registration statement under the Securities Act on Form N-14 relating to the Exchanges has been filed on behalf of the Company. Consent of the Participants of the Trusts for approval of the Plans will be made by means of a prospectus/information statement that forms part of the Form N-14 registration statement. The prospectus/information statement will describe the nature of and reasons for the Exchanges, the tax and other consequences to the Participants, and other relevant matters, including comparisons of the Funds and the Trusts in terms of their respective investment objectives and policies, fee structures, management structures, and other aspects of their operations, as well as the financial information required by Form N-14.

9. The Exchanges will not cause taxable gain or loss to be recognized by the Participants. As a result of the Exchanges, however, the Funds may acquire securities that have anticipated in value or that have depreciated in value from the date they were acquired. If appreciated securities were sold after the Exchanges, the amount of the gain would be taxable to future shareholders as well as Participants.

10. No brokerage commission, fee, or other remuneration will be paid in connection with the Exchanges. Neither Participants nor the Adviser or the Affiliated Persons will receive any financial benefit from the Exchanges (except as described in paragraph 9 above), apart from their *pro rata* interests in Company shares and other property distributed by the Trusts upon dissolution.

11. The Exchanges will not be effected unless and until each of the following conditions is satisfied: (a) The Company's Form N-1A and Form N-14 registration statements have been declared effective; (b) the Plans have been approved by the Participants of the Trusts; (c) the SEC has issued an order relating to this application; and (d) the Participants have received a favorable opinion of counsel regarding the tax consequences of the Exchanges.

12. The Adviser will assume all costs of the Exchanges, including the cost of transferring portfolio securities to the Company's custodian and the issuance costs (except registration and filing fees) of the Company's shares issued in the Exchanges, as well as the legal fees and expenses relating to this application and obtaining the opinion of counsel on certain tax matters.

13. A majority of the members of the Board of Directors of the Company (the "Board") are not "interested persons" as that term is defined in the Act. The Board has considered the desirability of

the Exchanges from the point of view of the Company and the Trusts, and a majority of the Board, including a majority of the non-interested members of the Board, have concluded that: (a) The Exchanges are in the best interest of the respective Funds, the Trusts, and the Participants; (b) the Exchanges will not dilute the respective interests of the Participants of the Trusts when their interests are converted into Company Shares; and (c) the terms of the Exchanges as reflected in the Plans will be reasonable and fair, will not involve overreaching, and will be consistent with the policies of the Funds and the Trusts.

## **Applicants' Legal Conclusions**

1. Applicants seek an exemption under section 17(b) of the Act from the provisions of section 17(a) to the extent necessary to permit the Funds to acquire the assets of the Trusts in exchange for shares of the Funds. Section 17(a), in pertinent part, prohibits an affiliated person of a registered investment company, or an affiliated person of such person, from selling to or purchasing from such investment company any security or other property.

2. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include any person directly or indirectly controlling, controlled by, or under common control with, such other person. The Trusts may be considered affiliated persons of the Company because the Trusts and the Company may be deemed to be under the common control of the Adviser. Similarly, the Affiliated Persons may require relief from section 17(a) because they could be deemed to be affiliated persons of the Trusts and therefore affiliated persons of affiliated persons of the Company.

3. Section 17(b) authorizes the SEC to exempt any person from the provisions of section 17(a) if evidence establishes that: (a) The terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policy of the registered investment company; and (c) the proposed transaction is consistent with the general purposes of the Act. Applicants assert that each of these standards is met.

4. Given the similarity of investment objectives and policies of the Funds and their corresponding Trusts, each Fund will be attempting to assemble a portfolio of securities substantially similar to that held by the corresponding Trust. The Funds will acquire portfolio securities, for which

market quotations are readily available, from the Trusts at their independent "current market price," as defined in rule 17a–7 under the Act. Neither the participants nor the Adviser or the Affiliated Persons will be in a position to influence the valuation of the securities acquired by the Funds. Further, the Funds have the opportunity to purchase the portfolio securities of the Trusts with lower transaction costs than would have been possible purchasing such securities in the open market.

5. The proposed Exchanges do not give rise to the abuses that section 17(a) was designed to prevent. After the Exchanges, Participants will hold substantially the same assets as shareholders of the Funds as they had previously held as Participants. In this sense, the Exchanges can be viewed as a change in the form in which assets are held, rather than a disposition giving rise to section 17(a) concerns.

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

## Jonathan G. Katz,

Secretary.

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## [Release No. 35-26300]

## Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

June 2, 1995.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by June 26, 1995, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so