

#### 4. Financing Entities

NFG and the Nonutility Subsidiaries propose to organize new corporations, trusts, partnerships or other entities created for the purpose of facilitating financings. These entities will issue to third parties interests in such entities or other securities authorized or issued under an exemption. Additionally, request is made for: (a) The issuance of debentures or other evidences of indebtedness by NFG or Nonutility Subsidiaries to a financing entity in return for the proceeds of the financing, and (b) the acquisition by NFG and Nonutility Subsidiaries of voting interests or equity securities issued by the financing entity to establish such Applicant's ownership of the financing entity. NFG and the Nonutility Subsidiaries also propose to enter into guarantees and expense agreements with the corresponding financing entities, under which they would agree to pay all amounts payable relating to the securities issued by the financing entity. The amount of any guarantees provided to financing entities will not exceed \$250 million in the aggregate at any one time during the Authorization Period.

#### 5. Guarantees by National

NFG is currently authorized to guarantee up to \$500 million of obligations under Commission order dated November 12, 1993 (HCAR No. 25922) ("November 1993 Order"). NFG now proposes to guarantee securities of, and provide other forms of credit support with respect to obligations of, its Subsidiaries in an aggregate amount not to exceed \$2 billion at any time during the Authorization Period. The \$2 billion of guarantees is in addition to any financing requested in the Application. The terms and conditions of any guarantee will be negotiated on a case by case basis as the need arises. NFG proposes that the guarantee authorization requested in this proceeding supersede and replace the guarantee authorization granted in the November 1993 Order.

Guarantees and other forms of credit support provided by NFG on behalf of any EWG, FUCO or rule 58 company will be subject to the limitations of rule 53 or rule 58, as applicable.

#### 6. Acquisition of EWGs, FUCOs and Rule 58 Companies

NFG proposes to use some or all of the proceeds of the financings for which authorization is requested in this proceeding to invest in EWGs and FUCOs in an aggregate amount which, when added to NFG's aggregate

investment, as defined in rule 53(a)(1), would not exceed 50% of NFG's consolidated retained earnings, as defined in rule 53(a)(1). NFG proposes that the authorization to invest in EWGs and FUCOs requested in this Application supersede the authorization applicable to EWG and FUCO investments contained in Commission order dated August 29, 1995 (HCAR No. 26364).

NFG also proposes to use some or all of the proceeds of the financings for which authorization is requested in this proceeding to make investments in energy-related companies and gas-related companies under rule 58.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-22999; 812-10678]

#### SSgA Funds and State Street Bank and Trust Company, Notice of Application

January 14, 1998.

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

**ACTION:** Notice of application for an order under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from sections 13(a)(2), 13(a)(3), 18(f)(1), 22(f), and 22(g) of the Act and rule 2a-7 thereunder; under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and (2) of the Act; and pursuant to section 17(d) of the Act and rule 17d-1 thereunder.

**SUMMARY OF APPLICATION:** Applicants SSgA Funds and State Street Bank and Trust Company ("State Street") request an order that would permit SSgA Funds to enter into deferred compensation arrangements with certain of their directors.

**FILING DATES:** The application was filed on May 22, 1997 and amended on November 26, 1997. Applicants have agreed to file an amendment during the notice period, the substance of which is included in this notice.

**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 9, 1998 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 reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. SSgA Funds, Two International Place, 35th Floor, Boston, Massachusetts 02110; State Street, 225 Franklin Street, Boston, Massachusetts 02110.

**FOR FURTHER INFORMATION CONTACT:** David W. Grim, Staff Attorney, at (202) 942-0571, or Nadya B. Roytblat, Assistant Director, 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 (tel. 202-942-8090).

#### Applicants' Representations

1. SSgA Funds is an open-end management investment company registered under the Act and comprised of several investment portfolios. State Street serves as investment adviser to each portfolio of SSgA Funds. Applicants request that the relief also apply to all registered investment companies or series of these companies now or in the future advised by State Street or any entity under common control with or controlled by State Street (these registered investment companies, together with SSgA Funds, the "Funds").<sup>1</sup>

2. Each member of the board of trustees of SSgA Funds (collectively, the "Trustees") who is not an employee of State Street or Frank Russell Investment Management Company<sup>2</sup> or any of their affiliates (each, an "Eligible Trustee") receives annual fees from SSgA Funds which collectively are, and are expected to continue to be, insignificant in comparison to the total net assets of SSgA Funds. No Trustee who is an employee of State Street or Frank Russell Investment Management

<sup>1</sup> Each Fund that currently intends to rely on the requested relief has been named as an applicant. Any other existing or future Fund that relies on the order will comply with the terms and conditions of the application.

<sup>2</sup> Frank Russell Investment Management Company is the administrator of SSgA Funds.

Company or any of their affiliates receives any remuneration from SSgA Funds.

3. SSgA Funds proposes to adopt a formal Deferred Compensation Plan (the "Plan"). The Plan permits individual Eligible Trustees to elect to defer receipt of all or a portion of their fees, thereby also enabling them to defer payment of income taxes on such fees. The Plan may be amended from time to time by the Trustees, as long as such amendments are not inconsistent with the relief granted to applicants pursuant to the application.

4. An Eligible Trustee will be able to defer fees, but must so elect with respect to all of the Funds for which he or she serves as a Trustee. The election is to be made by execution of a notice of election to defer compensation ("Notice of Election"). Such election generally must be made prior to January 1 of each calendar year for which compensation is to be deferred.

5. Under the Plan, the deferred fees will be credited to a book entry account established by each Fund (the "Deferred Fee Account") as of the date such fees would have been paid to the Trustee. SSgA Funds proposes to use returns on shares ("Underlying Securities") of certain designated Funds and of other investment companies that are not affiliated with State Street designated from time to time by the Trustees (the "Eligible Funds") to determine the amount of earnings and gains or losses allocated to a Trustee's Deferred Fee Account. The value of the Deferred Fee Account as of any date would be periodically adjusted by treating the Deferred Fee Account as though an equivalent dollar amount had been invested and reinvested in the Underlying Securities. The Underlying Securities for a Deferred Fee Account will be shares of any of the Eligible Funds as the participating Trustee designates in his or her Notice of Election. The Trustee may change his or her designation quarterly. Each Deferred Fee Account will be credited or charged with book adjustments representing all interest, dividends, and other earnings and all gains and losses that would have been realized had the account been invested in the Underlying Securities.

6. The Plan provides that a participating Fund's obligation to make payments from a Deferred Fee Account will be a general obligation of the Fund and payments made pursuant to the Plan will be made from the Fund's general assets and property. With respect to the obligations created under the Plan, the relationship of the Trustee to the participating Fund will be that of a general unsecured creditor.

7. The Plan also provides that the participating Fund will be under no obligation to the Trustee to purchase, hold, or dispose of any Underlying Securities. If the Fund chooses to purchase investments in order to cover its obligations under the Plan, any and all Underlying Securities will continue to be part of the general assets and property of the Fund.

8. Each Fund intends generally, and with respect to any Fund that is a money market fund and that values its assets using either the amortized cost or penny rounding method (a "Money Market Fund") hereby undertakes, to purchase and maintain Underlying Securities in an amount equal to the deemed investments of the Deferred Fee Accounts of its Trustees.<sup>3</sup> All purchases and sales of Underlying Securities will be within the limitations imposed by section 12(d)(1) of the Act.

9. Under the Plan, the Trustee's deferred fees generally will be distributed in whole or in part on a date specified in the Trustee's Notice of Election, which date may not be sooner than the earlier of the first business day of January following the termination of the Trustee's service as a trustee or one year following the deferral election. Payments will be made in a lump sum or in installments as elected by the Trustee at the time of executing the Notice of Election. In the event of the Trustee's death, amounts payable to him or her under the Plan thereafter will be payable to his or her designated beneficiary; in other circumstances, the Trustee's right to receive payments generally will be nontransferable.

10. The Plan will not obligate any Fund to retain the services of a Trustee, nor will it obligate any Fund to pay any (or any particular level of) Trustee's fees to any Trustee. Rather, it will merely permit a Trustee to elect to defer receipt of all or part of the Trustee's fees that he or she would otherwise receive.

#### Applicants' Legal Analysis

1. Applicants request an order under section 6(c) for an exemption from sections 13(a)(2), 13(a)(3), 18(f)(1), 22(f), and 22(g) and rule 2a-7 to the extent necessary to permit the Funds to offer deferred fee arrangements to the Eligible Trustees; under sections 6(c) and 17(b) for an exemption from sections 17(a) (1) and (2) to permit each Fund to sell its

shares to and redeem its shares from other Funds as part of the deferred fee arrangements; and pursuant to section 17(d) and rule 17d-1 to permit the Funds to effect joint transactions incident to the deferred fee arrangements.

2. Section 6(c) 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 purposes fairly intended by the policy and provisions of the Act.

3. Section 18(f)(1) generally prohibits a registered open-end investment company from issuing senior securities. Section 13(a)(2) requires that a registered investment company obtain shareholder authorization before issuing any senior security not contemplated by the recitals of policy in its registration statement. Applicants assert that the Plan raises none of the concerns underlying section 18(f). Applicants state that, in all cases, the liabilities for deferred fees are expected to be *de minimis* in relation to Fund net assets. Applicants submit that the Plan would not induce speculative investments by any Fund or provide opportunity for manipulative allocation of a Fund's expenses and profits; that control of each Fund would not be affected; and that the Plan would not confuse investors or convey a false impression of safety.

4. Section 22(f) prohibits undisclosed restrictions on the transferability or negotiability of redeemable securities issued by open-end investment companies. Applicants state that the restriction on transferability of a Trustee's benefits under the Plan would be clearly set forth in the Plan, would be included primarily to benefit the participating Trustee, and would not adversely affect the interests of the Trustee, the Fund, or any shareholder of any Fund.

5. Section 22(g) prohibits registered open-end investment companies from issuing any of their securities for services or for property other than cash or securities. Applicants believe that the Plan would provide for deferral of payment of Trustee fees and thus should be viewed as being issued not in return for services but in return for a Fund's not being required to pay such fees on a current basis.

6. Section 13(a)(3) provides that no registered investment company shall, unless authorized by the vote of a majority of its outstanding voting securities, deviate from any investment policy that is changeable only if

<sup>3</sup> Although a Fund's shares may serve as an Underlying Security with respect to deferred fees earned by a Trustee, it is not anticipated that a Fund will purchase its own shares. Rather, monies equal to the amount credited to the Deferred Fee Account with respect to the Fund's own shares will be invested as part of the general investment operations of that Fund.

authorized by shareholder vote. Applicants request relief from section 13(a)(3) only with respect to Funds that have a fundamental investment restriction prohibiting investments in securities of investment companies (the "Restriction Funds"). Applicants submit that it is appropriate to enable the Restriction Funds to invest in Underlying Securities without a shareholder vote. Applicants note that the value of the Underlying Securities is expected to be *de minimis* in relation to the total net assets of each Restriction Fund. Furthermore, applicants state that the value of the Underlying Securities held by each Restriction Fund will at all times equal the value of each Restriction Fund's obligations to pay deferred fees. Accordingly, applicants submit that changes in the value of the Underlying Securities will not affect the value of shareholders' investments in the Restriction Fund. Applicants also represent that appropriate disclosure regarding the Plan will be included in the statement of additional information of each Fund.

7. Rule 2a-7 imposes certain restrictions on the investments of money market funds that use the amortized cost method or penny-rounding method of computing their per share price. Applicants state that the requested exemption would permit each Money Market Fund in question to achieve an exact matching of Underlying Securities with the deemed investments of the Deferred Fee Accounts, thereby ensuring that the deferred fee arrangements will not affect net asset value. Applicants assert that the amounts involved in all cases will be *de minimis* in relation to total net assets of each Money Market Fund and will have no effect on the per share net asset value of the Money Market Fund.

8. Sections 17(a) (1) and (2) generally prohibit an affiliated person of a registered investment company from selling any security to, or purchasing any security from, such company. Section 2(a)(3)(C) provides that an affiliated person of another person includes any person directly or indirectly controlling, controlled by, or under common control with, such other person. Applicants submit that because the Funds share the same or an affiliated investment manager, generally the same Trustees, and many of the same officers, each Fund might be deemed to be under common control with all other Funds, and therefore each Fund might be deemed to be an affiliated person of every other Fund. Applicants believe that the sale of securities issued by the Funds pursuant to the Plan does not implicate Congress's concerns in

enacting section 17(a). Applicants assert that such sales of securities merely would facilitate the matching of a Fund's liability for deferred Trustees' fees with the Underlying securities that would determine the amount of such Fund's liability.

9. Section 17(b) authorizes the SEC to exempt a proposed transaction from section 17(a) if evidence establishes that: (1) the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching; (b) the transaction is consistent with the policy of each registered investment company concerned; and (c) the transaction is consistent with the general purposes of the Act. Because section 17(b) may apply only to a specific proposed transaction, applicants also request an order under section 6 (c) to permit a series of transactions between Funds contemplated by the Plan. Applicants represent that their application meets the standards of section 6(c) and 17(b).

10. Applicants state that because purchases of shares of any open-end Fund pursuant to the Plan are made at net asset value, the terms of the deferred fee arrangements are reasonable and fair and do not involve overreaching on the part of any person concerned. Applicants also submit that, because the purchase of shares of another Fund would not be made for investment purposes, but solely to match the Fund's liability for deferred fees, the purchase of the shares would not be inconsistent with the policies of each of the Funds. Applicants assert that in addition, because the number of shares pursuant to the deferred fee arrangements will be *de minimis* in relation to the size of each Fund, none of the Act's concerns with affiliated sales and purchases of Fund shares would be implicated.

11. Section 17(d) of the Act prohibits affiliated persons of registered investment companies, acting as principal, from effecting any transaction in which such registered investment company is a joint or joint and several participant with such person in contravention of rules and regulations prescribed by the SEC. Rule 17d-1 under the Act provides that the SEC may approve a transaction subject to section 17(d) after considering whether the participation of such registered investment company is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants. Because the Plan may be deemed to be a joint arrangement within the meaning of rule 17d-1, applicants request relief under section 17(d) and

rule 17d-1 to the extent that these provisions may be applicable to the Plan. Applicants submit that the participating Trustee would neither directly nor indirectly receive a benefit that would otherwise inure to the Funds or any of their shareholders. Applicants submit that the effect of the Plan merely would be to defer the payment of fees that the Funds otherwise would be obligated to pay on a current basis.

#### Applicants' Condition

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

1. With respect to the requested relief from rule 2a-7, any Money Market Fund will buy and hold Underlying Securities (other than its own shares) that determine the performance of Deferred Fee Accounts to achieve an exact match between such Fund's liability to pay deferred fees and the assets that offset that liability.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## TENNESSEE VALLEY AUTHORITY

### Sunshine Act Meeting

**AGENCY HOLDING THE MEETING:** Tennessee Valley Authority (Meeting No. 1500).

**TIME AND DATE:** 9 a.m. (CST), January 28, 1998.

**PLACE:** Centerville City Hall, 102 East Swan, Centerville, Tennessee.

**STATUS:** Open.

#### Agenda

Approval of minutes of meeting held on December 9, 1997.

#### New Business

##### C—Energy

C1. Contract with Foster Wheeler Energy Corporation for pendant reheater replacements for Cumberland Fossil Plant, Units 1 and 2 boilers.

##### E—Real Property Transactions

E1. Abandonment of easement rights affecting 2.76 acres of the Hohenwald-Mt. Pleasant 46-kV Transmission Line easement in Lewis County, Tennessee (Tract No. HMP-30).

E2. Abandonment of easement rights affecting 5.03 acres of the Bull Run-Solway and Bull Run-Solway No. 2 Transmission Line easements in Knox County, Tennessee (Tract Nos. BRSW-