sell goods at fair market prices, under an exemption from the at-cost standard of section 13(b) of the Act and rules 90 and 91 under the Act, when the company receiving the goods or services is:

(1) A FUCO or foreign EWG that does not derive any income, directly or indirectly, from the generation, transmission or distribution of electric energy for sale within the United States;

(2) An EWG that sells electricity to nonassociate companies at market-based rates approved by the Federal Energy Regulatory Commission (''FERC'');

(3) A ''qualifying facility'' under the Public Utility Regulatory Policy Act of 1978 (''PURPA'') that sells electricity to industrial or commercial customers for their own use at negotiated prices or to electric utility companies at their ''avoided cost,'' as defined under PURPA;

(4) A domestic EWG or ''qualifying facility'' that sells electricity to nonassociate companies at cost-based rates approved by FERC or a state commission; and

(5) A Rule 58 Subsidiary or any other authorized subsidiary that: (a) Is partially owned, provided that the ultimate purchaser of the goods or services is not an associate public utility company or an associate company that primarily provides goods and services to associate public-utility companies; (b) is engaged solely in the business of developing, owning, operating and/or providing goods and services to nonutility companies described in items (1) through (4), above or (c) does not derive, directly or indirectly, any material part of its income from sources within the United States and is not a public-utility company operating within the United States.

XIII. Energy Related Subsidiaries

E.ON is in the process of a significant program of divestiture of its nonutility businesses. E.ON expects to receive proceeds from business divestitures in excess of $20 billion within the next five years, including the proceeds of sales already made. Applicants propose that E.ON invest the divestiture proceeds to build its existing, permitted nonutility businesses, and acquire additional interests in EWGs, FUCOs and permitted nonutility businesses located primarily outside of the United States.

XIV. EWG/FUCO-Related Financings

E.ON requests authorization to issue and sell securities in an aggregate amount of up to $25 billion for the purpose of financing investments in EWGs and FUCOs in the Acquisition Application. E.ON also proposes to invest an additional $35 billion in EWGs and FUCOs available from the divestiture of the TBD Subsidiaries. Both of these amounts are included within the External Financing Limit.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–6551 Filed 3–18–02; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25461; 812–10806]

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

March 13, 2002.

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

ACTION: Notice of application under section 6(c) of the Investment Company Act of 1940 (''Act'') for an exemption from sections 18(f) and 21(b) of the Act, under section 12(d)(1)(J) of the Act for an exemption from section 12(d)(1) of the Act, under sections 6(c) and 17(b) for an exemption from sections 17(a)(1) and 17(a)(3) of the Act, and under section 17(d) of the Act and rule 17d–1 under the Act to permit certain joint arrangements.

Summary of Application: Applicants request an order that would permit certain registered investment companies to participate in a joint lending and borrowing facility.

Applicants: Putnam American Government Income Fund, Putnam Arizona Tax Exempt Income Fund, Putnam Asia Pacific Growth Fund, Putnam Asset Allocation Funds (on behalf of its portfolio series: Putnam Asset Allocation: Growth Portfolio, Putnam Asset Allocation: Balanced Portfolio and Putnam Asset Allocation: Conservative Portfolio), Putnam Balanced Retirement Fund, 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 Diversified Income Trust, Putnam Equity Income Fund, Putnam Europe Growth Fund, Putnam Florida Tax Exempt Income Fund, The Putnam Fund for Growth and Income, Putnam Funds Trust (on behalf of is portfolio series: Putnam Asia Pacific Fund II, Putnam Equity Fund 98, Putnam Equity Fund 2000, Putnam Financial Services Fund, Putnam Growth Fund, Putnam High Yield Trust II, Putnam International Fund 2000, Putnam International Growth and Income Fund, Putnam International Core Fund, Putnam Mid Cap Fund 2000, Putnam New Century Growth Fund, Putnam Technology Fund and Putnam U.S. Core Fund), The George Putnam Fund of Boston, Putnam Global Equity Fund, Putnam Global Governmental Income Trust, Putnam Global Growth Fund, Putnam Global Natural Resources Fund, Putnam Health Sciences Trust, Putnam High Yield Advantage Fund, Putnam High Yield Trust, Putnam Income Fund, Putnam Intermediate U.S. Government Income Fund, Putnam International Growth Fund, Putnam Investment Funds (on behalf of its portfolio series: Putnam Balanced Fund, Putnam Capital Opportunities Fund, Putnam Emerging Markets Fund, Putnam Global Aggressive Growth Fund, Putnam Global Growth and Income Fund, Putnam Growth Opportunities Fund, Putnam International Fund, Putnam International Blend Fund, Putnam International Large Cap Growth Fund, Putnam International New Opportunities Fund, Putnam International Voyager Fund, Putnam Mid-Cap Value Fund, Putnam New Value Fund, Putnam Research Fund and Putnam Small Cap Value Fund), Putnam Investors Fund, Putnam Massachusetts Tax Exempt Income Fund, Putnam Michigan Tax Exempt Income Fund, Putnam Minnesota Tax Exempt Income Fund, Putnam Money Market Fund, Putnam Municipal Income Fund, Putnam New Jersey Tax Exempt Income Fund, Putnam New Opportunities Fund, 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 Strategic Income Fund, Putnam Tax Exempt Income Fund, Putnam Tax Exempt Money Market Fund, Putnam Tax-Free Income Trust (on behalf of its portfolio series: Putnam Tax-Free High Yield Fund and Putnam Tax-Free Insured Fund), Putnam Tax Smart Funds Trust (on behalf of its portfolio series: Putnam Tax Smart Equity Fund), Putnam U.S. Government Income Trust, Putnam Utilities Growth and Income Fund, Putnam Variable Trust (on behalf of its portfolio series: Putnam VT American Government Income Fund, Putnam VT Asia Pacific Growth Fund, Putnam VT Capital

Appreciation Fund, Putnam VT Diversified Income Fund, Putnam VT The George Putnam Fund of Boston, Putnam VT Global Asset Allocation Fund, Putnam VT Global Growth Fund, Putnam VT Growth and Income Fund, Putnam VT Growth Opportunities Fund, Putnam VT Health Sciences Fund, Putnam VT High Yield Fund, Putnam VT Income Fund, Putnam VT International Growth Fund, Putnam VT International Growth and Income Fund, Putnam VT International New Opportunities Fund, Putnam VT Investors Fund, Putnam VT Money Market Fund, Putnam VT New Opportunities Fund, Putnam VT New Value Fund, Putnam VT OTC & Emerging Growth Fund, Putnam VT Research Fund, Putnam VT Small Cap Value Fund, Putnam VT Technology Fund, Putnam VT Utilities Growth and Income Fund, Putnam VT Vista Fund, Putnam VT Voyager Fund and Putnam VT Voyager Fund II), Putnam Vista Fund, Putnam Voyager Fund, Putnam Voyager Fund II, Putnam California Investment Grade Municipal Trust, Putnam Convertible Opportunities and Income Trust, Putnam High Income Convertible and Bond Fund, Putnam High Yield Municipal Trust, Putnam Investment Grade Municipal Trust, Putnam Managed High Yield Trust, Putnam Managed Municipal Income Trust, Putnam Master Income Trust, Putnam Master Intermediate Income Trust, Putnam Municipal Bond Fund, Putnam Municipal Opportunities Trust, Putnam New York Investment Grade Municipal Trust, Putnam Premier Income Trust, Putnam Tax-Free Health Care Fund (collectively, the ''Funds''), and Putnam Investment Management, LLC (the ''Adviser'').

Filing Dates: The application was filed on October 6, 1997 and amended on February 26, 2002.

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 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 April 8, 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 who wish to be notified of a hearing may request notification 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 R. Verani, Putnam Investment Management, LLC, One Post Office Square, Boston, MA 02109.

FOR FURTHER INFORMATION CONTACT: Karen L. Goldstein, Senior Counsel, at (202) 942–0646, or Nadya B. Roytblat, Assistant Director, 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 Fifth Street, NW, Washington, DC 20549 (tel. 202–942–8090).

Applicants' Representations

1. The Funds, each a Massachusetts business trust, are registered under the Act as open-end or closed-end management investment companies (referred to as ''Open-end Funds'' and ''Closed-end Funds,'' respectively). The Adviser, registered under the Investment Advisers Act of 1940, serves as the investment adviser for each Fund. The Adviser is a wholly-owned subsidiary of Putnam Investments, LLC, which is owned by Putnam Investments Trust, a subsidiary of Marsh & McLennan Companies, Inc. Applicants request that any relief granted pursuant to the application also apply to any other existing or future registered management investment companies, or series thereof, for which the Adviser or a company controlling, controlled by, or under common control with the Adviser, acts as investment adviser (''Future Funds'').[1]

2. Certain of the Open-end Funds have entered into a line of credit with a syndicate of banks (the ''Banks'') under which the Banks are obligated to lend money to the Open-end Funds for temporary or emergency purposes. In addition, certain of the Funds may lend money to the Banks or other parties by entering into repurchase agreements or purchasing other short-term instruments. When Open-end Funds borrow from the Banks, they pay a rate of interest significantly higher than the rate of interest earned by the Funds that have entered into repurchase agreements. The interest rate difference represents the Bank's profit for serving as ''middleman'' between borrowers and lenders.

3. The Funds seek to reduce the middleman function of the Banks by entering into a master loan agreement with each other (the ''Credit Facility'') that would permit the Funds to lend money directly to, and borrow from, each other to meet the temporary or emergency borrowing needs of the borrowing Open-end Funds (''Interfund Loans'').

4. Applicants state that the Credit Facility would reduce substantially an Open-end Fund's borrowing costs and to enhance a Fund's ability to earn higher rates of interest on its short-term lending. Although the Credit Facility would substantially reduce the Funds' reliance on bank credit arrangements, the Funds may continue to maintain bank loan facilities.

5. Applicants anticipate that the Credit Facility would provide a borrowing Open-end Fund with savings when the cash position of the Fund is insufficient to meet cash requirements. This situation typically arises when shareholder redemptions exceed anticipated volumes and the Open-end Fund has insufficient cash on hand to satisfy the redemptions. Although all transactions are required to be settled within three business days, the Open-end Fund may require a source of immediate, short-term liquidity to meet redemption requests pending settlement of the sale of portfolio securities.

6. Although bank borrowings are available to provide liquidity, the rate charged under the Credit Facility will be below that charged by commercial lenders for short-term loans. Likewise, a Fund making a cash loan directly to another Fund would earn interest at a rate higher than it otherwise could obtain from investing its cash in short-term repurchase agreements. Thus, applicants believe that the Credit Facility would benefit both those Funds that are borrowers and those that are lenders.

7. The interest rate to be charged on Interfund Loans (the ''Interfund Rate'') would be determined daily and would generally be the average of (i) the higher of the ''OTD Rate'' and the ''Repo Rate'' and (ii) the ''Bank Loan Rate'' (each as defined below). The OTD Rate on any day would be the highest interest rate available to the Funds from investment in overnight time deposits. The Repo Rate on any day would be the highest interest rate available to the Funds from investment in overnight repurchase agreements. The Bank Loan Rate for any day would be calculated according to a formula, established by the board of trustees of each Fund (''Board''),

[1] All existing investment companies that presently intend to rely on the order are named as applicants. Any Future Funds that subsequently rely on the order will comply with the terms and conditions in the application.

intended to approximate the lowest interest rate at which short-term bank loans are available to the Funds. The formula would be based upon a publicly available rate (*e.g.,* Federal Funds rate plus 25 basis points) and would vary with that rate to reflect changing bank loan rates. The initial formula and any subsequent modifications would be subject to the approval of the Board of each Fund. In addition, each Fund's Board periodically would review the continuing appropriateness of reliance on the publicly available rate used to determine the Bank Loan Rate, as well as the relationship between the Bank Loan Rate and current bank loan rates available to the Funds.

8. The Adviser would administer the Credit Facility as part of its duties under its investment management agreement with each Fund and would receive no additional fee as compensation for its services. The Adviser will make an Interfund Loan available to a borrowing Fund only if the Interfund Rate is more favorable to the lending Fund than both the Repo Rate and the OTD Rate and more favorable to the borrowing Fund than the Bank Loan Rate. Closed-end Funds and money market Funds will participate in the Credit Facility only as lending Funds.

9. On each business day the Adviser would collect data on the uninvested cash balances and borrowing requirements of all participating Funds. The Adviser would allocate borrowing demand and cash available for lending among the Funds on a basis believed by it to be equitable, subject to certain administrative procedures applicable to all Funds, such as the time a decision is made that a particular Fund would participate, minimum loan sizes, and the need to minimize the number of transactions and associated administrative costs. To reduce transaction costs, each single Interfund Loan may be allocated to minimize the number of participants necessary to complete that Interfund Loan transaction. No Fund would be able to direct that its cash balance be loaned to any particular Fund or otherwise intervene in the Adviser's allocation of Interfund Loans. After allocating cash for Interfund Loans, the Adviser would invest any remaining cash in accordance with the investment guidelines of the Funds. The method of allocation and related administrative procedures would be established by each Fund's Board, including a majority of independent trustees who are not interested persons of the Fund, as defined in section 2(a)(19) of the Act (''Independent Trustees''), to ensure that both borrowing and lending Funds participate on an equitable basis.

10. The Adviser would (i) monitor the interest rates charged and the other terms and conditions of the Interfund Loans, (ii) ensure compliance with each Fund's investment policies and limitations, (iii) ensure equitable treatment of each Fund, and (iv) make quarterly reports to the Board concerning any transactions by the Funds under the Credit Facility and the Interfund Loan Rates.

11. No Fund would be permitted to participate in the Credit Facility unless (i) it had fully disclosed all material information concerning the Credit Facility in its prospectus or statement of additional information, (ii) it had obtained necessary shareholder approval, and (iii) the Fund's participation in the Credit Facility was consistent with its investment policies and restrictions and its Agreement and Declaration of Trust.

12. In connection with the Credit Facility, applicants request an order under (i) section 6(c) of the Act granting relief from sections 18(f) and 21(b) of the Act; (ii) section 12(d)(1)(J) of the Act granting relief from section 12(d)(1) of the Act; (iii) sections 6(c) and 17(b) of the Act granting relief from sections 17(a)(1) and 17(a)(3) of the Act; and (iv) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint transactions.

Applicants' Legal Analysis

1. Section 17(a)(3) generally prohibits any affiliated person, or affiliated person of an affiliated person, from borrowing money or other property from a registered investment company. Section 21(b) generally prohibits any registered management investment company from lending money or other property to any person if that person controls or is under common control with the company. Section 2(a)(3)(C) of the Act defines an ''affiliated person'' of another person, in part, to be any person directly or indirectly controlling, controlled by, or under common control with, the other person. Funds that are advised by the same entity are ''affiliated persons'' of each other under section 2(a)(3)(C) of the Act by reason of being under common control. Applicants state that the Funds may be under common control by virtue of having the same Adviser and substantially the same Board and officers and therefore, under sections 17(a)(3) and 21(b), would be prohibited from participating in the Credit Facility.

2. Section 6(c) of the Act provides that the Commission may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provisions of the Act, if and to the extent 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. Section 17(b) of the Act provides that the Commission may exempt a transaction from the prohibitions of section 17(a) provided that the terms of the transaction, including the consideration to be paid, 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. Applicants believe that the proposed arrangements satisfy these standards for the reasons discussed below.

3. Applicants contend that the Credit Facility is consistent with the overall purposes of sections 17(a)(3) and 21(b). These sections are intended to prevent a party with potential adverse interests to, and some influence over the investment decisions of, a registered investment company from causing or inducing the investment company to engage in lending transactions that unfairly benefit that party and that are detrimental to the best interests of the investment company and its shareholders. Applicants assert that the proposed transactions do not raise such concerns because (i) the Adviser would administer the program as a disinterested fiduciary, (ii) the Interfund Loans would not involve a degree of risk greater than that of short-term repurchase agreements or comparable short-term instruments, (iii) the lending Fund would earn interest at a rate higher than it could obtain through similar other investments, and (iv) the borrowing Fund would pay interest at a rate no greater than otherwise available to it under its bank loan agreements, if any. Moreover, the proposed conditions would effectively preclude the possibility of any undue advantage.

4. Section 17(a)(1) generally prohibits an affiliated person of a registered investment company, or an affiliated person of an affiliated person, from selling any securities or other property to the company. Section 12(d)(1) of the Act generally makes it unlawful for a registered investment company to purchase or otherwise acquire any security issued by any other investment company except in accordance with the limitations set forth in that section. Applicants state that the Credit Facility may be deemed to involve transactions

by affiliated persons of the Funds. Applicants also state that the obligation of a borrowing Fund to repay an Interfund Loan may constitute a security under sections 17(a)(1) and 12(d)(1). Section 12(d)(1)(J) of the Act permits the Commission to conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions from the provisions of section 12(d)(1), if and to the extent that the exemption is consistent with the public interest and the protection of investors. Applicants contend that the standards under sections 6(c), 17(b), and 12(d)(1) are satisfied for all the reasons set forth above in support of their request for relief from sections 17(a)(3) and 21(b) and for the reasons set forth below.

5. Applicants submit that the Credit Facility does not involve the type of abuse at which section 12(d)(1) was directed. That section was intended to prevent the pyramiding of investment companies in order to avoid imposing on investors additional and duplicative costs and fees that are generated by multiple layers of investments. Applicants state that the entire purpose of the Credit Facility is to provide economic benefits for all participating Funds. Applicants state that there would be no duplicative costs or fees to the Funds or their shareholders, and that the Adviser would administer the Credit Facility under its existing agreements with the Funds and would not receive additional compensation for its services.

6. Section 18(f)(1) prohibits open-end investment companies from issuing any senior security except that a registered company may borrow from any bank so long as immediately after the borrowing there is asset coverage of at least 300% for all borrowings of the company. Under section 18(g) of the Act, the term ''senior security'' includes any bond, debenture, note, or similar obligation or instrument constituting a security and evidencing indebtedness. Applicants request exemptive relief from section 18(f)(1) to the limited extent necessary to implement the Credit Facility (because the lending Funds are not banks).

7. Applicants believe that granting relief under section 6(c) is appropriate because the Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of the Fund, including combined interfund and bank borrowings, have at least 300% asset coverage. Based on the conditions and safeguards described in the application, applicants also submit that to allow the Funds to borrow from other Funds under the Credit Facility is consistent with the purposes and policies of section 18(f)(1).

8. Section 17(d) and rule 17d–1 generally prohibit any affiliated person of a registered investment company, or affiliated person of an affiliated person, when acting as principal, from effecting any joint transaction in which the company participates unless the transaction is approved by the Commission. Rule 17d–1 provides that in passing upon applications for exemptive relief from section 17(d), the Commission will consider whether the participation of a registered investment company in a joint enterprise on the basis proposed is consistent with the provisions, policies, and purposes of the Act and the extent to which the company's participation is on a basis different from or less advantageous than that of other participating Funds.

9. Applicants submit that the purpose of section 17(d) is to avoid self-dealing between investment companies and insiders. Applicants believe that the credit facility is consistent with the provisions, policies and purposes of the Act in that it offers both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and their shareholders. Applicants note that each Fund would have an equal opportunity to borrow and lend on equal terms consistent with its investment policies and fundamental investment limitations. Applicants therefore state that each Fund's participation in the Credit Facility will be on terms that are no different from or less advantageous than those of other participating Funds.

Applicants' Conditions

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

1. The interest rates to be charged to the Funds under the Credit Facility will be the average of (i) the higher of the OTD Rate and the Repo Rate and (ii) the Bank Loan Rate.

2. The Adviser on each business day will compare the Bank Loan Rate with the Repo Rate and the OTD Rate and will make cash available for Interfund Loans only if the Interfund Rate is (i) more favorable to the lending Fund than both the Repo Rate and the OTD Rate and (ii) more favorable to the borrowing Fund than the Bank Loan Rate.

3. If a Fund has outstanding borrowings from any bank, then any Interfund Loans to the Fund (i) will be at an interest rate equal to or lower than any outstanding bank loan, (ii) will be secured at least on an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding bank loan that required collateral, (iii) will have a maturity no longer than any outstanding bank loan (and in no event more than seven days) and (iv) will provide that if an event of default by the Fund occurs under any agreement evidencing an outstanding bank loan to the Fund, that event of default will automatically (without need for action or notice by the lending Fund) constitute an immediate event of default under the Interfund Loan. This event of default will entitle the lending Fund to call the Interfund Loan and exercise all rights with respect to the collateral, if any. Such call will be made if the lending bank or banks exercise their rights to call their loan under an agreement with the Fund.

4. A Fund may make an unsecured borrowing through the Credit Facility if its outstanding borrowings from all sources immediately after the borrowing total 10% or less of its total assets, provided that if the Fund has a secured loan outstanding from any other lender, including but not limited to another Fund, the Fund's interfund borrowing will be secured on at least an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding loan that required collateral. If a Fund's total outstanding borrowings immediately after an interfund borrowing would be greater than 10% of its total assets, the Fund may borrow through the Credit Facility only on a secured basis. A Fund could not borrow through the Credit Facility or from any other source if its total outstanding borrowings immediately after the interfund borrowing would be more than 33⅓% of its total assets.

5. Before any Fund that has outstanding interfund borrowings may, through additional borrowings, cause its outstanding borrowings from all sources to exceed 10% of its total assets, the Fund must first secure each outstanding Interfund Loan by the pledge of segregated collateral with a market value equal to at least 102% of the outstanding principal value of the loan. If the total outstanding borrowings of a Fund with outstanding Interfund Loans exceed 10% of its total assets for any other reason (such as a decline in net asset value or shareholder redemptions), the Fund will within one business day thereafter (i) repay all of its outstanding Interfund Loans, (ii) reduce its outstanding indebtedness to 10% or less of its total assets or (iii) secure each outstanding Interfund Loan by a pledge of segregated collateral with a market value equal to at least 102% of the outstanding principal value of the loan until the Fund's total outstanding

borrowings cease to exceed 10% of its total assets, at which time the collateral called for by this condition (5) will no longer be required. Until each Interfund Loan that is outstanding at a time that a Fund's total outstanding borrowings exceed 10% is repaid, or until the Fund's total outstanding borrowings cease to exceed 10% of its total assets, the Fund will mark the value of the collateral to market each day and will pledge additional collateral as is necessary to maintain the market value of the collateral that secures each outstanding Interfund Loan at a level equal to at least 102% of the outstanding principal value of the Interfund Loan.

6. No Fund may loan funds through the Credit Facility if the loan would cause its aggregate outstanding loans through the Credit Facility to exceed 15% of its current net assets at the time of the loan.

7. A Fund's Interfund Loans to any one Fund shall not exceed 5% of the lending Fund's net assets.

8. The duration of the Interfund Loans will be limited to the time required to receive payment for securities sold, but in no event more than seven days. Loans effected within seven days of each other will be treated as separate loan transactions for purposes of this condition (8).

9. Unless the Fund has a policy that prevents it from borrowing for other than temporary or emergency purposes, the Fund's borrowings through the Credit Facility, as measured on the day the most recent Interfund Loan was made to that Fund, will not exceed the greater of 125% of the Fund's total net cash redemptions or 102% of sales fails, in each case, for the preceding seven calendar days.

10. Each Interfund Loan may be called on one business day's notice by the lending Fund and may be repaid on any day by the borrowing Fund.

11. A Fund's participation in the Credit Facility must be consistent with its investment policies and limitations and the Fund's Agreement and Declaration of Trust.

12. The Adviser will calculate total Fund borrowing and lending demand through the Credit Facility, and allocate Interfund Loans on an equitable basis among Funds, without the intervention of the portfolio manager of any Fund. The Adviser will not solicit cash for the Credit Facility from any Fund or prospectively publish or disseminate loan demand data to portfolio managers. The Adviser will invest amounts remaining after satisfaction of borrowing demand in accordance with the investment guidelines of the Funds.

13. The Adviser will monitor the interest rates charged and the other terms and conditions of the Interfund Loans and will make a quarterly report to the Board of the Funds concerning the Funds' participation in the Credit Facility and the terms and other conditions of any extensions of credit under the Credit Facility.

14. Each Fund's Board, including a majority of the Independent Trustees: (i) Will review no less frequently than quarterly the Fund's participation in the Credit Facility during the preceding quarter for compliance with the conditions of any order permitting such transactions; (ii) will establish the Bank Loan Rate formula used to determine the interest rate on Interfund Loans, and review no less frequently than annually the continuing appropriateness of such Bank Loan Rate formula; and (iii) will review no less frequently than annually the continuing appropriateness of the Fund's participation in the Credit Facility.

15. If an Interfund Loan is not paid according to its terms and such default is not cured within two business days from its maturity or from the time the lending Fund makes a demand for payment under the provisions of the Interfund Loan Agreement, the Adviser promptly will refer such loan for arbitration to an independent arbitrator who has been selected by the Board of any Fund involved in the loan and who will serve as arbitrator of disputes concerning Interfund Loans.[2] The arbitrator will resolve any problem promptly, and the arbitrator's decision will be binding on both Funds. The arbitrator will submit, at least annually, a written report to the Board of the Funds setting forth a description of the nature of any dispute and the actions taken by the Funds to resolve the dispute.

16. Each Fund will maintain and preserve written records of all transactions under the Credit Facility, setting forth a description of the terms of the transaction, including the amount, the maturity and the rate of interest on the loan, the rate of interest available at the time on short-term repurchase agreements and commercial bank borrowings, and such other information presented to the Fund's Board in connection with the review required by conditions (13) and (14). These records 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 involving the Fund occurred under the Credit Facility. For the first two years of this six-year period, the maintenance and preservation of these records will be in an easily accessible place.

17. The Adviser will prepare and submit to the Board for review an initial report describing the operations of the Credit Facility and the procedures to be implemented to ensure that all Funds are treated fairly. After the Credit Facility commences operations, the Adviser will report to the Board quarterly on the operations of the Credit Facility. In addition, for two years following the commencement of the Credit Facility, the independent public accountant for each Fund that is a registered investment company shall prepare an annual report that evaluates the Adviser's assertion that it has established procedures reasonably designed to achieve compliance with the conditions of the order. The report shall be prepared in accordance with the Statements on Standards for Attestation Engagements No. 3 and it shall be filed pursuant to Item 77Q3 of Form N–SAR. In particular, the report shall address procedures designed to achieve the following objectives: (i) That the Interfund Rate will be higher than both the Repo Rate and the OTD Rate but lower than the Bank Loan Rate; (ii) compliance with the collateral requirements described in the application; (iii) compliance with the percentage limitations on interfund borrowing and lending; (iv) allocation of interfund borrowing and lending demand in an equitable manner and in accordance with procedures established by the Board; and (v) that the interest rate on any Interfund Loan does not exceed the interest rate on any third party borrowings of a borrowing Fund at the time of the Interfund Loan.

After the final report is filed, the Fund's external auditors, in connection with their Fund audit examinations, will continue to review the operation of the Credit Facility for compliance with the conditions of the application and their review will form the basis, in part, of the auditor's report on internal accounting controls in Form N–SAR.

18. No Fund will participate in the Credit Facility upon receipt of requisite regulatory approval unless it has fully disclosed in its statement of additional information all material facts about its intended participation.

[2] If the dispute involves Funds with separate Boards, the Board of each Fund will select an independent arbitrator that is satisfactory to each Fund.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02–6509 Filed 3–18–02; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25462; 812–12312]

Financial Investors Trust, et al.; Notice of Application

March 13, 2002.

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

ACTION: Notice of an application for an order under sections 6(c), 12(d)(1)(J), and 17(b) of the Investment Company Act of 1940 (the ''Act'') for an exemption from sections 12(d)(1)(A) and (B) and 17(a) of the Act, and under section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint transactions.

SUMMARY OF APPLICATION: The requested order would permit certain registered management investment companies to invest uninvested cash and cash collateral in affiliated money market funds in excess of the limits in sections 12(d)(1)(A) and (B) of the Act.

Applicants: Armada Funds (''Armada''), The Armada Advantage Fund (''Armada Advantage''), Financial Investors Trust on behalf of The United Association S&P 500 Index Fund (''United Association'', and together with Armada and Armada Advantage, the ''Trusts'') and any registered open-end management investment company or series thereof that is currently, or in the future advised by National City Investment Management Company (''IMC'') or any entity controlling, controlled by, or under common control with IMC (together with IMC, the ''Adviser'')(collectively, the Trusts and their series, such investment companies and their series, the ''Funds.'')

Filing Dates: The application was filed on October 20, 2000, and amended on March 4, 2002.

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 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 April 8, 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW, Washington, DC 20549–0609; Applicants, Armada, One Freedom Valley Drive, Oaks, PA 19456; Armada Advantage, One Freedom Valley Drive, Oaks, PA 19456; United Association S&P 550 Index Fund, PMB 606, 303 16th Street, Suite #016, Denver, CO 80202–5657; IMC, 1900 East Ninth Street, Cleveland, OH 44114.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942–0574 or Nadya Roytblat, Assistant Director 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 Fifth Street, NW, Washington, DC 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. Armada and Armada Advantage are Massachusetts business trusts registered under the Act as open-end management investment companies. Financial Investors Trusts is a Delaware business trust registered under the Act as an open-end management investment company. Collectively, the Trusts consist of 36 Funds.[1] The Funds, other than the money market Funds (''Money Market Funds''), invest in a variety of debt and/or equity securities in accordance with their respective investment objectives and policies. The Money Market Funds comply with rule 2a-7 under the Act. The Adviser is a wholly-owned subsidiary of National City Corporation, a publicly-held bank holding company, and is registered under the Investment Advisers Act of 1940 (the ''Advisers Act'').

2. Applicants state that certain Funds (''Investing Funds'') have, or may be expected to have, uninvested cash (''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. The Investing Funds also may participate in a securities lending program under which a Fund may lend its portfolio securities to registered broker-dealers or other institutional investors. The loans are continuously secured by collateral equal at all times to at least the market value of the securities loaned. Collateral for these loans may include cash (''Cash Collateral,'' and together with ''Uninvested Cash,'' ''Cash Balances''.)

3. Applicants request an order to permit each of the Investing Funds to invest its Cash Balances in one or more of the Money Market Funds, and to permit each of the Money Market Funds to sell its shares to, and redeem its shares from, the Investing Funds, and the Adviser to effect such purchases and sales. Investment of Cash Balances in shares of the Money Market Funds will be made only to the extent that such investments are consistent with each Investing Fund's investment objectives, restrictions, and policies as set forth in its prospectus and statement of additional information. Applicants believe that the proposed transactions may reduce transaction costs, create more liquidity, increase returns, and diversify holdings.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) of the Act provides, in pertinent part, that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) of the Act, in pertinent part, 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 Commission may exempt any person, security, or transaction from any provision of section 12(d)(1) if, and to the extent

[1] Each Fund that currently intends to rely on the order has been named as an applicant. Another Fund that may rely on the order in the future will do so only in accordance with the terms and conditions of the application.