

equal the amount of the Bonus that the applicable Insurance Company paid or will pay out of its general account assets. Although Contract owners will be entitled to retain any investment gain attributable to the Bonus, the amount of such gain will be determined on the basis of the current net asset value of the respective Accounts. Thus, no dilution will result from the recapture of the Bonus. The second problem that Rule 22c-1 was designed to address, namely, speculative trading practices calculated to take advantage of backward pricing, also will not occur as a result of the recapture of the Bonus.

13. Applicants argue that, because neither of the problems that Rule 22c-1 was designed to address is found in the recapture of the Bonus, Rule 22c-1 and Section 22(c) should have no application to any Bonus under the Bonus Contracts or Future Bonus Contracts. However, to avoid any uncertainty as to full compliance with the Act, Applicants request exemptions from the provisions of Section 22(c) and Rule 22c-1 to the extent deemed necessary to permit them to recapture the Bonus under the Bonus Contracts and Future Bonus Contracts.

### Conclusion

For the reasons summarized above, Applicants submit that their request for exemptions from Section 2(a)(32), 22(c) and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder meets the standards set out in Section 6(c) of the Act. Applicants submit that the requested order should therefore be granted.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-27019 Filed 10-25-01; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25218; 812-12604]

### Putnam American Government Income Fund, et al.; Notice of Application

October 22, 2001.

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

**ACTION:** Notice of an application under section 17(d) of the Investment Company Act of 1940 (the "Act" and rule 17d-1 under the Act to permit certain joint transactions.

**SUMMARY OF APPLICATION:** Applicants seek an order to permit certain

registered management investment companies to pay to an affiliated lending agent, and the lending agent to accept, fees based on a share of the revenues generated from securities lending transactions.

**Applicants:** Putnam American Government Income Fund, Putnam Arizona Tax Exempt Income Fund, Putnam Asia Pacific Growth Fund, Putnam Asset Allocation Funds, Putnam Balanced Retirement Fund, Putnam California Investment Grade Municipal Trust, Putnam California Tax Exempt Income Fund, Putnam California Tax Exempt Money Market Fund, Putnam Capital Appreciation Fund, Putnam Classic Equity Fund, Putnam Convertible Income-Growth Trust, Putnam Convertible Opportunities And Income Trust, Putnam Diversified Income Trust, Putnam Equity Income Fund, Putnam Europe Growth Fund, Putnam Florida Tax Exempt Fund. The Putnam Fund For Growth And Income Putnam Funds Trust, The George Putnam Fund Of Boston, Putnam Global Equity Fund, Putnam Global Government Income Trust, Putnam Global Growth Fund, Putnam Global Natural Resources Fund, The Putnam Fund For Growth And Income, Putnam Health Sciences Trust, Putnam High Income Convertible And Bond Fund, Putnam High Yield Advantage Fund, Putnam High Yield Municipal Trust, Putnam High Yield Trust, Putnam Income Fund, Putnam Intermediate U.S. Government Income Trust, Putnam International Growth Fund, Putnam Investment Funds, Putnam Investment Grade Municipal Trust, Putnam Investors Fund, Putnam Managed High Yield Trust, Putnam Managed Municipal Income Trust, Putnam Massachusetts Tax Exempt Income Fund, Putnam Master Income Trust, Putnam Master Intermediate Income Trust, Putnam Michigan Tax Exempt Income Fund, Putnam Minnesota Tax Exempt Income Fund, Putnam Money Market Fund, Putnam Municipal Bond Fund, Putnam Municipal Income Fund, Putnam Municipal Opportunities Trust, Putnam New Jersey Tax Exempt Income Fund, Putnam New Opportunities Fund, Putnam New York Investment Grade Municipal Trust, Putnam New York Tax Exempt Income Fund, Putnam New York Tax Exempt Money Market Fund, Putnam New York Tax Exempt Opportunities Fund, Putnam Ohio Tax Exempt Income Fund, Putnam OTC & Emerging Growth Fund, Putnam Pennsylvania Tax Exempt Income Fund, Putnam Preferred Income Fund, Putnam Premier Income Trust, Putnam Strategic

Income Fund, Putnam Tax Exempt Income Fund, Putnam Tax Exempt Money Market Fund, Putnam Tax-Free Health Care Fund, Putnam Tax-Free Income Trust, Putnam Tax Smart Funds Trust, Putnam U.S. Government Income Fund, Putnam Utilities Growth And Income Fund, Putnam Variable Trust, Putnam Vista Fund, Putnam Voyager Fund, and Putnam Voyager Fund II (each a "Fund," collectively the "Funds"), Putnam Investment Management, LLC (the "Adviser") and Putnam Fiduciary Trust Company ("PFTC").

**FILING DATES:** The application was filed on August 16, 2001, and amended on September 18, 2001.

**Hearing or Notification of Hearing:** An order granting the application will be issued unless the Commission orders a hearing. interested persons may request a hearing by writing to the Commission's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on November 15, 2001, and should be accompanied by proof of service on applicant, 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, Securities and Exchange Commission, 450 Fifth Street NW, Washington, DC 20549-0609. Applicants, c/o John W. Gerstmayr, Esq., Ropes & Gray, One International Place, Boston, Massachusetts 02110.

**FOR FURTHER INFORMATION CONTACT:** Bruce R. MacNeil, Senior Counsel, at (202) 942-0634, or Nadya B. Royblat, Assistant Director, at (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 Commission's Public Reference Branch, 450 Fifth Street NW., Washington, DC 20549-0102 (tel. 202-942-8090).

### Applicants' Representations

1. The Funds, each a Massachusetts business trust, are registered under the Act as management investment companies. Some of the Funds consist of multiple investment portfolios. The Adviser serves as investment adviser to each Fund. PFTC is the custodian and the shareholder servicing and distribution agent for each Fund.

Applicants also request relief for any other registered management investment companies and series thereof that in the future are advised by the Adviser, or an entity controlling, controlled by, or under common control with, the Adviser ("Future Funds"). The Funds and the Future Funds are collectively referred to as the "Funds".<sup>1</sup>

2. Each Fund is authorized to lend its portfolio securities. The Funds currently participate in a securities lending program using unaffiliated third-party lending agents. The Funds seek to participate from time to time as a lender in a securities lending program administered by PFTC as lending agent (the "Program"). Under the Program, PFTC enters into securities lending agreements on behalf of a Fund with certain unaffiliated borrowers that wish to borrow securities owned by the Fund and that have been pre-approved by that Fund or the Adviser (each a "Borrower"). Applicants represent that the duties performed by PFTC as lending agent will not exceed those set forth in *Norwest Bank, N.A.* (pub. avail. May 25, 1995).

3. Securities lending collateral will take different forms. With respect to loans that are collateralized by cash, the Borrower will be entitled to receive a fee based on the amount of cash collateral. The Fund is compensated on the spread between the net amount earned on the investment of cash collateral and the Borrower's fee. In the case of collateral other than cash, the Fund will receive a loan fee paid by the Borrower equal to a percentage of the market value of the loaned securities specified in the loan program. Applicants seek relief to permit Funds to pay, and PFTC to accept, fees based on a share of the revenues generated from securities lending transactions pursuant to the Program.

#### Applicants' Legal Analysis

1. Section 17(d) of the Act and rule 17d-1 under the Act prohibit any affiliated person of or principal underwriter for a registered investment company or an affiliated person of such person or principal underwriter, 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. Rule 17d-1 permits the Commission to approve a proposed joint transaction covered by the terms of section 17(d). In

<sup>1</sup> All existing entities that currently intend to rely on the requested relief have been named as applicants. Any existing or future entity that will rely on the relief in the future will comply with the terms and conditions contained in the application.

determining whether to approve a transaction, the Commission is to consider whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participant of the investment companies is on a basis different from or less advantageous than that of the other participants.

2. Section 2(a)(3) of the Act defines an affiliated person to include any person directly or indirectly controlling, controlled by, or under common control with, the other person and, if the other person is an investment company, its investment adviser. The Adviser is an affiliated person of each Fund. Because PFTC and the Adviser are under the common control of Putnam Investments, LLC, PFTC is an affiliated person of an affiliated person of each Fund. Accordingly, applicants request an order under section 17(d) and rule 17d-1 under the act to the extent necessary to permit each Fund to pay, and PFTC to accept, fees based on a share of the revenues generated from securities lending transactions.

3. Applicants propose that each Fund adopt the following procedures to ensure that the proposed fee arrangement and the other terms governing the relationship with PFTC, as lending agent, will meet the standards of rule 17d-1:

(a) In connection with the approval of PFTC as lending agent for a Fund and implementation of the proposed fee arrangement, a majority of the board of trustees of the Fund ("Board") (including a majority of the trustees who are not "interested persons" within the meaning of section 2(a)(19) of the Act (the "Disinterested Trustees") will determine that (i) the contract with PFTC is in the best interests of the Fund and its shareholders; (ii) the services to be performed by PFTC are required for the Fund; (iii) the nature and quality of the services provided by PFTC are at least equal to those provided by other offering the same or similar services; and (iv) the fees charged by PFTC are fair and reasonable in light of the usual and customary charges imposed by others for services of the same nature and quality.

(b) Each Fund's contract with PFTC for lending agent services will be reviewed at least annually and will be approved for continuation only if a majority of the Board of the Fund (including a majority of the Disinterested Trustees) make the findings referred to in paragraph (a) above.

(c) In connection with the initial implementation of the proposed fee

arrangement whereby PFTC will be compensated as lending agent based on a percentage of the revenue generated by a Fund's participation in the Program, the Board of the Fund will obtain competing quotes with respect to lending agencies fees from at least three independent lending agents to assist the Board in making the findings referred to in paragraph (a) above.

(d) The Board of each Fund, including a majority of the Disinterested Trustees, will (i) determine quarterly the loan transactions during the prior quarter were affected 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 Fund will (i) maintain and preserve permanently in an easily accessible place a written copy of the procedures and conditions (and any modifications) described in the application; and (ii) maintain and preserve for a period not less than six years from the end of the fiscal year in which any loan transaction pursuant to the Program occurred, the first two years in an easily accessible place, a written record of each such loan transaction setting forth a description of the security loaned, the identity of the Borrower, the terms of the loan transaction, and the information or materials upon which the 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 any order of the Commission granting the requested relief will be subject to the following conditions:

1. The securities lending program of each Fund will comply with all present and future applicable guidelines of the Commission and staff regarding securities lending arrangements.

2. The approval of a Fund's Board, including a majority of Disinterested Trustees, shall be required for the initial and subsequent approvals of PFTC's service as lending agent for the Fund pursuant to the Program, for the institution of all procedures relating to the Program as it relates to the Fund, and for any periodic review of loan transactions for which PFTC acted as lending agent pursuant to the Program.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-27018 Filed 10-25-01; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meetings

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 meetings during the week of October 29, 2001: closed meetings will be held on Monday, October 29, 2001 and Tuesday, October 30, 2001, at 10:00 a.m.

Commissioner Unger, as duty officer, determined that no earlier notice thereof was possible.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552(b)(5), (7), (9)(A), (9)(B), and (10) and 17 CFR 200.402(a)(5), (7), 9(i) 9(ii) and (10), permit consideration of the scheduled matters at the closed meetings.

The subject matter of the closed meetings scheduled for Monday, October 29, 2001 and Tuesday, October 30, 2001, will be:

Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings of an enforcement nature; and

Formal orders.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: October 23, 2001.

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 01-27106 Filed 10-24-01; 12:20 pm]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44958; File No. SR-Amex-2001-71]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by American Stock Exchange LLC Relating to Priority on Multiple Price Transactions

October 19, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934,<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 6, 2001, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex proposes to amend Exchange Rule 950 to add Commentary .05 relating to priority on multiple price transactions. The following is the text of proposed Commentary .05 (all new language):

*.05 Purchase Priority. If a member purchases one or more option contracts of a particular series at a particular price or prices such member shall, at the next lower price at which a member other than an Exchange Broker or specialist representing a customer agency order entitled to priority pursuant to Rule 950(c), have priority in purchasing up to the equivalent number (or a reasonably large number) of option contracts of the same series that he purchased at the higher price or prices, but only if his bid is made promptly and the purchase so effected represents the opposite side of a transaction with the same order or offer as the earlier purchase or purchases. Sale Priority. If a member sells one or more option contracts of a particular series at a particular price or prices, he shall, at the next higher price at which a member other than an Exchange Broker or specialist representing a customer agency order entitled to priority pursuant to Rule 950(c), have priority in selling up to the equivalent number (or a reasonably larger number) of option contracts of the same series that he sold at the lower price or prices, but only if*

*his offer is made promptly and the sale so effected represents the opposite side of a transaction with the same order or bid as the earlier sale or sales.*

*Two or more members entitled to priority. If the bids or offers of two or more members are both entitled to priority in accordance with paragraph (a) or paragraph (b), it shall be afforded them insofar as practicable, on a pro-rate basis.*

#### II. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Amex included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Amex has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend Exchange Rule 950 by adding Commentary .05 to provide for multiple price priority in the execution of equity option transactions. The Exchange believes that the proposal is designed to promote price improvement in the execution of equity option orders and provide incentives to registered options traders ("ROTs") and specialists in the execution of such orders by providing ROTs and specialists with priority in the execution of those orders in which a ROT or specialist improves upon the displayed quotation.

In particular, proposed Commentary .05 provides for member price priority with respect to purchases (sales) up to an equivalent number of options contracts of the same series purchased at the higher price or prices (or sold at the lower price or prices for sales) if the bid (offer) is made promptly and the purchase (sale) effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchases (sale). A floor broker or specialist representing a public customer order entitled to priority pursuant to Amex Rule 950(c) will continue to retain such priority under proposed Commentary .05.

For example, application of the proposal would operate as follows: If the displayed quotation is 6 (bid), 6.50

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.