

postage paid at Nonprofit and Classroom Periodicals rates on a mailing and postage that is calculated to be less at Regular Periodicals rates as a result of an anomaly in the rate structure. These procedures coincide with a request for a Recommended Decision, submitted by the Postal Service to the Postal Rate Commission, which will propose to amend the Domestic Mail Classification Schedule (DMCS) to allow Nonprofit and Classroom mailers to use Regular rates for issues for which the applicable postage would be lower under the Regular rate schedules.

**EFFECTIVE DATE:** April, 9, 1999.

**ADDRESSES:** Manager, Business Mail Acceptance, U.S.P.S. Headquarters, 475 L'Enfant Plaza SW, Washington, DC 20260-6808.

**FOR FURTHER INFORMATION CONTACT:** Jerome M. Lease, (202) 268-5188.

**SUPPLEMENTARY INFORMATION:** The procedure to be followed is similar to the pending procedures that exist for mailings of publications at Regular Periodicals rates while an application for special Periodicals privileges is pending action by the Postal Service. See Domestic Mail Manual (DMM) E270.8.0-9.0. The new procedures will allow the mailer to submit postage and a properly completed PS Form 3541-N, Postage Statement—Periodicals Nonprofit Rates, for mailings at nonprofit Periodicals rates (or PS Form 3541-NC, Postage Statement—Periodicals Classroom Rates, for Classroom), while simultaneously submitting a completed PS Form 3541-R, Postage Statement—Periodicals Regular and Science of Agriculture Rates, (annotated with the words "Pending Application") for postage computed at regular rates on the same mailing, if it is determined to be less than nonprofit postage. At the time of mailing, postage will be paid as computed on the appropriate Nonprofit or Classroom mailing statement. If the proposed DMCS change is implemented, subsequent to a Recommended Decision by the Postal Rate Commission and a decision by the Governors, instructions will be issued to grant refunds to publishers for mailings for which an application and both relevant mailing statements were submitted at the time of mailing, and for which the Nonprofit or Classroom postage paid was higher than the otherwise applicable Regular postage. For these purposes, an application will consist of a written statement that the mailer is currently authorized to use either Classroom or Nonprofit Periodicals rates and wishes to retain that authorization, but also wishes to be

considered under these procedures for a refund to be calculated with reference to the Regular and preferred rate mailing statements submitted with the application. Once such a DMCS change is implemented, Nonprofit and Classroom mailers will be able to pay postage initially at the Regular Periodicals rates, and this procedure for determining subsequent refunds will no longer be necessary.

In general, all mailings of the same issue are expected to be uniformly entered, either with an application for a subsequent refund (i.e., so that the mailer ultimately may pay the Regular rate), or without an application for a subsequent refund (i.e., so that the mailer pays the Nonprofit or Classroom rates). Within any 10-day period, mailers are not allowed to split mailings of the same issue in order to obtain a rate advantage. During the time the procedures are in effect, it may be possible that a publisher will wish to present an application for a subsequent refund for a mailing (or mailings) which constitute the main run of an issue, but will not wish to submit a similar application for a later supplementary mailing of the same issue. This might occur if the Regular Periodicals rates were lower for the main run mailing(s), but the Nonprofit rates were lower for a supplementary mailing because, for example, the depth of sort was not comparable to the original mailing. The only circumstances under which this would be permissible would be if no mailing of copies of the same issue had been submitted with an application for refund on the date of mailing or in the previous 9 days. If mailers submit a mailing of copies of an issue without a refund application, and have on the same day or within the previous 9 days submitted a mailing of copies of the same issue with a refund application, the refund application will be denied.

**Stanley F. Mires,**

*Chief Counsel, Legislative.*

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## SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-23791; 812-11028]

### American AAdvantage Funds, et al.; Notice of Application

April 19, 1999.

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

**ACTION:** Notice of application under section 12(b)(1)(J) of the Investment Company Act of 1940 ("Act")

exempting applicants from section 12(d)(1) of the Act, sections 6(c) and 17(b) of the Act exempting applicants from section 17(a) of the Act, and section 17(d) of the Act and rule 17d-1 under the Act permitting certain joint transactions.

*Summary of Application:* The order would permit certain registered open-end investment companies to use their cash reserves ("Uninvested Cash") to purchase shares of affiliated money market funds and to use cash collateral from securities lending transactions ("Cash Collateral") to purchase shares of affiliated money market funds or affiliated private investment funds. The order also would permit certain registered investment companies to pay fees based on a share of the revenue generated from securities lending transactions to an affiliated lending agent. The order would supersede a prior order ("Prior Order").<sup>1</sup>

*Applicants:* American AAdvantage Funds (the "AAdvantage Trust"), American AAdvantage Mileage Funds (the "Mileage Trust" and, together with the AAdvantage Trust, the "American Trusts"), AMR Investment Service Trust (the "AMR Trust" and, together with the American Trusts, the "Trusts"), AMR Investments Strategic Cash Business Trust (the "Strategic Cash Trust"), AMR Investments Enhanced Yield Business Trust (the "Enhanced Yield Trust" and, together with Strategic Cash Trust, the "Private Funds"), and AMR Investment Services, Inc. (the "Adviser").

*Filing Dates:* The application was filed on February 25, 1998. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected 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 May 13, 1999, 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.

<sup>1</sup> American AAdvantage Funds, Investment Company Act Release Nos. 22336 (Nov. 15, 1996) (notice) and 22390 (Dec. 11, 1996) (order).

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Applicants, 4333 Amon Carter Boulevard, MD 5645, Fort Worth, Texas 76155.

**FOR FURTHER INFORMATION CONTACT:** J. Amanda Machen, Senior Counsel, at (202) 942-7120, or Christine Y. Greenlees, 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, 450 Fifth Street, N.W., Washington, D.C. 20549-0102 (tel. 202-942-8090).

### Applicants' Representations

1. The AAdvantage Trust and the Mileage Trust are Massachusetts business trusts registered under the Act as open-end management investment companies. The AAdvantage Trust and the Mileage Trust each have nine series (each series, individually, a "Fund" and, collectively, "Funds"). Under a master-feeder operating structure, each Fund, with one exception, invests its investable assets in a corresponding series ("Portfolio") of the AMR Trust, a New York common law trust registered under the Act as an open-end management investment company.<sup>2</sup> The AMR Trust currently consists of eight Portfolios. The AMR Trust sells its shares to the AAdvantage Trust, the Mileage Trust, and other institutions pursuant to section 4(2) of the Securities Act of 1993. State Street Bank and Trust Company ("State Street") serves as custodian ("Custodian") for the assets for each Trust, and each Trust has the same board of trustees ("Board").

2. The Private Funds, both organized as Massachusetts business trusts, are private investment companies relying on section 3(c)(1) of the Act. The Private Funds offer daily redemption of their shares. The Strategic Cash Trust values its portfolio using the amortized cost method and complies with the requirements of rule 2a-7 under the Act. The Enhanced Yield Trust seeks to achieve its objective by investing in high quality money market instruments and variable rate obligations and maintains a maximum average maturity of its portfolio of not more than one year.

3. The adviser, a wholly-owned subsidiary of AMR Corporation, the

<sup>2</sup>The American AAdvantage S&P Index Fund invests all of its investable assets in the Equity 500 Index Portfolio, a registered open-end investment company advised by Bankers Trust Company.

parent corporation of American Airlines, Inc., is registered as an investment adviser under the Investment Advisers Act of 1940. The Adviser serves as investment adviser and provides administrative services to the AMR Trust, and provide administrative services to the American Trusts.<sup>3</sup> The Adviser also serves as sole trustee to the Private Funds.

4. Each of the Portfolios has, or may be expected to have, Uninvested Cash held by its Custodian. Uninvested Cash may result from a variety of sources, including dividends or interest received on portfolio securities, unsettled securities transactions, reserves held for investment strategy purposes, scheduled maturity of investments, liquidation of investment securities to meet anticipated redemptions, dividend payments, or new monies received from investors.

5. Applicants propose that the Portfolios use Uninvested Cash to purchase shares of one or more existing or future money market series of AMR Trust, or any other money market fund advised by the Adviser ("Money Market Portfolios") (each Portfolio, including a Money Market Portfolio, that purchases shares of the Money Market Portfolios, an "Investing Portfolio"). An Investing Portfolio's aggregate investment of Uninvested Cash in Money Market Portfolios will not exceed 25% of the Investing Portfolio's total assets and will be in accordance with the Investing Portfolio's investment restrictions and policies described in its prospectus and statement of additional information.

6. Each Fund, through its corresponding Portfolio, has the ability to increase its income by lending portfolio securities to registered broker-dealers or other institutional investors deemed by the Adviser to be of good standing ("Borrowers"). Under the Prior Order, the Trusts may invest Cash Collateral received from Borrowers in Private Funds. Applicants now seek an order that would supersede the Prior Order and permit the Investing Portfolios to invest Cash Collateral in shares of the Money Market Portfolios or the Private Funds or any future private fund advised by the Adviser (together, the "Underlying Funds"). No Money

<sup>3</sup> Applicants request relief for the Trusts, and all subsequently registered open-end investment companies that are advised by the Adviser or any entity controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with the Adviser. All existing investment companies that currently intend to rely on the order have been named as applicants. Any entities that rely on the requested order in the future will do so in accordance with the terms and conditions in the application.

Market Portfolio that is an Investing Portfolio will be an Underlying Fund.

7. Pursuant to a securities lending agreement ("Securities Lending Agreement"), State Street, which currently is not affiliated with the Adviser or any affiliate of the Adviser, acts as the securities lending agent for each Portfolio ("Securities Lending Program"). A majority of the Board of each Trust (including a majority of the trustees who are not "interested persons" within the meaning of the Act) ("Independent Trustees") approved the participation of the Portfolios in the Securities Lending Program and will review the program annually.

8. As collateral for the securities loaned, State Street is authorized to accept cash and, upon consent of the Portfolio, may accept other types of instruments such as U.S. Government securities or irrevocable letters of credit. Under the Securities Lending Agreement, Cash Collateral may be invested in shares of registered or unregistered investment companies that are approved by the Board and are consistent with the investment restrictions and guidelines of the participating Portfolios (except as the investment may be limited by section 12(d)(1) of the Act).

9. The Adviser provides certain services in connection with the Securities Lending Program and ensures compliance with applicable regulatory and investment guidelines. The Adviser determines which securities are available for loan and has the discretion and power to prevent any loan from being made or to terminate any loan. The Adviser also monitors State Street to ensure that securities loans are effected in accordance with its instructions and within the procedures adopted by the Board of the AMR Trust.

10. Each Portfolio earns interest and dividend income from the investment of Cash Collateral ("Cash Collateral Income"), from which it pays the Borrower an agreed-upon fee. The Portfolio then splits the remaining Cash Collateral Income with State Street and the Adviser.<sup>4</sup> When the collateral is not cash, the Borrower pays the Portfolio a loan fee equal to a percentage of the market value of the loaned securities and State Street receives a portion of the loan fee as compensation for its services in connection with the Securities Lending Program.

<sup>4</sup> Applicants state that this compensation to the Adviser is for services provided in connection with the Securities Lending Program pursuant to a supplement to the investment advisory agreement for each Trust approved in accordance with section 15 of the Act.

11. State Street also acts as securities lending agent for other institutions that loan their portfolio securities. State Street may purchase shares of the Underlying Funds on behalf of, and with Cash Collateral from, these institutions. As a result, State Street may hold directly or through a nominee more than 5% of the outstanding shares of an Underlying Fund and thus could be an affiliated person (or an affiliated person to an affiliated person) of the Portfolios. Accordingly, applicants request relief to permit the Portfolios to pay fees based on a share of the revenue generated from securities lending transactions to State Street when it becomes an affiliated person solely by holding more than 55 of the shares of an Underlying Fund.

#### **Applicant's Legal Analysis**

##### *A. Investment of Uninvested Cash and Cash Collateral in Money Market Portfolios and Private Funds*

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company representing more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or, together with the securities of other investment companies, 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 12(d)(1)(J) of the Act provides that the SEC may exempt any person or transaction from any provision of section 12(d)(1) if and to the extent that the exemption is consistent with the public interest and the protection of investors.

3. Applicants request an exemption under section 12(d)(1)(J) to permit each Investing Portfolio to use Uninvested Cash and Cash Collateral to acquire shares of a Money Market Portfolio in excess of the limits imposed by section 12(d)(1)(A) of the Act, so long as the Investing Portfolio's aggregate investment of Uninvested Cash in shares of Money Market Portfolios does not exceed 25% of the Investing Portfolio's total assets at any time. Applicants' proposal also would permit the Money Market Portfolios to sell their securities to an Investing Portfolio in

excess of the percentage limitations in section 12(d)(1)(B). Applicants represent that no Money Market Portfolio which is an Underlying Fund will acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

4. Applicants state that none of the abuses meant to be addressed by section 12(d)(1) of the Act is created by the proposed investment of Uninvested Cash and Cash Collateral in Money Market Portfolios. Applicants further state that access to the Money Market Portfolios and Private funds will enhance each Investing Portfolio's ability to manage and invest Uninvested Cash and Cash Collateral. Applicants represent that the proposed arrangement will not result in an inappropriate layering of fees because the Money Market Portfolios and Private Funds will not charge a sales load, redemption fee, distribution fee adopted in accordance with rule 12b-1 under the Act, or service fee (as defined in rule 2830(b)(9) of the National Association of Securities Dealers, Inc. ("NASD") conduct Rules). In addition, in connection with approving any advisory contract, the Investing Portfolio's Board, including a majority of the Independent Trustees, will consider to what extent, if any, the advisory fees charged to the Investing Portfolio by the Adviser should be reduced to account for reduced services provided when Uninvested Cash is invested in Money Market Portfolios.

5. Sections 17(a)(1) and 17(a)(2) of the Act prohibit an affiliated person of a registered investment company, or any affiliated person of the affiliated person ("Second Tier Affiliate"), acting as principal, from selling any security to, or purchasing any security from the registered investment company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include: any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; any person directly or indirectly controlling, controlled by, or under common control with, the other person; and, in the case of an investment company, its investment adviser.

6. Applicants state that the Adviser, by serving as investment adviser to the Funds, Portfolios, and Private Funds, is an affiliated person of each of these entities and that, by virtue of having the same Adviser, the Funds, Portfolios, and Private Funds may be considered affiliated persons of each other under section 2(a)(3) of the Act. As a result,

the sale of shares of Money Market Portfolios and Private Funds to the Investing Portfolios and the redemption of the shares would be prohibited under section 17(a) of the Act.

7. Section 17(b) of the Act authorizes the SEC to exempt a transaction from section 17(a) of the Act if 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 the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

8. Section 6(c) of the Act authorizes the SEC to exempt any person or transaction from any provision of the Act if the 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.

9. Applicants request an order under sections 6(c) and 17(b) of the Act to permit the Investing Portfolios to use their Invested Cash to purchase shares of the Money Market Portfolios and to use their Cash Collateral to purchase shares of the Underlying Funds and to permit the redemption of the shares. Applicants maintain that the terms of the proposed transactions are reasonable and fair because the Investing Portfolios will be treated like any other investors in the Money Market Portfolios and Private Funds, and will purchase and sell shares on the same terms and on the same basis as shares are purchased and sold by all other shareholders of the Money Market Portfolios and Private Funds. Applicants assert that the proposed transactions comply with each Portfolio's investment restrictions and policies. Applicants state that Cash Collateral of an Investing Portfolio that is a Money Market Portfolio will not be used to acquire shares of any Private Fund that does not comply with rule 2a-7 under the Act. Applicants further state that the investment of Cash Collateral will comply with all present and future SEC and staff positions concerning securities lending. Applicants also state that the Private Funds will comply with the major substantive provisions of the Act, including the prohibitions against affiliated transactions, leveraging and issuing senior securities, and rights of redemption.

10. Section 17(d) of the Act and rule 17d-1 under the Act prohibit any affiliated person or principal underwriter for a registered investment company, or a Second Tier Affiliate,

acting as principal, from effecting any transaction in connection with any joint enterprise or other joint arrangement or profit sharing plan in which the investment company participates, without an order of the SEC.

11. Applicants state that, upon acquiring 5% or more of an Underlying Fund, State Street could become an affiliated person or a Second Tier Affiliate of the Portfolio. Applicants also state that the Investing Portfolios (by purchasing shares of the Money Market Portfolios and Private Funds), the Adviser (by managing the assets of the Investing Portfolios invested in the Money Market Portfolios and Private Funds), and the Money Market Portfolios and Private Funds (by selling shares to and redeeming them from the Investing Portfolios) could be deemed to be participants in a joint enterprise or other joint arrangement within the meaning of section 17(d) of the Act and rule 17d-1 under the Act. Applicants request an order in accordance with section 17(d) and rule 17d-1 to permit certain transactions incident to investment in the Money Market Portfolios and the Private Funds.

12. Under rule 17d-1, in passing on applications for orders under section 17(d), the SEC considers whether the company's participation in the joint enterprise is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation is on a basis different from or less advantageous than that of other participants. Applicants submit that the proposed transactions meet these standards.

13. Applicants state the investment by the Investing Portfolios in shares of Money Market Portfolios and Private Funds will be on the same basis and will be indistinguishable from any other shareholder account maintained by the Money Market Portfolios and Private Funds. Applicants also maintain that, to the extent any of the Investing Portfolios invests in the Money Market Portfolios and Private Funds as proposed, each Investing Portfolio will participate on a fair and reasonable basis in the returns and expenses of the Money Market Portfolios and Private Funds.

#### *B. Payment of Lending Agent Fees to State Street*

1. As noted above, section 17(d) and rule 17d-1 generally prohibit joint transactions involving registered investment companies and certain of their affiliates unless the SEC has approved the transaction. Applicants state that State Street may hold with power to vote 5% or more of an Underlying Fund's shares and, thus,

may be an affiliated person or a Second Tier Affiliate of the Portfolios. Applicants further state that a lending agent agreement between the Portfolios and State Street, under which compensation is based on a share of the revenue generated by State Street's lending agent activities, may be a joint enterprise or other joint arrangement or profit sharing plan within the meaning of section 17(d) and rule 17d-1. Consequently, applicants request an order to permit State Street, if it becomes an affiliated person of the Portfolios solely by holding over 5% of the shares of an Underlying Fund, to receive a portion of the revenue generated by the Investing Portfolios' securities lending activities.

2. Applicants represent that in no event will the Investing Portfolios' lending fee arrangement with State Street be influenced by State Street's investment of its client's Cash Collateral in the Underlying Funds. Each Portfolio that has entered into the Securities Lending Program ("Lending Portfolio") also has adopted the following procedures to ensure that the proposed fee arrangement and other terms governing the relationship with State Street, as lending agent, met the standards of rule 17d-1:

(a) In connection with the approval of State Street as lending agent for a Lending Portfolio and implementation of the arrangement whereby State Street would be compensated as lending agent based on a percentage of the revenue generated by a Lending Portfolio's participation in the Securities Lending Program, a majority of the Board (including a majority of the Independent Trustees) determined that (i) the contract with State Street was in the best interests of the Lending Portfolio and its shareholders; (ii) the services to be performed by State Street were appropriate for the Lending Portfolio; (iii) the nature and quality of the services provided by State Street were at least equal to those provided by others offering the same or similar services for similar compensation; and (iv) the fees for State Street's services were fair and reasonable in light of the usual and customary charges imposed by others for services of the same nature and quality.

(b) Each Lending Portfolio's contract with State Street for lending agent services will be reviewed annually by the Board and will be approved for continuation only if a majority of the Board (including a majority of the Independent Trustees) makes the findings referred to in paragraph (a) above.

(c) In connection with the initial implementation of the agreement whereby State Street would be compensated as lending agent based on a percentage of the revenue generated by a Lending Portfolio's participation in the Securities Lending Program, the Adviser obtained price quotes from at least three independent lending agents and presented the Board with summary information regarding the proposed securities lending arrangements and related price quotes to assist the Board in making the findings referred to in paragraph (a) above. All of the information provided to the Adviser, including each price quote, was available to the Board. The findings and the basis upon which the findings were made are set forth in the amended minutes of the meeting held to consider the arrangement with State Street and will be maintained as part of the books and records described in paragraph (e) below.

(d) The Board, including a majority of the Independent Trustees, will: (i) at each regular quarterly meeting determine that the loan transactions during the prior quarter were conducted in compliance with the conditions and procedures set forth in the application, and (ii) review no less frequently than annually the conditions and procedures set forth in the application for continuing appropriateness.

(e) Each Lending Portfolio will: (i) Maintain and preserve permanently in an easily accessible place a written copy of the procedures and conditions (and modifications thereto) described in the application or otherwise followed in connection with lending securities under the Securities Lending Program, and (ii) maintain and preserve for a period of not less than six years from the end of the fiscal year in which any loan transaction under the Securities Lending Program occurred, the first two years in an easily accessible place, a written record of each loan transaction setting forth a description of the security loaned, the identity of the person on the other side of the loan transaction, and the terms of the loan transaction. In addition, each Lending Portfolio will maintain all information or materials upon which a determination was made that each loan was made in accordance with the procedures set forth above and the conditions to the application.

#### **Applicants' Conditions**

Applicants agree that the order granting the requested relief will be subject to the following conditions.

### Securities Lending Program

1. Before a Portfolio may participate in the Securities Lending Program, a majority of the Board, including a majority of the Independent Trustees, will approve of the Portfolio's participation in the Securities Lending Program. Such trustees also will evaluate the securities lending arrangement and its results no less frequently than annually and determine that any investment of Cash Collateral in the Underlying Funds is in the best interest of the shareholders of the Funds and their corresponding Portfolios.

2. Cash Collateral of the Money Market Portfolios will not be used to acquire shares of any Private Fund that does not comply with the requirements of rule 2a-7 under the Act.

3. The approval of an Investing Portfolio's Board, including a majority of the Independent Trustees, will be required for the initial and subsequent approvals of State Street's service as lending agent for the Investing Portfolios under the Securities Lending Program, for the institution of all procedures relating to the Securities Lending Program as it relates to the Investing Portfolios, and for any period review of loan transactions for which State Street acts as lending agent under the Securities Lending Program.

4. The Securities Lending Program of each Portfolio will comply with all present and future applicable SEC and staff positions regarding securities lending arrangements.

### Private Funds

5. The Private Funds will comply with the requirements of sections 17(a), (d), (e), and 18 of the Act as if the Private Funds were registered open-end investment companies. With respect to all redemption requests made by a Lending Portfolio, the Private Funds will comply with section 22(e) of the Act. The Adviser, as sole trustee of the Private Funds, will adopt procedures designed to ensure that the Private Funds comply with sections 17(a), (d), (e), 18 and 22(e) of the Act. The Adviser will periodically review and periodically update as appropriate such procedures and will maintain books and records describing such procedures, and maintain the records required by rules 31a-1(b)(1), 31a-1(b)(2)(ii) and 31a-1(b)(9) under the Act. All books and records required to be made pursuant to this condition will be maintained and preserved for a period of not less than six years from the end of the fiscal year in which any transaction occurred, the first two years in an easily accessible

place, and will be subject to examination by the SEC and its staff.

6. The Strategic Cash Trust, which will use the "amortized cost method" of valuation as defined in rule 2a-7 under the Act, will comply with rule 2a-7. With respect to the Strategic Cash Trust, the Adviser will adopt and monitor the procedures described in rule 2a-7(c)(7) under the Act and will take such other actions as are required to be taken under those procedures. The Investing Portfolios may only purchase shares of the Strategic Cash Trust using the amortized cost method of valuation if the Adviser determines on an ongoing basis that the Strategic Cash Trust is in compliance with rule 2a-7. The Adviser will preserve for a period of not less than six years from the date of determination, the first two years in an easily accessible place, a record of the determination and the basis upon which the determination was made. This record will be subject to examination by the SEC and its staff.

7. Each Lending Portfolio will purchase and redeem shares of the Private Funds as of the same time and at the same price, and will receive dividends and bear its proportionate share of expenses on the same basis, as other shareholders of the Private Funds. A separate account will be established in the shareholder records of each Private Fund for the account of each Lending Portfolio.

8. The net asset value per share with respect to shares of the Private Funds will be determined separately for each Private Fund by dividing the value of the assets belonging to that Private Fund, less the liabilities of that Private Fund, by the number of shares outstanding with respect to that Private Fund.

### Other Conditions

9. Investment of Uninvested Cash in the Money Market Portfolios and Cash Collateral in the Underlying Funds will be in accordance with each Portfolio's respective investment restriction, if any, and will be consistent with its corresponding Fund's policies as recited in such Fund's prospectuses and statements of additional information.

10. Shares of the Money Market Portfolios and Private Funds will not be subject to a sales load, redemption fee, distribution fee adopted in accordance with rule 12b-1 under the Act, or service fee (as defined in rule 2830(b)(9) of the NASD Conduct Rules).

11. Before the next meeting of the Board of an Investing Portfolio is held for the purpose of voting on an advisory contract under section 15 of the Act, the Adviser will provide the Board with

specific information regarding the approximate cost to the Adviser of, or portion of the advisory fee under the existing advisory fee attributable to, managing the Uninvested Cash of the Investing Portfolio that can be expected to be invested in the Money Market Portfolio. In connection with approving any advisory contract for an Investing Portfolio, the Board of the Investing Portfolio, including a majority of the Independent Trustees, will consider to what extent, if any, the advisory fees charged to the Investing Portfolio by the Adviser should be reduced to account for reduced services provided to the Investing Portfolio by the Adviser as a result of Uninvested Cash being invested in the Money Market Portfolio. The minute books of the Investing Portfolio will record fully the Board's consideration in approving the advisory contract, including the considerations referred to above.

12. Each Investing Portfolio will invest Uninvested Cash in, and hold shares of, the Money Market Portfolios only to the extent that the Investing Portfolio's aggregate investment in the Money Market Portfolios does not exceed 25% of the Investing Portfolio's total assets.

13. Each Investing Portfolio, each Money Market Portfolio, and any future Portfolio that may rely on the order will be advised by the Adviser, or a person controlling, controlled by, or under common control with the Adviser.

14. No Money Market Portfolio or Private Fund that is an Underlying Fund will acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-10309 Filed 4-23-99; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

### Agency Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of April 26, 1999.

A closed meeting will be held on Wednesday, April 28, 1999, at 11:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries