will be part of a group of investment companies that holds itself out to investors as related companies for purposes of investment and investor services (a) for which Smith Barney or any entity controlling, controlled by, or under common control with, Smith Barney now or in the future acts as principal underwriter or (b) for which Smith Barney, SBMFM, Strategy Advisers, or any entity controlling controlled by, or under common control with Smith Barney, SBMFM, or Strategy Advisers now or in the future acts as investment adviser (the "Smith Barney Funds" or the "Funds").1

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act from section 12(d)(1) of the Act, and under sections 6(c) and 17(b) of the Act from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would allow Cardinal to acquire up to 100% of the voting shares of any other Smith Barney Fund.

FILING DATES: The application was filed on August 28, 1995, and was amended on November 15, 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 Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on December 18, 1995, and should be accompanied by proof of service on applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 388 Greenwich Street, New York, New York 10013–2996.

FOR FURTHER INFORMATION CONTACT: Sarah A. Wagman, Staff Attorney, at (202) 942–0654, or C. David Messman, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application

may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. Cardinal will be registered under the Act as an open-end management investment company. Cardinal initially will consist of five funds organized as series or portfolios: (a) Aggressive Growth Portfolio, (b) Growth Portfolio, (c) Growth and Income Portfolio, (d) Balanced Portfolio, and (e) Income Portfolio. Cardinal will function as a "fund of funds," investing substantially all of its assets in shares of other Smith Barney Funds (the "Underlying Funds"). Additional funds of funds that may be established in the future in accordance with the terms and conditions of the requested order may be organized as: (a) Series of Cardinal, (b) series of any other Smith Barney Fund, or (c) any other Smith Barney Fund that does not offer its securities in separate series (Aggressive Growth Portfolio, Growth Portfolio, Growth and Income Portfolio, Balanced Portfolio, Income Portfolio, and any future funds of funds are referred to herein as the "Cardinal Funds"). The Cardinal Funds currently expect to issue shares of each series in multiple classes, as permitted by rule 18f-3 under the Act or any applicable exemptive order.

2. Each Smith Barney Fund is organized either as a Maryland corporation or a Massachusetts business trust. The Smith Barney Funds are principally sold by Smith Barney financial consultants.

3. Smith Barney is a Delaware corporation and is registered as a broker-dealer under the Securities Exchange Act of 1934, and as an investment adviser under the Investment Advisers Act of 1940 ("Investment Advisers Act"). Smith Barney is an indirect wholly-owned subsidiary of Travelers Group Inc. Smith Barney is the principal underwriter of all of the Funds.

4. Strategy Advisers and SBMFM are both investment advisers registered under the Investment Advisers Act, and are indirect wholly-owned subsidiaries of Travelers Group Inc. Either Strategy Advisers or SBMFM is the investment adviser to each Fund. SBMFM intends to provide advisory services to the Cardinal Funds regarding each Cardinal Fund's asset allocation, general economic conditions, and other advisory services.

5. SBMFM is considering charging the Cardinal Funds an advisory fee, presently expected to be approximately ten basis points (0.1%) (which may be waived initially) for providing these services. Although SBMFM would also

earn advisory fees arising by virtue of its investment advisory contracts with the Underlying Funds, these fees would not be duplicative of any fee charged directly to the Cardinal Funds. Any advisory fee charged at the level of the Cardinal Funds would compensate SBMFM for services (e.g., asset allocation) that are unique to the Cardinal Funds and would not be provided at the level of the Underlying Funds because those Funds would have no need for such services. If SBMFM determines to charge an advisory fee for such allocation and other advisory services, or to increase any advisory fee borne by a Cardinal Fund, it will do so only in conformity with the requirements of the conditions to the requested order.

6. SBMFM is also the administrator for each Fund. As administrator, SBMFM provides fund accounting services, calculates each Fund's daily net asset value, maintains the Funds' required books and records, and provides the Funds with corporate secretarial and clerical services, corporate officers and office space.

7. Pursuant to its investment objectives and policies, each Cardinal Fund will invest in shares of the Underlying Funds and, possibly, shortterm paper. Applicants expect that the Cardinal Funds will not pay sales loads or a distribution and service fee charged pursuant to a plan adopted in accordance with rule 12b-1 under the Act in connection with the Cardinal Funds' investments in shares of the Underlying Funds. If, in the future, a Cardinal Fund chooses to invest in shares of an Underlying Fund that incurs sales charges, it will do so only in accordance with the conditions to the requested order.

Applicants' Legal Analysis

A. Section 12(d)(1)

1. Section 12(d)(1)(A) provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of any other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale

¹ Existing Smith Barney Funds that intend to rely on the requested order have been named as applicants. Other Smith Barney Funds do not presently intend to rely on the requested order, but may do so in the future in accordance with the terms of the requested order.