any provision or provisions of the Act to the extent that such 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. Applicants submit that the requested relief meets the standards set out in section 6(c) of the Act.

Applicants' Condition

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

Applicants will comply with all of the provisions of rule 3a–5 under the Act, except:

(1) a one percent general partnership interest in a Finance Subsidiary may be owned by a wholly-owned subsidiary of TD that does not meet the definition of "company controlled by the parent company" in rule 3a–5(b)(3)(i) solely because it is excluded from the definition of investment company by section 3(c) of the Act;

(2) a Finance Subsidiary may invest in or make loans to corporations, partnerships, and joint ventures that do not meet the portion of the definition of "company controlled by the parent company" in rule 3a–5(b)(3)(i) solely because they are excluded from the definition of investment company by section 3(c)(1), (2), (3), (4), (5), (6) or (7) of the Act, provided that any such entity that relies on the exclusion from the definition of investment company;

(a) under section 3(c)(1) or section 3(c)(7) will be either:

(i) engaged solely in lending, leasing or related activities (such as entering into credit derivatives to manage the credit risk exposures of its lending and leasing activities) and will not be structured as a means of avoiding regulation under the Act, or

(ii) a special purpose vehicle directly or indirectly wholly owned by TD that complies with the requirements of rule 3a–5 for finance subsidiaries to the same extent as permitted by the order for TD Capital;

(b) under section 3(c)(5) of the Act will fall within section 3(c)(5)(A) or 3(c)(5)(B) solely by reason of its holding of accounts receivable of either its own customers or of the customers of other TD subsidiaries, or by reason of loans made by it to such subsidiaries or customers; and

(c) under section 3(c)(6) of the Act will not be engaged primarily, directly or indirectly, in one or more of the businesses described in section 3(c)(5) of the Act (except as permitted in (b) above); and

(3) a Finance Subsidiary may be invest in, reinvest in, own, hold or trade in equity securities of unaffiliated companies with an aggregate purchase price not in excess of four percent of the Finance Subsidiary's assets.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–1909 Filed 1–26–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24259; 812–11856

First American Investment Funds, Inc. and U.S. Bank National Association; Notice of Application

January 21, 2000.

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 APPLICATION: Applicants request an order to permit certain series of a registered open-end management investment company to acquire all of the assets, subject to the liabilities, of certain other series of the investment company. Because of certain affiliations, applicants may not rely on rule 17a–8 under the Act.

APPLICANTS: First American Investment Funds, Inc. ("FAIF") and U.S. Bank National Association ("U.S. Bank").

FILING DATES: The application was filed on November 17, 1999 and amended on January 20, 2000.

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 February 15, 2000 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 Thomas A. Berreman, Esq., U.S. Bank National Association, U.S. Bank Place, MPFP 2016, 601 Second Avenue South, Minneapolis, MN 55402.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942–0574 or Mary Kay Frech, 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, N.W., Washington, D.C. 20549–0102 (telephone (202) 942–8090).

APPLICANTS' REPRESENTATIONS:

1. FAIF, a Maryland corporation, is registered under the Act as an open-end management investment company and is currently comprised of 30 series, including Intermediate Government Bond Fund, Adjustable Rate Mortgage Securities Fund, Regional Equity Fund, and Micro Cap Value Fund (the "Acquired Funds"), and Intermediate Term Income Fund, Limited Term Income Fund, and Small Cap Value Fund (the "Acquiring Funds" and together with the Acquired Funds, the "Funds").[1]

2. U.S. Bank is the investment adviser for the Funds. U.S. Bank is a national banking association and currently is exempt from registration as an investment adviser under the Investment Advisers Act of 1940. U.S. Bank is a wholly-owned subsidiary of U.S. Bancorp, a bank holding company. U.S. Bank Trust National Association ("U.S. Bank Trust" and together with U.S. Bank and their affiliates, "U.S. Bancorp Affiliates") is also a wholly-owned subsidiary of U.S. Bancorp. U.S. Bancorp Affiliates, directly or through a nominee, are record holders of more than 5% of the outstanding shares of each Acquiring Fund and certain Acquired Funds, and they hold or share voting discretion with respect to a portion of these Fund shares, or have a funding obligation to defined benefit plans which own 5% or more of the outstanding shares. The Fund shares held of record by U.S. Bancorp Affiliates are held for the benefit of others in a

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[1] Acquired Funds and their corresponding Acquiring Funds are: Intermediate Government Bond Fund and Intermediate Term Income Fund; Adjustable Rate Mortgage Securities Fund and Limited Term Income Fund; Regional Equity Fund and Small Cap Value Fund; and Micro Cap Value Fund and Small Cap Value Fund.

trust, agency, custodial or other fiduciary capacity.

3. On September 8, 1999, the board of directors of FAIF (the ''Board''), including all of the directors who are not ''interested persons'' as defined in section 2(a)(19) of the Act (''Disinterested Directors''), unanimously approved the proposed reorganizations of the respective Acquired Funds with and into the corresponding Acquiring Funds (the ''Reorganization Agreements'' and the transactions, the ''Reorganizations''). The Reorganizations are expected to occur on or about February 25, 2000. The Reorganization Agreements provide for: (a) the transfer of all of the assets and liabilities of each of the Acquired Funds to the corresponding Acquiring Fund in exchange for shares of designated classes of the corresponding Acquiring Fund; and (b) the distribution of these Acquiring Fund shares to the shareholders of each of the Acquired Funds in liquidation of the Acquired Funds. In each Reorganization, Acquired Fund shareholders will receive Acquiring Fund shares of the class which corresponds to that of their class of Acquired Fund shares, and which have an aggregate net asset value equal, at the effective time of the Reorganization (the ''Effective Time''), to the aggregate net asset value of their Acquired Fund shares. 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 of each Acquired Fund and its corresponding Acquiring Fund are similar. Class A shares of the Acquiring Funds are subject to a front-end sales charge of 2.5% for Limited Term Income Fund and Intermediate Term Income Fund, and 5.25% for the Small Cap Value Fund for purchases of $50,000 or less. Class A shares redeemed within 18 months also may be subject to a contingent deferred sales charge (''CDSC'') of 1.00%. Class A shares are subject to a .25% service fee adopted under a rule 12b–1 distribution plan. Class B shares of the Small Cap Value Fund are sold without a front-end sales charge. Class B shares are subject to a rule 12b–1 fee of 1.00%. If Class B shares are redeemed within six years after purchase, they are subject to a CDSC declining from 5.00% in the first year to zero after six years. Class B shares automatically convert into Class A shares approximately eight years after purchase. Class Y shares of the Funds are sold without any front-end sales charge or CDSC. For purposes of calculating CDSCs on Class A and Class B shares, shareholders of Class A and Class B shares of the Acquired Funds will be deemed to have held Class A and Class B shares of the Acquiring Funds since the date the shareholders initially purchased the shares of the Acquired Funds. Shareholders of the Acquired Funds will not incur any sales charges in connection with the Reorganization. U.S. Bank will pay the expenses of the Reorganizations.

5. The Board, on behalf of each Acquired Fund, found that the Reorganization is in the best interests of each Acquired Fund, and that the interests of existing shareholders of each Acquired Fund will not be diluted as a result of the Reorganization. The Board considered, among other things: (a) the advantages which may be realized by the Funds, economies of scale resulting from Fund growth, and facilitation of portfolio management; (b) the tax-free nature of the Reorganizations; (c) the terms and conditions of the Reorganization Agreements; and (d) the agreement of U.S. Bank to bear the costs associated with the Reorganizations.

6. Each Reorganization is subject to a number of conditions, including: (a) Approval of the Reorganization Agreement by the shareholders of the Acquired Fund; (b) the receipt of an opinion of counsel with respect to the tax-free nature of the Reorganization; (c) the applicants will have received exemptive relief from the Commission; and (d) the parties' performance in all material respects of their respective agreements and undertaking in the Reorganization Agreement. Each Reorganization Agreement provides that the Reorganization may be abandoned at any time prior to the Effective Time upon the mutual consent of the respective Acquired Fund and Acquiring Fund, or if determined by the Board that proceeding with the Reorganization is inadvisable. Applicants agree not to make any material changes to the Reorganization Agreements without prior approval of the Commission.

7. Registration statements on Form N–14, each containing a combined prospectus/proxy statement, were filed with the Commission on October 20, 1999 and were mailed to shareholders of the respective Acquired Funds on December 1, 1999 in connection with the solicitation of their proxies for the shareholders meeting scheduled for January 14, 2000.

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 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. Applicants state that the Funds may be deemed affiliated persons and thus the Reorganizations may be prohibited by section 17(a).

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 state that they may not rely on rule 17a–8 because the Funds may be deemed to be affiliated for reasons other than those set forth in the rule. U.S. Bancorp Affiliates hold of record 5% or more of the outstanding shares of certain Acquiring and Acquired Funds, and hold or share voting power and/or investment discretion with respect to a portion of these Fund shares, or have a funding obligation to defined benefit plans which own 5% or more of the outstanding shares of certain 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(b) of the Act exempting them from section 17(a) of the Act to the extent necessary to permit applicants to consummate the Reorganizations. Applicants submit that the Reorganizations satisfy the standards of section 17(b) of the Act. Applicants state

that the Board has found that participation in the Reorganizations is in the best interests of each Fund, and that the interests of the existing shareholders will not be diluted as a result of the Reorganizations. In addition, applicants state that the exchange of Acquired Funds' shares for Acquiring Funds' shares will be based on net asset value.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–1910 Filed 1–26–00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42347; File No. SR–BSE–99–15]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc., Relating to Listing Standards for Trust Issued Receipts

January 13, 2000.

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 November 22, 1999, the Boston Stock Exchange, Inc. (''BSE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II 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 and to grant accelerated approval to the proposed rule change.

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

The Exchange seeks to adopt listing standards for trust issued receipts. Once these listing standards have been approved, the Exchange intends to trade Internet Holding Company Depository Receipts (''Internet HOLDRs''), a trust issued receipt, pursuant to unlisted trading privilege (''UTP''). The text of the proposed rule change is available at the Office of the Secretary, BSE and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to add a new rule to Chapter XXIV–A *et seq.*, of the Exchange's rules to adopt new listing standards to allow the Exchange to list trust issued receipts, and to trade Internet HOLDRs, a type of trust issued receipt, pursuant to UTP.

a. Trust Issued Receipts Generally

Description. Trust issued receipts are negotiable receipts which are issued by a trust representing securities of issuers that have been deposited and are held on behalf of the holders of the trust issued receipts. Trust issued receipts are designed to allow investors to hold securities investments from a variety of companies throughout a particular industry in a single, exchange-listed and traded instrument that represents their beneficial ownership in the deposited securities. Holders of trust issued receipts maintain beneficial ownership of each of the deposited securities evidenced by trust issued receipts. Holders may cancel their trust issued receipts at any time to receive the deposited securities.

Beneficial owners of the receipts will have the same rights, privileges and obligations as they would have if they beneficially owned the deposited securities outside of the trust issued receipt program. Holders of the receipts have the right to instruct the trustee to vote the deposited securities evidenced by the receipts; will receive reports, proxies and other information distributed by the issuers of the deposited securities to their security holders; and will receive dividends and other distributions declared and paid by the issuers of the deposited securities to the trustee.

Creation of a Trust. Trust issued receipts will be issued by a trust created pursuant to a depository trust agreement. After the initial offering, the trust may issue additional receipts on a continuous basis when an investor deposits the requisite securities with the trust. An investor in trust issued receipts will be permitted to withdraw his or her deposited securities upon delivery to the trustee of one or more round-lots of 100 trust issued receipts and to deposit such securities to receive trust issued receipts.

b. Criteria for Initial and Continued Listing

The Exchange believes that the listing criteria proposed in its new rule are generally consistent with the listing standards for ''Hybrid Securities,'' currently found in Article XXVII of the Exchange Rules, as well as the trust issued receipt listing criteria currently used by the American Stock Exchange (''Amex'').[3]

Initial Listing. If trust issued receipts are to be listed on Exchange, the Exchange will establish a minimum number of receipts that must be outstanding at the time trading commences on the Exchange, and such minimum number will be included in any required submission to the Commission.

Continued Listing. In connection with continued listing, the Exchange will consider the suspension of trading in, or removal from listing of, a trust upon which a series of trust issued receipts is based when any of the following circumstances arise: (1) If the trust has more than 60 days remaining until termination and there have been fewer than 50 record and/or beneficial holders of the trust issued receipts for 30 or more consecutive trading days; (2) if the trust has fewer than 50,000 receipts issued and outstanding; (3) if the market value of all receipts issued and outstanding is less than $1 million; or (4) if such other event occurs or conditions exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable. These flexible criteria allow the Exchange to avoid delisting trust issued receipts (leading to a possible termination of the trust) because of relatively brief fluctuations in market conditions that may cause the number of holders to vary.

The Exchange will not, however, be required to suspend or delist from trading, based on the above factors, any trust issued receipts for a period of one

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The Amex listing criteria were approved by the Commission on September 21, 1999. *See* Securities Exchange Act Release No. 41892 (September 21, 1999), 64 FR 52559 (September 29, 1999)