

notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, 1400 Liberty Ridge Drive, Wayne, PA 19087-5593.

FOR FURTHER INFORMATION CONTACT:

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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. The Trusts are registered under the Act as open-end management investment companies and are organized as Delaware business trusts. The Trusts are comprised of multiple series (the "Funds"); each series has separate investment objectives, policies and assets.¹ PBA is registered under the Investment Advisers Act of 1940. Each Fund has entered into an investment advisory agreement with PBA.

2. Some Funds may lend money to banks or other entities by entering into repurchase agreements or purchasing other short-term investments. Other Funds may borrow money from the same or other banks for temporary purposes to satisfy redemption requests or to cover unanticipated cash shortfalls such as a trade "fail" in which cash payment for a security sold by a Fund has been delayed. Currently, the Funds have a credit arrangement with their custodian banks (*i.e.*, overdraft protection) under which the custodian may, but is not obligated to lend money to the Funds to meet the Funds' temporary cash needs. The Funds also have also entered into committed lines of credit with various banks.

3. If the Funds were to borrow money from any bank under their line of credit or under other credit arrangements, the Funds would pay interest on the borrowed cash at a rate which would be higher than the rate that would be

earned by other non-borrowing Funds on investments in repurchase agreements and other short-term instruments of the same maturity as the bank loan. Applicants believe this differential represents the bank's profit. Other bank loan arrangements, such as committed lines of credit, require the Funds to pay commitment fees in addition to the interest rate to be paid by the borrowing Fund.

4. Applicants request an order that would permit the Funds to enter into interfund lending agreements ("Interfund Lending Agreements") under which the Funds would lend and borrow money for temporary purposes directly to and from each other through a credit facility ("Interfund Loan"). Applicants believe that the proposed credit facility would reduce the Funds' borrowing costs and enhance their ability to earn higher interest rates on short-term investments. Although the proposed credit facility would reduce the Funds' need to borrow from banks, the Funds would be free to continue committed lines of credit or other borrowing arrangements with banks.

5. Applicants anticipate that the credit facility would provide a borrowing Fund with significant savings when the cash position of the Fund is insufficient to meet temporary cash requirements. This situation could arise when redemptions exceed expected volumes and certain Funds have insufficient cash to satisfy such redemptions. When a Fund liquidates portfolio securities to meet redemption requests, it often does not receive payment in settlement for up to three days (or longer for certain foreign transactions). The credit facility would provide a source of immediate, short-term liquidity pending settlement of the sale of portfolio securities.

6. Applicants also propose using the credit facility when a sale of securities fails due to circumstances such as a delay in the delivery of cash to a Fund's custodian or improper delivery instructions by the broker effecting the transaction. Sales fails may present a cash shortfall if a Fund has purchased securities using the proceeds from the securities sold. When a Fund experiences a cash shortfall due to a sales fail, the custodian typically extends temporary credit to cover the shortfall and the Fund incurs overdraft charges. Under such circumstances, the Fund could fail on its intended purchase due to lack of funds from the previous sale, resulting in additional cost to the Fund, or sell a security on a same day settlement basis, earning a lower return on the investment. Use of the credit facility under these

circumstances would enable the Fund to have access to immediate short-term liquidity without incurring custodian overdraft or other charges.

7. While bank borrowings could generally supply needed cash to cover unanticipated redemptions and sales fails, under the proposed credit facility a borrowing Fund would pay lower interest rates than those offered by banks on short-term loans. In addition, Funds making short-term cash loans directly to other Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in repurchase agreements. Thus, applicants believe that the proposed credit facility would benefit both borrowing and lending Funds.

8. The interest rate charged to a Fund on any Interfund Loan ("Interfund Loan Rate") would be the average of the "Repo Rate" and the "Bank Loan Rate," both as defined below. The Repo Rate for any day would be the highest rate available to the Funds from investing in overnight repurchase agreements. The Bank Loan Rate for any day would be calculated by the Credit Facility Committee (as defined below) each day an interfund loan is made according to a formula established by a Fund's board of trustees ("Board") designed to approximate the lowest interest rate at which bank short-term loans would be available to the Funds. The formula would be based upon a publicly available rate (*e.g.*, Federal Funds plus 25 basis points) and would vary with this rate so as to reflect changing bank loan rates. The Board of each Fund would periodically review the continuing appropriateness of using the publicly available rate, as well as the relationship between the Bank Loan Rate and current bank loan rates that would be available to the Funds. The initial formula and any subsequent modifications to the formula would be subject to the approval of the Board.

9. The credit facility would be administered by PBA's fund accounting and legal departments (collectively, the "Credit Facility Committee"). Under the proposed credit facility, the portfolio managers for each participating Fund could provide standing instructions to participate daily as a borrower or lender. The Credit Facility Committee on each business day would collect data on the uninvested cash and borrowing requirements of all participating Funds from the Funds' custodians. Once it determined the aggregate amount of cash available for loans and borrowing demand, the Credit Facility Committee would allocate loans among borrowing Funds without any further communication from portfolio

¹ Applicants request that the relief apply to any future series of the Trusts and to any other registered open-end management investment company and series thereof that are advised by PBA or a person controlling, controlled by, or under common control with PBA (included in the term "Funds"). All existing Funds that currently intend to rely on the requested order have been named as applicants. Any Fund that relies on the order in the future will comply with the terms and conditions of the application.