

survey or study of Commission rules and forms.

The Commission believes that the one active Canadian registrant and its associated persons may spend (excluding the cost of burden hours) approximately \$500 each year in maintaining records in the United States. These estimated costs include fees for a custodian or other agent to retain records, storage costs, and the costs of transmitting records by computer mail or otherwise.

If a Canadian or other foreign fund in the future applied to register under the Act under rule 7d-1, the fund initially might have capital and start-up costs (not including hourly burdens) of an estimated \$16,000 to comply with the rule's initial information collection requirements. These costs include legal and processing-related fees for preparing the required documentation (such as the application, charter, bylaw, and contract provisions), designations for service of process, and the list of affiliated persons. Other related costs would include fees for establishing arrangements with a custodian or other agent for maintaining records in the United States, copying and transportation costs for records typically maintained in paper form (such as minutes of directors' meetings), and the costs of purchasing or leasing computer equipment, software, or other record storage equipment for records maintained in electronic or photographic form.

The Commission expects that the fund and its sponsors would incur these costs immediately, and that the annualized cost of the expenditures would be \$16,000 in the first year. Some expenditures might involve capital improvements, such as computer equipment, having expected useful lives for which annualized figures beyond the first year would be meaningful. These annualized figures are not provided, however, because, in most cases, the expenses would be incurred immediately rather than on an annual basis. The Commission is not including these costs in its calculation of the annualized capital/start-up costs because no fund has applied under rule 7d-1 to register under the Act pursuant to rule 7d-1 in the last three years.

Written comments are requested on:

- Whether the collections of information are necessary for the proper performance of the functions of the Commission, including whether the information has practical utility;
- the accuracy of the Commission's estimate of the burdens of the collection of information;
- ways to enhance the quality, utility, and clarity of the

information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Filings and Information Services, 450 5th Street, NW, Washington, DC 20549.

Direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, Mail Stop 0-4, 450 5th Street, NW, Washington, DC 20549.

Dated: January 7, 1999.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-23635; 812-10426]

### Frank Russell Investment Company, et al.; Notice of Application

January 7, 1999.

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

**ACTION:** Notice of application for an order pursuant to section 17(d) and rule 17d-1 under the Investment Company Act of 1940 (the "Act").

**SUMMARY OF APPLICATION:** Applicants request an order that would permit certain funds relying on section 12(d)(1)(G) of the Act to enter into a special servicing agreement.

**APPLICANTS:** Frank Russell Investment Company ("FRIC"), on behalf of its series, Diversified Equity Fund, Special Growth Fund, Equity Income Fund, Quantitative Equity Fund, International Securities Fund, Real Estate Securities Fund, Diversified Bond Fund, Volatility Constrained Bond Fund, Multistrategy Bond Fund, Limited Volatility Tax Free Fund, U.S. Government Money Market Fund, Tax Free Money Market Fund, Equity I Fund, Equity II Fund, Equity III Fund, Equity Q Fund, Equity T Fund, International Fund, Emerging Markets Fund, Fixed Income I Fund, Fixed Income II Fund, Fixed Income III Fund, Equity Balanced Strategy Fund, Aggressive Strategy Fund, Balanced Strategy Fund, Moderate Strategy Fund, Conservative Strategy Fund, and Money Market Fund; Frank Russell Investment

Management Company ("FRIMCo"); Russell Fund Distributors, Inc. ("RFD"); and each existing or future open-end management investment company or series thereof that is part of the same group of investment companies as FRIC under section 12(d)(1)(G)(ii) of the Act and which is, or will be, advised by FRIMCo or any entity controlling, controlled by, or under common control with FRIMCo, or for which RFD or any entity controlling, controlled by, or under common control with RFD, serves as principal underwriter (these investment companies or series thereof, together with FRIC and its series, are referred to in this notice as the "Frank Russell Funds").

**FILING DATES:** The application was filed on November 8, 1996, and amended on October 10, 1997, June 12, 1998, and December 3, 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 February 1, 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 may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, NW, Washington, DC 20549. Applicants, 909 A Street, Tacoma, WA 98402. Attention: Gregory Lyons, Esq.

**FOR FURTHER INFORMATION CONTACT:** Christine Y. Greenlees, 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 at the SEC's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549 (tel. (202) 942-8090).

### Applicants' Representations

1. FRIMCo is an investment adviser registered under the Investment Advisers Act of 1940. FRIMCo serves as adviser to, and transfer agent for, FRIC. RFD is registered as a broker-dealer under the Securities Exchange Act of 1934. RFD serves as the principal underwriter of the Frank Russell Funds.

2. FRIC is organized as a Massachusetts business trust and registered under the Act as an open-end management investment company. FRIC currently offers 28 series, five of which are "TopFunds"<sup>1</sup> and 23 of which are "Underlying Funds."<sup>2</sup> The TopFunds will invest in the Underlying Funds in accordance with section 12(d)(1)(G) of the Act.<sup>3</sup> Each TopFund and certain of the Underlying Funds will be multiple class funds in reliance on rule 18f-3 under the Act.

3. FRIMCo and FRIC propose to enter into a Special Servicing Agreement that would allow an Underlying Fund to bear the expenses of a TopFund (other than advisory fees, rule 12b-1 fees and shareholder servicing fees) in proportion to the average daily value of the Underlying Fund's shares owned by the TopFund. Certain expenses paid by an Underlying Fund to a TopFund under the Special Servicing Agreement may be a fund level expense of the Underlying Fund, while other expenses paid under the Agreement may be a class expense of the Underlying Fund. Any determination to treat such expenses as a class expense or fund level expense of an Underlying Fund would be effected only after approval by the board of directors of the Underlying Fund pursuant to rule 18f-3, and only in compliance with the condition to the application.

4. Applicants submit that the Underlying Fund may experience savings because it would be servicing only one account (i.e., the TopFund),

<sup>1</sup> The term "TopFunds" refers to the following five series of FRIC: Equity Balanced Strategy Fund, Conservative Strategy Fund, Moderate Strategy Fund, Balanced Strategy Fund, and Aggressive Strategy Fund. The term also refers to other investment companies or series thereof currently existing or organized in the future which receive investment advice from FRIMCO, and are intended to invest substantially all of their assets in the Underlying Funds (defined below).

<sup>2</sup> The term "Underlying Funds" refers to the following series of FRIC: Equity I Fund, Equity II Fund, Equity III Fund, International Fund, Fixed Income I Fund, Fixed Income II Fund, Fixed Income III Fund, Equity Q Fund, Equity T Fund, Emerging Markets Fund, Money Market Fund, Diversified Equity Fund, Special Growth Fund, Equity Income Fund, Quantitative Equity Fund, International Securities Fund, Real Estate Securities Fund, Diversified Bond Fund, Volatility Constrained Bond Fund, Multistrategy Bond Fund, Limited Volatility Tax Free Fund, U.S. Government Money Market Fund, and Tax Free Money Market Fund. The term also refers to each existing and future open-end management investment company or any series of that company that is part of the same group of investment companies as FRIC under section 12(d)(1)(G)(ii) of the Act, and (1) is, or will be, advised by FRIMCo or any entity controlling, controlled by, or under common control with FRIMCo, or (2) for which RFD or any entity controlling, controlled by, or under common control with RFD, serves as principal underwriter.

<sup>3</sup> The TopFunds may not be Underlying Funds.

instead of multiple accounts of the shareholders of the TopFund. No Underlying Fund will bear any expenses of a TopFund 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(a) 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 SEC has issued an order approving the arrangement.

2. Rule 17d-1(b) provides that, in passing upon exemptive requests under the rule, the SEC will consider whether participation of the investment company in the joint enterprise, joint arrangement, or profit-sharing plan on the basis proposed is consistent with the provisions, policies, and purposes of the Act and the extent to which the 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 Special Servicing Agreement in which the Underlying Funds may pay certain expenses of the TopFunds. Applicants contend that each Underlying Fund will pay a TopFund's expenses only in direct proportion to the average daily value of the Underlying Fund's shares owned by the TopFund to ensure that expenses of the TopFund are borne proportionately and fairly. Applicants also state that prior to an Underlying Fund's entering into the Special Servicing Agreement, and at least annually thereafter, the board of trustees of FRIC, including a majority of the trustees who are not interested persons of FRIC (the "Board"), will determine that the Special Servicing Agreement will result in Net Benefits, as defined in the condition below, to the Underlying Fund. In making the annual determination, one of the factors the Board will 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, applicants state that the requested relief meets the standards of section 17(d) and rule 17d-1.

#### Applicants' Condition

Applicants agree that the order will be subject to the following condition:

Prior to FRIC entering into the Special Servicing Agreement with respect to an Underlying Fund, and at least annually thereafter, the Board must determine, through the process described in Section II of the application, that the Special 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 Special Servicing Agreement borne by each class of shareholders of the Underlying Fund and by the Underlying Fund as a whole ("Net Benefits"), and that the premises supporting the data provided to the Board in this regard are reasonable and appropriate. 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 the date of a Board determination, 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 to examination by the SEC and its staff.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### TENNESSEE VALLEY AUTHORITY

##### **Paperwork Reduction Act of 1995, as Amended by Pub. L. 104-13; Proposed Collection, Comment Request**

**AGENCY:** Tennessee Valley Authority.

**ACTION:** Proposed collection; comment request.

**SUMMARY:** The proposed information collection described below will be submitted to the Office of Management and Budget (OMB) for review, as required by the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35, as amended). The Tennessee Valley Authority is soliciting public comments on this proposed collection as provided by 5 CFR 1320.8(d)(1). Requests for information, including copies of the information collection proposed and supporting documentation, should be