

exempt from the requirement of prior Commission approval under section 6(a) of the Act), from time to time through December 31, 2000, in an aggregate amount not to exceed \$1.2 billion at any one time outstanding.

Guaranties may take the form of direct guaranties, standby equity funding commitments, obligations under capital maintenance agreements or reimbursement agreements in respect of bank letters of credit, or other similar financial instruments or undertakings.

Pledge of Securities

Southern proposes to pledge the shares of Holdings, and Holdings, Domestic Holdings, Foreign Holdings and any Intermediate Subsidiary propose to pledge the shares of their respective subsidiaries, as security in connection with the sale of debt securities by Holdings and such subsidiaries.

Performance Guaranties

Southern is currently authorized by the December 1994 Order to guaranty performance by or act as indemnitor or surety with respect to contractual obligations of Southern Electric, any subsidiary of Southern Electric or any project entity in which Southern directly or indirectly holds an interest, in an aggregate amount not to exceed \$800 million at any one time outstanding through December 31, 2003¹¹. Southern requests that this authorization be modified so that it may provide such performance guaranties on behalf of Holdings and any direct or indirect subsidiary of Holdings, including Southern Electric, any Exempt Project, other power project, energy-related company or Intermediate Subsidiary.

Holdings, Domestic Holdings, Foreign Holdings and any Intermediate Subsidiary also propose to provide performance guaranties on behalf of any of their direct and indirect subsidiaries. The amount of these guaranties will be included in calculating the above maximum amount of performance guaranties provided by Southern only if they are supported by an agreement or undertaking of Southern.

Services and Goods

The applicants propose that Special Purpose Subsidiaries of Holdings, Domestic Holdings or Foreign Holdings may render services or sell goods to associate companies. Such services will

be rendered and goods will be sold at cost, in compliance with the Act and the rules thereunder, unless the Special Purpose Subsidiary complies with the conditions specified in the December 1994 Order with respect to Southern Electric, in which case services or goods may be sold at market prices.

Reporting

The applicants propose that a single consolidated quarterly report be filed by Southern and Holdings pursuant to rule 24 with respect to all activities of Holdings and its subsidiaries authorized in this file. This report would replace the combined report currently being filed pursuant to the December 1994 Order and the Orders with respect to the activities of Southern Electric and the Project Parents.

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

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010-01-M

[Investment Company Act Release No. 21590; 812-9534]

Managed Accounts Services Portfolio Trust and Mitchell Hutchins Asset Management Inc.; Notice of Application

December 11, 1995.

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

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Managed Accounts Services Portfolio Trust (the "Trust") and Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins").

RELEVANT ACT SECTIONS: Applicants request an exemption under section 6(c) of the Act from section 15(a) of the Act and rule 18f-2 thereunder.

SUMMARY OF APPLICATION: The Trust is a registered investment company advised by Mitchell Hutchins. Mitchell Hutchins oversees the selection of other investment advisers for the Trust's series, monitors such investment advisers, and allocates assets among them. The order would permit an investment adviser other than Mitchell Hutchins to serve as an investment adviser to one or more series of the Trust without receiving prior shareholder approval.

FILING DATE: The application was filed on March 16, 1995, and amended on August 9, and December 8, 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 January 5, 1996, 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 Fifth Street NW., Washington, D.C. 20549. Applicants, 1285 Avenue of the Americas, New York, New York 10019.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Staff Attorney, at (202) 942-0574 or Alison E. Baur, 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 is available for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. The Trust is a registered open-end management investment company organized as a Delaware business trust. The Trust is currently composed of twelve separate investment portfolios (each a "Portfolio," and collectively, the "Portfolios"). The Trust was organized by Mitchell Hutchins and its parent, PaineWebber Incorporated ("PaineWebber"), to provide to participants in the PaineWebber PACE Program (the "PACE Program") a cost-effective investment method (i.e., a series of pooled investment funds) to invest their assets in a variety of different asset classes managed by investment advisers selected and monitored by Mitchell Hutchins.

2. Mitchell Hutchins, a Delaware corporation that is registered as an investment adviser, acts as the investment manager and administrator to the Trust pursuant to an Investment Management and Administration Agreement with the Trust (the "Management Agreement") and is responsible for the selection or termination of investment advisers ("Sub-Advisers") for each of the Portfolios. Mitchell Hutchins also serves as the adviser to the PACE Money Market Investment Portfolio, one of the

¹¹ The aggregate amount of such guarantees and indemnification of sureties is reduced by similar undertakings made or incurred by Southern in connection with activities of certain other subsidiaries.

Trust's Portfolios. None of the Sub-Advisers has any affiliation with Mitchell Hutchins or PaineWebber. Each Portfolio will pay Mitchell Hutchins a management fee for investment management services provided to the Trust, and an administrative fee for administrative services provided to each Portfolio. Mitchell Hutchins compensates each Sub-Adviser from the management fees that it receives from the applicable Portfolio.

3. The purchase of shares of the Trust by a PACE Program participant must be made through a brokerage account maintained with PaineWebber.¹ As described in the Trust's prospectus and marketing materials, under the PACE Program, PaineWebber Managed Accounts Services ("PMAS"), a division of PaineWebber, will provide participants with asset allocation recommendations and related services with respect to their investments in the Portfolios for a fee, which will be charged directly to the participant's brokerage account. These recommendations are based on an evaluation of each participant's identified investment objectives and risk tolerances. PMAS will provide each participant with written recommendations appropriate to that participant, but the participant is under no obligation to act on the recommendations, and PMAS will not have investment discretion over the participant's account. Participants in the PACE Program are expected to include individuals, institutional investors, individual retirement accounts and qualified employee benefit plans.

4. An important element of the PACE Program, as disclosed in the Trust's prospectus² and emphasized in the PACE Program marketing materials, is the use of a significant number of different Sub-Advisers evaluated, selected and monitored by Mitchell Hutchins. This structure is often referred to as a "multi-manager fund." An explanatory supplemental sales literature brochure titled "Investment Manager Profiles" provided to each

¹ Shares of the Portfolios may also be available at some future date for purchase through other asset allocation programs offered by professional asset managers (e.g. banks, trust companies, or registered investment advisers) who, for compensation, engage in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities.

² The Trust's prospectus has also disclosed, since the effective date of the Trust's registration statement on June 21, 1995, that the Trust was seeking an exemptive order from the SEC exempting it from the requirement that each agreement between the Trust and a Sub-Adviser be approved by a vote of a majority of the shareholders of the affected Portfolio.

PACE Program participant describes the Sub-Adviser selection process and the Sub-Advisers employed currently by the Trust.

5. Initially, each Portfolio, with the exception of the PACE Money Market Investments Portfolio which will be advised by Mitchell Hutchins, will have one Sub-Adviser. Mitchell Hutchins anticipates that it may recommend the use of two or more Sub-Advisers for some, and perhaps most, Portfolios as assets of the Portfolios increase and it becomes cost-effective to allocate a Portfolio's assets among several Sub-Advisers. Each Sub-Adviser would pursue a distinct but complementary investment process.

6. Under the Management Agreement, Mitchell Hutchins manages the investment operations of the Trust, administers the Trust's affairs, and, except as provided below, makes recommendations for each Portfolio to the Board of Trustees of the Trust regarding (a) the investment strategies and policies of each Portfolio and (b) the selection and retention of Sub-Advisers who will exercise investment discretion with respect to the assets of each Portfolio. Mitchell Hutchins' services do not include recommendations regarding the purchase of individual securities, but consist of professional advice as to the Sub-Advisers that are most likely, over time, to achieve the investment objectives of the Portfolios.

7. Mitchell Hutchins provides investment advisory services for the PACE Money Market Investments Portfolio, although the Trust reserves the right to hire another Sub-Adviser to provide investment advisory services to the PACE Money Market Investments Portfolio if Mitchell Hutchins recommends, and the Board of Trustees approves, such action.

8. Applicants request an exemption from section 15(a) and rule 18f-2 to permit a Sub-Adviser to serve as an investment adviser to one or more Portfolios under a written contract that has not been approved by a vote of the majority of the outstanding voting securities of the Portfolios, including a contract that has terminated as a result of its "assignment." Although shareholders will not vote on Sub-Adviser changes, applicants will provide shareholders with all the information that would be included in a proxy statement within 90 days of the hiring of any new Sub-Adviser or the implementation of any proposed material change in a Sub-Adviser contract.

9. The Trust will rely on Mitchell Hutchins to monitor the performance of each Sub-Adviser employed by the

Trust, as well as other attributes that could affect a Sub-Adviser's future performance. Applicants believe that it is in the best interest of the Trust's shareholders for the Trust's Trustees to be able to respond promptly to Mitchell Hutchins' recommendations by negotiating changes in Sub-Advisers' contracts or, if necessary, by adding one or more new Sub-Advisers.

Applicants' Legal Conclusions

1. Section 15(a) makes it 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 a majority of the investment company's outstanding voting securities. Rule 18f-2 provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. The Trust holds itself out as a multi-manager fund whereby investors obtain Mitchell Hutchins' services as a professional organization that will evaluate and determine which Sub-Advisers are most likely to make portfolio securities selections that will achieve the investor's defined objectives. Applicants believe that investors choosing to invest in the Trust have determined that they are unable or unwilling to select and/or monitor) effectively the best Sub-Advisers for a Portfolio and, therefore, desire that a professional organization with substantial experience and resources conduct these services on their behalf. Under the Trust's structure, applicants assert that the selection or change in a Sub-Adviser is not an event that significantly alters the nature of the shareholder's investment and thus does not implicate the policy concerns requiring shareholder approval.

3. Applicants assert that, unlike the conventional investment company, the structure of the Trust provides complete independence from the Sub-Advisers. By contracting with Mitchell Hutchins for corporate management and distribution functions, the Trust provides investors with the full services of a conventional investment company, but also retains complete freedom to select or change investment advisers. Applicants believe that there are no compelling policy reasons that require the Trust, any more than shareholders of the conventional investment company should approve its adviser's change of a portfolio manager or revision of that portfolio manager's employment contract.

4. Applicants assert that the Trust's investors will be able to exercise control over their relationship with Mitchell

Hutchins, the party the investors have chosen to hold accountable for investment results, through the voting rights pursuant to section 15(a) of the Act and rule 18f-2 thereunder concerning the Trust's Management Agreement with Mitchell Hutchins. Applicants believe that a shareholder vote concerning a Sub-Advisory Agreement prior to its effective date should not be required, particularly when doing so will (i) increase the Trust's expenses and (ii) may delay prompt implementation of the action Mitchell Hutchins (and ultimately the investors themselves) has determined is most beneficial to the Trust's shareholders. Therefore, applicants contend that requiring the Trust to obtain immediate and costly shareholder approval for every change in control of a Sub-Adviser is unreasonably burdensome, particularly where shareholders have chosen Mitchell Hutchins to determine the impact of the proposed change on their behalf.

5. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the policies and purposes fairly intended by the policies and provisions of the Act. Applicants believe that the requested relief meets this standard.

Applicants' Conditions

Applicants agree that the requested exemption is subject to the following conditions:

1. Mitchell Hutchins will not enter into a Sub-Advisory Agreement with any Sub-Adviser that is an affiliated person (as defined in section 2(a)(3) of the Act) of the Trust or Mitchell Hutchins other than by reason of serving as a Sub-Adviser to one or more of the Portfolios (an "Affiliated Sub-Adviser") without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Portfolio.

2. At all times, a majority of the Trustees of the Trust will be persons each of whom is not an "interested person" of the Trust (as defined in section 2(a)(19) of the Act) (the "Independent Trustees"), and the nomination of new or additional Independent Trustees will be placed with the discretion of the then existing Independent Trustees.

3. When a Sub-Adviser change is proposed for a Portfolio with an Affiliated Sub-Adviser, the Trustee of

the Trust, including a majority of the Independent Trustees, will make a separate finding, reflected in the Trust's board minutes, that the change is in the best interests of the Portfolio and its shareholders and does not involve a conflict of interest from which Mitchell Hutchins or the Affiliated Sub-Adviser derives an inappropriate advantage.

4. Mitchell Hutchins will provide general management and administrative services to the Trust, and, subject to review and approval by the Trust's Trustees, will: (a) Set the Portfolios' overall investment strategies; (b) select Sub-Advisers; (c) allocate and, when appropriate, reallocate the Portfolios' assets among Sub-Advisers; (d) monitor and evaluate the performance of Sub-Advisers; and (e) ensure that the Sub-Advisers comply with the Trust's investment objectives, policies, and restrictions.

5. Before a future Portfolio that does not presently have an effective registration statement may rely on the order, its initial shareholder will approve the multi-manager structure before Portfolio shares are offered to the public.

6. Within 90 days of the hiring of any new Sub-Adviser or the implementation of any proposed material change in a Sub-Advisory Agreement, the Trust will furnish shareholders all information about a new Sub-Adviser or Sub-Advisory Agreement that would be included in a proxy statement. Such information will include any change in such disclosure caused by the addition of a new Sub-Adviser or any proposed material change in a Portfolio's Sub-Advisory Agreement. The Trust will meet this condition by providing shareholders, within 90 days of the hiring of a Sub-Adviser or the implementation of any material change to the terms of a Sub-Advisory Agreement, with an information statement meeting the requirements of Regulation 14C and Schedule 14C under the Securities Exchange Act of 1934 (the "Exchange Act"). The information statement also will meet the requirements of Schedule 14A under the Exchange Act.

7. No Trustee or officer of the Trust or Mitchell Hutchins will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by any such Trustee or officer) any interest in a Sub-Adviser except for: (a) ownership of interests in Mitchell Hutchins or any entity that controls, is controlled by, or is under common control with Mitchell Hutchins; or (b) 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.

8. The Trust will disclose in all prospectuses relating to any Portfolio the existence, substance, and effect of any order granted pursuant to the application.

9. Shares of the Trust will be offered exclusively to participants in the PACE Program or other asset allocation services offered by professional asset managers who, for compensation, engage in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-36567; File No. SR-Amex-95-35]

Self-Regulatory Organizations; Order Granting Partial Approval to a Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Members' Compliance With Position and Exercise Limits for Non-Amex Listed Options

December 8, 1995.

On August 25, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend (1) Amex Rule 900(a), "Applicability," to confirm the Exchange's enforcement authority over Amex members' options transactions effected on another options exchange; and (2) Amex Rules 904, "Position Limits," and 905, "Exercise Limits," to require Amex members who trade non-Amex listed option contracts and who are not members of the exchange where the options are traded to comply with the option position and exercise limits set by the exchange where the transactions are effected.³ The Amex

¹ 15 U.S.C. 78s(b)(1)(1988).

² 17 CFR 240.19b-4 (1994).

³ Position limits impose a ceiling on the number of option contracts in each class on the same side of the market (i.e., aggregating long calls and short puts or long puts and short calls) that can be held or written by an investor or group of investors