EWG approved by the Federal Energy Regulatory Commission. The power purchase agreement would grant CG&E a first call on all power produced by the EWG at embedded cost through the end of the market development period, ensuring CG&E sufficient power to meet its electric supply obligations to customers who do not switch or who return. Cinergy states that it has no current intention of establishing an affiliate of CG&E to market competitive generation services to retail customers in Ohio, as permitted by the new legislation.

As part of its proposed transition plan, CG&E filed a request to recover transition costs comprised of generation-related regulatory assets in the total amount of $364 million (excluding carrying charges) and above-market generation costs in the total amount of $563 million (excluding carrying charges), in each case beginning January 1, 2001. The total carrying costs, for which CG&E has also requested recovery, are estimated at $311 million.

Although comprehensive electric industry restructuring legislation has not yet been enacted in Indiana, Cinergy expects that this legislation will be enacted before expiration of the Authorization Period. Moreover, Cinergy asserts that existing statutory provisions in the Indiana Code for ''alternative'' regulation of utilities provide a basis for Cinergy to seek approval from the Indiana Utility Regulatory Commission to transfer PSI's generating facilities to Restructuring Subsidiaries prior to the adoption of state-wide restructuring.

Cinergy maintains in the Application that it needs the flexibility to reposition the generation assets now held by CG&E and PSI to maximize the value of those assets in a competitive environment. Cinergy states that, like a number of other utilities in states undergoing restructuring, it is seeking to achieve asset flexibility and optimization by transferring the assets to Restructuring Subsidiaries, where they can be used for electric sales back to the affiliated transmission and distribution utility or marketed for sale to off-system buyers, either with respect to all or some of the particular assets. According to the Application, Cinergy's current intention is to convert all or a substantial number of CG&E's and PSI's power plants to EWG status, since Cinergy believes that corporate disaggregation will eventually be required for the entire portfolio of generating properties, not merely CG&E's plants. Therefore, Cinergy has requested a separate investment ceiling—the Restructuring Limit—with a view to restructuring both CG&E's and PSI's generating assets. Cinergy further states that, although it likely would not make permanent recourse investments equal to the full amount of the book value of the transferred assets, Cinergy could be required to make investments of that magnitude, on a short-term basis, if ''bridge'' financing becomes necessary. Cinergy asserts that the overriding purpose of the Restructuring Limit is to afford it sufficient financial flexibility under the Act to pursue a variety of alternatives in an uncertain and changing regulatory environment.

Cinergy states that the generating assets would be transferred in one or more transactions, as soon as practicable after receipt of necessary regulatory approvals and satisfaction of other conditions. Cinergy has engaged Donaldson, Lufkin & Jenrette (''DLJ'') to provide financial advice in connection with these transactions.

Cinergy proposes two basic transaction structures by which CG&E and PSI (each, a ''Generating Utility'') would transfer their generating assets to the Restructuring Subsidiaries. Under the ''Sale Scenario,'' the Generating Utility sells generating assets, for case and/or promissory notes or other consideration, directly to one or more newly created subsidiaries of Cinergy (''Genco''), held either directly by Cinergy or indirectly by one or more newly created, special purpose intermediate holding companies directly held by Cinergy (''Genco Holdco''). Under the ''Spin-Off Scenario,'' the Generating Utility contributes its generating assets to Genco for shares of stock or other equity securities of Genco. The Generating Utility then distributes its investment in Genco to Cinergy by dividend or otherwise, and Cinergy then contributes the stock or other equity to Genco Holdco. Genco may transfer its generating assets into one or more special purpose subsidiaries; for example, Cinergy may establish a separate subsidiary for each power plant.

Under both scenarios, the assets would likely be transferred at net book value. The decision to use a particular transaction structure would depend, among other factors, on whether the transaction can be structured on a tax-deferred basis and other transaction costs. Under either scenario, Genco would have an initial capitalization equal to the value of the transferred generating assets, approximately $2.9 billion (assuming transfer of all the generating assets at book value at December 31, 1999). Cinergy is considering both potential structures discussed above, as well as variations of each.

Cinergy asserts that, regardless of which particular structure is used, there should be no material increase in Cinergy's consolidated debt as a result of the restructuring. Any incremental debt at the Cinergy or EWG level would be largely offset by reduced debt at the Generating Utility level. This is because Cinergy currently owns the assets, and would merely transfer direct title of these assets from the utility to the nonutility side of Cinergy's business. Cinergy states that it and DLJ believe that the asset transfers and associated financings should not themselves have any material adverse impact on the credit ratings of Cinergy, CG&E or PSI; rather, according to Cinergy, any potential impact is a consequence of state deregulation generally and Cinergy's resulting loss of monopoly supplier status.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–9276 Filed 4–13–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–24381; 812–12056]

Pacific Asset Management LLC, et al. Notice of Application

April 7, 2000.

AGENCY: Securities and Exchange Commission (''SEC'' or the ''Commission'').

ACTION: Notice of application under section 6(c) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 15(f)(1)(A) of the Act.

SUMMARY OF APPLICATION: The order would exempt the applicants from section 15(f)(1)(A) of the Investment Company Act of 1940 (the ''Act'') in connection with the proposed change in control of PIMCO Advisors L.P. (''PIMCO Advisors''). Without the requested exemption, certain investment companies advised by PIMCO Advisors or one of its subsidiary investment advisers. Oppenheimer Capital, OpCap Advisors, Parametric Portfolio Associates, and NFJ Investment Group (collectively, the ''PIMCO Investment Advisers'' and together with PIMCO Advisors, the ''Advisers''), would have to reconstitute their respective boards of directors

(''Boards'') to meet the 75 percent non-interested director requirement of section 15(f)(1)(A) of the Act in order for the Advisers to rely upon the safe harbor provisions of section 15(f).

APPLICANTS: Pacific Asset Management LLC (''Pacific Asset Management''), PIMCO Advisors, PIMCO Advisors Holdings L.P. (''PAH''), PIMCO Holding LLC (''Holding LLC''), PIMCO Partners G.P. (''Partners G.P.''), and PIMCO Partners LLC (''Partners LLC'') (collectively, the ''PIMCO Group''); The Emerging Markets Income Fund Inc. (''Emerging Markets''), The Emerging Markets Income fund II Inc. ''Emerging Markets II''), The Emerging Markets Floating Rate Fund Inc. (''Emerging Floating Rate''), Global Partners Income Fund Inc. (''Global Partners''), Municipal Partners Fund Inc. (''Municipal Partners''), Municipal Partners Fund II Inc. (''Municipal Partners II''), the Enterprise Group of Fund, Inc. (''Enterprise Fund''), Enterprise Accumulation Trust (''Enterprise Trust''), Penn Series Funds, Inc. (''Penn Fund''). The Preferred Group of Mutual Funds (''Preferred Group''), and Consulting Group Capital Markets Funds (''CGCM'') (each an ''Applicant Company'' and, collectively the ''Applicant Companies'').

FILING DATE: The application was filed on April 3, 2000.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief 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 2, 2000, 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESS: Secretary, SEC, 450 5th Street, NW., Washington, DC 20549–0609. Applicants: The PIMCO Group, 800 Newport Center Drive, Suite 600, Newport Beach, California 92660; Emerging Markets, Emerging Markets II, Emerging Floating Rate, Global Partners, Municipal Partners, and Municipal Partners II, 7 World Trade Center, New York, New York 10048; Enterprise Fund and Enterprise Trust, Atlanta Financial Center, 3343 Peachtree Road, Suite 450, Atlanta, Georgia 30326; Penn Fund, 600 Dresher Road, Horsham, Pennsylvania 19044; Preferred Group, 411 Hamilton Boulevard, Suite 1200, Peoria, Illinois 61602; and CGCM, 222 Delaware Avenue, Wilmington, Delaware 19801.

FOR FURTHER INFORMATION CONTACT: J. Amanda Machen, Senior Counsel (202) 942–7120, or Nadya B. Roytblat, Assistant Director, (202) 942–0564 (Office of Investment Company Regulation, Division of Investment Management).

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 5th Street, NW., Washington, DC 20549–0102 (tel. 202–9423–8090)

Applicants' Representatives

1. PIMCO Advisors, a limited partnership, is an investment adviser registered under the Investment Advisers Act of 1940 (the ''Advisers Act''). PAH, a publicly traded master limited partnership, and Partners G.P. are the general partners of PIMCO Advisors. Oppenheimer Capital is an indirect subsidiary of PIMCO Advisors. Parametric Portfolio Associates is a partnership of PIMCO Advisors and Parametric Management Inc. OpCap Advisors is a majority-owned subsidiary of Oppenheimer Capital. NFJ is a partnership of PIMCO Advisors and NFJ Management Inc. Each of the PIMCO Investment Advisers is registered as an investment adviser under the Advisers Act.

2. Each Applicant Company is registered under the Act as either an open-end or closed-end management investment company. The Advisers serve as either investment adviser, investment manager, or subadviser to one or more of the Applicant Companies and to LSA Variable Series Trust, registered under the Act as an open-end management investment company (''LSA Variable'' and, together with Applicant Companies, the ''Companies'' [1]

3. Allianz of America, Inc. (''Allianz'') is a holding company that owns several insurance and financial service companies and is, in turn, a subsidiary of Allianz AG. On October 31, 1999, PIMCO Advisors, its general partners, PAH and Partners G.P., certain of their affiliates, and Allianz entered into an Implementation and Merger Agreement (the ''Merger Agreement'') under which Allianz agreed to acquire majority ownership of PIMCO Advisors (''Transaction''). Following consummation of the Transaction, Allianz will hold approximately 69% of the outstanding partnership interests in PIMCO Advisors and will become the sole general partner of PIMCO Advisors. Applicants expect that the Transaction will be consummated in May 2000.

4. Consummation of the Transaction will result in a change of control of each of the Advisers within the meaning of section 2(a)(9) of the Act and, consequently, will result in an assignment of the current advisory or subadvisory contract between each of the Advisers and each respective Company (or its investment adviser, in the case of subadvisory contracts) within the meaning of section 2(a)(4) of the Act. As required by section 15(a)(4) of the Act, each contract will automatically terminate in accordance with the terms of the contract. In connection with the Transaction, the PIMCO Group has determined to seek to comply with the ''safe harbor'' provisions of section 15(f) of the Act. Applicants state that, absent exemptive relief, following consummation of the Transaction, more than 25 percent of the Board of each Company would be ''interested persons'' for purposes of section 15(f)(1)(A) of the Act.

Applicants' Legal Analysis

1. Section 15(f) of the Act is a safe harbor that permits an investment adviser to a registered investment company (or an affiliated person of the investment adviser) to realize a profit on the sale of its business if certain conditions are met. One of these conditions is set forth in section 15(f)(1)(A). This condition provide that, for a period of three years after the sale, at least 75 percent of the board of directors of the investment company may not be ''interested persons'' with respect to either the predecessor or successor adviser of the investment company. Section 2(a)(19)(B) defines an ''interested person'' of an investment adviser to include, among others, any broker or dealer registered under the Securities Exchange Act of 1934 or any affiliated person of the broker or dealer. Rule 2a19–1 provides an exemption from the definition of interested person for directors who are registered as

[1] PIMCO Advisors serves as investment adviser to Emerging Markets, Municipal Advantage, and one portfolio of CGCM, and as investment manager to Emerging Markets II, Emerging Floating Rate, Global Partners, Municipal Partners, and Municipal Partners II. OpCap Advisors serves as fund manager to one portfolio of Enterprise Fund and one portfolio of Enterprise Trust. Parametric serves as subadviser to one portfolio of CGCM. OpCap Advisors serves as subadviser to two portfolios of Penn Fund and as subadviser to one portfolio of LSA Variable. Oppenheimer Capital serves as subadviser to one portfolio of Preferred Group. Applicants state that, in each case, each of the Advisers is acting as an investment adviser within the meaning of section 29(a)(20) of the Act under a contract subject to section 15 of the Act.

brokers or dealers, or who are affiliated persons of registered brokers or dealers, provided certain conditions are met.[2]

2. Upon consummation of the Transaction, each Board will consist of a majority of directors who are not interested persons of any Adviser within the meaning of section 2(a)(19)(B) (''Independent Directors''). However, each Board also will consist of two or more directors who may be considered interested persons of one of the Advisers (''Interested Directors''), for a total of twenty-seven Interested Directors in the twelve investment company complexes involved. Twenty-five of the Interested Directors may be considered interested persons of one of the Advisers within the meaning of section 2(a)(19)(B)(v) by virtue of their relationship to a registered broker-dealer. Applicants state that the exemption provided by rule 2a19–1 will not be available with respect to these Interested Directors because the broker-dealers with which they are affiliated act as distributors for the Companies in questions or may engaged in transactions with other members of a Company's complex. The remaining two director positions will be filed by two individuals who are officers or directors of PIMCO Advisers and thus, each of these directors will be an interested person of one or more of the Advisers. With exception of these two directors, none of the members of the Companies' Boards will be affiliated persons within the meaning of section 2(a)(3) of the Act of any party to the Transaction.

3. Without the requested exemption, each Company would have to reconstitute its Board to meet the 75 person non-interested director requirement of section 15(f)(1)(A). Section 6(c) of the Act permits the SEC to exempt any person or transaction from any provision of the Act, or any rule regulation under 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.

4. Applicants request an exemption under section 6(c) from section 15(f)(1)(A). Applicants submit that the addition of directors to achieve the 75 percent disinterested director ratio required by section 15(f)(1)(A) of the Act would make the Boards unduly large and unwieldy, make decisional and operational matters cumbersome, unnecessarily increase the ongoing expenses of the Companies, and would cause the Companies to incur additional expenses in connection with the selection and election of the additional directors. In addition, applicants state that shrinking the Boards by eliminating previously existing Interested Director positions would deny the Companies the valued services and insights these directors bring to their respective Boards.

5. Applicants state that although directors who are affiliated persons of broker-dealers may be viewed as interested persons of the Advisers, these directors and the broker-dealers with which they are affiliated are not affiliated persons of any party to the Transaction. Applicants assert that the requested exemption is consistent with the protection of investors. Applicants state that the Companies will continue to treat the Interested Directors as interested persons of the Companies and the Advisers for all purposes other than section 15(f)(1)(A) of the Act for so long as the directors are ''interested persons'' as defined in section 2(a)(19) of the Act and are not exempted from that definition by any applicable rules or order of the SEC.

6. Applicants also submit that the requested exemption is consistent with the purposes fairly intended by the policies and provisions of the Act. Applicants assert that the legislative history of section 15(f) indicates that Congress intended the SEC to deal flexibly with situations where the imposition of the 75 percent requirement might pose an unnecessary obstacle or burden on an investment company. Applicants also state that section 15(f)(1)(A) was designed primarily to address the types of biases and conflicts of interest that might exist where an investment company's board of directors is influenced by a substantial number of interested directors to approve a transaction because the interested directors have an economic interest in the adviser. Applicants state that these circumstances do not exist in the present case.

Applicants' Condition

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

If, within three years of the completion of the Transaction, it becomes necessary to replace any director of a Company, that director will be replaced by a director who is not an ''interested person'' of any Adviser within the meaning of section 2(a)(19)(B) of the Act, unless at least 75% of the directors at that time, after giving effect to the order granted pursuant to the application, are not interested persons of any Adviser for purposes of section 15(f) of the Act. For any Company for which an Adviser serves solely as a subadviser, this condition will not: (a) Preclude replacement with or addition of a director who is an interested person of any Adviser solely by reason of being an affiliated person of a broker or dealer, provided that such broker or dealer is not an affiliated person of any Adviser, or (b) require replacement of a Director if a change in the director's circumstances causes him to become an interested person of an Adviser solely by reason of becoming an affiliated person of a broker or dealer, provided that such broker or dealer is not an affiliated person of any Adviser.

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

Margaret H. McFarland,

Deputy Secretary.

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[2] The rule generally provides that the exemption is available only if: (a) The broker or dealer does not execute any portfolio transactions for, engage in principal transactions with, or distribute shares for, the investment company complex, as defined in the rule, (b) the investment company's board determines that the investment company will not be adversely affected if the broker or dealer does not effect the portfolio or principal transactions or distribute shares of the investment company, and (c) no more than a minority of the investment company's directors are registered brokers or dealers or affiliated persons thereof.

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24382; 812–11770]

Mercury QA Strategy Fund, Inc., et al.; Notice of Application

April 7, 2000.

AGENCY: Securities and Exchange Commission (''Commission'').

ACTION: Notice of an application under section 12(d)(1)(J) of the Investment Company Act of 1940 (''Act'') for an exemption from section 12(d)(1)(G)(i)(II) of the Act.

SUMMARY OF THE APPLICATION: Applicants request an order to permit funds relying on section 12(d)(1)(G) of the Act to invest in certain securities and financial instruments.

APPLICANTS: Mercury QA Strategy Series, Inc. (''Company''), Quantitative Master Series Trust (''Master Trust''), Mercury QA Equity Series, Inc. (''Equity Series Fund''), Fund Asset Management, L.P. (''FAM'').

FILING DATES: The application was filed on September 8, 1999. Applicants have agreed to file an amendment, the