

company; (iv) no member of the board of the investment company will be affiliated with APLP or its affiliates; (v) neither APLP nor any of its affiliates will organize the investment company; and (vi) neither APLP nor any of its affiliates will be an affiliated person of any primary adviser to the investment company or of any other person who consults or provides advice with respect to the investment company's advisory relationships (except to the extent that APLP may be affiliated with another portfolio manager by virtue of the fact that APLP or the affiliate serves as a portfolio manager to the investment company or to another investment company).

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

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25113; File Nos. 812-12532 and 812-12534]

### The Dreyfus/Laurel Funds, Inc., et al.; Notice of Applications

August 16, 2001.

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

**ACTION:** Notice of applications for orders under section 17(b) of the Investment Company Act of 1940 (the "Act") for exemptions from section 17(a) of the Act.

*Summary of Applications:* Applicants request orders to permit the proposed reorganizations of (a) Dreyfus Disciplined Smallcap Stock Fund ("Smallcap Stock Fund"), a series of The Dreyfus/Laurel Funds, Inc. ("Dreyfus/Laurel"), with and into MPAM Small Cap Stock Fund ("Small Cap Stock Fund"), a series of MPAM Funds Trust ("MPAM") [File No. 812-12534], and (b) Dreyfus Disciplined Intermediate Bond Fund ("Intermediate Bond Fund"), a series of Dreyfus/Laurel, with and into MPAM Bond Fund ("Bond Fund"), a series of MPAM [File No. 812-12532]. Because of certain affiliations, Applicants may not rely on rule 17a-8 of the Act.

*Applicants:* Dreyfus/Laurel, MPAM and the Dreyfus Corporation ("Dreyfus").

*Filing Dates:* The applications were filed on May 25, 2001 and amended on August 6, 2001.

*Hearing or Notification of Hearing:* Orders granting the requested relief will

be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on September 10, 2001 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 Commission's Secretary.

**ADDRESSES:** Secretary, Commission, 450 5th Street, NW, Washington, DC 20549-0609. Applicants, c/o Clifford J. Alexander, Esq., Kirkpatrick & Lockhart LLP, 1800 Massachusetts Avenue, NW, 2d Floor, Washington, DC 20036-1800.

**FOR FURTHER INFORMATION CONTACT:** Jaea Hahn, Senior Counsel, at (202) 942-0614, or Janet Grossnickle, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the applications. The complete applications may be obtained for a fee at the Commission's Public Reference Branch, 450 5th Street, NW, Washington, DC 20549-0102 (tel. 202-942-8090).

### Applicants' Representations

1. Dreyfus/Laurel, a Maryland corporation, is registered under the Act as an open-end management investment company and currently offers nineteen series, including Smallcap Stock Fund and Intermediate Bond Fund. MPAM, a Massachusetts business trust, is registered under the Act as an open-end management investment company and currently offers thirteen series, including Small Cap Stock Fund and Bond Fund. Smallcap Stock Fund, Intermediate Bond Fund, Small Cap Stock Fund and Bond Fund are each a "Fund." Smallcap Stock Fund and Intermediate Bond Fund are the "Acquired Funds," and Small Cap Stock Fund and Bond Fund are the "Acquiring Funds."

2. Dreyfus, an investment adviser registered under the Investment Advisers Act of 1940, serves as investment adviser for the Acquired Funds. MPAM Advisers, a division of Dreyfus, serves as investment adviser for the Acquiring Funds. Dreyfus is a wholly owned subsidiary of Mellon Bank, N.A. ("Mellon Bank"), which is a wholly owned subsidiary of Mellon Financial Corporation ("Mellon"). As of

April 10, 2001, Mellon, directly or through affiliates, owned, with power to vote in the aggregate, approximately 91% of the outstanding voting securities of Smallcap Stock Fund, 93% of the outstanding voting securities of Intermediate Bond Fund, 67% of the outstanding voting securities of Small Cap Stock Fund, and 69% of the outstanding voting securities of Bond Fund. No Mellon subsidiary owns an economic interest in any of the Funds that equals or exceeds five percent.

3. On April 26, 2001 and May 9, 2001, the board of directors or trustees of each Fund (the "Boards"), including the directors or trustees who are not "interested persons" of the Funds, as defined in section 2(a)(19) of the Act ("Independent Directors"), unanimously approved an Agreement and Plan of Reorganization (each a "Plan," and together the "Plans") for their respective funds. Under the Plans, each Acquiring Fund will acquire all of the assets and certain stated liabilities of the corresponding Acquired Fund in exchange for shares of the Acquiring Fund (each, a "Reorganization"). The shares of each Acquiring Fund exchanged will have an aggregate net asset value equal to the aggregate net asset value of the corresponding Acquired Fund's shares determined as of the close of regular trading on the New York Stock Exchange on the closing date of each Reorganization (each, a "Closing Date"). The value of the assets of each Fund will be determined according to the Fund's then-current prospectus and statement of additional information. As soon as practicable after each Closing Date, each Acquired Fund will make a pro rata distribution of shares of the corresponding Acquiring Fund to its shareholders and liquidate.

4. Applicants state that the Acquiring Funds have investment objectives, policies and restrictions that are substantially similar to those of the Acquired Funds. Smallcap Stock Fund currently offers shares that are not subject to sales charges, but are subject to distribution fees. Shareholders of the Smallcap Stock Fund will receive shares of one of two classes of Small Cap Stock Fund,<sup>1</sup> neither of which will have either

<sup>1</sup> Small Cap Stock Fund currently offers only one class of shares, which it proposes to designate as "MPAM Shares." On May 9, 2001, the Trust filed with the Commission a Post-Effective Amendment to its Registration Statement on Form N-1A to register Small Cap Stock Fund's "Investor Shares." MPAM Shares will be for MPAM clients that maintain qualified fiduciary, custody or other accounts with Mellon Bank or Boston Safe Deposit and Trust Company, or their bank affiliates ("MPAM Clients"). Smallcap Stock Fund

a sales charge or a distribution fee. The Small Cap Stock Fund shares designated "Investor Shares" will, however, be subject to a services plan compensating its distributor for shareholder servicing activities. Intermediate Bond Fund currently offers two classes of shares designated "Restricted Class Shares" and "Investor Class Shares." Neither class of the Intermediate Bond Fund is subject to a sales charge, but the Investor Class Shares are subject to distribution fees. Bond Fund currently offers only one class of shares, but in connection with the Reorganization will offer two classes of shares designated "MPAM Shares" and "Investor Shares."<sup>2</sup> Neither of Bond Fund's class of shares will be subject to a sales charge or distribution fees, but the Investor Shares will be subject to a shareholder services plan. No sales charge will be imposed in connection with the Reorganizations. Each Fund will bear its pro rate share of the related Reorganization expenses.

5. Each Board, including all of the Independent Directors, unanimously found that the participation of its Fund in the respective Reorganization was in the best interest of each of their respective Funds and their shareholders and that the interests of each Fund's existing shareholders will not be diluted as a result of its Reorganization. In approving the Reorganizations, the Board of each Acquired Fund considered various factors, including, among other things: (a) The compatibility of the investment objectives, management policies and investment restrictions of the Funds; (b) the terms and conditions of the Reorganizations; (c) the respective expense ratios of the Funds; (d) the tax-free nature of the Reorganizations; and (e) the estimated costs to the Funds as a result of the Reorganizations.

6. The Reorganizations are subject to a number of conditions including: (1) Each Fund will have received an opinion of counsel stating, among other things, that the Reorganization will not result in federal income tax liability for

shareholders will receive MPAM Shares in the Reorganization if they are MPAM Clients, and Investor Shares if they are not MPAM Clients.

<sup>2</sup> Bond Fund currently offers only one class of shares, which it proposes to designate as "MPAM Shares." On May 9, 2001, the Trust filed with the Commission a Post-Effective Amendment to its Registration Statement on Form N-1A to register Bond Fund's "Investor Shares." In the Reorganization, only shareholders of Intermediate Bond Fund's Restricted Class will receive MPAM Shares.

the Fund or its shareholders; (b) the shareholders of each Acquired Fund will have approved their respective Reorganizations; and (c) the Funds will have received from the Commission an order exempting the Reorganization from the provisions of section 17(a) of the Act. An Acquired Fund or Acquiring Fund may terminate its Plan if the Fund's Board determines that circumstances have developed that make proceeding with the Reorganization inadvisable, or if there is a material breach by the other party of any representation, warranty or agreement contained in the Plan, or if a condition cannot be met. Applicants agree not to make any material changes to either Plan of Reorganization without prior approval of the Commission or its staff.

7. A registration statement on Form N-14 with respect to each Reorganization, containing a proxy statement/prospectus, was filed with the Commission on June 22, 2001 and amended on August 3, 2001. A registration statement containing a combined prospectus/proxy statement will be mailed to each Acquired Fund's shareholders on or about August 8, 2001. A meeting of shareholders of each Acquired Fund will take place on or about September 25, 2001.

#### Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, from selling any security to, or purchasing any security from the company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include: (a) 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; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) certain mergers, consolidations, and sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by

reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied.

3. Applicants state that Mellon, directly or through affiliates, owns as nominee with power to vote in the aggregate more than 5% (and even more than 25%) of the total outstanding voting securities of each of the Funds. Because of this nominee ownership, each Acquiring Fund and each Acquired Fund may be deemed to be an affiliated person for reasons other than those set forth in rule 17a-8 and, therefore, may be unable to rely on the rule.

4. Section 17(b) of the Act provides, in relevant part, that the Commission may exempt a transaction from the provisions of section 17(a) if evidence establishes that 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 that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants request orders under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganizations. Applicants submit that the Reorganizations satisfy the standards of section 17(b) of the Act. Applicants state that the terms of the Reorganizations are reasonable and fair and do not involve overreaching. Applicants state that the investment objectives, policies and restrictions of the Acquired Funds are substantially similar to those of the corresponding Acquiring Funds. Applicants also state that the Boards, including all of the Independent Directors, unanimously found that the participation of the Acquired and the Acquiring Funds in the Reorganizations are in the best interests of each Fund and its shareholders and that such participation will not dilute the interests of the existing shareholders of each Fund. In addition, Applicants state that the Reorganizations will be on the basis of the Funds' relative net asset values.

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

**Jonathan G. Katz,**  
Secretary.

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