

of the limits contained in section 12(d)(1)(A) of the Act.

4. The Trust and the Sponsor will comply in all respects with the requirements of rule 14a-3, except that the Trust will not restrict its portfolio investments to "eligible trust securities."

5. No Trust Series will terminate within thirty days of the termination of any other Trust Series that holds shares of one or more common Funds.

6. The prospectus of each Trust Series and any sales literature or advertising that mentions the existence of an in-kind distribution option will disclose that Unitholders who elect to receive Fund shares will incur any applicable rule 12b-1 fees.

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. 23108; 812-10812]

### Sanford C. Bernstein Fund, Inc., et al.; Application

April 9, 1998.

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

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

**SUMMARY OF APPLICATION:** Applicants request an order to permit certain registered open-end management investment companies to deposit their uninvested cash balances in a joint account to be used to enter into short-term investments.

**APPLICANTS:** Sanford C. Bernstein Fund, Inc. (the "Fund"), and Sanford C. Bernstein & Co., Inc. ("Bernstein").

**FILING DATES:** The application was filed on October 7, 1997 and amended on April 2, 1998. 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 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 May 4, 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, 767 Fifth Avenue, New York, NY 10153.

**FOR FURTHER INFORMATION CONTACT:** Kathleen L. Knisely, Staff Attorney, at (202) 942-0517, or Nadya B. Roytblat, 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 at the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549 (tel. 202-942-8090).

### Applicants' Representations

1. The Fund, organized as a Maryland corporation, is registered under the Act as an open-end management investment company. The Fund is a series company and currently has eleven portfolios ("Portfolios").<sup>1</sup>

2. Bernstein, organized as a New York corporation, is an investment adviser registered under the Investment Advisers Act of 1940. Bernstein serves as the investment adviser to each Portfolio.

3. Each of the Portfolios may have uninvested cash balances available. The amount of the cash balances, on any given day is a function of a number of factors, such as portfolio management decisions, shareholder purchases and redemptions, and settlement of trades on dates other than predicted. Each Portfolio is authorized by its investment policies and restrictions to invest a portion of its uninvested cash balances in short-term liquid assets, including commercial paper, repurchase agreements, daily variable rate demand notes, Treasury bills, United States government agency certificates, term bank deposits, certificates of deposits and bankers acceptances ("Short Term Investments"). The assets of the Portfolios are held by a bank custodian,

<sup>1</sup> Applicants also request relief for all future portfolios of the Fund and for all future registered open-end management investment companies advised by Bernstein.

which is not an affiliated person of either the Fund or Bernstein.

4. Currently, Bernstein must purchase Short Term Investments separately on behalf of each Portfolio. Applicants believe that the separate purchasing of Short Term Investments results in certain inefficiencies, increased costs, and a limitation on the return. Applicants propose that the Portfolios deposit uninvested cash balances available on each trading day into a joint account (the "Joint Account") and that the daily balance of the Joint Account be invested in Short Term Investments. The sole function of the Joint Account will be to provide a convenient means of aggregating what otherwise would be one or more daily transactions for each Portfolio necessary to manage the Portfolio's respective daily uninvested cash balances.

5. Bernstein will not charge any additional or separate fees for operating or advising the Joint Account and will have no monetary participation in the Joint Account. Bernstein will be responsible for investing Portfolio funds held in the Joint Account, establishing accounting and control procedures, and ensuring equal treatment of the Portfolios.

6. Any repurchase agreements entered into through the Joint Accounts will comply with the terms of Investment Company Act Release No. 13005 (February 2, 1983). Applicants acknowledge that they have a continuing obligation to monitor the SEC's published statements on repurchase agreements and other Short Term Investments. Applicants represent that each Portfolio will conform its investments and adopt any appropriate systems and standards to comply with any future SEC guidelines with respect to any type of Short Term Investments.

### Applicants' Legal Analysis

1. Section 17(d) of the Act and rule 17f-1 under the Act prohibit an affiliated person of a registered investment company, or an affiliated person of such a person, from participating in any joint enterprise or arrangement in which the investment company is a participant, unless the SEC has issued an order authorizing the arrangement.

2. Applicants believe that each Portfolio, by participating in the Joint Account, and Bernstein, by managing the Joint Account, could be deemed to be a "joint participant" in a transaction. In addition, the Joint Account could be deemed to be a "joint enterprise or other joint arrangement" within the meaning of rule 17d-1 under the Act.

3. Applicants believe that the participating Portfolios may earn a higher return on investments through the Joint Account relative to rates they could earn individually because under certain market conditions, it is possible to negotiate a rate of return on large Short Term Investments which is greater than the rate of return which can be negotiated for smaller Short Term Investments. Applicants also contend that the Joint Account may reduce the potential for error by reducing the number of trade tickets which must be processed by the Fund's custodian bank and the Fund's accounting department.

4. Applicants believe each Portfolio will participate in the Joint Account on the same basis as every other Portfolio in conformity with its investment objectives, policies, and restrictions. Applicants state that a Portfolio's investment in the Joint Account will not be subject to the claims of creditors, whether brought in bankruptcy, insolvency, or other legal proceeding. Applicants also state that each Portfolio's investment in any Short Term Investment purchased by the Joint Account will be limited to its interest in the Short Term Investment.

6. For the reasons set forth above, applicants believe that granting the requested order is consistent with the provisions, policies, and purposes of the Act, and that the Portfolios' participation in the Joint Account will not be on a basis different from or less advantageous than that of any other participating Portfolio.

#### **Applicants' Conditions**

Applicants agree that the requested order shall be subject to the following conditions:

1. The Joint Account will be established on behalf of the Portfolios with the custodian as a separate cash account into which the Portfolios may deposit daily all or a portion of their uninvested cash balances. The Joint Account will not be distinguishable from any other accounts maintained by the Portfolios with the custodian except that monies from the various Portfolios will be deposited in the Joint Account on a commingled basis. The Joint Account will not have any separate existence with the indicia of a separate legal entity. The sole function of the Joint Account will be to provide a convenient and productive way of aggregating individual transactions that would otherwise require daily management and investment by each Portfolio of its uninvested cash balances.

2. Cash in the Joint Account will be invested in one or more of the following

Short Term Investments, as determined by Bernstein: (a) Commercial paper, repurchase agreements "collateralized fully" (as that term is defined in rule 2a-7 under the Act), Treasury bills, United States government agency certificates, term bank deposits, certificates of deposit and bankers' acceptances, in each case having remaining maturities of 60 days or less as calculated in accordance with rule 2a-7 under the Act; and (b) daily variable rate demand notes with demand features providing for maturities of 30 days or less. Any Short Term Investment must be an "Eligible Security" within the meaning of rule 2a-7 under the Act. No Portfolio will be permitted to invest in the Joint Account unless the Short Term Investments in the Joint Account will comply with the investment policies and guidelines of that Portfolio.

3. All assets held by the Joint Account will be valued on an amortized cost basis to the extent permitted by applicable SEC releases, letters, or orders.

4. Each Portfolio valuing its net assets based on amortized cost in reliance upon rule 2a-7 under the Act will use the average maturity of the instrument(s) in the Joint Account (determined on a dollar-weighted basis) for the purpose of computing its average portfolio maturity with respect to the portion of its assets held in the Joint Account on that day.

5. To assure that there will be no opportunity for one Portfolio to use any part of a balance of the Joint Account credited to another Portfolio, no Portfolio will be allowed to create a negative balance in the Joint account for any reason. Each Portfolio would be permitted to draw down its entire balance at any time, provided Bernstein determines that such draw down would have no significant adverse impact on any other Portfolio participating in the Joint Account. Each Portfolio's decision to invest in the Joint Account would be solely at its option, and no Portfolio will be obligated to invest in the Joint Account or to maintain any minimum balance in the Joint Account. In addition, each Portfolio will retain the sole rights of ownership of any of its assets, including interest payable on such assets, invested in the Joint Account.

6. Bernstein will administer, manage, and invest the cash balance in the Joint Account in accordance with and as part of its duties under existing, or any future, investment advisory contracts with the Fund and/or Portfolios. Bernstein will not collect any additional

or separate fee for advising or managing the Joint Account.

7. The administration of the Joint Account will be within the fidelity bond coverage maintained for the Portfolios as required by section 17(g) of the Act and rule 17g-1 under the Act.

8. The Fund's board of directors ("Board") will adopt procedures for each of the Portfolios pursuant to which the Joint Account will operate, which procedures will be reasonably designed to provide that the requirements of this application will be met. The Board will make and approve such changes that it deems necessary to ensure that such procedures are followed. In addition, the Board will evaluate annually the Joint Account arrangements to determine whether the Joint Account has been operated in accordance with the adopted procedures, and shall continue the Fund's continued participation in the Joint Account only if there is a reasonable likelihood that the Joint Account would benefit the Fund and its shareholders.

9. Each Portfolio's investment in the Joint Account will be documented daily on the books of the Fund and on the books of each Portfolio. Each Portfolio, through Bernstein and/or its custodian, will maintain records (in conformity with section 31 of the Act and rules thereunder) documenting for any given day, the Portfolio's aggregate investment in the Joint Account and its pro rata share of each investment made through the Joint Account.

10. Each Portfolio will participate in the Joint Account on the same basis as every other Portfolio in conformity with its respective fundamental investment objectives, policies, and restrictions. Any future registered open-end management investment companies that are advised by Bernstein and Portfolios that participate in the Joint Account would be required to do so on the same terms and conditions as the existing Fund and Portfolios.

11. Each investment made through the Joint Account will satisfy the investment criteria of each Portfolio participating in the joint investment.

12. Not every Portfolio participating in the Joint Account will necessarily have its cash invested in every Short Term Investment held in the Joint Account. However, to the extent a Portfolio's cash is applied to particular Short Term Investments made through the Joint Account, the Portfolio will participate in and own a proportionate share of such investment, and the income earned or accrued thereon, based upon the percentage of such investment purchased with monies contributed by the Portfolio.

13. Investments held in a Joint Account generally will not be sold prior to maturity except: (a) If Bernstein believes that the investment no longer presents minimal credit risk; (b) if, as a result of credit downgrading or otherwise, the investment no longer satisfies the investment criteria of all Portfolios participating in the investment; or (c) if the counterparty defaults. A Portfolio may, however, sell its fractional portion of an investment in the Joint Account prior to the maturity of an investment in such account if the cost of the transaction would not adversely affect the other Portfolios participating in the Joint Account. In no case would an early termination by less than all participating Portfolios be permitted if it would reduce the principal amount or yield received by other Portfolios participating in the Joint Account or otherwise adversely affect the other participating Portfolios. Each Portfolio participating in the Joint Account will be deemed to have consented to such sale and partition of the investment in such account.

14. Short Term Investments held through the Joint Account with a remaining maturity of more than seven days, as calculated pursuant to rule 2a-7 under the Act, will be considered illiquid and subject to the restriction that the Portfolio may not invest more than 15% (or such other percentage as set forth by the SEC from time to time) of its net assets in illiquid securities and any similar restrictions set forth in the Portfolio's investment restrictions and policies, if Bernstein cannot sell the instrument, or the Portfolio's fractional interest in such instrument, pursuant to the preceding condition.

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

[Release No. 33-7524, File No. S7-11-98]

### Securities Uniformity; Annual Conference on Uniformity of Securities Laws

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Notice of conference; request for comments.

**SUMMARY:** The Commission and the North American Securities

Administrators Association, Inc. today announced a request for comments on the proposed agenda for their annual conference to be held on May 4, 1998. This meeting is intended to carry out the policies and purposes of section 19(c) of the Securities Act of 1933, which are to increase cooperation between the Commission and state securities regulatory authorities in order to maximize the effectiveness and efficiency of securities regulation.

**DATES:** The conference will be held on May 4, 1998. Written comments must be received on or before April 29, 1998 in order to be considered by the conference participants.

**ADDRESSES:** Please send three copies of written comments by April 29, 1998 to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549. Comments also can be sent electronically to the following E-mail address: rule-comments@sec.gov. Comment letters should refer to File No. S7-11-98; if E-mail is used, please include this file number on the subject line. Anyone can inspect and copy the comment letters at our Public Reference Room, 450 5th Street, NW, Washington, DC 20549. All electronic comment letters will be posted on the Commission's internet web site (<http://www.sec.gov>).

**FOR FURTHER INFORMATION CONTACT:** John D. Reynolds, Office of Small Business Review, Division of Corporation Finance, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549, (202) 942-2950.

#### SUPPLEMENTARY INFORMATION:

#### I. Discussion

A dual system of federal-state securities regulation has existed since the adoption of the federal regulatory structure in the Securities Act of 1933 (the "Securities Act").<sup>1</sup> Issuers trying to raise capital through securities offerings, as well as participants in the secondary trading markets, are responsible for complying with the federal securities laws as well as all applicable state laws and regulations. It has long been recognized that there is a need to increase uniformity between federal and state regulatory systems, and to improve cooperation among those regulatory bodies so that capital formation can be made easier while investor protections are retained.

Congress endorsed greater uniformity in securities regulation with the enactment of section 19(c) of the Securities Act in the Small Business

Investment Incentive Act of 1980.<sup>2</sup> Section 19(c) authorizes the Commission to cooperate with any association of state securities regulators which can assist in carrying out the declared policy and purpose of section 19(c). The policy of that section is that there should be greater federal and state cooperation in securities matters, including:

- Maximum effectiveness of regulation;
- Maximum uniformity in federal and state standards;
- Minimum interference with the business of capital formation; and
- Substantial reduction in costs and paperwork to decrease the burdens of raising investment capital, particularly by small business, and reduce the costs of the government programs involved.

In order to establish methods to accomplish these goals, the Commission is required to conduct an annual conference. The 1998 meeting will be the fifteenth conference.

During 1996, Congress again examined the system of dual federal and state securities regulation and the need for regulatory changes to promote capital formation, eliminate duplicative regulation, decrease the cost of capital and encourage competition, while at the same time promoting investor protection. These efforts resulted in passage of The National Securities Markets Improvement Act of 1996<sup>3</sup> (the "1996 Act"). The 1996 Act contains significant provisions that realign the regulatory partnership between federal and state regulators. The legislation reallocates responsibility for regulation of the nation's securities markets between the federal government and the states in order to eliminate duplicative costs and burdens and improve efficiency, while preserving investor protections.

#### II. 1998 Conference

The Commission and the North American Securities Administrators Association, Inc. ("NASAA")<sup>4</sup> are planning the 1998 Conference on Federal-State Securities Regulation (the "Conference") to be held May 4, 1998 in Washington, D.C. At the Conference, Commission and NASAA representatives will form into working groups in the areas of corporation finance, market regulation and oversight, investment management, and

<sup>2</sup> Pub. L. 96-477, 94 Stat. 2275 (October 21, 1980).

<sup>3</sup> Pub. L. 104-290, 110 Stat. 3416 (October 11, 1996).

<sup>4</sup> NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico, Mexico and twelve Canadian Provinces and Territories.

<sup>1</sup> 15 U.S.C. 77a et seq.