Class A Shares, and after eight years, Class C Shares will automatically convert to Class A Shares. Class A, Class B, and Class C Shares will be subject to an annual service fee of up to .25% of net assets. Class B and Class C Shares also will be subject to an annual distribution fee of up to .50% of net assets. Applicants represent that all of these fees will comply with the requirements of Rule2830(d) of the NASD Conduct Rules as if the Fund were an open-end investment company. Applicants also represent that the Fund intends to disclose in its prospectus the fees, expenses, and other characteristics of each class of shares offered for sale, as is required for open-end multi-class funds under Form N1–A.

5. All expenses incurred by the Fund will be allocated among the various classes of shares based on the net assets of the Fund attributable to each class. Distribution fees, service fees, and incremental expenses that may be attributable to a particular class of shares, including transfer agent fees, printing and postage expenses, state and federal registration fees, administrative fees, legal fees, will be charged directly to the net assets of a particular class. Expenses of the Fund allocated to a particular class of shares will be borne on a pro rata basis by each outstanding share of that class. The Fund may crate additional classes of shares in the future that may have different terms from Class B, Class C, and Class A Shares.

6. The Fund may waive the EWCs for certain categories of shareholders or transactions to be established in the future. With respect to any waiver of, scheduled variation in, or elimination of the EWC, the Fund will comply with rule 22d–1 under the Act as if the Fund were an open-end investment company.

7. The Fund may offer its shareholders an exchange feature under which shareholders of the Fund may exchange their shares for shares of the same class of other funds in the North American Group of investment companies. Any exchange option will comply with rule 11a–3 under the Act as if the Fund were an open-end investment company subject to that rule. In complying with rule 11a–3, the Fund will treat the EWCs imposed on Class B Shares and Class C Shares as if they were contingent deferred sales charges (''CDSCs'').

Applicants' Legal Analysis

1. Section 18(c) of the Act provides, in relevant part, that a closed-end investment company may not issue or sell any senior security if, immediately thereafter, the company has outstanding more than one class of senior security. Applicants state that the creation of multiple classes of shares of the Fund may be prohibited by section 18(c).

2. Section 18(i) of the Act provides that each share of stock issued by a registered management company shall be a voting stock and have equal voting rights with every other outstanding voting stock. Applicants state that multiple classes of shares of the Fund may violate section 18(i) because each class would be entitled to exclusive voting rights with respect to matters solely related to that class.

3. Rule 23c–3(b)(1) under the Act provides that an interval fund may deduct from repurchase proceeds only a repurchase fee, not to exceed two percent of the proceeds, that is reasonably intended to compensate the fund for expenses directly related to the repurchase. Applicants state that the imposition of an EWC on shares tendered for repurchase that have been held for less than a specified period may violate rule 23c–3(b)(1).

4. 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 policy and provisions of the Act.

5. Applicants request an exemption under section 6(c) of the Act from sections 18(c) and 18(i) of the Act and rule 23c–3(b)(1) to permit multiple classes of shares of the Fund and the imposition of EWCs.

6. Applicants believe that the proposed allocation of expenses and voting rights among multiple classes in equitable and would not discriminate against any group of Fund shareholders. Applicants submit that the proposed arrangements would permit the Fund to facilitate the distribution of its securities and provide investors with a broader choice of shareholder services. Applicants assert that their proposal does not raise the concerns underlying section 18 to any greater degree than open-end investment companies' multiple class systems that are permitted by rule 18f–3 under the Act. Applicants state that the Fund will comply with rule 18f–3 as if it were an open-end fund.

7. Applicants further state that EWCs are functionally similar to CDSCs that open-end investment companies may charge under rule 6c–10 under the Act. Applicants believe that EWCs may be necessary for Distributors to recover distribution costs and that EWCs may discourage shareholders from engaging in frequent trading, a practice that applicants believe imposes costs on other shareholders. Applicants will comply with rule 6c–10 under the Act as if the Fund were an open-end investment company.

8. Section 17(d) of the Act and rule 17d–1 under the Act prohibit an affiliated person of a registered investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates unless the SEC issues an order permitting the transaction. In reviewing applications submitted under section 17(d) and rule 17d–1, the SEC considers whether the participation of the investment company in a joint enterprise or joint arrangement is consistent with the provisions, policies, and purposes of the Act, and to the extent to which the participation is on basis different from or less advantageous than that of other participants.

9. Rule 17d–3 under the Act provides an exemption from section 17(d) and rule 17d–1 to permit open-end funds to enter into distribution arrangements pursuant to rule 12b–1. Applicants also request an order under section 17(d) and rule 17d–1 to permit the Fund to impose asset-based distribution fees. Applicants have agreed to comply with rule 12b–1 as if the Fund were an open-end investment company.

Applicants' Condition

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

1. Applicants will comply with rules 18f–3, 12b–1, 6c–10, and 22d–1 under the Act and NASD Conduct Rule 2830(d), as amended from time to time, as if those rules apply to closed-end investment companies.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–19049 Filed 7–16–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23311; 812–9982]

Morgan Stanley & Co. Incorporated; Notice of Application

July 10, 1998.

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

ACTION: Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 12(d)(1) of the Act.

SUMMARY OF APPLICATION: Morgan Stanley & Co. Incorporated (''Morgan Stanley'') requests an order to amend a prior order that, among other things, permits registered investment companies to own a greater percentage of the total outstanding voting stock of the AJL PEPS Trusts for which Morgan Stanley serves, or will serve, as a principal underwriter (collectively, the ''Trusts'') than that permitted by section 12(d)(1) of the Act (''Prior Order'').[1] The requested order would permit companies that are excepted from the defintion of investment company under section 3(c)(1) or 3(c)(7) of the Act to own a greater percentage of the total outstanding voting stock of a Trust than that permitted by section 12(d)(1)(A) of the Act.

FILING DATES: The application was filed on May 5, 1998. Applicant has agreed to file an amendment, the substance of which is incorporated in this notice, 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 August 3, 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 1585 Broadway, New York, New York 10036.

FOR FURTHER INFORMATION CONTACT: Brian T. Hourihan, Senior Counsel, at (202) 942–0526, or Mary Kay Frech, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

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

Applicant's Representations

1. The Trusts are limited-life, grantor trusts registered under the Act as nondiversified, closed-end management investment companies. Morgan Stanley serves, or will serve, as the principal underwriter for each Trust.

2. On October 16, 1996, the Commission issued the Prior Order. The Prior Order, among other things, permits registered investment companies to own a greater percentage of the total outstanding voting stock of the Trusts than that permitted by section 12(d)(1) of the Act.

Applicant's Legal Analysis

1. Section 12(d)(1)(A)(i) of the Act prohibits any registered investment company from owning more than 3 percent of the total outstanding voting stock of any other investment company, and any investment company from owning in the aggregate more than 3 percent of the total outstanding voting stock of any registered investment company. A company that is excepted from the definition of investment company under section 3(c)(1) or 3(c)(7) of the Act is deemed to be an investment company for purposes of section 12(d)(1)(A)(i) of the Act under sections 3(c)(1) and 3(c)(7)(D) of the Act.

2. Section 12(d)(1)(J) of the Act provides that the Commission may exempt persons or transactions from any provision of section 12(d)(1), if, and to the extend that, the exemption is consistent with the public interest and the protection of investors. Applicant requests that the Prior Order be amended to permit companies excepted from the definition of investment company under section 3(c)(1) and 3(c)(7) of the Act to rely on the exemption from section 12(d)(1)(A) of the Act provided by the Prior Order.

3. Applicant asserts that investment in the Trusts by companies relying on section 3(c)(1) or 3(c)(7) of the Act will not raise concerns under section 12(d)(1) of the Act for the same reasons as those given in the application for the Prior Order with respect to registered fund's investment in the Trusts. Applicant agrees that any company relying on section 3(c)(1) or 3(c)(7) of the Act that invests in the Trusts may not rely on this order unless it complies with the terms and conditions of the Prior Order. For these reasons, applicant believes that the requested relief meets the standards of section 12(d)(1)(J).

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–19051 Filed 7–16–98; 8:45 am]

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[1] *Morgan Stanley & Co. Incorporated,* Investment Company Act Release Nos. 2235 (Sept. 20, 1996) (notice) and 22284 (Oct. 16, 1996) (order).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–26895; 70–9189]

Entergy Corporation; Order Authorizing the Issuance and Sale of Common Stock in Connection With the Adoption of the 1998 Equity Ownership Plan

July 10, 1998.

Entergy Corporation (''Entergy''), a registered holding company, located in New Orleans, Louisiana, has filed with this Commission an application-declaration under sections 6(a), 7 and 12(e) of the Public Utility Holding Company Act of 1935, as amended (''Act''), and rules 54, 62 and 65 under the Act. The Commission issued a notice of the filing on March 27, 1998 (HCAR No. 26852).

The Entergy Board of Directors (''Board'') has adopted the 1998 Equity Ownership Plan of Entergy Corporation and Subsidiaries (''Equity Plan''), subject to shareholder approval. The Equity Plan will be an amendment and restatement of Entergy's current Equity Ownership Plan which was approved by its stockholders in 1991. Awards granted under the Equity Plan are intended to qualify as performance based compensation under section 162(m) of the Internal Revenue Code of 1986, as amended.

Entergy proposes, through December 31, 2008, to grant Options, Restricted Shares, Performance Shares and Equity Awards, all as defined in the Equity Plan, and to issue or sell up to 12 million shares of its common stock, $0.01 par value (''Common''), under the Equity Plan. The purpose of the Equity Plan is to give certain designated officers and executive personnel (''Key Employees'') and outside directors an opportunity to acquire shares of Common to tie more closely their interests with those of Entergy's shareholders and to reward effective corporate leadership.

The Common will be available for awards under the Equity Plan, subject to adjustment for stock dividends, stock splits, recapitalizations, mergers, consolidations or other reorganizations. Shares of Common awarded under the Equity Plan may be either authorized but unissued shares or shares acquired