

**RAILROAD RETIREMENT BOARD**

**Proposed Collection; Comment Request**

**SUMMARY:** In accordance with the requirement of Section 3506(c)(2)(A) of the Paperwork Reduction Act of 1995 which provides opportunity for public comment on new or revised data collections, the Railroad Retirement Board (RRB) will publish periodic summaries of proposed data collections.

*Comments are invited on:* (a) Whether the proposed information collection is necessary for the proper performance of the functions of the agency, including whether the information has practical utility; (b) the accuracy of the RRB's estimate of the burden of the collection of the information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d)

ways to minimize the burden related to the collection of information on respondents, including the use of automated collection techniques or other forms of information technology.

*Title and Purpose of information collection:*

Application for Reimbursement for Hospital Insurance Services in Canada; OMB 3220-0086.

Under Section 7(d) of the Railroad Retirement Act (RRA), the RRB administers the Medicare program for persons covered by the railroad retirement system. Payments are provided, under Section 7(d)(4) of the RRA, for medical services furnished in Canada to the same extent as for those furnished in the United States. However, payments for the services furnished in Canada are made from the Railroad Retirement Account rather than from the Federal Hospital

Insurance Trust Fund, with the payments limited to the amount by which insurance benefits under Medicare exceed the amounts payable under Canadian Provincial plans.

Form AA-104, Application for Canadian Hospital Benefits Under Medicare—Part A, is provided by the RRB for use in claiming benefits for covered hospital services received in Canada. The form obtains information needed to determine eligibility for, and the amount of any reimbursement due the applicant. One response is requested of each respondent. Completion is required to obtain a benefit.

The RRB proposes minor editorial changes to RRB Form AA-104.

*Estimate of Annual Respondent Burden*

The estimated annual respondent burden is as follows:

| Form No.(s)  | Annual responses | Time (min.) | Burden (hrs.) |
|--------------|------------------|-------------|---------------|
| AA-104 ..... | 45               | 10          | 8             |

**ADDITIONAL INFORMATION OR COMMENTS:**

To request more information or to obtain a copy of the information collection justification, forms, and/or supporting material, please call the RRB Clearance Officer at (312) 751-3363. Comments regarding the information collection should be addressed to Ronald J. Hodapp, Railroad Retirement Board, 844 N. Rush Street, Chicago, Illinois 60611-2092. Written comments should be received within 60 days of this notice.

Chuck Mierzwa,  
Clearance Officer.

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BILLING CODE 7905-01-M

Twentieth Century Investors, Inc., Twentieth Century Premium Reserves, Inc., Twentieth Century World Investors, Inc., and Investors Research Corporation.

**RELEVANT ACT SECTIONS:** Order requested under section 6(c) from section 12(d)(1) and under sections 6(c) and 17(b) from section 17(a).

**SUMMARY OF APPLICATIONS:** Applicants request an order to permit Blended Portfolios to implement a "fund of funds" arrangement and acquire up to 100% of the voting shares of any Twentieth Century Fund.

**FILING DATE:** The application was filed on June 10, 1994, and amended on November 10, 1994, October 20, 1995, and February 8, 1996.

**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 April 5, 1996, and should be accompanied by proof of service on the 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 reasons for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, Twentieth Century Tower, 4500 Main Street, Kansas City, Missouri 64111.

**FOR FURTHER INFORMATION CONTACT:** Marilyn Mann, Senior Counsel, at (202) 942-0582 (Division of Investment Management, Office of Regulatory Policy), 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 from the SEC's Public Reference Branch.

Applicants' Representations

1. Blended Portfolios intends to register under the Act as an open-end management investment company and file a registration statement for the sale of its shares under the Securities Act of 1933. Applicants anticipate that Blended Portfolios will initially consist of one series or portfolio, and that additional series or portfolios may be added in the future (the "Portfolios"). Investors Research will act as investment adviser to Blended Portfolios, but it is currently contemplated that none of the Portfolios will be charged an advisory fee. Each Portfolio will invest substantially all of its assets in shares of the Twentieth Century Funds. Investments may also be made in money market instruments for

**SECURITIES AND EXCHANGE COMMISSION**

[Investment Company Act Rel. No. 21813; 812-9052]

**Twentieth Century Blended Portfolios, Inc., et al.; Notice of Application**

March 11, 1996.

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

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

**APPLICANTS:** Twentieth Century Blended Portfolios, Inc. (formerly named Twentieth Century Strategic Portfolios, Inc.) ("Blended Portfolios"), Twentieth Century Capital Portfolios, Inc.,

cash management and for temporary defensive purposes. The "Twentieth Century Funds" are defined for purposes of the application as Twentieth Century Capital Portfolios, Inc., Twentieth Century Investors, Inc., Twentieth Century Premium Reserves, Inc., Twentieth Century World Investors, Inc., and any other open-end management investment company that is a member of the same "group of investment companies" as defined in rule 11a-3 under the Act, as Blended Portfolios. The "Underlying Funds" are defined as the Twentieth Century Funds and series thereof in which Blended Portfolios will invest.

2. Investors Research is registered as an investment adviser under the Investment Advisers Act of 1940. As of December 31, 1995, Investors Research was investment adviser to five investment companies comprised of 27 series and a number of institutional accounts, with a total of approximately \$34.0 billion under management. Each of the currently operating series included in the Twentieth Century Funds is an open-end management investment company advised and managed by Investors Research.

3. Blended Portfolios has been designed to provide investors with one or more diversified investment programs tailored to meet particular investment goals and risk tolerances. Blended Portfolios is intended for persons who are able to identify their long-term goals and risk tolerances but are not comfortable deciding which specific funds to choose at any particular time to seek to achieve those goals. Applicants believe that persons who have chosen the Twentieth Century family of mutual funds but are uncertain as to the specific funds in which to invest will welcome Blended Portfolios.

4. Each Portfolio will have an investment objective which may not be changed except by a vote of a majority of the Portfolio's outstanding voting securities (as defined in the Act). Allocations of a Portfolio's assets among Underlying Funds will be made consistent with its investment objective as described in the applicable prospectus. For example, it is anticipated that an "aggressive" Portfolio would, under normal circumstances, invest substantially all of its assets in Underlying Funds that invest in equity securities.

5. The Underlying Funds in which a Portfolio may invest will also be described in the Portfolio's prospectus. To the extent the identity of the Underlying Funds in which the Portfolio may invest changes over time (such as through the inclusion of new

Underlying Funds), shareholders and investors will receive disclosure of such changes.

6. While applicants currently anticipate that Blended Portfolios and the Underlying Funds will be sold without any front-end sales charge, will not be subject to any contingent deferred sales charge, and will not be subject to any rule 12b-1 fees, applicants reserve the right to charge sales charges and service fees in the future, subject to condition five, below, and any other provisions or limitations of applicable law.

7. The Portfolios will not bear the costs of audit expenses, legal expenses, transfer agency, shareholder servicing and other administrative expenses, or the expenses of registering Blended Portfolios under federal and state securities laws. These expenses will be borne by Investors Research. The Portfolios will, however, bear the costs of brokerage, taxes, interest, fees and expenses of non-interested directors (including counsel fees) and extraordinary expenses, none of which expenses are expected to be significant.

8. The principal "expenses" of the Portfolios will be the indirect expenses incurred through investments in the Underlying Funds, which consist primarily of the unified fees paid by the Underlying Funds ("Unified Fees") to investors Research. Each of the Underlying Funds currently pays, or it is expected will pay, Investors Research a Unified Fee pursuant to a management agreement between Investors Research and the respective fund.<sup>1</sup> Other than the Unified Fee, no payments are made by an Underlying Fund to Investors Research. In return for the Unified Fee, Investors Research provides investment advisory services and pays all expenses of the Underlying Funds except for brokerage, taxes, interest, fees and expenses of non-interested directors (including counsel fees) and extraordinary expenses.<sup>2</sup>

#### Applicants' Legal Analysis

##### A. Section 12(d)(1)

1. Section 12(d)(1)(A) provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired

<sup>1</sup> Investors Research may voluntarily waive, as it has waived in certain cases, all or any portion of the Unified Fee with respect to some of the Underlying Funds.

<sup>2</sup> The expenses of the Underlying Funds paid by Investors Research include audit expenses, legal expenses, transfer agency, shareholder servicing and other administrative expenses, and the expenses of registering the funds under federal and state securities laws.

company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of any other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provisions of the Act or any rule thereunder, 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 purposes fairly intended by the policy and provisions of the Act.

3. Applicants request an order under section 6(c) exempting them from section 12(d)(1) to the extent necessary to permit Blended Portfolios to purchase shares of the Underlying Funds in excess of the percentage limitations of section 12(d)(1) (A) and (B). Applicants request that the relief also apply to any future "fund-of-funds" that operates in all material respects in accordance with the representations contained in the application, complies with the conditions to the requested order, and is a member of the same "group of investment companies," as defined in rule 11a-3 under the Act, as Blended Portfolios.

4. Section 12(d)(1) was intended to prevent unregulated pyramiding of investment companies and the abuses that might arise from such pyramiding, including layering of fees and undue influence by the fund of funds over the management of the underlying funds. Applicants believe that none of the dangers which were of concern to Congress in drafting section 12(d)(1) are present with respect to the proposed Blended Portfolios arrangement. As previously indicated Investors Research currently intends to provide advisory services to Blended Portfolios without charging an investment advisory fee. In the event an investment advisory fee were to be proposed for a Portfolio, such advisory fee may only be adopted subject to the requirements of condition four and section 15 of the Act. In the event that sales charges or service fees are charged with respect to the shares of Blended Portfolios, such charges and/or

fees shall, when aggregated with any sales charges and service fees paid by Blended Portfolios with respect to any Underlying Fund, shall not exceed the limits set forth in Article III, Section 26, of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (the "NASD").

5. Investors Research will be the adviser to the Underlying Funds as well as the Blended Portfolios. Investors Research is governed by its obligations to the Underlying Funds and their shareholders and any allocation or reallocation by Investors Research of a Portfolio's assets among Underlying Funds would be required to be made in accordance with those obligations. Furthermore, Investors Research's own self-interest will prompt it to maximize benefits for all shareholders, and not disrupt the operations of any of Blended Portfolios or the Underlying Funds.

6. Each Portfolio's shareholders will benefit from the allocation strategy of Investors Research, a strategy that they would not receive if they invested in the Underlying Funds directly. Additionally, in return for the indirect expenses of investing in the Underlying Funds, the Portfolios and their shareholders will benefit to the same extent as other shareholders in the Underlying Funds. The Underlying Funds and their shareholders will not be negatively affected as a result of investments made by a Portfolio. As there are potential benefits to shareholders of Blended Portfolios, and no additional costs to shareholders of the Underlying Funds, applicants believe that there are net benefits to investors from this transaction. Accordingly, applicants believe that it is appropriate for the SEC to exercise its authority under section 6(c) to exempt applicants from the limitations of section 12(d)(1) to the extent requested.

#### B. Section 17(a)

1. Sections 17(a)(1) and 17(a)(2) of the Act provide, in substance, that it is unlawful for any affiliated person of a registered investment company, acting as principal, to sell any security to, or purchase any security from, such investment company.

2. Section 17(b) of the Act provides that a person may file with the SEC an application for an order exempting a proposed transaction from section 17(a) and that the SEC shall issue such order if it is shown that: (a) 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; (b) the proposed transaction is consistent with the policy of each

registered investment company; and (c) the proposed transaction is consistent with the general purposes of the Act.

3. Under the proposed structure, Blended Portfolios and the Underlying Funds may be deemed to be affiliates of one another. The sale by the Underlying Funds of their shares to Blended Portfolios could thus be deemed to be principal transactions between affiliated persons under section 17(a). Applicants request an exemption under sections 6(c) and 17(b) from section 17(a) to the extent necessary to permit sales by the Underlying Funds of their shares to Blended Portfolios.<sup>3</sup> Applicants believe that the standards of sections 6(c) and 17(b) are met and that such relief should be granted for the reasons set forth under the discussion of section 12(d)(1).

#### Applicants' Conditions

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

1. Blended Portfolios and each Underlying Fund will be part of the same "group of investment companies" as defined in rule 11a-3 under the Act.

2. No Underlying Fund shall acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

3. A majority of the directors of Blended Portfolios will not be "interested persons" as defined in section 2(a)(19) of the Act (the "Independent Directors").

4. Before approving any advisory contract under section 15 of the Act, the directors of Blended Portfolios, including a majority of the Independent Directors, shall find that the advisory fees, if any, charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of Blended Portfolios.

5. Any sales charges or service fees charged with respect to shares of Blended Portfolios, when aggregated with any sales charges and service fees paid by Blended Portfolios with respect to any Underlying Fund, shall not exceed the limits set forth in Article III, section 26, of the Rules of Fair Practice of the NASD.

<sup>3</sup> Section 17(b) applies to specific proposed transactions, rather than an ongoing series of future transactions. See *Keystone Custodian Funds*, 21 S.E.C. 295, 298-99 (1945). Section 6(c) can be used to grant relief from section 17(a) for an ongoing series of future transactions.

6. Applicants will provide the following information, in electronic format, to the Chief Financial Analyst of the SEC's Division of Investment Management: Monthly average total assets for each Portfolio and each of its Underlying Funds; monthly purchases and redemptions (other than by exchange) for each Portfolio and each of its Underlying Funds; monthly exchanges into and out of each Portfolio and each of its Underlying Funds; month-end allocations of each Portfolio's assets among its Underlying Funds; annual expense ratios for each Portfolio and each of its Underlying Funds; and a description of any vote taken by the shareholders of any Underlying Fund, including a statement of the percentage of votes cast for and against the proposal by Blended Portfolios and by the other shareholders of the Underlying Funds. Such information will be provided as soon as reasonably practicable following each fiscal year-end of Blended Portfolios (unless the Chief Financial Analyst shall notify Blended Portfolios or Investors Research in writing that such information need no longer be submitted).

For the SEC, by the Division of Investment Management, under delegated authority.  
Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-36950; File No. SR-MSRB-96-02]

#### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Interpretation of Rule G-38 on Consultants

March 11, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder, notice is hereby given that on February 29, 1996,<sup>1</sup> the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Board. The purpose of

<sup>1</sup> On March 7, 1996, the MSRB filed Amendment No. 1 with the Commission. Amendment No. 1 was a minor technical amendment, the text of which may be examined in the Commission's Public Reference Room. See Letter from Jill C. Finder, Assistant General Counsel, MSRB, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated March 7, 1996.