

ATTACHMENT D
Status of FY 1996 Deferrals - As of May 1, 1996
 (Amounts in thousands of dollars)

Agency/Bureau/Account	Deferral Number	Amounts Transmitted		Date of Message	Releases(-)		Congressional Action	Cumulative Adjustments (+)	Amount Deferred as of 5-1-96
		Original Request	Subsequent Change (+)		Cumulative OMB/Agency	Congressionally Required			
FUNDS APPROPRIATED TO THE PRESIDENT									
International Security Assistance Economic support fund and International Fund for Ireland	D96-1 D96-1A	75,000	1,942,076	10-19-95 2-23-96	889,823			4	1,127,257
Foreign military financing program	D96-4	1,385,140		2-23-96					1,385,140
Foreign military financing loan program.....	D96-5	64,400		2-23-96					64,400
Agency for International Development International disaster assistance, Executive	D96-6	124,625		2-23-96	84,000				40,625
DEPARTMENT OF STATE									
Other United States emergency refugee and migration assistance fund.....	D96-3 D96-3A	40,486	50,545	10-19-95 3-5-96	22,546				68,486
SOCIAL SECURITY ADMINISTRATION									
Limitation on administrative expenses.....	D96-2	7,321		10-19-95					7,321
TOTAL, DEFERRALS.....		1,696,972	1,992,621		996,369			4	2,693,228

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 21964; 812-9860]

Franklin Templeton Fund Manager, et al.; Notice of Application

May 20, 1996.

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

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

APPLICANTS: Franklin Templeton Fund Manager ("FTFM"); Franklin Gold Fund; Franklin Premier Return Fund; Franklin Equity Fund; AGE High Income Fund, Inc.; Franklin Custodian Funds, Inc.; Franklin Money Fund; Franklin California Tax-Free Income Fund, Inc.; Franklin Federal Money Fund; Franklin Tax-Exempt Money Fund; Franklin New York Tax-Free Income Fund, Inc.; Franklin Federal Tax-Free Income Fund; Franklin Tax-Free Trust; Franklin California Tax-Free Trust; Franklin New York Tax-Free Trust; Franklin Investors Securities Trust; Institutional Fiduciary Trust; Franklin Value Investors Trust; Franklin Tax-Advantaged International Bond Fund; Franklin Tax-Advantaged High Yield Securities Fund; Franklin Tax-Advantaged U.S. Government Securities Fund; Franklin Strategic Mortgage Portfolio; Franklin Municipal Securities Trust; Franklin Managed Trust; Franklin Strategic Series; Adjustable Rate Securities Portfolios; The Money Market Portfolios; Midcap Growth Portfolio; The Portfolios Trust; Franklin International Trust; Franklin Real Estate Securities Trust; Franklin Templeton Money Fund Trust; Franklin Valuemark Funds; Franklin Government Securities Trust; Franklin Templeton Global Trust (collectively, the "Franklin Funds"); Franklin Templeton Japan Fund; Templeton Variable Products Series Fund; Templeton Growth Fund, Inc.; Templeton Funds, Inc.; Templeton Smaller Companies Growth Fund, Inc.; Templeton Income Trust; Templeton Real Estate Securities Fund; Templeton Global Investment Trust; Templeton Global Opportunities Trust; Templeton American Trust, Inc.; Templeton Institutional Funds, Inc.; Templeton Developing Markets Trust (collectively, the "Templeton Funds") (the Franklin Funds and the Templeton Funds are collectively referred to as the "Franklin Templeton Group of Funds"); any future open-end investment companies for which Franklin Advisers, Inc. (or any entities controlling, controlled by or under common control with Franklin

Advisers, Inc.), Franklin Institutional Services Corporation (or any entities controlling, controlled by or under common control with Franklin Institutional Services Corporation), Templeton, Galbraith & Hansberger Ltd. (or any entities controlling, controlled by or under common control with Templeton, Galbraith & Hansberger Ltd.), Templeton Investment Counsel, Inc. (or any entities controlling, controlled by or under common control with Templeton Investment Counsel, Inc.), or Templeton Investment Management (Singapore) Pte. Ltd. (or any entities controlling, controlled by or under common control with Templeton Investment Management (Singapore) Pte. Ltd.) acts as investment adviser or for which Franklin/Templeton Distributors, Inc. (or any entities controlling, controlled by or under common control with Franklin/Templeton Distributors, Inc.) acts as principal underwriter (the Franklin Funds, the Templeton Funds and such future funds are collectively referred to herein as the "Funds" which reference, unless hereinafter designated otherwise, is intended to include series of shares with different investment portfolios offered by such investment companies); and Franklin Advisers, Inc. ("FAI"), Franklin Institutional Services Corporation ("FISCO"), Templeton, Galbraith & Hansberger Ltd., Templeton Investment Counsel, Inc., Templeton Investment Management (Singapore) Pte. Ltd. (collectively, "Templeton Advisers") (FAI, FISCO and the Templeton Advisers are collectively referred to as the "Advisers" and each is individually referred to as an "Adviser") and Franklin/Templeton Distributors, Inc. ("FTDI" or "Distributor").

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

SUMMARY OF APPLICATION: The requested order would permit series of the Franklin Templeton Fund Manager, which will be registered as an open-end management investment company, to invest substantially all of their assets in a combination of Franklin Funds and Templeton Funds.

FILING DATES: The application was filed on November 29, 1995, and amended on March 25, 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 June 14, 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, c/o Deborah R. Gatzek, Senior Vice President-Legal, Franklin Resources, Inc., 777 Mariners Island Boulevard, San Mateo, CA 94404.

FOR FURTHER INFORMATION CONTACT: Christine Y. Greenless, Senior Counsel, at (202) 942-0581, 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.

Applicants' Representations

1. FTFM is a newly formed Delaware Business Trust that will be registered under the Act as an open-end management investment company. FTFM intends to offer shares in three open-end series, designated as Series I, II and III (the "Asset Allocation Series" or "Series"). Each Series intends to invest substantially all of its assets in a combination of Franklin Funds and Templeton Funds, each of which is an open-end management investment company, or series thereof (the "Underlying Funds"). While the Asset Allocation Series currently intends to invest in the Funds listed herein, the Series may also invest in any Fund in the Franklin Templeton Group of Funds currently existing or to be organized in the future.

2. The Asset Allocation Series will be designed for investors who wish to achieve their investment objectives of long-term total return in excess of the inflation rate by investing in one mutual fund that provides for professional asset allocation of investments among various Franklin Funds and Templeton Funds. Such asset allocation and, consequently, the percentage investment in the Underlying Funds, will be related to the investor's specific long-term investment goals.

3. Series I will be targeted to investors with shorter time horizons, including

those in or approaching retirement. Series II will be targeted to investors with medium-term horizons, including employees in mid-career. Series III will be targeted to investors with long-term horizons, including employees in their early career years. The Series would be marketed to both tax-exempt (*i.e.*, 401(k) Plans and IRAs) and taxable accounts as a vehicle for meeting specified investment planning goals, including, in particular, retirement funding.

4. The Underlying Funds are currently offered in a classes structure, either with Class I and Class II shares, or with a single class of shares subject to a pricing structure resembling that of Class I. With the exception of certain Templeton Funds which offer shares with a maximum front-end sales charge of 5.75%, most Class I shares, or shares of Funds offering only one class of shares, carry a maximum front-end sales charge of 4.50% for equity Funds and 4.25% for fixed income funds. The majority of Class I shares, or shares of funds offering only one class of shares, are offered with a Rule 12b-1 fee of a maximum of 0.25% for equity funds, 0.15% for taxable fixed income funds and 0.10% for tax-free fixed income funds, and a limited contingent deferred sales charge ("CDSC") for certain large purchases.

5. Class II shares carry a 1.00% front-end sales charge, a servicing fee of 0.15% for fixed income funds and 0.25% for equity funds and an asset-based sales charge of 0.50% for fixed income funds and 0.75% for equity funds. In addition, Class II shares carry a CDSC of 1.00% if shares are redeemed within the first eighteen months after purchase.

6. Applicant proposes that the Asset Allocation Series will invest in a third class of shares to be created for each Underlying Fund that currently offers two classes of shares (and a second class to be created for each Underlying Fund that currently offers only one class of shares) (collectively referred to herein as "Class III shares"). Such Class III shares would be sold to and redeemed by the Asset Allocation Series at net asset value without the imposition of any front-end or deferred sales charge, or redemption fee. In addition, Class III shares would not be subject to distribution fees under a rule 12b-1 plan.

7. It is proposed that the Asset Allocation Series would be created with a classes structure which mirrors the classes structure for the equity Underlying Funds; namely, each Asset Allocation Series would offer Class I and Class II shares, largely as described above. Class I shares of the Asset

Allocation Series would be subject to rule 12b-1 distribution fees with a maximum charge of 0.25%. Class II shares of the Asset Allocation Series would be subject to rule 12b-1 plan fees with a servicing fee of 0.25% and an asset-based sales charge of 0.75%.

8. The Asset Allocation Series will bear all of their own expenses and, indirectly, their proportionate share of the expenses of each Underlying Fund. Generally, it is expected that the total expenses of the Asset Allocation Series, both direct and indirect, expressed as a percentage of net assets, will be slightly higher than what a shareholder would pay if he or she invested directly in the same mix of Underlying Funds, but within the range of total expenses incurred by equity funds in the Franklin Templeton Group of Funds.

9. FAI intends to provide advisory services, which include asset allocation advice, to the Asset Allocation Series, and will also provide the Series with administrative services. While the general investment advisory and administrative services will be furnished without charge, it is anticipated that FAI will charge an asset allocation fee of no more than 0.25% of average daily net assets of each Asset Allocation Series. Such fee will be for services that are in addition to, rather than duplicative of, advisory services being provided to the Underlying Funds. If FAI determines to charge an advisory fee for other advisory services, it will do so only in conformity with the requirements of the conditions to the requested order.

10. Franklin Templeton Investor Services, Inc. ("FTISTI") will serve as the shareholder servicing and transfer agent of the Asset Allocation Series. Bank of New York ("BONY") likely will serve as the custodian for the Asset Allocation Series. FTISI currently provides such shareholder servicing and transfer agency services to the Underlying Funds.

Applicants' Legal Analysis

A. Section 12(d)(1)

1. Section 12(d)(1)(A) 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) provides that the SEC may exempt persons or transactions if, and to the extent that, 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. Applicants request an order under section 6(c) exempting them from section 12(d)(1) to permit the Asset Allocation Series to invest in the Underlying Funds in excess of the percentage limitations of that section.

3. Section 12(d)(1) was intended to mitigate or eliminate actual or potential abuses which might arise when one investment company acquires shares of another investment company. These abuses include the acquiring fund imposing undue influence over the management of the acquired funds through the threat of large-scale redemptions, the acquisition by the acquiring company of voting control of the acquired company, the layering of sales charges, advisory fees, and administrative costs, and the creation of a complex pyramidal structure which may be confusing to investors. Applicants believe that none of these potential or actual abuses are present in their proposed fund of funds structure.

4. FAI would charge only a small asset allocation fee to the Asset Allocation Series. Such fee would be of services that are in addition to and not duplicative of the investment advisory services that are being furnished to the Underlying Funds. Thus, while shareholders of the Asset Allocation Series would pay indirectly their proportional share of the advisory fees paid by the Underlying Funds, applicants believe that there would be no duplication or layering of fees.

5. While the Asset Allocation Series will carry a front-end and deferred load structure, the Class III shares of the Underlying Funds selling to the Asset Allocation Series will not have any sales charges, front-end or deferred or redemption fee. Investors in the Asset Allocation Series, therefore, will not be subject to a "sales load on a sales load."

6. Applicants' proposal does not contemplate any duplicative distribution expenses. The Class III shares of the Underlying Funds that will sell their shares to the Asset Allocation Series will not carry Rule 12b-1

distribution fees. The Asset Allocation Series' Class I shares and Class II shares will be subject to Rule 12b-1 fees, in accordance with the normal equity fund Rule 12b-1 fees for funds in the Franklin Templeton Group of Funds. Thus, at all times, there will be no duplication of distribution fees paid by shareholders of FTFM.

7. Applicants assert that redemption threats and a concomitant risk of lost advisory fees are not a problem in the context of a fund of funds structure in which all of the funds are members of the same fund family. FTFM would be part of the same fund complex as the Underlying Funds and will only acquire shares of the Underlying Funds. Because the investment advisers to the Underlying Funds, as well as the Asset Allocation Series, would be affiliated, a redemption by an Asset Allocation Series from one Underlying Fund would simply lead to the placing of the proceeds into another Underlying Fund.

8. In addition to not containing the actual and potential abuses which led to the enactment of section 12(d)(1), applicants believe that the structure of the Asset Allocation Series would provide a number of benefits to its shareholders, including: (a) expense ratios only slightly higher than the weighted average of the expense ratios which an investor would pay were he or she to invest the same amount in a combination of Underlying Funds; (b) immediate and broad diversification resulting from the Asset Allocation Series' shareholders access to the existing investment portfolios of the Underlying Funds; and (c) efficient trading practices resulting from the Underlying Funds' ability to engage in block trading, which would enable them to acquire securities at more favorable prices than would smaller transactions.

B. Section 17(a)

1. Section 17(a) makes it unlawful for an affiliated person of a registered investment company, or an affiliated person of such person, to sell securities to, or purchase securities from, the company. The Asset Allocation Series and the Underlying Funds may be considered affiliated persons because they share common officers and/or directors/trustees. An Underlying Fund's issuance of its shares to the Asset Allocation Series may be considered a sale prohibited by section 17(a).

2. Section 17(b) provides that the SEC shall exempt a proposed transaction from section 17(a) if evidence establishes that: (a) the terms of the proposed transaction are reasonable and fair and do not involve overreaching; (b)

the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general provisions of the Act. Applicants believe that the proposed transactions meet the standards of sections 6(c) and 17(b).¹

Applicants' Conditions

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

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

2. No Underlying Fund shall acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

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

4. Before approving any advisory contract under section 15 of the Act, the Board of Trustees of FTFM, including a majority of the trustees who are not "interested persons," as defined in section 2(a)(19), shall find that advisory fees charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of FTFM.

5. Any sales charges or service fees charged with respect to securities of the Asset Allocation Series, when aggregated with any sales charges or service fees paid by the Asset Allocation Series with respect to shares of the Underlying Funds, shall not exceed the limits set forth in Article III, section 26, of the Rules of Fair Practice of the National Association of Securities Dealers, Inc.

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 for each FTFM portfolio and each of its Underlying Funds; monthly purchases and redemptions (other than by exchange) for each FTFM portfolio and each of its Underlying Funds; monthly exchanges into and out of each FTFM portfolio and each of its Underlying Funds; month-end

¹ Section 17(b) applies to specific proposed transactions, rather than an ongoing series of future transactions. See *Keystone Custodian Funds*, 21 S.E.C. 295, 298-99 (1945). Section 6(c) frequently is used to grant relief from section 17(a) to permit an ongoing series of future transactions.

allocations of each FTFM portfolio's assets among its Underlying Funds; annual expense ratios for each FTFM portfolio and each of its Underlying Funds; and a description of any vote taken by the shareholders of any Underlying Funds, including a statement of the percentage of votes cast for and against the proposal by FTFM and by the other shareholders of the Underlying Funds. Such information will be provided as soon as reasonably practicable following each fiscal year-end of FTFM (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, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-13142 Filed 5-23-96; 8:45 am]

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[Rel. No. IC-21965; 812-10094]

National Equity Trust; Notice of Application

May 20, 1996.

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

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANT: National Equity Trust.

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from section 12(d)(3) of the Act.

SUMMARY OF APPLICATION: Applicant requests an order on behalf of itself and subsequently established series (the "Series") to permit each Series to invest up to 10% of its total assets in securities of an issuer that derives more than 15% of its gross revenues in its most recent fiscal year from securities related activities.

FILING DATE: The application was filed on April 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 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 June 14, 1996, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature