

("NYSE") since the company began operations in 1983. The Issuer represented that it will maintain its listing on the NYSE.

The Issuer's application relates solely to the Security's withdrawal from listing on the PCX and from registration under section 12(b) of the Act³ and shall not affect its obligation to be registered under section 12(g) of the Act.⁴

Any interested person may, on or before March 20, 2002 submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the PCX and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,
Secretary.

[FR Doc. 02-5427 Filed 3-6-02; 8:45 am]

BILLING CODE 8010-01-U

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application To Withdraw From Listing and Registration on the Boston Stock Exchange, Inc. (BellSouth Corporation, Common Stock, \$1.00 Par Value) File No. 1-8607

March 1, 2002.

BellSouth, Georgia corporation ("Issuer"), has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to section 12(d) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 12d2-2(d) thereunder,² to withdraw its Common Stock, \$1.00 par value ("Security"), from listing and registration on the Boston Exchange, Inc. ("BSE" or "Exchange").

The Issuer stated in its application that it has complied with the Rules of the BSE that governs the removal of securities from listing and registration on the Exchange. In making the decision to withdraw the Security from listing

and registration on the BSE, the Issuer considered the direct and indirect cost associated with maintaining multiple listing. The Issuer stated in its application that the Security has been listed on the New York Stock Exchange ("NYSE") since the company began operations in 1983. The Issuer represented that it will maintain its listing on the NYSE.

The Issuer's application relates solely to the Security's withdrawal from listing on the BSE and from registration under section 12(b) of the Act³ and shall not affect its obligation to be registered under section 12(g) of the Act.⁴

Any interested person may, on or before March 20, 2002 submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the BSE and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,
Secretary.

[FR Doc. 02-5429 Filed 3-6-02; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-25449; 812-12780]

American Century Companies, Inc. et al.; Notice of Application March 1, 2002.

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

ACTION: Notice of an application under sections 6(c), 10(f), 17(b), and rule 17d-1 of the Investment Company Act of 1940 (the "Act") for an exemption from sections 10(f), 12(d)(3), and 17(a), and an order pursuant to section 17(d) of the Act and rule 17d-1 thereunder.

Summary of Application: Applicants request an order that would permit certain registered investment companies to engage in securities transactions involving a broker-dealer or bank that is an affiliated person of an affiliated

person of the investment companies ("Securities Transactions").

Applicants: American Century Mutual Funds, Inc.; American Century Capital Portfolios, Inc.; American Century Premium Reserves, Inc.; American Century Strategic Asset Allocations, Inc.; American Century World Mutual Funds, Inc.; American Century California Tax-Free and Municipal Funds; American Century Quantitative Equity Funds; American Century Government Income Trust; American Century International Bond Funds; American Century Investment Trust; American Century Municipal Trust; American Century Target Maturities Trust; American Century Variable Portfolios, Inc.; American Century Variable Portfolios II, Inc.; Mainstay VP Series Fund, Inc.; and any registered investment company in the future advised by the Adviser or by a person controlling, controlled by or under common control with the Adviser (collectively, the "Funds"); American Century Investment Management, Inc. ("Adviser"); American Century Companies, Inc. ("ACC"); and J.P. Morgan Chase & Co. ("JPM"); JPMorgan Chase Bank; J.P. Morgan Securities Inc. and J.P. Morgan Securities Ltd.¹

Filing Dates: The application was filed on February 15, 2002.

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 March 26, 2002, and should be accompanied by proof of service on the 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: ACC, 4500 Main Street, Kansas City, MO 64111, Attn: Charles A. Etherington, Esq.; and JPM, 522 Fifth Avenue, New York, NY 10036, Attn: Paul Scibetta, Esq.

¹ The term "JPM" includes all entities now or in the future controlling, controlled by, or under common control (as defined in section 2(a)(9) of the Act) with J.P. Morgan Chase & Co.. Any existing entity or future entity that in the future intends to rely on the requested order will do so only in accordance with the terms and conditions of the application.

³ 15 U.S.C. 78j(b).

⁴ 15 U.S.C. 78j(g).

⁵ 17 CFR 200.30-3(a)(1).

¹ 15 U.S.C. 781(d).

² 17 CFR 240.12d2-2(d).

³ 15 U.S.C. 781(b).

⁴ 15 U.S.C. 781(g).

⁵ 17 CFR 200.30-3(a)(1).

FOR FURTHER INFORMATION CONTACT: Janet M. Grossnickle, Branch Chief, 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 Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (tel. (202) 942-8090).

Applicants' Representations

1. ACC, a Delaware corporation, is the holding company of the Adviser. ACC is controlled by its founder, James E. Stowers, Jr., and certain of his family members and related entities (collectively, the "Stowers Family"), and its stock is not publicly traded. The Adviser, a Delaware corporation, is a wholly-owned subsidiary of ACC that is registered under the Investment Advisers Act of 1940 (the "Advisers Act"). The Adviser serves as investment adviser to each of the Funds. Each existing Fund is an open-end management investment company registered under the Act and is organized as a Maryland corporation, a California corporation or a Delaware business trust.

2. JPM, a Delaware corporation, is one of the largest bank holding companies in the United States. JPM conducts most of its broker-dealer business through J.P. Morgan Securities, Inc., a broker-dealer registered under the Securities Exchange Act of 1934, and J.P. Morgan Securities, Ltd., a broker-dealer regulated by the Financial Services Authority in the United Kingdom. JPMorgan Chase Bank, a New York state-chartered bank regulated by the New York State Banking Department and the Board of Governors of the Federal Reserve System, issues letters of credit and money market instruments and trades in corporate and government debt securities.²

3. On January 15, 1998, JPM purchased approximately 45% of ACC's outstanding common stock (the "Purchase"). Because ACC has two classes of voting stock and JPM purchased the shares of the lower voting class, JPM is entitled to 8.71% of the voting power of ACC. Under a stockholders agreement, JPM has certain minority stockholder contractual rights, including the right to designate one

member of ACC's board of directors (which currently consists of eleven persons) and the right to replace certain members of ACC's management upon the occurrence of certain extraordinary events. ACC also agreed not to take certain actions without JPM's prior consent.

4. Applicants state that the Stowers Family continues to own the largest block of shares of common stock of ACC, representing 49.35% of the outstanding equity interest and at least 70.75% of the voting power of ACC. Applicants represent that JPM has no current plan to purchase additional voting securities of ACC.

5. Applicants state that since the Purchase, ACC and JPM have continued and will continue to operate independently (other than in certain areas, including marketing, distribution, and certain sub-advisory and joint advisory agreements).³ Applicants further represent that while JPM and ACC are developing certain aspects of their businesses jointly, ACC's management of investments for the Funds and other clients is entirely separate from the management of investments for clients of JPM. Applicants state that a "firewall" separates the broker-dealer entities within JPM from the investment management operations of both ACC and other entities that are within JPM. Applicants state that all decisions by the Funds to enter into securities transactions are determined solely by the Adviser in accordance with the investment objectives of the relevant Fund. Applicants further represent that the personnel responsible for Fund investments will be employed solely by the Adviser and their compensation would in no instance be affected by the amount of business done by the Funds they manage with JPM.

6. Applicants represent that JPM will not be in a position to cause any Securities Transactions between the Funds and JPM and will not act in concert with the Adviser in connection with any Securities Transactions. Applicants state that there is not, and will not be, any express or implied understanding between JPM and ACC or the Adviser that the Adviser will cause

a Fund to enter into Securities Transactions or give preference to JPM in effecting such transactions between the Fund and JPM.

Applicants' Legal Analysis

1. Section 10(f), in relevant part, prohibits a registered investment company from purchasing securities from an underwriting syndicate in which an affiliated person of the investment company's investment adviser acts as a principal underwriter. Section 10(f) also authorizes the Commission to exempt any transaction or class of transactions from the prohibitions of section 10(f) if the exemption is consistent with the protection of investors.

2. Section 12(d)(3) of the Act generally prohibits a registered investment company from acquiring any security issued by any person who is a broker, dealer, investment adviser, or engaged in the business of underwriting. Rule 12d3-1 under the Act provides an exemption from the provisions of section 12(d)(3), but not with respect to a purchase of a security issued by an affiliated person of the investment adviser or principal underwriter of the registered investment company.

3. Section 17(a) of the Act prohibits an affiliated person of a registered investment company, or an affiliated person of such person ("second-tier affiliate"), acting as principal, from knowingly selling to or purchasing from the company any security or other property. Section 17(b) of the Act authorizes the Commission to exempt a transaction from section 17(a) of the Act if evidence establishes that: (i) the terms of the proposed transaction are reasonable and fair and do not involve overreaching on the part of any person; (ii) the proposed transaction is consistent with the policy of each registered investment company concerned; and (iii) the proposed transaction is consistent with the general purposes of the Act.

4. Section 17(d) of the Act and rule 17d-1 under the Act prohibit any affiliated person or principal underwriter for a registered investment company or any second-tier affiliate, acting as principal, from effecting any transaction in connection with any joint enterprise or other joint arrangement or profit sharing plan in which the investment company participates, unless an application regarding the joint transaction has been filed with the Commission and granted by order. Rule 17d-1 provides that, in passing upon an application for such an order, the Commission will consider whether the participation of a registered investment

² In December 2000, J.P. Morgan & Co. Incorporated consummated a merger (the "Merger") with and into The Chase Manhattan Corporation ("Chase"). Chase and entities it controlled prior to the Merger are referred to as the "Chase Entities."

³ JPM and the Adviser have entered into, and may enter into additional, sub-advisory agreements with each other. JPM and the Adviser also may enter into agreements to manage jointly one or more registered investment companies. The relief requested in the application would not apply to any registered investment company for which JPM acts as sub-advisory. Further, JPM and ACC will consider the existence and nature of such sub-adviser or joint advisory arrangements when designing the Firewall Procedures (as defined below) and when making the certifications required by condition 6 below.

company in a joint transaction is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other applicants.

5. Section 6(c) of the Act permits the Commission to exempt any person or transaction or any class or classes of persons or transactions from any provision or provisions of the Act, if and 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.

6. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include: (i) 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; (ii) any person 5% or more of whose outstanding voting securities are directly or indirectly owned; and (iii) any person directly or indirectly controlling, controlled by, or under common control with, the other person.

7. Applicants state that the Adviser is a wholly-owned subsidiary of ACC, and JPM owns more than 5% of the outstanding voting securities of ACC. Applicants state that JPM is an affiliated person of ACC, and thus could be deemed to be a second-tier affiliate of each Fund. In such event, applicants state that Securities Transactions by the Funds involving JPM would be subject to sections 10(f), 12(d)(3), 17(a) and/or 17(d) of the Act.

8. Applicants request relief under sections 6(c), 10(f) and 17(b) of the Act and pursuant to rule 17d-1 under the Act to permit Securities Transactions, entered into in the ordinary course of business, by a Fund involving JPM under the circumstances described in the application. Applicants state that the requested exemption would apply only where JPM is deemed to be a second-tier affiliate of a Fund solely because of the JPM's ownership interest in ACC.

9. Applicants submit that, among other reasons, section 10(f) of the Act was enacted to prevent an underwriter from "dumping" unmarketable securities on a registered investment company by causing the company to purchase the securities from the affiliated underwriter itself, or by causing or encouraging the company to purchase securities from another member of the underwriting syndicate. Applicants further submit that section 12(d)(3) and rule 12d3-1 were designed to prevent conflicts of interest that may

arise when a registered investment company purchases securities of an issuer engaged in a securities-related business. Rule 12d3-1(c) specifically addresses the conflicts that arise when the issuer is an investment adviser, promoter or principal underwriter (or affiliated person thereof) of the registered investment company. Applicants submit that the primary purpose of section 17(a) is to prevent persons with the power to control an investment company from using that power to such persons' own pecuniary advantage (*i.e.*, to prevent self-dealing). Similarly, applicants submit that section 17(d) was designed to protect investment companies from self-dealing and overreaching by insiders by permitting the Commission to set standards for all transactions in which an investment company and an affiliate are involved that are susceptible to self-dealing by the affiliate to the detriment of the investment company.

10. Applicants submit that the policies which sections 10(f), 17(a) and 17(d), and rule 12d3-1(c) of the Act were meant to further are not implicated in the requested relief because JPM is not in a position to cause the Fund to enter into a Securities Transaction. As a result, applicants submit that JPM is not in a position to dump unmarketable securities, engage in self-dealing or otherwise cause the Funds to enter into transactions that are not in the best interests of their shareholders. Applicants submit that the Adviser would not share any benefit that might inure to JPM from the Securities Transactions and the compensation of the Adviser's personnel will not be affected in any way by the profitability of JPM. Applicants also submit that they will comply with all the conditions of rule 12d3-1, except for rule 12d3-1(c), which bars a registered investment company from purchasing securities of an affiliated person of its investment adviser.⁴

11. Applicants state that, as a condition to the requested relief, JPM will not control (within the meaning of section 2(a)(9) of the Act), directly or indirectly, ACC or the Adviser and the requested order will remain in effect only so long as the Stowers Family primarily controls ACC. Applicants maintain that a "firewall" has separated

⁴ With respect to secondary market purchases, the Funds may purchase common stock and other securities issued by JPM. With respect to primary market purchases, such securities shall be limited to (i) bankers acceptances or other money market instruments that are Eligible Securities as defined in rule 2a-7 under the Act; and (ii) letters of credit or other forms of credit or liquidity support issued by JPMorgan Chase Bank with respect to municipal or other securities.

the broker-dealer entities within JPM from the investment management operations of ACC, facilitated by the fact that JPM and the Adviser have and will have separate officers and employees, are separately capitalized, maintain separate books and records, and have physically separate offices. Further, JPM will not directly or indirectly consult with ACC, the Adviser or any portfolio manager concerning the selection of portfolio managers or allocation of principal or brokerage transactions for any Fund, or otherwise seek to influence the choice of broker or dealer for any Fund.

12. Applicants state that, as a condition to the requested relief, the boards of directors/trustees of the Funds ("Boards"), including a majority of disinterested directors/trustees, will approve procedures governing transactions in which the Adviser knows that both the Fund and JPM have an interest. Applicants further submit that procedures will be maintained that identify transactions in which the Adviser knows that both the Fund and JPM have a Joint Interest⁵ and assure that these transactions are conducted on an arms-length basis.

13. Applicants represent that before any principal transaction is entered into between a Fund and JPM, the Adviser will obtain competitive quotations for the same securities (or in the case of Eligible Debt Securities for which quotations for the same securities are not available, competitive quotations for Comparable Debt Securities)⁶ from at least two other dealers that are in a position to quote favorable prices. For each such transaction, the Adviser will make a determination, based upon the information reasonably available to the Fund and the Adviser, that the price

⁵ For purposes of this application, JPM and a Fund will be considered to have a "Joint Interest" in any transaction (including, without limitation, the acquisition, disposition or restructuring of any interest) in which they both have an interest other than (i) a transaction in a security in which the interest of one is exclusively as a buyer of the security and the interest of the other is exclusively as a seller of the security; (ii) a transaction in a security in which the interest of JPM is exclusively as a member of an underwriting syndicate in respect of the security; (iii) a transaction in which the interest of JPM is exclusively as a broker; (iv) a transaction in a security in which the interest(s) of JPM is exclusively as the issuer (and seller) of the security; or (v) any other transaction involving JPM and a Fund that would not be subject to section 17(d) of the Act or rule 17d-1 thereunder.

⁶ The term "Eligible Debt Securities" refer to (i) First Tier Securities as defined in rule 2a-7 under the Act; or (ii) long-term debt securities that are rated within the three highest rating categories by an NRSRO, as defined in rule 2a-7 under the Act. The term "Comparable Debt Securities" refers to Eligible Debt Securities with substantially identical maturities, credit ratings and repayment terms as the Eligible Debt Securities to be purchased or sold.

available from JPM is at least as favorable as that available from other sources.

14. Applicants further represent that with respect to Securities Transactions that would be subject to section 10(f) of the Act, the Adviser will make a determination, based upon the information reasonably available to the Fund and the Adviser, that (i) the securities were purchased at a price that is not more than the price paid by each other purchaser of securities in that offering or in any concurrent offering of the securities (except in the case of an offering conducted under the laws of a country other than the United States, for any rights to purchase that are required by law to be granted to existing securities holders of the issuer) and (ii) the commission, spread or profit received or to be received by the principal underwriters is reasonable and fair compared to the commission, spread or profit received by other such persons in connection with the underwriting of similar securities being sold during a comparable period of time.

15. Applicants submit that the procedures set forth with respect to Securities Transactions are structured in a way designed to ensure that such transactions will be, in all instances, reasonable and fair, and will not involve overreaching on the part of any person concerned, that the Securities Transactions will be consistent with the policies of the Funds as recited in their registration statements and reports filed under the Act, and that such exemption is 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' Conditions

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

General

1. JPM will not control ACC, the Adviser or the Funds, directly or indirectly, within the meaning of section 2(a)(9) of the Act. The requested order will remain in effect only so long as the Stowers Family primarily controls ACC.

2. JPM will not directly or indirectly consult with ACC, the Adviser or any portfolio manager of the Adviser concerning the selection of portfolio managers, securities purchases or sales, the allocation of principal or brokerage transactions for any Fund, or otherwise seek to influence the choice of broker or dealer for any securities transaction by

a Fund other than in the normal course of sales activities of the same nature that are being carried out during the same time period with respect to unaffiliated institutional clients of JPM.

3. The Adviser and JPM will operate as separate entities and independent profit centers, with separate capitalization, separate books and records, separate officers and employees, and physically separate offices. The broker/dealer and investment management entities within JPM and the investment management operations of ACC will operate on different sides of appropriate "firewalls" created pursuant to policies, procedures and controls implemented by JPM and ACC ("Firewall Procedures"). The Firewall Procedures will include such measures as may be considered reasonable and appropriate by JPM and ACC to facilitate the factual independence of the broker/dealer and investment management operations of JPM from the investment management operations of ACC.

4. Each Fund will comply with rule 12d3-1 under the Act, except paragraph (c) of that rule with respect to Securities Transactions involving securities issued by JPM.

5. The legal departments of the Adviser and JPM will prepare guidelines for personnel of the Adviser and JPM to make certain that transactions effected pursuant to the order comply with its conditions, and that the Adviser and JPM generally maintain an arms-length relationship. The legal departments of the Adviser and JPM will periodically monitor the activities of the Adviser and JPM to make certain that the conditions to the order are met.

Principal Transactions and Joint Interest Transactions

6. Prior to relying on the requested order, each Fund's Board, including a majority of its disinterested directors/trustees, shall determine that the Firewall Procedures are designed reasonably to (i) identify principal transactions or transactions in which the Adviser knows that both the Fund and JPM have a Joint Interest; and (ii) assure that these transactions are conducted on an arms-length basis. Additionally, JPM and ACC shall certify annually to the Board that the Firewall Procedures continue to be effective to assure that any principal transactions or transactions in which the Adviser knows that both the Fund and JPM have a Joint Interest are conducted on an arms-length basis, or recommend such modifications as JPM and/or ACC deem necessary.

7. Each Fund's Board, including a majority of its disinterested directors/trustees, shall approve procedures governing transactions in which the Adviser knows that both the Funds and JPM have an interest and shall no less frequently than quarterly review all such transactions. With respect to principal transactions with JPM and Securities Transactions that would be subject to Section 10(f) of the Act, this review shall include, among other things, the terms of each transaction, and a comparison of the volume of transactions effected with JPM with the volume of similar transactions effected with JPM prior to the Purchase (or with respect to Chase Entities, prior to the Merger).

8. For each transaction by a Fund in which the Adviser knows that JPM has a direct or indirect interest, the Adviser will consider only the interests of the Fund and will not take into account the impact of the Fund's investment decision on JPM. Before entering into any such transaction, the Adviser will make a determination that the transaction is consistent with the investment objectives and policies of the Fund and is in the best interests of the Fund and its shareholders. This determination and the basis for the determination will be documented in written reports as soon as practicable and furnished to the Fund's Board in connection with the quarterly reviews required by condition 7 above.

9. The Funds will (i) maintain and preserve permanently in an easily accessible place a written copy of the procedures and conditions (and any modifications thereto) that are described herein, and (ii) shall maintain and preserve for a period of not less than six years from the end of the fiscal year in which any transaction in which the Adviser knows that both JPM and a Fund directly or indirectly have an interest occurs, the first two years in an easily accessible place, a written record of each such transaction setting forth a description of the security or other property purchased or sold, a description of JPM's interest in the transaction, the terms of the transaction, and the information or materials upon which the determination was made that each such transaction was made in accordance with the procedures set forth above and conditions in this application.

Principal Transactions

10. Before any principal transaction is entered into between a Fund and JPM (other than Securities Transactions that would be subject to section 10(f)), the Adviser must obtain competitive

quotations for the same securities (or in the case of Eligible Debt Securities for which quotations for the same securities are not available, competitive quotations for Comparable Debt Securities) from at least two other dealers that are in a position to quote favorable prices. For each such transaction, the Adviser will make a determination, based upon the information reasonably available to the Fund and the Adviser, that the price available from JPM is at least as favorable as that available from other sources. With respect to Securities Transactions that would be subject to section 10(f) of the Act, the Adviser will make a determination, based upon the information reasonably available to the Fund and the Adviser, that (i) the securities were purchased at a price that is no more than the price paid by each other purchaser of securities in that offering or in any concurrent offering of the securities (except in the case of an offering conducted under the laws of a country other than the United States, for any rights to purchase that are required by law to be granted to existing securities holders of the issuer) and (ii) the commission, spread or profit received or to be received by the principal underwriters is reasonable and fair compared to the commission, spread or profit received by other such persons in connection with the underwriting of similar securities being sold during a comparable period of time.

Joint Interest Transactions

11. Before entering into any transaction in which the Adviser knows that both JPM and a Fund have a Joint Interest and that requires, or that, in the judgment of the Adviser, can reasonably be expected to require, material negotiations or other discussions involving both JPM and the Adviser, a majority of the Fund's disinterested directors/trustees who have no direct or indirect financial interest in the transaction ("Required Majority") will determine that it is in the Fund's best interests to participate and the extent of the Fund's participation in such transaction. Before making this decision, the Required Majority will review the documentation required by condition 8 above and such additional information from the Adviser or advice from experts as they deem necessary.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 02-5388 Filed 3-6-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25450; File No. 812-12785]

Franklin Strategic Series, et al.; Notice of Application

March 1, 2002.

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

ACTION: Notice of application for an order 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 registered open-end management investment companies to acquire all of the assets, net of liabilities, of certain corresponding series of another registered open-end management investment company. Because of certain affiliations, applicants may not rely on rule 17a-8 of the Act.

APPLICANTS: Franklin Strategic Series, Franklin Federal Tax-Free Income Fund ("Franklin Federal Tax-Free Fund"), Franklin Investors Securities Trust, Franklin Advisers, Inc. ("FAI"), Templeton Funds, Inc. ("Templeton Funds"), Templeton Global Advisers Limited ("TGAL", together with FAI, the "Franklin Advisers"), FTI Funds, and Fiduciary International, Inc ("FII").

FILING DATE: The application was filed on February 28, 2002.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief 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 March 25, 2002 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 Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 5th Street, NW., Washington, DC 20549-0609. Applicants, c/o David P. Goss, Esq., Franklin Templeton Investments, One Franklin Parkway, San Mateo, California 94403-1906.

FOR FURTHER INFORMATION CONTACT: Jae F. Hahn, Senior Counsel, at (202) 942-0614, 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 5th Street, NW., Washington, DC 20549-0102 (tel. 202-942-8090).

Applicants' Representations

1. FTI Funds, a Massachusetts business trust, is an open-end management investment company registered under the Act. FTI Funds consists of seven series, four of which are the "Acquired Funds". Franklin Strategic Series, a Delaware business trust, is an open-end management investment company registered under the Act, and currently offers 13 series, one of which is the Franklin Strategic Series: Large Cap Growth Fund ("Franklin Large Cap Growth Fund"). Franklin Federal Tax-Free Fund, a California corporation, is an open-end management investment company registered under the Act. Franklin Investors Securities Trust, a Massachusetts business trust, is an open-end management investment company registered under the Act, and currently offers six series, one of which is the Franklin Investors Securities Trust: Total Return Fund ("Franklin Total Return Fund"). Templeton Funds, a Maryland corporation, is an open-end management investment company registered under the Act, and currently offers two series, one of which is Templeton Funds: Foreign Fund ("Templeton Foreign Fund"). The Franklin Large Cap Growth Fund, Franklin Federal Tax-Free Fund, Franklin Total Return Fund, and Templeton Foreign Fund are the "Acquiring Funds".¹

2. The Franklin Advisers are each registered under the Investment Advisers Act of 1940 ("Advisers Act") and serve as investment advisers to the Acquiring Funds.² Each Franklin Adviser is a wholly owned subsidiary of Franklin Resources, Inc. ("Resources"). FII is registered under the Advisers Act and serves as investment adviser to each

¹ The Acquired Funds and the corresponding Acquiring Funds are: (a) FTI Funds: Large Cap Growth Fund and Franklin Large Cap Growth Fund; (b) FTI Funds: Municipal Bond Fund and Franklin Federal Tax-Free Fund; (c) FTI Funds: Bond Fund and Franklin Total Return Fund; and (d) FTI Funds: International Equity Fund ("FTI International Equity Fund") and Templeton Foreign Fund (each, a "Fund" and together, the "Funds").

² FAI serves as investment adviser to Franklin Large Cap Growth Fund, Franklin Federal Tax-Free Fund, and Franklin Total Return Fund. TGAL serves as investment adviser to Templeton Foreign Fund.