

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No.27920; 812-12973]

Lehman Brothers Asset Management LLC, et al.; Notice of Application

August 1, 2007

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of application under sections 6(c) and 17(b) of the Investment Company Act of 1940 (the “Act”) for an exemption from section 17(a).

Applicants: Lehman Brothers Asset Management LLC (“LBAM”), Neuberger Berman Management Inc. (“NBMI”), any other existing or future investment adviser registered under the Investment Advisers Act of 1940 (the “Advisers Act”) which controls, is controlled by, or is under common control (as defined in section 2(a)(9) of the Act) with, LBH (as defined below) (individually, a “Future Adviser” and collectively, the “Future Advisers”),¹ Merrimac Master Portfolio (“Merrimac”), Institutional Liquidity Trust (the “Master Trust”), Lehman Brothers Institutional Liquidity Funds (“LB Institutional Liquidity Funds”), Lehman Brothers Institutional Liquidity Cash Management Funds (“LB Institutional Cash Management Funds”), Lehman Brothers Reserve Liquidity Funds (“LB Reserve Funds”), Neuberger Berman Institutional Liquidity Series (“NB Liquidity Funds”), Lehman Brothers Income Funds (“LB Income Funds”)², any existing or future registered money market funds that are advised or subadvised by

¹ LBAM, NBMI, and the Future Advisers are referred to individually in this notice as an “Adviser” and collectively as the “Advisers.” Any Adviser that currently intends to rely on the requested order is named as an applicant in the application. Any other Adviser that relies on the order in the future will comply with the terms and conditions of the application.

² LB Income Funds offers six series that operate as money market funds subject to rule 2a-7 under the Act: Neuberger Berman Cash Reserves, Neuberger Berman Government Money Fund, Lehman Brothers Municipal Money Fund, Lehman Brothers New York Municipal Money Fund, Lehman Brothers National Municipal Money Fund, and Lehman Brothers Tax-Free Money Fund (collectively, the “LB Income

an Adviser,³ Lehman Brothers Inc. (“LBI”), and Lehman Commercial Paper Inc. (“LCP”), (LBI and LCP collectively are referred to as the “Dealer” or “Lehman Brothers”).

Summary of Application: Applicants request an order to permit the Money Market Portfolios to engage in certain principal transactions with Lehman Brothers.

Filing Dates: The application was filed on May 12, 2003, and amended on January 2, 2004, and February 12, 2007. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

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 August 27, 2007, 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 may request notification of a hearing by writing to the Commission’s Secretary.

Money Market Series”). The Master Trust, LB Institutional Liquidity Funds, LB Institutional Cash Management Funds, LB Reserve Funds, NB Liquidity Funds, and the LB Income Money Market Series are collectively referred to as the “LB Money Market Funds.”

³ All such investment companies and series, including Merrimac and the LB Money Market Funds and their series, are referred to individually in this notice as a “Money Market Portfolio” and collectively as the “Money Market Portfolios.” The requested relief will not extend to any investment company advised or sub-advised by LBI (as defined below). Any Money Market Portfolios not existing as of the date of the application are referred to in this notice individually as a “Future Money Market Portfolio” and collectively as the “Future Money Market Portfolios.” Any Money Market Portfolio that currently intends to rely on the requested order is named as an applicant in the application. Any other Money Market Portfolio that relies on the order in the future will comply with the terms and conditions of the application.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants: LBAM, 190 South LaSalle Street, Chicago, IL 60603; NBMI, the Master Trust, LB Institutional Liquidity Funds, LB Institutional Cash Management Funds, LB Reserve Funds, NB Liquidity Funds, and LB Income Funds, 605 Third Avenue, New York, NY 10158-3698; Merrimac, 200 Clarendon Street, Boston, MA 02117; LBI and LCP, 399 Park Avenue, New York, NY 10022.

For Further Information Contact: Christine Y. Greenlees, Senior Counsel, at (202) 551-6879, or Mary Kay Frech, Branch Chief, at (202) 551-6821 (Office of Investment Company Regulation, Division of Investment Management).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch, 100 F Street, NE, Washington, DC 20549-0102 (tel. 202-551-8090).

Applicants' Representations:

1. Merrimac, a New York common law trust, is an open-end management investment company registered under the Act. The Master Trust, a Delaware statutory trust, is an open-end management investment company registered under the Act. LB Institutional Liquidity Funds, a Delaware statutory trust, is an open-end management investment company registered under the Act. LB Institutional Cash Management Funds and LB Reserve Funds are both Delaware statutory trusts that are open-end management investment companies registered under the Act. NB Liquidity Funds and LB Income Funds are both Delaware statutory trusts that are open-end management investment companies registered under the Act. Each Money Market Portfolio invests all of its assets in various types of taxable money market instruments and

repurchase agreements (collectively, “Money Market Instruments”) and is subject to rule 2a-7 under the Act.

2. LBAM is a Delaware corporation and wholly-owned subsidiary of Lehman Brothers Holdings Inc (“LBH”). NBMI is a New York corporation and a wholly-owned subsidiary of Neuberger Berman Inc. (“NBI”). LBAM and NBMI are each registered as an investment adviser under the Advisers Act. LB Money Market Funds have entered into investment advisory agreements with NBMI under which NBMI will provide investment advisory and management services. NBMI, in turn, has entered into sub-investment advisory agreements with LBAM under which LBAM will provide day to day investment management services to the LB Money Market Funds. LBAM has also entered into a sub-investment advisory agreement with Investors Bank and Trust Company (“IBT”) under which LBAM will provide investment advisory and management services to Merrimac. NBMI is the investment adviser and administrator to, and principal underwriter of, the LB Money Market Funds.

3. LBI is a wholly-owned subsidiary of LBH and is registered as a broker-dealer under the Securities Exchange Act of 1934 (the “1934 Act”). LBI, a primary dealer in U.S. Government securities, currently is one of the largest dealers in commercial paper, repurchase agreements and other Money Market Instruments in the United States. LCP is a Delaware corporation and wholly-owned subsidiary of LBI. LCP trades exempt securities, as defined in section 3(a)(12) of the 1934 Act, and other instruments, including Money Market Instruments, and is a certified dealer in the State of Utah.

4. Applicants state that the Dealer and each of the Advisers are functionally independent of each other and operate as completely separate entities. Specifically, the Dealer and the Advisers: are separately capitalized, maintain their own books and records and, except as

described in the application with respect to certain dual officers, have separate employees. Additionally, each of the Advisers and the Dealer operate on different sides of appropriate information barriers with respect to portfolio management activities and investment banking activities.

5. Investment management decisions for the Money Market Portfolios are determined solely by the Advisers. The portfolio managers and other employees that are responsible for portfolio management for registered investment companies function exclusively on behalf of one or more of the Advisers, and not the Dealer. The compensation of persons assigned to the Advisers does not depend on the volume or nature of trades effected by the Advisers with the Dealer, except to the extent that such trades may affect general firmwide compensation of LBH and its subsidiaries as a whole.

6. The portfolio securities in which the Money Market Portfolios invest that are the subject of the application are Money Market Instruments. Practically all trading in Money Market Instruments takes place in over-the-counter markets consisting of groups of dealers who are primarily major securities firms or large commercial banks. Money Market Instruments generally are traded in lots of \$1,000,000 or more on a net basis and normally do not involve payment of either brokerage commissions or transfer taxes. The costs of portfolio transactions to the Money Market Portfolios consist primarily of dealer or underwriter spreads. Spreads vary somewhat among Money Market Instruments, but generally spread levels for short-term investment grade products are in the range of 1 to 5 basis points (.01% to .05%). In the Money Market Portfolios' experience, there is not a great deal of variation in the spreads on Money Market Instruments quoted by the various dealers, except perhaps during turbulent market conditions.

7. The money market consists of an elaborate telephonic and electronic communications network among dealer firms, principal issuers of Money Market Instruments and principal institutional buyers of such instruments. Because the money market is a dealer market, there is not a single obtainable price for a given instrument that generally prevails at any given time. A dealer acts either as “agent” on behalf of issuer clients or as “principal” for its own account. In either capacity, a dealer posts rates throughout its internal and external distribution networks that are intended to reflect “market clearing price levels,” as determined by the dealer. Only customers of the dealer seeking to purchase Money Market Instruments have access to these postings.

8. Because of the variety of types of Money Market Instruments and other factors, the money market tends to be segmented. The markets for the various types of instruments will vary in terms of price, volatility, liquidity and availability. Although the rates for the different types of instruments tend to fluctuate closely together, there may be significant differences in yield among the various types of instruments, even within a particular instrument category, depending upon the maturity of the instrument and the credit quality of the issuer. Moreover, from time to time, segmenting exists within Money Market Instruments with the same maturity date and rating. The segmenting is based on such factors as whether the issuer is an industrial or financial company, whether the issuer is domestic or foreign and whether the securities are asset-backed or unsecured. Because dealers tend to specialize in certain types of Money Market Instruments, the particular needs of a potential buyer or seller with respect to a certain type of security, maturity or credit quality may limit the number of dealers who can provide optimum pricing and execution. Hence, with respect to any given type of instrument, there may be only a

few dealers who can be expected to have the instrument available and be in a position to quote an acceptable price.

9. Lehman Brothers is one of the world's largest dealers in Money Market Instruments, ranking among the top firms in each of the major markets and product areas. As of December 2006, Lehman Brothers had become the third largest dealer in terms of the number of U.S. commercial paper programs. LBI is an active participant in the public auction market for US Treasuries, being one of only 22 primary dealers. LBI also has been an active participant in the market for government agency securities. LBI also is one of the leading participants in the medium-term note ("MTNs") market. MTNs are offered continuously in public or private offerings, with maturities beginning at nine months. Because commercial paper is not issued for a maturity of longer than nine months and bankers acceptances are not issued for a maturity of longer than six months, there are fewer longer term investment alternatives than shorter term investment alternatives for the Money Market Portfolios. Thus, MTNs represent a significant portion of the longer-term money market investment alternatives. In 2006, Lehman Brothers ranked as the fifth largest manager or co-manager of the MTN/BKNT/DPNT/CD market in terms of proceeds (\$36.4 billion) and market share (8.7%). Applicants further believe that LBI plays a relatively significant role in the repurchase agreement market. As of September 27, 2006, LBI had outstanding repurchase agreements of approximately \$379 billion, which represented approximately 11% of the overall market. LBI also is one of the leading dealers in asset-backed floating rate notes. According to information published by Thompson Financial, as of December 31, 2006, LBI ranked eighth among the leading dealers for the year in the asset-backed floating rate notes market.

10. Applicants state that because of substantial consolidation in the money market industry, there are fewer major dealers who are active in the market than was the case only a few years ago. In light of this consolidation, applicants believe that it has become very important for investors to have access to as many dealers who are actively engaged in the money market as possible. Applicants state that there are far fewer sources of information available to investors. Applicants also contend that the decline in the number of active money market dealers has affected the competition in the pricing of investment opportunities.

11. Subject to the general supervision of the respective boards of directors or trustees for each Money Market Portfolio (each a “Board”), the Advisers are responsible for making investment decisions and for the placement of portfolio transactions. The Money Market Portfolios have no obligation to deal with any dealer or group of dealers in the execution of their portfolio transactions. When placing orders, an Adviser has an obligation to obtain the best net price and the most favorable execution of its orders. In doing so, it takes into account such factors as price, the size, type and difficulty of the transaction involved and the dealer’s general execution and operational facilities.

Applicants’ Legal Analysis

1. Applicants request an order pursuant to sections 6(c) and 17(b) of the Act exempting certain transactions from the provisions of section 17(a) of the Act to permit the Dealer, acting as principal, to sell to or purchase from the Money Market Portfolios certain Money Market Instruments, subject to the conditions set forth below.

2. Section 17(a) of the Act generally prohibits an affiliated person or principal underwriter of a registered investment company, or any affiliated person of that person, acting as principal, from selling to or purchasing from the registered company, or any company controlled

by the registered company, any security or other property. Because each Adviser is an affiliated person of the Money Market Portfolios it advises and the Dealer and each of the Advisers are under common control, the Money Market Portfolios are currently prohibited from conducting portfolio transactions with the Dealer in transactions in which the Dealer acts as principal.

3. Section 17(b) of the Act provides that the Commission, upon application, may exempt a transaction from the provisions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair, and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act. Section 6(c) of the Act provides that the Commission may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of the Act or of any rule or regulation thereunder, if and to the extent that such exemption is 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.

4. Applicants contend that the rationale for the proposed order is based upon the decreased liquidity in the money market, the important role played in the money market by the Dealer and the special requirements of the Money Market Portfolios with respect to their portfolio transactions. In particular applicants note the following:

(a) The Money Market Portfolios have a strong need for a constant flow of large quantities of high quality Money Market Instruments. The applicants believe that access to such significant dealers as the Dealer in these markets increases the Money Market Portfolios' abilities to manage their portfolios effectively.

(b) The fact that the Money Market Portfolios regularly invest in securities with short maturities and repurchase agreements, combined with the active portfolio management techniques employed by the Advisers, often results in high portfolio activity and the need to make numerous purchases and sales of securities and instruments. Such high portfolio activity makes the need to obtain suitable portfolio securities and best price and execution especially compelling.

(c) The Dealer is such an important participant in the money market, including the market for repurchase agreements, that being unable to deal directly with it may, upon occasion, deprive the Money Market Portfolios of obtaining best price and execution.

(d) The money market, including the market for repurchase agreements, is highly competitive, and removing a competitive factor as important as the Dealer from the universe of dealers with which the Money Market Portfolios may conduct principal transactions may indirectly deprive the Money Market Portfolios of obtaining best price and execution even when the Money Market Portfolios trade with other dealers.

5. Applicants believe that the requested order will provide the Money Market Portfolios with broader and more complete access to the money market, which is necessary to carry out the policies and objectives of each of the Money Market Portfolios in obtaining the best price, execution and quality in all portfolio transactions, and will provide the Money Market Portfolios with important new information sources in the money market, to the direct benefit of the shareholders in the Money Market Portfolios. Applicants believe that the transactions contemplated by the application are identical to those in which they currently are engaged except for the proposed participation of the Dealer, and that such transactions are consistent with the

policies of the Money Market Portfolios as recited in their registration statements and reports filed under the Act.

6. Applicants believe that the procedures set forth with respect to transactions with the Dealer will be structured in such a way as to insure that the transactions will be, in all instances, reasonable and fair, and will not involve overreaching on the part of any person concerned, and that the requested exemption is 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' Conditions:

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

1. Transactions Subject to the Exemption - The exemption shall be applicable to principal transactions in the secondary market and primary or secondary fixed price dealer offerings not made pursuant to underwriting syndicates. The principal transactions which may be conducted pursuant to the exemption will be limited to transactions in Eligible Securities.⁴ As the Money Market Portfolios are subject to rule 2a-7, such Eligible Securities must meet the portfolio maturity and quality requirements of paragraphs (c)(2) and (c)(3) of rule 2a-7.

Additionally,

(a) No Money Market Portfolio shall make portfolio purchases pursuant to the exemption that would result directly or indirectly in the Money Market Portfolio investing pursuant to the exemption more than 2% of its Total Assets in securities which, when acquired

⁴ Italicized terms are defined as set forth in paragraph (a) of rule 2a-7, unless otherwise indicated.

by the Money Market Portfolio (either initially or upon any subsequent roll over) were Second Tier Securities; provided that any Money Market Portfolio may make portfolio sales of Second Tier Securities pursuant to the exemption without regard to this limitation.

(b) The exemption shall not apply to an Unrated Security other than a Government Security.

(c) The exemption shall not apply to any security, other than a repurchase agreement, issued by LBH or any affiliated person thereof, or to any security subject to a Demand Feature or Guarantee issued by LBH or any affiliated person thereof.

2. Repurchase Agreement Requirements - The Money Market Portfolios may engage in repurchase agreements with LBI or LCP only if it has: (a) net capital, as defined in rule 15c3-1 under the 1934 Act, of at least \$100 million and (b) a record (including the record of predecessors) of at least five years continuous operations as a dealer during which time it engaged in repurchase agreements relating to the kind of security subject to the repurchase agreement. LBI or LCP, as applicable, shall furnish the Advisers with financial statements for its most recent fiscal year and the most recent semi-annual financial statements made available to its customers. The Advisers shall determine that LBI or LCP, as applicable, complies with the above requirements and with other repurchase agreement guidelines adopted by the Boards. Each repurchase agreement will be Collateralized Fully.

3. Volume Limitations on Transactions - Transactions other than repurchase agreements conducted pursuant to the exemption shall be limited to no more than 25% of (a) the direct or indirect purchases or sales, as the case may be, by each Money Market Portfolio of Eligible Securities other than repurchase agreements; and (b) the purchases or sales, as the case may be, by the Dealer of Eligible Securities other than repurchase agreements. Transactions

comprising repurchase agreements conducted pursuant to the exemption shall be limited to no more than 10% of (a) the repurchase agreements directly or indirectly entered into by the relevant Money Market Portfolio and (b) the repurchase agreements transacted by the Dealer. These calculations shall be measured on an annual basis (the fiscal year of each Money Market Portfolio and of the Dealer) and shall be computed with respect to the dollar volume thereof.

4. Information Required to Document Compliance with Price Tests - Before any transaction may be conducted pursuant to the exemption, the relevant Money Market Portfolio or the Advisers must obtain such information as they deem necessary to determine that the price test (as defined in condition (5) below) applicable to such transaction has been satisfied. In the case of purchase or sale transactions, the Money Market Portfolios or the Advisers must make and document a good faith determination with respect to compliance with the price test based upon current price information obtained through the contemporaneous solicitation of bona fide offers in connection with the type of security involved (the same instrument type, credit rating, maturity and segment, if any, but not necessarily the identical security or issuer). With respect to prospective purchases of securities, these dealers must be those who have in their inventories or otherwise have access to Money Market Instruments of the categories and the types desired and who are in a position to quote favorable prices with respect thereto. With respect to the prospective disposition of securities, these dealers must be those who, in the experience of the Money Market Portfolios and the Advisers, are in a position to quote favorable prices. Before any repurchase agreements are entered into pursuant to the exemption, the Money Market Portfolios or the Advisers must obtain and document competitive quotations from at least two other dealers with respect to repurchase agreements comparable to the type of repurchase

agreement involved, except that if quotations are unavailable from two such dealers only one other competitive quotation is required.

5. Price Tests - In the case of purchase and sale transactions, a determination will be required in each instance, based upon the information available to the Money Market Portfolios and the Advisers, that the price available from the Dealer is at least as favorable as that available from other sources. In the case of “swaps” involving trades of one security for another, the price test will be based upon the transaction viewed as a whole, and not upon the two components thereof individually. With respect to transactions involving repurchase agreements, a determination will be required in each instance, based on the information available to the Money Market Portfolios and the Advisers, that the income to be earned from the repurchase agreement is at least equal to that available from other sources.

6. Permissible Spread – The Dealer’s spreads in regard to any transaction between the Dealer and a Money Market Portfolio will be no greater than its customary dealer spreads which will in turn be consistent with the average or standard spread charged by dealers in money market securities for the type of security and the size of transaction involved.

7. Parties Must Be Factually Independent - The Advisers, on the one hand, and the Dealer, on the other, will operate on different sides of appropriate walls of separation with respect to the Money Market Portfolios and Eligible Securities. The walls of separation will include all of the following characteristics, and such others as may from time to time be considered reasonable by the Dealer and the Advisers to facilitate the factual independence of the Advisers from the Dealer.

(a) Each of the Advisers will maintain offices physically separate from those of the Dealer.

(b) The compensation of persons assigned to any of the Advisers (i.e., executive, administrative or investment personnel) will not depend on the volume or nature of trades effected by the Advisers for the Money Market Portfolios with the Dealer under this exemption, except to the extent that such trades may affect the profits and losses of LBH and its subsidiaries as a whole.

(c) The Dealer will not share any of its respective profits or losses on such transactions with any of the Advisers, except to the extent that such profits and losses affect the general firmwide compensation of LBH and its subsidiaries as a whole.

(d) Personnel assigned to the Advisers' investment advisory operations on behalf of the Money Market Portfolios will be exclusively devoted to the business and affairs of one or more of the Advisers.

(e) Personnel assigned to the Dealer will not participate in the decision-making process for the Advisers or otherwise seek to influence the Advisers other than in the normal course of sales and dealer activities of the same nature as are simultaneously being carried out with respect to nonaffiliated institutional clients. Each Adviser, on the one hand, and the Dealer, on the other, may nonetheless maintain affiliations other than with respect to the Money Market Portfolios, and in addition with respect to the Money Market Portfolios as follows:

(i) Adviser personnel may rely on research, including credit analysis and reports prepared internally by various subsidiaries and divisions of the Dealer.

(ii) Certain senior executives of LBH with responsibility for overseeing operations of various divisions, subsidiaries and affiliates of LBH are not precluded from exercising those functions over the Advisers because they oversee the Dealer as well, provided that such persons shall not have any involvement with respect to proposed transactions pursuant to the exemption

and will not in any way attempt to influence or control the placing by the Money Market Portfolios or the Advisers of orders in respect of Eligible Securities with the Dealer.

8. Record-Keeping Requirements - The Money Market Portfolios and the Advisers will maintain such records with respect to those transactions conducted pursuant to the exemption as may be necessary to confirm compliance with the conditions to the requested relief. In this regard:

(a) Each Money Market Portfolio shall maintain an itemized daily record of all purchases and sales of securities pursuant to the exemption showing for each transaction: the name and quantity of securities; the unit purchase or sale price; the time and date of the transaction; and whether the security was a First Tier Security or a Second Tier Security. The records also shall, for each transaction, document two quotations received from other dealers for comparable securities, including: the names of the dealers; the names of the securities; the prices quoted; the times and dates the quotations were received; and whether such securities were First Tier Securities or Second Tier Securities.

(b) Each Money Market Portfolio shall maintain a ledger or other record showing, on a daily basis, the percentage of the Money Market Portfolio's Total Assets represented by Second Tier Securities acquired from the Dealer.

(c) Each Money Market Portfolio will maintain records sufficient to verify compliance with the volume limitations contained in condition 3, above. The Dealer will provide the Money Market Portfolios with all records and information necessary to implement this requirement.

(d) Each Money Market Portfolio will maintain records sufficient to verify compliance with the repurchase agreement requirements contained in condition 2, above.

The records required by this condition 8 will be maintained and preserved in the same manner as records required under rule 31a-1(b)(1).

9. Guidelines - Each of the compliance departments of the Advisers and of the Dealers (the “Compliance Departments”) will prepare and, as necessary, update guidelines for personnel of the Advisers and the Dealer, as the case may be, to make certain that transactions conducted pursuant to the exemption comply with the conditions of the exemption, and that the parties generally maintain arm’s length relationships. In training personnel of the Dealer, particular emphasis will be given to the fact that the Money Market Portfolios are to receive rates as favorable as other institutional purchasers buying the same quantities. The Compliance Departments will periodically monitor the activities of the Advisers and Dealer to make certain that the conditions set forth in the exemption are adhered to.

10. Audit Committee Review - The audit committees of the respective Boards of each of the Money Market Portfolios (each an “Audit Committee”), comprised of trustees or directors who are not “interested persons” as defined in section 2(a)(19) of the Act (“Independent Trustees”), will prepare, periodically review and update the guidelines for the Advisers and the Dealer to ensure that transactions conducted pursuant to the exemption comply with the conditions set forth therein and that the above procedures are followed in all respects. The respective Audit Committees will periodically monitor the activities of the Money Market Portfolios, the Advisers and the Dealer in this regard to ensure that these matters are being accomplished.

11. Scope of Exemption - Applicants expressly acknowledge that any order issued on the application would grant relief from section 17(a) of the Act only, and would not grant relief from any other section of, or rule under, the Act including, without limitation, rule 2a-7. Any order issued on the application will not extend to any investment company advised or sub-advised by LBI.

12. Board Review – The respective Boards, including a majority of the Independent Trustees, have approved the Money Market Portfolio’s participation in transactions conducted pursuant to the exemption and have determined that such participation by the Money Market Portfolios is in the best interests of the Money Market Portfolios and their investors. The minutes of the meetings of the Boards at which this approval was given reflect in detail the reasons for the Boards’ determinations. The Boards will review no less frequently than annually the Money Market Portfolios’ participation in transactions conducted pursuant to the exemption during the prior year and determine whether the Money Market Portfolios’ participation in such transactions continues to be in the best interests of the Money Market Portfolios and their

investors. Such review will include (but not be limited to) (a) a comparison of the volume of transactions in each type of security conducted pursuant to the exemption to the market presence of the Dealer in the market for that type of security, and (b) a determination that the Money Market Portfolios are maintaining appropriate trading relationships with other sources for each type of security to ensure that there are appropriate sources for the quotations required by condition 4 above. The minutes of the meetings of the Boards at which such determinations are made will reflect in detail the reasons for the Boards' determinations.

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

Florence E. Harmon
Deputy Secretary