

services; and (iv) the fees for First Trust's services are fair and reasonable in light of the usual and customary charges imposed by others for services of the same nature and quality.

b. Each Fund's contract with First Trust for lending agent services will be reviewed annually and will be approved for continuation only if a majority of the board of directors of each Fund, including a majority of the directors who are not "interested persons" of the Fund within the meaning of the Act, makes the findings referred to in paragraph (a) above.

c. In connection with the initial approval of First Trust as lending agent to a Fund, the board of directors will obtain competing quotes with respect to lending agent fees from at least three independent lending agents to assist the board of directors in making the findings referred to in paragraph (a) above.

d. The board of directors of each Fund, including a majority of the directors who are not "interested persons" of the Fund within the meaning of the Act, (i) will determine at each quarterly meeting that the loan transactions during the prior quarter were effected in compliance with the conditions and procedures set forth in the application and (ii) will review no less frequently than annually the conditions and procedures for continuing appropriateness.

e. Each Fund will (i) maintain and preserve permanently in an easily accessible place a written copy of the procedures and conditions (and modifications thereto) described in the application or otherwise followed in connection with lending securities and (ii) maintain and preserve for a period of not less than six years from the end of the fiscal year in which any loan transaction occurred, the first two years in an easily accessible place, a written record of each such loan transaction setting forth a description of the security loaned, the identity of the person on the other side of the loan transaction, the terms of the loan transaction, and the information or materials upon which the determination was made that each loan was made in accordance with the procedures set forth above and the conditions to the application.

Applicants' Conditions

Applicants will adhere to the following conditions:

1. No Fund may lend its portfolio securities to a borrower that is an affiliated person of the Fund, any adviser of the Fund, or First Trust, or to an affiliated person of any such person.

2. Except as set forth herein, the securities lending program of each Fund will comply with all present and future applicable SEC staff positions regarding securities lending arrangements, *i.e.*, with respect to the type and amount of collateral, voting of loaned securities, limitations on the percentage of portfolio securities on loan, prospectus disclosure, termination of loans, receipt of dividends or other distributions, and compliance with fundamental policies.¹

3. The approval of the board of directors of a Fund, including a majority of the directors who are not "interested persons" within the meaning of the Act, shall be required for the initial and subsequent approvals of First Trust's service as lending agent for the Funds, for the institution of all procedures relating to the securities lending programs of the Funds, and for any periodic review of loan transactions for which First Trust acted as lending agent.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-22578 Filed 9-4-96; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22187; 812-9838]

GE Funds, et al.; Notice of Application

August 29, 1996.

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

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

APPLICANTS: Elfun Trusts, Elfun Global Fund, Elfun Diversified Fund, Elfun Tax-Exempt Income Fund, Elfun Income Fund (collectively, the "Elfun Funds"), Variable Investment Trust ("Variable Trust"), GE S&S Program Mutual Fund, GE S&S Long-Term Interest Fund (collectively, all of the foregoing are the "Registered Investing Entities"), General Electric Pension Trust, GE Savings and Security (collectively, the previous two are the "Retirement Trusts"), GE Insurance Plan Trust, GE Medical Care Trust for Pensioners, GE General Relief and Loan Funds (collectively, the previous three are the "Welfare Trusts"), GE Investments International Fund, GE Investment International Fund—NYC, GE Investments Group Trust (collectively, the previous three are the "Group Trusts"), GE Investments

Canada Fund (the "Canada Fund"), GE Investment Realty Partners I, GE Investment Realty Partners II, GE Investment Realty Partners III, GE Investment Hotel Partners I (collectively, the previous four are the "Limited Partnerships") collectively, all of the foregoing are the "Investing Entities", GEI Short-Term Investment Fund (the "Investment Trust"), GE Investment Management Incorporated ("GEIM"), and General Electric Investment Corporation ("GEIC").

RELEVANT ACT SECTIONS: Order of exemption requested pursuant to section 6(c) of the Act from section 12(d)(1), under sections 6(c) and 17(b) that would grant an exemption from section 17(a), and under rule 17d-1 to permit certain transactions in accordance with section 17(d) and rule 17d-1.

SUMMARY OF APPLICATION: Applicants request an order to permit the Investing Entities to purchase shares of the Investment Trust for cash management purposes.

FILING DATES: The applicant was filed on October 31, 1995 and amended on July 24, 1996. Applicants have agreed to file an amendment, the substance of which is incorporated herein, during the notice period.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 24, 1996, 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, NW., Washington, DC 20549. Applicants, 3003 Summer Street, Stamford, Connecticut 06905.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942-0572, or Alison E. Baur, 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.

¹ See, e.g., SIFE Trust Fund (pub. avail. Feb. 17, 1982).

Applicants' Representations

1. The GE Funds, the Elfun Funds, the Variable Trust, and the S&S Funds are registered open-end management investment companies that are organized either under the laws of Connecticut, Massachusetts or New York. Certain of the foregoing funds are organized as series companies. In addition, the Elfun Funds and the S&S Funds are employee securities companies as defined in section 2(a)(13) of the Act. The Retirement Trusts hold assets for the benefit of current and previous employees of General Electric Company ("GE") and its affiliates. The Welfare Trusts hold the assets of various health and welfare benefit plans for the benefit of current or previous employees of GE and its affiliates. The Group Trusts are each a pooled trust established by GEIM for the pooled investment of pension and profit sharing plans and certain governmental plans which are exempt from federal income taxation. The Canada Fund is a fund governed by the laws of Canada and established for the pooled investment by pension funds sponsored by an employer for the benefit of its employees. The Limited Partnerships are investment limited partnerships established for the purposes of acquiring and developing real estate assets and are offered only to "accredited investors" with the meaning of Rule 501 of Regulation D under the Securities Act of 1933.

2. GEIM provides investment advisory and administrative services to the GE Funds, the Variable Trust, and the Canada Fund. GEIM also provides investment management services to the Limited Partnerships in its capacity as general partner. GEIC provides investment advisory and/or administrative services to the Elfun Funds, the S&S Funds, the Retirement Trusts, the Welfare Trusts, the Group Trusts, and the Canada Fund. Both GEIM and GEIC are wholly-owned subsidiaries of GE.

3. The Investment Trust will be organized as a New Hampshire investment trust and will be excluded from the definition of investment company under section 3(c)(1) of the Act. Shares will be non-voting and will be offered only to the Investing Entities. The Investment Trust will invest exclusively in certain short-term money market instruments, will maintain a dollar weighted average portfolio maturity of ninety days or less, and will not purchase any security with a remaining maturity of greater than 397 days. GEIM will serve as investment adviser to the investment trust.

4. Each Investing Entity has, or may be expected to have, uninvested cash held by its custodian bank. Such 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 and dividend payments, and new monies received from investors. Applicants propose that the Investing Entities be able to invest such uninvested cash in shares of the Investment Trust. In addition, to facilitate the establishment of the Investment Trust, relief is also being requested to allow a Registered Investing Entity to participate initially in the Investment Trust through a one-time contribution of portfolio securities.

5. Applicants request that relief be extended to any investment adviser controlled by or common control with GEIM or GEIC (collectively, the "Advisers"). In addition, applicants request that relief be extended to all future registered investment companies and series thereof, future pension plans, or future limited partnerships for which an Adviser may act as investment adviser. (Such entities are also the "Investing Entities" and/or "Registered Investing Entities.") In no case will an Investing Entity be a registered investment company that values its assets in accordance with rule 2a-7 under the Act.

Applicants' Legal Analysis

A. Section 12(d)(1)

1. Section 12(d)(1)(A) of the Act prohibits any registered investment company (the "acquiring company") or any company or companies controlled by such acquiring company to purchase any security issued by any other investment company (the "acquired company") if such purchase will result in the acquiring company or companies it controls owning in the aggregate (a) more than 3% of the outstanding voting stock of the acquired company, (b) securities issued by the acquired company with an aggregate value in excess of 5% of the acquiring company's total assets, or (c) securities issued by the acquired company and all other investment companies with an aggregate value in excess of 10% of the value of the acquiring company's total assets. Section 12(d)(1)(B) prohibits a registered investment company (the "acquired company") from selling any security to another investment company (the "acquiring company") if such sale will result in (a) more than 3% of the

outstanding stock of the acquired company is owned by the acquiring company and more than 10% of the total outstanding voting stock of the acquired company is owned by the acquiring company or other investment companies.

2. Applicants state that, while the size of the Investment Trust may vary significantly from day to day, it is likely that one or more of the Investing Entities would have an investment in the Investment Trust that would exceed the section 12(d)(1) limits. In addition, applicants propose that each Registered Investing Entity be permitted to invest in, and holding shares of, the Investment Trust to the extent that a Registered Investing Entity's aggregate investment in the Investment Trust at the time the investment is made does not exceed 25% of the Registered Investing Entity's total assets. Accordingly, applicants seek an exemption from the provisions of section 12(d)(1) to the extent necessary to implement the proposed transactions.

3. Applicants state that the Investment Trust will be excluded from the definition of investment company under section 3(c)(1).¹ Applicants further state that the Investment Trust will issue any non-voting securities. Applicants request relief from section 12(d)(1), however, because they are concerned that the Investment Trust's non-voting securities could be deemed to be "voting securities" for purposes of section 3(c)(1). Applicants believe that if interests in the Investment Trust were deemed to be "voting securities," applicants then must rely on the second 10% test of section 3(c)(1) in order to avoid a look through to the shareholders of the Investing Entities for purposes of determining the number of persons owning shares of the Investment Trust. Reliance on the second 10% test would

¹ Section 3(c)(1) provides, in pertinent part, that the term "investment company" shall not include:

Any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and which is not making and does not presently propose to make a public offering of its securities. For purposes of this paragraph:

(A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if the company owns 10 per centum or more of the outstanding voting securities of the issuer, the beneficial holders of such company's outstanding securities (other than short-term paper) unless, as of the date of the most recent acquisition by such company of securities of that issuer, the value of all securities owned by such company of all issuers which are or would, but for the exception set forth in this subparagraph, be excluded from the definition of investment company solely by this paragraph, does not exceed 10 per centum of the value of the company's total assets. Such issuer nonetheless is deemed to be an investment company for purposes of section 12(d)(1).

cause the Investment Trust to be deemed an investment company for purposes of section 12(d) of the Act pursuant to the last sentence of section 3(c)(1)(A).

4. Section 6(c) permits the SEC to exempt any person or transaction from any provision of the Act, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies of the Act. For the reasons provided below, applicants argue that the requested order meets the section 6(c) standards.

5. Applicants believe that relief is appropriate to permit the Registered Investing Entities to invest in the Investment Trust because a private investment company is less expensive to operate than a registered investment company. In addition, applicants state that the use of a private investment company would maximize participation in the Investment Trust, thereby facilitating the ability of the Trust to obtain the advantages of a larger size.

6. Applicants believe that at any given time it is possible that 25% or more of an Investing Entity's total assets may be comprised of uninvested cash. Cash balances of this size may result from volatility in the marketplace, from cash collateral that is derived from securities lending transactions and cash generated from mortgage dollar rolls, and for other reasons. In addition, applicants believe that the Investment Trust need not be limited to making investments in eligible money market instruments under rule 2a-7 because the Investing Entities do not hold themselves out as money market funds subject to the constraints of rule 2a-7.

7. Applicants state that section 12(d)(1) is intended, among other things, to protect an investment company's shareholders against (a) undue influence over portfolio management through the threat of large-scale redemptions, and the disruption of orderly management of the investment company through the maintenance of large cash balances to meet potential redemptions and (b) the layering of sales charges, advisory fees, and administrative costs. Applicants state that the Investment Trust will be managed specifically to maintain a highly liquid portfolio and that access to the Investment Trust will enhance each Investing Entity's ability to manage and invest cash. In addition, the Investment Trust will not charge any sales charges, underwriting or distribution fees, or advisory fees. Therefore, applicants believe none of the perceived abuses meant to be addressed by section

12(d)(1) is created by the proposed transactions.

B. Section 17(a)

1. Section 17(a) of the Act generally prohibits sales or purchases of securities between a registered investment company and any affiliated person of that company. Section 2(a)(3) of the Act defines an affiliated person of an investment company to include any person that owns more than 5% of the outstanding voting securities of that company and any investment adviser of the investment company and any person directly or indirectly controlling, or under common control with, such investment adviser. As the investment adviser to the Investment Trust, each Adviser may be deemed to be an "affiliated person" under section 2(a)(3), and as members of the same complex of funds and other investment entities, with the same investment adviser and similar members of the boards of directors or trustees, the Registered Investing Entities and the Investment Trust may be considered affiliated persons of each other.

2. The sale by the Investment Trust of its shares to the Registered Investing Entities could be deemed to be a principal transaction between affiliated persons that is prohibited under section 17(a). Therefore, applicants request an order to permit the Investment Trust to sell its shares to the Registered Investing Entities and to allow the redemption of such shares from the Registered Investing Entities. In addition, applicants request an order to allow the Registered Investing Entities to make a one-time contribution of portfolio securities to the Investment Trust.

3. Section 17(b) permits the SEC to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned. Section 17(b) could be interpreted to exempt only a single transaction. However, the Commission, under section 6(c) of the Act, may exempt a series of transactions that otherwise would be prohibited by section 17(a). For the reasons stated below, applicants believe that the terms of the transactions meet the standards of sections 6(c) and 17(b).

4. With respect to the relief requested from section 17(a) for the proposed transactions, applicants state that the terms of the proposed transactions are fair because the consideration paid and received for the sale and redemption of shares of the Investment Trust will be based on the net asset value per share of the Investment Trust. In addition, the

purchase of shares of the Investment Trust by the Investing Entities will be effected in accordance with each Investing Entity's investment restrictions and policies as set forth in its registration statement.

5. With respect to the one-time contribution of shares by the Registered Investing Entities to the Investment Trust, applicants state that such relief is requested primarily in order to enable the Investment Trust quickly to achieve a size sufficient to benefit the Registered Investing Entities without requiring the Registered Investing Entities to have to sell portfolio securities in order to contribute cash. The one-time contribution will comply with the provisions of paragraphs (a) through (f) of the rule 17a-7² under the Act except that the consideration for the securities contributed to the Investment Trust will be Investment Trust shares rather than cash.

C. Section 17(d)

1. Section 17(d) of the Act and rule 17d-1 thereunder 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. The proposed transaction could be deemed to be a joint enterprise or other joint arrangement because the Advisers will be pooling uninvested cash from across a number of funds advised by the Advisers. In doing so, each Investing Entity will be acting collectively to avail themselves of the benefits afforded by pooling these cash balances.

2. Rule 17d-1 permits the SEC to approve a proposed joint transaction. In determining whether to approve a transaction, the SEC is to consider 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. For the reasons stated below, applicants believe that the requested relief meets these standards.

3. Applicants state that the proposed transactions would be beneficial to each of the participants. Applicants state that there is no basis on which to believe that if the uninvested cash of the Investing Entities were invested directly in money market instruments, any

² Rule 17a-7 provides for purchase or sale transactions between registered investment companies and certain affiliated persons provided that certain conditions are met.

participant would benefit to a greater extent than any other. Applicants also believe that a Registered Investing Entity's contribution of portfolio securities, in lieu of cash, in exchange for shares of the Investment Trust, creates no adverse effects on any other Investment Entity because all shares of the Investment Trust will be sold at net asset value.

Applicants' Conditions

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

1. The shares of the Investment Trust sold to and redeemed from the Investing Entities will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b-1, or service fee (as defined in rule 2830(b)(9) of the National Association of Securities Dealers' Rules of the Association). There will be no investment advisory fee charged to the Investment Trust.

2. Investment in shares of the Investment Trust will be in accordance with each Registered Investing Entity's respective investment restrictions and will be consistent with each Registered Investing Entity's policies as set forth in its prospectuses and statements of additional information.

3. The Investment Trust shall not acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

4. A majority of the directors of each Registered Investing Entity (except the Elfun Funds and the S&S Funds³) will not be "interested persons" as defined in section 2(a)(19) of the Act.

5. Each Investing Entity, the Investment Trust, and any future fund that may rely on the order shall be advised by one of the Advisers or a person controlling, controlled by, or under common control with one of the Advisers.

6. Each of the Registered Investing Entities will invest uninvested cash in, and hold shares of, the Investment Trust only to the extent that the Registered Investing Entity's aggregate investment

in the Investment Trust does not exceed 25% of the Registered Investing Entity's total assets.

7. The Investment Trust will comply with the requirements of sections 17(a), (d), and (e), and 18 of the Act as if the Investment Trust were a registered open-end investment company. With respect to all redemption requests made by a Registered Investing Entity, the Investment Trust will comply with section 22(e) of the Act. The Investment Trust will value its shares, as of the close of business on each business day in accordance with section 2(a)(41) of the Act.

8. The Advisers shall adopt procedures designed to ensure that the Investment Trust complies with sections 2(a)(41), 17(a), (d), and (e), 18, and 22(e) to the same extent that procedures for compliance with these sections have been adopted for the Registered Investing Entities. The Advisers will also periodically review and update as appropriate such procedures and will maintain books and records describing such procedures, and maintain the records required by rules 31a-1(b)(1), 31a-1(b)(2)(ii), and 31a-1(b)(9) under the Act. All books and records required to be kept under this condition will be maintained and preserved for a period of not less than six years from the end of the fiscal year in which any transaction occurred, the first two years in an easily accessible place, and will be subject to examination by the SEC and its staff.

9. Each Investing Entity will purchase and redeem shares of the Investment Trust as of the same time and at the same price, and will receive dividends and bear its proportionate shares of expenses on the same basis, as other shareholders of the Investment Trust. A separate account will be established in the shareholder records of the Investment Trust for the account of each Investing Entity.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-22625 Filed 9-4-96; 8:45 am]

BILLING CODE 8010-01-M

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

APPLICANT: The Jefferson Funds Trust.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILING DATE: The application was filed on February 23, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing.

Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 23, 1996, and should be accompanied by proof of service on the applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the 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, NW., Washington, DC 20549. Applicant, 233 South Wacker Drive, Suite 4500, Chicago, Illinois 60606.

FOR FURTHER INFORMATION CONTACT: Sarah A. Buescher, Staff Attorney, at (202) 942-0573, or Elizabeth G. Osterman, 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 from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an open-end, diversified management investment company organized as a Delaware business trust. Applicant has one series, the Jefferson U.S. Treasury Money Market Fund. On June 19, 1995, applicant filed a notification of registration on Form N-8A under section 8(a) of the Act, and filed a registration statement on Form N-1A under section 8(b) of the Act. Applicant's registration statement became effective on July 8, 1995; however, applicant made no public offering of its shares.

2. On December 31, 1995, applicant's board of trustees approved a resolution to dissolve applicant. Applicant sold no securities, and has no securityholders, assets, or liabilities. Applicant is not a

³ Each Elfun Fund and S&S Fund is an "employees' securities company" as defined in the Act. Each of these funds has obtained an SEC order exempting it from section 10(a) of the Act to permit more than 60% of its respective trustees to be "interested persons" as defined in the Act and from section 15(c) to exempt it from the requirement that a majority of its disinterested trustees approve any renewal of its advisory contract (Elfun Funds, Investment Company Act Release Nos. 17038 (June 30, 1989) (notice) and 17083 (July 25, 1989) (order) and S&S Funds, Investment Company Act Release Nos. 10929 (Nov. 6, 1979) (notice) and 10971 (Dec. 4, 1979) (order)).

[Investment Company Act Release No. 22182; 811-9056]

The Jefferson Funds Trust; Notice of Application

August 28, 1996.

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