

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-24261 Filed 9-28-95; 8:45 am]

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[Release No. 35-26378]

Filings Under the Public Utility Holding Company Act of 1935, as amended ("Act")

September 22, 1995.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by October 16, 1995, to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

General Public Utilities Corporation
(70-7670)

General Public Utilities Corporation ("GPU"), 100 Interpace Parkway, Parsippany, New Jersey 07054, a registered holding company, has filed a post-effective amendment to its application-declaration under sections 6(a) and 7 of the Act and rules 53 and 54 thereunder.

By order of the Commission dated October 23, 1989 (HCAR No. 24971) ("1989 Order"), GPU was authorized to issue and sell, from time to time through December 31, 1995, pursuant to a

Dividend Reinvestment and Stock Purchase Plan ("Plan"), up to 2.5 million shares of its common stock, \$2.50 par value ("Common Stock"). Common Stock is purchased under the Plan either on the open market or directly from GPU from authorized but unissued shares or previously reacquired shares, as GPU may direct, by the administrator of the Plan.

GPU now proposes to extend to December 31, 2000 the time it may issue and sell authorized but unissued and reacquired shares of Common Stock under the Plan.

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

Margaret M. McFarland,
Deputy Secretary.

[FR Doc. 95-24184 Filed 9-28-95; 8:45 am]

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[Rel. No. IC-21371; 812-9266]

T. Rowe Price Spectrum Fund, Inc., et al.; Notice of Application

September 22, 1995.

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

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: T. Rowe Price Growth Stock Fund, Inc., T. Rowe Price New Horizons Fund, Inc., T. Rowe Price New Era Fund, Inc., T. Rowe Price New Income Fund, Inc., T. Rowe Price Prime Reserve Fund, Inc., T. Rowe Price Growth & Income Fund, Inc., T. Rowe Price Short-Term Bond Fund, Inc., T. Rowe Price High Yield Fund, Inc., T. Rowe Price Equity Income Fund, T. Rowe Price GNMA Fund, T. Rowe Price International Funds, Inc., and each open-end management investment company (1) that in the future becomes advised by T. Rowe Price Associates, Inc. ("T. Rowe Price") and/or Row Price-Fleming International, Inc. ("Price-Fleming") and distributed by T. Rowe Price Investment Services, Inc. ("Investment Services"), and (2) that holds itself out to investors as a related fund for purposes of investment and investor services (collectively, the "Price Funds"); T. Rowe Price Spectrum Fund, Inc. (the "Spectrum Fund"); T. Rowe Price Associates, Inc. ("T. Rowe Price"); Rowe Price-Fleming International, Inc. ("Price-Fleming"); T. Rowe Price Investment Services, Inc. ("Investment Services"); and T. Rowe Price Services, Inc. ("Price Services").

RELEVANT ACT SECTIONS: Order requested under section 6(c) to exempt the

applicants from sections 12(d)(1) (A) and (B), sections 6(c) and 17(b) to exempt applicants from section 17(a), and rule 17d-1 under the Act to permit certain joint transactions otherwise prohibited by section 17(d) and rule 17d-1.

SUMMARY OF APPLICATION: The requested order would supersede two prior orders that permit the T. Rowe Price Spectrum Fund, Inc. ("the "Spectrum Fund") to operate as a "fund of funds." The existing relief imposes a number of restrictions that limit the manner in which the Spectrum Fund may operate. The requested order would permit the Spectrum Fund to continue operating as a fund of funds while eliminating many of the restrictions from the prior order.

FILING DATES: The application was filed on September 29, 1994, and amended on April 28, 1995, August 16, 1995, and August 23, 1995.

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 October 17, 1995, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, NW., Washington, D.C. 20549. Applicants, 100 East Pratt Street, Baltimore, MD 21202.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942-0572, or C. David Messman, 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 SEC's Public Reference Branch.

Applicant's Representation

1. The Spectrum Fund is a registered, no-load, open-end, management investment company organized as a Maryland corporation. The Spectrum Fund began offering its shares to the public in 1990 and consists of two series: the Growth Fund and the Income Fund (the "Portfolios"), with assets as of June 30, 1995 of approximately \$1.1

⁴ 17 CFR 200.30-3(a)(12) (1994).

billion and \$842 million, respectively. Each Portfolio invests substantially all of its assets in certain Price Funds (the "Underlying Funds"). Investments also may be made in money market instruments for temporary purposes. The Underlying Funds are no-load, open-end investment companies which have not adopted plans under rule 12b-1 to finance their distribution. Applicants request that the relief sought herein also apply to any future "fund of funds," whether organized as an investment company or as a portfolio thereof, which operates in all material respects in accordance with the conditions to the requested order, and that is a number of the T. Rowe Price group of investment companies.

2. Price Associates serves as investment adviser to each of the Underlying Funds, except for T. Rowe Price International Funds, Inc. which is advised by Price-Fleming. Investment Services, a wholly-owned subsidiary of Price Associates, serves as distributor of the Spectrum Fund and the Underlying Funds. Price Services, a wholly-owned subsidiary of Price Associates, performs certain shareholder services for the Spectrum Fund and the Underlying Funds.

3. The Spectrum Fund operates as a "fund of funds" under an exemptive order granted by the Commission (the "Existing Order").¹ The Existing Order exempts applicants under section 6(c) from the limitations of section 12(d)(1) (A) and (B) to the extent necessary to permit: (i) The Spectrum Fund to purchase, in the aggregate, up to 15% of the outstanding voting shares of each underlying Fund, (ii) the securities of each Underlying Fund to have an aggregate value in excess of 5% of the value of the total assets of the Spectrum Fund, (iii) the Spectrum Fund to invest essentially all of its assets in the securities of the Underlying Funds, and (iv) each of the Underlying Funds to sell more than 3% of its total outstanding voting stock to the Spectrum Fund. The Existing Order also exempts applicants under sections 6(c) and 17(b) from section 17(a)(1) to permit sales by the Underlying Funds of their shares to the Spectrum Fund. Finally, the Existing Order permits, under section 17(d) and rule 17d-1, joint arrangements under a special servicing agreement that includes payments by the Underlying Funds of Spectrum Fund expenses.

4. The Existing Order was amended in 1992 (the "Amended Order")² to modify a condition of the Existing Order that had limited investments in the Spectrum Fund to individuals investing an aggregate of \$30,000 per calendar year. The Amended Order removed this restriction.

5. The Existing Order imposed a number of conditions that restrict the manner in which the Spectrum Fund may operate. These conditions require applicants to sell shares of the Spectrum Fund only to certain "long-term investors," require the Spectrum Fund to allocate its assets to specified Underlying Funds only in predetermined and set ranges, prohibit the Spectrum Fund from acquiring more than 15% of the outstanding securities of any Underlying Fund, limit redemptions made by the Spectrum Fund from the Underlying Funds to 1% in any 30-day period (unless the redemptions are made to satisfy redemption requests by the Spectrum Fund's shareholders), limit shareholder exchanges into or out of the Spectrum Fund, prevent the Spectrum Fund from creating new portfolios without further exemptive relief from the Commission (the "Redemption Conditions"). In addition, the Existing Order prohibits any of the Spectrum Fund's non-interested directors from serving on the board of directors of any Underlying Fund, requires the Spectrum Fund to vote its shares in each Underlying Fund in proportion to the vote of all shareholders of the Underlying Fund, prohibits the Spectrum Fund and/or the Underlying Funds from imposing certain distribution and advisory fees, and requires the Spectrum Fund's board of directors to monitor for "wash transactions"³ among the Underlying Funds (the "Order Conditions," collectively with the Redemption Conditions, the "Existing Conditions"). The requested order would supersede the Existing and Amended Orders, and would eliminate the Existing Conditions and replace them with the conditions set forth below.

Applicant's Legal Analysis

A. Section 12(d)(1)

1. Absent the Existing Order, section 12(d)(1)(A) of the Act would prohibit the Spectrum Fund from purchasing

more than 3% of the outstanding voting securities of an Underlying Fund, securities issued by all Underlying Funds having an aggregate value in excess of 5% of the value of the total assets of the Spectrum Fund, or securities issued by the Underlying Funds and all other investment companies having an aggregate value in excess of 10% of the value of the total assets of the Spectrum Fund. Section 12(d)(1)(B) would prohibit the Underlying Funds from selling more than 3% of their outstanding voting securities to the Spectrum Fund and more than 10% to the Spectrum Fund and other investment companies.

2. Section 12(d)(1) is intended to prevent the pyramiding of investment companies, the layering of fees, and undue organizational complexities. Applicants state that none of these abuses associated with fund holding companies are present with respect to the current and proposed arrangement, and that the Spectrum Fund will provide the benefits of diversification and cost savings to its investors.

B. Section 17(a)

1. Section 17(a) of the Act generally prohibits sales or purchases of securities between a registered investment company and any affiliated person of that company. Absent the Existing Order, the sale by the Underlying Funds of their shares to the Spectrum Fund could be deemed to be a principal transaction between affiliated persons that are prohibited under section 17(a). Because the Spectrum Fund and the Underlying Funds are each advised by Price Associates, they could be deemed to be affiliates of one another. Therefore, applicants requested the Existing Order to permit the Underlying Funds to sell their shares to the Spectrum Fund.

C. Section 17(d) and Rule 17d-1

1. Section 17(d) of the Act and rule 17d-1 thereunder prohibit an affiliated person of an investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates. Applicants requested the Existing Order under section 17(d) and rule 17d-1 to permit the Spectrum Fund to enter into a joint arrangement pursuant to a special servicing agreement, as more fully described in the application.

D. Standard for Relief

1. Applicants state that the Redemption Conditions to the Existing Order were designed to prevent disruptive redemptions from the

¹ Investment Company Act Release Nos. 17198 (Oct. 31, 1989) (notice) and 17242 (Nov. 29, 1989) (order).

² Investment Company Act Release Nos. 18816 (June 29, 1992) (notice) and 18865 (July 24, 1992) (order).

³ A "wash transaction" is a purchase of a security by one underlying fund that is offset by a contemporaneous sale of the same security by another underlying fund.

Underlying Funds. Applicants believe these conditions are no longer necessary and act as an impediment to the prudent management of the Spectrum Fund. Specifically, applicants believe that the Redemption Conditions are unnecessary for the following reasons: The Spectrum Fund has attracted shareholders investing for retirement, has had a consistently lower redemption rate than the Underlying Funds, has shareholders who on the whole remain in the fund longer than shareholders remain in the Underlying Funds, and has benefited the Underlying Funds in by increasing assets and reducing redemption pressure. In addition, the Underlying Funds have maintained sufficient cash positions to satisfy all redemptions made by the Spectrum Fund, and applicants believe that the structure of the Spectrum Fund dilutes Spectrum Fund shareholder redemptions by spreading their effect over the Underlying Funds.

2. Applicants also believe the Other Conditions are no longer necessary. Applicants submit that the identity of management between Spectrum Fund and the Underlying Funds provides assurance to investors that they will not be treated unreasonably or unfairly. Applicants further note that any harm to the Underlying Funds would be contrary to price Associates' business interests.

3. Applicants state that the fact that the boards of directors for the Spectrum Fund and the Underlying Funds may have common independent directors does not impede the ability of the independent directors to perform their oversight function because they have fiduciary obligations to all funds on whose board of directors they serve. Further, any conflict among the interests of those funds is no different from that which, in theory, can arise in any situation where an individual serves on the boards of directors of multiple funds in the same fund family.

4. Section 6(c) permits the SEC to exempt any person or transaction from any provision of the Act, if 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 of the Act. For the above reasons, applicants argue that the replacement of the Existing Conditions with the modified conditions meets the section 6(c) standards.

5. Section 17(b) permits the SEC to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that the participation of such investment company 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 other participants. Applicants believe that the terms of the transactions meet these standards.

6. Rule 17d-1 permits the SEC to approve a proposed joint transaction. In determining whether to approve a transaction, the SEC is to consider whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation of the investment companies is on a basis different from or less advantageous than that of the other participants. Applicants believe that the requested order meets these standards.

Applicants' Conditions

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

1. The Spectrum Fund and each Underlying Fund will be part of the same "group of investment companies," as defined in rule 11a-3 under the Act.

2. No Underlying Fund shall acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

3. A majority of the directors of the Spectrum Fund will not be "interested persons," as defined in section 2(a)(19) of the Act.

4. Before approving any advisory contract under section 15, the board of directors of the Spectrum Fund, including a majority of the directors who are not "interested persons," as defined in section 2(a)(19), shall find that advisory fees charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the Spectrum Fund.

5. Any sales charges and other service fees charged with respect to securities of spectrum Fund, when aggregated with any sales charges and service fees paid by spectrum Fund with respect to securities of the Underlying Funds, shall not exceed the limits set forth in Article III, section 26, of the Rules of Fair Practice of the National Association of Securities Dealers, Inc.

6. Applicants agree to provide the following information, in electronic format, to the Chief Financial Analyst of the SEC's Division of Investment Management: monthly average total assets for each Spectrum Fund portfolio

and each of its Underlying Funds; monthly purchases and redemptions (other than by exchange) for each Spectrum Fund portfolio and each of its Underlying Funds; monthly exchanges into and out of each Spectrum Fund portfolio and each of its Underlying Funds; month-end allocations of each Spectrum Fund portfolio's assets among its Underlying Funds; annual expense ratios for each Spectrum Fund portfolio and each of its Underlying Funds; and a description of any vote taken by the shareholders of any Underlying Fund, including a statement of the percentage of votes cast for and against the proposal by the Spectrum Fund and by the other shareholders of the Underlying Funds. Such information will be provided as soon as reasonably practicable following each fiscal year-end of the Spectrum Fund (unless the Chief Financial Analyst shall notify applicants in writing that such information need no longer be submitted).

By the Commission.
Margaret H. McFarland,
Deputy Secretary.
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[Investment Company Act Release No. 21372; 812-9540]

Vanguard STAR Fund, et al.; Notice of Application

September 22, 1995.

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

ACTION: Notice of application for an order under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Vanguard STAR Fund ("STAR"); The Vanguard Group, Inc. ("TVGI"); and Vanguard Balanced Index Fund, Inc., Vanguard Index Trust, Vanguard International Equity Index Fund, Inc., Vanguard Bond Index Fund, Inc., Vanguard Institutional Portfolios, Inc., Vanguard California Tax-Free Fund, Vanguard New York Insured Tax-Free Fund, Vanguard Pennsylvania Tax-Free Fund, Vanguard Fixed Income Securities Fund, Inc., Vanguard Preferred Stock Fund, Vanguard Asset Allocation Fund, Inc., Vanguard/Trustees' Equity Fund, Vanguard/Windsor Funds, Inc., Vanguard Tax-Managed Fund, Inc., Vanguard Florida Insured Tax-Free Fund, Inc., Vanguard/Primecap Fund, Inc., Vanguard/Morgan Growth Fund, Inc., Vanguard Variable Insurance Fund, Vanguard Money Market Reserves, Inc., Vanguard Municipal Bond Fund, Inc., Vanguard New Jersey Tax-Free Fund, Vanguard