

in one case the leakage was found to be approximately 21L<sub>a</sub>. For about half of the failed ILRTs the as-found leakage was not quantified. These data show that, for those ILRTs for which the leakage was quantified, the leakage values are small in comparison to the leakage value at which the risk to the public starts to increase over the value of risk corresponding to L<sub>a</sub> (approximately 200L<sub>a</sub>, as discussed in NUREG-1493).

Based on generic and plant-specific data, the NRC staff finds the basis for the licensee's proposed exemption to allow a one-time exemption to permit a schedular extension of one cycle for the performance of the Appendix J Type A test to be acceptable.

Pursuant to 10 CFR 51.32, the Commission has determined that granting this Exemption will not have a significant impact on the environment (60 FR 28431).

This Exemption is effective upon issuance and shall expire at the completion of the 1997 refueling outage.

Dated at Rockville, Maryland, this 9th day of June 1995.

For the Nuclear Regulatory Commission.

**John N. Hannon,**

*Acting Deputy Director, Division of Reactor Projects—III/IV, Office of Nuclear Reactor Regulation.*

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 21128; 812-9486]

### SEI Financial Management Corp. and SEI Financial Services Co.; Notice of Application

June 9, 1995.

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

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

**APPLICANTS:** SEI Financial Management Corporation and SEI Financial Services Company (collectively, "SEI").

**RELEVANT ACT SECTIONS:** Order requested under sections 6(c) and 17(b) of the Act exempting applicants from sections 17(a) of the Act and under section 17(d) of the Act and rule 17d-1 thereunder.

**SUMMARY OF APPLICATION:** Applicants request an order to permit bank-sponsored collective investment funds to transfer their assets to open-end management investment companies

advised by the bank and administered or distributed by SEI.

**FILING DATE:** The application was filed on February 16, 1995, and was amended on May 10, 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 July 6, 1995 and should be accompanied by proof of service on applicants, in the form of an affidavit, or, for lawyers, a certification of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o SEI Financial Services Company, 680 East Swedesford Road, Wayne, Pennsylvania 19087, Attention: Kathryn L. Stanton, Esq.; and Wilmer, Cutler & Pickering, 2445 M Street, N.W., Washington, D.C. 20037, Attention: Jeremy N. Rubenstein.

**FOR FURTHER INFORMATION CONTACT:** Sarah A. Wagman, Staff Attorney, at (202) 942-0654, or Robert A. Robertson, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUMMARY INFORMATION:** The following is a summary of the application. The complete application is available for a fee from the SEC's Public Reference Branch.

#### Applicant's Representations

1. SEI serves as administrator and distributor for a number of registered open-end management investment companies (the "Funds"), including Funds that are advised by banks. SEI requests that the relief sought herein apply to any Fund distributed or administered by SEI and any Fund that may in the future be distributed or administered by SEI or any entity controlling, controlled by, or under common control with SEI.

2. Subject to the supervision of the Funds' respective boards of directors or trustees (the "Board of Directors"), SEI provides or procures administrative and other services necessary for the operation of the Funds and their portfolios. SEI may provide various services to the Funds, although the precise services provided by SEI to a particular Fund will depend on SEI's

contract with that Fund. For any Fund relying on the requested order, however, SEI will perform fund accounting services that will include responsibility for maintaining the Fund's general ledger and the preparation of Fund financial statements, determining the net asset value of both the Fund's assets and of the Fund's shares, calculating Fund expenses and controlling Fund disbursements, preparing and filing semi-annual reports on Form N-SAR and notices pursuant to rule 24f-2, coordinating the preparation and filing of the Fund's tax returns, and providing the Fund with individuals reasonably acceptable to the Fund's Board of Directors for nomination, appointment, or election as officers of the Fund.

3. From time to time, certain Funds participate in the conversion of assets from bank-sponsored collective investment funds ("CIFs") into mutual fund shares. As part of the conversion, a Fund typically agrees to accept an in-kind transfer of securities from a CIF with substantially similar investment objectives in exchange for shares with an equal net asset value. Frequently, the bank that sponsors the converting CIF (the "Bank") also serves as the Fund's investment adviser or is affiliated with such adviser. As a result, the Bank may be deemed to control both the CIF and the Fund, and the CIF and the Fund may be affiliated persons of each other under the Act. In addition, some of the assets in the converting CIF may belong to employee retirement plans established for employees of the Bank or other affiliated persons (the "Affiliated Plans"). Such employees and other affiliated persons of the Bank might be considered second-tier affiliates of the Fund.

4. Although the SEC has taken a no-action position with respect to certain CIF conversions, that position is conditioned on affiliated persons, or second-tier affiliates, of the Funds having no beneficial interest in the proposed transactions. Federated Investors (pub. avail. April 21, 1994). A Bank acting as investment adviser to a Fund may be deemed to have a beneficial interest in the proposed transactions because the Bank's Affiliated Plans invest in the converting CIFs. Accordingly, applicants request an exemptive order to permit the Funds to accept in-kind transfers of the assets of the Affiliated Plans (the "Proposed Transfers").

5. Each Fund is or will be registered as an open-end management investment company under the Act. Each Fund's shares are or will be offered and sold pursuant to an effective registration statement under the Securities Act of

1933 (the "Securities Act"). The overall management of each Fund, including the negotiation of investment advisory and other service contracts, rests with the members of the Board of Directors of the Fund, at least 40% of whom are not interested persons (as defined in section 2(a)(19) of the Act) of the Fund.

6. The CIFs are sponsored by Banks as investment vehicles for employee retirement plans. The CIFs are excluded from the definition of investment company under section 3(c)(11) of the Act, which excepts CIFs that consist solely of the assets of employee retirement plans qualified under section 401 of the Internal Revenue Code or similar governmental plans described in section 3(a)(2)(C) of the Securities Act (each, a "Plan"). Some of the assets in the CIFs may belong to Affiliated Plans.

7. In addition to sponsoring a CIF, a Bank or its affiliate also may serve as the Fund's investment adviser, and may receive investment advisory fees from the Fund. Banks frequently determine that Plan holders would be better served if sponsored CIFs were converted into Funds with substantially similar investment objectives so that Plan holders may enjoy the enhanced disclosure and other protections of the Securities Act and the Act. In addition, investment of Plan assets through the Funds allows the sponsors of, and participants in, the Plans to monitor more easily the performance of their investments daily (since information concerning the investment performance of the Funds generally will be available in daily newspapers of general circulation). Finally, by permitting more active marketing of investment services, conversion also may promote sales of Fund shares and thereby allow better diversification and risk spreading among all shareholders.

8. The procedures for transferring CIF assets to a Fund include a number of requirements to protect the interests of Plan holders. First, each Affiliated Plan will have an employee benefit review committee (the "Committee") or equivalent body that serves as a fiduciary for the Plan. In addition to the Bank, each unaffiliated Plan will have an independent or "second" fiduciary, independent of the Bank or its affiliates, that supervises the investment of that Plan's assets. This second fiduciary generally will be the unaffiliated Plan's named fiduciary, trustee, or sponsoring employer and will be subject to fiduciary responsibilities under the Employee Retirement Income Security Act of 1974 ("ERISA"). Under section 404(a) of ERISA, such fiduciaries must ensure that the investment of the Plans' assets is prudent and operates

exclusively for the benefit of participating employees of the particular corporation and its subsidiaries and of the participating employees' beneficiaries.

9. Before transferring a CIF's assets to a Fund, a Bank will be required to seek and obtain the approval of the Committee, the Plan's second fiduciary, or both, as the case may be. The Bank will provide the Committee and the second fiduciaries with a current prospectus for the relevant portfolio(s) of the Fund and a written statement given full disclosure of the fee structure and the terms of the Proposed Transfer. Such disclosure will explain why the Bank believes that the investment of Plan assets in the Fund is appropriate. The disclosure statement also will describe the limitations on the Bank, if any, regarding which Plan assets may be invested in shares of the Fund.

10. On the basis of such information, the Committee, the second fiduciary, or both, as the case may be, will decide whether to authorize the Bank to invest the relevant Plan's assets in the Fund and to receive fees from the Fund (subject to the Bank's agreement to waiver, credit, or rebate relevant fees). A Bank will not collect fees at both the Plan level and the Fund level for managing the same assets. Depending on the Plan, the Bank either will charge a fee only to the Fund or will rebate or credit its management fees at the Plan level.

11. Subject to obtaining the approvals discussed above and the order requested herein, SEI will assist a Bank, in SEI's capacity as administrator, to effect the acquisition of Fund shares by a Plan currently invested in a CIF. On the date of each transfer, the converting CIF will deliver to the corresponding Fund securities equal in value to the interest of each participating Plan, in exchange for Fund shares, using market values as of the time that the Fund calculates its net asset value at the close of business on that day. The Fund shares received by the CIF then will be distributed, *pro rata*, to all Plans who interests were converted as of that date. All securities transferred to a Fund will be securities for which market quotations are readily available, within the meaning of rule 17a-7(a) under the Act, and will be consistent with the investment objectives and fundamental policies of the corresponding Fund.

#### **Applicants' Legal Analysis**

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, from selling to or

purchasing from such investment company any security or other property. Section 2(a)(3) of the Act, in relevant part, defines an "affiliated person" to include: (a) any person directly or indirectly owning, controlling, or holding with the power to vote, 5% or more of the outstanding voting securities of such other person; (b) any person directly or indirectly controlling, controlled by, or under common control with such other person; and (c) if such other person is an investment company, any investment adviser thereof.

2. Section 17(d) of the Act prohibits any affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, from effecting any transaction in which such investment company is a joint, or joint and several, participant with such person in contravention of such rules and regulations as the SEC may prescribe. Rule 17d-1 under the Act provides that no joint transaction covered by the rule may be consummated unless the SEC issues an order upon application. In passing upon such applications, the SEC considers whether participation by a registered investment company is consistent with the provision, policies, and purposes of the Act, and is not on a basis less advantageous than that of other participants.

3. Because a Bank that sponsors a CIF may have legal title to the assets of the CIF and therefore may be viewed as acting as a principal in the Proposed Transfers, and because a CIF and a Fund may be viewed as being under the common control of the Bank within the meaning of section 2(a)(3)(C), the Proposed Transfers may violate section 17(a). For the same reasons, the Proposed Transfers might be deemed to be a joint enterprise or other joint arrangement within the meaning of section 17(d).

4. Section 17(b) of the Act provides that, notwithstanding section 17(a), any person may file an application for an order exempting a proposed transaction from section 17(a) if evidence establishes that 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, and that the proposed transaction is consistent with the policy of each registered investment company concerned and the general policies and purposes of the Act. Under section 6(c) of the Act, the SEC may exempt any person or transaction from any provision of the Act, or any rule thereunder, to the extent that 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 order under sections 6(c) and 17(b) exempting them from section 17(a), and pursuant to section 17(d) and rule 17d-1, to permit the Proposed Transfers of CIF assets.

5. Applicants believe that the terms of the Proposed Transfers will be reasonable and fair to all of the Plans and to the shareholders of the Funds, do not involve overreaching on the part of any person, and will be consistent with the provisions, policies, and purposes of the Act. The Proposed Transfers will comply with rule 17a-7 under the Act in most respects, and also will comply with the policy behind the conditions set forth in rule 17a-8. Rule 17a-7 exempts certain purchase and sale transactions otherwise prohibited by section 17(a) if, among other requirements, the transactions are effected at an "independent market price" and the investment company's Board of Directors reviews the transactions for fairness. Rule 17a-8 exempts certain mergers and consolidations from section 17(a) if, among other requirements, the investment company's Board of Directors determines that the transactions are fair.

6. Applicants will comply with rules 17a-7 and a7a-8 to the extent possible, as stated in the conditions to the requested order. The investment objectives and policies of the Funds and CIFs will be substantially similar. Therefore, it will be consistent with the policies of the Funds to acquire securities that the Bank has previously purchased for the CIFs on the basis of substantially similar objectives and policies. Moreover, the Funds will have the opportunity to purchase the portfolio securities of the CIFs at the current market price and with lower transaction costs than would have been possible purchasing such securities in the open market.

#### **Applicants' Conditions**

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

1. The Proposed Transfers will comply with the terms of rule 17a-7(b) through (f).

2. The Proposed Transfers will not occur unless and until: (a) the Board of Directors of the Fund (including a majority of its disinterested directors) and the Committee or the Plans' second fiduciaries, as the case may be, find that the Proposed Transfers are in the best interests of the Fund and the Plans,

respectively; and (b) the Board of Directors of the Fund (including a majority of its disinterested directors) finds that the interests of the existing shareholders of the Fund will not be diluted as a result of the Proposed Transfers. These determinations and the basis upon which they are made will be recorded fully in the records of the Fund and the Plans, respectively.

3. In order to comply with the policies underlying rule 17a-8, any conversion will have to be approved by a Fund's Board of Directors and any unaffiliated Plan's second fiduciaries who would be required to find that the interests of beneficial owners would not be diluted.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release No. 35-26304]

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

June 9, 1995.

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 thereunder. 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 thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by July 3, 1995, to the Secretary, Securities and Exchange Commission, Washington, DC 20549, 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 shall identify specifically the issues of fact 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 said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### **The Southern Company, et al. (70-8505)**

The Southern Company ("Southern"), 64 Perimeter Center East, Atlanta, Georgia 30346, a registered holding company, and its nonutility subsidiary companies, Southern Electric International, Inc. ("Southern Electric") and Mobile Energy Services Holdings, Inc. ("Mobile Energy"), each of 900 Ashwood Parkway, Suite 500, Atlanta, Georgia 30338 (collectively, "Applicants") have filed a post-effective amendment under sections 6(a), 7, 9(a), 10, 12(b), 12(c) and 12(d) of the Act and rules 43, 45, 46 and 54 thereunder.

By order dated December 13, 1994 (HCAR No. 26185) ("December 1994 Order"), Southern was authorized to organize and acquire all of the common stock of Mobile Energy.<sup>1</sup> The December 1994 Order also authorized Mobile Energy to acquire the energy and recovery complex ("Energy Complex") at Scott Paper Company's ("Scott's") Mobile, Alabama paper and pulp mill.

At the acquisition closing, Mobile Energy purchased the Energy Complex from Scott and assumed Scott's obligations relating to \$85 million outstanding principal amount of variable-rate solid waste revenue refunding bonds due 2019 ("Tax-Exempt Bonds") issued by The Industrial Development Board of the City of Mobile, Alabama ("Board"). Southern funded the purchase price in part by making a \$190 million interim loan as evidenced by Mobile Energy's promissory note ("Interim Note").

Under the December 1994 Order, Mobile Energy was also authorized to enter into two separate interest rate swap agreements to hedge against adverse interest rate movements pending conversion or reissuance of the Tax-Exempt Bonds on a non-recourse basis<sup>2</sup> and the proposed sale of up to \$230 million of senior secured non-recourse notes of Mobile Energy. On December 19, 1994, Mobile Energy entered into two separate interest rate hedging agreements with Barclays Bank PLC.

Applicants now propose to change the ownership structure of the Energy Complex and the financing and credit support proposals described in the December 1994 Order.

<sup>1</sup> On May 17, 1995, Mobile Energy Services Company, Inc. changed its corporate name to Mobile Energy Services Holdings, Inc. Mobile Energy and Southern Electric have been added as applicants/declarants under this post-effective amendment.

<sup>2</sup> Under the December 1994 Order, Mobile Energy is authorized to enter into agreements with the Board pursuant to which the Board would issue a new series of fixed-rate Tax-Exempt Bonds, the proceeds of which would be applied to redeem the outstanding Tax-Exempt Bonds.