

the AC Fund. The number of shares of each class of the VK Fund to be issued to shareholders of the AC Fund will be determined on the basis of the Funds' relative net asset values for each class of shares, computed as of 5:00 p.m. Eastern time on the closing date. Class A, Class B, and Class C shareholders of the AC Fund will receive, respectively, Class A, Class B, and Class C shares of the VK Fund. After this distribution and the AC Fund's winding up of its affairs, the AC Fund will be terminated.

8. In anticipation of the proposed reorganization, on April 7, 1995, the board of trustees of the VK Trust (the "VK Board") unanimously approved a consolidation plan (the "Consolidation Plan") which provided for: (a) merging certain funds advised by the VK Adviser and the AC Adviser, including the Funds, in order to achieve certain economies of scale and efficiency; (b) permitting exchangeability of shares between funds advised by the VK Adviser and the AC Adviser; (c) selecting a common transfer agent; (d) consolidating the VK Board and the board of directors of the AC Fund (the "AC Board") into a combined board;<sup>1</sup> and (e) reorganizing most of the funds advised by the VK Adviser and the AC Adviser, including the Funds, as Delaware business trusts. On May 11, 1995, the AC Board unanimously approved the Consolidation Plan. Shareholder approval of the actions proposed in the Consolidation Plan was obtained, or will be obtained, where necessary.

9. In anticipation of the proposed reorganization, the VK Board and the AC Board, including the non-interested trustees/directors, unanimously approved an agreement and plan of reorganization (the "Reorganization Agreement"). Applicants intend that the Reorganization Agreement will be submitted to the shareholders of the AC Fund for approval at a meeting to be held on or about September 15, 1995. A registration statement on Form N-14 containing a combined proxy statement/prospectus was filed with the Commission on May 25, 1995. The AC Fund began mailing the proxy statement/prospectus to its shareholders on August 4, 1995. Assuming that the required shareholder vote is obtained at

<sup>1</sup> The AC Fund will comply with section 15(f) of the Act with respect to the composition of the AC Board. Section 15(f) provides, in relevant part, that an investment adviser of a registered investment company may receive a benefit in connection with a sale of an interest in such investment company which results in an assignment of the investment company's advisory contract if, for a three-year period following the sale, 75% of the directors of the investment company are not interested persons of the adviser or its predecessor.

the AC Fund's shareholder meeting, the closing of the proposed reorganization is expected to be shortly thereafter, but not before applicants' receipt of the requested order.

10. In considering the Reorganization Agreement, the VK Board and the AC Board, including the non-interested trustees/directors of each board, considered a number of factors in concluding that the Funds' participation in the reorganization is in the best interests of each fund and that the interests of existing shareholders of the Funds will not be diluted. The factors considered by the boards included: (a) the capabilities and the resources of the VK Adviser and other service providers to the VK Fund; (b) the advisory fees and expenses of the Funds, the expense ratios of the Funds, and the anticipated expense ratio of the combined fund; (c) comparative investment performance of the VK Fund and the AC Fund; (d) the terms and conditions of the reorganization; (e) the potential benefits of the reorganization to affiliates of the Funds; (f) the similarity of the Funds; (g) the costs of the reorganization to the Funds; and (h) the fact that the reorganization will be effected on a tax-free basis. The VK Fund, as the surviving fund after the reorganization and merger of the VK Fund and the AC Fund, will be responsible for the expenses incurred by the AC Fund and the VK Fund in connection with the reorganization, and the VK Adviser, the AC Adviser, and the Distributor will be responsible for their respective expenses incurred in connection with the reorganization.

11. The consummation of the reorganization is subject to a number of conditions set forth in the Reorganization Agreement, including: (a) The shareholders of the AC Fund shall have approved the Reorganization Agreement; and (b) the parties shall have received all necessary approvals, registrations, and exemptions (including the requested order) under federal and state securities laws with respect to the proposed reorganization. Any provision of the Reorganization Agreement may be waived, amended, modified, or supplemented by the mutual written agreement of the parties; provided, however, that the parties will not make any material changes to the Reorganization Agreement that affect the application without the prior approval of the SEC. Applicants also agree not to waive, amend, or modify any provision of the Reorganization Agreement that is required by state or Federal law to effect the reorganization.

### Applicants' Legal Analysis

1. Section 17(a) of the Act, in pertinent part, prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, from selling to or purchasing from such registered company, any security or other property. Section 17(b) provides that the SEC may exempt a transaction from section 17(a) if 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.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all the assets of registered investment companies that may be affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors/trustees, and/or common officers provided that certain conditions are satisfied. The proposed reorganization may not be exempt from the prohibitions of section 17(a) by reason of rule 17a-8 because the AC Adviser owns more than 5% of the outstanding voting securities of the AC Fund.

3. Applicants believe that the terms of the proposed reorganization satisfy the standards of section 17(b). The AC Board and the VK Board, respectively, including their disinterested trustees and directors, have reviewed the terms of the proposed reorganization, including the consideration to be paid or received, and have found that participation in the proposed reorganization as contemplated by the Reorganization Agreement is in the best interests of the VK Fund and the AC Fund, and that the interests of existing shareholders of the Funds will not be diluted as a result of the reorganization. In addition, the AC Board and the VK Board found that the proposed reorganization is consistent with the Funds' policies and the general purposes of the Act.

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

**Margaret H. McFarland,**  
Deputy Secretary.

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## DEPARTMENT OF STATE

[Public Notice No. 2252]

**Notice of Advisory Committee Study Group Meeting on Proposed Rules for Secured Interests in International Transactions**

A meeting of a new Study Group on International Secured Interests, co-hosted by the Secretary of State's Advisory Committee on Private International Law (ACPIL) and the Subcommittee on International Commercial Law, Section of Business Law of the American Bar Association (ABA), will be held on Monday, September 18, 1995 in New York at the Brooklyn Law School from 9:30-5:00. The focus of the meeting will be on various efforts by international organizations and others to establish rules for, or unify laws on, secured interests and receivables financing in the context of international transactions. A seminar on international and domestic credit enhancement will take place the following day at Brooklyn Law School, and attendees at the Study Group meeting will be invited to the following day's sessions.

The primary focus for the Study Group will be projects under way at UNCITRAL (United Nations Commission on International Trade Law) and UNIDROIT (International Institute for the Unification of Private Law).

UNIDROIT, an intergovernmental organization of which the United States is a member, is in the process of preparing an initial draft of Uniform Rules on the recognition and enforcement of international interests in mobile equipment. The proposed Rules will need to define what constitutes an international security interest, whether the convention itself should create or only recognize such interests, whether such interests may secure future as well as present obligations, the scope of equipment to be covered, the appropriate registry or registries, remedies and enforcement, basic priority rules and possibly jurisdiction. Consideration will also be given to drafting the rules in the form of a convention (multilateral treaty), rather than as a uniform law. UNIDROIT will hold its next drafting session in October 1995; the meeting of the Study Group will provide guidance for U.S. participants. Documents available include UNIDROIT reports contained in Study LXXII, reports of U.S. participants in prior preliminary drafting meetings of UNIDROIT, and reports prepared for the Aviation Working Group.

UNCITRAL is in the preliminary stages of drafting model law rules on "receivables financing", which focuses on the assignment of rights to payment for goods and services in a broad range of commercial goods. Various types of trade financing mechanisms may be relevant, such as secured transactions, factoring, forfeiting, secondary financing, etc. The preliminary draft rules cover forms of assignment and transfer of security rights, the relationship between assignor and assignee, warranties, applicable law, enforcement and defenses, effect of assignments toward third parties, and priorities. The rules are intended to encompass bulk assignments and general inventory, as well as identifiable goods. UNCITRAL will hold its first working group meeting on this topic in November, 1995; the meeting of the Study Group will provide guidance for U.S. participants. Documents available include reports prepared by the UNCITRAL Secretariat on the legal aspects of receivables financing, U.N. Docs. A/CN.9/397 and 412.

Discussion of the above-referenced projects will take into account the already completed UNIDROIT conventions on International Financial Leasing and International Factoring, both of which are expected to be submitted to the U.S. Senate for advice and consent to United States ratification.

The review of these and other international projects will take into account proposed revisions to the Uniform Commercial Code which are presently under consideration by the National Conference of Commissioners on Uniform State Laws, as well as work being done by the American Law Institute, the American Bar Association and others. In addition, the status of other related projects will be discussed, including current projects on secured interests laws by the World Bank and the National Law Center for Inter-American Free Trade (CIFT) in Tucson, Arizona.

The meeting will be open to the public up to the capacity of the meeting room and all attendees can participate subject to rulings of the Chair. The meeting will be held at Brooklyn Law School, 250 Joralemon Street (downtown Brooklyn), New York 11201. Location of the meeting will be posted at the Law School for participants. Persons wishing to attend or who want further information should contact Peter Winship, International Commercial Law Subcommittee, at (202) 822-8633, fax (202) 785-5185, or Harold Burman, Advisory Committee Executive Director, (202) 776-8421, fax (202) 776-8482.

Copies of all documents referred to above can be obtained on request from the Advisory Committee. Persons unable to attend the meeting may submit their comments in writing to the Advisory Committee by fax at (202) 776-8482 or to the Office of the Legal Adviser (L/PIL), Suite 203 South Building, 2430 E Street, NW., Washington, DC 20037-2800. For information on arrangements at Brooklyn Law School, contact Judy Cohn at (718) 780-7987, fax (718) 780-0393.

**Peter H. Pfund,**

*Assistant Legal Adviser for Private International Law, Vice-Chair, Secretary of State's Advisory Committee on Private International Law.*

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## DEPARTMENT OF TRANSPORTATION

## Federal Aviation Administration

[Summary Notice No. PE-95-32]

**Petitions for Exemption; Summary of Petitions Received; Dispositions of Petitions Issued**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of petitions for exemption received and of dispositions of prior petitions.

**SUMMARY:** Pursuant to FAA's rulemaking provisions governing the application, processing, and disposition of petitions for exemption (14 CFR Part 11), this notice contains a summary of certain petitions seeking relief from specified requirements of the Federal Aviation Regulations (14 CFR Chapter I), dispositions of certain petitions previously received, and corrections. The purpose of this notice is to improve the public's awareness of, and participation in, this aspect of FAA's regulatory activities. Neither publication of this notice nor the inclusion or omission of information in the summary is intended to affect the legal status of any petition or its final disposition.

**DATES:** Comments on petitions received must identify the petition docket number involved and must be received on or before September 27, 1995.

**ADDRESSES:** Send comments on any petition in triplicate to: Federal Aviation Administration, Office of the Chief Counsel, Attn: Rule Docket (AGC-200), Petition Docket No. \_\_\_\_\_, 800 Independence Avenue, SW., Washington, DC 20591.