

2. On February 15, 1995, applicant's board of directors approved a resolution to adopt an Agreement and Plan of Reorganization and Liquidation ("Plan") between applicant and PaineWebber Global Income Fund ("Income Fund"), a series of PaineWebber Investment Series. The Plan provided that Income Fund would, on June 30, 1995 ("Closing Date"), acquire all of the assets and liabilities of applicant in exchange solely for Class A shares of beneficial interest in the Income Fund ("Closing Shares").¹

3. On March 22, 1995, applicant filed with the SEC a registration statement on Form N-14 which included a combined prospectus relating to the shares of Income Fund to be issued in connection with the reorganization, and a form of proxy. The registration statement became effective on April 7, 1995. On or about April 18, 1995, the combined prospectus and form of proxy were distributed to the shareholders of the applicant, and on May 25, 1995, the shareholders approved the Plan and the transactions contemplated thereunder.

4. On Closing Date, applicant: (1) received from Income Fund a number of Closing Shares having an aggregate net asset value equal to the aggregate value of applicant's assets transferred to Income Fund as of the Closing Date; and (2) distributed to applicant's shareholders the Closing Shares in exchange for the shareholder's holdings of applicant's common stock. This distribution of the Closing Shares was accomplished by opening accounts on the books of Income Fund in the names of the shareholders of applicant and transferring thereto the Closing Shares credited to the account of applicant on the books of Income Fund. Each shareholder account so opened was credited with the pro rata number of Closing Shares due each shareholder.

5. As of the Closing Date, there were 26,096,317 shares of common stock, with a par value of \$.001 per share, of the applicant outstanding. These shares had an aggregate net asset value of \$230,716,946.32 and a per share net asset value of \$8.84. There were no other classes of securities of the applicant outstanding.

6. Certain expenses were incurred in connection with the merger, consisting primarily of legal expenses, expenses of printing and mailing communications to shareholders, registration fees, and miscellaneous account and

administrative expenses. The expenses totalled approximately \$250,000 and were borne by applicant and Income Fund in proportion to their respective net assets. As of the date of the application, applicant had no shareholders, assets, or liabilities, and was not a party to any litigation or administrative proceeding. Applicant is neither engaged, nor does it propose to engage, in any business activities other than those necessary for the winding-up of its affairs.

7. On January 31, 1996, applicant and Income Fund filed articles of transfer with, and such articles were approved for record by, the Maryland State Department of Assessments and Taxation. Pursuant to section 3-407 of the Maryland General Corporate Law, applicant intends to promptly file articles of dissolution.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-8708 Filed 4-8-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21872; 812-10038]

MAS Funds; Notice of Application

April 3, 1996.

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

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

APPLICANT: MAS Funds.

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from sections 13(a)(2), 18(f)(1), 22(f), and 22(g) of the Act and rule 2a-7 thereunder, under sections 6(c) and 17(b) of the Act for an exemption from section 17(a)(1) of the Act, and under section 17(d) of the Act and rule 17d-1 thereunder to permit certain joint arrangements.

SUMMARY OF APPLICATION: Applicant requests an order that would permit it to enter into deferred compensation arrangements with its independent trustees.

FILING DATES: The application was filed on March 7, 1996.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on

April 29, 1996, and should be accompanied by proof of service on applicant, 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicant, One Tower Bridge, West Conshohocken, PA 19428.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942-0572, or Robert A. Robertson, 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 at the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is a Pennsylvania business trust registered under the Act as an open-end management investment company and organized as a series company. One portfolio, the Cash Reserves Portfolio, is a money market fund. Miller Anderson & Sherrerd, LLP (the "Adviser") serves as the Fund's investment adviser.

2. Applicant has a board of trustees, a majority of the members of which are not "interested persons" of applicant within the meaning of section 2(a)(19) of the Act. Each of the trustees who is not an "interested person" receives annual fees which collectively are, and are expected to continue to be, insignificant in comparison to the total net assets of applicant. Applicant requests an order to permit the trustees who are not interested persons (the "Eligible Trustees") to defer receipt of all or a portion of their fees pursuant to a deferred compensation plan (the "Plan"). Under the Plan, the Eligible Trustees could defer payment of trustees' fees (the "Deferred Compensation") in order to defer payment of income taxes or for other reasons.

3. Applicant requests that relief be extended to any registered investment company established or acquired in the future, or series thereof, for which the Adviser or any entity controlling, controlled by, or under common control with the Adviser acts in the future as investment adviser and any successors in interest to applicant or its portfolios or any future fund (collectively,

¹ At a meeting held on February 15, 1995, the applicant's board of directors found that the reorganization contemplated by the Plan was in the best interests of applicant's shareholders and that the interests of the shareholders would not be diluted as a result of the reorganization.

applicant, its portfolios, and any future fund are referred to herein as the "Fund").¹

4. The Adviser was acquired by affiliates of Morgan Stanley Asset Management Inc. ("Morgan Stanley"). The SEC recently issued an order which permits certain funds advised by Morgan Stanley to establish deferred compensation plans for their independent trustees (the "Morgan Stanley Order").² Because the Fund wishes to adopt a different plan from the one described in the Morgan Stanley Order, the proposed Plan will not be covered by the Morgan Stanley Order. Conversely, the relief requested would not apply to any investment company that adopts the deferred compensation plan described in the Morgan Stanley Order.

5. Trustee's fees include quarterly meeting fees and an annual retainer. Under the Plan, each Eligible Trustee must defer a minimum of 25% of each year's fees. To this end, the Plan provides that each Eligible Trustee's entire annual retainer will be deferred, and such deferral will be deemed to be a deferral of 25% of the Eligible Trustee's fees for the year. Each Eligible Trustee also annually may elect to defer receipt of any or all of the other fees that he or she may receive during the year.

6. Under the Plan, the deferred fees payable by a Fund to a participating Eligible Trustee will be credited to a book reserve account established by the Fund (a "Deferral Account"), as of the first business day following the date such fees would have been paid to the Eligible Trustee. The deferred fees will accrue income from the date of credit in an account equal to the amount that would have been earned had such fees (and all income earned thereon) been invested and reinvested in shares of one or more designated portfolios of the Fund ("Shares"). An Eligible Trustee will not be able to select Shares if the purchase of such Shares by the Fund would violate sections 12(d)(1) or 13(a)(3) of the Act.

7. The Fund's obligations to make payments of amounts accrued under the Plan will be general unsecured obligations, payable from its general assets and property. The Plan provides that the Fund will be under no obligation to purchase, hold or dispose of any investments under the Plan, but,

if the Fund chooses to purchase investments to cover its obligations under the Plan, then any and all such investments will continue to be a part of the respective general assets and property of the Fund.

8. Any Fund or portfolio thereof that values its assets in accordance with a method prescribed by rule 2a-7 will buy and hold the shares that determine the value of the Deferral Accounts in order to achieve an exact match between the Fund's liability to pay deferred fees and the assets that offset such liability.

9. In addition, as a matter of prudent risk management, each Fund that is not a money market fund may purchase Shares in amounts equal to the Deferral Accounts. The Shares will be held solely in the name of the Fund. Thus, when a Fund purchases Shares, liabilities created by the credits to the Deferral Accounts under the Plan are expected to be matched by an equal amount of assets. Such assets would not be held by the Fund if the trustee fees were paid on a current basis. It is not anticipated that any portfolio will purchase its own Shares. Monies that such portfolio might have used to purchase its own Shares will be invested as part of the portfolio's general investment operations.

10. Deferred Compensation generally will become payable in cash when an Eligible Trustee retires. An Eligible Trustee may elect to receive payment in a lump sum or in equal annual installments over a period of five years. In the event of death prior to any distribution, such trustee's Deferral Account will become payable in cash to the trustee's designated beneficiary in a lump sum.

11. The Plan will not obligate any participating Fund to retain a trustee in such a capacity, nor will it obligate any Fund to pay any (or any particular level of) trustees' fees to any trustee.

Applicant's Legal Analysis

1. Applicant requests an order which would exempt the Fund: under section 6(c) of the Act from sections 13(a)(2), 18(f)(1), 22(f), and 22(g) of the Act and rule 2a-7 thereunder, under sections 6(c) and 17(b) of the Act from section 17(a)(1) of the Act, and under section 17(d) of the Act and rule 17d-1 thereunder to the extent necessary to permit the fund to adopt and implement the Plan.

2. Section 18(f)(1) generally prohibits a registered open-end investment company from issuing senior securities. Section 13(a)(2) requires that a registered investment company obtain shareholder authorization before issuing any senior security not contemplated by

the recitals of policy in its registration statement. Applicant states that the Plan possesses none of the characteristics of senior securities that led Congress to enact sections 13(a)(2) and 18(f)(1). The Plan would not: (a) induce speculative investments or provide opportunities for manipulative allocation of any Fund's expenses or profits; (b) affect control of any Fund; or (c) confuse investors or convey a false impression as to the safety of their investments. All liabilities created under the Plan would be offset by equal amounts of assets that would not otherwise exist if the fees were paid on a current basis.

3. Section 22(f) prohibits undisclosed restrictions on transferability or negotiability of redeemable securities issued by open-end investment companies. Regardless of whether interests in the Plan may fall within the definition of "security," the Plan would set forth all restrictions on transferability, which would be included primarily to benefit the Eligible Trustees and would not adversely affect the interests of the shareholders of the Fund.

4. Section 22(g) prohibits registered open-end investment companies from issuing any of their securities for services or for property other than cash or securities. This provision prevents the dilution of equity and voting power that may result when securities are issued for consideration that is not readily valued. Applicant believes that the Plan would merely provide for deferral of payment of such fees and thus should be viewed as being issued not in return for services but in return for a Fund not being required to pay such fees on a current basis.

5. Rule 2a-7 imposes certain restrictions on the investments of "money market funds," as defined under the rule, that would prohibit a Fund that is a money market Fund from investing in the shares of any other Fund. Applicant believes that the requested exemption would permit the Funds to achieve an exact matching of Shares with the deemed investments of the Deferral Accounts, thereby ensuring that the deferred fees would not affect net asset value.

6. Section 6(c) provides, in relevant part, that the SEC may by order, exempt any person or class of persons from any provision of the Act or from any rule thereunder, if such exemption is necessary or appropriate in the public interest, consistent with the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. Applicant believes that the relief requested satisfies this standard.

¹ "Successors in interest" is herein limited to entities that result from a reorganization into another jurisdiction or a change in the type of business organization, e.g., a partnership or a corporation.

² PCS Cash Fund, Inc., Investment Company Act Release Nos. 21569 (Dec. 5, 1995) (notice) and 21647 (Jan. 3, 1996) (order).

7. Section 17(a)(1) generally prohibits an affiliated person of a registered investment company from selling any security to such registered investment company.³ The section was designed to prevent, among other things, sponsors of investment companies from using investment company assets as capital for enterprises with which they were associated or to acquire controlling interest in such enterprises. Applicant believes that the sale of securities issued by the Funds pursuant to the Plan does not implicate the concerns of Congress in enacting this section, but merely would facilitate the matching of each Fund's liability for deferred trustees' fees.

8. Section 17(b) authorizes the SEC to exempt a proposed transaction from section 17(a) if evidence establishes that the terms of the 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, the transaction is consistent with the policies of the registered investment company, and the general purposes of the Act. Applicant believes that the proposed transaction satisfies the criteria of section 17(b). Applicant also requests relief from section 17(a)(1) under section 6(c) to the extent necessary to implement the Deferred Compensation under the Plan on an ongoing basis.⁴

9. Section 17(d) of the Act makes it unlawful for any affiliated person of a registered investment company, acting as principal, to effect any transaction in which the company is a joint or joint and several participant in contravention of such rules and regulations as the SEC may prescribe. Rule 17d-1 permits an affiliated person to engage in a joint transaction if the SEC issues an order. Eligible Trustees will not receive a benefit, directly or indirectly, that would otherwise inure to a Fund or its shareholders. Eligible Trustees will receive tax deferral but the Plan otherwise will maintain the parties, viewed both separately and in their relationship to one another, in the same position as if the deferred fees were paid on a current basis. When all payments have been made to a Eligible Trustee, the Eligible Trustee will be no better off, relative to the Fund, than if he or she

had received trustees fees on a current basis and invested them in Shares.

Applicant's Conditions

Applicant agrees that the order granting the requested relief will be subject to the following conditions:

1. With respect to the relief requested from rule 2a-7, the Cash Reserves Portfolio, and any other Fund or portfolio that is a money market fund that values its assets in accordance with a method prescribed by rule 2a-7, will buy and hold the Shares that determine the value of the Deferral Accounts to achieve an exact match between such portfolio's or Fund's liability to pay deferred fees and the assets that offset that liability.

2. If a portfolio or Fund purchases Shares issued by an affiliated portfolio or Fund, the acquiring portfolio or Fund will vote such Shares in proportion to the votes of all other holders of Shares of such affiliated portfolio or Fund.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-8791 Filed 4-8-96; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 21868; 812-9964]

Norwest Advantage Funds, et al.; Notice of Application

April 2, 1996.

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

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

APPLICANTS: Norwest Advantage Funds (the "Trust") and Norwest Bank Minnesota, N.A. (the "Adviser").

RELEVANT ACT SECTIONS: Order requested under section 17(b) for an exemption from section 17(a).

SUMMARY OF APPLICATION: Applicants request an order under section 17(b) granting an exemption from section 17(a) to permit the Stable Income Fund, Intermediate U.S. Government Fund, and Income Equity Fund (the "Acquiring Funds") to acquire all of the assets of the Adjustable U.S. Government Reserve Fund, Government Income Fund, and Income Stock Fund (the "Transferor Funds," or collectively with the Acquiring Funds, the "Funds"), respectively. Each Fund is a series of the Trust.

FILING DATE: The application was filed on January 30, 1996, and amended on April 1, 1996.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on April 29, 1996, and should be accompanied by proof of service on applicant, 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: The Trust, Two Portland Square, Portland, Maine 04101, Attention: David I. Goldstein; The Adviser, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-1026, Attention: Jeffrey P. Lund.

FOR FURTHER INFORMATION CONTACT: Mercer E. Bullard, Staff Attorney, (202) 942-0565, or Alison E. Baur, Branch Chief, (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 at the SEC's Public Reference Branch.

Applicant's Representations

1. The Trust is a registered open-end management investment company that is organized as a Delaware business trust. The Adviser is a national bank that is a wholly-owned subsidiary of Norwest Corporation. The Adviser is the investment adviser to each series of the Trust, including the Funds.

2. The Adviser holds of record more than twenty-five percent of the total outstanding shares of each Transferor Fund in a trust, agency, custodial, or other fiduciary or representative capacity. While the Adviser may exercise voting power with respect to the shares, neither the Adviser nor any of its affiliates have any economic interest in the shares to be paid.

3. Each Transferor Fund offers shares in three classes: Class A, Class B, and Class I. Each Acquiring Fund offers one class of shares and recently filed a post-effective amendment to its registration statement to register two additional classes of shares. The amendment

³Section 2(a)(3)(C) of the Act defines the term "affiliated person" of another person to include any person controlling, controlled by, or under common control with such other person. Thus, the Fund and each of its portfolios may be subject to the prohibitions of section 17(a)(1).

⁴Section 17(b) may permit only a single transaction, rather than a series of on-going transactions, to be exempted from section 17(a). See *Keystone Custodian Funds, Inc.*, 21 S.E.C. 295 (1945).