

standards as may be adopted by the AICPA from time to time.

9. Applicants have adequate facilities in place to ensure implementation of the methodology and procedures for calculating the net asset value and dividends and other distributions of the classes of shares and the proper allocation of expenses among the classes of shares and this representation has been concurred with by the Expert in the initial report referred to in condition 8 above and will be concurred with by the Expert, or an appropriate substitute Expert, on an ongoing basis at least annually in the ongoing reports referred to in condition 8 above. Applicants will take immediate corrective action if the Expert or appropriate substitute Expert does not so concur in the ongoing reports.

10. The conditions pursuant to which the exemptive order is granted and the duties and responsibilities of the Trustees with respect to the Multiple Class System will be set forth in guidelines that will be furnished to the Trustees.

11. Each of the Funds will disclose the respective expenses, performance data, distribution arrangements, services, fees, sales loads, deferred sales loads, conversion features, and exchange privileges applicable to each class of shares in every prospectus, regardless of whether all classes of shares are offered through such prospectus. Each Fund will disclose the respective expenses and performance data applicable to all classes of shares in every shareholder report. The shareholder reports will contain, in the statement of assets and liabilities and statement of operations, information related to the Fund as a whole generally and not on per class basis. Each Fund's per share data, however, will be prepared on a per class basis with respect to all classes of shares of such Fund. To the extent any advertisement or sales literature describes the expenses or performance data applicable to any class of shares, it will also disclose the expenses and/or performance data applicable to all classes of shares. The information provided by Applicants for publication in any newspaper or similar listing of the Funds' net asset values and public offering prices will present each class of shares separately.

12. The prospectus of each Fund will contain a statement to the effect that a salesperson and any other person entitled to receive compensation for selling or servicing Fund shares may receive different levels of compensation with respect to one particular class of shares over another in the Fund.

13. Applicants acknowledge that the grant of the exemptive order requested by the application will not imply SEC approval of, authorization of, or acquiescence in any particular level of payments that any Fund may make pursuant to a Plan in reliance on the exemptive order.

14. Any class of shares with a conversion feature will convert into another class of shares on the basis of the relative net asset values of the two classes, without the imposition of any sales load, fee, or other charge. After conversion, the converted shares will be subject to an asset-based sales charge and/or service fee (as those terms are defined in Article III, Section 26 of the NASD's Rules of Fair Practice), if any, that in the aggregate are lower than the asset-based sales charges and service fee to which they were subject prior to the conversion.

15. If a Fund implements any amendment to a Distribution Plan (or, if presented to shareholders, adopts or implements any amendment of a Shareholder Services Plan) that would increase materially the amount that may be borne by the Non-CDSC Shares under the Plan, then existing CDSC Shares will stop converting into the Non-CDSC Shares unless the holders of a majority of convertible CDSC Shares, as defined in the Act, voting separately as a class, approve the amendment. The Trustees shall take such action as is necessary to ensure that existing Convertible CDSC Shares are exchanged or converted into a new class of shares ("New Non-CDSC Shares"), identical in all material respects to Non-CDSC Shares as they existed prior to implementation of the amendment, no later than the date such shares previously were scheduled to convert into Non-CDSC Shares. If deemed advisable by the Trustees to implement the foregoing, such action may include the exchange of all existing Convertible CDSC Shares for a new class ("New Convertible CDSC Shares") of shares, identical to existing Convertible CDSC Shares in all material respects except that the New Convertible CDSC Shares will convert into the New Non-CDSC Shares. The New Non-CDSC Shares and New Convertible CDSC Shares may be formed without further exemptive relief. Exchanges or conversions described in this condition shall be effected in a manner that the Trustees reasonably believe will not be subject to Federal taxation. In accordance with condition 5, any additional cost associated with the creation, exchange, or conversion of the New Non-CDSC Shares or New Convertible CDSC Shares shall be borne solely by the Fund's investment

manager or Distributor. Convertible CDSC Shares sold after the implementation of the amendment may convert into Non-CDSC Shares subject to the higher maximum payment, provided that the material features of the Non-CDSC Shares plan and the relationship of such plan to the Convertible CDSC Shares are disclosed in an effective registration statement.

16. The Distributor will adopt compliance standards as to when each class of shares may be sold to particular investors. Applicants will require all persons selling shares of a Fund to agree to conform to such standards.

17. Applicants will comply with the provisions of proposed rule 6c-10 under the Act, Investment Company Act Release No. 16169 (Nov. 2, 1988), as such rule is currently proposed and as it may be repropoed, adopted or amended.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-2752 Filed 2-3-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-20868; 812-9312]

Franklin Gold Fund, et al.; Notice of Application

January 30, 1995.

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

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

APPLICANTS: Franklin Gold Fund; Franklin Premier Return Fund; Franklin Equity Fund; AGE High Income Fund, Inc.; Franklin Custodian Funds, Inc.; Franklin Money Fund; Franklin California Tax-Free Income Fund, Inc.; Franklin Federal Money Fund; Franklin Tax-Exempt Money Fund; Franklin New York Tax-Free Income Fund, Inc.; Franklin Federal Tax-Free Income Fund; Franklin Tax-Free Trust; Franklin California Tax-Free Trust; Franklin New York Tax-Free Trust; Franklin Investors Securities Trust; Institutional Fiduciary Trust; Franklin Balance Sheet Investment Fund; Franklin Tax-Advantaged International Bond Fund; Franklin Tax-Advantaged High Yield Securities Fund; Franklin Tax-Advantaged U.S. Government Securities Fund; Franklin Strategic Mortgage Portfolio; Franklin Municipal Securities Trust; Franklin Managed Trust; Franklin Strategic Series; Adjustable Rate Securities Portfolios; The Money Market

Portfolios; Midcap Growth Portfolio; The Portfolios Trust; Franklin International Trust; Franklin Real Estate Securities Trust; Franklin Valuemark Funds; Franklin Government Securities Trust; Franklin/Templeton Global Trust (collectively, the "Franklin Funds"); Templeton Growth Fund, Inc.; Templeton Funds, Inc.; Templeton Smaller Companies Growth Fund, Inc.; Templeton Income Trust; Templeton Real Estate Securities Fund; Templeton Global Investment Trust; Templeton Global Opportunities Trust; Templeton American Trust, Inc.; Templeton Institutional Funds, Inc.; Templeton Developing Markets Trust (collectively, the "Templeton Funds"); Franklin Advisers, Inc.; Franklin Institutional Services Corporation; Templeton, Galbraith & Hansberger Ltd.; Templeton Investment Counsel, Inc.; Templeton Investment Management (Hong Kong) Limited; Templeton Investment Management (Singapore) Pte. Ltd. (collectively, the "Advisers"); and Franklin/Templeton Distributors, Inc. (the "Distributor").

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from sections 2(a)(32), 2(a)(35), 18(f)(1), 18(g), 18(i), 22(c), and 22(d) of the Act and rule 22c-1 thereunder.

SUMMARY OF APPLICATION: Applicants request an order that would permit certain investment companies to issue multiple classes of securities representing interests in the same portfolio and assess and, under certain circumstances, waive a contingent deferred sales charge ("CDSC") on certain redemptions of shares. The order would supersede an existing CDSC order (the "Existing CDSC Order").¹

FILING DATES: The application was filed on November 2, 1994, and amended on January 23, 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 February 24, 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 5th Street, N.W., Washington D.C. 20549. Applicants, 777 Mariners Island Boulevard, San Mateo, California 94404.

FOR FURTHER INFORMATION CONTACT:

Deepak T. Pai, Staff Attorney, at (202) 942-0574, 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.

Applicants' Representations

1. Each of the Franklin Funds and the Templeton Funds is an open-end management investment company organized at either a (a) Delaware business trust; (b) Maryland corporation; (c) California corporation; (d) Massachusetts business trust; (e) Colorado corporation; (f) California limited partnership; or (g) New York Corporation. Franklin Advisers, Inc. and Franklin Institutional Services Corp. are California corporations. Templeton, Galbraith & Hansberger Ltd. is a Bahamas corporation, Templeton Investment Counsel, Inc. is a Florida corporation, Templeton Investment Management (Hong Kong) Limited is a Hong Kong corporation and Templeton Investment Management (Singapore) Pte. Ltd. is a Singapore corporation. The Advisers provide investment advisory services to the Funds. The Distributor is a New York corporation and acts as principle underwriter of the Funds' shares. The Advisers and the Distributor are each directly or indirectly wholly-owned subsidiaries of Franklin Resources, Inc., a publicly-owned company whose shares are listed on the New York Stock Exchange. Applicants are currently parties to the Existing CDSC Order, which permits the assessment of a CDSC in certain circumstances. Applicants request relief for any future open-end investment companies for which the Advisers, or any entities controlling, controlled by or under common control with the Advisers, acts as investment advisers or for which the Distributor, or any entities controlling, controlled by or under common control with the Distributor, acts as principal underwriter (the Franklin Funds, the Templeton Funds and such future funds are collectively referred to herein as the "Funds").

A. Multiple Class Distribution System

1. Applicants propose to establish a multiple class distribution system that would enable each Fund to issue and sell multiple classes of shares of beneficial interest with different combinations of front-end sales charges, distribution fees, shareholder services fees and CDSCs as determined by each Fund. Although applicants currently contemplate creating two classes of shares, in addition to the existing class, under the multiple class distribution system a Fund would be permitted to modify the characteristics of its classes of shares, and issue and sell additional classes of shares. The only difference among the various classes of shares will relate solely to: (a) The impact of the disproportionate payments made under the rule 12b-1 distribution plans or any non-rule 12b-1 shareholder services plans, as applicable; (b) the fact that the classes of shares will vote separately with respect to a Fund's rule 12b-1 distribution plan and/or non-rule 12b-1 shareholder services plan, except as provided in condition 15 below; (c) the conversion feature applicable only to certain classes of shares; (d) the exchange privileges of the classes of shares of a Fund; and (e) the designations of the classes of shares of a Fund.

2. Most of the non-money-market Funds currently sell shares subject to a front-end sales charge and a distribution fee ("Class I Shares"). The Class I Shares of most of the Franklin Funds and Templeton Funds also currently carry a CDSC, which is imposed on shares purchased in amounts of \$1 million or more that were initially sold without a front-end sales charge and are redeemed within twelve months of purchase. Under the proposed multiple class distribution system, such Funds will continue to sell Class I Shares. Applicants anticipate issuing a new class of shares (the "Class II Shares") that will carry a front-end sales charge (1.00%) at the time of purchase and may be subject to a CDSC of up to 1.00% on redemptions made within eighteen months after purchase. The Class II Shares also will be subject to a rule 12b-1 distribution plan. Applicants anticipate that certain Funds may offer a third class of shares without any front-end sales charge, CDSC, or a rule 12b-1 fee ("Class III Shares"). Class III Shares would be marketed primarily to certain institutional investors such as retirement plans, foundations, endowments, and certain governmental entities.

3. The Fund may create some additional classes of shares which will

¹ Franklin Gold Fund, et al., Investment Company Act Release Nos. 20558 (Sept. 16, 1994) (notice) and 20611 (Oct. 11, 1994) (order).

be offered only to certain institutional offerees (the "Indirect Investor Classes"). The offerees of the shares of Class I, Class II, Class III and additional classes other than the Indirect Investor Classes (collectively, the "Direct Investor Classes"), and offerees of the Indirect Investor Classes, will not overlap. The Indirect Investor Classes will be offered exclusively to the following five limited categories of investors: (a) Benefit plans such as qualified retirement plans, other than individual retirement accounts and retirement plans of self-employed persons, with total assets in excess of \$5 million or such other amounts as the Funds may establish and with such other characteristics as the Funds may establish; (b) defined contribution retirement plans maintained by the Advisers or their affiliates for the benefit of their employees; (c) banks and insurance companies purchasing shares for their own accounts; (d) registered investment companies not affiliated with the Advisers; and (e) endowment funds of non-profit organizations.

4. All expenses incurred by a Fund will be borne by each class of shares in the same proportion that the net assets attributable to that class bears to such Fund's total net assets except for the expenses of each 12b-1 distribution plan, non-rule 12b-1 shareholder services plan and any expenses determined by the trustees to be properly allocated to a class of shares.

5. Shareholders of one class of shares of a Fund may exchange shares of that class for shares of the same class of another Fund. Additionally, shareholders of a class in which the investor is no longer eligible for participation may exchange his or her shares of such Fund for shares of a Fund in which he or she is eligible to participate. All exchange privileges will comply with rule 11a-3 under the Act.

6. The Funds currently contemplate that the classes of shares of the Funds will not convert to another class of shares. However, the Funds reserve the right to adopt a conversion feature with respect to such classes of shares or future additional classes of shares. A Fund may permit one class of shares ("Purchase Class") to convert to another class of shares ("Target Class") after expiration of a certain period. Such Purchase Class shares (except those purchased through the reinvestment of dividends and other distributions) would automatically convert to Target Class shares at the relative net asset values of each of the classes, and would thereafter be subject to a lower rule 12b-1 distribution and/or shareholder services plan fee, in the aggregate. All

Purchase Class shares in a shareholder's account that were purchased through the reinvestment of dividends and other distributions paid in respect of Purchase Class (and which have not converted to Target Class) would be considered to be held in a separate sub-account. Each time any shares of the Purchase Class in the shareholder's account (other than those in the sub-account) convert to a Target Class, a proportionate number of the shares of the Purchase Class in the sub-account also will convert to such Target Class.

B. The CDSC

1. Applicants are currently parties to an Existing CDSC Order, which permits the assessment of a CDSC in certain circumstances related to purchases of \$1 million or more of fund shares. Any order granted in connection with this application will supersede the Existing CDSC Order and will apply equally to any CDSC imposed on any class of the Funds, as well as any CDSC arrangements to be imposed in the future.

2. The proposed CDSC will not be imposed on redemptions of those shares which were purchased more than a specified period (the "CDSC Period") prior to their redemption, or those shares derived from reinvestment of dividends or other distributions including capital gains. Furthermore, no CDSC will be imposed on an amount which represents an increase in the value of the shareholder's account resulting from capital appreciation above the amount paid for shares of beneficial interest purchased during the CDSC Period. In determining the applicability and rate of any CDSC, it would be assumed that a redemption is made first of shares representing capital appreciation, second, of shares representing reinvestment of dividends and capital gains distributions, third, of shares held by the shareholders for a period equal to or greater than the CDSC Period, and finally of other shares held by the shareholder for the longest period of time.

3. Applicants request relief to permit each Fund to waive or reduce the CDSC in certain circumstances. Any waiver or reduction will comply with the conditions in paragraph (a) through (d) of rule 22d-1 of the Act. If the trustees of the Fund determine to discontinue the waiver, deferral or reduction of a CDSC, the disclosure in each Fund's prospectus will be appropriately revised. The sum of any front-end sales charge, asset-based sales charge, and CDSC will comply with the requirements of Article III, Section 26(d) of the Rules of Fair Practice of the

National Association of Securities Dealers, Inc. ("NASD").

Applicants' Legal Analysis

1. Applicants request an exemption under section 6(c) of the Act to the extent that the proposed issuance and sale of multiple classes of shares representing interests in the Funds might be deemed (a) to result in a "senior security" within the meaning of section 18(g) of the Act and to be prohibited by section 18(f)(1) of the Act and (b) to violate the equal voting provisions of section 18(i) of the Act. The multiple class distribution system does not involve borrowings and does not adversely affect the Funds' existing assets or reserves. The proposed arrangement will not increase the speculative character of the shares of the Funds.

2. Applicants request an exemption under section 6(c) from sections 2(a)(32), 2(a)(35), 22(c) and 22(d) of the Act and rule 22c-1 thereunder, to the extent necessary to permit the Funds to assess a CDSC on certain redemptions of shares and to permit the Funds to waive or reduce CDSCs with respect to certain types of redemptions. Applicants believe that the imposition of a CDSC on shares in certain classes is fair and in the best interests of its shareholders.

Applicants' Conditions

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

1. Each class of shares will represent interests in the same portfolio of investments of a Fund and will be identical in all respects, except as set forth below. The only differences among the classes of shares will relate solely to: (a) The impact of the disproportionate payments made under the rule 12b-1 distribution plans and the shareholder services plans (if any), as applicable; (b) other expenses that are subsequently identified and determined to be properly allocated to one or more classes of shares that shall be approved by the SEC pursuant to an amended order; (c) the fact that the classes will vote separately with respect to a Fund's rule 12b-1 distribution plan and non-rule 12b-1 shareholder services plan, except as provided in condition 15, below; (d) the conversion feature applicable only to certain classes of shares; (e) the different exchange privileges of the classes of shares of a Fund; and (f) the designations of the classes of shares of a Fund.

2. The trustees, including a majority of the independent trustees, have approved the multiple class distribution system. The minutes of the meetings of

the trustees regarding the deliberations of the trustees with respect to the approvals necessary to implement the multiple class distribution system will reflect in detail the reasons for the trustees' determination that the proposed multiple class distribution system is in the best interests of both a Fund and its shareholders.

3. On an ongoing basis, the trustees, pursuant to their fiduciary responsibilities under the Act and otherwise, will monitor each Fund for the existence of any material conflicts between the interests of the various classes of shares of each respective Fund. The trustees, including a majority of the independent trustees, shall take such action as is reasonably necessary to eliminate any such conflicts that may develop. The Adviser and the Distributor will be responsible for reporting any potential or existing conflicts to the trustees. If a conflict arises, the Adviser and the Distributor, at their own cost, will remedy such conflict up to and including establishing new registered management investment companies.

4. The initial determination of the class expenses that will be allocated to a particular class and any subsequent changes thereto will be reviewed and approved by a vote of the board of trustees of the Fund including a majority of the trustees who are not interested persons of the Fund. Any person authorized to direct the allocation and disposition of monies paid or payable by the Fund to meet class expenses shall provide to the board of trustees, and the trustees shall review, at least quarterly, a written report of the amounts so expended and the purposes for which such expenditures were made.

5. The trustees will receive quarterly and annual statements with respect to each Fund concerning the amounts expended under any non-rule 12b-1 shareholder services plans and any 12b-1 Plans complying with paragraph (b)(3)(ii) of rule 12b-1, as it may be amended from time to time. In the statements, only expenditures properly attributable to the sale or servicing of a particular class of shares will be used to justify any rule 12b-1 or non-rule 12b-1 shareholder services plan fee charged to that class. Expenditures not related to the sale or servicing of a particular class of shares of a Fund will not be presented to the trustees to justify any fee attributable to that class. The statements, including the allocations upon which they are based, will be subject to the review and approval of the independent trustees in the exercise of their fiduciary duties.

6. If any class will be subject to a non-rule 12b-1 shareholder services plan, such non-rule 12b-1 shareholder services plan will be adopted and operated in accordance with the procedures set forth in rule 12b-1 (b) through (f) as if the expenditures made thereunder were subject to rule 12b-1, except that shareholders need not enjoy the voting rights specified in rule 12b-1.

7. Dividends paid by a Fund with respect to each class of its shares, to the extent any dividends are paid, will be calculated in the same manner, at the same time, on the same day, and will be in the same amount, except that expenditures associated with any rule 12b-1 plan or non-rule 12b-1 shareholder services plan relating to a particular class of shares will be borne exclusively by the affected class and any other expenses determined by the trustees to be allocated to a class of shares and that shall have been approved by the SEC pursuant to an amended order will be borne exclusively by that class.

8. The methodology and procedures for calculating the net asset value and dividends and distributions of multiple classes of shares and the proper allocation of expenses among such classes have been reviewed by the Experts. The Experts have rendered reports to the applicants, which reports have been provided to the staff of the SEC, that such methodology and procedures are adequate to ensure that such calculations and allocations will be made in an appropriate manner. On an ongoing basis, the Experts, or appropriate substitute Experts, will monitor the manner in which the calculations and allocations are being made and, based upon such review, will render at least annually a report to each Fund that the calculations and allocations are being made properly. The reports of the Experts shall be filed as part of the periodic reports filed with the SEC pursuant to sections 30(a) and 30(b)(1) of the Act. The work papers of the Experts with respect to such reports, following request by a Fund (which each Fund agrees to provide), will be available for inspection by the SEC staff upon written request to the respective Fund for such work papers by a senior member of the Division of Investment Management, limited to the Director, an Associate Director, the Chief Accountant, the Chief Financial Analyst, an Assistant Director and any Regional Administrators or Associate and Assistant Administrators. The initial reports of the Experts are "Reports on Policies and Procedures Placed in Operation," and the ongoing

reports will be "Reports on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" as defined and described in SAS No. 70 of the American Institute of Certified Public Accountants ("AICPA"), as it may be amended from time to time, or in similar auditing standards as may be adopted by the AICPA from time to time.

9. The applicants have adequate facilities in place to ensure implementation of the methodology and procedures for calculating the net asset value and dividends and distributions of the various classes of shares and the proper allocation of expenses between the various classes of shares, and this representation will be concurred with by the Experts in the initial reports referred to in condition (8) above and will be concurred with by the Experts, or appropriate substitute Experts, on an ongoing basis at least annually in the ongoing reports referred to in condition (8) above. Applicants will take immediate corrective measures if this representation is not concurred in by the Experts or appropriate substitute Experts.

10. The prospectus of each Fund will contain a statement to the effect that a salesperson and any other person entitled to receive compensation for selling or servicing shares of such Fund may receive different compensation with respect to one particular class of shares over another in the Fund.

11. The Distributor will adopt compliance standards as to when each class of shares may appropriately be sold to particular investors. Applicants will require all persons selling shares of a Fund to agree to conform to such standards. Such compliance standards will require that all investors eligible to purchase shares of the Indirect Investor Classes be sold only shares of such Indirect Investor Classes, rather than any other class of shares offered by a Fund.

12. The conditions pursuant to which the exemptive order is granted and the duties and responsibilities of the trustees with respect to the multiple class distribution system will be set forth in guidelines that will be furnished to the trustees.

13. Each Fund will disclose the respective expenses, performance data, distribution arrangements, services, fees, sales charges, deferred sales charges, and exchange privileges applicable to each class of shares other than the Indirect Investor Classes in every prospectus, regardless of whether all classes of shares are offered through its respective prospectus. The Indirect Investor Classes will be offered solely

pursuant to separate prospectus(es). The prospectus(es) for the Indirect Investor Classes will disclose the existence of the Fund's other classes and will identify the entities eligible to purchase such shares, and the prospectuses for the Fund's other classes will disclose the existence of the Indirect Investor Classes and will identify the persons eligible to purchase shares of such class. Each Fund will disclose the respective expenses and performance data applicable to all classes of its shares in every shareholder report. The shareholder reports will contain, in the statement of assets and liabilities and statement of operations, information related to the Fund as a whole generally and not on a per class basis. Each Fund's per share data, however, will be prepared on a per class basis with respect to all classes of shares of such Fund. To the extent any advertisement or sales literature describes the expenses or performance data applicable to any class of a Fund's shares, it will also disclose the respective expenses and/or performance data applicable to all of its classes of shares, except the Indirect Investor Classes. Advertising materials reflecting the expenses or performance data for the Indirect Investor Classes will be available only to those persons eligible to purchase such Indirect Investor Classes. The information provided by applicants for publication in any newspaper or similar listing of a Fund's net asset value and public offering price will present each class of shares, except the Indirect Investor Classes, separately.

14. Any class of shares with a conversion feature will convert into another class of shares on the basis of the relative net asset values per share of the two classes of shares, without the imposition of any sales load, fee, or other charge. After conversion, the converted shares will be subject to an asset-based sales charge and/or shareholder services fee (as those terms are defined in Article III, Section 26 of the NASD's Rules of Fair Practice), if any, that in the aggregate are lower than the asset-based sales charge and shareholder services fee to which they were subject prior to the conversion.

15. If a Fund implements any amendment to its rule 12b-1 plan or, if presented to shareholders, adopts or implements any amendment to a non-rule 12b-1 shareholder services plan that would increase materially the amount that may be borne by a Target Class, existing shares of any affected Purchase Class will stop converting into Target Class unless the Purchase Class shareholders, voting separately as a class, approve the proposal. The trustees

shall take such action as is necessary to ensure that existing Purchase Class shares are exchanged or converted into a New Target Class, identical in all material respects to the Target Class as it existed prior to implementation of the proposal, no later than such shares previously were scheduled to convert into Target Class. If deemed advisable by the trustees to implement the foregoing, such action may include the exchange of all existing Purchase Class shares for a New Purchase Class, identical to existing Purchase Class shares in all material respects except that the New Purchase Class will convert into the New Target Class. The New Target Class or the New Purchase Class may be formed without further exemptive relief. Exchanges or conversions described in this condition shall be effected in a manner that the trustees reasonably believe will not be subject to federal taxation. In accordance with condition 3, any additional cost associated with the creation, exchange, or conversion of the New Target Class or New Purchase Class shall be borne solely by the Adviser and the Distributor. The Purchase Class shares sold after the implementation of the proposal may convert to the Target Class shares subject to the higher maximum payment, provided that the material features of the Target Class plan and the relationship of such plan to the Purchase Class shares are disclosed in an effective registration statement.

16. Applicants will comply with the provisions of proposed rule 6c-10 under the Act, Investment Company Act Release No. 16619 (Nov. 2, 1988), as such rule is currently proposed and as it may be repropoed, adopted or amended.

17. Applicants acknowledge that the grant of the exemptive order requested by this application will not imply SEC approval, authorization, or acquiescence in any particular level of payments that a Fund may make pursuant to its rule 12b-1 distribution plan or non-rule 12b-1 shareholder services plan in reliance on the exemptive order.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-2753 Filed 2-3-95; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 20871; 811-7125]

Rivers Funds; Notice of Application

January 31, 1995.

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

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

APPLICANT: Rivers Funds.

RELEVANT ACT SECTION: Section 8(f) of the Act.

SUMMARY OF APPLICATION: Applicant seeks an order declaring it has ceased to be an investment company.

FILING DATE: The application was filed on November 16, 1994, and refiled January 26, 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 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 February 27, 1995, and should be accompanied by proof of service on the 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. Applicant, Federated Investors Tower, Pittsburgh, Pennsylvania 15222-3779.

FOR FURTHER INFORMATION CONTACT: Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or Barry D. Miller, Senior Special Counsel, 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.

Applicant's Representations

1. Applicant is registered as an open-end, diversified management company under the Act and organized as a business trust under the laws of the Commonwealth of Massachusetts. On November 23, 1993, applicant filed a Notification of Registration under the Act and a registration statement under the Securities Act of 1933 (the "1933 Act") to register an indefinite number of