

expected impact on the Adviser's profitability.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-31031 Filed 11-29-99; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24157; 812-11796]

### The Alger Fund, et al.; Notice of Application

November 23, 1999.

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

**ACTION:** Notice of an application under sections 6(c) and 17(b) of the Investment Company Act of 1940 (the "Act") for an exemption from section 17(a) of the Act.

**SUMMARY OF APPLICATION:** Applicants request an order to permit redemptions in-kind of shares of certain registered investment companies by certain shareholders who are affiliated persons of the investment companies.

**APPLICANTS:** The Alger Fund, The Alger American Fund, The Alger Retirement Fund, Spectra Alger Management, Inc. (together, the "Funds"), and Fred Alger Management, Inc. (the "Adviser").

**FILING DATE:** The application was filed on October 5, 1999. Applicants have agreed to file an amendment 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 December 20, 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, NW, Washington, DC 20549-0609; Applicants: c/o Gregory S. Duch, Fred Alger Management, Inc.,

One World Trade Center, Suite 9333, New York, NY 10048.

#### FOR FURTHER INFORMATION CONTACT:

Deepak T. Pai, Senior Counsel, at (202) 942-0574 or Michael W. Mundt, 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 Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (telephone (202) 942-8090).

#### Applicants' Representations

1. Each of the Funds is registered under the Act as an open-end management investment company and is organized as a Massachusetts business trust. The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940 and serves as investment adviser to each Fund.

2. The prospectus of each of the Funds provides that, if the board of trustees ("Board") of the Fund determines that cash payments would be detrimental to the interests of remaining shareholders, any request for redemption of the Fund's shares may be honored by making payment in whole or in part in securities. The payment would be made on a pro rata basis, monitored by the Adviser, with the securities valued in the same manner as they would be for purposes of computing the Fund's net asset value. Each of the Funds also has elected to be governed by rule 18f-1 under the Act. This redemption procedure presently applies to all shareholders other than shareholders who are "affiliated persons" of the Funds within the meaning of section 2(a)(3) of the Act ("Non-Covered Shareholders").

3. Applicants request relief to permit the Funds to satisfy redemption requests made by shareholders who are "affiliated persons" of a Fund solely within the meaning of section 2(a)(3)(A) of the Act ("Covered Shareholders") because they own 5% or more of the Fund's outstanding shares by distributing portfolio securities in-kind.<sup>1</sup>

<sup>1</sup> Applicants request that the relief extend to any registered open-end management investment company created in the future and each series thereof, as well as each series of the Funds created in the future, for which the Adviser or a person controlling, controlled by or under common control with the Adviser acts as investment adviser ("Future Funds"). Any Future Fund that relies on the order requested will do so only in accordance with the terms and conditions contained in the application.

#### Applicants' Legal Analysis

1. Section 17(a)(2) of the Act makes it unlawful for an affiliated person of a registered investment company or an affiliated person of such a person, acting as principal, to knowingly "purchase" from such registered investment company any security or other property (except securities of which the seller is the issuer). Under section 29(a)(3)(A) of the Act, an "affiliated person" includes any person owning 5% or more of the outstanding voting securities of such other person. Applicants state that to the extent that an in-kind redemption could be deemed to involve the purchase of portfolio securities by a Covered Shareholder, the proposed redemptions in-kind would be prohibited by section 17(a)(2).

2. Section 17(b) authorizes the Commission to exempt a proposed transaction from section 17(a) provided that: (a) 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; (b) the transaction is consistent with the policy of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act.

3. Section 6(c) of the Act provides that the Commission may exempt classes of persons or transactions from the Act, where an 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.

4. Applicants request an order under sections 6(c) and 17(b) of the Act exempting them from the provisions of section 17(a) of the Act to permit Covered Shareholders to redeem their shares in-kind from the Funds. The requested order would not apply to redemptions by shareholders who are affiliated persons of the Funds within the meaning of sections 2(a)(3)(B) through (F) of the Act.

5. Applicants submit that the proposed transactions meet the standards set forth in sections 6(c) and 17(b) of the Act. Applicants assert that the terms of the proposed in-kind redemptions are reasonable and fair. Applicants state that Covered Shareholders who wish to redeem shares will receive the same "in-kind" distribution of securities and cash on the same basis as Non-Covered Shareholders wishing to redeem shares. Applicants state that the securities to be distributed in-kind will be valued in the

same manner as that used by each Fund to determine its net asset value.

6. Applicants state that the proposed in-kind redemptions are consistent with the policies of the Funds. Applicants also state that the proposed in-kind redemptions are consistent with the general purposes of the Act.

#### Applicants' Conditions

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

1. The portfolio securities distributed pursuant to a redemption in-kind (the "In-Kind Securities") will be limited to securities that are traded on a public securities market or for which quoted bid and asked prices are available.

2. The In-Kind Securities will be distributed on a pro-rata basis after excluding: (a) securities which, if distributed, would be required to be registered under the Securities Act of 1933; (b) securities issued by entities in countries which (i) restrict or prohibit the holding of securities by non-nationals other than through qualified investment vehicles, such as a fund, or (ii) permit transfers of ownership of securities to be effected only by transactions conducted on a local stock exchange; and (c) certain portfolio assets (such as forward foreign currency exchange contracts, futures and options contracts and repurchase agreements) that, although they may be liquid and marketable, must be traded through the marketplace or with the counterparty to the transaction in order to effect a change in beneficial ownership. Cash will be paid for that portion of a fund's assets represented by cash equivalents (such as certificates of deposit, commercial paper and repurchase agreements) and other assets which are not readily distributable (including receivables and prepaid expenses), net of all liabilities (including accounts payable). In addition, a Fund will distribute cash in lieu of securities held in its portfolio not amounting to round lots (or which would not amount to round lots if included in the in-kind distribution), fractional shares and accruals on such securities.

3. The In-Kind Securities will be valued in the same manner as they would be valued for purposes of computing a Fund's net asset value, which, in the case of securities traded on a public securities market for which quotations are available, is their last reported sales price on the exchange on which the securities are primarily traded or the last sales price on the national securities market, or, if the securities are not listed on an exchange or the national securities market, or if

there is no such reported price, the average of the most recent bid and asked price (or, if no such price is available, the last quoted bid price).

4. The Funds' boards, including a majority of the trustees who are not "interested persons" of a Fund as defined in section 2(a)(19) of the Act, will determine no less frequently than annually: (a) whether the In-Kind Securities, if any, have been distributed in accordance with conditions 1 and 2; (b) whether the In-Kind Securities, if any, have been valued in accordance with conditions 3; and (c) whether the distribution of any such In-Kind Securities is consistent with the policies of each affected Fund as reflected in its prospectus. In addition, the Boards will make and approve such changes as they deem necessary in the procedures for monitoring the applicants' compliance with the terms and conditions of the application.

5. The relevant Funds will maintain and preserve for a period of not less than six years from the end of the fiscal year in which the proposed in-kind redemption occurs, the first 2 years in an easily accessible place, a written record of each redemption setting forth a description of each security distributed, the identity of the Covered Shareholder, the terms of the distribution, and the information or materials upon which the valuation was made.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24156; 812-11756]

#### Putnam American Government Income Fund, et al.; Notice of Application

November 23, 1999.

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

**ACTION:** Notice of an application under section 17(d) of the Investment Company Act of 1940 (the "Act") and rule 17d-1 under the Act to permit certain joint transactions.

#### SUMMARY OF THE APPLICATION:

Applicants seek to amend a prior order that permits the operation of certain joint accounts.

**APPLICANTS:** Putnam American Government Income Fund, Putnam

Arizona Tax Exempt Income Fund, Putnam Asia Pacific Growth Fund, Putnam Asset Allocation Funds, Putnam Balanced Retirement Fund, Putnam California Investment Grade Municipal Trust, Putnam California Tax Exempt Income Fund, Putnam California Tax Exempt Money Market Fund, Putnam Capital Appreciation Fund, Putnam Convertible Income-Growth Trust, Putnam Convertible Opportunities and Income Trust, Putnam Diversified Equity Trust, Putnam Diversified Income Trust, Putnam Dividend Income Fund, Putnam Equity Income Fund, Putnam Europe Growth Fund, Putnam Florida Tax Exempt Income Fund, Putnam Funds Trust, The George Putnam Fund of Boston, Putnam Global Governmental Income Trust, Putnam Global Growth Fund, Putnam Global Natural Resources Fund, The Putnam Fund for Growth and Income, Putnam Growth and Income Fund II, Putnam Health Sciences Trust, Putnam High Income Convertible and Bond Fund, Putnam High Quality Bond Fund, Putnam High Yield Advantage Fund, Putnam High Yield Trust, Putnam High Yield Municipal Trust, Putnam Income Fund, Putnam U.S. Intermediate Government Income Trust, Putnam International Growth Fund, Putnam Investment Funds, Putnam Investment Grade Municipal Trust, Putnam Investment Grade Municipal Trust II, Putnam Investment Grade Municipal Trust III, Putnam Investors Fund, Putnam Managed High Yield Trust, Putnam Managed Municipal Income Trust, Putnam Massachusetts Tax Exempt Income Fund, Putnam Master Income Trust, Putnam Master Intermediate Income Trust, Putnam Michigan Tax Exempt Income Fund, Putnam Minnesota Tax Exempt Income Fund, Putnam Money Market Fund, Putnam Municipal Income Fund, Putnam Municipal Opportunities Trust, Putnam New Jersey Tax Exempt Income Fund, Putnam New Opportunities Fund, Putnam New York Investment Grade Municipal Trust, Putnam New York Tax Exempt Income Fund, Putnam New York Tax Exempt Money Market Fund, Putnam New York Tax Exempt Opportunities Fund, Putnam Ohio Tax Exempt Income Fund, Putnam OTC & Emerging Growth Fund, Putnam Pennsylvania Tax Exempt Income Fund, Putnam Preferred Income Fund, Putnam Premier Income Trust, Putnam Strategic Income Fund, Putnam Tax Exempt Income Fund, Putnam Tax Exempt Money Market Fund, Putnam Tax-Free Health Care Fund, Putnam Tax-Free Income Trust, Putnam Tax Managed Funds Trust, Putnam U.S. Government