

Facility Operating License Nos. NPF-87 and NPF-89: The amendments revised the Technical Specifications.

*Date of initial notice in **Federal Register**:* January 22, 2002 (67 FR 2931). The Commission's related evaluation of the amendments is contained in a Safety Evaluation dated February 22, 2002.

No significant hazards consideration comments received: No.

Wolf Creek Nuclear Operating Corporation, Docket No. 50-482, Wolf Creek Generating Station, Coffey County, Kansas

Date of amendment request: December 11, 2001.

Brief description of amendment: The amendment revises Surveillance Requirement (SR) 3.0.3 to extend the delay period before entering a limiting condition for operation following a missed SR from the current limit of "* * * up to 24 hours or up to the limit of the specified Frequency, whichever is less" to "* * * up to 24 hours or up to the limit of the specified Frequency, whichever is greater." In addition, the following requirement is added to SR 3.0.3: "A risk evaluation shall be performed for any Surveillance delayed greater than 24 hours and the risk impact shall be managed."

Date of issuance: March 4, 2002.

Effective date: March 4, 2002, and shall be implemented within 60 days from the date of issuance.

Amendment No.: 143.

Facility Operating License No. NPF-42: The amendment revised the Technical Specifications.

*Date of initial notice in **Federal Register**:* January 8, 2002 (67 FR 935). The Commission's related evaluation of the amendment is contained in a Safety Evaluation dated March 4, 2002.

No significant hazards consideration comments received: No.

Dated at Rockville, Maryland, this 11th day of March 2002.

For the Nuclear Regulatory Commission.

John A. Zwolinski,

Director, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.

[FR Doc. 02-6230 Filed 3-18-02; 8:45 am]

BILLING CODE 7590-01-P

POSTAL RATE COMMISSION

Briefing on Regulatory Developments

AGENCY: Postal Rate Commission.

ACTION: Notice of regulatory briefing.

SUMMARY: A delegation from Britain's Postal Services Commission

(Postcomm), the independent regulator of Consignia (formerly the British Post Office), will present a briefing on Wednesday, March 27, 2002, beginning at 10 a.m., in the Postal Rate Commission's hearing room. The topic is recent regulatory developments in the United Kingdom. The briefing is open to the public.

DATES: March 27, 2002, 10 a.m.

ADDRESSES: Postal Rate Commission (hearing room), 1333 H Street NW., Washington, DC 20268-0001, suite 300.

FOR FURTHER INFORMATION CONTACT: Stephen L. Sharfman, general counsel, Postal Rate Commission, 202-789-6820.

Steven W. Williams,
Secretary.

[FR Doc. 02-6534 Filed 3-18-02; 8:45 am]

BILLING CODE 7710-FW-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27497]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

March 12, 2002.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by April 8, 2002, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After April 8, 2002, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

E.ON AG, et al. (70-9985)

E.ON AG ("E.ON"), a German company; E.ON's subsidiary companies, E.ON UK Verwaltungs GmbH ("E.ON UK"), E.ON UK plc, E.ON US Verwaltungs GmbH ("E.ON US"), E.ON Holdco (if formed) all located at E.ON-Platz 140479, Düsseldorf, Germany; Fidelia, Inc. ("Fidelia"), a finance company subsidiary organized in Delaware; E.ON North America Inc. ("E.ON NA"); Powergen plc ("Powergen"), a U.K. registered holding company; Powergen's direct and indirect wholly owned registered holding company subsidiaries, Powergen US Holdings Limited ("Powergen US Holdings"), Powergen US Investments, Powergen Luxembourg sarl, Powergen Luxembourg Holdings sarl, Powergen Luxembourg Investments sarl, Powergen US Investments Corp. ("PUSIC" and together, "Powergen Intermediate Companies"); Powergen US Funding LLC ("Powergen US Funding"), a financing vehicle for Powergen US Holdings, all located at 53 New Broad Street, London EC2M 1SL, United Kingdom; LG&E Energy Corp. ("LG&E Energy"), a Kentucky holding company exempt from registration under section 3(a)(1) of the Act, located at 220 West Main Street, Louisville, Kentucky 40232; LG&E Energy's utility subsidiaries Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" and together, "Utility Subsidiaries"), One Quality Street, Lexington, Kentucky 40507; and LG&E Energy's nonutility companies located at 220 West Main Street, Louisville, Kentucky 40232 ("LG&E Nonutilities," together with LG&E Energy and the Utility Subsidiaries, "LG&E Energy Group" and collectively, "Applicants") have filed an application ("Application") under sections 6(a), 7, 9(a), 10, 12, 13 of the Act and rules 45, 46, 52, 53, 54, 90 and 91 under the Act. Applicants request authority for various financing transactions and service agreements related to the acquisition by E.ON of Powergen and its subsidiaries ("Acquisition"). The Commission published a notice describing the application for the Acquisition ("Acquisition Application") on December 21, 2001.¹ Following the Acquisition, E.ON intends to register under section 5 of the Act. Applicants intend that the LG&E Energy Group be transferred from the Powergen intermediate holding companies ("Powergen Intermediate Holding Companies") and held indirectly by

¹ See E.ON AG plc, et al. HCAR No. 27482 (December 21, 2001).

E.ON US and its subsidiary holding companies ("Intermediate Companies").²

I. Summary of Financing Proposals

Applicants seek Commission authorization for certain financing activities of E.ON and its subsidiaries ("E.ON Group") through May 31, 2005 ("Authorization Period"). In summary, Applicants request authority for: (i) Various financings by E.ON, including the issuance of common stock and American Depositary Shares ("ADRs"), preferred stock, short and long-term debt, currency and interest rate swaps and guarantees; (ii) certain financings by (a) the direct and indirect holding company parents of LG&E Energy, (b) the LG&E Energy Group and (c) E.ON UK plc; (iii) the continuation by LG&E and KU of their respective receivables factoring programs; (iv) the creation of money pools and certain intercompany financing arrangements; (v) the payment of dividends out of capital or unearned surplus; (vi) the LG&E Energy Group tax allocation agreement; (vii) changing the terms of any wholly-owned E.ON Group company's authorized capital stock, the issuance of additional shares, or alteration of the terms of any then existing authorized security; (viii) the formation of and the issuance by financing entities of securities otherwise authorized to be issued and sold under this Application or applicable exemptions under the Act; (ix) authorization for Powergen, Powergen US Holdings and Powergen US Funding to issue certain debt securities; (x) authorization to invest in exempt wholesale generators ("EWGs"), as defined in section 32 of the Act and foreign utility companies ("FUCOs"), as defined in section 33 of the Act and (xi) authorization to invest in energy-related companies.

II. General Financing Parameters

Applicants represent that the proposed transactions will be subject to the following general terms and conditions ("Financing Parameters") during the Authorization Period:

- The aggregate amount of external debt, equity and guarantees issued by E.ON under the authorizations requested in this Application will not exceed \$75 billion at any one time outstanding ("External Financing Limit"). Within the External Financing Limit, Applicants propose that no more than \$25 billion will consist of equity securities ("Equity Sublimit"), no more than \$40 billion will consist of debt securities ("Debt Sublimit") and no more than \$40 billion will consist of guarantees ("Guarantees").

- The External Financing Limit represents investments in the following areas, generally: (i) \$25 billion of investments in EWGs and FUCOs, (ii) \$35 billion of investments in EWGs and FUCOs financed by bridge loans ("Bridge Loans") pending the receipt of proceeds from the divestiture of certain non-energy related companies ("TBD Subsidiaries"),³ (iii) \$5.5 billion for investments in TBD Subsidiaries pending divestiture, and (iv) \$10 billion for investments in energy related subsidiaries. In addition to the capital expenditure program described above, as of September 30, 2001, E.ON and Powergen had debt securities outstanding in the amount of approximately \$12.9 billion and \$7.4 billion, respectively. Funds raised under the External Financing Limit will be used to refinance, repay, redeem or refund some of such debt over the course of the Authorization Period.

- The aggregate amount of short-term external debt issued by LG&E Energy under the authorizations requested in this Application will not exceed \$400 million at any one time outstanding.

- Each of E.ON, LG&E, and KU commit that all long-term debt and preferred stock issued by it to unaffiliated parties under the authorization requested in this Application will, when issued, be rated investment grade by a nationally recognized statistical rating organization.

- E.ON and LG&E Energy, each on a consolidated basis, and LG&E and KU, individually, will maintain common stock equity as a percentage of total capitalization of at least thirty percent, as reflected in their most recent annual or semiannual report, in the case of E.ON, and, with respect to LG&E

Energy, LG&E and KU, quarterly or other periodic earnings report, prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

- The effective cost of money on debt financings by E.ON, LG&E Energy and the Utility Subsidiaries will not exceed the competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality.

- The maturity of debt issued by E.ON will not exceed fifty years.

- The dividend rate on preferred stock or other types of preferred securities issued by E.ON will not exceed, at the time of issuance, the rate generally obtainable for preferred securities having the same or reasonably similar terms and conditions issued by companies of reasonably comparable credit quality, as determined by competitive capital markets.

III. Existing Financing Arrangements

A. E.ON's Current Capital Structure

Applicants state that E.ON shares are listed on all German stock exchanges, the Swiss Stock Exchange and as ADRs on the New York Stock Exchange. E.ON's financial statements are maintained in accordance with U.S. GAAP. As of December 31, 2001, E.ON had 692.0 million common shares issued and approximately 687.3 million outstanding shares. E.ON recently completed the repurchase of 76.3 million shares, approximately ten percent of the company's capital stock and is authorized by its shareholders to repurchase up to ten percent of its common stock through October 31, 2002. E.ON has cancelled 71.3 million of the repurchased shares.

IV. E.ON External Financing

Applicants propose that E.ON issue and sell securities and guarantee the obligations of its subsidiaries in an aggregate amount not to exceed the External Financing Limit outstanding at any one time during the Authorization Period. Securities would include common stock, preferred stock, options, warrants, unsecured long and short-term debt including commercial paper, convertible/exchangeable securities, lease financing, bank borrowings and securities with call or put options.

A. Equity Securities

Applicants request authorization for E.ON to issue and sell, from time to time during the Authorization Period, common stock: (a) Through

² The acquisition and transfer of Powergen and the LG&E Energy Group are more fully described in the notice to the Acquisition Application. Prior to the transfer, Powergen US Holdings, Powergen US Investments, Powergen Luxembourg, Powergen Luxembourg Holdings, Powergen Luxembourg Investments and Powergen US Investments Corp. are referred to as the "Powergen Intermediate Holding Companies." After the transfer of PUSIC and the LG&E Energy Group to E.ON US and its subsidiaries, Powergen US Holdings, Powergen US Funding and the subsidiaries of Powergen US Holdings will be referred to as the "Powergen Financing Entities." The Intermediate Companies will consist of E.ON US, PUSIC and E.ON Holdco, if formed.

³ E.ON will divest certain businesses which are not energy related and use the proceeds of this divestiture to pay down debt issued in the interim to finance additional investment in energy related companies or utility purchases authorized in separate future applications. E.ON's business objective is more fully described in the Acquisition Application. E.ON's retainable nonutility companies will be referred to as the "Retained Nonutility Subsidiaries."

underwritten public offerings; (b) in private placements; (c) in exchange for securities or assets being acquired from other companies; (d) under its dividend reinvestment, stock-based management incentive and employee benefit plans; (e) through subscription rights or (f) through non-underwritten offerings. Applicants also propose that E.ON issue and sell options, warrants or other stock purchase rights. The authorization to issue and sell common stock would also apply to the issuance of common stock directly or through the ADR program and, for purposes of this request, the ADRs would not be considered separate securities from the underlying common stock.

Common stock and other equity instruments may be sold through underwriting agreements of a type generally standard in the industry in Europe or the U.S. Public distributions, if underwritten, may be through private negotiation with underwriters, dealers or agents, or effected through competitive bidding among underwriters. In addition, sales may be made through private placements or other non-public offerings to one or more persons. All sales of common stock and other equity instruments will be at rates or prices and under conditions negotiated, based upon or otherwise determined by competitive capital markets.

Applicants request authority for E.ON to use its common stock as consideration for acquisitions authorized under the Act such as the exchange of equity securities for securities of the company being acquired to provide the seller with certain tax advantages. The E.ON ordinary shares to be exchanged may, among other things, be purchased on the open market or may be original issue. E.ON ordinary shares used to fund an acquisition of a company would be valued at market value based upon the closing price on XETRA, Germany's official electronic trading system, on the day before the execution of a definitive agreement or, in the case of a tender offer, on the day of commencement of the offer.

Applicants also request that E.ON use its common stock and other equity instruments to fund employee benefit plans and in connection with dividend reinvestment plans currently in existence or that may be formed during the Authorization Period. E.ON currently maintains various stock-based compensation plans, including some that issue stock appreciation rights.

B. Preferred Stock

Applicants request authority for E.ON to issue preferred stock from time to time during the Authorization Period in accordance with the applicable Financing Parameters. Preferred stock would have dividend rates or methods of determining the same, redemption provisions, conversion or put terms and other terms and conditions as E.ON may determine at the time of issuance.

C. Debt Securities

1. Long-Term Debt

Applicants request authority for E.ON to issue and sell long-term debt securities from time to time during the Authorization Period in accordance with the applicable Financing Parameters. E.ON may also maintain and establish long-term bank lines of credit. Subject to the Financing Parameters, any long-term debt security would have the maturity, interest rate(s) or methods of determining the same, terms of payment of interest, redemption provisions, sinking fund terms, and other terms and conditions as E.ON may determine at the time of issuance.

2. Short-Term Debt

Applicants request authority for E.ON to engage in short-term financing generally available to borrowers with comparable credit ratings, as it may deem appropriate in light of its needs and market conditions at the time of issuance. Specifically, Applicants request authority for E.ON to issue and sell bank lines of credit, institutional borrowings, commercial paper and bid notes. Issuance of short-term debt will be in accordance with the applicable Financing Parameters and will have maturities of less than one year from the date of each borrowing.

D. Interest Rate and Currency Risk Management Devices

1. E.ON

Applicants request authority for E.ON to enter into, perform, purchase, and sell financial instruments intended to manage the volatility of interest rates and currency exchange rates, including but not limited to swaps, caps, floors, collars, and forward agreements or any other similar agreements ("Hedging Instruments").

In addition, Applicants request authority for E.ON to enter into Hedging Instruments with respect to anticipated debt offerings ("Anticipatory Hedges"), subject to certain limitations and restrictions. Anticipatory Hedges may include: (i) A forward sale of U.S. or European Economic Area ("EEA")

Treasury futures contracts; U.S. or EEA Treasury obligations and/or a forward swap (each a "Forward Sale"); (ii) the purchase of put options on U.S. or EEA Treasury obligations ("Put Options Purchase"); (iii) a Put Options Purchase in combination with the sale of call options on U.S. or EEA Treasury obligations ("Zero Cost Collar"); (iv) transactions involving the purchase or sale, including short sales, of U.S. or EEA Treasury obligations; or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar, and/or other derivative or cash transactions, including, but not limited to structured notes, caps, and collars, appropriate for the Anticipatory Hedges.

E. Guarantees

Applicants request authorization for E.ON to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support ("Guarantees") with respect to the obligations of the E.ON Group companies as may be appropriate or necessary to enable these companies to carry on in the ordinary course of their respective businesses. Guarantees, together with other securities issued by E.ON, will not exceed the External Financing Limit in an aggregate amount outstanding during the Authorization Period. All debt guaranteed will comply with the Financing Parameters. Included in this amount are Guarantees entered into by E.ON that were previously issued for the benefit of the E.ON Group companies.

Certain Guarantees may be in support of obligations that are not capable of exact quantification. Applicants state that E.ON will in these cases determine the exposure under a Guarantee for purposes of measuring compliance with the External Financing Limit by appropriate means including estimation of exposure based on loss experience or projected potential payment amounts. E.ON proposes to charge each E.ON Group company a fee for each Guarantee provided on its behalf that is not greater than the cost, if any, of the liquidity necessary to perform the Guarantee and the credit risk assumed by E.ON. As of December 31, 2000, E.ON had issued and outstanding Guarantees on behalf of E.ON Group companies in an aggregate amount of approximately \$0.4 billion.

F. Profit and Loss Transfer Agreements

E.ON has entered into profit and loss transfer agreements ("Profit and Loss Transfer Agreements") with certain subsidiaries organized in Germany under provisions of the German Stock Corporation Act. A Profit and Loss Transfer Agreement automates the

transfer of profits as well as the balancing of losses between the participating companies. Profit and Loss Transfer Agreements are commonly done by German companies for tax optimization and are required to establish a tax group for German corporate income tax purposes. The Profit and Loss Transfer Agreements allow E.ON to direct the management of the subsidiaries and to cause the subsidiaries to distribute their profits or to hold them as retained earnings. If the subsidiaries have losses, E.ON assumes the losses. Like consolidated tax sharing agreements among U.S. corporate groups, the profit and loss transfer agreements permit income from one company to be offset by losses from another, thereby reducing the taxes of the group.

Applicants request authority for E.ON and the E.ON subsidiaries organized in Germany to continue the Profit and Loss Transfer Agreements. Applicants propose that the net exposure of E.ON and the E.ON subsidiaries organized in Germany under the Profit and Loss Transfer Agreements be treated as Guarantees under the External Financing Limit. Since the exposure under the Profit and Loss Transfer Agreements is not capable of exact quantification, Applicants will determine E.ON and the E.ON subsidiaries organized in Germany's aggregate exposure under these agreements for purposes of measuring compliance with the External Financing Limit by estimation of exposure based on prior experience or projected potential payment amounts.

V. E.ON Subsidiary Company Financing

A. TBD Subsidiaries and Retained Nonutility Subsidiaries

E.ON business strategy is to become a pure energy and utility company. As a part of this strategy, E.ON plans to divest the TBD Subsidiaries. Pending divestiture, Applicants propose that E.ON continue to invest in the TBD Subsidiaries in an aggregate amount not to exceed \$5.5 billion in order to preserve and protect shareholder value and to prevent any diminution in the value or the prospects of the business until such time as a sale or other exit strategy can be implemented.

Additionally, Applicants request authorization for the E.ON Group, other than the LG&E Energy Group, to finance the TBD Subsidiaries and the Retained Nonutility Subsidiaries at market rates where required by German law. Where the law does not require market rate financing, the E.ON Group, other than

the LG&E Energy Group, would finance the TBD Subsidiaries and the Retained Nonutility Subsidiaries at the lending company's cost of capital. Where market rate financing is required, E.ON would determine the appropriate market rate for loans to each TBD Subsidiary or Retained Nonutility Subsidiary or among such entities in much the same manner practiced by an independent bank. E.ON would review the nature of each subsidiary's business, evaluate its capital structure, the particular risks to which it is subject, and generally prevailing market conditions. E.ON would also evaluate and take into account information from third parties such as banks that would indicate the prevailing market rates for similar businesses. In particular, E.ON will obtain information on the range of rates used by one or more banks for loans to similar businesses. Such independent third-party information would serve as an index against which an appropriate market rate could be determined. This analysis is referred to as the "Market Rate Method."

B. Powergen Financing Entities

As a result of the legal requirements relating to the Acquisition and certain tax considerations, it may be necessary or desirable following the consummation of E.ON's Acquisition of Powergen for E.ON to delay the transfer of the LG&E Energy Group to the Intermediate Companies ("Interim Period").⁴ During the Interim Period, Powergen and the Powergen Intermediate Holding Companies will retain a voting interest in the LG&E Energy Group companies and remain registered holding companies. Applicants request that during the Interim Period, Powergen and the Powergen Intermediate Holding Companies continue to have the financing authority presently granted to Powergen in its order authorizing the acquisition and financing of the LG&E Group.⁵

Upon the transfer of the LG&E Energy Group companies to the Intermediate Companies, Powergen will continue to own the Powergen Financing Entities. Since the Powergen Financing Entities will no longer own voting securities in the LG&E Energy Group companies, the Powergen Financing Entities will no longer be holding companies under the Act and will de-register as holding companies. Because of financial and tax considerations, Powergen US Holdings,

directly or through its financing subsidiary Powergen US Funding, will have external debt outstanding. Additionally, Powergen US Holdings will continue to have a loan outstanding from Powergen UK.⁶

Applicants request that the Powergen Financing Entities be authorized to maintain, repay, refund and otherwise refinance the facilities in place as of the date of the transfer of the LG&E Energy Group companies to the Intermediate Companies ("Transfer Date"), so long as the aggregate principal amount thereof does not at any time exceed the amount available under the facilities as of the Transfer Date. Applicants further request that the Powergen Financing Entities be authorized to loan any proceeds from the facilities to any of the Intermediate Companies and LG&E Energy.

Each of the Powergen Financing Entities requests authorization to issue and sell securities to the other Powergen Financing Entities, Powergen, E.ON UK, E.ON UK plc, and E.ON, and to acquire securities from the other Powergen Financing Entities, the Intermediate Companies and LG&E Energy. Each of the Powergen Financing Entities also seeks authority to issue guarantees and other forms of credit support to the other Powergen Financing Entities, the Intermediate Companies and LG&E Energy. The Powergen Financing Entities would not acquire voting securities of LG&E Energy, its subsidiaries or the Intermediate Companies.

The Powergen Financing Entities proposed financings would be used to finance the capital requirements of the LG&E Energy Group and any exempt or subsequently authorized activity acquired in the future. The Powergen Financing Entities financing will not be used by the Powergen Financing Entities to carry on business activities within the Powergen Financing Entities.

PUSIC, the U.S. parent of the LG&E Energy Group companies, will be transferred by the Powergen Intermediate Holding Companies to E.ON US in exchange for cash and/or a note.⁷ Applicants request the authority for E.ON US to issue this note, expected to be in an amount not to exceed the fair

⁶ Powergen UK is a subsidiary company of Powergen which holds Powergen's foreign interests. Powergen UK acquired a note from Powergen US Holdings to effect the financing of Powergen's purchase of LG&E Energy Group. This transaction is more fully described in the Powergen Order.

⁷ Applicants state that the consideration to be paid for PUSIC will depend on the result of a fair value study that will allocate the Powergen purchase price among Powergen and its subsidiaries. The study will be conducted subsequent to the completion of the Acquisition.

⁴ Applicants state that the Interim Period may be up to twelve months.

⁵ See Powergen plc, et al., HCAR No. 27291 (December 6, 2000), ("Powergen Order").

market value of PUSIC, bear interest at a market-based rate and in compliance with the cost of money, maturity and issuance expense provisions of the Financing Parameters.

Applicants request that Powergen, E.ON UK plc and E.ON UK be authorized to issue and sell securities to E.ON and to their direct and indirect parent companies. Applicants also propose that Powergen, E.ON UK plc and E.ON UK receive authorization to acquire securities from their subsidiaries, including the Powergen Financing Entities, issue guarantees and provide other forms of credit support to or for the benefit of their subsidiaries. Powergen and E.ON UK would not issue securities to third parties.

Applicants request that E.ON UK plc issue and sell debt securities, in particular, medium-term notes, to third parties to finance the authorized or permitted activities of the Powergen Group. Debt issued by E.ON UK plc may be guaranteed by E.ON. Financing the Powergen Group through debt issued by E.ON UK plc is expected to be more cost effective due to tax considerations than financing capital needs through E.ON or another E.ON subsidiary and then lending the funds to E.ON UK plc. Any third party debt issued by E.ON UK plc would comply with the cost of money, maturity and issuance expense provisions of the Financing Parameters and would be consolidated into E.ON's consolidated financial statements and would count against the External Financing Limit and the Debt Sublimit.

C. Intermediate Companies

Applicants propose that E.ON hold its interest in LG&E Energy through E.ON US and PUSIC; Intermediate Companies that would be registered holding companies under the Act. Each of the Intermediate Companies requests authorization to issue and sell securities to the other Intermediate Companies and E.ON, and to acquire securities from their direct or indirect Intermediate Company subsidiaries, E.ON NA and LG&E Energy. Each of the Intermediate Companies also seeks authority to issue guarantees and other forms of credit support to or for the benefit of direct and indirect Intermediate Company subsidiaries, E.ON NA and LG&E Energy. In no case would the Intermediate Companies borrow, or receive any extension of credit or indemnity, from any of their respective direct or indirect subsidiary companies.

Upon consummation of the reorganization of the E.ON Group and the transfer of PUSIC to E.ON US, E.ON or one of the Intermediate Companies may be required to guarantee certain of

the debt issued by the Powergen Financing Entities according to the terms of the applicable debt instruments. Applicants seek authority for the Intermediate Companies to issue guarantees and other forms of credit support to or for the benefit of the Powergen Financing Entities. Any guarantees issued by E.ON and the Intermediate Companies will count against the Guarantee Limit.

Each of the Intermediate Companies is intended to function as a financial conduit to facilitate E.ON's U.S. investments. For reasons of economic efficiency, the terms and conditions of any securities issued by the Intermediate Companies would be market-based determined under the Market Rate Method. The Intermediate Company financings would be used to finance the capital requirements of E.ON NA and the LG&E Energy Group and any exempt or subsequently authorized activity that is hereafter acquired. The Intermediate Company financing will not be used by the Intermediate Companies to carry on business or investment activities within the Intermediate Companies.

D. Hedging Transactions

The Intermediate Companies, the Powergen Intermediate Holding Companies and the Powergen Financing Entities propose to enter into hedging transactions with E.ON or other Intermediate Companies, Powergen Intermediate Holding Companies and Powergen Financing Entities to hedge interest rate or currency exposures. These transactions would be on market terms and on the same terms applicable to E.ON in section IV.D above.

VI. LG&E Energy Group Companies.

A. Loans from E.ON Group Companies

After the Acquisition, E.ON will restructure its holding in E.ON NA, a wholly owned subsidiary, so that it will be held as a direct subsidiary of PUSIC. After the restructuring, E.ON NA will be a sister company to LG&E Energy. E.ON NA owns Fidelia, a finance company subsidiary organized in Delaware. Applicants propose that funds held by Fidelia be used to finance the capital needs of the LG&E Energy Group.

E.ON proposes to finance all or a portion of the capital needs of the LG&E Energy Group companies directly or through other E.ON Group companies as described above, including the Intermediate Companies. Applicants request authority for the LG&E Energy Group companies to borrow funds from E.ON Group companies that may have available surplus funds. These

borrowings would only occur if the interest rate on the loan would result in an equal or lower cost of borrowing than the LG&E Energy Group company could obtain in a loan from E.ON or in the capital markets on its own. Consequently, all borrowings by an LG&E Energy Group company from an associate company would be at the lowest of: (a) E.ON's effective cost of capital; (b) the lending associate's effective cost of capital (if lower than E.ON's effective cost of capital); and (c) the borrowing LG&E Energy Group company's effective cost of capital determined by reference to the effective cost of a direct borrowing by the company from a nonassociate for a comparable term loan that could be entered into at the time.

1. LG&E Energy

Applicants request authorization for LG&E Energy to obtain funds externally through sales of short-term debt securities and to have outstanding at any time during the Authorization Period external short-term debt in an aggregate amount of up to \$400 million.

LG&E Energy may engage in short-term financing as it deems appropriate in light of its needs and market conditions at the time of issuance. Financing could include commercial paper sold in established U.S. or European commercial paper markets, lines of credit with banks or other financial institutions and debt securities issued under an indenture or a note program. All transactions will be at rates or prices, and under conditions, negotiated under, based upon or otherwise determined by, competitive market conditions. Any securities issued by LG&E Energy will comply with the Financing Parameters.

2. Utility Subsidiaries

Applicants request authorization for the Utility Subsidiaries to undertake the following financings.

(a) Short-Term Financing. Applicants request authorization for LG&E and KU to issue debt with maturities of two years or less to one or more associate or nonassociate companies in an aggregate principal amount at any one time outstanding during the Authorization Period of up to \$400 million in the case of LG&E and \$400 million in the case of KU. Short-term financing may include commercial paper sold in established U.S. or European commercial paper markets, lines of credit with banks or other financial institutions and debt securities issued under an indenture or a note program. All transactions will be at rates or prices, and under conditions negotiated under, based upon, or

otherwise determined by, competitive market conditions.

(b) Receivables Factoring Program. LG&E and KU propose to continue their receivables factoring program, authorized by the Powergen Order. LG&E formed and made capital contributions to LG&E Receivables, LLC ("LG&E Receivables") and KU has formed and made capital contributions to KU Receivables, LLC ("KU Receivables"). Applicants request authorization for LG&E Receivables and KU Receivables to pay dividends or other distributions to the extent the dividends or other distributions may be considered to be paid out of capital or unearned surplus. Applicants also request that the Commission authorize the intercompany notes issued by LG&E Receivables and KU Receivables to LG&E and KU, respectively.

(c) Guarantees. The Utility Subsidiaries seek authorization to guarantee the obligations of their subsidiaries (other than EWGs, exempt telecommunications companies as defined under section 34 of the Act ("ETCs") or FUCOs) to the extent not exempt under rule 45 under the Act. Guarantees would not exceed \$200 million in the case of LG&E and \$200 million in the case of KU. Certain guarantees may be in support of obligations that are not capable of exact quantification. The Utility Subsidiaries will in these cases determine the exposure under a guarantee for purposes of measuring compliance with the above limits by appropriate means including estimation of exposure based on loss experience or projected potential payment amounts. The Utility Subsidiaries propose to charge each subsidiary a fee for each guarantee provided on its behalf that is not greater than the cost, if any, of the liquidity necessary to perform the guarantee and the credit risk assumed by the Utility Subsidiary. Guarantees issued by the Utility Subsidiaries would not be secured by any utility assets.

(d) Hedging Instruments. The Utility Subsidiaries request authorization to enter into Hedging Instruments and Anticipatory Hedges on the same terms applicable to E.ON in section IV.D above.

3. Intercompany Loans Among the LG&E Energy Group

The activities of LG&E Energy and its nonutility subsidiaries ("Nonutility Subsidiaries") are financed, in part, through intercompany loans. The source of funds for the operations of LG&E Energy and the Nonutility Subsidiaries include internally generated funds and proceeds of external financings.

Applicants request authorization for LG&E Energy and the Nonutility Subsidiaries to loan funds to the Nonutility Subsidiaries in a net principal amount at any one time outstanding during the Authorization Period not to exceed \$1 billion. The authorization for intrasystem financing requested in this paragraph excludes financing that is exempt under rules 45(b) and 52. LG&E Energy will not borrow funds from its subsidiary companies. Terms and conditions of intercompany loans available to the Nonutility Subsidiaries will be materially no less favorable than the terms and conditions of loans available to the borrowing company from third-party lenders. The interest rate on intercompany loans payable by the borrower will be equal to the lending company's cost of capital. All intercompany loans will be payable on demand or have a maturity of less than fifty years from the date of issuance.

4. LG&E Energy Group Guarantees

The LG&E Energy Group has in place certain guarantees and other credit support arrangements and request authority for these arrangements to remain in place following the Acquisition. These guarantees and credit support arrangements, described fully in the Application, have been previously authorized by order or are permitted under the Act and rules under the Act.

Applicants request authorization for LG&E Energy and the Nonutility Subsidiaries to enter into guarantees, extend credit, obtain letters of credit, enter into guaranty-type expense agreements and otherwise to provide credit support for the obligations from time to time of the LG&E Energy Group companies during the Authorization Period. Guarantees issued by LG&E Energy would not exceed an aggregate principal amount of \$1.5 billion and Guarantees issued by the Nonutility Subsidiaries would not exceed an additional aggregate principal amount of \$1.5 billion, in each case based on the amount at risk, outstanding at any one time, exclusive of any guarantees or credit support arrangements existing on the date of the Acquisition and exclusive of guarantees that may be exempt under rule 45(b). The request for Guarantee authorization is separate from E.ON's External Financing Limit or E.ON's Guarantee Limit and is also separate from the guarantee authorization sought by the Utility Subsidiaries. Any securities issued by the LG&E Energy Group companies which are guaranteed or otherwise covered by credit support arrangements,

will either be issued pursuant to a Commission order or under an applicable exemption under the Act.

Any Guarantees or other credit support arrangements outstanding at the end of the Authorization Period shall continue until expiration or termination in accordance with their terms. The amount of Guarantees outstanding at any one time shall not be counted against the aggregate respective limits applicable to external financings or the limits on intra-system financing requested elsewhere herein. The guarantor will not charge a fee for any Guarantee that would exceed the guarantor's cost of obtaining the liquidity necessary to perform the Guarantee for the period of time the Guarantee remains outstanding and the credit risk assumed by the guarantor. To the extent that the exposure under any Guarantee is not capable of exact quantification, the guarantor will estimate its exposure based on loss experience or projected potential payment amounts.

5. Money Pools

Applicants request authorization to operate three money pools. The utility money pool ("Utility Money Pool") would include only the Utility Subsidiaries as borrowers from, and lenders to, the pool. E.ON, E.ON NA, Fidelia and LG&E Energy may be additional members of the Utility Money Pool, but they would participate only as lenders to the pool. LG&E Energy Services Inc. ("LG&E Services") will act as the administrator of the Utility Money Pool.

The U.S. nonutility money pool ("U.S. Nonutility Money Pool") would include the Nonutility Subsidiaries as borrowers from and lenders to the pool. E.ON, E.ON NA, Fidelia and LG&E Energy would be additional members of the U.S. Nonutility Money Pool, but they would participate only as lenders to the pool. LG&E Services, the service company subsidiary of LG&E Energy, will act as the administrator of the U.S. Nonutility Money Pool.

The Utility Subsidiaries and certain of the Nonutility Subsidiaries currently participate in money pools approved by the Commission in the Powergen Order. Applicants request that the Commission authorize the existing money pools through December 31, 2003, to provide a period of time to implement the new money pools.

Applicants also request authorization to form and operate an E.ON nonutility money pool ("E.ON Nonutility Money Pool") on the terms described herein. The E.ON Nonutility Money Pool may include all E.ON Group companies as

borrowers from and lenders to the pool, except E.ON, the Intermediate Companies, the Powergen Intermediate Holding Companies and the LG&E Energy Group companies. E.ON, the Intermediate Companies and the Powergen Intermediate Holding Companies would participate only as lenders to the E.ON Nonutility Money Pool.

The daily outstanding balance of all borrowings from the Utility Money Pool during any month will accrue interest at the rate, as published in the Wall Street Journal on the last business day of the prior calendar month for high grade 30-day commercial paper issued by major corporations and sold through dealers ("WSJ Rate") plus an at-cost allocation of LG&E Services' cost of managing the money pool. The interest rate paid on loans to the Utility Money Pool would be the weighted average of the WSJ Rate earned on loans to pool participants and the interest rate earned by the pool on surplus deposits invested in high-quality short-term readily marketable instruments.

LG&E Services would administer the Utility Money Pool on an "at cost" basis and maintain the records for the pool. The determination of whether a participant in a money pool has surplus funds to lend to the pool or should borrow from the pool would be made by each participant's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in that participant's sole discretion. No party would be required to effect a borrowing through a money pool if it is determined that it could (and had the authority to) effect a borrowing at a lower cost directly from banks or through the sale of its own commercial paper.

The Utility Subsidiaries' borrowings from the Utility Money Pool would be counted against their overall short-term borrowing limits stated above. The U.S. Nonutility Money Pool will be operated on substantially the same terms and conditions as the Utility Money Pool.

The E.ON Nonutility Money Pool would be administered by E.ON at no charge or by E.ON NA or its special purpose subsidiary at cost. The interest rate charged by the pool would be set according to the Market Rate Method and surplus funds would be invested in the same manner proposed for the Utility Money Pool. The interest rate paid on deposits to the E.ON Nonutility Money Pool will be a weighted average of the rates charged borrowers and the money pool investment rate.

VII. Acquisition, Redemption, or Retirement of Securities

The Applicants request authorization for each company in the E.ON Group other than EWGs, FUCOs, and ETCs to acquire, redeem, or retire its securities or those of its direct and indirect subsidiaries, which securities may be either outstanding presently or issued and sold in the future from time to time during the Authorization Period. These transactions will be undertaken at either the competitive market prices for the securities or at the stated price for those securities, as applicable.

VIII. Financing Entities

Applicants request authorization for the E.ON Group companies, except the EWGs, FUCOs and ETCs, to organize new, or use existing, corporations, trusts, partnerships, or other entities created for the purpose of facilitating financings through their issuance to third parties of income preferred securities or other securities authorized or issued under an applicable exemption. Request is also made for these financing entities ("E.ON Financing Entities") to issue these securities to third parties in the event the issuances are not exempt under rule 52. Additionally, Applicants request authorization with respect to (a) the issuance of debentures or other evidences of indebtedness to an E.ON Financing Entity in return for the proceeds of the financing; (b) the acquisition of voting interests or equity securities issued by the E.ON Financing Entity to establish ownership of or to return funds to the financing entity and (c) the guarantee of the E.ON Financing Entity's obligations in connection with the securities issued. Applicants also request authority for E.ON Group Companies to enter into expense agreements with their respective E.ON Financing Entity under section 13 of the Act and to pay all expenses of the entity. All expense reimbursements would be at cost.

Any amounts issued by an E.ON Financing Entity to third parties under the authority requested in this Application would be counted against the External Financing Limit or any other applicable limit for the immediate parent of the E.ON Financing Entity. The underlying intra-system mirror debt and parent guarantee will not, however, count against the applicable financing or guarantee limits.

IX. Changes in Capital Stock of Subsidiaries

The portion of a subsidiary's aggregate financing to be effected through the sale

of equity securities to a direct or indirect parent company during the Authorization Period cannot be determined at this time. The proposed sale of capital securities may in some cases exceed the capital stock of a given subsidiary authorized at the date of the Merger, in which case the limit will be increased. In addition, a subsidiary may choose to use other forms of capital securities including common stock, ordinary shares, preferred stock, other preferred securities, options and/or warrants convertible into common or preferred stock rights and similar securities. Applicants request authority to increase the amount or change the terms of any wholly owned subsidiary's authorized capital securities, as needed to accommodate the sale of additional equity, without additional Commission approval. The terms that may be changed include dividend rates, conversion rates and dates, and expiration dates. Applicants state that the Financing Parameters will continue to be satisfied following the change in terms of any capital security issued by a subsidiary.

X. Tax Allocation Agreement

Applicants ask the Commission to approve the agreement among certain E.ON Group companies to file a consolidated tax return ("Tax Allocation Agreement"). Approval is necessary because the Tax Allocation Agreement provides for the retention by the U.S. parent of the US tax filing group (i.e., PUSIC or certain of its subsidiaries) of certain tax attributes resulting from payments it has made, rather than the allocation of these losses to the subsidiaries in the U.S. tax filing group without compensation as would otherwise be required by rule 45(c)(5). In this matter, PUSIC is seeking to retain only the benefit of tax losses that have been generated by it in connection with financing the acquisition of LG&E Energy.

XI. Payment of Dividends Out of Capital or Unearned Surplus

Applicants will use the purchase method of accounting for the Acquisition. Under this method of accounting, the premium to be paid to acquire Powergen will result in a substantial amount of goodwill for the E.ON Group. Goodwill will not be amortized but will be subject to annual impairment tests and will reduce future consolidated net income. In addition, accounting rules require that the premium paid in an acquisition utilizing the purchase method of accounting be "pushed down" to the books of the acquired company, which

in this case would be the Powergen Group. The effect of a "push down" is to eliminate the retained earnings of the acquired company and to increase its additional paid-in capital. However, under applicable exceptions to the general rule, the premium paid in the acquisition will be "pushed down" to LG&E Energy, but will not be pushed down to the Utility Subsidiaries or any other subsidiary of LG&E Energy.

Applicants request authorization for the E.ON subsidiaries other than EWGs, FUCOs, ETCs, and Utility Subsidiaries, to pay dividends with respect to its common stock or fund the redemption or repurchase of stock out of capital and unearned surplus (including revaluation reserve), to the extent permitted under applicable corporate law from time to time through the Authorization Period.

XII. Nonutility Reorganizations

Applicants propose to restructure E.ON's nonutility holdings, including those in the LG&E Energy Group, from time to time as may be necessary or appropriate in the furtherance of the E.ON Group's authorized nonutility activities and to maintain and support investment in the E.ON TBD Subsidiaries pending divestiture. To that end, E.ON requests authorization to acquire, directly or indirectly, the equity securities of one or more intermediate subsidiaries ("Development Subsidiaries") organized exclusively for the purpose of acquiring, financing, and holding the securities of one or more existing or future nonutility subsidiaries. Development Subsidiaries may also provide management, administrative, project development and operating services to these entities.

Restructuring could involve the acquisition of one or more new special-purpose subsidiaries to acquire and hold direct or indirect interests in any or all of the TBD Subsidiaries and the E.ON Group's existing or future authorized nonutility businesses. Restructuring could also involve the transfer of existing subsidiaries, or portions of existing businesses, among the E.ON Group companies and/or the reincorporation of existing subsidiaries in a different jurisdiction. This would enable the E.ON Group to consolidate similar businesses, to participate effectively in authorized nonutility activities, and to position the E.ON TBD Subsidiaries appropriately for eventual sale without the need to apply for or receive additional Commission approval.

The nonutility restructuring authorization sought herein works together with the authorization to invest up to \$5.5 billion in the TBD

Subsidiaries. For example, E.ON's German subsidiary Viterra has a portfolio of primarily low-income housing properties. To put Viterra in a better position to be sold, it may be desirable to package certain existing properties into one or more corporations for a separate sale and also to acquire selected commercial or upscale residential properties that complement Viterra's existing holdings. A more balanced portfolio of properties may be more attractive to a potential purchaser and increase the likelihood of structuring a successful sale.

Development Subsidiaries may be corporations, partnerships, limited liability companies or other entities in which E.ON, directly or indirectly, might have a 100% interest, a majority equity or debt position, or a minority debt or equity position. Development Subsidiaries would engage only in businesses to the extent the E.ON Group is authorized, whether by statute, rule, regulation or order, to engage in those businesses (including the businesses of the E.ON TBD Subsidiaries pending divestiture). E.ON commits that the reorganization authorization requested in this Application will not result in the entry by the E.ON Group into a new, unauthorized line of business.

Development Subsidiaries would be organized for the purpose of acquiring, holding and/or financing the acquisition of the securities of or other interest in one or more EWGs, FUCOs, subsidiaries exempt under rule 58 ("Rule 58 Subsidiaries"), energy related subsidiaries ("Energy Related Subsidiaries"), ETCs or other non-exempt nonutility subsidiaries. Development Subsidiaries may also engage in development activities ("Development Activities") and administrative activities ("Administrative Activities") relating to the permitted businesses of the nonutility subsidiaries.

Development Activities will include due diligence and design review; market studies; preliminary engineering; site inspection; preparation of bid proposals, including, in connection therewith, posting of bid bonds; application for required permits and/or regulatory approvals; acquisition of site options and options on other necessary rights; negotiation and execution of contractual commitments with owners of existing facilities, equipment vendors, construction firms, power purchasers, thermal "hosts," fuel suppliers and other project contractors; negotiation of financing commitments with lenders and other third-party investors; and such other preliminary activities as may be required in connection with the

purchase, acquisition, financing or construction of facilities or the acquisition of securities of or interests in new businesses. Administrative Activities will include ongoing personnel, accounting, engineering, legal, financial and other support activities necessary to manage E.ON's investments in nonutility subsidiaries.

A Development Subsidiary may be organized, among other things, (a) to facilitate the making of bids or proposals to develop or acquire an interest in any EWG, FUCO, Rule 58 Subsidiary, Energy Related Subsidiary, ETC or other non-exempt nonutility subsidiary; (b) after the award of the bid proposal, to facilitate closing on the purchase or financing of the acquired company; (c) at any time subsequent to the consummation of an acquisition of an interest in any company in order, among other things, to effect an adjustment in the respective ownership interests in business held by E.ON and non-affiliated investors; (d) to facilitate the sale of ownership interests in one or more acquired nonutility companies; (e) to comply with applicable laws of foreign jurisdictions limiting or otherwise relating to the ownership of domestic companies by foreign nationals; (f) as a part of financial optimization or tax planning to limit E.ON's exposure to German, U.S. and foreign taxes or (g) to further insulate E.ON and its utility subsidiaries from operational or other business risks that may be associated with investments in nonutility companies.

Development Activities will be funded in accordance with rules 45(b) and 52(b) under the Act or as authorized in this Application. To the extent that E.ON provides funds or guarantees directly or indirectly to a Development Subsidiary that are used for the purpose of making an investment in any EWG, FUCO or Rule 58 Subsidiary, the amount of these funds or guarantees will be included in E.ON's "aggregate investment" in these entities, as calculated in accordance with rules 53 or 58, under the Act as applicable.

To the extent these transactions are not exempt from the Act or otherwise authorized or permitted by rule, regulation or order of the Commission, Applicants request that authorization for the Development Subsidiaries to provide management, administrative, project development and operating services to direct or indirect subsidiaries at cost in accordance with section 13 of the Act and the rules, including rules 90 and 91 under the Act. Applicants also propose, however, that under certain circumstances Development Subsidiaries would provide services and

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 its 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