



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
INVESTMENT MANAGEMENT

June 23, 1995

Mr. David B. Mathis  
Chairman of the Board and  
Chief Executive Officer  
Kemper Corporation  
One Kemper Drive  
Long Grove, IL 60049

Act	ICA-40
Section	17(a)
File	
Public	
Availability	6/23/95

Re: Kemper Money Market Funds

Dear Mr. Mathis:

Your letter of June 21, 1995 requests our assurance that we would not recommend that the Commission take any enforcement action under sections 17(a), 17(d) and 12(d)(3) of the Investment Company Act of 1940 ("1940 Act") and the rules thereunder if five open-end investment companies advised by Kemper Financial Services, Inc. ("Funds"),<sup>1</sup> Kemper Asset Holdings, Inc. ("KAHI") and Kemper Corporation effect the transaction summarized below and more fully described in the letter.

Each Fund is a money market fund that seeks to maintain a stable net asset value per share of \$1.00, and uses the amortized cost method of valuation in valuing its portfolio securities as permitted by rule 2a-7 under the 1940 Act. The Funds hold taxable notes issued by Orange County, California in the aggregate principal amount of \$198 million that mature on July 10, 1995 ("Securities"). The Securities pay interest at a rate equal to one-month LIBOR, and the maximum interest rate is "capped" at 12%. As a result of the Orange County bankruptcy filing on December 6, 1994, the Funds were unable to obtain reliable market quotes for these Securities and each Fund determined the fair value of the Securities to be less than their amortized cost values.

On December 15, 1994, the Funds, Kemper Corporation and KAHI entered into a put and call agreement ("Put Agreement") in order to avoid potential loss by shareholders of the Funds. In general terms, each Fund continued to hold the Securities and carried them in an amount that reflected their par values based on the Put Agreement. The Put Agreement was entered into after the staff of the Division of Investment Management informed the Funds that it would not recommend to the Commission enforcement action against the Funds, Kemper Corporation or KAHI if the Put Agreement was effected.

On January 26, 1995, the Put Agreement was replaced with a letter of credit arrangement ("Restated Transfer Agreement"). Under the Restated Transfer Agreement, the

---

<sup>1</sup>The Funds are Kemper Money Market Fund, Cash Equivalent Fund, Kemper Portfolios, Cash Account Trust and Kemper Investors Fund.

Bank of New York ("BONY")<sup>2</sup>, upon application of Kemper Corporation and KAHl, issued a letter of credit ("LOC") in the amount of \$205 million (\$198 million attributable to the principal value of the Securities and \$7 million attributable to interest) to guarantee the payment of principal and interest when due on the Securities. In the event that the amount of the LOC was insufficient to cover full payment of interest on the Securities, KAHl agreed to pay any such shortfall. KAHl and Kemper Corporation<sup>3</sup> also guaranteed any interest (accrued or payable) on the Securities that exceeded the \$7 million amount provided for under the Restated Transfer Agreement. The Restated Transfer Agreement by its terms expires on July 10, 1995 (the maturity date of the Securities). The staff provided "no-action" assurances to the Funds with respect to the Restated Transfer Agreement on January 25 and February 24, 1995.

Kemper Corporation, KAHl and the Funds seek to modify the terms of the Restated Transfer Agreement as described in your letter of June 21 in light of developments in the Orange County bankruptcy. The Funds have been informed that Orange County, in all likelihood, will not make the scheduled principal payment due on the Securities on July 10, 1995. Rather, Orange County is contemplating an amendment, substitution or extension of the Securities ("Amendment") that would, among other things, extend the maturity date of the Securities to June 30, 1996 and contain certain other terms to be negotiated ("Amended Securities"). The interest rate on the Amended Securities would be equal to one-month LIBOR, plus 0.95% subject to a 12% "cap." A portion of the interest on the Amended Securities would be payable monthly, and a portion of the interest would be accrued and paid to the Funds at a later date.

As a result of these developments, you state that the Funds, Kemper Corporation and KAHl have proposed to amend the Restated Transfer Agreement as summarized below and more fully described in your letter of June 21 ("Amended Restated Transfer Agreement"). The Amended Restated Transfer Agreement would, by its terms, expire on the final maturity date of the Amended Securities. Under the Amended Restated Transfer Agreement, the LOC issued by BONY ("Amended LOC") would provide for the payment to the Funds of \$212 million (\$198 million attributable to the principal value of the Amended Securities, and \$14 million attributable to interest). In addition, the Funds would have the unconditional right to draw on the Amended LOC if scheduled interest and principal were not paid when due under any circumstances, including a repudiation by Orange County of its obligations under the Amended Securities. As under the LOC, KAHl would agree to reimburse BONY for any payments made to the Funds under the Amended LOC, and KAHl's reimbursement obligation under the Amended LOC would be guaranteed by Kemper Corporation. Under the Amended Restated Transfer Agreement, the Funds will receive the higher of (i) interest accrued at an annualized rate, reset monthly, of LIBOR plus 0.50% with no "cap" or (ii) interest accrued at the rate provided under the Amended Securities (interest accrued at an annualized rate, reset monthly, of LIBOR plus 0.95% subject to a 12% "cap").

---

<sup>2</sup> BONY currently has ratings on its short-term debt obligations of A-1 from Standard & Poor's Corporation, Prime-1 from Moody's Investors Services, Inc., and Duff-1 from Duff & Phelps, Inc.

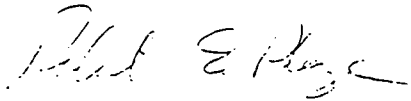
<sup>3</sup> Kemper Corporation currently has a rating on its short-term debt obligations of Duff-1 from Duff & Phelps, Inc.

Mr. David B. Mathis  
Page 3

You represent that the boards of trustees of the Funds, including a majority of the trustees who are not "interested persons" of the Funds as defined under section 2(a)(19) of the 1940 Act, have determined that it is in the best interests of the Funds and their shareholders not to draw under the current LOC, but, rather, to accept the Amended Restated Transfer Agreement and the Amended LOC. This determination was based, in part, on an evaluation of the credit quality of BONY, and the interest rate provided by the Amended Restated Transfer Agreement. You also represent that the boards of Trustees of the Funds have determined that the Amended Securities, together with the Amended Restated Transfer Agreement and the Amended LOC, are "Eligible Securities" as defined in paragraph (a)(5) of rule 2a-7 under the 1940 Act, and present minimal credit risks as required by paragraph (c)(3) of that rule. Finally, you have concluded that the amount of the Amended LOC attributable to interest can reasonably be expected to cover any interest due on the maturity of the Amended Securities.

On the basis of the facts and representations in your letter, we will not recommend enforcement action under sections 17(a), 17(d) and 12(d)(3) of the 1940 Act and the rules thereunder. You should note that any different facts or representations might require a different conclusion. Moreover, this response expresses the Division's position on enforcement action only and does not express any legal conclusions on the issues presented.

Sincerely,



Robert E. Plaze  
Assistant Director



## Kemper Corporation

Long Grove, IL 60049-0001 • 708/320-2000

June 21, 1995

### VIA FACSIMILE

Mr. Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Request for No-Action Assurance under Section 17(a) of the  
Investment Company Act of 1940

Dear Mr. Plaze:

Kemper Corporation indirectly owns Kemper Financial Services, Inc. ("KFS"), the investment manager of the money market funds ("Funds") described on the attached Exhibit A. Kemper Asset Holdings, Inc. ("KAHI") is a wholly-owned subsidiary of Kemper Corporation. Each of Kemper Corporation and KAHI is an affiliated person of an affiliated person of each Fund.

By letter dated February 24, 1995 ("February 24 Request"), a copy of which is attached, Kemper Corporation sought assurance from the staff of the Division of Investment Management ("Division") that it would not recommend enforcement action to the Commission under Section 17(a) and certain other sections of the Investment Company Act of 1940 ("1940 Act"), or the rules thereunder, if each Fund and KAHI entered into a Restated Note Proceeds Transfer Agreement with certain of KAHI's obligations thereunder guaranteed by Kemper Corporation ("Restated Transfer Agreement"). The Restated Transfer Agreement relates to certain securities ("Securities") issued by Orange County, California that are owned by the Funds in the aggregate principal amount of \$198 million and certain letters of credit ("LOC") issued to the Funds by The Bank of New York upon application of KAHI and Kemper Corporation in the aggregate amount of \$205 million (\$198 million ascribable to principal and \$7 million ascribable to

Mr. Robert E. Plaze  
Re: No-Action Assurance  
June 21, 1995  
Page 2

interest) to guarantee the payment of principal and interest when due on the Securities. In the event that the amount of the LOC is insufficient to cover full payment of interest on the Securities, KAHI will pay the amount of any shortfall. Kemper Corporation has guaranteed the obligation of KAHI to pay any such shortfall. For short-term debt obligations, The Bank of New York currently has ratings of A-1 from Standard & Poor's Corporation, Prime-1 from Moody's Investors Services, Inc., Duff-1 from Duff & Phelps, Inc. and F-1+ from Fitch Investors Service, Inc., and Kemper Corporation currently has a rating of Duff-1 from Duff & Phelps, Inc.

The Securities, the Restated Transfer Agreement and the LOC are described in the February 24 Request. The February 24 Request was the third of a series of requests by Kemper Corporation related to the Securities, all of which were granted by the Division staff. The first two requests were made by letters dated December 15, 1994 and January 25, 1995.

Currently, under the Securities and the LOC, principal is due on July 10, 1995 and interest is payable monthly at an annual rate equal to LIBOR with a monthly reset and a maximum interest rate level or "cap" of 12%. Although, to date, all interest due on the Securities has been paid, the Funds have been informed that Orange County will not, in all likelihood, make the scheduled principal payment due on July 10, 1995. Rather, the Funds have been informed that Orange County is contemplating an amendment, substitution or extension of the Securities (the "Amendment") that would extend the maturity date to June 30, 1996 and contain certain other terms to be negotiated (including a new interest rate, some portion of which, rather than being due and payable monthly, may accrue until the new maturity date). KFS believes that it is likely that the terms of the Securities, as amended by the Amendment (the "Amended Securities"), will be such that it will be in the best interest of the Funds not to exercise their right to draw under the LOC. KAHI is willing to contract with the Funds so that, by virtue of either the Amended Securities or KAHI's agreement, the Funds will receive the higher of (i) interest accrued at an annualized rate, reset monthly, of LIBOR plus 50 basis points (0.5%), with no "cap" or (ii) interest accrued at the rate provided under the Amended Securities (which, as currently proposed by Orange County, is to be at an annualized rate, reset monthly, of LIBOR plus 95 basis points (0.95%), with a "cap" of 12%).

It is proposed that the Restated Transfer Agreement be amended ("Amended Restated Transfer Agreement") to reflect this KAHI commitment (which would be guaranteed by Kemper Corporation), and that the LOC be amended to extend to the new maturity date of the Amended Securities and to increase in amount to \$212 million (\$198 million ascribable to principal and \$14 million ascribable to interest) from \$205 million ("Amended LOC"). Under the Amended

Mr. Robert E. Plaze  
Re: No-Action Assurance

June 21, 1995  
Page 3

LOC, the Funds would have the right to draw if scheduled interest or principal were not paid when due, which right would not be affected if Orange County repudiated its obligations under the Amended Securities. Under the Amended Restated Transfer Agreement, KAHF would be permitted to make required payments, if necessary, to avoid a draw under the Amended LOC.

KFS believes that the amount of the Amended LOC is sufficient to cover all amounts of principal and interest expected to be due through the maturity date (assuming the interest formula indicated above and KFS's current outlook for interest rates). In the event that the amount of the Amended LOC is insufficient to cover full payment of interest when due, KAHF will pay the amount of any shortfall. Kemper Corporation will guarantee the obligation of KAHF to pay any such shortfall. Except as noted above, the principal terms of the Amended Restated Transfer Agreement and the Amended LOC would be the same as the Restated Transfer Agreement and the LOC as now in effect.

The Amended Restated Transfer Agreement and the Amended LOC have been approved by the Board of Trustees of each Fund, including a majority of the Trustees who are not "interested persons" of the Funds as defined under Section 2(a)(19) of the 1940 Act. In addition, the Board of Trustees of each Fund has directed that the Fund from time to time exercise its rights under the Amended LOC and the Amended Restated Transfer Agreement upon the occurrence of an event or events entitling it to payment thereunder and, in connection therewith, perform its obligations under the Amended Restated Transfer Agreement. In connection with its approval, the Board of Trustees of each Fund, upon the representations and recommendations of KFS, determined that, if this were a new investment decision, the Amended Securities, the Amended Restated Transfer Agreement and the Amended LOC, combined, would result in an investment by the Fund in an "Eligible Security" (as defined under Rule 2a-7) presenting minimal credit risk and satisfying the diversification requirements of Rule 2a-7; and determined that it was in the best interest of the Fund and its shareholders to not draw under the current LOC, but, rather, to accept the Amended Restated Transfer Agreement and Amended LOC.

As indicated above, KAHF (with a Kemper Corporation guarantee) is obligated to pay the amount of any shortfall in the amount of the Amended LOC covering interest payments. In view of the terms of the Amended LOC, including the amount of the Amended LOC ascribable to interest, reliance upon the creditworthiness of Kemper Corporation is an insignificant aspect of this transaction.

Mr. Robert E. Plaze  
Re: No-Action Assurance

June 21, 1995

Page 4

The maturity of the investment described above should be treated under Rule 2a-7 as the period remaining until the next interest readjustment. The investment should qualify as a "Variable Rate Instrument" as defined under Rule 2a-7 in that it has an absolute maturity of less than 397 days and, at each interest readjustment, it can reasonably be expected to have a market value that approximates par plus accrued interest.

Each Fund, Kemper Corporation and KAHF, believe it would be in the best interest of the Funds' shareholders if the Amended Restated Transfer Agreement is entered into and the Amended LOC are issued. Kemper Corporation hereby requests that the Division staff, as it did in connection with the February 24 Request, give its assurance that it will not recommend that the Commission take enforcement action against Kemper Corporation, KAHF or the Funds under Section 17(a) if Kemper Corporation, KAHF and each Fund enter into the Amended Restated Transfer Agreement and engage in the transactions contemplated thereby. To the extent that the foregoing arrangement may raise issues under Section 12(d)(3) or Section 17(d) of the 1940 Act, we also request assurance that the Division staff will not recommend that the Commission take enforcement action against Kemper Corporation, KAHF or the Funds under Section 12(d)(3) or Section 17(d).

If you have any questions concerning this matter, please call Arthur J. McGivern at (708) 320-4482 or Philip J. Collora at (312) 499-1370.

Sincerely,

By: David B. Mathis  
Title: Chairman of the Board and  
Chief Executive Officer

FEBRUARY 24 REQUEST

**Kemper Corporation**

Long Grove, IL 60049-0001 • 708/320-2000

February 24, 1995

VIA FACSIMILE

Mr. Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Request for No-Action Assurance under Section 17(a) of the  
Investment Company Act of 1940

Dear Mr. Plaze:

Kemper Corporation indirectly owns Kemper Financial Services, Inc. ("KFS"), the investment manager of the money market funds (the "Funds") described on Exhibit A to a letter by Kemper Corporation dated January 25, 1995 hereinafter described, a copy of which is attached hereto. Kemper Asset Holdings, Inc. ("KAHI") is a wholly-owned subsidiary of Kemper Corporation. Each of Kemper Corporation and KAHI is an affiliated person of an affiliated person of each Fund.

By the letter dated January 25, 1995 referred to above (the "January 25 Request"), Kemper Corporation sought assurance from the staff of the Division of Investment Management ("Division") that it would not recommend enforcement action to the Commission under Section 17(a) and certain other sections of the Investment Company Act of 1940 ("1940 Act"), or the rules thereunder, if each Fund and KAHI entered into a Note Transfer Agreement with certain of KAHI's obligations thereunder guaranteed by Kemper Corporation ("Transfer Agreement"). The Transfer Agreement relates to certain securities issued by Orange County, California (the "Securities") owned by the Funds as described in the January 25 Request. The principal terms of the Transfer Agreement are described in the January 25 Request.

The relief requested in the January 25 Request was granted by the Division staff on January 25, 1995. On January 26, 1995, the Transfer Agreement was executed and delivered by the parties and the letters of credit (collectively, "LOC") described in the January 25 Request were issued to the Funds by The Bank of New York.

It is now proposed that each Fund and KAHI enter into a Restated Note Proceeds Transfer Agreement ("Restated Transfer Agreement") that is intended to clarify certain aspects of the Transfer Agreement and supersede and replace it.



The Restated Transfer Agreement differs from the Transfer Agreement principally in the following respects. The Transfer Agreement provides that, in connection with any payment to the Funds of principal or interest on the Securities made pursuant to the LOC (an "LOC Draw") or made by KAHI under the Transfer Agreement, each Fund would assign to KAHI (or to The Bank of New York as a secured party) such Fund's rights under the Securities with respect to the interest and principal so paid. The litigation rights ("Rights") associated with the Securities would be transferred by the Funds to KAHI (or to The Bank of New York as a secured party) pro rata in connection with any such transfer of the Securities to KAHI (or to The Bank of New York as a secured party). The Restated Transfer Agreement provides that, in connection with any LOC Draw, rather than transfer the Securities and Rights to KAHI, the Funds would continue to hold the Securities and Rights and would transfer any proceeds ("Proceeds") of the same to KAHI (e.g., cash, collections or payments received on account of the Securities and Rights other than any funds obtained pursuant to an LOC Draw). In addition, under certain circumstances, The Bank of New York can exercise KAHI's rights to call the Securities from the Funds.


Like the Transfer Agreement, the Restated Transfer Agreement has been approved by the Board of Trustees of each Fund, including a majority of the Trustees who are not "interested persons" of the Funds as defined under Section 2(a)(19) of the 1940 Act. In addition, as it did in connection with the Transfer Agreement, the Board of Trustees of each Fund has directed that the Fund from time to time exercise its rights under the LOC and the Restated Transfer Agreement upon the occurrence of an event or events entitling it to payment thereunder and, in connection therewith, perform its obligations under the Restated Transfer Agreement to transfer to KAHI some or all of the Proceeds from the Securities and Rights, or the Securities and Rights themselves, as the case may be, owned by the Fund.

Kemper Corporation hereby requests that the Division staff, as it had in connection with the January 25 Request, give its assurance that it will not recommend that the Commission take enforcement action against Kemper Corporation, KAHI or the Funds under Section 17(a) if Kemper Corporation, KAHI and each Fund enter into the Restated Transfer Agreement and engage in the transactions contemplated thereby. To the extent that the foregoing arrangements may raise issues under Section 12(d)(3) or Section 17(d) of the 1940 Act, we also request assurances that the Division staff will not recommend that the Commission take enforcement action against Kemper Corporation, KAHI or the Funds under Section 12(d)(3) or Section 17(d).

If you have any questions or other communications concerning this matter, please call Arthur J. McGivern at (708) 320-4482 or Philip J. Collora at (312) 499-1370.

Sincerely,

KEMPER CORPORATION

By:   
Title: President

HF\U:\WP\02951502\022495



## Kemper Corporation

Long Grove, IL 60049-0001 • 708/320-2000

January 25, 1995

### VIA FACSIMILE

Mr. Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Request for No-Action Assurance under Section 17(a) of the  
Investment Company Act of 1940

Dear Mr. Plaze:

Kemper Corporation indirectly owns Kemper Financial Services, Inc. ("KFS"), the investment manager of the money market funds described on Exhibit A attached hereto (the "Funds"). Kemper Asset Holdings, Inc. ("KAHI") is a wholly-owned subsidiary of Kemper Corporation. Each of Kemper Corporation and KAHI is an affiliated person of an affiliated person of each Fund.

Each Fund is a series of an open-end management investment company registered with the Commission under the Investment Company Act of 1940 ("1940 Act"). As a money market fund, each Fund seeks to maintain a stable net asset value per share of \$1.00, and uses the amortized cost method of valuation in valuing its portfolio securities. Each Fund owns in its portfolio the following described debt securities (the "Securities"): County of Orange, California 1994-95 Taxable Notes, Cusip No. 684201EL6. The par value of the Securities owned by each Fund and the percent of net assets of such Fund represented by such Securities (valued at amortized cost) as of January 15, 1995 is described on Exhibit A. As a result of the Orange County bankruptcy filing on December 6, 1994, the Funds were unable to obtain reliable market quotes for these Securities and each Fund determined the fair value of the Securities to be less than their amortized cost value.

By letter dated December 15, 1994 (the "Prior Request"), Kemper Corporation sought assurance from the staff of the Division of Investment Management ("Division") that it would not recommend enforcement action to the Commission under Section 17(a) and certain other sections of the 1940 Act, or the rules thereunder, if each Fund, Kemper Corporation and KAHI entered into a Put and Call Agreement and Guaranty ("Agreement and Guaranty"). The Agreement and Guaranty set forth certain rights and obligations of the parties with respect to the Securities. The relief requested in the Prior Request was granted by the Division staff on December 15, 1994.

As indicated in the Prior Request, the Agreement and Guaranty is subject to replacement by a "First Tier" (as defined under Rule 2a-7) credit enhancement from a party not affiliated with KAH1 or Kemper Corporation ("Qualified Party") at any time prior to the date (the "Put Date") under the Agreement and Guaranty that the Funds have the right to require KAH1 to purchase the Securities, which Put Date is the earlier of March 15, 1995 or the date that Kemper Corporation fails to maintain a private short-term debt rating of "Duff 1" by Duff & Phelps Credit Rating Company. (Kemper Corporation currently maintains a Duff 1 rating.)

KAH1 and Kemper Corporation have arranged for the issuance to each Fund of one or more letters of credit (collectively, the "LOC") in the aggregate amount of \$205 million (\$198 million ascribable to principal and \$7 million ascribable to interest) from The Bank of New York, a Qualified Party, to guarantee the payments of principal and interest when due on the Securities up to the maximum amount of the LOC. Pursuant to a Letter of Credit Agreement among KAH1, The Bank of New York and other banks that are parties thereto, any payment to the Funds under the LOC must be reimbursed by KAH1, which reimbursement obligation is guaranteed by Kemper Corporation. As a condition precedent to the issuance of the LOC, KAH1 and the Funds will enter into a Note Transfer Agreement with certain of KAH1's obligations thereunder guaranteed by Kemper Corporation ("Transfer Agreement"). The Transfer Agreement sets forth certain rights and obligations of the parties. The principal terms of the Transfer Agreement are described below. Kemper Corporation now seeks with respect to the Transfer Agreement relief similar to that which it sought and obtained from the Division staff under the Prior Request.

The Transfer Agreement provides that, in connection with any payment to the Funds of principal or interest on the Securities made pursuant to the LOC or made by KAH1 under the Transfer Agreement, each Fund will assign to KAH1 (or to The Bank of New York as a secured party) such Fund's rights under the Securities with respect to the interest and principal so paid. In addition, KAH1 would have the right to require each Fund, at any time prior to the July 10, 1995 maturity date of the Securities, to sell some or all of the Securities to KAH1 at a price equal to the greater of par plus accrued interest or market. Under the Transfer Agreement, the Funds may sell the Securities to a third party at any time provided that an appropriate reduction in the LOC is made and, upon such sale, such Securities would no longer be subject to the Transfer Agreement. The litigation rights associated with the Securities would be transferred by the Funds to KAH1 (or to The Bank of New York as a secured party) pro rata in connection with any transfer of the Securities to KAH1 (or to The Bank of New York as a secured party). Since the Securities are variable rate instruments, the Transfer Agreement provides that, in the event that the amount of the LOC is insufficient to cover full payment of the interest on the Securities, KAH1 will pay the amount of any such shortfall. Kemper Corporation will guarantee the obligation of KAH1 to pay any such shortfall.

The Transfer Agreement has been approved by the Board of Trustees of each Fund, including a majority of the Trustees who are not "interested persons" of the Funds as defined under Section 2(a)(19) of the 1940 Act. In addition, the Board of Trustees of each Fund has directed that the Fund from time to time exercise its rights under the LOC and the Transfer Agreement upon the occurrence of an event or events entitling it to payment thereunder and, in connection therewith, perform its obligations under the Transfer Agreement to transfer to KAH1 some or all of the Securities or interests therein owned by the Fund.

As indicated in the Prior Request, each of Kemper Corporation and KAH I is an "affiliated person" of an "affiliated person" of the Funds under Section 2(a)(3) of the 1940 Act since, as described above, KFS is the investment manager of each Fund and Kemper Corporation directly or indirectly owns KFS and KAH I. The proposed transaction falls within: (i) Section 17(a)(1) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company or any affiliated person of such person acting as principal to knowingly sell any security or other property to the investment company and (ii) Section 17(a)(2) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company or any affiliated person of such person acting as principal to knowingly purchase any security or other property from the investment company.

Each Fund, Kemper Corporation and KAH I believe that it would be in the best interests of the Fund's shareholders if the Transfer Agreement is entered into and the LOC is issued. Kemper Corporation hereby requests that the Division staff give its assurance that it will not recommend that the Commission take enforcement action against Kemper Corporation, KAH I or the Funds under Section 17(a) if Kemper Corporation, KAH I and each Fund enter into the Transfer Agreement and engage in the transactions contemplated thereby. To the extent that the foregoing arrangements may raise issues under Section 12(d)(3) or Section 17(d) of the 1940 Act, we also request assurances that the Division staff will not recommend that the Commission take enforcement action against Kemper Corporation, KAH I or the Funds under Section 12(d)(3) or Section 17(d).

If you have any questions or other communications concerning this matter, please call Arthur J. McGivern at (708) 320-4482 or Philip J. Collora at (312) 499-1370.

Sincerely,

KEMPER CORPORATION

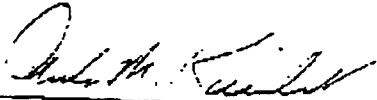
By:   
Title: Executive Vice President

EXHIBIT A

<u>Registrant</u>	<u>File Nos.</u>	<u>Series/Fund</u>	<u>Par Value of Securities</u>	<u>Percent of Fund as of 01/15/95</u>
Kemper Money Market Fund	811-2527 2-51992	Money Market Portfolio	\$100 million	2.5%
Cash Equivalent Fund	811-2899 2-63522	Money Market Portfolio	\$80 million	2.3%
Kemper Portfolios	811-3440 2-76806	Kemper Cash Reserves Fund	\$10 million	3.3%
Cash Account Trust	811-5970 33-32476	Money Market Portfolio	\$5 million	1.3%
Kemper Investors Fund	811-5002 33-11802	Money Market Portfolio	\$3 million	3.6%



**Kemper Financial Services, Inc.** 120 South LaSalle Street, Chicago, IL 60603 • 312 | 781-1121

December 15, 1994

VIA FACSIMILE

Mr. Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Request for No-Action Assurances

Dear Mr. Plaze:

Please find enclosed the definitive request from Kemper Corporation for "no-action" assurances that we discussed earlier today. This submission reflects the changes you requested earlier today. No other changes were made since the submission of our last draft. We understand from our earlier discussion that the relief requested has been granted by the staff.

We greatly appreciate the staff's prompt attention to this matter. Please contact us if you have any questions regarding the final submission.

Very truly yours,

Philip J. Collora  
Associate Counsel

PJC/mf  
Enclosure

cc: C. Custer/VPKK (w/enclosure)  
C. Kierscht (w/enclosure)  
A. McGivern (w/enclosure)



## Kemper Corporation

Long Grove, IL 60049-0001 • 708/320-2000

December 15, 1994

### VIA FACSIMILE

Mr. Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Request for No-Action Assurance under Section 17(a) of the  
Investment Company Act of 1940

Dear Mr. Plaze:

Kemper Corporation indirectly owns Kemper Financial Services, Inc. ("KFS"), the investment manager of the money market funds described on Exhibit A attached hereto (the "Funds"). Kemper Asset Holdings, Inc. ("KAHI") is a wholly-owned subsidiary of Kemper Corporation. Each of Kemper Corporation and KAHI is an affiliated person of an affiliated person of each Fund.

Each Fund is a series of an open-end management investment company registered with the Commission under the 1940 Act. As a money market fund, each Fund seeks to maintain a stable net asset value per share of \$1.00, and uses the amortized cost method of valuation in valuing its portfolio securities. Each Fund owns in its portfolio the following described debt securities (the "Securities"): County of Orange, California 1994-95 Taxable Notes, Cusip No. 684201EL6. The par value of the Securities owned by each Fund and the percent of net assets of such Fund represented by such Securities (valued at amortized cost) as of December 9, 1994 is described on Exhibit A. As a result of the recent Orange County bankruptcy filing, the Funds have been unable to obtain reliable market quotes for these Securities and each Fund has determined the fair value of the Securities to be less than their amortized cost value.

Kemper Corporation seeks assurance from the staff of the Division of Investment Management ("Division") that it will not recommend enforcement action to the Commission under Section 17(a) of the Investment Company Act of 1940 ("1940 Act"), or the rules thereunder, if each Fund, Kemper Corporation and KAHI enter into a Put and Call Agreement and Guaranty ("Agreement and Guaranty") in substantially the form attached hereto as Exhibit B. The Agreement and Guaranty sets forth certain rights and obligations of the parties with respect to the Securities.

The Agreement and Guaranty has been approved by the Board of Trustees of each Fund, including a majority of the Trustees who are not "interested persons" of the Funds as defined under Section 2(a)(19) of the 1940 Act. In addition, the Board of Trustees of each Fund has directed that the Fund exercise its rights under the Agreement and Guaranty to require that KAH I purchase the Securities on the Put Date as defined in the Agreement and Guaranty unless, prior to the Put Date, the Agreement and Guaranty has been replaced by a "First Tier" (as defined under Rule 2a-7) credit enhancement from a "Qualified Party" as defined in the Agreement and Guaranty. The Fund will take such actions as may be required to receive payments under any such credit enhancement.

Each of Kemper Corporation and KAH I is an "affiliated person" of an "affiliated person" of the Funds under Section 2(a)(3) of the 1940 Act since, as described above, KFS is the investment manager of each Fund and Kemper Corporation directly or indirectly owns KFS and KAH I. The proposed transaction falls within: (i) Section 17(a)(1) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company or any affiliated person of such person acting as principal to knowingly sell any security or other property to the investment company and (ii) Section 17(a)(2) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company or any affiliated person of such person acting as principal to knowingly purchase any security or other property from the investment company.

Each Fund, Kemper Corporation and KAH I believe that it would be in the best interests of the Fund's shareholders if Kemper Corporation, KAH I and the Fund enter into the Agreement and Guaranty and, if necessitated under the terms of the Agreement and Guaranty, KAH I (or Kemper Corporation pursuant to its guaranty) purchases some or all of the Securities from the Fund in accordance with the terms of the Agreement and Guaranty. Kemper Corporation hereby requests that the Division staff give its assurance that it will not recommend that the Commission take enforcement action against Kemper Corporation, KAH I or the Funds under Section 17(a) if Kemper Corporation, KAH I and each Fund enter into the Agreement and Guaranty and, if necessitated under the terms of the Agreement and Guaranty, KAH I (or Kemper Corporation pursuant to its guaranty) purchases some or all of the Securities from the Funds. To the extent that the foregoing arrangements may raise issues under Section 12(d)(3) or Section 17(d) of the 1940 Act, we also request assurances that the Division staff will not recommend that the Commission take enforcement action against Kemper Corporation, KAH I or the Funds under Section 12(d)(3) or Section 17(d).

If you have any questions or other communications concerning this matter, please call Arthur J. McGivern at (708) 320-4482 or Philip J. Collora at (312) 499-1370.

Sincerely,

KEMPER CORPORATION

By:   
Title: Executive Vice President



EXHIBIT A

<u>Registrant</u>	<u>File Nos.</u>	<u>Series/Fund</u>	<u>Par Value of Securities</u>	<u>Percent of Fund as of 12/9/94</u>
Kemper Money Market Fund	811-2527 2-51992	Money Market Portfolio	\$100 million	2.34%
Cash Equivalent Fund	811-2899 2-63522	Money Market Portfolio	\$80 million	2.27%
Kemper Portfolios	811-3440 2-76806	Kemper Cash Reserves Fund	\$10 million	2.10%
Cash Account Trust	811-5970 33-32476	Money Market Portfolio	\$5 million	1.31%
Kemper Investors Fund	811-5002 33-11802	Money Market Portfolio	\$3 million	2.83%

EXHIBIT B

## PUT AND CALL AGREEMENT

AGREEMENT made as of this 15th day of December, 1994 among KEMPER ASSET HOLDINGS, INC., a Delaware corporation ("KAHI") and wholly-owned subsidiary of KEMPER CORPORATION, a Delaware corporation ("Kemper"), KEMPER MONEY MARKET FUND ("KMMF"), CASH EQUIVALENT FUND ("CEF"), KEMPER PORTFOLIOS ("KP"), CASH ACCOUNT TRUST ("CAT") and KEMPER INVESTORS FUND ("KINF"), each a Massachusetts business trust (each of KMMF, CEF, KP, CAT and KIF a "Fund" and collectively the "Funds").

WHEREAS, the Funds currently hold in the portfolios indicated (each a "Portfolio") certain County of Orange, California 1994-95 Taxable Notes due 7/10/95 -- floating rate (the "Notes") in the principal amount indicated:

<u>Fund</u>	<u>Principal Amount of Notes</u>
KMMF -- Money Market Portfolio	\$100,000,000
CEF -- Money Market Portfolio	80,000,000
KP -- Kemper Cash Reserves Fund	10,000,000
CAT -- Money Market Portfolio	5,000,000
KINF -- Money Market Portfolio	<u>3,000,000</u>
Total	<u>\$ 198,000,000</u>

WHEREAS, the County of Orange, California, has filed a petition under Chapter 9 of the United States Bankruptcy Code (the "Code"); and

WHEREAS, Kemper, KAHI and each of the Funds desire that the Funds and their shareholders be protected with respect to all interest and principal called for by the terms of the Notes;

NOW, THEREFORE, intending to be legally bound hereby, the parties agree:

1. Each Fund, on the Put Date (as hereinafter defined) shall have the unconditional right to require KAHI to purchase at par, plus accrued interest compounded monthly (without considering any limitations which may be imposed on such accrual under the Code), all or part of the Notes then held by such Fund

in accordance with the terms of this Agreement. Such Fund(s) may exercise such right by giving written notice to KAH I and Kemper not later than 5:00 p.m. (Central time) on the business day prior to such Put Date; provided that prior to March 14, 1995 no Fund shall deliver any such notice unless Kemper shall fail to maintain a private short term debt rating of "Duff 1") by Duff & Phelps Credit Rating Co. ("Duff & Phelps"). Such Fund(s) shall tender and KAH I shall purchase and pay for the Notes being acquired by wire transfer of immediately available funds by 12:00 noon (Central time) on such Put Date. As used herein, the term "Put Date" shall mean (a) March 15, 1995 or (b) any earlier date on which Kemper shall fail to maintain a private short term debt rating of "Duff 1" by Duff & Phelps.

2. KAH I shall have the unconditional right to require each Fund to sell to KAH I, at the greater of (a) par plus accrued interest compounded monthly (without considering any limitations which may be imposed on such accrual under the Code) or (b) market, all or such part of the Notes held by such Fund as KAH I shall designate at any time and from time to time prior to March 15, 1995. KAH I may exercise its rights under this Paragraph by giving written notice to such Fund(s) not later than 5:00 p.m. (Central time) on the business day immediately preceding the date of purchase designated by KAH I. Such Fund(s) shall tender and KAH I shall purchase and pay for the Notes or such portion thereof as KAH I shall have elected to purchase by wire transfer of immediately available funds by 12:00 noon (Central time) on such date of purchase.

3. Each Fund may, at any time and from time to time prior to March 15, 1995, sell the Notes or any part thereof to any other person. Upon any such sale any rights and/or obligations of KAH I under Paragraphs 1 and 2 above with respect to the sold Notes shall be extinguished.

4. Each Fund hereby assigns to KAH I any and all actions, claims and other rights of every kind and nature (other than for principal and interest and such Fund's right under Paragraph 1 above) related in any way to any Notes, including without limitation such Fund's purchase of any Notes, that such Fund sells to KAH I pursuant to Paragraph 1 or 2 above, including without limitation any rights and other claims under federal or state securities laws, under the Code and under any other laws. KAH I hereby accepts such assignment.

5. All decisions by any Fund to exercise or not exercise its right under Paragraph 1 above, or to sell all or any part of the Notes to other persons under Paragraph 3 above, shall require the approval of a majority of the trustees of such Fund who are

not interested persons (as defined in the Investment Company Act of 1940) of the Fund.

6. This Agreement shall terminate at such time as all obligations of KAHF under Paragraph 1 above shall have been satisfied or shall have expired, or at such earlier time as KAHF shall have acquired all of the Notes in accordance with the terms hereof, provided that the assignment provided for in Paragraph 4 shall survive any such termination. This Agreement shall also terminate with respect to any Notes at such time as the Fund holding such Notes has been (a) paid any interest due (without considering any limitations on accrual which may be imposed under the Code), compounded monthly, and (b) provided an irrevocable letter of credit or similar instrument issued by a Qualified Party that unconditionally obligates such Qualified Party to pay such Fund the principal amount of and all accrued interest (without considering any limitations which may be imposed on such accrual under the Code) on such Notes when due thereafter under the terms thereof if not so paid by the issuer of such Notes. As used in the preceding sentence, the term "Qualified Party" means a party not affiliated with KAHF or Kemper but rated by the Requisite NRSROs in the highest category for Short-term obligations (as the terms "Requisite NRSROs" and "Short-term" are defined in Rule 2a-7 under the Investment Company Act of 1940).

7. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and shall not be assignable by either party. This Agreement may be amended only by a writing signed on behalf of all parties.

8. Except as otherwise provided herein, all notices or consents required or permitted by this Agreement shall be in writing and shall be deemed delivered if delivered in person or if sent by registered or certified mail, return receipt requested, by facsimile or similar transmission, or by overnight delivery, as follows, unless such address is changed by written notice hereunder:

(a) If to KAHF and/or Kemper:

Kemper Asset Holdings, Inc. and  
Kemper Corporation  
One Kemper Drive  
Long Grove, Illinois 60049  
Attn: Chief Financial Officer

with a copy to:

Kathleen A. Gallichio  
Senior Vice President, General Counsel  
and Corporate Secretary  
Kemper Corporation  
One Kemper Drive  
Long Grove, Illinois 60049

(b) If to a Fund:

[Name of Fund]  
c/o Kemper Financial Services, Inc.  
120 South LaSalle Street  
Chicago, Illinois 60603  
Attn: Chief Investment Officer

with a copy to:

Charles F. Custer  
Vedder, Price, Kaufman & Kammholz  
222 North LaSalle Street  
Chicago, Illinois 60601

9. This Agreement is executed by or on behalf of the Fund(s) and the obligations hereunder are not binding upon any of the Trustees, officers or holders of shares of any Fund individually but are binding only upon each Fund and its respective assets and property. All obligations of any Fund under this Agreement shall apply only to the Portfolio indicated above, and no assets of any other portfolio shall be liable for the obligations of such Portfolio.

10. Each Fund's Declaration of Trust as amended is on file with the Secretary of the Commonwealth of Massachusetts. This Agreement shall be construed in accordance with the laws of the State of Illinois (except as to Paragraphs 9 and 10 hereof which shall be construed in accordance with the laws of the Commonwealth of Massachusetts).

IN WITNESS WHEREOF, the parties have caused this instrument to be executed as of the day and year first above written.

ATTEST: KEMPER ASSET HOLDINGS, INC.

By: \_\_\_\_\_  
Its \_\_\_\_\_

ATTEST: KEMPER MONEY MARKET FUND  
CASH EQUIVALENT FUND  
KEMPER PORTFOLIOS  
CASH ACCOUNT TRUST  
KEMPER INVESTORS FUND

By: \_\_\_\_\_  
Its \_\_\_\_\_

GUARANTY

FOR VALUE RECEIVED, KEMPER CORPORATION, a Delaware corporation ("Kemper"), hereby unconditionally guarantees any and all obligations of KEMPER ASSET HOLDINGS, INC., a Delaware corporation (KAHI"), under the foregoing Put and Call Agreement of even date, including without limitation obligations of payment. Kemper hereby waives any defenses that KAH I may have, now or in the future, to any such obligations.

Dated as of December 15, 1994.

ATTEST: KEMPER CORPORATION

By: \_\_\_\_\_  
Its \_\_\_\_\_

W:1915AJM