participation in the credit facility during the preceding quarter for compliance with the conditions of any order permitting the transactions; (b) will establish the Bank Loan Rate formula used to determine the Interfund Loan Rate and review no less frequently than annually the continuing appropriateness of the Bank Loan Rate formula; and (c) will review no less frequently than annually the continuing appropriateness of the Fund's participation in the credit facility.

14. In the event an Interfund Loan is not paid according to its terms and the default is not cured within two business days from its maturity or from the time the lending Fund makes a demand for payment under the provisions of the Interfund Lending Agreement, the Credit Facility Team will promptly refer the loan for arbitration to an independent arbitrator selected by the Board of any Fund involved in the loan who will serve as arbitrator of disputes concerning Interfund Loans.[2] The arbitrator will resolve any problem promptly, and the arbitrator's decision will be binding on both Funds. The arbitrator will submit at least annually a written report to the Board setting forth a description of the nature of any dispute and the actions taken by the Funds to resolve the dispute.

15. Each Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any transaction under the credit facility occurred, the first two years in an easily accessible place, written records of all such transactions setting forth a description of the terms of the transaction, including the amount, the maturity, and the rate of interest on the loan, the rate of interest available at the time on short-term repurchase agreements and bank borrowings, and such other information presented to the Fund's Board in connection with the review required by conditions 12 and 13.

16. The Credit Facility Team will prepare and submit to the Board for review an initial report describing the operations of the credit facility and the procedures to be implemented to ensure that all Funds are treated fairly. After the commencement of operations of the credit facility, the Credit Facility Team will report on the operations of the credit facility at the Board's quarterly meetings.

In addition, for two years following the commencement of the credit facility, an independent public accountant for each Fund shall prepare an annual report that evaluates the Credit Facility Team's assertion that it has established procedures reasonably designed to achieve compliance with the conditions of the order. The report shall be prepared in accordance with the Statements on Standards for Attestation Engagements No. 3 and it shall be filed pursuant to item 77Q3 of Form N–SAR. In particular, the report shall address procedures designed to achieve the following objectives: (a) That the Interfund Loan Rate will be higher than the Repo Rate, but lower than the Bank Loan Rate; (b) compliance with the collateral requirements as set forth in the application; (c) compliance with the percentage limitations on interfund borrowing and lending; (d) allocation of interfund borrowing and lending demand in an equitable manner and in accordance with procedures established by the Board; and (e) that the Interfund Loan Rate does not exceed the interest rate on any third party borrowings of a borrowing Fund at the time of the Interfund Loan.

After the final report is filed, the Fund's external auditors, in connection with their Fund audit examinations, will continue to review the operation of the credit facility for compliance with the conditions of the application and their review will form the basis, in part, of the auditor's report on internal accounting controls in Form N–SAR.

17. No Fund will participate in the credit facility upon receipt of requisite regulatory approval unless it has fully disclosed in its SAI all material facts about its intended participation.

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

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 02–15707 Filed 6–20–02; 8:45 am]

BILLING CODE 8010–01–P

[2] If the dispute involves Funds with separate Boards, the Board of each Fund will select an independent arbitrator that is satisfactory to each Fund.

SECURITIES AND EXCHANGE COMMISSION

[Rel No. IC–25614; 812–12106]

Merrimac Master Portfolio, et al.; Notice of Application

June 17, 2002.

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

ACTION: Notice of 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 Application: Applicants seek an order that would permit them to enter into and materially amend subadvisory agreements without shareholder approval.

Applicants: Merrimac Master Portfolio (''Master Trust''), Merrimac Series (''Feeder Series Trust''), Merrimac Funds (''Feeder Funds Trust'') and Investors Bank & Trust Company—Advisory Division (''Adviser'').

Filing Dates: The application was filed on May 19, 2000, and amended on June 12, 2002.

Hearing or Notification of Hearing: An order granting the requested relief 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 July 12, 2002, 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, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC, 20549–0609. Applicants, c/o Investors Bank & Trust Company, 200 Clarendon Street, Boston, MA, 02116.

FOR FURTHER INFORMATION CONTACT: Julia Kim Gilmer, Senior Counsel, at (202) 942–0528, or Todd F. Kuehl, 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 Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC, 20549–0102 (tel. 202–942–8090).

Applicants' Representations

1. The Master Trust, the Feeder Series Trust and the Feeder Funds Trust are registered under the Act as open-end management investment companies.[1]

[1] Applicants also request that any relief granted pursuant to the application also apply to any other existing or future registered open-end management investment company (''Future Trust,'' together with the Master Trust, the Feeder Series Trust and the Feeder Funds Trust, the ''Trusts'') and all current and future series of the Trusts (''Investment Companies'') that: (i) are advised by the Adviser (or a person controlling, controlled by, or under common control with the Adviser); (ii) use the same

The Master Trust, a New York common law trust, consists of five Investment Companies (individually, a ''Master Fund'') each with its own investment objectives, policies, and restrictions. The Feeder Series Trust and the Feeder Funds Trust are Delaware trusts and are composed of five and two Investment Companies respectively. Each Investment Company of a Feeder Series Trust and Feeder Funds Trust (a ''Feeder Fund'') invests all of its investable assets in a single Master Fund with the same investment objective and policies as that Feeder Fund. The Adviser is registered under the Investment Advisers Act of 1940 (''Advisers Act'') and serves as investment adviser to each Master Fund pursuant to an investment advisory agreement (''Investment Adviser Agreement'') that was approved by each Master Fund's shareholders and the Master Trust's board of trustees (''Board'') (including a majority of the trustees who are not ''interested persons,'' as defined in section 2(a)(19) of the Act (''Independent Trustees'')). The Investment Adviser Agreements permit the Adviser to enter into separate investment advisory agreements (''Sub-Advisory Agreements'') with subadvisers (each a ''Sub-Adviser'') to whom the Adviser delegates its responsibility for providing investment advice and making investment decisions for the particular Investment Company.

2. Under the terms of the Investment Adviser Agreements the Adviser assumes overall responsibility, subject to ongoing supervision of the Board, for administering all operations of the Master Trust and for monitoring and evaluating the management of each Master Fund's assets by one or more Sub-Advisers. Sub-Advisers will be recommended to the Board by the Adviser and selected and approved by the Board, including by a majority of the Independent Trustees. Each Sub-Adviser's fees will be paid by the Adviser out of the management fees received by the Adviser from the applicable Master Fund. Each Sub-Adviser is or will be registered under the Advisers Act. Currently, each Master Fund has a single Sub-Adviser.

3. The Adviser will administer all operations of the Master Trust, evaluate each Sub-Adviser's management of assets and recommend to the Board the hiring, termination and replacement of Sub-Advisers. The Adviser will recommend Sub-Advisers based on a number of factors used to evaluate their skills in managing assets pursuant to particular investment objectives.

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

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in part, that it is unlawful for any person to act as investment adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of a majority of the company's outstanding voting securities. Rule 18f–2 under the Act provides, in relevant part, 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]

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 policies and provisions of the Act. Applicants state that the requested relief meets this standard for the reasons discussed below.

3. Applicants assert that the shareholders of each Investment Company are relying on the Adviser to select and monitor the activities of Sub-Advisers best suited for the Investment Company. Applicants assert that, from the perspective of the investor, the role of the Sub-Advisers is comparable to that of individual portfolio managers employed by other investment advisory firms. Applicants contend that requiring shareholder approval of each Sub-Advisory Agreement may impose unnecessary costs and delays on the Investment Company, and may preclude the Adviser from acting promptly and efficiently in a manner considered advisable by the Board and the Adviser. Applicants note that the Investment Adviser Agreements will remain subject to section 15(a) of the Act and rule 18f–2 under the Act.

Applicants' Conditions

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

1. Before an Investment Company may rely on the order requested in the application, the operation of the Investment Company in the manner described in the application will be approved by a majority of the outstanding voting securities of the Investment Company, within the meaning of the Act, which in the case of a Master Fund will be pursuant to voting instructions provided by shareholders of the Feeder Fund investing in such Master Fund or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) of the Act, if applicable; or, in the case of an Investment Company whose shareholders have purchased shares on the basis of a prospectus or offering circular containing the disclosure contemplated by condition 2 below, by the initial shareholder(s) before offering shares of that Investment Company to the public.

2. The offering circular or prospectus of any Investment Company relying on the requested relief or, in the case of a Master Fund relying on the requested relief, its offering documents and the corresponding Feeder Fund's offering circular or prospectus will disclose the existence, substance and effect of any order granted pursuant to this application. In addition, any such Investment Company will hold itself out to the public as employing the management structure described in the application. The offering circular or prospectus of such Investment Company, or in the case of such Master Fund, its offering documents and the corresponding Feeder Fund's offering circular or prospectus, will prominently disclose that the Adviser has the ultimate responsibility to oversee the Sub-Advisers and recommend their hiring, termination, and replacement.

3. At all times, a majority of the Board of each Trust will be Independent Trustees, and the nomination of new or additional Independent Trustees will be at the discretion of the then existing Independent Trustees.

4. Neither the Adviser nor any Investment Company will enter into a Sub-Advisory Agreement with an Affiliated Sub-Adviser without that agreement, including the compensation to be paid thereunder, being approved

management structure; and (iii) comply with the terms and conditions in the application. The registered investment companies that currently intend to rely on the requested order are named as applicants. If the name of an Investment Company contains the name of a Sub-Adviser (as defined below), it will be preceded by the name of the Adviser.

[2] In the case of the Master Funds, shareholder approval requirements under section 15(a) and rule 18f–2 also are governed by the voting provisions set forth in section 12(d)(1)(E) of the Act.

by the shareholders of the applicable Investment Company, which in the case of a Master Fund will be pursuant to voting instructions provided by shareholders of those Feeder Funds investing in such Master Fund 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.

5. When a Sub-Adviser change is proposed for an Investment Company with an Affiliated Sub-Adviser, the applicable Board of Trustees, including a majority of the Independent Trustees, will make a separate finding, reflected in the minutes of the Board of the Master Fund and the Board of Trustees of the corresponding Feeder Fund, that the change is in the best interests of the Master Fund and its shareholders, and any Feeder Fund investing in the Master Fund and its respective shareholders, and does not involve a conflict of interest from which the Adviser or Affiliated Sub-Adviser derives an inappropriate advantage.

6. Within 90 days of the hiring of any new Sub-Adviser, the shareholders of the applicable Master Fund and Feeder Fund will be furnished all information about the new Sub-Adviser that would have been contained in a proxy statement, including any change in such disclosure caused by the addition of a new Sub-Adviser. The Trusts will meet this condition by providing such shareholders, within 90 days of the hiring of a new Sub-Adviser an information statement meeting the requirements of Regulation 14C, Schedule 14C and Item 22 of Schedule 14A under the Securities Exchange Act of 1934.

7. The Adviser will provide general management services to each Investment Company, including overall supervisory responsibility for the general management and investment of each Investment Company's portfolio, and, subject to review and approval by the respective Trusts' Board will (i) set the Investment Company's overall investment strategies; (ii) select Sub-Advisers; (iii) when appropriate, recommend to the Investment Company's Board the allocation and reallocation of the Investment Company's assets among multiple Sub-Advisers; (iv) monitor and evaluate the performance of Sub-Advisers; and (v) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the Investment Company's investment objectives, policies, and restrictions.

8. No trustee, or officer of a Trust or director or officer of the Adviser will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by the trustee, director or officer) any interest in a Sub-Adviser except for (i) ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; 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 Sub-Adviser or an entity that controls, is controlled by or is under common control with a Sub-Adviser.

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

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 02–15708 Filed 6–20–02; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46078; File No. SR–Amex–2002–45]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Relating to the Discontinuation of the Exchange's Program of Revenue Sharing With Exchange Specialists

June 14, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on May 29, 2002, the American Stock Exchange LLC (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Amex has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act,[3] which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to discontinue the Exchange's program of revenue sharing with Exchange specialists. The revenue sharing program will be reduced by 50 percent as of July 1, 2002 and will be discontinued entirely effective January 1, 2003.[4]

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In SR–Amex–99–44,[5] the Exchange filed: (1) Certain changes to the Exchange's Equity Fee Schedule, including elimination of share or value charges for orders up to 2,099 shares entered into the Amex Order File (''System Orders''); (2) implementation of a policy to eliminate specialists'' commissions for System Orders up to 2,099 shares; and (3) a program of revenue sharing with Exchange specialists, to be made from the Exchange's general revenues. These fee and policy revisions were implemented as of November 1, 1999.[6]

The applicable revenue sharing is calculated on the basis of average daily Amex (not consolidated) trading volume, excluding Portfolio Depositary Receipts (*e.g.,* SPDRs®, Nasdaq 100 Index Tracking Stock™), Index Fund Shares (*e.g.,* iShares™, VIPERs™), and Trust Issued Receipts (*e.g.,* HOLDRs™) based on the following incremental rates per 100 shares:

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A)(ii).

[4] The Exchange will issue a Memorandum to Amex specialist units describing the 50 percent reduction in revenue sharing as of July 1, 2002 and the elimination of the program, effective January 1, 2003. Telephone conversation between Michael Cavalier, Associate General Counsel, Amex, and Cyndi Nguyen, Attorney, Division of Market Regulation (''Division''), Commission, on June 12, 2002.

[5] *See* Securities Exchange Act Release No. 42067 (October 28, 1999), 64 FR 60254 (November 4, 1999).

[6] Telephone conversation between Michael Cavalier, Associate General Counsel, Amex, and Cyndi Nguyen, Attorney, Division, Commission, on June 6, 2002.