and .75%) of the average daily net assets of each of the Funds. 15 The Bank is currently the sole investment adviser to the Funds' existing portfolios and presently contemplates no change for such portfolios. However, the Bank states that it may utilize third party subadvisers in the future to enhance the investment alternatives and the investment advisory services available to the Funds for certain new portfolios. The Agreements and the fees received by the Bank are approved by the Board of Directors of the Funds (the Funds' Directors), in accordance with the applicable provisions of the 1940 Act. Any changes in the fees or services for the Funds are approved by the Funds' Directors, a majority of whom must be independent of the Bank.

6. Prior to February 11, 1994, the Bank generally invested assets of Client Plans for which it acted as a trustee with investment discretion in a series of CIFs. In addition, certain Client Plans where investment decisions are directed by an Independent Fiduciary generally used a Bank CIF as an investment option for the Client Plans. However, on Friday, February 11, 1994, the Bank terminated two of its CIFs—the BankSouth Fixed Income CIF and the BankSouth Equity CIF. The assets in these CIFs were transferred to the Peachtree Bond Fund and the Peachtree Equity Fund, respectively. Each CIF transferred its assets to the corresponding Fund in exchange for shares of that Fund at the then current market value of the CIF assets, in accordance with Rule 17a-7 under the 1940 Act (as discussed below). 16 The CIFs were then liquidated and the Fund shares were distributed to the Client Plans, subject to the prior written consent of the Independent Fiduciary for the Client Plan. Any Client Plan that had not provided prior written approval for the transfer of its CIF assets to the Funds by the deadline set for

such approvals received a cash distribution of its pro rata share of the CIF assets no later than Friday, February 11, 1994, preceding the transfers.

The assets of the CIFs were reviewed by the Bank as investment adviser to the Funds, in coordination with Federated Administrative Services (FAS), the Funds' third party administrator, to determine that the assets were appropriate investments for the corresponding Funds. FAS created a portfolio accounting system to track the securities to be acquired by the Funds. Prior to the transfer of CIF assets to the Funds, the Funds did not hold any securities or other assets.

The transfer transactions occurred using market values as of the close of business on Friday, February 11, 1994. The securities transferred from the CIFs were the same as the securities received by the Funds. The applicant states that the value of the securities was determined in a single valuation by the Bank as investment adviser for the Funds, in accordance with the requirement of Rule 17a-7(b) that transactions be effected at the "independent current market price" of the securities. The valuation of the securities was performed in the same manner for both the CIF and the corresponding Fund at the close of the same business day. Specifically, as required by the Rule, securities listed on exchanges were valued at their closing prices on Friday, February 11, and unlisted securities were valued based on the average of bid and ask quotations at the close of the market on Friday, February 11, obtained from three brokers independent of the Bank. Any fees charged by the independent brokers for the bid and ask prices were paid by the Bank.

Each Client Plan that approved the CIF asset transfers to the Funds received account statements describing the asset transfers on or before March 31, 1994. The statements showed the disposition of the CIF units from the Client Plan account and the acquisition by the account of Fund shares, both posted as of Monday, February 14, 1994.¹⁷ This information provided the affected Client

Plans with written confirmation of the number of CIF units held by the Client Plan immediately before the transfer, the related per unit value and the total dollar amount of such CIF units as well as the number of shares of the Funds held by the Client Plan following the transfer, the related per share net asset value, and the total dollar amount of such shares.

Thus, the applicant represents that as of February 14, 1994, Client Plans that were formerly invested in the terminated CIFs held shares of the corresponding Funds which were of the same value, based on the Client Plans' pro rata share of the underlying market value of the securities transferred to the Funds, as their assets in the CIF as of the close of business on Friday, February 11, 1994. The Bank represents that the other CIFs may be terminated in the future and that all such terminations and subsequent transfers of CIF assets for shares of the Funds will comply with Rule 17a–7 as described above and the conditions of this proposed exemption.

For all transfers of CIF assets to a Fund following publication of this proposed exemption in the **Federal Register**, the Bank sends by regular mail to each affected Client Plan a written confirmation, not later than 30 days after completion of the transaction, containing the following information:

(1) The identity of each security that was valued for purposes of the transaction in accordance with Rule 17a–7(b)(4);

(2) The price of each such security involved in the transaction; and

(3) The identity of each pricing service or market maker consulted in determining the value of such securities. Securities which are valued in accordance with Rule 17a-7(b)(4) are securities for which the current market price cannot be obtained by reference to the last sale price for transactions reported on a recognized securities exchange or the NASDAQ system. The Bank states that such securities are valued based on an average of the highest current independent bid and lowest current independent offer, as of the close of business on the Friday preceding the weekend of the CIF transfers, determined on the basis of reasonable inquiry from at least three sources that are broker-dealers or pricing services independent of the Bank.

In addition, for all in-kind transfers of CIF assets to a Fund that occur after the date this proposed exemption is published in the **Federal Register**, the Bank will send by regular mail to the Independent Fiduciary no later than 90

¹⁵ The Bank states that it will not perform any services for the Funds other than investment advisory services. Thus, the Bank will not act as the custodian, transfer agent, or shareholder servicing agent for a Fund or provide any other secondary services to the Funds. The Bank also will not provide portfolio execution services for the Funds. Therefore, all securities transactions for a Fund's portfolio will be executed by broker-dealers unrelated to the Bank and will not generate commissions or other fees to the Bank.

¹⁶ Rule 17a–7 permits transactions between investment funds that use the same investment adviser, subject to certain conditions. Rule 17a–7 requires, among other things, that such transactions be effected at the "independent current market price" for each security, involve only securities for which market quotations are readily available, involve no brokerage commissions or other remuneration, and comply with valuation procedures adopted by the board of directors of the investment company to ensure that all requirements of the Rule are satisfied.

¹⁷The following example illustrates the information provided by the statements: Assume a Client Plan held 12,506 units of the BankSouth Equity CIF prior to the asset transfers. The account statement showed a disposition of 12,506 units of the BankSouth Equity CIF, at a value of \$72.08 per unit, on February 14, 1994 with total proceeds of \$901,432.18. The statement also showed a purchase on that same date of 90,143.218 shares of the Peachtree Equity Fund, the Fund corresponding to the BankSouth Equity CIF, at \$10 per share, at a total cost of \$901,432.18, the same amount as the proceeds of the disposition from the BankSouth Equity CIF.