connection with the assignment. Applicants state that they may not be entitled to rely on rule 15a–4 because of the benefits that Cowen will receive as a result of the Acquisition.

4. Section 6(c) of the Act provides that the Commission 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 policy and provisions of the Act. Applicants believe that the requested relief meets this standard.

5. Applicants submit that the terms and timing of the Acquisition were determined in response to a number of factors substantially unrelated to the Funds and that the Existing Advisory Agreements constitute a relatively small part of the Acquisition. Applicants state that the Closing Data does not allow a sufficient time to secure prior shareholder approval of the New Advisory Agreements. Applicants state that the requested relief will permit continuity of investment management of the Funds during the period following the Acquisition so that advisory services will not be disrupted. Applicants represent that the Funds will receive the same scope and quality of investment advisory services provided by essentially the same investment management personnel under the New Advisory Agreements as they receive under the Existing Advisory Agreements. If the investment management personnel changes materially, the New Adviser will apprise and consult with the Boards to ensure that the Boards, including a majority of the Disinterested Directors, are satisfied that the services provided by the New Adviser will not be diminished in scope and quality.

6. Applicants contend that to deprive the New Adviser of investment advisory fees during the Interim Period would be an unduly harsh and unreasonable penalty to attach to the Acquisition and would serve no useful purpose. Applicants note that the fees will not be released to the New Adviser by the Escrow Agent without an appropriate certification that the New Advisory Agreements have been approved by the Funds' respective shareholders.

Applicants' Conditions

Applicants agree as conditions to the issuance of the exemptive order requested by the application that:

1. The New Advisory Agreements will contain substantially the same terms and conditions as the Existing Advisory Agreements, except for the identification of the New Adviser and the dates of execution and termination.

2. The portion of the investment advisory fee earned by the New Adviser during the Interim Period will be maintained in an interest-bearing escrow account, and amounts in the account (including interest earned on such amounts) will be paid to the New Adviser only upon approval of each New Advisory Agreement by the applicable Fund's shareholders or in the absence of such approval, to the Fund.

3. Each Fund will promptly schedule a meeting of shareholders to vote on the approval of the New Agreements to be held within 150 days following the commencement of the Interim Period (but in no event later than December 31, 1998).

4. The Current Adviser will pay the costs of preparing and filing the application and the costs relating to the solicitation and approval of Fund shareholders of the New Advisory Agreements necessitated by the Acquisition.

5. Cowen and SG will take all appropriate actions to ensure that the scope and quality of investment advisory and other services to be provided to the Funds by the New Adviser during the Interim Period will be at least equivalent, in the judgment of the Boards, including a majority of the Disinterested Directors, to the scope and quality of services provided by the Current Adviser. In the event of any material change in investment management personnel providing advisory services pursuant to the New Advisory Agreements, the New Adviser will apprise and consult with the Boards to ensure that the Boards, including a majority of the Disinterested Directors, are satisfied that the services provided will not be diminished in scope or quality.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–13958 Filed 5–26–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23197; File No. 812–10974]

Mitchell Hutchins Portfolios, et al.; Notice of Application

May 20, 1998.

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

ACTION: Notice of application for an order under section 17(d) of the Investment Company Act of 1940 (the ''Act'') and rule 17d–1 under the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit certain registered open-end management investment companies relying on section 12(d)(1)(G) of the Act to enter into a special servicing agreement.

APPLICANTS: Mitchell Hutchins Portfolios (the ''Trust''); PaineWebber America Fund, PaineWebber Cashfund, Inc. (''Cashfund''), PaineWebber Investment Series, PaineWebber Investment Trust, PaineWebber Managed Investments Trust, PaineWebber Olympus Fund, PaineWebber Securities Trust, (the ''PaineWebber Investment Companies,'' and together with the Trust, the ''PaineWebber Mutual Funds''), Mitchell Hutchins Asset Management Inc. (''Mitchell Hutchins''), and PaineWebber Incorporated (''PaineWebber''). Applicant also request relief for each existing or future registered open-end management investment company and series thereof that is part of the same group of investment companies as the PaineWebber Mutual Funds under section 12(d)(1)(G)(ii) of the Act, and which is, or will be, advised by Mitchell Hutchins or PaineWebber or any entity controlling, controlled by, or under common control with Mitchell Hutchins or PaineWebber, or for which Mitchell Hutchins or PaineWebber or any entity controlling, controlled by, or under common control with Mitchell Hutchins or PaineWebber serves, or will serve as principal underwriter (collectively, the ''PaineWebber Family of Funds'').

FILING DATES: The application was filed on January 26, 1998. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on June 15, 1998, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request

notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, D.C. 20549. Applicants, 1285 Avenue of the Americas, New York, NY 10019.

FOR FURTHER INFORMATION CONTACT: Kathleen L. Knisely, Staff Attorney, at (202) 942–0517, or Nadya B. Roytblat, Assistant Director, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549 (tel. 202–942–8090).

Applicants' Representations

1. The Trust, a Delaware business trust, is an open-end management investment company registered under the Act. The Trust currently offers three portfolios (the ''Portfolios'') which will invest all, or substantially all, of their assets in shares of other investment companies in the PaineWebber Family of Funds (''Underlying Funds''),[1] in reliance on section 12(d)(1)(G) of the Act and thereby operate as a fund of funds. The Portfolios will allocate their assets among the following Underlying Funds: PaineWebber Global Equity Fund, PaineWebber Global Income Fund, PaineWebber Growth Fund, PaineWebber Growth and Income Fund, PaineWebber Small Cap Fund, PaineWebber High Income Fund, PaineWebber Investment Grade Income Fund, PaineWebber Low Duration U.S. Government Income Fund, PaineWebber U.S. Government Income Fund, and Cashfund. In the future, other registered open-end management investment companies in the PaineWebber Family of Funds may be added as Underlying Funds. Each Portfolio and each Underlying Fund is authorized to issue multiple classes of shares in accordance with rule 18f–3 under the Act.

2. Mitchell Hutchins and PaineWebber (collectively, the ''Advisers'') are registered as investment advisers under the Investment Advisers Act of 1940. Mitchell Hutchins is a subsidiary of PaineWebber, which is wholly owned by Paine Webber Group, Inc., a publicly owned financial services holding company. Mitchell Hutchins serves as investment adviser and administrator to the Portfolios. Mitchell Hutchins also serves as the principal underwriter of each Portfolios's shares and each Underlying Fund's shares (other than Cashfund, for which PaineWebber serves as principal underwriter). Mitchell Hutchins or PaineWebber serves as investment adviser to the Underlying Funds.

3. Applicants propose to enter into a special servicing agreement (''Servicing Agreement'') among each Portfolio, the Underlying Funds and the Adviser. Under the Servicing Agreement, the Underlying Funds would bear the expenses of the Portfolio (other than advisory fees and rule 12b–1 fees) in proportion to the average daily value of the Underlying Fund's shares owned by the Portfolio. Payments by an Underlying Fund under the Servicing Agreement would be a fund-wide expense of the Underlying Fund.

4. Applicants believe that each Portfolio creates savings to the Underlying Funds primarily due to a reduction in the administrative expenses incurred by the Underlying Funds as a result of the avoidance of numerous shareholder accounts which would have been established if investors in the Portfolios had invested directly in the Underlying Funds. No Underlying Fund would bear any expenses of a Portfolio that exceed Net Benefits as defined in the condition below, to the Underlying Fund from the arrangement.

Applicants' Legal Analysis

1. Section 17(d) of the Act and rule 17d–1 under the Act provide that an affiliated person of, or a principal underwriter for, a registered investment company, or an affiliate of such person or principal underwriter, acting as principal, shall not participate in, or effect any transaction in connection with, any joint enterprise or other joint arrangement in which the registered investment company is a participant unless the Commission has issued an order approving the arrangement. Because the Adviser is an affiliated person of each Portfolio and each Underlying Fund and because the Portfolios and Underlying Funds share a common board of directors/trustees (''Board''), each of the Portfolios and Underlying Funds advised by the Adviser could be deemed to be under common control with all the other Portfolios and Underlying Funds, and therefore, an affiliated person of those Funds. Consequently, the Servicing Agreement could be deemed to be a joint transaction.

2. Rule 17d–1 under the Act provides that, in passing upon exemptive requests under the rule, the Commission considers whether the investment company's participation in the joint enterprise is consistent with the provision, policies and purposes of the Act, and the extent to which such participation is on a basis different from, or less advantageous than that of other participants.

3. Applicants request relief under section 17(d) and rule 17d–1 to permit them to enter into the Service Agreement. Applicants contend that each Underlying Fund will pay a Portfolio's expenses only in direct proportion to the average daily value of each Underlying Fund's shares held by each Portfolio to ensure that expenses of the Portfolios will be borne proportionately and fairly. Applicants also state that prior to an Underlying Fund's entering into a Service Agreement, and at least annually thereafter, the Board of the Underlying Fund, including a majority of directors who are not interested persons under section 2(a)(19) of the Act (''Disinterested Directors''), must determine that the Servicing Agreement will result in Net Benefit, as defined in the condition below, to the Underlying Fund. In making the annual determination, one of the factors the Board must consider is the amount of Net Benefits actually experienced by each class of shareholders of the Underlying Fund and the Underlying Fund as a whole during the preceding year. For these reasons, the applicants believe the requested relief meets the standards of section 17(d) of the Act and rule 17d–1 under the Act.

Applicants' Condition

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

Prior to the Underlying Fund's entering into a Servicing Agreement, and at least annually thereafter, the Board of the Underlying Fund, including a majority of Disinterested Directors of the Underlying Fund, must determine that the Servicing Agreement will result in quantifiable benefits to each class of shareholders of the Underlying Fund and to the Underlying Fund as a whole that will exceed the costs of the Servicing Agreement borne by each class of shareholders of the Underlying Fund and by the Underlying Fund as a whole (''Net Benefits''). In making the annual determination, one of the factors the Board must consider is the amount of Net Benefits actually experienced by each class of shareholders of the Underlying Fund and the Underlying Fund as a whole during the preceding year. The Underlying Fund will preserve for a period of not less than six years from

[1] The Portfolios may not be Underlying Funds and no Portfolio will invest in another Portfolio.

the date of a determination of the Board, the first two years in an easily accessible place, a record of the determination and the basis and information upon which the determination was made. This record will be subject at all times to examination by the Commission and its staff.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–13956 Filed 5–26–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23192; 812–10596]

Stein Roe Income Trust, et al.; Notice of Application

May 19, 1998.

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

ACTION: Notice of application for an order under section 17(d) of the Investment Company Act of 1940 (the ''Act'') and rule 17d–1.

SUMMARY OF THE APPLICATION: Applicants request an order to permit certain registered investment companies to deposit uninvested cash balances in a joint account to be used to enter into short-term investments.

APPLICANTS: Stein Roe Income Trust, Stein Roe Investment Trust, Stein Roe Municipal Trust, Stein Roe Institutional Trust, Stein Roe Advisor Trust, Stein Roe Trust, SR&F Base Trust (each a ''Trust,'' and collectively, the ''Trusts''), and Stein Roe & Farnham Incorporated (the ''Adviser'').

FILING DATES: The application was filed on March 26, 1997 and amended on August 5, 1997 and April 17, 1998.

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 15, 1998, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o Cameron S. Avery, Bell, Boyd & Lloyd, Three First National Plaza, Suite 3300, Chicago, IL 60602.

FOR FURTHER INFORMATION CONTACT: Michael W. Mundt, Staff Attorney, at (202) 942–0578, or Nadya B. Roytblat, Assistant Director, at (202) 942–0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549 (tel. 202–942–8090).

Applicant's Representations

1. Each Trust, other than SR&F Base Trust (''Base Trust''), is organized as a business trust under the laws of Massachusetts. Base Trust is organized as a common law trust under the laws of Massachusetts. Each Trust is registered under the Act as an open-end management investment company and has, or intends to have, multiple series (''Funds''). Base Trust was organized so that its various series could serve as master funds in a master-feeder structure. Currently, each series of Stein Roe Advisor Trust, Stein Roe Institutional Trust, Stein Roe Trust, Stein Roe Investment Trust (other than Stein Roe Emerging Markets Fund and Stein Roe Capital Opportunities Fund), Stein Roe Municipal Money Market Fund (a series of Stein Roe Municipal Trust), and Stein Roe High Yield Fund (a series of Stein Roe Income Trust) operate as feeder funds.

2. The Adviser, a wholly-owned indirect subsidiary of Liberty Financial Companies, Inc., is registered as an investment adviser under the Investment Advisers Act of 1940 and provides investment advisory services to the respective series of the Base Trust and to each of the Funds that are not feeder funds. The Adviser also provides administrative, accounting and bookkeeping services to certain of the Funds. The Adviser has discretion to purchase and sell securities for each Fund in accordance with that Fund's investment objectives, policies and restrictions.

3. Applicants request that any relief granted pursuant to the application also apply to any other registered open-end management investment company and series thereof for which the Adviser may serve as investment adviser in the future (''Future Funds''). Any Future Fund relying on the requested relief will do so only in compliance with the terms and conditions of the application.

4. The assets of the Funds are held by State Street Bank and Trust Company (''State Street''). On each trading day, some or all of the Funds generally have uninvested cash balances in their accounts. Each Fund is authorized to invest its uninvested cash assets in repurchase agreements and certain short-term money market instruments. Currently, such cash balance of each Fund is used on an individual basis to invest in short-term instruments, including individual issues of commercial paper or United States Government agency paper. Applicants assert that these separate purchases result in certain inefficiencies that limit a Fund's return on its cash balances. In addition, the assets of some Funds are too small or become available too late on a given day to be invested effectively on an individual basis.

5. Applicants propose to deposit all or a portion of their uninvested cash balances into a single joint account (''Joint Account'') to enter into one or more short-term investment transactions, including repurchase agreements ''collateralized fully'' as defined in rule 2a–7 under the Act and other short-term money market instruments that constitute ''eligible securities'' as defined in rule 2a–7 under the Act. All counterparties to repurchase agreements entered into through the Joint Account are expected to be banks and broker-dealers. Repurchase agreements will be entered into on a ''hold-in-custody'' basis (i.e., repurchase agreements where the counterparty or one of its affiliated persons may have possession of, or control over, the collateral subject of the agreement) only where cash is received very late in the business day and otherwise would be unavailable for investment. Purchases of short-term money market instruments will be made from dealers in the open market or directly from issuers and will include investments in various taxable and tax-exempt short-term money market instruments with overnight, over-the-weekend or over-the-holiday maturities.

6. Any repurchase agreements entered into through the Joint Accounts will comply with the terms of Investment Company Act Release No. 13005 (February 2, 1983) and interpretations of the staff of the SEC. Applicants acknowledge that they have a continuing obligation to monitor the SEC's published statements on repurchase agreements and represent that the repurchase agreement transactions entered into through a Joint Account will comply with future