

may terminate the Reorganization Plan if: (a) The closing has not occurred prior to December 31, 1999; (b) the other party materially fails to perform its obligations; (c) the other party materially breaches its representations, warranties, or covenants; or (d) a condition precedent to the party's obligations cannot be met.

14. Registration statements on Form N-14 ("N-14 Registration Statements") were filed with the SEC on December 23, 1998 and December 31, 1998, and became effective on January 23, 1999 and January 30, 1999, respectively. Applicants mailed prospectus/proxy statements to shareholders of the Acquired Funds on or about February 8, 1999. A special meeting of the Acquired Fund shareholders will be held on or about May 3, 1999.

15. The consummation of the Reorganizations is subject to the following conditions, as set forth in the Reorganization Plans: (a) The N-14 Registration Statements with regard to the Acquiring Funds, other than two master portfolios, will have become effective; (b) the Acquired Fund shareholders will have approved the Reorganization Plans; (c) applicants will have received exemptive relief from the SEC with respect to the issues in the application; (d) the applicants will have received an opinion of counsel concerning the federal income tax aspects of the Reorganizations; and (e) each Acquired Fund will have declared a dividend or dividends to distribute substantially all of its investment company taxable income and net capital gain, if any, to its shareholders. Applicants agree not to make any material changes to the Reorganization Plans that affect the applicant without prior SEC approval.

Applicants' Legal Analysis

1. Section 17(a) of the Act generally prohibits an affiliated person of a registered investment company, or an affiliated person of that person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person that directly or indirectly owns, controls, or holds with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by, or under common control with the other person; and (d) if the

other person is an investment company, any investment adviser of that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons solely by reason of having a common investment adviser, common directors/trustees, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

3. Applicants believe that they may not rely on rule 17a-8 because the Funds may be affiliated for reasons other than those set forth in the rule. First, the BankAmerica Group holds of record more than 5% of the outstanding voting securities of certain of the Funds. Because of this ownership, certain of the Funds may be deemed an affiliated person of Bank America under section 2(a)(3)(B). Second, NBAI and Bank of America are under the common ownership and control of Bank-America Corporation. Because of this ownership, each Acquiring Fund may be deemed an "affiliated person of an affiliated person" of each Acquired Fund under sections 2(a)(3)(C) and (E) of the Act. Third, BankAmerica Group holds of record, with power to vote, more than 25% of certain Funds. These Funds may be deemed to be under common control, and thus affiliated persons under section 2(a)(3)(C). Accordingly, the Reorganizations may not meet the "solely by reason of" requirement of rule 17a-8. Applicants thus are requesting an order pursuant to section 17(b) of the Act exempting them from section 17(a) to the extent necessary to consummate the Reorganizations.

4. Section 17(b) of the Act provides that the SEC may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants submit that the terms of the Reorganizations satisfy the standards set forth in section 17(b). Applicants note that the Boards, including a majority of the Disinterested Trustees, found that participation in the Reorganizations is in the best interest of each Fund and that the interests of the existing shareholders of each Fund will not be diluted as a result of the Reorganizations. Applicants also note that the exchange of the Acquired

Funds' assets for shares in the Acquiring Funds will be based on the Fund's relative net asset values.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 99-10624 Filed 4-27-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23809; 812-11488]

STI Classic Funds, et al.; Notice of Application

April 23, 1999.

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

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (the "Act") for an exemption from section 17(a) of the Act.

SUMMARY OF THE APPLICATION:

Applicants request an order to permit certain series of STI Classic Funds to acquire all of the assets and liabilities of certain series of CrestFunds, Inc. and The Arbor Fund (the "Reorganization"). Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

APPLICANTS: STI Classic Funds ("STI"), CrestFunds, Inc. ("CrestFunds"), the Arbor Fund ("Arbor") and SunTrust Banks, Inc. ("Adviser").

FILING DATES: The application was filed on February 1, 1999. Applicants have agreed to file an amendment to the application 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 May 13, 1999, 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, Commission, 450 Fifth Street, N.W., Washington, D.C.

20549-0609. Applicants, c/o W. John McGuire, Esq., Morgan Lewis & Bockius LLP, 1800 M Street, N.W., Washington, DC 20036-5869.

FOR FURTHER INFORMATION CONTACT: John K. Forst, Attorney-Advisor, at (202) 942-0569 (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 Commission's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. STI, a Massachusetts business trust, is registered under the Act as an open-end management investment company comprised of 34 series, 17 of which (the "Acquiring Funds") will participate in the Reorganization. CrestFunds, a Maryland corporation, is registered under the Act as an open-end management investment company and is currently comprised of 15 series, all of which will participate in the Reorganization. Arbor is a Massachusetts business trust registered under the Act as an open-end management investment company and is currently comprised of 13 series, 2 of which will participate in the Reorganization (participating series of the CrestFunds and Arbor are referred to as the "Selling Funds").

2. The adviser is a Georgia corporation and a bank holding company. STI Capital Management, N.A. ("STI Capital"), Trusco Capital Management, Inc. ("Trusco"), and SunTrust Bank, Atlanta ("SunTrust Bank"), each an indirect wholly-owned subsidiary of the Adviser, are investment advisers to the STI Funds. Trusco is registered under the Investment Advisers Act of 1940 (the "Advisers Act"). STI Capital and SunTrust Bank are banks and are not required to register under the Advisers Act. Crestar Asset Management Company ("CAMCO") is an indirect, wholly-owned subsidiary of the Adviser and is registered under the Advisers Act. CAMCO is the investment adviser to the CrestFunds and the Arbor Selling Funds. On the Closing Date, as defined below, the Adviser, through its bank subsidiaries, as fiduciary for its customers, may own of record more than 5% (in some cases 25% or more) of the Acquiring and Selling Funds.

3. On February 17, 19, and 22, 1999, the boards of trustees/directors of STI, CrestFunds, and Arbor Funds, respectively, (together, the "Boards"),

including all of the trustees/directors who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Directors"), unanimously approved an agreement and plan of reorganization ("Plan"). Under the Plan, on one of the dates of the exchange (each a "Closing Date" and collectively, the "Closing Dates"), which are currently anticipated to be May 17 and 24, 1999, each Acquiring Fund will acquire all of the assets and liabilities of the respective Selling Fund in exchange for shares of the Acquiring Fund that have an aggregate net asset value ("NAV") equal to the aggregate NAV of the Selling Fund as of the close of business on the business day preceding the Closing Date.¹ As soon as practical after the applicable Closing Date, each Selling Fund will liquidate and distribute *pro rata* the shares of the corresponding Acquiring Fund to the shareholders of the Selling Fund. The value of the assets of the Funds will be determined in the manner set forth in the Funds' then-current prospectuses and statements of additional information.

4. Applicants state that the investment objectives, restrictions, and limitations of each Acquiring Fund are substantially similar or identical to those of each corresponding Selling Fund. STI offers shares in four classes: Trust Shares, Investor Shares, Flex Shares, and Institutional Shares. Trust Shares are not subject to a front end sales load, contingent deferred sales charge ("CDSC"), or asset-based distribution fee ("12b-1 Fee"). Certain Investor Shares are subject to a front end load and/or a 12b-1 Fee but none are

subject to a CDSC. Flex shares are subject to a CDSC and a 12b-1 Fee but no front end load. Institutional Shares are not subject to a front end load, CDSC, or 12b-1 Fee. CrestFunds offers shares in three classes: Trust Class Shares, Investor Class A Shares ("A Shares"), and Investor Class B Shares ("B Shares"). Certain Trust Class Shares are subject to a 12b-1 Fee and none are subject to a front end load or CDSC. Certain A Shares are subject to a front end load; all A shares are subject to a 12b-1 Fee; and no A Shares are subject to a CDSC. B Shares are subject to CDSC and 12b-1 Fees, but are not subject to a front end load. The participating series of Arbor offer a single class that is not subject to a 12b-1 Fee, a front end load, or a CDSC. Holders of Trust Class Shares will receive Trust Shares; holders of A Shares will receive Investor Shares (except for holders of A Shares of the Special Equity Fund who will receive Trust Shares of the corresponding STI Fund); holders of B Shares will receive Flex Shares (Except for holders of B Shares of the Cash Reserve Fund who will receive Investor Shares of the corresponding STI Fund); and holders of Arbor shares will receive Institutional Shares. No front end load or CDSC will be imposed in connection with the Reorganization.

5. Reorganization expenses will be borne by the CrestFunds and the STI, as determined by their respective Boards. The Arbor Board determined that the payment of reorganization expenses by Arbor would not be appropriate. The Adviser and its affiliates will pay Reorganization expenses that the respective Boards did not authorize Selling Funds or Acquiring Funds to pay.

6. The Boards, including all of the Independent Trustees, determined that the Reorganization is in the best interests of the shareholders of each Selling Fund and its respective Acquiring Fund, and that the interests of the existing shareholders of each Selling Fund and its respective Acquiring Fund would not be diluted by the Reorganization. In assessing the Reorganization, the Boards considered various factors including: (a) the terms and conditions of the Reorganization; (b) compatibility of the Funds' objectives and policies; (c) performance of the corresponding Acquiring Funds; (d) experience and resources of the advisers for the corresponding Acquiring Funds; (e) expense ratios of the combined Funds; (f) potential economies of scale to be gained from the Reorganization; (g) advantages of increased investment opportunities for the Selling Funds' shareholders; (h) tax-

¹ Selling Funds and the corresponding Acquiring Funds are: 1. CrestFund Capital Appreciation Fund and STI Capital Appreciation Fund, 2. CrestFund Special Equity Fund and STI Small Cap Growth Stock Fund, 3. CrestFund Intermediate Bond Fund and STI Investment Grade Bond Fund, 4. CrestFund Cash Reserve Fund and STI Prime Quality Money Market Fund, 5. CrestFund Government Bond Fund and STI U.S. Government Securities Fund, 6. CrestFund Limited Term Bond Fund and STI Short-Term Bond Fund, 7. CrestFund U.S. Treasury Money Fund and STI U.S. Treasury Money Market Fund, 8. CrestFund Tax Free Money Fund and STI Tax-Free Money Market Fund, 9. CrestFund Value Fund and STI Growth and Income Fund, 10. CrestFund Virginia Municipal Bond Fund and STI Virginia Municipal Bond Fund, 11. CrestFund Virginia Intermediate Municipal Bond Fund and STI Virginia Intermediate Municipal Bond Fund, 12. CrestFund Maryland Municipal Bond Fund and STI Maryland Municipal Bond Fund, 13. CrestFund Maximum Growth Portfolio and STI Life Vision Maximum Growth Portfolio, 14. CrestFund and Income Portfolio and STI Life Vision Growth and Income Portfolio, 15. CrestFund Balanced Portfolio and STI Life Vision Balanced Portfolio, 16. Arbor Prime Obligations Fund and STI Classic Institutional Cash Management Money Market Fund, and 17. Arbor U.S. Government Securities Money Fund and STI Classic Institutional U.S. Government Securities Money Market Fund.

free nature of the Reorganization; (i) service features available to shareholders of the respective Acquiring Funds and Selling Funds; and (j) the assumption by the Acquiring Funds of the identified liabilities of the Selling Funds. The Board of each Selling Fund that is a series of CrestFunds also considered that the Fund will be required to pay its pro-rata portion of the Reorganization expenses.

7. The Reorganization is subject to a number of conditions precedent, including that: (a) the Reorganization is approved by the Boards and each of the Selling Funds' shareholders in the manner required by applicable law; (b) the Acquiring and Selling Funds receive opinions of counsel that the Reorganization will not result in federal income taxes for each Fund or its shareholders; and (c) applicants receive from the Commission an exemption from section 17(a) of the Act for the Reorganization. The plan may be terminated and the Reorganization abandoned by mutual consent of the Boards or by either party in case of a breach of the Plan. Applicants agree not to make any material changes to the Plan without prior Commission approval.

8. Definitive proxy solicitation materials have been filed with the Commission and were mailed to shareholders of the Selling Funds on April 7, 1999. A special meeting of shareholders is scheduled for May 7, 1999.

Applicant's Legal Analysis

1. Section 17(a) generally prohibits an affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated

persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

3. Applicants believe that they may not rely on rule 17a-8 in connection with the Reorganization because the Funds may be deemed to be affiliated by reasons other than having a common investment adviser, common directors, and/or common officers. Applicants state that at the Closing Date, the Adviser, through its bank subsidiaries, as fiduciary for its customers, may own of record more than 5% (in some cases 25% or more) of the Acquiring and Selling Funds.

4. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants request an order under section 17(a) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganization. Applicants submit that the Reorganization satisfies the standards of section 17(a) of the Act. Applicants believe that the terms of the Reorganization are fair and reasonable and do not involve overreaching. Applicants state that the Reorganization will be based on the relative NAVs of the corresponding Acquiring and Selling Funds' shares. Applicants also state that the investment objectives, policies and restrictions of the corresponding Selling and Acquiring Funds are identical or substantially similar. In addition, applicants state that the Boards, including all of the Independent Trustees, have made the requisite determinations that the participation of the corresponding Acquiring and Selling Funds in the Reorganization is in the best interests of each Fund and that such participation will not dilute the interests of shareholders of the Funds.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41304; File No. SR-PCX-99-06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to a Consolidated Limit Order Book for Equity Securities

April 16, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 1, 1999, as amended on April 16, 1999,³ the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change to implement a consolidated limit order book ("CLOB") as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to implement a CLOB for orders for equity securities that are entered into the Exchange's P/COAST trading system. Proposed new language is italicized; proposed deletions are in brackets.⁴

* * * * *

¶ 3995 Orders: Other Floor

Rule 5.8(a). [Should an order to buy or sell be received from the other Floor for entering in the specialist's book] *When an order is entered into the Consolidated Limit Order Book* at the same price at which a floor bid or offer is being made at the specialist's post, the floor bid or offer shall maintain priority so long as the bidder or offeror remains within the immediate vicinity of the post to which the security involved is assigned or the order is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Michael Pierson, Director, Regulatory Policy, PCX to Michael Walinskas, Deputy Associate Director, Division of Market Regulation, Commission, dated April 16, 1999 ("Amendment No. 1"). Amendment No. 1 made technical changes to the filing and further described the functioning of the CLOB.

⁴ On August 17, 1998, the Exchange filed an earlier version of this proposal with the Commission. See File No. SR-PCX-98-39. Since that time, the Exchange modified the original proposal in several respects and accordingly, the Exchange has determined to withdraw SR-PCX-98-39 and refile it as modified.