quotations for the same securities (or in the case of Eligible Debt Securities for which quotations for the same securities are not available, competitive quotations for Comparable Debt Securities) from at least two other dealers that are in a position to quote favorable prices. For each such transaction, the Adviser will make a determination, based upon the information reasonably available to the Fund and the Adviser, that the price available from JPM is at least as favorable as that available from other sources. With respect to Securities Transactions that would be subject to section 10(f) of the Act, the Adviser will make a determination, based upon the information reasonably available to the Fund and the Adviser, that (i) the securities were purchased at a price that is no more than the price paid by each other purchaser of securities in that offering or in any concurrent offering of the securities (except in the case of an offering conducted under the laws of a country other than the United States, for any rights to purchase that are required by law to be granted to existing securities holders of the issuer) and (ii) the commission, spread or profit received or to be received by the principal underwriters is reasonable and fair compared to the commission, spread or profit received by other such persons in connection with the underwriting of similar securities being sold during a comparable period of time.

Joint Interest Transactions

11. Before entering into any transaction in which the Adviser knows that both JPM and a Fund have a Joint Interest and that requires, or that, in the judgment of the Adviser, can reasonably be expected to require, material negotiations or other discussions involving both JPM and the Adviser, a majority of the Fund's disinterested directors/trustees who have no direct or indirect financial interest in the transaction (''Required Majority'') will determine that it is in the Fund's best interests to participate and the extent of the Fund's participation in such transaction. Before making this decision, the Required Majority will review the documentation required by condition 8 above and such additional information from the Adviser or advice from experts as they deem necessary.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–5388 Filed 3–6–02; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25450; File No. 812–12785]

Franklin Strategic Series, et al.; Notice of Application

March 1, 2002.

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

ACTION: Notice of application for an order under section 17(b) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain series of registered open-end management investment companies to acquire all of the assets, net of liabilities, of certain corresponding series of another registered open-end management investment company. Because of certain affiliations, applicants may not rely on rule 17a–8 of the Act.

APPLICANTS: Franklin Strategic Series, Franklin Federal Tax-Free Income Fund (''Franklin Federal Tax-Free Fund''), Franklin Investors Securities Trust, Franklin Advisers, Inc. (''FAI''), Templeton Funds, Inc. (''Templeton Funds''), Templeton Global Advisers Limited (''TGAL'', together with FAI, the ''Franklin Advisers''), FTI Funds, and Fiduciary International, Inc (''FII'').

FILING DATE: The application was filed on February 28, 2002.

HEARING OR NOTIFICATION OF HEARING: An order 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 March 25, 2002 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 David P. Goss, Esq., Franklin Templeton Investments, One Franklin Parkway, San Mateo, California 94403–1906.

FOR FURTHER INFORMATION CONTACT: Jaea F. Hahn, Senior Counsel, at (202) 942–0614, or Mary Kay Frech, 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 Commission's Public Reference Branch, 450 5th Street, NW., Washington, DC 20549–0102 (tel. 202–942–8090).

Applicants' Representations

1. FTI Funds, a Massachusetts business trust, is an open-end management investment company registered under the Act. FTI Funds consists of seven series, four of which are the ''Acquired Funds''. Franklin Strategic Series, a Delaware business trust, is an open-end management investment company registered under the Act, and currently offers 13 series, one of which is the Franklin Strategic Series: Large Cap Growth Fund (''Franklin Large Cap Growth Fund''). Franklin Federal Tax-Free Fund, a California corporation, is an open-end management investment company registered under the Act. Franklin Investors Securities Trust, a Massachusetts business trust, is an open-end management investment company registered under the Act, and currently offers six series, one of which is the Franklin Investors Securities Trust: Total Return Fund (''Franklin Total Return Fund''). Templeton Funds, a Maryland corporation, is an open-end management investment company registered under the Act, and currently offers two series, one of which is Templeton Funds: Foreign Fund (''Templeton Foreign Fund''). The Franklin Large Cap Growth Fund, Franklin Federal Tax-Free Fund, Franklin Total Return Fund, and Templeton Foreign Fund are the ''Acquiring Funds''.[1]

2. The Franklin Advisers are each registered under the Investment Advisers Act of 1940 (''Advisers Act'') and serve as investment advisers to the Acquiring Funds.[2] Each Franklin Adviser is a wholly owned subsidiary of Franklin Resources, Inc. (''Resources''). FII is registered under the Advisers Act and serves as investment adviser to each

[1] The Acquired Funds and the corresponding Acquiring Funds are: (a) FTI Funds: Large Cap Growth Fund and Franklin Large Cap Growth Fund; (b) FTI Funds: Municipal Bond Fund and Franklin Federal Tax-Free Fund; (c) FTI Funds: Bond Fund and Franklin Total Return Fund; and (d) FTI Funds: International Equity Fund (''FTI International Equity Fund'') and Templeton Foreign Fund (each, a ''Fund'' and together, the ''Funds'').

[2] FAI serves as investment adviser to Franklin Large Cap Growth Fund, Franklin Federal Tax-Free Fund, and Franklin Total Return Fund. TGAL serves as investment adviser to Templeton Foreign Fund.

of the Acquired Funds. FII is an indirect, wholly owned subsidiary of Fiduciary Trust Company International (''FTCI''), which, on behalf of certain fiduciary accounts, owns of record, beneficially, or both, 5% or more of the outstanding shares of each Acquired Fund. FTCI is also an indirect wholly owned subsidiary of Resources.

3. On January 16, 2002, the board of trustees of FTI Funds (''FTI Board''), including all the trustees who are not ''interested persons,'' as defined in section 2(a)(19) of the Act (''Disinterested Trustees''), unanimously approved the respective Agreements and Plans of Reorganization entered into between the Acquired Funds and the Acquiring Funds (each a ''Plan'' and together, the ''Plans''). On November 20, 2001 (and on December 4, 2001, in the case of Templeton Funds), the respective boards of trustees of the Acquiring Funds each a ''Franklin Board'' and collectively, the ''Franklin Boards''), including the Disinterested Trustees, unanimously approved each Plan. Under each Plan, an Acquiring Fund will acquire substantially all of the assets of the corresponding Acquired Fund in exchange for Advisor Class shares of the Acquiring Fund, which will be distributed pro rata by the Acquired Fund to its shareholders as soon as reasonably practicable after the close of the applicable reorganization (each, a ''Reorganization''). The shares of each Acquiring Fund exchanged will have a total net asset value equal to the total net asset value of the corresponding Acquired Fund's shares determined as of 4:00 p.m. Eastern time on the closing date of each Reorganization (each, a ''Closing Date''). The net asset value of the Acquiring Fund shares and the value of the corresponding Acquired Fund's net assets will be determined according to each Fund's then-current prospectus and statement of additional information. On the Closing Date, which is currently anticipated to occur on or about March 27, 2002, the Advisor Class shares of each Acquiring Fund will be distributed to the corresponding Acquired Fund's shareholders, and each Acquired Fund will satisfy its liabilities, liquidate and be dissolved as a separate series of FTI Funds.

4. Applicants state that the investment objectives and strategies of each Acquired Fund are similar to those of each respective Acquiring Fund. Shares of the Acquired Funds and the Advisor Class shares of the Acquiring Funds are not subject to a front-end sales load, contingent deferred sales charge or exchange fee. The Acquiring Funds do not have a rule 12b–1 distribution fee for their Advisor Class shares. No sales charges or other fees will be imposed in connection with the Reorganizations. The expenses of each Reorganization will be paid one-quarter by the applicable Acquiring Fund, the corresponding Acquired Fund, the applicable Franklin Adviser, and FII.

5. Each Franklin Board and the FTI Board (together, the ''Boards''), including all of the Disinterested Trustees, determined that each 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 Boards considered various factors, including, among other things: (a) The investment objectives, management policies and investment restrictions of the Funds; (b) the terms and conditions of the Reorganizations including any changes in services to be provided to shareholders of each Fund; (c) the respective expense ratios of the Funds; (d) the tax-free nature of the Reorganizations; and (e) the potential economies of scale that are likely to result from the larger asset base of the combined Funds.

6. The Reorganizations are subject to a number of conditions, including: (a) Each Acquired Fund's shareholders will have approved the Plan; (b) an N–14 registration statement relating to each Reorganization will have become effective with the Commission; (c) each Fund will have received an opinion of counsel concerning the tax-free nature of its respective Reorganization; (d) each Acquired Fund will have declared and paid dividends and other distributions on or before the Closing Date; and (e) applicants will have received from the Commission the exemptive relief requested by the application. A Plan may be terminated and the Reorganization abandoned at any time prior to the Closing Date by mutual written consent of the parties or by either Fund in the case of a breach of the Plan. Applicants agree not to make any material changes to any Plan without prior approval of the Commission staff.

7. A registration statement on Form N–14 with respect to the Reorganization of each Acquired Fund, containing a proxy statement/prospectus, was filed with the Commission on January 22, 2002 (January 18, 2002 for FTI International Equity Fund). A combined prospectus/proxy statement will be mailed to each Acquired Fund's shareholders at least 20 business days before the date of the meeting of shareholders of each Acquired Fund (scheduled for March 22, 2002).

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 believe that they may not rely on rule 17a–8 in connection with the Reorganizations because the Funds may be deemed to be affiliated by reasons other than having a common investment adviser, common directors, and/or common officers. Applicants state that FTCI, on behalf of certain fiduciary accounts, owns of record, beneficially, or both, 5% or more of the total outstanding voting securities of each Acquired Fund. FTCI is also an affiliated person of each Franklin Adviser because each such company is under the common control of Resources, which directly or indirectly owns 100% of each company's outstanding voting securities. Consequently, each Acquired Fund may be deemed to be an affiliated person of an affiliated person of the corresponding Acquiring Fund for reasons other than those set forth in rule 17a–8.

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 an order under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganizations. Applicants submit that each Reorganization satisfies 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 similar to those of the corresponding Acquiring Funds. Applicants also state that each Franklin Board and the FTI Board, including all of the Disinterested Trustees, found that the participation of the Acquired and the Acquiring Funds in the Reorganizations is in the best interests of each Fund and its shareholders and that such participation will not dilute the interests 4 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.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–5432 Filed 3–6–02; 8:45 am]

BILLING CODE 8010–01–U

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–45488; File No. SR–AMEX–2001–107]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange LLC Relating the Allocation to Specialists of Securities Admitted to Dealings on an Unlisted Trading Privileges Basis

February 28, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 17, 2001, the American Stock Exchange LLC (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed Amendment No. 1 to its proposal on February 1, 2002.[3] 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 adopt Amex Rule 28 to establish allocation procedures for securities admitted to dealings on a UTP basis. The text of the proposed rule change is below. Proposed new language is in *italics.*

* * * * *

Allocation of Securities Admitted to Dealings on an Unlisted Trading Privileges (''UTP'') Basis Rule 28. (a) The UTP Allocations Committee shall allocate securities admitted to dealings on an unlisted basis. The UTP Allocations Committee shall consist of the Chief Executive Officer of the Exchange who shall serve as the Chairman of the Committee, three members (selected from among Exchange Officials, Senior Floor Officials and Floor Governors), and three members of the Exchange's senior management as designated by the Chief Executive Officer of the Exchange. The Committee shall make its decisions by majority vote. The Chairman of the Committee may only vote to create or break a tie.

(b) The UTP Allocations Committee shall select the specialist that appears best able in the professional judgment of the members of the Committee to perform the functions of a specialist in the security to be allocated. Factors to be considered in the allocation may include, but are not limited to: (1) quality of markets made by the specialist, (2) experience with trading the security or similar securities, (3) willingness to promote the Exchange as a marketplace, (4) operational capacity including number and quality of professional staff, (5) number and quality of support personnel, (6) record of disciplinary, Committee on Floor Member Performance (''Performance Committee'') and cautionary actions including significant pending enforcement matters, (7) Performance Committee evaluations, (8) Specialist Floor Broker Questionnaire ratings and data, (9) the degree of interest expressed by a specialist in receiving the allocation in question, (10) undertakings by specialist applicants with respect to market quality, (11) order flow statistics, (12) the existence of a common ownership or similar economic interest among one or more specialists and market makers, (13) trading expertise in the primary market for the securities to be traded on an unlisted basis, and (14) ability and willingness to trade with other markets where the securities to be allocated trade.

(c) The UTP Allocations Committee may meet with potential specialists to obtain information regarding their qualifications. The Committee also may require specialists to submit information regarding their qualifications in writing.

(d) Willingness to promote the Exchange as a market place includes providing financial and other support for the Exchange's program to trade securities on an unlisted basis, contributing to the Exchange's marketing effort, consistently applying for allocations, assisting in meeting and educating market participants (and taking time for travel related thereto), maintaining communications with member firms in order to be responsive to suggestions and complaints, responding to competition by offering competitive markets and competitively priced services, and other like activities.

(e) The Exchange may allocate Nasdaq securities eligible for inclusion in the Exchange's Integrated Market Making Pilot Program (''Pilot Program'') prior to the commencement of the Pilot Program. If such securities are so allocated, upon the commencement of the Pilot Program, the UTP Allocations Committee shall conduct a reallocation proceeding in order to implement the Pilot Program at which proceeding the Committee may reallocate such Nasdaq securities. The UTP Allocations Committee shall follow the procedures described in this Rule 28 when it reallocates Nasdaq securities pursuant to this paragraph (e).

* * * * *

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

In its filing with the Commission, the Exchange 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 Exchange has prepared summaries, set

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

[3] *See* letter from Geraldine Brindisi, Vice President and Corporate Secretary, Amex, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated January 30, 2002 (''Amendment No. 1''). In Amendment No. 1, the Exchange clarified its proposal to consider potential integrated market making arrangements as a factor in determining the specialist allocation of equity securities traded on the Exchange pursuant to unlisted trading privileges (''UTP''), if the Amex's integrated market making proposal (SR–Amex-2001–75) is approved by the Commission.