

any person owning 5% or more of the outstanding voting securities of such other person. Each Affiliated Shareholder owns beneficially and of record in excess of 5% of the Portfolio's shares and thus, is an affiliated person of the Portfolio. To the extent that a Proposed In-Kind Redemption would be considered to involve the purchase of portfolio securities (of which the Portfolio is not the issuer) by an Affiliated Shareholder, the Proposed In-Kind Redemption would be prohibited by section 17(a)(2).

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 policy of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act.

3. Applicant believes that the terms of each Proposed In-Kind Redemption meet the standards set forth in section 17(b). Because the board is responsible for making the determination and has decided to redeem shares in-kind, an Affiliated Shareholder has no choice as to the type of consideration to be received in connection with its redemption request and neither the Adviser nor the Affiliated Shareholder has any opportunity to select specific portfolio securities to be distributed to an Affiliated Shareholder. Instead, the Proposed In-Kind Redemptions will be effected through a *pro rata* distribution of all portfolio securities held by the Portfolio after excluding certain securities specified below. In addition, the Proposed In-Kind Redemptions are consistent with the investment policies of the Trust and the Portfolio, as set forth in the Portfolio's prospectus, which expressly discloses the Portfolio's ability to redeem shares in-kind. Finally, applicant believes that the Proposed In-Kind Redemptions are consistent with the general purposes of the Act to protect security holders of investment companies from discrimination among holders of securities issued by such companies, and from self-dealing on the part of investment company affiliates to the detriment of other security holders. The Affiliated Shareholders would not receive any advantage not available to any other shareholder requesting a comparable redemption.

Applicant's Conditions

Applicant agrees that any order granting the requested relief will be subject to the following conditions:

1. The portfolio securities of the Portfolio distributed to an Affiliated Shareholder pursuant to a redemption in-kind (the "In-Kind Securities") will be limited to securities that are traded on a public securities market or for which quoted bid prices are available.

2. The In-Kind Securities will be distributed by the Portfolio on a *pro rata* basis after excluding (a) securities which, if distributed, would be required to be registered under the Securities Act of 1933; (b) securities issued by entities in countries which (i) restrict or prohibit the holding of securities by non-nationals other than through qualified investment vehicles, such as the Portfolio, or (ii) permit transfers of ownership of a securities to be effected only by transactions conducted on a local stock exchange; and (c) certain portfolio assets (such as forward foreign currency exchange contracts, futures and options contracts and repurchase agreements) that, although they may be liquid and marketable, must be traded through the marketplace or with the counterparty to the transaction in order to effect a change in beneficial ownership. Cash will be paid for that portion of the Portfolio's assets represented by cash equivalents (such as certificates of deposit, commercial paper, and repurchase agreements) and other assets which are not readily distributable (including receivables and prepaid expenses), net of all liabilities (including accounts payable). In addition, the Portfolio will distribute cash in lieu of securities held in its portfolio not amounting to round lots (or which would not amount to round lots if included in the in-kind distribution), fractional shares, and accruals on such securities.

3. The In-Kind Securities distributed to an Affiliated Shareholder will be valued in the same manner as they would be valued for purposes of computing the Portfolio's net asset value, which, in the case of securities traded on a public securities market for which quotations are available, is their last reported trade price on the exchange on which the securities are principally traded, or, if there is no such reported price, is the last quoted bid price.

4. The Portfolio will maintain and preserve for a period of not less than six years from the end of the fiscal year in which a proposed in-kind redemption occurs, the first two years in an easily accessible place, a written record of such redemption setting forth a description of each security distributed, the terms of the distribution, and the information or materials upon which the valuation was made.

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

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010-01-M

[Investment Company Act Rel. No. 22139; 812-10208]

The Target Portfolio TrustSM and Prudential Mutual Fund Management, Inc.; Notice of Application

August 13, 1996.

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

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

APPLICANTS: The Target Portfolio TrustSM (the "Trust") and Prudential Mutual Fund Management, Inc. (the "Manager").

RELEVANT ACT SECTIONS: Exemption requested under section 6(c) of the Act from the provisions of section 15(a) of the Act and rule 18f-2 thereunder.

SUMMARY OF APPLICATION: Applicants seek a conditional order permitting the Manager, as investment adviser of the Trust, to enter into sub-advisory contracts on behalf of the Trust without receiving prior shareholder approval.

FILING DATES: The application was filed on June 14, 1996. Applicants agree to file an amendment, the substance of which is incorporated herein, during the notice period.

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 9, 1996, and should be accompanied by proof of service on the 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 such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, One Seaport Plaza, New York, New York 10292.

FOR FURTHER INFORMATION CONTACT: Sarah A. Beuscher, Staff Attorney, at (202) 942-0573, or Mercer E. Bullard, Branch Chief, at (202) 942-0546

(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. The Trust is registered under the Act as an open-end management investment company and currently has ten separate investment portfolios (the "Portfolios"). The Portfolios commenced operations on January 5, 1993, except for the International Bond Portfolio, which commenced operations on May 17, 1994. Applicants request relief with respect to any current series and series of the Trust organized in the future, and for any future open-end management investment company advised by the Manager or a person controlling, controlled by, or under common control with the Manager, provided that such investment company operates in substantially the same manner as the Trust and complies with the conditions to the requested order.

2. The Manager, an indirect wholly owned subsidiary of The Prudential Insurance Company of America, is an investment adviser registered under the Investment Advisers Act of 1940. The Trust has entered into an investment management agreement (the "Management Agreement") with the Manager who, in turn, has entered into an investment advisory agreement (the "Advisory Agreement") with one or more registered investment advisers (each an "Adviser") to the Portfolios. The Manager is responsible for selecting the Advisers, subject to the review and approval of the board of trustees of the Trust (the "Board"). A Portfolio may be managed by a single Adviser or may be allocated by the Manager between or among two or more Advisers.

3. The Manager evaluates investment management for the Trust by performing an initial review on prospective Advisers, monitoring Adviser performance through quantitative and qualitative analysis, and through in-person consultations with the Advisers. The Manager is also responsible for communicating performance expectations and evaluations to Advisers and recommending to the Board whether Advisers' contracts should be renewed, modified, or terminated. In addition, the Manager is responsible for conducting all operations of the Trust except those operations contracted to the Advisers, custodian, and transfer agent. The Trust pays the Manager a fee based on the

average daily net assets of each Portfolio. The Manager pays each Adviser a fee based on the average daily net assets of the portion of the Portfolio managed by that Adviser. The Trust pays no fees directly to any Adviser.

4. The Advisers serve in a sub-advisory capacity to the Portfolios. Each Adviser's responsibilities are limited to managing the securities held in a Portfolio, or portion thereof, it manages in accordance with the Portfolio's investment objectives and policies, making investment decisions for the Portfolio, and placing orders to purchase and sell securities on behalf of the Portfolio.

5. Purchases of shares of a Portfolio are currently made through a securities account maintained with Prudential Securities Incorporated ("Prudential Securities"). Portfolio shares are available to participants in The Prudential Securities Target ProgramSM (the "Target Program") who pay a separate investment advisory or program fee, to banks, trust companies, and other investment advisory services that maintain securities accounts with Prudential Securities, and to certain asset allocation programs of investments in registered investment companies sponsored by Prudential Securities.

6. Prudential Securities, through the Target Program, provides advisory services in connection with investments among the Portfolios by identifying and recommending in writing an appropriate allocation of assets among the Portfolios that conforms to the investor's objectives, preferences, and risk tolerances, and providing a quarterly statement to the investor containing an analysis and evaluation of the investor's account. At times, Prudential Securities may recommend a modification in the allocation of assets among the Portfolios. Investors pay a quarterly fee to Prudential Securities for the Target Program services. Investors may terminate their participation in the Target Program at any time upon five business days' notice. If a Target Program account is terminated, all shares of the Portfolios held in that account will be redeemed. Portfolio shares may be redeemed at any time for cash at net asset value without the imposition of any sales charge, contingent deferred sales charge, or redemption fee. No Portfolio bears any distribution or shareholder servicing fee pursuant to rule 12b-1 under the Act.

7. Applicants request an exemption from section 15(a) and rule 18f-2 to permit the Manager to enter into new or amended Advisory Agreements without obtaining shareholder approval, including new Advisory Agreements

necessitated because the prior Advisory Agreements were terminated as a result of an "assignment" (as defined in section 2(a)(4) of the Act). The Management Agreement in all cases would be subject to the shareholder voting requirements of section 15(a).

Applicants' Legal Analysis

1. Section 15(a) of the Act makes it unlawful for any person to act as investment adviser to a registered investment company except pursuant to a written contract that has been approved by a majority of the investment company's outstanding voting securities. Rule 18f-2 provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Applicants assert that the ability to enter into Advisory Agreements without shareholder approval would permit the Manager more effectively to perform the functions that the Portfolios are paying it to perform, namely, selecting Advisers, monitoring their performance, and changing Advisers when appropriate. Applicants believe that to require shareholders to approve each new Adviser not only would result in unnecessary administrative expense to the Portfolios, but also could result in harmful delays in executing changes in Advisers that the Manager and the Board have determined are necessary. Eight changes in Advisers or material changes in Advisory Agreements have been submitted for shareholder approval since the Portfolios commenced operations. Applicants submit that these meetings would not have taken place and shareholders would have been spared the expense and burden of repeat proxy solicitations, while receiving all relevant information that would have been included in a proxy statement, had the order requested in the application been in place.

3. Applicants also assert that the primary responsibility for management of the Portfolios, in particular, the selection and supervision of the Advisers, is vested in the Manager, subject to oversight by the Board. Because of the unusual structure of the Trust, as well as the Manager's experience, applicants believe that it is consistent with the protection of investors to vest the selection and supervision of Advisers in the Manager. Applicants submit that, within this structure, the Manager is in a better position to make an informed selection of an Adviser than individual investors.

4. Applicants believe that investors in the Portfolios would be in a position to make a fully informed decision as to

purchasing, redeeming, or retaining Portfolio shares. Shareholders will receive an information statement that includes all the information about a new Adviser or Adviser Agreement that would be included in a proxy statement. In addition, applicants state that all fees payable by the Manager to the Adviser will be disclosed in the prospectus of the applicable Portfolio in accordance with the requirements of Form N-1A.

5. Applicants believe that investors who seek the investment advice of Prudential Securities typically have determined that they are unwilling to assume the burden of selecting an appropriate mix of investments to attain their investment objectives, or the appropriate money manager or managers to make specific investments in accord with those objectives. The Target Program is designed to create an asset allocation strategy to meet an investor's individual needs as well as selecting investments within each asset category.

6. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act, 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 policies and provisions of the Act. Applicants believe that the requested relief meets this standard.

Applicants' Conditions

Applicants agree that the requested exemption will be subject to the following conditions:

1. The Manager will provide general management and administrative services to the Trust, including overall supervisory responsibility for the general management and investment of the Trust's securities portfolio, and, subject to review and approval by the Board, will (a) set the Portfolios' overall investment strategies; (b) select Advisers; (c) monitor and evaluate the performance of the Advisers; (d) allocate and, when appropriate, reallocate a Portfolio's assets among its Advisers in those cases where a Portfolio has more than one Adviser; and (e) implement procedures reasonably designed to ensure that the Advisers comply with the Trust's investment objectives, policies, and restrictions.

2. Before a Portfolio may rely on the order requested hereby, the operation of the Portfolio in the manner described in the application will be approved by a majority of its outstanding voting securities, as defined in the Act, or, in the case of a new Portfolio whose public shareholders purchased shares on the

basis of a prospectus containing the disclosure contemplated by condition 4 below, by the sole shareholder before offering of shares of such Portfolio to the public.

3. The Trust will furnish to shareholders all information about a new Adviser or Advisory Agreement that would be included in a proxy statement. Such information will include any change in such disclosure caused by the addition of a new Adviser or any proposed material change in a Portfolio's Advisory Agreement. The Trust will meet this condition by providing shareholders with an informal information statement complying with the provisions of Regulation 14C under the Securities Exchange Act of 1934, as amended, and Schedule 14C thereunder. With respect to a newly retained Adviser, or a change in an Advisory Agreement, this information statement will be provided to shareholders of the Portfolio a maximum of ninety (90) days after the addition of the new Adviser or the implementation of any change in an Advisory Agreement. The information statement will also meet the requirements of Schedule 14A under the Exchange Act.

4. The Trust will disclose in its prospectus the existence, substance, and effect of the order granted pursuant to this application.

5. No trustee or officer of the Trust or director or officer of the Manager will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such director, trustee, or officer) any interest in any Adviser except for (a) ownership of interests in the Manager or any entity that controls, is controlled by, or is under common control with the Manager; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either an Adviser or any entity that controls, is controlled by or is under common control with an Adviser.

6. The Manager will not enter into an Advisory Agreement with any Adviser that is an "affiliated person," as defined in section 2(a)(3) of the Act, of the Trust or the Manager other than by reason of serving as an Adviser to one or more Portfolios (an "Affiliated Adviser") without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Portfolio.

7. At all times, a majority of the members of the Board will be persons each of whom is not an "interested person" of the Trust as defined in section 2(a)(19) of the Act (the

"Independent Trustees"), and the nomination of new or additional Independent Trustees will be placed within the discretion of the then existing Independent Trustees.

8. When an Adviser change is proposed for a Portfolio with an Affiliated Adviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board's minutes, that such change is in the best interests of the Portfolio and its shareholders and does not involve a conflict of interest from which the Manager or the Affiliated Adviser derives an inappropriate advantage.

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

Margaret H. McFarland,

Deputy Secretary.

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[Investment Company Act Release No. 22134; 812-10076]

Transamerica Investors, Inc. and Transamerica Investment Services, Inc.; Notice of Application

August 13, 1996.

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

ACTION: Notice of Application for Exemption Under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Transamerica Investors, Inc. and Transamerica Investment Services, Inc.

RELEVANT ACT SECTION: Order requested under section 17(d) of the Act and rule 17d-1 thereunder.

SUMMARY OF APPLICATION: Applicants request an order to permit certain investment companies to deposit their uninvested cash balances in one or more joint accounts to be used to enter into repurchase agreements.

FILING DATE: The application was filed on April 5, 1996 and amended on July 17, 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 9, 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