

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23931; 812-11536]

American Skandia Advisors Fund, Inc. et al.; Notice of Application

July 30, 1999.

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

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from section 15(a) of the Act and rule 18f-2 under the Act.

SUMMARY OF THE APPLICATION: American Skandia Advisors Funds, Inc. ("ASAF"), American Skandia Trust ("AST"), American Skandia Master Trust ("ASMT") (each a "Fund" and collectively, the "Funds"), on behalf of their respective series ("Portfolios") and American Skandia Investment Services, Inc. ("Manager"), request an order that would permit applicants to enter into and materially amend subadvisory agreements without shareholder approval.

FILING DATE: The application was filed on March 15, 1999 and amended on July 27, 1999.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on August 24, 1999, 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW, Washington, DC, 20549-0609. Applicants, c/o Eric Freed, Esquire, American Skandia Investment Services, Incorporated, One Corporate Drive, P.O. Box 883, Shelton, CT 06484.

FOR FURTHER INFORMATION CONTACT: Emerson S. Davis, Sr., Senior Counsel, at (202) 942-0714, or George J. Zornada, 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 Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. ASAF, a Maryland corporation, is registered under the Act as an open-end management investment company and is currently comprised of sixteen Portfolios, each of which has its own investment objectives, policies and restrictions.¹ Five ASAF Portfolios (the "Feeder Portfolios") invest all their assets in corresponding Portfolios of ASMT (the "Core Portfolios"). ASMT, a Delaware business trust, is registered under the Act as an open-end management investment company and currently consists of the five Core Portfolios. Each Core Portfolio serves as a master fund in the master/feeder structure. ASAF offers the shares of all of its Portfolios for sale to the public. AST, a Massachusetts business trust, is registered under the Act as an open-end management investment company. AST consists of twenty-nine Portfolios, and offers its shares for sale through separate accounts that fund variable annuity and variable life insurance contracts of life insurance companies and directly to qualified retirement plans. The Manager, a Connecticut corporation, serves as the investment adviser to each of the Portfolios and is registered under the Investment Advisers Act of 1940 ("Advisers Act").

2. The Manager has entered into investment management agreements with respect to each of the Portfolios (each a "Management Agreement") that were approved by the board of directors or trustees of the Funds (the "Boards"), including a majority of the directors or trustees who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Directors or Trustees"), and the shareholders of the Funds. Under the terms of each Management Agreement, the Manager supervises the general business, administrative, investment advisory and portfolio management operations of the Portfolios. For its services, the Manager receives a management fee at an annual rate based on a percentage of the applicable Portfolio's average net assets.

¹ Applicants also request relief with respect to future portfolios of ASAF, AST and ASMT and any other registered open-end management investment companies that are: (a) advised by the Manager or any entity controlling, controlled by, or under common control with the Manager, and (b) which operate in substantially the same manner as the Funds and comply with the terms and conditions contained in the application. ASAF, AST and ASMT are the only existing investment companies that currently intend to rely on the other.

3. The Manager seeks to achieve the investment objective of each Portfolio by selecting, subject to the oversight and approval of the Boards, one or more subadvisers (each a "Subadviser") to manage the assets of each Portfolio ("Manager/Subadviser Structure"). Under the Manager/Subadviser Structure, the specific investment decisions for each Portfolio are made by one or more Subadvisers, each of which has discretionary authority to invest all or a portion of the assets of particular Portfolio, subject to the general supervision of the Manager and the applicable Board. The Subadvisers are investment advisers registered or exempt from registration under the Advisers Act. Currently, each Portfolio has a single Subadviser.

4. The Manager selects Subadvisers based on a process that includes researching each Subadviser's investment performance record, conformity to investment objectives and policies, organizational structure, management team, compliance and operational capabilities, and assets under management. The Manager recommends to the Board for selection those Subadvisers that have distinguished themselves and reviews, monitors and reports to the Board regarding the performance and procedures of the Subadvisers. The Manager may recommend to the Board the reallocation of assets of a Portfolio among Subadvisers, if necessary, and may recommend hiring additional Subadvisers or the termination of Subadvisers in appropriate circumstances. Each Subadviser performs services pursuant to a written agreement with the Manager (the "Sub-Advisory Agreement"). Subadvisers' fees are paid by the Manager out of its fees from the Funds.

5. Applicants request relief to permit the Manager, subject to the oversight of the applicable Board, to enter into and materially amend Sub-Advisory Agreements without shareholder approval.² The requested relief will not extend to a Subadviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of a Fund or the Manager, other than by reason of serving as a Subadviser to one or more of the Portfolios (an "Affiliated Subadviser").

Applicant's Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment

² The term "shareholder" includes variable life insurance policy and variable annuity contract owners that are unit holders of any separate account for which the Portfolios serve as a funding medium.

adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants request an exemption under section 6(c) of the Act from section 15(a) of the Act and rule 18f-2 under the Act to permit the Manager, subject to Board approval, to enter into and materially amend Sub-Advisory Agreements without shareholder approval.

3. Applicants assert that under the Manager/Subadviser Structure, each Portfolio's shareholders rely on the Manager's experience to select and monitor one or more Subadvisers best suited to achieve the Portfolio's desired investment objectives. Applicants assert that, from the perspective of the investor, the role of the Subadvisers is comparable to that of individual portfolio managers employed by other investment advisory firms. Applicants contend that requiring shareholder approval of Sub-Advisory Agreements would impose expenses and unnecessary delays on the Portfolios, and may preclude the Manager from promptly acting in a manner considered advisable by the applicable Portfolio's Board. Applicants note that the Management Agreements between the Funds and the Manager will remain subject to section 15(a) of the Act and rule 18f-2 under the Act, including the requirements for shareholder approval.

Applicants' Conditions

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

1. Before a Portfolio may rely on the order, the operation of the Portfolio in the manner described in the application will be approved by a majority of the outstanding voting securities of the Portfolio, within the meaning of the Act, which in the case of a Core Portfolio will be pursuant to voting instructions provided by shareholders of the Feeder Portfolio investing in such Core Portfolio or other voting arrangements that comply with section

12(d)(1)(E)(iii)(aa) of the Act, if applicable, and in the case of a Portfolio of AST will be pursuant to voting instructions provided by annuity and life insurance policy contract owners that are unit holders in insurance company separate accounts investing in such Portfolio. Before a Fund or Portfolio that does not presently have an effective registration statement may rely on the order requested in the application, the operation of such Fund or Portfolio in the manner described in the application will be approved in the manner described above or, in the case of such Fund or Portfolio whose shareholders (or, in the case of a Core Portfolio, the shareholders of its corresponding Feeder Portfolio or, in the case of a Portfolio of AST, annuity and life insurance policy contract owners that are unit holders of separate accounts investing in the Portfolio) purchase shares on the basis of a prospectus containing the disclosure contemplated by Condition 2 below, by the initial shareholder(s) before the shares of such Fund or Portfolio are offered to the public.

2. A Portfolio's prospectus, or in the case of a Core Portfolio, its offering documents and the corresponding Feeder Portfolio's prospectus will disclose the existence, substance and effect of any offer granted pursuant to this application. In addition, the Portfolios will hold themselves out as employing the Manager/Subadviser Structure described in the application. A Portfolio's prospectus, or in the case of a Core Portfolio, its offering documents and the corresponding Feeder Portfolio's prospectus will prominently disclose that the Manager has ultimate responsibility to oversee the Subadvisers and recommend their hiring, termination, and replacement.

3. The Manager will provide management and administrative services to the Portfolios, including overall supervisory responsibility for the general management and investment of each Portfolio, and, subject to review and approval by a Portfolio's Board will (a) set each Portfolio's overall investment strategies; (b) evaluate, select and recommend Subadvisers to manage all or a part of a Portfolio's assets; (c) when appropriate, allocate and reallocate a Portfolio's assets among multiple Subadvisers; (d) monitor and evaluate the investment performance of Subadvisers; and (e) implement procedures reasonably designed to ensure that the Subadvisers comply with the relevant Portfolio's investment objectives, policies, and restrictions.

4. At all times, a majority of the Board of each Fund will be Independent

Directors or Trustees, and the nomination of new or additional Independent Directors or Trustees will be placed within the discretion of the then-existing Independent Directors or Trustees.

5. Neither the Manager nor any Portfolio will enter into a Sub-advisory Agreement with any Affiliated Subadviser, without such Sub-advisory Agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Portfolio within the meaning of the Act, which in the case of Core Portfolio will be pursuant to voting instructions provided by shareholders of those Feeder Portfolios investing in such Core Portfolio that are registered under the Act, or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) of the Act, if applicable, and in the case of a Portfolio of AST will be pursuant to voting instructions by annuity and life insurance contract owners that are unit holders in insurance company separate accounts investing in such Portfolio.

6. When a Subadviser change is proposed for a Portfolio with an Affiliated Subadviser, the applicable Board, including a majority of the Independent Directors or Trustees, will make a separate finding, reflected in the minutes of the meeting of the applicable Board, that such change is in the best interests of the applicable Portfolio and its shareholders and does not involve a conflict of interest from which the Manager or the Affiliated Subadviser derives an inappropriate advantage.

7. No director, trustee, or officer of a Fund or director or officer of the Manager will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such director, trustee or officer) any interest in a Subadviser except for (i) ownership of interests in the Manager or any entity that controls, is controlled by, or is under common control with Manager; or (ii) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

8. Within 90 days of the hiring of any new Subadviser, the Manager will furnish shareholders of the applicable Portfolio (or, in the case of a Core Portfolio, the shareholders of its corresponding Feeder Portfolio or, in the case of a Portfolio of AST, annuity and life insurance policy contract owners that are unit holders of separate accounts investing in the Portfolio) all the information that would have been

included in a proxy statement. Such information will include any changes caused by the addition of a new Subadviser. To meet this obligation, the Manager will provide shareholders of the applicable Portfolio (or, in the case of a Core Portfolio, the shareholders of its corresponding Feeder Portfolio or, in the case of a Portfolio of AST, annuity and life insurance policy contract owners that are unit holders of separate accounts investing in the Portfolio) with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Securities Exchange Act of 1934.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-20251 Filed 8-5-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27057]

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

July 30, 1999.

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 under the Act. 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 is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the applications(s) and/or declaration(s) should submit their views in writing by August 23, 1999, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, 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 should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After August 23, 1999, the

applicant(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Appalachian Power Company (70-6171)

Appalachian Power Company ("Appalachian"), 40 Franklin Road, Roanoke, Virginia 24011, an electric public-utility subsidiary company of American Electric Power Company, Inc., a registered holding company, has filed a post-effective amendment under sections 9(a), 10 and 12(d) of the Act and rule 54 under the Act to its application-declaration previously filed under the Act.

By order dated June 30, 1978 (HCAR No. 20610) ("Order"), Appalachian was authorized to enter into an agreement of sale ("Agreement") with Mason County, West Virginia ("County"). The Agreement provided for the construction, installation, financing and sale of certain pollution control facilities ("Facilities") at Appalachian's Philip Sporn and Mountaineer Plants. Under the Agreement, the County may issue and sell its pollution control revenue bonds ("Revenue Bonds") or pollution control refunding bonds ("Refunding Bonds"), in one or more series, and deposit the proceeds with the trustee ("Trustee") under an indenture ("Indenture") entered into between the County and the Trustee. The proceeds are applied by the Trustee to the payment of the costs of construction of the Facilities, or in the case of proceeds from the sale of Refunding Bonds, to the payment of the principal, premium (if any) and/or interest on Revenue Bonds to be refunded.

The Order also authorized Appalachian to convey an undivided interest in a portion of the Facilities to the County, and to reacquire that interest under an installment sales arrangement requiring Appalachian to pay as the purchase price semi-annual installments in an amount, together with other monies held by the Trustee under the Indenture for that purpose, will enable the County to pay, when due, the interest and principal on the Revenue Bonds.

The County has issued and sold ten series of bonds contemplated by the Order. The last issuance was the Series J. Refunding Bonds, in the aggregate principal amount of \$50 million, authorized by supplemental Commission order on October 7, 1992 (HCAR No. 25659).

It is now proposed that, under the terms of the Agreement, Appalachian will cause the County to issue and sell its Series K Refunding Bonds in the

aggregate principal amount of up to \$30 million. The Series K Refunding Bonds will bear interest semi-annually at a rate of interest not exceeding 8% per annum and will mature at a date not more than forty years from the date of issuance.

The proceeds will be used to provide for the early redemption of the entire outstanding aggregate principal amount of \$30 million of the County's Series G Revenue Bonds, 7.40%, January 1, 2014.

National Fuel Gas Company, et al. (70-7512)

National Fuel Gas Company ("National"), a registered holding company, and its nonutility subsidiary, Data-Track Account Services, Inc. ("Data-Track"), both located at 10 Lafayette Square, Buffalo, New York 14203, have filed a post-effective amendment to their application under section 9(a), 10 and 13 of the Act.

By order dated May 6, 1988 (HCAR No. 24639) ("Order"), the Commission authorized National to acquire all of the common stock of Data-Track for \$500,000, which was to be used as working capital. Data-Track was acquired to provide certain customer account collection services, at cost, for National's other subsidiaries. Subsequently, by order dated March 5, 1991 (HCAR No. 25265), Data-Track was authorized to expand the scope of its collection services and to borrow up to \$500,000 from the National system money pool as an alternative method of meeting its working capital needs. Data-Track now proposes to provide the same types of collection services for nonassociate clients.

American Electric Power Company, Inc., et al. (70-9145)

American Electric Power Company, Inc. ("AEP"), a registered holding company, and its wholly owned nonutility subsidiaries AEP Resources, Inc. ("AEPR"), AEP Energy Services, Inc. ("AEPES"), and AEP Resources Services Company ("Resco"), all located at 1 Riverside Plaza, Columbus, Ohio 43215, have filed an application-declaration with this Commission under sections 6(a), 7, 9(a), 10, 12(b), 12(c) and 13(b) of the Act and rules 45, 46, 54, 87 and 90 under the Act.

AEPR requests authority to establish, directly or indirectly, a company ("Management Company") that would provide energy-related services to industrial, commercial and institutional customers in the United States. AEPR also requests authority to establish, directly or indirectly, a company ("Capital Company," and together with Management Company, "New Ventures") that would provide