and approved by the requisite votes of the holders of the outstanding shares of each of the Acquired Portfolios in accordance with the provisions of each Portfolio's Agreement and Declaration of Trust and By-laws; (b) the Acquired Portfolio and the Acquiring Portfolio have received opinions of counsel stating, among other things, that (i) each Fund Reorganization will constitute a ''fund reorganization'' under Section 368 of the Internal Revenue Code of 1986, as amended (the ''Code''), (ii) the Acquiring Portfolio and the Acquired Portfolio is a ''party to a fund reorganization'' within the meaning of Section 368 of the Code, (iii) no gain or loss will be recognized by the Acquiring Portfolio upon the receipt of the assets of the Acquired Portfolio solely in exchange for the Acquiring Portfolio shares and the assumption by the Acquiring Portfolio of the identified liabilities of the Acquired Portfolio and (iv) no gain or loss will be recognized by the Acquired Portfolio upon the transfer of the Acquired Portfolio's assets to the Acquiring Portfolio in exchange for the Acquiring Portfolio shares and the assumption by the Acquiring Portfolio of the identified liabilities of the Acquired Portfolio or upon the distribution of the Acquiring Portfolio shares to Acquired Portfolio shareholders in exchange for their shares of the Acquired Portfolio; and (c) the Acquired Portfolio and the Acquiring Portfolio shall have received from the Commission an order exempting the Fund Reorganizations from the provisions of Section 17(a) of the 1940 Act.

Applicants' Legal Analysis

1. Section 17(a) of the 1940 Act provides, in pertinent part, that it is unlawful for any affiliated person of a registered investment company, or any affiliated person of such a person, ''(1) knowingly to sell any security or other property to such registered company * * * [or] (2) knowingly to purchase from such registered company * * * any security or other property * * *'' Section 2(a)(3) of the 1940 Act defines the term ''affiliated person'' of another person in include, in pertinent part, ''(A) any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting securities of such other person; (B) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; (C) any person directly or indirectly controlling, controlled by, or under common control with, such other person * * *; and (E) if such other person in an investment company, any is an investment advises thereof * * *''

2. Applicants assert that Rule 17a–8 under the 1940 Act may not be available to exempt the proposed transactions described herein. The premise of Rule 17a–8 is that the investment companies involved in mergers or consolidations are under common control by virtue of having a common investment adviser, directors and/or officers and no other affiliation exists. In this case, certain of the Portfolios may be deemed to be affiliated persons or affiliated persons of each other because of the Insurance Companies and FIRMCO's share ownership of the Portfolios.

3. Section 17(b) of the 1940 Act provides that, notwithstanding Section 17(a), any person may file with the Commission an application for an order exempting a proposed transaction from one or more provisions of that subsection and that the Commission shall grant such application and issue such order of exemption if evidence establishes that ''(1) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (2) the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement and reports filed under [the 1940 Act], and (3) the proposed transaction is consistent with the general purpose of [the 1940 Act] * * *.''

4. Applicants submit that the terms of the Fund Reorganizations satisfy the standards set forth in section 17(b), in that the terms are fair and reasonable and do not involve overreaching on the part of any person concerned. Applicants note that the Boards of Trustees of CST and SFT, including the Disinterested Trustees, found that participation in the Fund Reorganization is in the best interests of each Portfolio based on the following factors: (a) The interests of shareholders will not be diluted; (b) the Portfolio's investment objectives and policies generally are substantially similar; (c) certain operational efficiencies may be achieved upon the combination of the Portfolios as a result of the economies of scale associated with a more diverse family of mutual funds; (d) no sales charges will be imposed in connection with the Fund Reorganizations; (e) the service and distribution resources available to MIT and the anticipated increased array of investment alternatives available to shareholders of MIT; (f) the transactions will be free from Federal income taxes; (g) the conditions and policies of Rule 17a–8 under the 1940 Act will be followed; (h) the transfer of securities in exchange for shares will be at relative net asset value; and (i) no overreaching by any person concerned with the transactions will occur.

Conclusion

For the reasons and upon the facts set forth above, Applicants state that the requested order meets the standards set forth in Section 17(b) and should, therefore, be granted.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 01–1403 Filed 1–17–01; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC–24823 (812–12276)]

PaineWebber PACE Select Advisors Trust and Mitchell Hutchins Asset Management, Inc.; Notice of Application

January 11, 2001.

AGENCY: Securities and Exchange Commission (''Commission'')

ACTION: Notice of application for an order under section 6(c) of the Investment Company Act of 1940 (the ''Act'') to amend a prior order that granted an exemption from section 15(a) of the Act and rule 18f–2 under the Act.

Summary of Application: Applicants request an order amending a prior order (''Prior Order'') that permits them to enter into and materially amend investment sub-advisory contracts without receiving shareholder approval.[1]

Applicants: PaineWebber PACE Select Advisors Trust (formerly, Managed Accounts Services Portfolio Trust) (the ''Trust'') and Mitchell Hutchins Asset Management Inc. (''Mitchell Hutchins'').

Filing Date: The application was filed on November 30, 1999 and amended on January 5, 2001.

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

[1] *Managed Accounts Services Portfolio Trust and Mitchell Hutchins Asset Management, Inc.,* Investment Company Act Release Nos. 21590 (Dec. 15, 1995) (notice) and 21666 (Jan. 11, 1996) (order).

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 5, 2001, 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: 1285 Avenue of the Americas, New York, New York 10019.

FOR FURTHER INFORMATION CONTACT: Sara P. Crovitz, Senior Counsel, at (202) 942–0667 or Nadya 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, N.W., Washington, D.C. 20549–0101, (202) 942–8090.

Applicants' Representations

1. The Trust is an open-end management investment company currently composed of twelve investment portfolios (''Portfolios''). Mitchell Hutchins, a wholly owned subsidiary of PaineWebber, acts as investment manager and administrator to the Trust and is responsible, subject to oversight by the Board of Trustees of the Trust (''Board'') for the selection of investment sub-advisers (''Sub-Advisers'') and the ongoing review of the Sub-Advisers' performance.

2. On January 11, 1996, applicants received the Prior Order permitting the Trust and Mitchell Hutchins to enter into sub-advisory agreements (''Sub-Advisory Agreements'') for the Portfolios without obtaining shareholder approval. Among other things, the Prior Order is subject to a condition that requires a notice, in the form of an information statement, be sent to shareholders following the hiring of a new Sub-Adviser or the implementation of a material change to a Sub-Advisory Agreement. Applicants seek to amend the Prior Order to preserve the requirement to provide notice to shareholders regarding the hiring of a new Sub-Adviser, but to eliminate the requirement to provide a notice in the form of an information statement of other material changes to a Sub-Advisory Agreement. Applicants state that supplements to the Trust's prospectus or statements of additional information serve as a more appropriate and less costly alternative to the latter requirement. Applicants also seek to amend the Prior Order to eliminate the requirement that shares of the Trust be offered exclusively to participants in the PaineWebber PACE Program (the ''Pace Program'') or other asset allocation services.

Applicants' Legal Analysis

1. Section 6(c) of the Act authorizes the Commission to exempt persons or transactions from any provisions of the Act to the extent that such exemptions are 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 amending the Prior Order as requested would be consistent with the standards of section 6(c) of the Act.

Applicants' Conditions

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

1. Before a Portfolio may rely on the order, the operation of the Portfolio in the manner described in the application will be approved by a majority of the outstanding voting securities of the Portfolio, as defined in the Act, or in the case of a Portfolio whose public shareholders purchased shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole initial shareholder before offering shares of such Portfolio to the public.

2. The Trust will disclose in all prospectuses relating to any Portfolio the existence, substance and effect of any order granted pursuant to the application. In addition, each Portfolio relying on the requested order will hold itself out to the public as employing the management structure described in the application. The prospectus will prominently disclose that Mitchell Hutchins has the ultimate responsibility (subject to oversight by the Board) to oversee the Sub-Advisers and recommend their hiring, termination and replacement.

3. At all times, a majority of the trustees of the Trust will be persons each of whom is not an ''interested person'' of the Trust (as defined in section 2(a)(19) of the Act) (the ''Independent Trustees''), and the nomination of new or additional Independent Trustees will be placed within the discretion of the then existing Independent Trustees.

4. Mitchell Hutchins will not enter into a Sub-Advisory Agreement with any Sub-Adviser that is an affiliated person (as defined in section 2(a)(3) of the Act) of the Trust, Mitchell Hutchins or the Portfolios, other than by reason of serving as a Sub-Adviser to one or more of the Portfolios (the ''Affiliated Sub-Adviser'') without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Portfolio.

5. When a Sub-Adviser change is proposed for a Portfolio with an Affiliated Sub-Adviser, the trustees of the Trust, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board minutes, that the change is in the best interests of the Portfolio and its shareholders and does not involve a conflict of interest from which Mitchell Hutchins or the Affiliated sub-Adviser derives an inappropriate advantage.

6. Within 90 days of the hiring of any new SubAdviser, the Trust will furnish shareholders of the applicable Portfolio all information about a new Sub-Adviser that would be included in a proxy statement. Such information will include any change in such disclosure caused by the addition of a new Sub-Adviser. The Trust will meet this condition by providing shareholders with an information statement meeting the requirements of Regulation 14C and Schedule 14C and Item 22 of Schedule 14A under the Securities Exchange Act of 1934.

7. Mitchell Hutchins will provide general management and administrative services to the Trust, and, subject to review and approval by the Board, will: (a) Set the Portfolios' overall investment strategies; (b) evaluate, select and recommend Sub-Advisers to manage all or a part of the Portfolio's assets; (c) allocate and, when appropriate, reallocate the Portfolios' assets among Sub-Advisers; (d) monitor and evaluate the investment performance of Sub-Advisers; and (e) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the relevant Portfolio's investment objectives, policies and restrictions.

8. No Trustee or officer of the Trust or director or office of Mitchell Hutchins will own directly or indirectly (other than through a polled investment vehicle that is not controlled by any such Trustee, director or officer) any interest in a Sub-Adviser except for: (a) Ownership of interest in Mitchell Hutchins or in any entity that controls, is controlled by, or is under common control with Mitchell Hutchins; or (b) ownership of less than 1% of the outstanding securities of any class of

equity or debt of a publicly traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–1405 Filed 1–17–01; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24825; 812–12352]

CityFed Financial Corp.; Notice of Application

January 11, 2001.

AGENCY: Securities and Exchange Commission (''SEC'' or ''Commission'').

ACTION: Notice of application for an order under sections 6(c) and 6(e) of the Investment Company Act of 1940 (''Act'') for exemption from all provisions of the Act, except sections 9, 17(a) (modified as discussed in the application), 17(d) (modified as discussed in the application), 17(e), 17(f), 36 through 45, and 47 through 51 of the Act and the rules thereunder.

SUMMARY OF APPLICATION: The requested order would exempt the applicant, CityFed Financial Corp. (''CityFed''), from certain provisions of the Act until the earlier of one year from the date the requested order is issued or such time as CityFed would no longer be required to register as an investment company under the Act. The order would extend an exemption granted until February 9, 2001.[1]

FILING DATES: The application was filed on December 4, 2000 and amended on January 10, 2001.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on February 5, 2001, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549–0609. CityFed, 4 Young's Way, P.O. Box 3126, Nantucket, MA 02584.

FOR FURTHER INFORMATION CONTACT: Bruce R. MacNeil, Senior Counsel, at (202) 942–0634, 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 SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549–0102 (tel. no. 202–942–8090).

Applicant's Representations

1. CityFed was a savings and loan holding company that conducted its savings and loan operations through its wholly-owned subsidiary, City Federal Savings Bank (''City Federal''). During the five-year period ending December 31, 1988, City Federal was the source of substantially all of CityFed's revenues and income. As a result of substantial losses in its mortgage banking and real estate operations, City Federal was unable to meet its regulatory capital requirements. Accordingly, on December 7, 1989, the Office of Thrift Supervision (''OTS'') placed City Federal into receivership and appointed the Resolution Trust Corporation (''RTC'') as City Federal's receiver. City Federal's deposits and substantially all of its assets and liabilities were acquired by a newly created federal mutual savings bank, City Savings, F.S.B. (''City Savings''). The OTS appointed the RTC as receiver of City Savings.

2. Once City Federal was placed into receivership, CityFed no longer conducted savings and loan operations through any subsidiary. Thus, since December 8, 1989, almost all of CityFed's assets consisted of cash that has been invested in (i) money market instruments with a maturity of one year or less, and (ii) money market mutual funds.

3. On June 2, 1994, the OTS issued a Notice of Charges (''OTS Action'') against CityFed and certain current or former directors and, in some cases, officers of CityFed and City Federal (''Individual Respondents''). The OTS Action sought restitution from and a civil money penalty against both CityFed and the Individual Respondents. Also on June 2, 1994, the OTS issued a Temporary Order to Cease and Desist (''Temporary Order'') against CityFed. The Temporary Order sought to freeze CityFed's assets by placing them in various respects under the controls of the OTS. On October 26, 1994, CityFed and the OTS entered into an escrow agreement with CoreStates Bank, N.A. (now First Union National Bank (''First Union'')) (''Escrow Agreement'') pursuant to which CityFed transferred substantially all of its assets to First Union for deposit into an escrow account. The Escrow Agreement provided CityFed with $15,000 per month for operating expenses and allowed CityFed to sell and purchase securities in the escrow account.

4. On May 19, 2000, CityFed finalized with the OTS and the Federal Deposit Insurance Corporation (''FDIC''), the statutory successor to the RTC, a settlement of the OTS Action (''Settlement''). Pursuant to the Settlement, the OTS dismissed with prejudice the OTS Action and the FDIC gave full and complete releases to CityFed and the Individual Respondents. In turn, CityFed and the Individual Respondents gave full and complete releases to the OTS and the FDIC. The OTS also dissolved the Temporary Order and authorized First Union to release to CityFed all of its assets remaining in the escrow account.

5. On December 7, 1992, the RTC filed suit against CityFed and two former officers of City Federal seeking damages of $12 million for failure to maintain the net worth of City Federal (''First RTC Action''). In light of the filing of the OTS Action on June 2, 1994, the RTC and CityFed agreed to dismiss without prejudice the RTC's claim against CityFed in the First RTC Action. Pursuant to the Settlement, the FDIC released CityFed from all claims in the First RTC Action.

6. The RTC also filed suit against several former directors and officers of City Federal alleging gross negligence and breach of fiduciary duty with respect tot certain loans (''Second RTC Action''). The RTC sought in excess of $200 million in damages. CityFed states that all of the defendants in the Second RTC Action have settled with the RTC or the FDIC. Pursuant to the Settlement, the FDIC assigned any rights it acquired in these settlements to CityFed. Under its bylaws, CityFed may be obligated to indemnify these former officers and directors and pay their legal expenses, including settlement amounts. On the advice of counsel to a special committee of CityFed's board of directors, comprised of directors who have not been named in the First or Second RTC Action, CityFed advanced reasonable

[1] CityFed Financial Corp., Investment Company Act Release Nos. 24252 (Jan. 13, 2000) (notice) and 24283 (Feb. 9, 2000) (order).