

same terms and conditions as the existing Portfolios.

### Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. The Account will be established as one or more separate cash accounts on behalf of the Portfolios with the Custodian. The Portfolios may deposit daily all or a portion of their uninvested net cash balances into the Account. The Account will not be distinguishable from any other accounts maintained by a Portfolio with the Custodian except that monies from the various Portfolios will be deposited in the Account on a commingled basis. The Account will not have any separate existence with indicia of a separate legal entity. The sole function of the account will be to provide a convenient way of aggregating individual transactions that would otherwise require management by each Portfolio of its cash balances.

2. Cash in the Account will be invested solely in repurchase agreements, "collateralized fully" as defined in rule 2a-7 under the Act and satisfying the uniform standards set by the Portfolios for such investments.

3. All repurchase agreements entered into by the Portfolios through the Account will be valued on an amortized cost basis. Each Portfolio relying upon rule 2a-7 for valuation of its net assets on the basis of amortized cost will use the average maturity of the repurchase agreements purchased by the Portfolios participating in the account for the purpose of computing the Portfolio's average portfolio maturity with respect to the portion of its assets held in the account on that day.

4. In order to assure that there will be no opportunity for one Portfolio to use any part of the balance of the Account credited to another Portfolio, no Portfolio will be allowed to create a negative balance in the Account for any reason, although each Portfolio will be permitted to draw down its pro rata share of the entire balance at any time. Each Portfolio's decision to invest through the Account will be solely at the Portfolio's option, and no Portfolio will be obligated to invest through, or to maintain a minimum balance in, the Account. In addition, each Portfolio will retain the sole rights of ownership of any of its assets invested in the Account, including interest payable on the assets. Each Portfolio's investment in the account will be documented daily on the books of the Portfolio as well as on the Custodian's books.

5. Each Portfolio will participate in the income earned or accrued in the

Account, including all investments held by the Account, on the basis of the percentage of the total amount in the Account on any day represented by its share of the Account.

6. The Adviser will administer, manage, and invest the cash balance in the Account in accordance with and as part of its duties under the existing or any future investment advisory contracts with each Portfolio. The Adviser will not collect any additional or separate fee for the administration of the Account.

7. The Portfolios and the Adviser will enter into an agreement to govern the arrangements in accordance with the foregoing representations.

8. The administration of the Account will be within the fidelity bond coverage required by section 17(g) of the Act and rule 17g-1 thereunder.

9. The Board of Directors of each Portfolio participating in the Account will evaluate the Account arrangements annually and will authorize the continued participation in the Account only if it determines that there is a reasonable likelihood that such continued participation would benefit the Portfolio and its shareholders.

10. Substantially all repurchase transactions will have an overnight, over-the-weekend or over-a-holiday maturity, and in no event would a transaction have a maturity of more than seven days.

11. All joint repurchase transactions will be effected in accordance with Investment Company Act Release No. 13005 (Feb. 2, 1983) and with other existing and future positions taken by the SEC or its staff by rule, interpretive release, no-action letter, any release adopting any new rule, or any release adopting any amendments to any existing rule.

12. Any investment made through the Account will satisfy the investment policies or criteria of all Portfolios participating in that investment.

For the SEC, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**  
Deputy Secretary.

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[Investment Company Act Rel. No. 20818; 812-9412]

**Kidder, Peabody Investment Trust, et al.; Notice of Application**

January 4, 1995.

**AGENCY:** Securities and Exchange Commission ("SEC").

**ACTION:** Notice of application for Exemption under the Investment Company Act of 1940 (the "Act").

**APPLICANTS:** Kidder, Peabody Investment Trust ("KPIT"); Kidder, Peabody Investment Trust II ("KPIT II"); Kidder, Peabody Investment Trust III ("KPIT III"); Kidder, Peabody Municipal Money Market Series; Kidder, Peabody California Tax Exempt Money Fund; Kidder, Peabody Premium Account Fund; Kidder, Peabody Equity Income Fund, Inc.; Kidder, Peabody Government Income Fund, Inc.; Kidder, Peabody Government Money Fund, Inc.; Kidder, Peabody Cash Reserve Fund, Inc.; Kidder, Peabody Tax Exempt Money Fund, Inc.; Institutional Series Trust; and Liquid Institutional Reserves (the "Funds"); Kidder, Peabody Asset Management, Inc. ("KPAM"); Emerging Markets Management ("EMM"); GE Investment Management Incorporated ("GEIM"); George D. Bjurman & Associates ("GDB&A"); and Strategic Fixed Income, L.P. ("SFI") (EMM, GEIM, GDB&A, and SFI together, the "Subadvisers"); PaineWebber Incorporated ("PWI"); Mitchell Hutchins Asset Management Inc. ("MHAM"); and Mitchell Hutchins Institutional Investors Inc. ("MHII," and together with MHAM, "Mitchell Hutchins") (Mitchell Hutchins, together with PWI, KPAM and the Subadvisers are collectively referred to herein as the "Advisers").

**RELEVANT ACT SECTIONS:** Order requested under section 6(c) for an exemption from section 15(a).

**SUMMARY OF APPLICATION:** Paine Webber Group Inc. ("PaineWebber") has agreed to purchase the investment advisory business of Kidder, Peabody Group Inc. The transaction will result in the assignment, and thus the termination, of existing investment advisory and subadvisory contracts of the applicant investment companies. Applicants seek an order to permit the implementation, without shareholder approval, of interim investment advisory and subadvisory contracts, during a period of up to 120 days following the closing of the transaction. The order also will permit the applicant investment advisers to receive from the applicant investment companies fees earned under the interim investment advisory contracts following approval by the investment companies' shareholders.

**FILING DATE:** The application was filed on January 4, 1995.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's