

RAILROAD RETIREMENT BOARD**Sunshine Act Meeting**

Notice is hereby given that the Railroad Retirement Board will hold a meeting on August 26, 1998, 9:00 a.m., at the Board's meeting room on the 8th floor of its headquarters building, 844 North Rush Street, Chicago, Illinois, 60611. The agenda for this meeting follows:

- (1) Organizational Placement of the Bureau of Quality Assurance
- (2) Restructuring Plan for Office of Programs—Assessment and Training Component
- (3) Fiscal Year 2000 Budget and Future Budgets
- (4) Year 2000 Issues

The entire meeting will be open to the public. The person to contact for more information is Beatrice Ezerski, Secretary to the Board, Phone No. 312-751-4920.

Date: August 14, 1998.

Beatrice Ezerski,

Secretary to the Board.

[FR Doc. 98-22403 Filed 8-17-98; 11:25 am]

BILLING CODE 7905-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-23388; 812-10668]

SIT Mutual Funds, Inc., et al.; Notice of Application

August 13, 1998.

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

ACTION: Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 ("Act") for an exemption from section 12(d)(1) (A) and (B) of the Act, under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act, and under section 17(d) of the Act and rule 17d-1 under the Act.

SUMMARY OF APPLICATION: Applicants, SIT Mutual Funds, Inc., SIT Mutual Funds II, Inc., SIT Mid Cap Growth Fund, Inc., SIT Large Cap Growth Fund, Inc., SIT U.S. Government Securities Fund, Inc., SIT Money Market Fund, Inc. ("Money Market Fund") (collectively, the "Funds"), and SIT Investment Associates, Inc. ("Adviser") seek an order to permit certain registered open-end investment companies to invest uninvested cash in an affiliated money market fund. The requested order would extend to current and subsequently created series of the Funds and any other registered open-

end investment company advised by the Adviser. The requested order would supersede an existing order.¹

FILING DATES: The application was filed on May 14, 1997, and amended on July 13, 1998. Applicants undertake to file a amendment during the notice period, the substance of which is incorporated in the notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 10, 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, NW., Washington, DC 20549. Applicants, Mary K. Stern, 4600 Norwest Center, Minneapolis, MN 55402. Counsel, Robert A. Kukuljan, Esq., Dorsey & Whitney, LLP., 220 South Sixth Street, Minneapolis, MN 55402.

FOR FURTHER INFORMATION CONTACT: Edward P. Macdonald, Branch Chief, 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).

Applicants' Representations

1. The Funds are open-end management investment companies registered under the Act and organized as Minnesota corporations. The Adviser is registered under the Investment Advisers Act of 1940 and serves as the investment adviser for each of the series of the Funds ("Series"). Certain of the Series also have investment subadvisers (together with the Adviser, "Advisers"). The Money Market Fund, a series of the Funds, is subject to rule 2a-7 under the Act.

2. The Series may have, or may be expected to have, uninvested cash

("Uninvested Cash") held by their custodian. Uninvested cash may result from a variety of sources, including dividends or interest received on portfolio securities, unsettled securities transactions, reserves held for investment strategy purposes, scheduled maturity of investments, liquidation of investment securities to meet anticipated redemptions, dividend payments, or new monies received from investors. Currently, the Series may invest Uninvested Cash directly in individual short term money market instruments.

3. The Series (the "Investing Funds") wish to have the flexibility to invest their Uninvested Cash in the Money Market Fund. Any investment of Uninvested Cash in shares of the Money Market Fund will be in accordance with each Investing Fund's investment restrictions and will be consistent with each Investing Funds' policies as set forth in its prospectuses and statements of additional information. Applicants believe that the proposed transactions may reduce transaction costs, create more liquidity, increase returns, and diversify holdings.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock to be owned by investment companies.

2. Section 12(d)(1)(J) of the Act provides that the SEC may exempt persons or transactions from any provision of section 12(d)(1) if and to the extent the exemption is consistent with the public interest and the protection of investors. Applicants request relief under section 12(d)(1)(J) to permit the Investing Funds to use Uninvested Cash to acquire shares of the Money Market Fund in excess of the percentage limitations in section 12(d)(1)(A), provided however, that in all cases the Investing Fund's aggregate investment of Uninvested Cash in shares of the Money Market Fund will not exceed 25% of the Investing Fund's

¹ Investment Company Act Release No. 20420 (July 21, 1994) (Notice) and 20482 (August 16, 1994) (Order).

total assets at any time. Applicants also request relief to permit the Money Market Fund to sell its securities to an Investing Fund in excess of the percentage limitations in section 12(d)(1)(B). Applicants represent that the Money Market Fund will not acquire securities of any other investment company in excess of the limitations contained in section 12(d)(1)(A) of the Act.

3. Applicants believe that the proposed arrangement does not result in the abuses that sections 12(d)(1) (A) and (B) were intended to prevent.

Applicants represent that the proposed arrangement will not result in an inappropriate layering of fees because shares of the Money Market Fund sold to the Investing Funds will not be subject to a sales load, redemption fee, asset-based distribution fee or service fee. In addition, the Advisers will waive their investment advisory fees for each Investing Fund in an amount that offsets the amount of the advisory fees of the Money Market Fund incurred by the Investing Fund.

4. Section 17(a) of the Act makes it unlawful for any affiliated person of a registered investment company, acting as principal, to sell or purchase any security to or from the company. Because each Series may be deemed to be under common control with the other Series, it may be an "affiliated person," as defined in section 2(a)(3) of the Act, of the other Series. Accordingly, applicants state that the sale of shares of the Money Market Fund to the Investing Funds, would be prohibited under section 17(a) of the Act.

5. Section 17(b) of the Act authorizes the Commission to exempt a transaction from section 17(a) of the act if the terms of the proposed transaction, including the consideration to be paid or received, are fair and reasonable and do not involve overreaching on the part of any person concerned, the proposed transaction is consistent with the policy of each investment company concerned, and with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt persons or transactions from any provision of the Act, if the 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.

6. The Investing Funds will retain their ability to invest their cash balances directly into money market instruments if they believe that they can obtain a higher return. The Money Market Fund has the right to discontinue selling shares to any of the Investing Funds if

its board of trustees determines that such sales would adversely affect the portfolio management and operations of the Money Market Fund. In addition, applicants state that shares of the Money Market Fund will be purchased and redeemed at their net asset value, the same consideration paid and received for these shares by any other shareholder. Therefore, applicants believe that the proposal satisfies the standards for relief in sections 17(b) and 6(c) of the Act.

7. Section 17(d) of the Act and rule 17d-1 under the Act prohibit an affiliated person of an 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. Applicants state that each Investing Fund, by purchasing shares of the Money Market Fund; each Adviser of an Investing Fund, by managing the assets of the Investing Funds invested in the Money Market Fund; and the Money Market Fund, by selling shares to the Investing Funds, could be participants in a joint enterprise within the meaning of section 17(d)(1) of the Act and rule 17d-1 under the Act.

8. Rule 17d-1 under the Act permits the Commission to approve a joint transaction covered by the terms of section 17(d). In determining whether to approve a transaction, the Commission considers whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation of the investment companies is on a basis different from or less advantageous than that of the other participants. Applicants submit that the Series will participate in the proposed transactions on a basis not different from or less advantageous than that of any other participant and that the transactions will be consistent with the Act.

Applicants' Conditions

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

1. Shares of the Money Market Fund sold to and redeemed by the Investing Funds will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b-1 under the Act, or service fee (as defined in rule 2830 of the NASD's Conduct Rules).

2. The Advisers will waive their advisory fee for each Investing Fund in an amount that offsets the amount of the advisory fees of the Money Market Fund incurred by the Investing Funds. Any of

these fees remitted or waived will not be the subject to recoupment by the Advisers at a later date.

3. Each Investing Fund will invest Uninvested Cash in, and hold shares of, the Money Market Fund only to the extent that the Investing Fund's aggregate investment in the Money Market Fund does not exceed 25% of the Investing Fund's total assets. For purposes of this limitation, each Investing Fund will be treated as a separate investment company.

4. Investment in shares of the Money Market Fund will be in accordance with each Investing Fund's respective investment restrictions and will be consistent with each Investing Fund's policies as set forth in its prospectuses and statements of additional information.

5. Each Investing Fund and any future fund that may rely on the order requested will be advised by the Adviser or an entity controlling, controlled by, or under common control with the Adviser.

6. The Money Market Fund will not acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-22295 Filed 8-18-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23389; 812-11244]

Zurich Insurance Company, et al.; Notice of Application

August 14, 1998.

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

ACTION: Notice of application under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from section 15(a) of the Act.

SUMMARY OF THE APPLICATION: The requested order would permit the implementation, without prior shareholder approval, of new investment advisory and sub-advisory agreements for a period of up to 150 days following the later of: (i) consummation of the merger between Zurich Insurance Company ("Zurich") and B.A.T Industries p.l.c. ("B.A.T."), or (ii) the date on which the requested