

registration statement on Form N-1A. No registration was filed under the Securities Act of 1933 ("Securities Act") because applicant's beneficial interests were issued solely in private placement transactions that did not involve any public offering within the meaning of section 4(2) of the Securities Act.

3. Applicant's sole feeder fund terminated its operations and, therefore, applicant is doing the same. On November 20, 1995, applicant's Board of Trustees unanimously approved the liquidation of applicant, effective January 31, 1996. No shareholder approval was requested by the Declaration of Trust of Applicant, or by applicable law.

4. By May 2, 1996, applicant redeemed both of its beneficial interests which were held by Eaton Vance Arizona Limited Maturity Municipals Fund, a series of Eaton Vance Investment Trust, and Eaton Vance Management. Each interest holder received cash equal to the net asset value of its interest in applicant.

5. Applicant has no securityholders, liabilities or assets. Applicant is not a party to any litigation or administrative proceeding. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

6. Applicant will take all required actions to terminate its existence as a New York trust upon receipt of an order from the SEC that it has ceased to be an investment company.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-22360 Filed 8-30-96; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22173; 812-10236]

First American Strategy Funds, Inc., et al.; Notice of Application

August 26, 1996.

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

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 ("Act").

APPLICANTS: First American Strategy Funds, Inc. ("FASF"); First American Investment Funds, Inc. ("FAIF"); First American Funds, Inc. ("FAF"); First Bank National Association ("First Bank"); SEI Financial Services Company ("SEI").

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from section 12(d)(1) of the Act and under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit FASF to invest primarily in the securities of certain affiliated investment companies in excess of the limits of section 12(d)(1).

FILING DATE: The application was filed on July 5, 1996, and amended on August 22, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 20, 1996, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants: FASF, FAIF, FAF and SEI, 680 East Swedesford Road, Wayne, Pennsylvania, 19087; First Bank, 601 Second Avenue South, Minneapolis, Minnesota 55402.

FOR FURTHER INFORMATION CONTACT: Mercer E. Bullard, Branch Chief, at (202) 942-0564, or Elizabeth G. Osterman, 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 from the SEC's Public Reference Branch.

Applicants' Representations

1. FASF, a Minnesota corporation, is registered as an open-end management investment company under the Act. On July 2, 1996, FASF filed a registration statement under the Securities Act of 1933 for the offering of four series: Income Fund, Growth and Income Fund, Growth Fund, and Aggressive Growth Fund (collectively, "FASF Portfolios"). Each FASF Portfolio will be separately managed and pursue a distinct set of investment objectives and policies. The FASF Portfolios will

pursue their objectives by investing primarily in series of FAIF and FAF ("Underlying Portfolios"). Additional FASF Portfolios may be organized in the future.¹

2. The FASF Portfolios initially will offer their shares in one class that will be subject to an annual shareholder servicing fee equal to .25% of average daily assets. This class will not be subject to front-end or deferred sales charges, redemptions fees, or Rule 12b-1 distribution fees, although such charges and fees may be imposed in the future.

3. FAIF is organized under Maryland law and registered as an open-end management investment company under the Act. FAIF offers its shares in 20 series with varying investment objectives and policies. The series of FAIF that are currently proposed to be used as Underlying Portfolios are: Equity Income Fund, Stock Fund, Diversified Growth Fund, Emerging Growth Fund, Regional Equity Fund, Special Equity Fund, International Fund, Technology Fund, Health Sciences Fund, Real Estate Securities Fund, and Fixed Income Fund. FAF is organized under Minnesota law and registered as an open-end management investment company under the Act. FAF offers its shares in three series. Each series holds itself out to the public as a money market fund and is subject to the requirements of rule 2a-7 under the Act. The series of FAF that is currently proposed to be used as an Underlying Portfolio is the Prime Obligations Fund. Additional series of FAIF and FAF that comply with the conditions set forth herein may be used as Underlying Portfolios in the future.

4. The Underlying Portfolios offer their shares in several classes. The FASF Portfolios initially will invest only in a class of an Underlying Portfolio which is not subject to front-end of deferred sales charges, redemption fees, rule 12b-1 distribution fees, or shareholder servicing fees. The FASF Portfolios in the future may invest in one or more classes of the Underlying Portfolios which bear such charges and fees.

5. First Bank, a national banking association, is the investment adviser for each of the FASF Portfolios and the Underlying Portfolios. First Bank is a wholly-owned subsidiary of First Bank System, Inc. ("FBS"), a bank holding company. First Bank's investment advisory fees with respect to each FASF Portfolio and Underlying Portfolio are

¹ Applicants request relief for such additional FASF Portfolios, subject to the terms and conditions set forth herein.

calculated as a per annum percentage of net assets of each Portfolio. With respect to one of the Underlying Portfolios (FAIF's International Fund), First Bank has engaged a subadviser, Marvin & Palmer Associates, Inc., which is not affiliated with First Bank or any of its affiliates. First Trust National Association, a wholly-owned subsidiary of FBS, is the custodian for the FASF Portfolios and the Underlying Portfolios.

6. SEI, which is not affiliated with First Bank, is principal underwriter for each FASF Portfolio and Underlying Portfolio. Applicants request relief for SEI only in its capacity as principal underwriter for the FASF Portfolios and Underlying Portfolios and not in its capacity as principal underwriter for other groups of investment companies.² Applicants request that the relief extend to any future principal underwriter for the FASF Portfolios and the Underlying Portfolios, provided the conditions set forth herein are satisfied.

7. The investment objectives of the FASF Portfolios are intended to provide differing balances between the objectives of current income and growth of capital. First Bank will allocate and re-allocate the FASF Portfolios' assets among the Underlying Portfolios according to initial percentage ranges as described in the application.

8. The FASF Portfolios will invest primarily in Underlying Portfolio shares. The FASF Portfolios also may invest in cash and cash item for temporary defensive purposes and to maintain liquidity, and in futures contracts and options on futures in order to: remain fully invested in proportions consistent with their current asset allocation strategy in a cost effective manner; re-allocate assets among asset categories while minimizing transaction costs; maintain cash reserves while simulating full investment; facilitate trading; or seek higher investment returns when a futures contract is priced more attractively than the underlying security or index.

9. The FASF Portfolios may redeem Underlying Portfolio shares through in-kind distributions of portfolio securities of Underlying Portfolios. The FASF Portfolio would hold such securities until its adviser determined that it was appropriate to dispose of them. Such in-kind distributions would be made only in order to resolve potential conflicts of

interest between an FASF Portfolio and an Underlying Portfolio. For example, when a redemption by an FASF Portfolio would cause the Underlying Portfolio to incur sizable brokerage commissions, the transaction may be effected in-kind so that the brokerage costs would be borne only by the FASF Portfolio and not by the Underlying Portfolio's shareholders. Any such in-kind redemption would be made *pro rata* and comply with paragraph (a) through (f) of rule 17a-7 under the Act, except that the consideration for the securities distributed by the Underlying Portfolio would be the Underlying Portfolio's shares rather than cash.

10. Applicants request that any relief granted pursuant to the application also apply to any open-end management investment company that is or will be part of the same "group of investment companies," as defined in rule 11a-3 under the Act, as FASF.³

Applicant's Legal Analysis

1. Section 12(d)(1)(A) of the Act provides 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 any other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) 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 6(c) of the Act provides that the SEC may exempt persons or transactions from any provision of the Act if such 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.

3. The restrictions in section 12(d)(1) were intended to prevent certain abuses perceived to be associated with the pyramiding of investment companies, including: (1) Unnecessary duplication of costs (e.g. sales loads, advisory fees,

and administrative costs); (2) undue influence by the fund holding company over its underlying funds; (3) the threat of large scale redemptions of the securities of the underlying investment companies; and (4) unnecessary complexity. For the following reasons, applicants believe that the proposed arrangements will not give rise to these dangers.

4. Applicants contend that the proposed structure will not raise the sales charge layering concerns underlying section 12(d)(1). The FASF initially will offer one class of shares that charges an annual shareholder servicing fee of .25% of average daily assets. This class will not be subject to any front-end or deferred sales charges, redemption fees, or rule 12b-1 distribution fees. The class of Underlying Portfolio shares in which the FASF Portfolios will invest initially will not be subject to any front-end or deferred sales charges, redemption fees, rule 12b-1 distribution fees, or shareholder servicing fees. Although future classes of FASF Portfolios and classes of Underlying Portfolios in which the FASF Portfolios invest may be subject to such charges and fees, any sales charges or service fees relating to the shares of an FASF Portfolio will not exceed the limits set forth in rule 2830 of the NASD's Conduct Rules when aggregated with any sales charges or service fees that the FASF Portfolio pays relating to Underlying Portfolio shares.

5. With regard to concerns about layering of advisory fees, applicants state that, before approving any advisory contract under section 15 of the Act, the board of directors of FASF, including a majority of the directors who are not "interested persons," as defined in section 2(a)(19) of the Act, will find that any advisory fees charged under the contract are based on services provided that are in addition to, rather than duplicative of, services provided under any Underlying Portfolio advisory contract.

6. Applicants believe that, while administrative and other fees are expected to be charged at both the FASF Portfolio and Underlying Portfolio levels, overall expenses may be reduced under the proposed arrangement. Applicants anticipate that the total expense ratio of the FASF Portfolios, including the expenses borne directly at the FASF Portfolio level and indirectly at the Underlying Portfolio level, will be disclosed in the FASF Portfolios' prospectuses. Applicants contend that investors will have a means for determining whether the layering of administrative and other expenses results in total expense ratios which are

² SEI previously received an SEC order to permit the operation of a "fund or funds" similar to that proposed herein where all of the funds were advised or distributed by SEI. *SEI Institutional Managed Trust*, Investment Company Act Release No. 21539 (Nov. 22, 1995) (notice) and 21615 (Dec. 20, 1995) (order).

³ Rule 11a-3 under the Act defines "group of investment companies" as two or more companies that: (1) Hold themselves out to investors as related companies for purposes of investment and investor services, and (2) have a common investment adviser or principal underwriter.

out of line from those of other mutual funds.

7. Applicants believe that the FASF Portfolios will provide a simple means through which investors can obtain professional allocation services. Applicants also believe that any additional expenses associated with investing in FASF will be deemed by many investors to be outweighed by the benefits received by such investors in the form of such asset allocation services.

8. Applicants contend that the risk that a "fund of funds" may be able to control the management decisions of the underlying funds by threatening large redemptions is not relevant to the proposed arrangements. The FASF Portfolios and the Underlying Portfolios will be part of the same "group of investment companies," as defined in rule 11a-3 under the Act, and the FASF Portfolios and Underlying Portfolios therefore will share the same or affiliated investment advisers or principal underwriters. Applicants argue that, where the FASF Portfolios and Underlying Portfolios have a common investment adviser and investment decisions for the Underlying Portfolios already are controlled by the adviser for the FASF Portfolios, the adviser has no incentive to wield this control in a manner which is detrimental to the Underlying Portfolios.

9. Applicants contend that the FASF Portfolios will be structured in a manner intended to minimize problems related to the impact that large scale redemptions may have on the orderly management of the Underlying Portfolios. The FASF Portfolios generally are designed for long-term investors, which applicants assert should reduce the possibility of the FASF Portfolios being used as short-term trading vehicles and further protect the FASF Portfolios and the Underlying Portfolios from unexpected large redemptions.

10. Applicants believe that the problem of unnecessarily complex investment vehicles is addressed by the condition set forth herein that prohibits Underlying Portfolios from acquiring securities in another investment company in excess of the limits of section 12(d)(1)(A), except as authorized under a prior SEC order that permits series of FAIF to invest in series of FAF in excess of the limits of section 12(d)(1)(A)(ii) of the Act up to the greater of \$2.5 million or 5% of the

FAIF series' assets ("Cash Sweep Order").⁴

11. Section 17(a) of the Act makes it unlawful for an affiliated person of a registered investment company to sell securities to, or purchase securities from, the company. Applicants believe that the FASF Portfolios and the Underlying Portfolios could be deemed "affiliated persons" of each other, as defined in section 2(a)(3) of the Act, by virtue of being under the control of a common investment adviser, First Bank, or because an FASF Portfolio owns 5% or more of the shares of an Underlying Portfolio. Applicants believe that purchases by the FASF Portfolios of Underlying Portfolio shares and sales by the Underlying Portfolios of their shares to the FASF Portfolios may be deemed to be principal transactions between affiliated persons under section 17(a).

12. Section 17(b) of the Act provides that the SEC shall exempt a proposed transaction from section 17(a) if evidence establishes that: (1) The terms of the proposed transaction are reasonable and fair and do not involve overreaching; (2) the proposed transaction is consistent with the policies of the registered investment company involved; and (3) the proposed transaction is consistent with the general provisions of the Act.

13. Applicants request an exemption under section 6(c) from the limits of sections 12(d)(1) (A) and (B), and under sections 6(c) and 17(b) from section 17(a), to permit the transactions described above. Applicants believe that the requested exemptions are fully consistent with the policies and purposes of the Act and that, for the reasons provided above, it would be appropriate for the SEC to grant the requested relief under section 6(c).

14. Applicants also believe that the section 17(b) standard has been satisfied for the following reasons. First, the consideration paid for the sale and redemption of Underlying Portfolio shares will be based on the net asset values of the Portfolios, subject to any applicable sales charges. Second, the investment of assets of the FASF Portfolios in Underlying Portfolio shares and the issuance of Underlying Portfolio shares will be effected in accordance with each FASF Portfolio's investment restrictions and will be consistent with the policies as set forth in each FASF Portfolio's registration statement. Finally, the Proposed arrangement does not involve overreaching by applicants

and is consistent with the purposes of the Act for the reasons discussed above.

Applicants' Conditions

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

1. Each FASF Portfolio and each Underlying Portfolio will be part of the same "group of investment companies," as defined in rule 11a-3 under the Act.

2. No Underlying Portfolio will acquire securities of any other investment company in excess of the limits contained in Section 12(d)(1)(A) of the 1940 Act, except as permitted under the Cash Sweep Order.

3. A majority of the Board of Directors of FASF will not be "interested persons," as defined in section 2(a)(19) of the Act.

4. Any sales charges or service fees charged relating to the shares of an FASF Portfolio, when aggregated with any sales charges or service fees paid by the FASF Portfolio relating to its acquisition, holding or disposition of shares of the Underlying Portfolios, will not exceed the limits set forth in rule 2830 of the NASD's Conduct Rules.

5. Before approving any advisory contract under section 15 of the Act, the Board of Directors of FASF, including a majority of Directors who are not "interested persons," as defined in section 2(a)(19), will find that the advisory fees charged under the contract are based on services provided that are in addition to, rather than duplicative of, services provided under any Underlying Portfolio advisory contract. The finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the FASF Portfolios.

6. Applicants agree to provide the following information, in electronic format, to the Chief Financial Analyst of the SEC's Division of Investment Management: monthly average total assets of each FASF Portfolio and Underlying Portfolio; monthly purchases and redemptions (other than by exchange) for each FASF Portfolio and each Underlying Portfolio; monthly exchanges into and out of each FASF Portfolio and each Underlying Portfolio; month-end allocations of each FASF Portfolio's assets among the Underlying Portfolios; annual expense ratios for each FASF Portfolio and each Underlying Portfolio; and a description of any vote taken by the shareholders of any Underlying Portfolio, including a statement of the percentage of votes cast for and against the proposal by the FASF Portfolios and by the other shareholders of the Underlying Portfolio. The information will be

⁴ *First American Investment Funds, Inc.*, Investment Company Act Release Nos. 21722 (Jan. 30, 1996) (notice) and 21784 (Feb. 27, 1996) (order).

provided as soon as reasonably practicable following each fiscal year-end of the FASF Portfolio (unless the Chief Financial Analyst shall notify applicants in writing that such information need no longer be submitted).

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-22356 Filed 8-30-96; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22174; 811-8712]

North Carolina Limited Maturity Municipals Portfolio; Notice of Application

August 26, 1996.

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

ACTION: Notice of Application for Deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: North Carolina Limited Maturity Municipals Portfolio.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILING DATE: The application was filed on June 28, 1996 and an amendment thereto on August 14, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 20, 1996, and should be accompanied by proof of service on the 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 24 Federal Street, Boston, Massachusetts 02110.

FOR FURTHER INFORMATION CONTACT: Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or Allison E. Baur, 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 from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an open-end, non-diversified management investment company organized as a New York trust. Applicant is a master fund in a master-feeder structure.

2. On August 19, 1994, applicant registered under the Act and filed a registration statement on Form N-1A. No registration was filed under the Securities Act of 1933 ("Securities Act") because applicant's beneficial interests were issued solely in private placement transactions that did not involve any public offering within the meaning of section 4(2) of the Securities Act.

3. Applicant's sole feeder fund terminated its operations and, therefore, applicant is doing the same. On November 20, 1995, applicant's Board of Trustees unanimously approved the liquidation of applicant, effective January 31, 1996. No shareholder approval was required by the Declaration of Trust of Applicant, or by applicable law.

4. By March 7, 1996, applicant redeemed both of its beneficial interests which were held by Eaton Vance North Carolina Limited Maturity Municipals Fund, a series of Eaton Vance Investment Trust, and Eaton Vance Management. Each interest holder received cash equal to the net asset value of its interest in applicant.

5. Applicant has no securityholders, liabilities or assets. Applicant is not a party to any litigation or administrative proceeding. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

6. Applicant will take all required actions to terminate its existence as a New York trust upon receipt of an order from the SEC that it has ceased to be an investment company.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-22359 Filed 8-30-96; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22176; 811-8710]

Virginia Limited Maturity Municipals Portfolio; Notice of Application

August 26, 1996.

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

ACTION: Notice of Application for Deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: Virginia Limited Maturity Municipals Portfolio.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILING DATE: The application was filed on June 28, 1996 and an amendment thereto on August 14, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 20, 1996, and should be accompanied by proof of service on the 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 24 Federal Street, Boston, Massachusetts 02110.

FOR FURTHER INFORMATION CONTACT: Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or Alison E. Baur, 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 from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an open-end, non-diversified management investment company organized as a New York trust. Applicant is a master fund in a master-feeder structure.

2. On August 19, 1994, applicant registered under the Act and filed a registration statement on Form N-1A. No registration was filed under the Securities Act of 1933 ("Securities Act")