

currently or in the future serves as investment adviser or trustee (the "Unregistered Funds"); and the Advisers on behalf of institutional and individual accounts that are not pooled investment vehicles for which one of the Advisers currently or in the future serves as investment adviser (the "Managed Accounts").

SUMMARY OF APPLICATION: The applicants request an order that would permit (a) certain registered management investment companies, Unregistered Funds and Managed Accounts to invest uninvested cash and cash collateral in affiliated registered and unregistered money market funds, and (b) the registered investment companies and certain affiliated entities to continue to engage in purchase and sale transactions involving portfolio securities in reliance on rule 17a-7 under the Act. The order would supersede a prior order.¹ The order also would amend a prior order.²

FILING DATES: The application was filed on October 26, 2001 and amended on October 18, 2002, and June 10, 2003.

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 July 7, 2003, 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, c/o David P. Goss, Esq., Franklin Templeton Investments, One Franklin Parkway, San Mateo, CA 94403-1906.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942-0574 or Todd Kuehl, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the

application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. The Franklin Templeton Funds are organized as Maryland Corporations, California Corporations, Massachusetts business trusts, or Delaware statutory trusts. The Franklin Templeton Funds are registered under the Act as open-end or closed-end management investment companies. The Advisers are each registered under the Investment Advisers Act of 1940 ("Advisers Act") together with any entity controlling, controlled by and under common control with Advisers that acts in the future as investment adviser for the Franklin Templeton Funds, an Unregistered Fund, as defined below, Managed Account, as defined below, included in the term Advisers.³

2. Certain of the Franklin Templeton Funds or series thereof are money market funds subject to the requirements of rule 2a-7 under the Act ("Registered Money Market Funds"). The Franklin Templeton Funds or series thereof that are not money market funds are the "Registered Funds." Certain of the Unregistered Funds that rely on section 3(c)(1) or 3(c)(7) of the Act also operate as cash management vehicles ("Unregistered Money Market Funds,"⁴ together with the Registered Money Market Funds, the "Money Market Funds"). The Unregistered Money Market Funds will comply with rule 2a-7 under the Act.

3. The Registered Funds, Unregistered Funds and Managed Accounts ("Participating Funds") have, or may be expected to have, cash that has not been invested in portfolio securities ("Uninvested Cash").⁵ Uninvested Cash may result from a variety of sources, including dividends or interest received

on portfolio securities, unsettled securities transactions, reserves held for strategic purposes, scheduled maturity of investments, liquidation of investment securities to meet anticipated redemptions and dividend payments, and new monies received from investors. Certain of the Registered Participating Funds have the ability to increase their income by participating in a securities lending program ("Securities Lending Program") under which they may lend portfolio securities to registered broker-dealers or other institutional investors deemed by the respective Adviser to be of good standing. The loans are continuously secured by collateral which may include cash ("Cash Collateral," together with Uninvested Cash, "Cash Balances") equal at all times in value to at least the market value of the securities loaned.

4. Applicants request an order of the Commission to permit: (i) The Participating Funds to use their Cash Balances to purchase shares of one or more of the Money Market Funds; (ii) the Money Market Funds to sell their shares to, and purchase (redeem) such shares from, the Participating Funds; and (iii) the Advisers to effect the above transactions (the "Proposed Transactions"). The requested order also would permit the Participating Funds and the Money Market Funds to continue to engage in interfund purchase and sale transactions ("Interfund Transactions").

Applicants' Legal Analysis

I. Investment of Cash Balances by the Participating Funds in the Money Market Funds

A. Section 12(d)(1)

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company, and no investment company may inquire securities of a registered investment company, if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other acquired investment companies, represent more than 10% of the acquiring company's assets. Section 12(d)(1)(B) of the Act provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be

¹ *Franklin Gold Fund, et. al*, Investment Company Act Release Nos. 23633 (Jan. 5, 1999)(Notice) and 23675 (Feb. 2, 1999)(Order).

² *Franklin Templeton Fund Manager, et. al*, Investment Company Act Release Nos. 21964 (May 20, 1996)(Notice) and 22022 (June 17, 1996)(Order) (the "Fund of Funds Order").

³ All existing Advisers and Franklin Templeton Funds that currently intend to rely on the requested order are named as applicants. Any other entity will not rely on the relief requested except in accordance with the terms and conditions in the application.

⁴ In addition to cash management vehicles that are excluded from the definition of an investment company pursuant to section 3(c)(1) or section 3(c)(7) of the 1940 Act, Unregistered Money Market Funds may include one or more entities that are organized offshore and offer their shares privately to U.S. investors ("Offshore Money Market Funds," included in the term "Unregistered Money Market Funds"). Any Offshore Money Market Fund will have as its investment adviser or trustee one of the Advisers.

⁵ The Participating Funds that are Registered Funds are the "Registered Participating Funds." The Participating Funds that are Unregistered Funds and Management Accounts are the "Unregistered Participating Funds."