

MEMO# 8623

February 6, 1997

NOTICE OF MEETING - MARCH 12, 1997; ANNOUNCEMENT OF NEW COMMITTEE MEMBERS

February 6, 1997 TO: ACCOUNTING POLICY SUBCOMMITTEE No. 1-97 RE: NOTICE OF MEETING - MARCH 12, 1997; ANNOUNCEMENT OF NEW COMMITTEE MEMBERS

_____ Please join me in welcoming new Accounting Policy Subcommittee ("APS") members Ed Bedard of NationsBanc Advisors, Bob Bishop of Oppenheimer Management, Bruce Smith of Van Eck Associates. In addition, I am pleased to announce that Rich Thomas of Federated Investors has agreed to act as the APS chairman for the next two years. To new committee members, thank you for your commitment to sit on the Subcommittee and participate in the drafting of accounting guidance. Committee Meeting There will be a meeting of the APS on Wednesday, March 12, 1997. The meeting will begin at 3:00 p.m. and will continue until approximately 6:00 p.m. The meeting will be held at the Institute which is located at 1401 H Street, N.W. in Washington. The meeting will take place in the twelfth floor Operations conference room. APS members whose terms expired in 1996 are also invited to attend the March 12 meeting. The Institute will arrange a dinner for APS members subsequent to the completion of the committee meeting. Please complete and return the attached meeting response form (even if you do not plan to attend) by February 28 to Agnes Thomas either by fax (202/326-5853) or return mail to: Agnes Thomas Investment Company Institute 1401 H Street, NW Washington, DC 20005-2148 Also, there will be a joint meeting of the Accounting/Treasurers Committee and the Independent Accountants Advisory Group on Thursday, March 13 from 10:00 a.m. to approximately 2:00 p.m. The Accounting/Treasurers Committee meeting will be held at the Institute. A separate meeting notice for the Accounting/Treasurers Committee meeting will be sent to members of that committee. For your convenience, we have reserved a block of rooms at the Marriott Metro Center for the night of Wednesday, March 12 at the rate of \$150. The Marriott Metro Center is located at 775 12th Street, N.W. To make a reservation, please call the hotel at 202/737-2200 by February 20 and ask for a room in the In-House Reservations/Investment Company Institute block of rooms. Current Projects Restricted Securities - The restricted securities disclosure examples paper has been completed and distributed to the Institutes membership. If you have not yet received a copy of Accounting/Treasurers Members No. 2-97 (January 9, 1997) please let me know. Investments in Affiliates - Enclosed you will find an updated version of the investments in affiliates paper that was presented at the November 20 meeting. Changes to the paper resulting from comments received at the November 20 meeting are marked. An outstanding issue from the last meeting was whether the 5% affiliates test should be applied at the complex level or at the fund level. Similarly, in the case of series company that contains several portfolios, should the 5% affiliates test be applied at the

investment company/registrant level or at the individual series/portfolio level. After further research we have concluded that affiliates should be determined at the fund level (not complex level), and at the individual series level (not investment company level for series companies). Additional language has been added clarifying the application of the 5% affiliates test. Please review the investments in affiliates paper and provide any comments you may have to Neal Fuller or the undersigned by February 21. If no substantive comments are received, the paper will be finalized and distributed at that time. 19

Distribution Notice Survey - A draft memo intended to accompany the chart summarizing the survey results was distributed at the November 20 meeting. Several APS members have promised to provide me with their comments on draft memo. I hope to circulate a revised draft, reflecting all comments received, within the next several weeks so that we can finalize this project at the March 12 meeting. Expense Gross-up - Rule 6-07 of Reg S-X - Joe Grainger reviewed a draft version of the expense gross-up paper at the last meeting. If you have not already done so, please provide your comments on the paper to Joe so that we can review an updated version of the paper at the forthcoming meeting. 1997 Meeting Dates As you know, APS meetings are typically scheduled the afternoon preceding Accounting/Treasurers Committee meetings. APS meetings will typically be scheduled to run from 3:00 p.m. to 6:00 p.m. For your information, 1997 meetings of the APS and the Accounting/Treasurers Committee will be held March 12/13, June 25/26, and November 12/13. An agenda for the March 12 meeting will follow. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting cc: Teresa Westbrook, MLAM Kathy Hyatt, Vanguard Charles Hurty, KPMG Peat Marwick ACCOUNTING POLICY SUBCOMMITTEE Wednesday, March 12, 1997 Investment Company Institute 1401 H Street, N.W. Washington, D.C. Meeting Response Form NAME:

_____ FIRM:
_____ Please indicate below whether you
will attend the APS meeting on March 12 _____ YES, I will attend the meeting
_____ NO, I will not attend the meeting Please send this completed form (even if you
do not plan to attend) no later than February 28, 1997 either by fax (202/326-5853) or
return mail to: Agnes Thomas Investment Company Institute 1401 H Street, NW
Washington, D.C. 20005-2148 NOTE: To make a room reservation, please call the Marriott
Metro Center at 202/737-2200 by February 20 and request a room in the In House
Reservations/Investment Company Institute block of rooms.

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