

5. Section 17(b) of the Act authorizes the Commission to exempt a transaction from section 17(a) if 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, the proposed transaction is consistent with the policy of each investment company concerned, and the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt persons or transactions from any provision of the Act if the 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.

6. Applicants submit that their request for relief to permit the purchase and redemption of shares of a Money Market Fund by the Investing Funds satisfies the standards in sections 6(c) and 17(b) of the Act. Applicants note that shares of the Money Market Funds will be purchased and redeemed at their net asset value, the same consideration paid and received for these shares by any other shareholder. Applicants state that the Investing Funds will remain their ability to invest Cash Balances directly in money market instruments as authorized by their respective investment objectives and policies if they believe they can obtain a higher rate of return, or for any other reason. Applicants also state that a Money Market Fund has the right to discontinue selling shares to any of the Investing Funds if the Money Market Fund's Board determines that such sale would adversely affect its portfolio management and operations.

7. Section 17(d) of the Act and rule 17d-1 under the Act prohibit an affiliated person of an investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates. Applicants state that each Investing Fund, by purchasing shares of a Money Market Fund, Payden, by managing the assets of the Investing Funds investing in a Money Market Fund, and a Money Market Fund, by selling shares to the Investing Funds, could be deemed to be participants in a joint enterprise or arrangement within the meaning of section 17(d) of the Act and rule 17d-1 under the Act.

8. Rule 17d-1 permits the Commission to approve a proposed joint transaction covered by the terms of section 17(d) of the Act. In determining whether to approve a transaction, the

Commission is to consider whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation is on a basis different from or less advantageous than that of other participants. Applicants submit that the investment by the Investing Funds in shares of a Money Market Fund would be on the same basis and would be indistinguishable from any other shareholder account maintained by the same class of the Money Market Fund and that the transactions will be consistent with the Act.

#### Applicants' Conditions

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

1. Shares of the Money Market Funds sold to and redeemed by the Investing Funds will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b-1 under the Act or service fee (as defined in rule 2830(b)(9) of the NASD's Conduct Rules), or if such shares are subject to any such fee, Payden will waive its advisory fee for each Investing Fund in an amount that offsets the amount of such fees incurred by the Investing Fund.

2. Prior to reliance on the order, an Investing Fund will hold a meeting of the Board for the purpose of voting on the advisory contract under section 15 of the Act. Before approving any advisory contract for an Investing Fund, the Board, including a majority of the Independent Directors or Trustees, taking into account all relevant factors, shall consider to what extent, if any, the advisory fees charged to the Investing Fund by Payden should be reduced to account for reduced services provided to the Fund by Payden as a result of the Uninvested Cash being invested in the Money Market Fund. In connection with this consideration, Payden will provide the Board with specific information regarding the approximate cost to Payden of, or portion of the advisory fee under the existing advisory contract attributable to, managing the Uninvested Cash of the Investing Fund that can be expected to be invested in the Money Market Fund. The minute books of the Investing Fund will record fully the Board's considerations in approving the advisory contract, including the consideration relating to fees referred to above.

3. Each Investing Fund will invest Uninvested Cash in, and hold shares of, the Money Market Funds only to the extent that the Investing Fund's aggregate investment in the Money Market Funds does not exceed 25

percent of the Investing Fund's total assets. For purposes of this limitation, each Investing Fund will be treated as a separate investment company.

4. Investment of Cash Balances in shares of the Money Market Funds will be in accordance with each Investing Fund's respective investment restrictions, if any, and will be consistent with each Investing Fund's policies as set forth in its prospectuses and statements of additional information.

5. Each Investing Fund, each Money Market Fund, and any future Fund that may rely on the order shall be part of the same group of investment companies, as defined in section 12(d)(1)(G)(ii) of the Act and shall be advised or, provided Payden manages Cash Balances, subadvised by Payden, or a person controlling, controlled by, or under common control with Payden.

6. No Money Market Fund whose shares are acquired by an Investing Fund shall acquire securities of any investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

7. Before a Fund may participate in Securities Lending Arrangements, a majority of the Board, including a majority of the Independent Directors or Trustees, will approve the Fund's participation in Securities Lending Arrangements. Such Independent Directors or Trustees also will evaluate the Securities Lending Arrangements and their results no less frequently than annually and determine that any investment of Cash Collateral in the Money Market Funds is in the best interest of the shareholders of the Fund.

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

**Jonathan G. Katz,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27108]

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

December 3, 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 applications(s) and/or declaration(s) for

complete statements of the proposed transactions(s) summarized below. The application(s) and/or declarations(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 December 27, 1999, to the Secretary, Securities and Exchange Commission, Washington, D.C. 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 if any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After December 27, 1999, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### **Carolina Power & Light Company (70-9559)**

CP&L Holdings, Inc. ("Holdings"), 411 Fayetteville Street, Raleigh, North Carolina 27601-1748, a North Carolina corporation not currently subject to the Act and a subsidiary of Carolina Power & Light Company ("CP&L"), an exempt electric public utility holding company under section 3(a)(2) of the Act, has filed an application under sections 9(a)(2) and 10 of the Act.

In summary, Holdings proposes to acquire all of the issued and outstanding shares of common stock of CP&L and, through the acquisition, CP&L's gas utility subsidiary company, North Carolina Natural Gas Corporation ("NCNG"), and CP&L's direct and indirect nonutility subsidiary companies ("Reorganization"). Following the proposed Reorganization, Holdings will be a public utility holding company and intends to claim an exemption from all provisions of the Act except section 9(a)(2) under section 3(a)(1) in accordance with rule 2 of the Act.

CP&L is an electric public utility company operating in North Carolina and northeastern South Carolina. It is primarily engaged in the business of generating, purchasing, transmitting and distributing electricity to approximately 1.2 million customers. CP&L is subject to regulation by the North Carolina Utilities Commission ("NCUC") and the South Carolina Public Service Commission regarding retail electric

rates, securities issuances, affiliate transactions, and other matters.

CP&L's sole utility subsidiary, NCNG, is a gas utility company operating in North Carolina. It engages in the transportation and distribution of natural gas to approximately 178,000 customers. NCNG is subject to regulation by the NCUC regarding rates, securities issuances, affiliate transactions, and other matters.

CP&L has eight wholly owned nonutility subsidiaries and holds partial interests in subsidiaries that invest in affordable housing projects, renovate historic buildings and provide venture capital for the development and commercialization of electric utility technologies. The eight wholly owned nonutility subsidiaries and their primary businesses are: (1) Cape Fear Energy Corporation, which markets gas and provides energy management services; (2) Capitan Corporation holds title to certain land and water rights; (3) CaroFinancial holds various passive investments for CP&L; (4) CaroFund, Inc. indirectly invests in affordable housing projects; (5) NCNG Energy Corporation holds certain energy-related investments and sells natural gas to resellers; (6) Interpath Communications, Inc. provides internet-based services and markets fiber optics capacity; (7) Monroe Power Company is an "exempt wholesale generator," as defined in section 32 of the Act; and (8) Strategic Resources Solutions Corporation designs, develops, installs and provides facilities and energy management software systems and other services.

For the year ended December 31, 1998, CP&L's consolidated operating revenues, adjusted to reflect the results of operations for NCNG in 1998, were \$3.4 billion, of which \$3.1 billion (92%) were derived from electric utility operations, \$152 million (4.5%) from regulated natural gas operations, and \$122 million (3.5%) from diversified nonutility activities. At December 31, 1998, CP&L reported adjusted consolidated assets of \$8.6 billion, including net electric utility plant of \$5.8 billion and net gas utility plant of \$209 million.

The Reorganization will be accomplished through an exchange of each outstanding share of CP&L common stock for one share of Holdings common stock. As a result of the Reorganization, Holdings will own all of CP&L's common stock and CP&L will be a public utility subsidiary company of Holdings. Following the Reorganization, the common stock of NCNG and some of CP&L's existing nonutility subsidiaries may be transferred to Holdings. CP&L's board of directors

unanimously approved the Reorganization. In addition, at a special meetings of shareholders on October 20, 1999, the Reorganization was approved by the affirmative vote of both a majority of all votes entitled to be cast by holders of CP&L's \$5 Preferred Stock, Serial Preferred Stock and Common Stock, voting together as a single class, and a majority of all of the votes entitled to be cast by the holders of CP&L's Common Stock, voting as a separate class.

Holdings states that the holding company structure will enable CP&L to respond more effectively to the changes facing the energy industry today and to take advantage of the opportunities that will be available in the coming years. Among other benefits, the formation of a holding company will permit a clearer separation of CP&L's regulated and unregulated businesses, and will provide greater flexibility in establishing and financing new business initiatives. The holding company structure will also allow CP&L's management to make decisions based on the specific needs and characteristics of these nonutility businesses, such as financing requirements and capital structures, outside of the regulatory regime.

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

**Jonathan G. Katz,**  
*Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

### **Sunshine Act Meeting**

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of December 13, 1999.

An open meeting will be held on Wednesday, December 15, 1999 at 10:00 a.m.

The subject matters of the open meeting scheduled for Wednesday, December 15, 1999, at 10:00 a.m., will be:

(1) proposed new rules to address three issues: (a) the selective disclosure by issue of material nonpublic information; (b) whether insider trading liability requires "use" or "knowing possession" of material nonpublic information; and (c) when a family or other non-business relationship gives rise to liability under the