loss) per share:	
Basic, as reported	0.02
Basic, pro forma	(0.02)
Diluted, as reported	0.02
Diluted, pro forma	(0.02)

For the first quarter of 2005, the fair value of stock options was estimated on the date of grant using a Black-Scholes option valuation model, with the following assumptions:

	Three months ended
	March 31, 2005
Expected volatility	75%
Expected post-vesting option life	2.5 years
Interest rate (risk free)	4.18%
Expected annual dividend yield	None

1994 Long-term incentive plan

In 1994, the Company adopted a 1994 Long-Term Incentive Plan (the "1994 Plan") to provide employees, directors and consultants with opportunities to purchase stock through incentive stock options and non-qualified stock options. In addition to options, eligible participants under the 1994 Plan may be granted stock appreciation rights, restricted stock and long-term performance awards. The Compensation Committee of the Board of Directors ("Compensation Committee") administers the 1994 Plan. Generally, the exercise price of options granted under the plan was equal to the fair market value of the underlying common stock on the date of grant. Options granted under the 1994 Plan generally vest over four years and expire no later than ten years from the date of grant. As of March 31, 2006, options to purchase an aggregate of 5.7 million shares of common stock were outstanding under the 1994 Plan. The Company does not intend to issue any additional options or make any other awards under the 1994 Plan in the future.

1996 Non-employee director stock option plan

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

In 1996, the Company adopted a 1996 Non-Employee Director Stock Option Plan (the Director Plan), which provides for the grant to non-employee Directors of the Company of options to purchase shares of the Company s common stock. Originally, the Director Plan provided for the grant to non-employee Directors on the date he or she first became a Director of an option to purchase 30,000 shares of common stock at a price equal to the fair market value thereof on the date of grant, such options to vest in equal annual installments over five years. In 1999, the Director Plan was amended to provide for (i) the grant to non-employee Directors on the date he or she first became a Director of an option to purchase 30,000 shares of common stock at a price per share equal to the fair market value thereof on the date of grant, such options to vest in equal annual installments over three years and (ii) the grant to each non-employee Director at the time of the regular meeting of the Board of Directors following the annual meeting of stockholders (commencing in 2000), of a fully vested option to purchase 10,000 shares of common stock at a price per share equal to the fair market value thereof on the date of grant. At March 31, 2006, there were outstanding options under the Director Plan to purchase an aggregate of 240,000 shares. The Compensation Committee administers the Director Plan. No options were granted under the Director Plan in the first quarter of 2006 and the Company does not intend to issue any options under the Director Plan in the future.

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****1996 Employee stock purchase plan***

In 1996, the Company adopted a 1996 Employee Stock Purchase Plan (the "Stock Purchase Plan") pursuant to which the Company's employees were entitled to purchase up to an aggregate of 1.0 million shares of common stock at a price equal to 85% of the fair market value of the common stock on either the commencement date or completion date for offerings under the plan, whichever is less. During 2005, the Company amended the Stock Purchase Plan to provide that, for each offering period beginning on May 1, 2005 or later, employees are entitled to purchase shares of common stock at a price equal to 95% of the fair market value on the completion date of the offering period. As of March 31, 2006, there had been thirteen offerings under the plan and approximately 0.7 million shares had been issued thereunder. The Stock Purchase Plan is tax qualified and as of March 31, 2006 no compensation expense related to shares issued under the plan had been recognized for financial statement purposes.

2004 Long-term incentive plan

In 2004, the Company adopted a 2004 Long-Term Incentive Plan (the "2004 Plan") to provide employees, non-employee directors and consultants with opportunities to purchase stock through incentive stock options and non-qualified stock options. In addition to options, eligible participants under the 2004 Plan may be granted stock purchase rights and other stock-based awards. As of March 31, 2006, a total of 7 million shares of common stock had been authorized under the 2004 Plan, approximately 3.3 million shares were subject to outstanding options and approximately 3.6 million shares were available for issuance. The Company's Board of Directors has made a commitment to provide the Company's non-employee Directors with annual option grants. The Compensation Committee administers the 2004 Plan. Generally, the exercise price of options granted under the plan is equal to the fair market value of the underlying common stock on the date of grant. Options granted under the 2004 Plan generally vest over five years and expire no later than ten years from the date of grant.

Shares reserved

As of March 31, 2006, 3.9 million shares were reserved for future issuance for stock options including zero shares for the 1994 Plan, zero shares for the Director Plan, 0.3 million shares for the Stock Purchase Plan and 3.6 million shares for the 2004 Plan.

The following table presents the combined activity for the 1994 Plan, the 2004 Plan and the Director Plan for the first quarter of 2006:

	Shares	Exercise Price	Weighted- Average Remaining Contractual
	(in thousands)	per share	Term (in years)
Outstanding at January 1, 2006	9,728	\$ 7.85	6.02
Granted	167	7.86	
Exercised	(63)	5.59	
Cancelled	(597)	7.83	
Outstanding at March 31, 2006	9,235	7.86	6.17

The following table presents weighted average price and contract life information about significant option groups outstanding and exercisable at March 31, 2006:

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

Range of Exercise Prices	Number of Shares Outstanding (in thousands)	Options Outstanding			Aggregate Intrinsic Value (in thousands)	Number of shares Exercisable (in thousands)	Options Exercisable		
		Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price per share	Weighted Average Remaining Contractual Term (in years)			Weighted Average Exercise Price per share	Aggregate Intrinsic Value (in thousands)	
\$ 2.33-4.38	2,519	5.46	\$ 4.06		2,103	5.14	\$ 4.05		
4.48-7.75	3,294	6.22	7.09		2,867	5.81	7.17		
7.75-10.00	2,393	7.78	8.49		2,226	7.62	8.53		
10.34-25.75	1,029	3.99	18.20		1,029	3.99	18.20		
Total	9,235	6.17	7.86	\$ 14,066	8,225	5.90	8.12	\$ 11,646	

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the closing price of the Company's stock of \$8.16 on March 31, 2006, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of March 31, 2006 was 5.6 million.

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The intrinsic value of options exercised during the first quarter of 2006 was \$0.1 million. The weighted-average grant-date fair value of options granted during the first quarter of 2006 was \$5.48 per share. The intrinsic value of options vested during the first quarter 2006 was \$0.2 million.

The following table presents combined information regarding non-vested options granted under the 1994 Plan, the 2004 Plan and the Director Plan for the first quarter of 2006:

	Shares	Weighted-Average Grant-Date Fair
	(in thousands)	Value per share
Non-Vested at January 1, 2006	934	\$ 3.32
Granted	167	5.48
Vested	(65)	2.84
Forfeited	(26)	3.47
Non-vested at March 31, 2006	1,010	3.72

As of March 31, 2006, unrecognized compensation expense related to the unvested portion of the Company's employee stock options was approximately \$1.5 million and is expected to be recognized over a weighted-average period of approximately 1.7 years.

Cash received from option exercises under all share-based payment arrangements for the first quarter of 2006 was \$0.4 million. The actual tax benefit for the tax deductions from option exercises of the share-based payment arrangements totaled \$42 thousand for the first quarter of 2006.

3. COMPREHENSIVE INCOME

SFAS No. 130, *Reporting Comprehensive Income* requires presentation of the components of comprehensive income, including the changes in equity from non-owner sources such as unrealized gains (losses) on hedging transactions, securities and foreign currency translation adjustments. The Company's total comprehensive loss is as follows:

(in thousands)	Three months ended	
	March 31, 2006	2005
Comprehensive income (loss):		
Net (loss) income	\$ (911)	\$ 610
Other comprehensive income (loss):		
Foreign currency translation adjustments	32	(147)
Unrealized loss on securities	(29)	(316)
Comprehensive income (loss):	\$ (908)	\$ 147

4. RESTATEMENT

Subsequent to the issuance of the Company's condensed consolidated financial statements for the quarter ended March 31, 2006, the Company determined that it had not applied the proper method of accounting to various type of arrangements involving fixed price services and that its

Edgar Filing: PEGASYSTEMS INC - Form 10-Q/A

previously issued consolidated financial statements for the three months ended March 31, 2006 and 2005 should be restated.

Historically, the Company recognized revenue for all types of arrangements that included fixed-price services as the services were provided based upon the hours incurred at amounts equal to direct costs incurred, up to the amounts billed to date, resulting in no gross profit being recognized until completion of the project. Generally, when the fixed-price services project was complete, the remaining revenue and gross profit associated with the fixed-price services project was recognized.

Table of Contents

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has corrected its accounting for all types of arrangements that include fixed-price services to recognize revenue from these arrangements as follows:

- (a) When fixed-price services are part of a multiple element arrangement, and the services are not essential to the functionality of the other elements of the arrangement, when services are the only undelivered element, the Company recognizes the revenue from the total arrangement ratably over the longer of the software maintenance period or the service period.
- (b) In a limited number of arrangements, the fixed-price services are essential to the arrangement because the Company makes significant alterations to the functionality of the software or builds complex interfaces necessary for the software to be functional in the customer's environment. The Company has not been able to make reasonably dependable estimates for the purpose of determining its progress to completion, as the Company has limited experience with these types of complex arrangements. Accordingly, all revenue and costs are deferred until the completion of these arrangements.
- (c) Revenue from fixed-price services that are not bundled with a software license is generally recognized as the services are performed, which is typically over a period of less than four months.

The Company also determined that it had not properly recognized revenue earned at the end of each period for time and materials services provided but not yet invoiced. This improper timing of revenue recognition had the effect of understating these professional services revenues for each of the periods, beginning in the fourth quarter of 2004 through the first quarter of 2006. The Company has changed its accounting procedures to correctly record revenue on these services.

The correction to the accounting for all of the arrangements that included fixed-price services has the effect of increasing total revenue by \$1.4 million, increasing cost of services by \$1.5 million, and decreasing net income by \$0.1 million for the three months ended March 31, 2006. The correction to the accounting for fees for time and materials services provided but not yet invoiced at the end of each period has the effect of increasing total revenue by \$0.7 million and increasing net income by \$0.5 million for the three months ended March 31, 2006.

Additionally, the Company identified other errors that, individually and in the aggregate, are not material to its financial statements taken as a whole for the current or any prior period but are being corrected as part of this restatement. The correction of these immaterial errors resulted in a decrease of \$35 thousand in net income for the three months ended March 31, 2006.

The cumulative effect of these restatements on retained earnings as of March 31, 2006 was an increase of \$2.3 million.

The correction of these errors is reflected in the accompanying condensed consolidated balance sheets as of December 31, 2005 and March 31, 2006 and the condensed consolidated statements of income and cash flows for the three months ended March 31, 2006 and 2005 as set forth below:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table of Contents**PEGASYSTEMS INC.****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of March 31, 2006

(in thousands)

	As		
	Previously	Adjustment	As Restated
	Reported	As	Restated
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 17,016	\$	\$ 17,016
Short-term investments	99,957		99,957
Total cash and short-term investments	116,973		116,973
Trade accounts receivable	33,306	2,200	35,506
Short-term license installments	25,813		25,813
Prepaid expenses and other current assets	2,871	1,350	4,221
Total current assets	178,963	3,550	182,513
Long-term license installments, net of unearned interest income	22,281		22,281
Equipment and improvements, net of accumulated depreciation and amortization	2,098		2,098
Computer software for internal use, net of accumulated amortization	1,035		1,035
Other assets	113		113
Goodwill	2,346		2,346
Total assets	\$ 206,836	\$ 3,550	\$ 210,386

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accrued payroll related expenses	\$ 4,994	\$	\$ 4,994
Accounts payable and accrued expenses	11,303	38	11,341
Deferred revenue	24,112	404	24,516
Current portion of capital lease obligation	104		104
Total current liabilities	40,513	442	40,955
Long-term deferred income taxes		792	792
Capital lease obligation, net of current portion	36		36
Other long-term liabilities	1,484		1,484
Total liabilities			

Our net assets and the financial highlights for each of the two years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the years ended April 30, 2014, 2013, and 2012 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial highlights in their report dated June 25, 2014. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of April 30, 2016, by correspondence with the custodian, brokers and agent banks; where replies were not received from brokers and agent banks, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Pioneer Diversified High Income Trust as of April 30, 2016, and the results of its operations and its cash flows for the year then ended and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. /s/ Deloitte & Touche LLP Boston, Massachusetts June 22, 2016 Pioneer Diversified High Income Trust | Annual Report | 4/30/16 67 ADDITIONAL INFORMATION (unaudited) During the period, there have been no material changes in the Trust's investment objective or fundamental policies that have not been approved by the shareowners. There have been no changes in the Trust's charter or By-Laws that would delay or prevent a change in control of the Trust which has not been approved by the shareowners. During the period, there have been no changes in the principal risk factors associated with investment in the Trust. There were no changes in the persons who are primarily responsible for the day-to-day management of the Trust's portfolio. Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Trust may purchase, from time to time, its shares in the open market. PIM, the Trust's investment adviser, is currently an indirect, wholly owned subsidiary of UniCredit. On November 11, 2015, UniCredit announced that it signed a binding master agreement with Banco Santander and affiliates of Warburg Pincus and General Atlantic (the "Private Equity Firms") with respect to Pioneer Investments ("Pioneer") and Santander Asset Management ("SAM") (the "Transaction"). The Transaction, as previously announced by UniCredit, will establish a holding company, with the name Pioneer Investments, to be owned by UniCredit (50%) and the Private Equity Firms (50% between them). The holding company will control Pioneer's U.S. operations, including PIM. The holding company also will own 66.7% of Pioneer's and SAM's combined operations outside the U.S., while Banco Santander will own directly the remaining 33.3% stake. The closing of the Transaction is expected to happen in 2016, subject to certain regulatory and other approvals. Under the Investment Company Act of 1940, completion of the Transaction will cause the Trust's current investment advisory agreement with PIM to terminate. Accordingly, the Trust's Board of Trustees will be asked to approve a new investment advisory agreement. If approved by the Board, the Trust's new investment advisory agreement will be submitted to the shareholders of the Trust for their approval. 68 Pioneer Diversified High Income Trust | Annual Report | 4/30/16 Trustees, Officers and Service Providers Investment Adviser Pioneer Investment Management, Inc. Custodian and Sub-Administrator Brown Brothers Harriman & Co. Independent Registered Public Accounting Firm Deloitte & Touche LLP Principal Underwriter Pioneer Funds Distributor, Inc. Legal Counsel Morgan, Lewis & Bockius LLP Shareowner Services and Transfer Agent American Stock Transfer & Trust Company Proxy Voting Policies and Procedures of the Fund are available without charge, upon request, by calling our toll free number (1-800-225-6292). Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is publicly available to shareowners at us.pioneerinvestments.com. This information is also available on the Securities and Exchange Commission's web site at www.sec.gov. Trustees and Officers The Trust's Trustees and officers are listed below, together with their principal occupations during at least the past five years. Trustees who are interested persons of the Trust within the meaning of the 1940 Act are referred to as Interested Trustees. Trustees who are not interested persons of the Trust are referred to as Independent Trustees. Each of the Trustees serves as a trustee of each of the 50 U.S. registered investment portfolios for which Pioneer serves as investment adviser (the "Pioneer Funds"). The address for all Trustees and all officers of the Trust is 60 State Street, Boston, Massachusetts 02109. The Statement of Additional Information of the Fund includes additional information about the Trustees and is available, without charge, upon request, by calling 1-800-225-6292. Pioneer Diversified High Income Trust | Annual Report | 4/30/16

99 Independent Trustees

Name, Age and Term of Office and Other Directorships Position Held With the Trust Length of Service
Principal Occupation Held by Trustee

Thomas J. Perna (66) Class II Trustee Private investor (2004 - 2008 and 2013 - Director, Broadridge Chairman of the Board since 2007. Term present); Chairman (2008 - 2013) and Chief Financial Solutions, Inc. and Trustee expires in 2018. Executive Officer (2008 - 2012), (investor communications Quadriserv, Inc. (technology products for and securities processing securities lending industry); and Senior provider for financial Executive Vice President, The Bank of New services industry) (2009 York (financial and securities services) - present); Director, (1986 - 2004) Quadriserv, Inc. (2005 - 2013); and Commissioner, New Jersey State Civil Service Commission (2011 - present)

David R. Bock (72) Class III Trustee since Managing Partner, Federal City Capital Director of New York Trustee 2007. Term expires in Advisors (corporate advisory services Mortgage Trust 2016. company) (1997 - 2004 and 2008 - present); (publicly-traded mortgage Interim Chief Executive Officer, Oxford REIT) (2004 - 2009, 2012 Analytica, Inc. (privately-held research - present); Director of and consulting company) (2010); Executive The Swiss Helvetia Fund, Vice President and Chief Financial Officer, Inc. (closed-end fund) -trax, Inc. (publicly traded health care (2010 - present); services company) (2004 - 2007); and Director of Oxford Executive Vice President and Chief Analytica, Inc. (2008 - Financial Officer, Pedestal Inc. present); and Director of (internet-based mortgage trading company) Enterprise Community (2000 - 2002); Private consultant Investment, Inc. (1995-1997), Managing Director, Lehman (privately-held Brothers (investment banking firm) affordable housing finance (1992-1995); and Executive, The World Bank company) (1985 - 2010) (1979-1992)

Benjamin M. Friedman (71) Class I Trustee since William Joseph Maier Professor of Political Trustee, Mellon Trustee 2008. Term expires in Economy, Harvard University (1972 - Institutional Funds 2017. present) Investment Trust and Mellon Institutional Funds Master Portfolio (oversaw 17 portfolios in fund complex) (1989-2008)

100 Pioneer Diversified High Income Trust | Annual Report | 4/30/16

Name, Age and Term of Office and Other Directorships Position Held With the Trust Length of Service
Principal Occupation Held by Trustee

Margaret B.W. Graham (68) Class I Trustee since Founding Director, Vice President and None Trustee 2007. Term expires in Corporate Secretary, The Winthrop Group, 2017. Inc. (consulting firm) (1982 - present); Desautels Faculty of Management, McGill University (1999 - present); and Manager of Research Operations and Organizational Learning, Xerox PARC, Xerox's advance research center (1990-1994)

Lorraine H. Monchak (60) Class III Trustee since Chief Investment Officer, 1199 SEIU Funds Trustee of Pioneer Trustee 2015. Term expires in (healthcare workers union pension funds) closed-end investment 2016. (2001 - present); Vice President - companies (5 portfolios) International Investments Group, American (Sept. 2015 - present) International Group, Inc. (insurance company) (1993 - 2001); Vice President Corporate Finance and Treasury Group, Citibank, N.A.(1980 - 1986 and 1990 - 1993); Vice President - Asset/Liability Management Group, Federal Farm Funding Corporation (government-sponsored issuer of debt securities) (1988 - 1990); Mortgage Strategies Group, Shearson Lehman Hutton, Inc. (investment bank) (1987 - 1988); and Mortgage Strategies Group, Drexel Burnham Lambert, Ltd. (investment bank) (1986 - 1987)

Marguerite A. Piret (67) Class II Trustee President and Chief Executive Officer, Director of New America

Trustee since 2007. Term Newbury, Piret & Company, Inc. (investment High Income Fund, Inc. expires in 2018. banking firm) (1981 - present) (closed-end investment company) (2004 - present); and Member, Board of Governors, Investment Company Institute (2000 - 2006)

Fred J. Ricciardi (69) Class II Trustee Consultant (investment company services) None Trustee since 2014. Term (2012 - present); Executive Vice President, expires in 2018. BNY Mellon (financial and investment company services) (1969 - 2012); Director, BNY International Financing Corp. (financial services) (2002 - 2012); and Director, Mellon Overseas Investment Corp. (financial services) (2009 - 2012)

Pioneer Diversified High Income Trust | Annual Report | 4/30/16 71 Interested Trustees

Name, Age and Term of Office and Other Directorships Position Held With the Trust Length of Service
Principal Occupation Held by Trustee

Lisa M. Jones (54)* Class III Trustee since Chair, Director, CEO and President of Trustee of Pioneer Trustee, President and 2015. Term expires in Pioneer Investment Management-USA (since closed-end investment Chief Executive Officer 2016. September 2014); Chair, Director, CEO and companies (5 portfolios) President of Pioneer Investment Management, (Sept. 2015 - present) Inc. (since September 2014); Chair, Director, CEO and President of Pioneer Funds Distributor, Inc. (since September 2014); Chair, Director, CEO and President of Pioneer Institutional Asset Management, Inc. (since September 2014); and Chair, Director, and CEO of Pioneer Investment Management Shareholder Services, Inc. (since September 2014); Managing Director, Morgan Stanley Investment Management (2010 - 2013); and Director of Institutional Business, CEO of International, Eaton Vance Management (2005 - 2010)

Kenneth J. Taubes (58)* Class I Trustee Director and Executive Vice President None Trustee since 2014. Term (since 2008) and Chief Investment Officer, expires in 2017. U.S. (since 2010) of PIM-USA; Executive Vice President of Pioneer (since 2008); Executive Vice President of Pioneer Institutional Asset Management, Inc. (since 2009); and Portfolio Manager of Pioneer (since 1999)

* Ms. Jones and Mr. Taubes are Interested Trustee because they are officers or directors of the Trust's investment adviser and certain of its affiliates. 72 Pioneer Diversified High Income Trust | Annual Report | 4/30/16 Trust Officers

Name, Age and Term of Office and Other Directorships Position Held With the Trust Length of Service
Principal Occupation Held by Officer

Christopher J. Kelley (51) Since 2007. Serves at Vice President and Associate General None Secretary and Chief Legal the discretion of the Counsel of Pioneer since January 2008; Officer Board. Secretary and Chief Legal Officer of all of the Pioneer Funds since June 2010; Assistant Secretary of all of the Pioneer Funds from September 2003 to May 2010; and Vice President and Senior Counsel of Pioneer from July 2002 to December 2007

Carol B. Hannigan (55) Since 2010. Serves at Fund Governance Director of Pioneer since None Assistant Secretary the discretion of the December 2006 and Assistant Secretary of Board. all the Pioneer Funds since June 2010; Manager - Fund Governance of Pioneer from December 2003 to November 2006; and Senior Paralegal of Pioneer from January 2000 to November 2003

Thomas Reyes (53) Since 2010. Serves at Senior Counsel of Pioneer since May 2013 None Assistant Secretary the discretion of the and Assistant Secretary of all the Pioneer Board. Funds since June 2010; and Counsel of Pioneer from June 2007 to May 2013

Mark E. Bradley (56) Since 2008. Serves at Vice President - Fund Treasury of Pioneer; None Treasurer and Chief Financial the discretion of the Treasurer of all of the Pioneer Funds since and Accounting Officer Board. March 2008; Deputy Treasurer of Pioneer from March 2004 to February 2008; and Assistant Treasurer of all of the Pioneer Funds from March 2004 to February 2008

Luis I. Presutti (51) Since 2007. Serves at Director - Fund Treasury of Pioneer; and None Assistant Treasurer the discretion of the Assistant Treasurer of all of the Pioneer Board. Funds

Pioneer Diversified High Income Trust | Annual Report | 4/30/16 73 Trust Officers (continued)

Name, Age and Term of Office and Other Directorships Position Held With the Trust Length of Service
Principal Occupation Held by Officer

Gary Sullivan (58) Since 2007. Serves at Fund Accounting Manager - Fund Treasury of None Assistant Treasurer the discretion of the Pioneer; and Assistant Treasurer of all of Board. the Pioneer Funds

David F. Johnson (36) Since 2009. Serves at Fund Administration Manager - Fund Treasury None Assistant Treasurer the discretion of the of Pioneer since November 2008; Assistant Board. Treasurer of all of the Pioneer Funds since January 2009; and Client Service Manager - Institutional Investor Services at State Street Bank from March 2003 to March 2007

Sean M. Bradley (63) Since 2010. Serves at Chief Compliance Officer of Pioneer and of None Chief Compliance Officer the discretion of the all the Pioneer Funds since March 2010; Board. Chief Compliance Officer of Pioneer Institutional Asset Management, Inc. since January 2012; Chief Compliance Officer of Vanderbilt Capital Advisors, LLC since July 2012; Director of Adviser and Portfolio Compliance at Pioneer since October 2005; and Senior Compliance Officer for Columbia Management Advisers, Inc. from October 2003 to October 2005

Kelly O'Donnell (45) Since 2007. Serves at Director - Transfer Agency Compliance of None Anti-Money Laundering Officer the discretion of the Pioneer and Anti-Money Laundering Officer of Board. all the Pioneer Funds since 2006

74 Pioneer Diversified High Income Trust | Annual Report | 4/30/16 This page for your notes. Pioneer Diversified High Income Trust | Annual Report | 4/30/16 75 This page for your notes. 76 Pioneer Diversified High Income Trust | Annual Report | 4/30/16 How to Contact Pioneer We are pleased to offer a variety of convenient ways for you to contact us for assistance or information. You can call American Stock Transfer & Trust Company (AST) for: ----- Account Information 1-800-710-0935 Or write to AST:

----- For Write to General inquiries, lost dividend checks, American Stock change of address, lost stock certificates, Transfer & Trust stock transfer Operations Center 6201 15th Ave. Brooklyn, NY 11219 Dividend reinvestment plan (DRIP) American Stock Transfer & Trust Wall Street Station P.O. Box 922 New York, NY 10269-0560 Website www.amstock.com For additional information, please contact your investment advisor or visit our web site us.pioneerinvestments.com. The Trust files a complete schedule of investments with the Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareowners may view the filed Form N-Q by visiting the Commission's web site at www.sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 1-800-SEC-0330. [LOGO] PIONEER Investments(R) Pioneer Investment Management, Inc. 60 State Street Boston, MA 02109 us.pioneerinvestments.com Securities offered through Pioneer Funds Distributor, Inc. 60 State Street, Boston, MA 02109 Underwriter of Pioneer Mutual Funds, Member SIPC (C) 2016 Pioneer Investments

21909-08-0616 ITEM 2. CODE OF ETHICS. (a) Disclose whether, as of the end of the period covered by the report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party. If the registrant has not adopted such a code of ethics, explain why it has not done so. The registrant has adopted, as of the end of the period covered by this report, a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer and controller. (b) For purposes of this Item, the term "code of ethics" means written standards that are reasonably designed to deter wrongdoing and to promote: (1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) Full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files with, or submits to, the Commission and in other public communications made by the registrant; (3) Compliance with applicable governmental laws, rules, and regulations; (4) The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and (5) Accountability for adherence to the code. (c) The registrant must briefly describe the nature of any amendment, during the period covered by the report, to a provision of its code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics definition enumerated in paragraph (b) of this Item. The registrant must file a copy of any such amendment as an exhibit pursuant to Item 10(a), unless the registrant has elected to satisfy paragraph (f) of this Item by posting its code of ethics on its website pursuant to paragraph (f)(2) of this Item, or by undertaking to provide its code of ethics to any person without charge, upon request, pursuant to paragraph (f)(3) of this Item. The registrant has made no amendments to the code of ethics during the period covered by this report. (d) If the registrant has, during the period covered by the report, granted a waiver, including an implicit waiver, from a provision of the code of ethics to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this Item, the registrant must briefly describe the nature of the waiver, the name of the person to whom the waiver was granted, and the date of the waiver. Not applicable. (e) If the registrant intends to satisfy the disclosure requirement under paragraph (c) or (d) of this Item regarding an amendment to, or a waiver from, a provision of its code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in paragraph (b) of this Item by posting such information on its Internet website, disclose the registrant's Internet address and such intention. Not applicable. (f) The registrant must: (1) File with the Commission, pursuant to Item 12(a)(1), a copy of its code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, as an exhibit to its annual report on this Form N-CSR (see attachment); (2) Post the text of such code of ethics on its Internet website and disclose, in its most recent report on this Form N-CSR, its Internet address and the fact that it has posted such code of ethics on its Internet website; or (3) Undertake in its most recent report on this Form N-CSR to provide to any person without charge, upon request, a copy of such code of ethics and explain the manner in which such request may be made. See Item 10(2) ITEM 3.

AUDIT COMMITTEE FINANCIAL EXPERT. (a) (1) Disclose that the registrant's board of trustees has determined that the registrant either: (i) Has at least one audit committee financial expert serving on its audit committee; or (ii) Does not have an audit committee financial expert serving on its audit committee. The registrant's Board of Trustees has determined that the registrant has at least one audit committee financial expert. (2) If the registrant provides the disclosure required by paragraph (a)(1)(i) of this Item, it must disclose the name of the audit committee financial expert and whether that person is "independent." In order to be considered "independent" for purposes of this Item, a member of an audit committee may not, other than in his or her capacity as a member of the audit committee, the board of trustees, or any other board committee: (i) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the

issuer; or (ii) Be an "interested person" of the investment company as defined in Section 2(a)(19) of the Act (15 U.S.C. 80a-2(a)(19)). Ms. Marguerite A. Piret, an independent trustee, is such an audit committee financial expert. (3) If the registrant provides the disclosure required by paragraph (a)(1) (ii) of this Item, it must explain why it does not have an audit committee financial expert. Not applicable. ITEM 4.

PRINCIPAL ACCOUNTANT FEES AND SERVICES. (a) Disclose, under the caption **AUDIT FEES**, the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. The audit fees for the Trust were \$53,954 payable to Deloitte & Touche LLP for the year ended April 30, 2016 and \$51,063 for the year ended April 30, 2015. (b) Disclose, under the caption **AUDIT-RELATED FEES**, the aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item. Registrants shall describe the nature of the services comprising the fees disclosed under this category. There were no audit-related services in 2016 or 2015. (c) Disclose, under the caption **TAX FEES**, the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning. Registrants shall describe the nature of the services comprising the fees disclosed under this category. The tax fees for the Trust were \$9,904 payable to Deloitte & Touche LLP for the year ended April 30, 2016 and \$9,876 for the year ended April 30, 2015. (d) Disclose, under the caption **ALL OTHER FEES**, the aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item. Registrants shall describe the nature of the services comprising the fees disclosed under this category. There were no other fees in 2015 or 2014. (e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

PIONEER FUNDS APPROVAL OF AUDIT, AUDIT-RELATED, TAX AND OTHER SERVICES PROVIDED BY THE INDEPENDENT AUDITOR SECTION I - POLICY PURPOSE AND APPLICABILITY The Pioneer Funds recognize the importance of maintaining the independence of their outside auditors. Maintaining independence is a shared responsibility involving Pioneer Investment Management, Inc ("PIM"), the audit committee and the independent auditors.

The Funds recognize that a Fund's independent auditors: 1) possess knowledge of the Funds, 2) are able to incorporate certain services into the scope of the audit, thereby avoiding redundant work, cost and disruption of Fund personnel and processes, and 3) have expertise that has value to the Funds. As a result, there are situations where it is desirable to use the Fund's independent auditors for services in addition to the annual audit and where the potential for conflicts of interests are minimal. Consequently, this policy, which is intended to comply with Rule 210.2-01(C)(7), sets forth guidelines and procedures to be followed by the Funds when retaining the independent audit firm to perform audit, audit-related tax and other services under those circumstances, while also maintaining independence. Approval of a service in accordance with this policy for a Fund shall also constitute approval for any other Fund whose pre-approval is required pursuant to Rule 210.2-01(c)(7)(ii). In addition to the procedures set forth in this policy, any non-audit services that may be provided consistently with Rule 210.2-01 may be approved by the Audit Committee itself and any pre-approval that may be waived in accordance with Rule 210.2-01(c)(7)(i)(C) is hereby waived. Selection of a Fund's independent auditors and their compensation shall be determined by the Audit Committee and shall not be subject to this policy.

SECTION II - POLICY -----
 ----- **SERVICE SERVICE CATEGORY DESCRIPTION SPECIFIC**
 ----- **PRE-APPROVED SERVICE SUBCATEGORIES CATEGORY** -----

I. **AUDIT** Services that are directly o Accounting research assistance **SERVICES** related to performing the o SEC consultation, registration independent audit of the Funds statements, and reporting o Tax accrual related matters o Implementation of new accounting standards o Compliance letters (e.g. rating agency letters) o Regulatory reviews and assistance regarding financial matters o Semi-annual reviews (if requested) o Comfort letters for closed end offerings

II. Services which are not o AICPA attest and agreed-upon procedures **AUDIT-RELATED** prohibited under Rule o Technology

control assessments SERVICES 210.2-01(C)(4) (the "Rule") o Financial reporting control assessments and related extensions of o Enterprise security architecture the audit services support the assessment audit, or use the knowledge/expertise gained from the audit procedures as a foundation to complete the project. In most cases, if the Audit-Related Services are not performed by the Audit firm, the scope of the Audit Services would likely increase. The Services are typically well-defined and governed by accounting professional standards (AICPA, SEC, etc.) -----

AUDIT COMMITTEE APPROVAL POLICY AUDIT COMMITTEE REPORTING POLICY

----- o "One-time" pre-approval o A summary of all such for the audit period for all services and related fees pre-approved specific service reported at each regularly subcategories. Approval of the scheduled Audit Committee independent auditors as meeting auditors for a Fund shall constitute pre approval for these services. -----

----- o "One-time" pre-approval o A summary of all such for the fund fiscal year within services and related fees a specified dollar limit (including comparison to for all pre-approved specified dollar limits) specific service subcategories reported quarterly. o Specific approval is needed to exceed the pre-approved dollar limit for these services (see general Audit Committee approval policy below for details on obtaining specific approvals) o Specific approval is needed to use the Fund's auditors for Audit-Related Services not denoted as "pre-approved", or to add a specific service subcategory as pre-approved" ----- SECTION III - POLICY

DETAIL, CONTINUED -----

SERVICE CATEGORY SERVICE CATEGORY SPECIFIC PRE-APPROVED SERVICE SUBCATEGORIES DESCRIPTION -----

----- III. TAX SERVICES Services which are not o Tax planning and support prohibited by the Rule, o Tax controversy assistance if an officer of the Fund o Tax compliance, tax returns, excise determines that using the tax returns and support Fund's auditor to provide o Tax opinions these services creates significant synergy in the form of efficiency, minimized disruption, or the ability to maintain a desired level of confidentiality. -----

AUDIT

COMMITTEE APPROVAL POLICY AUDIT COMMITTEE REPORTING POLICY

----- o "One-time" pre-approval o A summary of for the fund fiscal year all such services and within a specified dollar limit related fees (including comparison to specified dollar limits) reported quarterly. o Specific approval is needed to exceed the pre-approved dollar limits for these services (see general Audit Committee approval policy below for details on obtaining specific approvals) o Specific approval is needed to use the Fund's auditors for tax services not denoted as pre-approved, or to add a specific service subcategory as pre-approved" ----- SECTION III - POLICY DETAIL,

CONTINUED -----

SERVICE

CATEGORY SERVICE CATEGORY SPECIFIC PRE-APPROVED SERVICE SUBCATEGORIES DESCRIPTION ----- IV.

OTHER SERVICES Services which are not o Business Risk Management support prohibited by the Rule, o Other control and regulatory A. SYNERGISTIC, if an officer of the Fund compliance projects UNIQUE QUALIFICATIONS determines that using the Fund's auditor to provide these services creates significant synergy in the form of efficiency, minimized disruption, the ability to maintain a desired level of confidentiality, or where the Fund's auditors posses unique or superior qualifications to provide these services, resulting in superior value and results for the Fund. -----

AUDIT

COMMITTEE APPROVAL POLICY AUDIT COMMITTEE REPORTING POLICY

----- o "One-time" pre-approval o A summary of for the fund fiscal year within all such services and a specified dollar limit related fees (including comparison to specified dollar limits) reported quarterly. o Specific approval is needed to exceed the pre-approved dollar limits for these services (see general Audit Committee approval policy below for details on obtaining

specific approvals) o Specific approval is needed to use the Fund's auditors for "Synergistic" or "Unique Qualifications" Other Services not denoted as pre-approved to the left, or to add a specific service subcategory as "pre-approved" ----- SECTION III - POLICY DETAIL, CONTINUED -----

----- SERVICE CATEGORY SERVICE CATEGORY SPECIFIC PROHIBITED SERVICE SUBCATEGORIES DESCRIPTION -----

----- PROHIBITED SERVICES Services which result 1. Bookkeeping or other services in the auditors losing related to the accounting records or independence status financial statements of the audit under the Rule. client* 2. Financial information systems design and implementation* 3. Appraisal or valuation services, fairness* opinions, or contribution-in-kind reports 4. Actuarial services (i.e., setting actuarial reserves versus actuarial audit work)* 5. Internal audit outsourcing services* 6. Management functions or human resources 7. Broker or dealer, investment advisor, or investment banking services 8. Legal services and expert services unrelated to the audit 9. Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible -----

----- AUDIT COMMITTEE APPROVAL POLICY AUDIT COMMITTEE REPORTING POLICY -----

o These services are not to be o A summary of all performed with the exception of the(*) services and related services that may be permitted fees reported at each if they would not be subject to audit regularly scheduled procedures at the audit client (as Audit Committee meeting defined in rule 2-01(f)(4)) level will serve as continual the firm providing the service. confirmation that has not provided any restricted services.

----- GENERAL AUDIT COMMITTEE

APPROVAL POLICY: o For all projects, the officers of the Funds and the Fund's auditors will each make an assessment to determine that any proposed projects will not impair independence. o Potential services will be classified into the four non-restricted service categories and the "Approval of Audit, Audit-Related, Tax and Other Services" Policy above will be applied. Any services outside the specific pre-approved service subcategories set forth above must be specifically approved by the Audit Committee. o At least quarterly, the Audit Committee shall review a report summarizing the services by service category, including fees, provided by the Audit firm as set forth in the above policy.

----- (2) Disclose the percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X. Non-Audit Services Beginning with non-audit service contracts entered into on or after May 6, 2003, the effective date of the new SEC pre-approval rules, the Trust's audit committee is required to pre-approve services to affiliates defined by SEC rules to the extent that the services are determined to have a direct impact on the operations or financial reporting of the Trust. For the years ended April 30 2016 and 2015, there were no services provided to an affiliate that required the Trust's audit committee pre-approval. (f) If greater than 50 percent, disclose the percentage of hours expended on the principal accountants engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees. N/A (g) Disclose the aggregate non-audit fees billed by the registrants accountant for services rendered to the registrant, and rendered to the registrants investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant. The aggregate non-audit fees for the Trust were \$9,904 payable to Deloitte & Touche LLP for the year ended April 30, 2016 and \$9,876 for the year ended April 30, 2015. (h) Disclose whether the registrants audit committee of the board of trustees has considered whether the provision of non-audit services that were rendered to the registrants investment adviser (not including any subadviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that

provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence. The Fund's audit committee of the Board of Trustees has considered whether the provision of non-audit services that were rendered to the Affiliates (as defined) that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS (a) If the registrant is a listed issuer as defined in Rule 10A-3 under the Exchange Act (17 CFR 240.10A-3), state whether or not the registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). If the registrant has such a committee, however designated, identify each committee member. If the entire board of directors is acting as the registrant's audit committee as specified in Section 3(a)(58)(B) of the Exchange Act (15 U.S.C. 78c(a)(58)(B)), so state. N/A (b) If applicable, provide the disclosure required by Rule 10A-3(d) under the Exchange Act (17 CFR 240.10A-3(d)) regarding an exemption from the listing standards for audit committees. N/A **ITEM 6.**

SCHEDULE OF INVESTMENTS. File Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period as set forth in 210.1212 of Regulation S-X [17 CFR 210.12-12], unless the schedule is included as part of the report to shareholders filed under Item 1 of this Form. Included in Item 1

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES. A closed-end management investment company that is filing an annual report on this Form N-CSR must, unless it invests exclusively in non-voting securities, describe the policies and procedures that it uses to determine how to vote proxies relating to portfolio securities, including the procedures that the company uses when a vote presents a conflict between the interests of its shareholders, on the one hand, and those of the company's investment adviser; principal underwriter; or any affiliated person (as defined in Section 2(a)(3) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(3)) and the rules thereunder) of the company, its investment adviser, or its principal underwriter, on the other. Include any policies and procedures of the company's investment adviser, or any other third party, that the company uses, or that are used on the company's behalf, to determine how to vote proxies relating to portfolio securities. Proxy Voting Policies and Procedures of Pioneer Investment Management, Inc. VERSION DATED July, 2004 Overview Pioneer Investment Management, Inc.

"Pioneer") is a fiduciary that owes each of its client's duties of care and loyalty with respect to all services undertaken on the client's behalf, including proxy voting. When Pioneer has been delegated proxy-voting authority for a client, the duty of care requires Pioneer to monitor corporate events and to vote the proxies. To satisfy its duty of loyalty, Pioneer must place its client's interests ahead of its own and must cast proxy votes in a manner consistent with the best interest of its clients. Pioneer will vote all proxies presented in a timely manner. The Proxy Voting Policies and Procedures are designed to complement Pioneer's investment policies and procedures regarding its general responsibility to monitor the performance and/or corporate events of companies that are issuers of securities held in accounts managed by Pioneer. Pioneer's Proxy Voting Policies summarize Pioneer's position on a number of issues solicited by companies held by Pioneer's clients. The policies are guidelines that provide a general indication on how Pioneer would vote but do not include all potential voting scenarios. Pioneer's Proxy Voting Procedures detail monitoring of proxy voting, exception votes, and review of conflicts of interest and ensure that case-by-case votes are handled within the context of the overall guidelines (i.e. best interest of client). The overriding goal is that all proxies for US and non-US companies that are received promptly will be voted in accordance with Pioneer's policies or specific client instructions. All shares in a company held by Pioneer-managed accounts will be voted like, unless a client has given us specific voting instructions on an issue or has not delegated authority to us or the Proxy Voting Oversight Group determines that the circumstances justify a different approach. Pioneer does not delegate the authority to vote proxies relating to its clients to any of its affiliates, which include other subsidiaries of UniCredito. Any questions about these policies and procedures should be directed to the Proxy Coordinator. **1 Proxy Voting Procedures** Proxy Voting Service Pioneer has engaged an independent proxy voting service to assist in the voting of proxies. The proxy voting service works with custodians to ensure that all proxy materials are received by the custodians and are processed in a timely fashion. To the extent applicable, the proxy voting service votes all proxies in accordance with the proxy

voting policies established by Pioneer. The proxy voting service will refer proxy questions to the Proxy Coordinator (described below) for instructions under circumstances where: (1) the application of the proxy voting guidelines is unclear; (2) a particular proxy question is not covered by the guidelines; or (3) the guidelines call for specific instructions on a case-by-case basis. The proxy voting service is also requested to call to the Proxy Coordinator's attention specific proxy questions that, while governed by a guideline, appear to involve unusual or controversial issues. Pioneer reserves the right to attend a meeting in person and may do so when it determines that the company or the matters to be voted on at the meeting are strategically important to its clients. Proxy Coordinator Pioneer's Director of Investment Operations (the "Proxy Coordinator") coordinates the voting, procedures and reporting of proxies on behalf of Pioneer's clients. The Proxy Coordinator will deal directly with the proxy voting service and, in the case of proxy questions referred by the proxy voting service, will solicit voting recommendations and instructions from the Director of Portfolio Management US or, to the extent applicable, investment sub-advisers. The Proxy Coordinator is responsible for ensuring that these questions and referrals are responded to in a timely fashion and for transmitting appropriate voting instructions to the proxy voting service. The Proxy Coordinator is responsible for verifying with the Compliance Department whether Pioneer's voting power is subject to any limitations or guidelines issued by the client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries). Referral Items From time to time, the proxy voting service will refer proxy questions to the Proxy Coordinator that are described by Pioneer's policy as to be voted on a case-by-case basis, that are not covered by Pioneer's guidelines or where Pioneer's guidelines may be unclear with respect to the matter to be voted on. Under such certain circumstances, the Proxy Coordinator will seek a written voting recommendation from the Director of Portfolio Management US. Any such recommendation will include: (i) the manner in which the proxies should be voted; (ii) the rationale underlying any such decision; and (iii) the disclosure of any contacts or communications made between Pioneer and any outside parties concerning the proxy proposal prior to the time that the voting instructions are provided. In addition, the Proxy Coordinator will ask the Compliance Department to review the question for any actual or apparent conflicts of interest as described below under "Conflicts of Interest." The Compliance Department will provide a "Conflicts of Interest Report," applying the criteria set forth below under "Conflicts of Interest," to the Proxy Coordinator summarizing the results of its review. In the absence of a conflict of interest, the Proxy Coordinator will vote in accordance with the recommendation of the Director of Portfolio Management US. If the matter presents a conflict of interest for Pioneer, then the Proxy Coordinator will refer the matter to the Proxy Voting Oversight Group for a decision. In general, when a conflict of interest is present, Pioneer will vote according to the recommendation of the Director of Portfolio Management US where such recommendation would go against Pioneer's interest or where the conflict is deemed to be immaterial. Pioneer will vote according to the recommendation of its proxy voting service when the conflict is deemed to be material and the Pioneer's internal vote recommendation would favor Pioneer's interest, unless a client specifically requests Pioneer to do otherwise. When making the final determination as to how to vote a proxy, the Proxy Voting Oversight Group will review the report from the Director of Portfolio Management US and the Conflicts of Interest Report issued by the Compliance Department. Conflicts of Interest A conflict of interest occurs when Pioneer's interests interfere, or appear to interfere with the interests of Pioneer's clients. Occasionally, Pioneer may have a conflict that can affect how its votes proxies. The conflict may be actual or perceived and may exist when the matter to be voted on concerns: o An affiliate of Pioneer, such as another company belonging to the UniCredito Italiano S.p.A. banking group (a "UniCredito Affiliate"); o An issuer of a security for which Pioneer acts as a sponsor, advisor, manager, custodian, distributor, underwriter, broker, or other similar capacity (including those securities specifically declared by PGAM to present a conflict of interest for Pioneer); o An issuer of a security for which UniCredito has informed Pioneer that a UniCredito Affiliate acts as a sponsor, advisor, manager, custodian, distributor, underwriter, broker, or other similar capacity; or o A person with whom Pioneer (or any of its affiliates) has an existing, material contract or business relationship that was not entered into in the ordinary course of Pioneer's business. o Pioneer will abstain from voting with respect to companies directly or indirectly owned by UniCredito Italiano Group, unless otherwise directed by a client. In addition, Pioneer will inform PGAM Global Compliance and the PGAM Independent Directors before exercising such rights. Any associate involved in the proxy voting

process with knowledge of any apparent or actual conflict of interest must disclose such conflict to the Proxy Coordinator and the Compliance Department. The Compliance Department will review each item referred to Pioneer to determine whether an actual or potential conflict of interest with Pioneer exists in connection with the proposal(s) to be voted upon. The review will be conducted by comparing the apparent parties affected by the proxy proposal being 3 voted upon against the Compliance Department's internal list of interested persons and, for any matches found, evaluating the anticipated magnitude and possible probability of any conflict of interest being present. For each referral item, the determination regarding the presence or absence of any actual or potential conflict of interest will be documented in a Conflicts of Interest Report to the Proxy Coordinator.

Securities Lending In conjunction with industry standards Proxies are not available to be voted when the shares are out on loan through either Pioneer's lending program or a client's managed security lending program. However, Pioneer will reserve the right to recall lent securities so that they may be voted according to the Pioneer's instructions. If a portfolio manager would like to vote a block of previously lent shares, the Proxy Coordinator will work with the portfolio manager and Investment Operations to recall the security, to the extent possible, to facilitate the vote on the entire block of shares.

Share-Blocking "Share-blocking" is a market practice whereby shares are sent to a custodian (which may be different than the account custodian) for record keeping and voting at the general meeting. The shares are unavailable for sale or delivery until the end of the blocking period (typically the day after general meeting date). Pioneer will vote in those countries with "share-blocking." In the event a manager would like to sell a security with "share-blocking", the Proxy Coordinator will work with the Portfolio Manager and Investment Operations Department to recall the shares (as allowable within the market time-frame and practices) and/or communicate with executing brokerage firm. A list of countries with "share-blocking" is available from the Investment Operations Department upon request.

Record Keeping The Proxy Coordinator shall ensure that Pioneer's proxy voting service: o Retains a copy of the proxy statement received (unless the proxy statement is available from the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system); o Retains a record of the vote cast; o Prepares Form N-PX for filing on behalf of each client that is a registered investment company; and o Is able to promptly provide Pioneer with a copy of the voting record upon its request.

4 The Proxy Coordinator shall ensure that for those votes that may require additional documentation (i.e. conflicts of interest, exception votes and case-by-case votes) the following records are maintained: o A record memorializing the basis for each referral vote cast; o A copy of any document created by Pioneer that was material in making the decision on how to vote the subject proxy; and o A copy of any conflict notice, conflict consent or any other written communication (including emails or other electronic communications) to or from the client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries) regarding the subject proxy vote cast by, or the vote recommendation of, Pioneer. o Pioneer shall maintain the above records in the client's file for a period not less than ten (10) years.

Disclosure Pioneer shall take reasonable measures to inform its clients of the process or procedures clients must follow to obtain information regarding how Pioneer voted with respect to assets held in their accounts. In addition, Pioneer shall describe to clients its proxy voting policies and procedures and will furnish a copy of its proxy voting policies and procedures upon request. This information may be provided to clients through Pioneer's Form ADV (Part II) disclosure, by separate notice to the client, or through Pioneer's website.

Proxy Voting Oversight Group The members of the Proxy Voting Oversight Group are Pioneer's: Director of Portfolio Management US, Head of Investment Operations, and Director of Compliance. Other members of Pioneer will be invited to attend meetings and otherwise participate as necessary. The Head of Investment Operations will chair the Proxy Voting Oversight Group. The Proxy Voting Oversight Group is responsible for developing, evaluating, and changing (when necessary) Pioneer's Proxy Voting Policies and Procedures. The group meets at least annually to evaluate and review these policies and procedures and the services of its third-party proxy voting service. In addition, the Proxy Voting Oversight Group will meet as necessary to vote on referral items and address other business as necessary.

Amendments Pioneer may not amend its Proxy Voting Policies And Procedures without the prior approval of the Proxy Voting Oversight Group and its corporate parent, Pioneer Global Asset Management S.p.A

5 **Proxy Voting Policies** Pioneer's sole concern in voting proxies is the economic effect of the proposal on the value of portfolio holdings, considering both the short- and long-term impact. In many instances, Pioneer believes that supporting the

company's strategy and voting "for" management's proposals builds portfolio value. In other cases, however, proposals set forth by management may have a negative effect on that value, while some shareholder proposals may hold the best prospects for enhancing it. Pioneer monitors developments in the proxy-voting arena and will revise this policy as needed. All proxies that are received promptly will be voted in accordance with the specific policies listed below. All shares in a company held by Pioneer-managed accounts will be voted alike, unless a client has given us specific voting instructions on an issue or has not delegated authority to us. Proxy voting issues will be reviewed by Pioneer's Proxy Voting Oversight Group, which consists of the Director of Portfolio Management US, the Director of Investment Operations (the Proxy Coordinator), and the Director of Compliance. Pioneer has established Proxy Voting Procedures for identifying and reviewing conflicts of interest that may arise in the voting of proxies. Clients may request, at any time, a report on proxy votes for securities held in their portfolios and Pioneer is happy to discuss our proxy votes with company management. Pioneer retains a proxy voting service to provide research on proxy issues and to process proxy votes. Administrative While administrative items appear infrequently in U.S. issuer proxies, they are quite common in non-U.S. proxies. We will generally support these and similar management proposals:

- o Corporate name change.
- o A change of corporate headquarters.
- o Stock exchange listing.
- o Establishment of time and place of annual meeting.
- o Adjournment or postponement of annual meeting.
- o Acceptance/approval of financial statements.
- o Approval of dividend payments, dividend reinvestment plans and other dividend-related proposals.
- o Approval of minutes and other formalities.
- 6 o Authorization of the transferring of reserves and allocation of income.
- o Amendments to authorized signatories.
- o Approval of accounting method changes or change in fiscal year-end.
- o Acceptance of labor agreements.
- o Appointment of internal auditors.

Pioneer will vote on a case-by-case basis on other routine business; however, Pioneer will oppose any routine business proposal if insufficient information is presented in advance to allow Pioneer to judge the merit of the proposal. Pioneer has also instructed its proxy voting service to inform Pioneer of its analysis of any administrative items inconsistent, in its view, with supporting the value of Pioneer portfolio holdings so that Pioneer may consider and vote on those items on a case-by-case basis.

Auditors We normally vote for proposals to:

- o Ratify the auditors. We will consider a vote against if we are concerned about the auditors' independence or their past work for the company. Specifically, we will oppose the ratification of auditors and withhold votes from audit committee members if non-audit fees paid by the company to the auditing firm exceed the sum of audit fees plus audit-related fees plus permissible tax fees according to the disclosure categories proposed by the Securities and Exchange Commission.
- o Restore shareholder rights to ratify the auditors. We will normally oppose proposals that require companies to:
- o Seek bids from other auditors.
- o Rotate auditing firms, except where the rotation is statutorily required or where rotation would demonstrably strengthen financial disclosure.
- o Indemnify auditors.
- o Prohibit auditors from engaging in non-audit services for the company.

Board of Directors On issues related to the board of directors, Pioneer normally supports management. We will, however, consider a vote against management in instances where corporate performance has been very poor or where the board appears to lack independence.

7 General Board Issues Pioneer will vote for:

- o Audit, compensation and nominating committees composed of independent directors exclusively.
- o Indemnification for directors for actions taken in good faith in accordance with the business judgment rule. We will vote against proposals for broader indemnification.
- o Changes in board size that appear to have a legitimate business purpose and are not primarily for anti-takeover reasons.
- o Election of an honorary director.

We will vote against:

- o Minimum stock ownership by directors.
- o Term limits for directors. Companies benefit from experienced directors, and shareholder control is better achieved through annual votes.
- o Requirements for union or special interest representation on the board.
- o Requirements to provide two candidates for each board seat. We will vote on a case-by case basis on these issues:
- o Separate chairman and CEO positions. We will consider voting with shareholders on these issues in cases of poor corporate performance.

Elections of Directors In uncontested elections of directors we will vote against:

- o Individual directors with absenteeism above 25% without valid reason. We support proposals that require disclosure of director attendance.
- o Insider directors and affiliated outsiders who sit on the audit, compensation, stock option or nominating committees. For the purposes of our policy, we accept the definition of affiliated directors provided by our proxy voting service. We will also vote against:
- o Directors who have failed to act on a takeover offer where the majority of shareholders have

rendered their shares. o Directors who appear to lack independence or are associated with very poor corporate performance. 8 We will vote on a case-by case basis on these issues: o Re-election of directors who have implemented or renewed a dead-hand or modified dead-hand poison pill (a "dead-hand poison pill" is a shareholder rights plan that may be altered only by incumbent or "dead " directors. These plans prevent a potential acquirer from disabling a poison pill by obtaining control of the board through a proxy vote). o Contested election of directors. o Prior to phase-in required by SEC, we would consider supporting election of a majority of independent directors in cases of poor performance. o Mandatory retirement policies. o Directors who have ignored a shareholder proposal that has been approved by shareholders for two consecutive years. Takeover-Related Measures Pioneer is generally opposed to proposals that may discourage takeover attempts. We believe that the potential for a takeover helps ensure that corporate performance remains high. Pioneer will vote for: o Cumulative voting. o Increase ability for shareholders to call special meetings. o Increase ability for shareholders to act by written consent. o Restrictions on the ability to make greenmail payments. o Submitting rights plans to shareholder vote. o Rescinding shareholder rights plans ("poison pills"). o Opting out of the following state takeover statutes: o Control share acquisition statutes, which deny large holders voting rights on holdings over a specified threshold. o Control share cash-out provisions, which require large holders to acquire shares from other holders. o Freeze-out provisions, which impose a waiting period on large holders before they can attempt to gain control. o Stakeholder laws, which permit directors to consider interests of non-shareholder constituencies. 9 o Disgorgement provisions, which require acquirers to disgorge profits on purchases made before gaining control. o Fair price provisions. o Authorization of shareholder rights plans. o Labor protection provisions. o Mandatory classified boards. We will vote on a case-by-case basis on the following issues: o Fair price provisions. We will vote against provisions requiring supermajority votes to approve takeovers. We will also consider voting against proposals that require a supermajority vote to repeal or amend the provision. Finally, we will consider the mechanism used to determine the fair price; we are generally opposed to complicated formulas or requirements to pay a premium. o Opting out of state takeover statutes regarding fair price provisions. We will use the criteria used for fair price provisions in general to determine our vote on this issue. o Proposals that allow shareholders to nominate directors. We will vote against: o Classified boards, except in the case of closed-end mutual funds. o Limiting shareholder ability to remove or appoint directors. We will support proposals to restore shareholder authority in this area. We will review on a case-by-case basis proposals that authorize the board to make interim appointments. o Classes of shares with unequal voting rights. o Supermajority vote requirements. o Severance packages ("golden" and "tin" parachutes). We will support proposals to put these packages to shareholder vote. o Reimbursement of dissident proxy solicitation expenses. While we ordinarily support measures that encourage takeover bids, we believe that management should have full control over corporate funds. o Extension of advance notice requirements for shareholder proposals. o Granting board authority normally retained by shareholders (e.g., amend charter, set board size). o Shareholder rights plans ("poison pills"). These plans generally allow shareholders to buy additional shares at a below-market price in the event of a change in control and may deter some bids. 10 Capital Structure Managements need considerable flexibility in determining the company's financial structure, and Pioneer normally supports managements' proposals in this area. We will, however, reject proposals that impose high barriers to potential takeovers. Pioneer will vote for: o Changes in par value. o Reverse splits, if accompanied by a reduction in number of shares. o Share repurchase programs, if all shareholders may participate on equal terms. o Bond issuance. o Increases in "ordinary" preferred stock. o Proposals to have blank-check common stock placements (other than shares issued in the normal course of business) submitted for shareholder approval. o Cancellation of company treasury shares. We will vote on a case-by-case basis on the following issues: o Reverse splits not accompanied by a reduction in number of shares, considering the risk of delisting. o Increase in authorized common stock. We will make a determination considering, among other factors: o Number of shares currently available for issuance; o Size of requested increase (we would normally approve increases of up to 100% of current authorization); o Proposed use of the additional shares; and o Potential consequences of a failure to increase the number of shares outstanding (e.g., delisting or bankruptcy). o Blank-check preferred. We will normally oppose issuance of a new class of blank-check preferred, but may approve an increase in a class already outstanding

f the company has demonstrated that it uses this flexibility appropriately. o Proposals to submit private placements to shareholder vote. o Other financing plans. We will vote against preemptive rights that we believe limit a company's financing flexibility. 11 Compensation Pioneer supports compensation plans that link pay to shareholder returns and believes that management has the best understanding of the level of compensation needed to attract and retain qualified people. At the same time, stock-related compensation plans have a significant economic impact and a direct effect on the balance sheet. Therefore, while we do not want to micromanage a company's compensation programs, we will place limits on the potential dilution these plans may impose. Pioneer will vote for: o 401(k) benefit plans. o Employee stock ownership plans (ESOPs), as long as shares allocated to ESOPs are less than 5% of outstanding shares. Larger blocks of stock in ESOPs can serve as a takeover defense. We will support proposals to submit ESOPs to shareholder vote. o Various issues related to the Omnibus Budget and Reconciliation Act of 1993 (OBRA), including: o Amendments to performance plans to conform with OBRA; o Caps on annual grants or amendments of administrative features; o Adding performance goals; and o Cash or cash-and-stock bonus plans. o Establish a process to link pay, including stock-option grants, to performance, leaving specifics of implementation to the company. o Require that option repricings be submitted to shareholders. o Require the expensing of stock-option awards. o Require reporting of executive retirement benefits (deferred compensation, split-dollar life insurance, SERPs, and pension benefits). o Employee stock purchase plans where the purchase price is equal to at least 85% of the market price, where the offering period is no greater than 27 months and where potential dilution (as defined below) is no greater than 10%. 12 We will vote on a case-by-case basis on the following issues: o Executive and director stock-related compensation plans. We will consider the following factors when reviewing these plans: o The program must be of a reasonable size. We will approve plans where the combined employee and director plans together would generate less than 5% dilution. We will reject plans with 15% or more potential dilution. Dilution = (A + B + C) / (A + B + C + D), where A = Shares reserved for plan/amendment, B = Shares available under continuing plans, C = Shares granted but unexercised and D = Shares outstanding. o The plan must not: o Explicitly permit unlimited option repricing authority or that have repriced in the past without shareholder approval. o Be a self-replenishing "evergreen" plan, plans that grant discount options and tax offset payments. o We are generally in favor of proposals that increase participation beyond executives. o We generally support proposals asking companies to adopt rigorous vesting provisions for stock option plans such as those that vest incrementally over, at least, a three- or four-year period with a pro rata portion of the shares becoming exercisable on an annual basis following grant date. o We generally support proposals asking companies to disclose their window period policies for stock transactions. Window period policies ensure that employees do not exercise options based on insider information contemporaneous with quarterly earnings releases and other material corporate announcements. o We generally support proposals asking companies to adopt stock holding periods for their executives. o All other employee stock purchase plans. o All other compensation-related proposals, including deferred compensation plans, employment agreements, loan guarantee programs and retirement plans. o All other proposals regarding stock compensation plans, including extending the life of a plan, changing vesting restrictions, repricing options, lengthening exercise periods or accelerating distribution of awards and pyramiding and cashless exercise programs. 13 We will vote against: o Pensions for non-employee directors. We believe these retirement plans reduce director objectivity. o Elimination of stock option plans. We will vote on a case-by case basis on these issues: o Limits on executive and director pay. o Stock in lieu of cash compensation for directors. Corporate Governance Pioneer will vote for: o Confidential Voting. o Equal access provisions, which allow shareholders to contribute their opinion to proxy materials. o Proposals requiring directors to disclose their ownership of shares in the company. We will vote on a case-by-case basis on the following issues: o Change in the state of incorporation. We will support reincorporations supported by valid business reasons. We will oppose those that appear to be solely for the purpose of strengthening takeover defenses. o Bundled proposals. We will evaluate the overall impact of the proposal. o Adopting or amending the charter, bylaws or articles of association. o Shareholder appraisal rights, which allow shareholders to demand judicial review of an acquisition price. We will vote against: o Shareholder advisory committees. While management should solicit shareholder input, we prefer to leave the method of doing so to management's discretion. o

Limitations on stock ownership or voting rights. o Reduction in share ownership disclosure guidelines. 14
 Mergers and Restructurings Pioneer will vote on the following and similar issues on a case-by-case basis: o
 Mergers and acquisitions. o Corporate restructurings, including spin-offs, liquidations, asset sales, joint
 ventures, conversions to holding company and conversions to self-managed REIT structure. o Debt
 restructurings. o Conversion of securities. o Issuance of shares to facilitate a merger. o Private placements,
 warrants, convertible debentures. o Proposals requiring management to inform shareholders of merger
 opportunities. We will normally vote against shareholder proposals requiring that the company be put up for
 sale. Mutual Funds Many of our portfolios may invest in shares of closed-end mutual funds or
 exchange-traded funds. The non-corporate structure of these investments raises several unique proxy voting
 issues. Pioneer will vote for: o Establishment of new classes or series of shares. o Establishment of a
 master-feeder structure. Pioneer will vote on a case-by-case on: o Changes in investment policy. We will
 normally support changes that do not affect the investment objective or overall risk level of the fund. We
 will examine more fundamental changes on a case-by-case basis. o Approval of new or amended advisory
 contracts. o Changes from closed-end to open-end format. o Authorization for, or increase in, preferred
 shares. o Disposition of assets, termination, liquidation, or mergers. o Classified boards of closed-end
 mutual funds, but will typically support such proposals. 15 Social Issues Pioneer will abstain on stockholder
 proposals calling for greater disclosure of corporate activities with regard to social issues. "Social Issues"
 may generally be described as shareholder proposals for a company to: o Conduct studies regarding certain
 issues of public concern and interest; o Study the feasibility of the company taking certain actions with
 regard to such issues; or o Take specific action, including ceasing certain behavior and adopting company
 standards and principles, in relation to issues of public concern and interest. We believe these issues are
 important and should receive management attention. Pioneer will vote against proposals calling for
 substantial changes in the company's business or activities. We will also normally vote against proposals
 with regard to contributions, believing that management should control the routine disbursement of funds.

6 ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT

COMPANIES. (a) If the registrant is a closed-end management investment company that is filing an annual
 report on this Form N-CSR, provide the following information: (1) State the name, title, and length of service
 of the person or persons employed by or associated with the registrant or an investment adviser of the
 registrant who are primarily responsible for the day-to-day management of the registrant's portfolio
 ("Portfolio Manager"). Also state each Portfolio Manager's business experience during the past 5 years.

ADDITIONAL INFORMATION ABOUT THE PORTFOLIO MANAGERS OTHER ACCOUNTS

MANAGED BY THE PORTFOLIO MANAGERS The table below indicates, for the portfolio managers of
 the fund, information about the accounts other than the fund over which the portfolio manager has
 day-to-day investment responsibility. All information on the number of accounts and total assets in the table
 is as of April 30, 2016. For purposes of the table, "Other Pooled Investment Vehicles" may include
 investment partnerships, undertakings for collective investments in transferable securities ("UCITS") and
 other non-U.S. investment funds and group trusts, and "Other Accounts" may include separate accounts for
 institutions or individuals, insurance company general or separate accounts, pension funds and other similar
 institutional accounts but generally do not include the portfolio manager's personal investment accounts or
 those which the manager may be deemed to own beneficially under the code of ethics. Certain funds and
 other accounts managed by the portfolio manager may have substantially similar investment strategies.

NUMBER OF ASSETS ACCOUNTS MANAGED MANAGED FOR FOR WHICH WHICH ADVISORY
 ADVISORY NUMBER OF FEE IS FEE IS NAME OF ACCOUNTS TOTAL ASSETS PERFORMANCE-
 PERFORMANCE- PORTFOLIO MANAGER TYPE OF ACCOUNT MANAGED MANAGED (000'S)
 BASED BASED (000'S) -----

----- Charles Melchreit Other Registered Investment Companies	11	\$16,746,143	N/A	N/A	Other
Pooled Investment Vehicles	4	\$ 5,452,601	N/A	N/A	Other Accounts
----- Andrew Feltus Other	8	\$ 1,690,178	N/A	N/A	
----- Registered Investment Companies	12	\$10,689,735	N/A	N/A	Other Pooled Investment Vehicles
-----	7	\$ 9,130,579	3	\$6,114,075	Other Accounts
----- Jonathan Sharkey Other Registered	6	\$ 1,493,019	N/A	N/A	

Investment Companies 3 \$ 3,689,871 N/A N/A Other Pooled Investment Vehicles 0 \$ 0 N/A N/A Other
 Accounts 0 \$ 0 N/A N/A -----

POTENTIAL CONFLICTS OF INTEREST When a portfolio manager is responsible for the management of more than one account, the potential arises for the portfolio manager to favor one account over another. The principal types of potential conflicts of interest that may arise are discussed below. For the reasons outlined below, Pioneer does not believe that any material conflicts are likely to arise out of a portfolio manager's responsibility for the management of the fund as well as one or more other accounts. Although Pioneer has adopted procedures that it believes are reasonably designed to detect and prevent violations of the federal securities laws and to mitigate the potential for conflicts of interest to affect its portfolio management decisions, there can be no assurance that all conflicts will be identified or that all procedures will be effective in mitigating the potential for such risks. Generally, the risks of such conflicts of interest are increased to the extent that a portfolio manager has a financial incentive to favor one account over another. Pioneer has structured its compensation arrangements in a manner that is intended to limit such potential for conflicts of interest. See "Compensation of Portfolio Managers" below.

- o A portfolio manager could favor one account over another in allocating new investment opportunities that have limited supply, such as initial public offerings and private placements. If, for example, an initial public offering that was expected to appreciate in value significantly shortly after the offering was allocated to a single account, that account may be expected to have better investment performance than other accounts that did not receive an allocation of the initial public offering. Generally, investments for which there is limited availability are allocated based upon a range of factors including available cash and consistency with the accounts' investment objectives and policies. This allocation methodology necessarily involves some subjective elements but is intended over time to treat each client in an equitable and fair manner. Generally, the investment opportunity is allocated among participating accounts on a pro rata basis. Although Pioneer believes that its practices are reasonably designed to treat each client in an equitable and fair manner, there may be instances where a fund may not participate, or may participate to a lesser degree than other clients, in the allocation of an investment opportunity.
- o A portfolio manager could favor one account over another in the order in which trades for the accounts are placed. If a portfolio manager determines to purchase a security for more than one account in an aggregate amount that may influence the market price of the security, accounts that purchased or sold the security first may receive a more favorable price than accounts that made subsequent transactions. The less liquid the market for the security or the greater the percentage that the proposed aggregate purchases or sales represent of average daily trading volume, the greater the potential for accounts that make subsequent purchases or sales to receive a less favorable price. When a portfolio manager intends to trade the same security on the same day for more than one account, the trades typically are "bunched," which means that the trades for the individual accounts are aggregated and each account receives the same price. There are some types of accounts as to which bunching may not be possible for contractual reasons (such as directed brokerage arrangements). Circumstances may also arise where the trader believes that bunching the orders may not result in the best possible price. Where those accounts or circumstances are involved, Pioneer will place the order in a manner intended to result in as favorable a price as possible for such client.
- o A portfolio manager could favor an account if the portfolio manager's compensation is tied to the performance of that account to a greater degree than other accounts managed by the portfolio manager. If, for example, the portfolio manager receives a bonus based upon the performance of certain accounts relative to a benchmark while other accounts are disregarded for this purpose, the portfolio manager will have a financial incentive to seek to have the accounts that determine the portfolio manager's bonus achieve the best possible performance to the possible detriment of other accounts. Similarly, if Pioneer receives a performance-based advisory fee, the portfolio manager may favor that account, whether or not the performance of that account directly determines the portfolio manager's compensation.
- o A portfolio manager could favor an account if the portfolio manager has a beneficial interest in the account, in order to benefit a large client or to compensate a client that had poor returns. For example, if the portfolio manager held an interest in an investment partnership that was one of the accounts managed by the portfolio manager, the portfolio manager would have an economic incentive to favor the account in which the portfolio manager held an interest.
- o If the different accounts have materially and potentially conflicting investment

objectives or strategies, a conflict of interest could arise. For example, if a portfolio manager purchases a security for one account and sells the same security for another account, such trading pattern may disadvantage either the account that is long or short. In making portfolio manager assignments, Pioneer seeks to avoid such potentially conflicting situations. However, where a portfolio manager is responsible for accounts with differing investment objectives and policies, it is possible that the portfolio manager will conclude that it is in the best interest of one account to sell a portfolio security while another account continues to hold or increase the holding in such security.

COMPENSATION OF PORTFOLIO MANAGERS

Pioneer has adopted a system of compensation for portfolio managers that seeks to align the financial interests of the portfolio managers with those of shareholders of the accounts (including Pioneer funds) the portfolio managers manage, as well as with the financial performance of Pioneer. The compensation program for all Pioneer portfolio managers includes a base salary (determined by the rank and tenure of the employee) and an annual bonus program, as well as customary benefits that are offered generally to all full-time employees. Base compensation is fixed and normally reevaluated on an annual basis. Pioneer seeks to set base compensation at market rates, taking into account the experience and responsibilities of the portfolio manager. The bonus plan is intended to provide a competitive level of annual bonus compensation that is tied to the portfolio manager achieving superior investment performance and align the interests of the investment professional with those of shareholders, as well as with the financial performance of Pioneer. Any bonus under the plan is completely discretionary, with a maximum annual bonus that may be in excess of base salary. The annual bonus is based upon a combination of the following factors:

- o **QUANTITATIVE INVESTMENT PERFORMANCE.** The quantitative investment performance calculation is based on pre-tax investment performance of all of the accounts managed by the portfolio manager (which includes the fund and any other accounts managed by the portfolio manager) over a one-year period (20% weighting) and four-year period (80% weighting), measured for periods ending on December 31. The accounts, which include the fund, are ranked against a group of mutual funds with similar investment objectives and investment focus (60%) and a broad-based securities market index measuring the performance of the same type of securities in which the accounts invest (40%), which, in the case of the fund, is the Merrill Lynch Global High Yield and Emerging Markets Index and the CSFB Leveraged Loan Index. As a result of these two benchmarks, the performance of the portfolio manager for compensation purposes is measured against the criteria that are relevant to the portfolio manager's competitive universe.
- o **QUALITATIVE PERFORMANCE.** The qualitative performance component with respect to all of the accounts managed by the portfolio manager includes objectives, such as effectiveness in the areas of teamwork, leadership, communications and marketing, that are mutually established and evaluated by each portfolio manager and management.
- o **PIONEER RESULTS AND BUSINESS LINE RESULTS.** Pioneer's financial performance, as well as the investment performance of its investment management group, affect a portfolio manager's actual bonus by a leverage factor of plus or minus (+/-) a predetermined percentage. The quantitative and qualitative performance components comprise 80% and 20%, respectively, of the overall bonus calculation (on a pre-adjustment basis). A portion of the annual bonus is deferred for a specified period and may be invested in one or more Pioneer funds. Certain portfolio managers participate in other programs designed to reward and retain key contributors. Senior executives or other key employees are granted performance units based on the stock price performance of UniCredit and the financial performance of Pioneer Global Asset Management S.p.A., which are affiliates of Pioneer. Portfolio managers also may participate in a deferred compensation program, whereby deferred amounts are invested in one or more Pioneer funds.

SHARE OWNERSHIP BY PORTFOLIO MANAGERS The following table indicates as of April 30, 2016 the value, within the indicated range, of shares beneficially owned by the portfolio managers of the fund. **BENEFICIAL OWNERSHIP NAME OF PORTFOLIO MANAGER OF THE FUND***

----- Charles Melchreit A -----
 Andrew Feltus E ----- Jonathan Sharkey B -----

* Key to Dollar Ranges 2 A. None B. \$1 - \$10,000 C. \$10,001 - \$50,000 D. \$50,001 -

\$100,000 E. \$100,001 - \$500,000 F. \$500,001 - \$1,000,000 G. Over \$1,000,000 3 - The significant investment strategies for Pioneer Diversified High Income Trust (a closed-end fund) and certain other similarly managed accounts with investment objectives of a high level of current income, with a potential

for capital appreciation as a secondary objective. The fund invests in a unique blend of higher yielding asset classes, including global high yield bonds, leveraged bank loans and event-linked bonds (cat bonds). Under normal market conditions, the fund invests at least 80% of its managed assets (net assets plus borrowings or other leverage for investment purposes) in diversified portfolio of below investment grade (high yield) debt securities, loans and preferred stocks. The fund allocates its investments principally among three sectors of the fixed income securities markets: (i) below investment grade debt securities and preferred stocks of U.S. and non-U.S. issuers, including governmental and corporate issuers in emerging markets ("global high yield debt securities"), (ii) floating rate loans and (iii) "event-linked" bonds, which sometimes are referred to as "insurance-linked" or "catastrophe" bonds. PIM believes that this actively managed, diversified portfolio of asset classes - global high yield debt securities, floating rate loans and event-linked bonds - may provide investors with a range of potential benefits across various market cycles and under various market conditions. These benefits include, among others, the potential to provide investors with a relatively high level of current income without undue risk as a result of the low correlation among these asset classes, reduced volatility due to limited exposure to interest rate and duration risk, as well as a favorable risk return profile. Specifically, the floating rate feature of both floating rate loans and event-linked bonds serves to reduce sensitivity to changes in prevailing interest rates. In addition, the introduction of event-linked bonds to the diversified portfolio enhances these benefits by reducing volatility, while providing the potential for above average returns. Moreover, the fund's investments in event-linked bonds offer investors access to a unique asset class that otherwise may be unavailable to them. The fund does not have a policy of maintaining a specific average credit quality or a targeted maturity range for its portfolio. The fund may invest any portion of its assets in securities and other instruments of non-U.S. issuers, including emerging market issuers, and may engage in certain strategic transactions. PIM is responsible for managing the fund's overall investment program, including allocating the fund's investments among the different asset classes and managing the fund's investments in global high income debt securities and floating rate loans. PIM considers both broad economic and issuer specific factors in selecting a portfolio designed to achieve the fund's investment objectives. PIM selects individual securities based upon the terms of the securities (such as yields compared to U.S. Treasuries or comparable issues), liquidity and rating, sector and issuer diversification. PIM also employs due diligence and fundamental quantitative and qualitative research to assess an issuer's credit quality, taking into account financial condition and profitability, future capital needs, potential for change in rating, industry outlook, the competitive environment and management ability. PIM may sell a portfolio security when it believes the security no longer will contribute to meeting the fund's investment objectives. PIM makes that determination based on the same criteria it uses to select portfolio securities. In making these portfolio decisions, PIM relies on the knowledge, experience and judgment of its staff and the staff of its affiliates who have access to a wide variety of research. The fund may use financial leverage on an ongoing basis for investment purposes by borrowing from banks through a revolving credit facility. Leverage creates special risks not associated with unleveraged funds having a similar investment objectives and policies. These include the possibility of higher volatility of both the net asset value of the fund and the value of assets serving as asset coverage for the preferred shares.

4 ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS. (a) If the registrant is a closed-end management investment company, in the following tabular format, provide the information specified in paragraph (b) of this Item with respect to any purchase made by or on behalf of the registrant or any affiliated purchaser, as defined in Rule 10b-18(a)(3) under the Exchange Act (17 CFR 240.10b-18(a)(3)), of shares or other units of any class of the registrant's equity securities that is registered by the registrant pursuant to Section 12 of the Exchange Act (15 U.S.C. 781). During the period covered by this report, there were no purchases made by or on behalf of the registrant or any affiliated purchaser as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934 (the Exchange Act), of shares of the registrants equity securities that are registered by the registrant pursuant to Section 12 of the Exchange Act.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. Describe any material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation

S-R(17 CFR 229.407)(as required by Item 22(b)(15)) of Schedule 14A (17 CFR 240.14a-101), or this Item. There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of directors since the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-R of Schedule 14(A) in its definitive proxy statement, or this item.

ITEM 11. CONTROLS AND PROCEDURES. (a) Disclose the conclusions of the registrant's principal executive and principal financial officers, or persons performing similar functions, regarding the effectiveness of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (17 CFR 270.30(a)-3(b) and Rules 13a-15(b) or 15d-15(b) under the Exchange Act (17 CFR 240.13a-15(b) or 240.15d-15(b)). The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures are effective based on the evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

(b) Disclose any change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17CFR 270.30a-3(d)) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting. There were no significant changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting. The registrant's principal executive officer and principal financial officer, however, voluntarily are reporting the following information: In August of 2006 the registrant's investment adviser enhanced its internal procedures for reporting performance information required to be included in prospectuses. Those enhancements involved additional internal controls over the appropriateness of performance data generated for this purpose. Such enhancements were made following an internal review which identified prospectuses relating to certain classes of shares of a limited number of registrants where, inadvertently, performance information not reflecting the deduction of applicable sales charges was included. Those prospectuses were revised, and the revised prospectuses were distributed to shareholders.

ITEM 12. EXHIBITS. (a) File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated. (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit. (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)) , exactly as set forth below: Filed herewith. **SIGNATURES** [See General Instruction F] Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. (Registrant) Pioneer Diversified High Income Trust By (Signature and Title)* /s/ Lisa M. Jones Lisa M. Jones, President & Chief Executive Officer Date June 28, 2016 Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. By (Signature and Title)* /s/ Lisa M. Jones Lisa M. Jones, President & Chief Executive Officer Date June 28, 2016 By (Signature and Title)* /s/ Mark E. Bradley Mark E. Bradley, Treasurer & Chief Accounting & Financial Officer Date June 28, 2016 *

Print the name and title of each signing officer under his or her signature.