



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

DIVISION OF  
INVESTMENT MANAGEMENT

ACT ICA 40  
SECTION 17(a)  
RULE \_\_\_\_\_  
PUBLIC  
AVAILABILITY 8/8/95

August 8, 1995

Mr. Anthony C. J. Nuland, Esq.  
Seward & Kissel  
1200 G Street, N.W.  
Washington, D.C. 20005

Re: Norwest Funds - Municipal Money Market Fund

Dear Mr. Nuland:

Your letter of August 8, 1995, requests our assurance that we would not recommend that the Securities and Exchange Commission (the "Commission") take any enforcement action under sections 17(a) and 17(d) of the Investment Company Act of 1940 ("1940 Act") and the rules thereunder if Norwest Funds (the "Trust"), Norwest Corporation ("Norwest"), the parent of the Trust's investment adviser, Norwest Bank Minnesota, N.A. (the "Adviser") and the Municipal Money Market Fund (the "Fund"), a portfolio of the Trust, effect the transaction summarized below and more fully described in your letter.

The 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 Fund holds tax and revenue anticipation notes issued by Orange County, California in the principal amount of \$8,000,000 that mature on August 10, 1995 (the "Notes"), which constitute approximately 2.3 percent of net assets of the Fund. The Notes pay interest at a rate equal to 70 percent of one-month LIBOR. As a result of the Orange County bankruptcy filing on December 6, 1994, the Fund was unable to obtain reliable market quotes for the Notes, they were determined by the Fund's Trustees to be illiquid, and they were priced based on a fair value determination of the Fund's Trustees.

In December 1994, the Fund purchased an irrevocable standby letter of credit (the "LOC") from Trust Company Bank ("TCB") in order to avoid any potential losses to shareholders of the Fund on the Notes then held by reason of the nonpayment by Orange County of principal and interest thereon at maturity.<sup>1</sup> The LOC provides for the full payment to the Fund of principal and accrued unpaid interest upon default of the Notes at

<sup>1</sup> TCB had an A-1+ short-term rating from Standard & Poor's and a P-1 short-term rating from Moody's.

maturity. Norwest would be obligated to reimburse TCB for any amounts paid to the Fund under the LOC and, in consideration for that payment the Fund would transfer the Notes to Norwest. The LOC was entered into after the staff of the Division of Investment Management informed the Fund, Norwest, and the Adviser on December 28, 1995, that it would not recommend enforcement action to the Commission if the LOC was effected. The Fund continues to hold the Notes as indicated above and values them based on the LOC.

Orange County, in all likelihood, will not make the scheduled principal payment due on the Notes on August 10, 1995. Rather, Orange County has proposed, the Bankruptcy Court has approved, and holders of certain short-term notes issued by Orange County have agreed to, a mandatory amendment of the Notes ("Amendment") that will, among other things, extend the maturity date of the Notes to June 30, 1996 ("Extended Notes"). Under the Amendment, Orange County has agreed to pay in cash by August 10, 1995, all interest on the Notes accrued through that date. The Extended Notes would continue to earn interest at the same rate as the Notes, plus 95 basis points to be paid at maturity ("Additional Interest"). Seventy-four percent of the interest on the Extended Notes would be paid periodically in cash, and the balance of the interest (including the Additional Interest) would accrue and be paid at maturity. In addition, if interest on the Extended Notes is determined to be taxable, the Amendment provides for an increase in the interest rate payable on the Extended Notes to 100 percent of LIBOR.

As a result of these developments, you state that the Fund, the Adviser, and Norwest plan to establish a new LOC arrangement with TCB or a comparably rated bank (the "Bank") in the amount of \$8,800,000, of which \$8,000,000 represents principal and \$800,000 represents interest, which extends through June 30, 1996 (the "New LOC").<sup>2</sup> Under the New LOC, the Fund would have the right to draw on the New LOC both if scheduled principal and interest payments are not paid when due under any circumstances, including a repudiation by Orange County of its obligations under the Amendment or a failure to pay that is premised on violations of certain provisions of the California state constitution and California law. Norwest Corporation would be obligated to reimburse the Bank for any amounts paid to the Fund under the New LOC, and, in consideration for that payment, the Fund would transfer the Extended Notes to Norwest. The Adviser has concluded that the amount of the New LOC would cover all amounts due at the maturity of the Extended Notes, including the Additional Interest and any accrued but unpaid interest. Norwest has agreed to

---

<sup>2</sup> In your letter of August 8, 1995, you represent that the short-term debt obligations of any Bank issuing the New LOC would be rated in the highest rating category by the "Requisite NRSROs" (as defined in paragraph (a)(13) of rule 2a-7 under the 1940 Act), and that the Bank would not be an "affiliated person" (as that term is defined in section 2(a)(3) of the 1940 Act) of Norwest.

Mr. Anthony C.J. Nuland

Page 3

reimburse the Fund for the amount of any interest (including Additional Interest) due on the Extended Notes not covered by the New LOC.

You represent that the Adviser believes that the provisions of the Amendment would enable the Fund to receive a higher yield on the Extended Notes than would currently be available through investments of similar quality and that holding the Extended Notes would be in the best interest of Fund shareholders. The Adviser recommended that the Trustees approve the Fund's acceptance of the Extended Notes and the New LOC.

You represent that the Trustees of the Fund, including a majority of the Trustees who are not "interested persons" as defined in section 2(a)(19) of the 1940 Act, have determined that it is in the best interests of the Fund and its shareholders not to draw on the current LOC, but, rather, to accept the Extended Notes and the New LOC. This determination was based, in part, on an evaluation of the credit quality of the Bank, and the interest rate to be paid under the Extended Notes. You also represent that the Trustees of the Fund have determined that the Extended Notes, together with the New LOC, are "Eligible Securities" as defined in paragraph (a)(5) of rule 2a-7 and present minimal credit risks as required by paragraph (c)(3) of that rule.

On the basis of the facts and representations in your letters of August 8, 1995 and December 28, 1994, we will not recommend enforcement action under sections 17(a) and 17(d) of the 1940 Act and the rules thereunder if the Fund accepts the Extended Notes and enters into and carries out the terms of the New LOC. 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,



Kenneth J. Berman  
Assistant Director

## SEWARD &amp; KISSEL

1200 G STREET, N.W.

WASHINGTON, D.C. 20005

TELEPHONE: (202) 737-8633

FACSIMILE: (202) 737-5184

GEORGE C. SEWARD\*  
SENIOR COUNSELLESTER KISSEL  
RICHARD H. VALENTINE  
EDWARD W. BEUCHERT  
ROBERT B. SIMON  
KEITH H. ELLIS\*  
ALBERTO L. CALAFELL  
RICHARD H. METSCH  
FRANCIS S. RATH\*

COUNSEL

ONE BATTERY PARK PLAZA  
NEW YORK, N.Y. 10004  
TELEPHONE: (212) 574-1200  
FACSIMILE: (212) 480-8421REPRESENTATIVE OFFICE  
NÁDOR UTCA 11  
1051 BUDAPEST, HUNGARY  
TELEPHONE: (361) 132-7115  
FACSIMILE: (361) 132-7940EUGENE P. SOUTHER  
BLAISE G. A. PASZTORY  
ALBERT A. WALSH\*  
ARRIAL S. COGAN  
BRUCE D. SENZEL  
MARLENE D. DANIELS  
JAMES H. HANCOCK\*  
ANTHONY R. MANSFIELD\*  
ANTHONY C. J. NULAND\*  
M. WILLIAM MUNNO  
PETER E. FRONT  
DALE C. CHRISTENSEN, JR.  
DAVID L. FOBES  
HADLEY S. ROE  
RUSSELL C. PRINCE  
CRAIG T. HICKERNELL  
ROBERT A. WALDER  
JOHN E. TAVSS  
WILLIAM F. KUNTZ, II  
GARY J. WOLFE  
LAWRENCE RUTKOWSKI  
RONALD L. COHEN  
MARK J. HYLAND  
PAUL T. CLARK\*  
JONATHAN BERGER  
THOMAS G. MACDONALD  
MARK A. BRÖDY  
PAUL M. GOTTLIEB  
JOHN J. CLEARY  
MICHAEL J. MCNAMARA  
KALYAN DAS  
JOHN F. RIGNEY  
PATRICIA A. POGUNCO

\*ADMITTED IN DISTRICT OF COLUMBIA

August 8, 1995

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

Re: Norwest Funds - Municipal Money Market Fund

Dear Mr. Plaze:

We are counsel to Norwest Funds, a Delaware business trust (the "Trust") registered with the Securities and Exchange Commission (the "Commission") as an open-end management investment company under the Investment Company Act of 1940 (the "1940 Act"). We are writing on behalf of the Trust and Norwest Corporation, the parent of the Trust's investment adviser, Norwest Bank Minnesota, N.A. (the "Adviser") to obtain assurance from the staff of the Division of Investment Management (the "Division") that it will not recommend enforcement action to the Commission under Sections 17(a) and 17(d) of the 1940 Act, or the rules thereunder, if the Trust and Norwest Corporation enter into and carry out the arrangement described below.

The Municipal Money Market Fund (the "Fund") is a portfolio of the Trust and, as a money market fund, seeks to maintain a stable net asset value per share of \$1.00 using the amortized cost method of valuing portfolio securities pursuant to Rule 2a-7 under the 1940 Act. Currently the

Mr. Robert E. Plaze

2

-- August 8, 1995

Fund has approximately 2.3 percent of its assets invested in \$8,000,000 principal amount of State of California, County of Orange, 1994-95 Tax and Revenue Anticipation Notes, Series B (CUSIP No. 684201EN2) due August 10, 1995 (the "Notes").

As a result of the filing for bankruptcy by Orange County, the Fund was unable to obtain reliable market quotes for the Notes, they were determined by the Fund's Trustees to be illiquid and they were priced based on a fair value determination of the Fund's Trustees. Subsequently, the Fund sought and obtained no-action assurance from the staff of the Division for the Fund to purchase an irrevocable standby letter of credit (the "LOC") from the Trust Company Bank, a Georgia banking corporation ("TCB") which has an A-1+ short-term rating from Standard & Poor's Corporation and a P-1 short-term rating from Moody's Investors Service Inc. The Fund continues to hold the Notes and values them based on the LOC. The LOC expires August 31, 1995 and provides for payment to the Fund of the principal and accrued unpaid interest upon default of the Notes at maturity. Norwest Corporation would be obligated to reimburse TCB for any amounts paid to the Fund under the LOC and, in consideration for that payment, the Fund would transfer the Notes to Norwest Corporation.

The Fund has been informed that Orange County in all likelihood will not make the scheduled principal payments due on the Notes on August 10, 1995. Under a Note Modification and Extension Agreement dated as of June 2, 1995 (the "Extension Agreement") approved by the bankruptcy court, Orange County intends to extend the maturity on the Notes until June 30, 1996 (the "Extended Notes"). Under the Extension Agreement Orange County has agreed to pay in cash by August 10, 1995 all interest on the Notes accrued through that date. The Extended Notes would continue to earn interest at the same rate as the Notes (70% of LIBOR), plus 95 basis points to be paid at maturity ("Additional Interest"). 74 percent of the interest on the Extended Notes would be paid periodically in cash, and the balance of the interest (including the Additional Interest) would accrue and be paid at maturity. In addition, if interest on the Extended Notes is determined to be taxable, the Extension Agreement provides for an increase in the interest rate payable on the Extended Notes to 100 percent of LIBOR.

As a result of these developments, the Fund, the Adviser and Norwest Corporation propose to establish a new

Mr. Robert E. Plaze

3

August 8, 1995

LOC arrangement with TCB or a comparably rated bank (the "Bank") in the amount of \$8,800,000, of which \$8,000,000 represents principal and \$800,000 represents interest, which would run through June 30, 1996 (the "New LOC").<sup>1</sup> Under the New LOC, the Fund would have the right to draw on the Bank both if scheduled principal and interest payments are not paid when due under any circumstances, including a repudiation by Orange County of its obligations under the Extension Agreement or a failure to pay that is premised on violations of certain provisions of the California State Constitution and California law. Norwest Corporation would be obligated to reimburse the Bank for any amounts paid to the Fund under the New LOC, and, in consideration for that payment, the Fund would transfer the Extended Notes to Norwest Corporation. The Adviser has concluded that the amount of the New LOC would cover all amounts due at the maturity of the Extended Notes, including the Additional Interest and any accrued but unpaid interest. Norwest Corporation has agreed to reimburse the Fund for the amount of any interest (including Additional Interest) due on the Extended Notes not covered by the New LOC.

The Adviser believes that the provisions of the Extension Agreement would enable the Fund to receive a higher yield on the Extended Notes than would currently be available through investments of similar quality and that holding the Extended Notes would be in the best interests of Fund shareholders and has recommended that the Trustees approve the Fund's acceptance of the Extended Notes and the New LOC. At a meeting held on July 24, 1995, the Trustees of the Fund, including a majority of the Trustees who are not "interested persons" of the Fund as that term is defined in Section 2(a)(19) of the 1940 Act, determined that it would be in the best interests of the Fund and its shareholders not to draw on the current LOC and to accept the Extended Notes and the New LOC. This determination was based in part on an evaluation of the credit quality of the Bank and the interest rate to be paid under the Extended Notes. The Trustees have also determined that the Extended Notes, together with the New LOC, are "eligible securities,"

- 
1. The Fund represents that the short-term debt obligations of any Bank issuing the New LOC would be rated in the highest rating category by the "Requisite NRSROs," as that term is defined in paragraph (a)(13) of Rule 2a-7, and that the Bank would not be an "affiliated person," as that term is defined in Section 2(a)(3) of the 1940 Act, of Norwest Corporation.

Mr. Robert E. Plaze

4

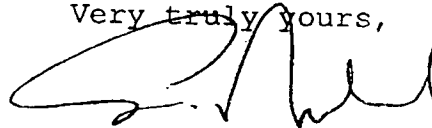
August 8, 1995

as that term is 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.

For the above reasons, we request that the Staff confirm that it would not recommend any enforcement action to the Commission under Section 17(a) and 17(d) and any rules thereunder if the Fund were to accept the Extended Notes and enter into and carry out the terms of the New LOC.

In view of the Notes' August 10 maturity, we would appreciate receiving the staff's response prior to that date. We would appreciate also having the opportunity to discuss this matter further if the staff is considering a negative response to this request. Please telephone the undersigned at (202) 737-8833 if you have any questions.

Very truly yours,



Anthony C.J. Nuland

KMBroadwater:trg  
47180160.CK1

**SEWARD & KISSEL**1200 G STREET, N.W.  
WASHINGTON, D. C. 20005TELEPHONE: (202) 737-8833  
FACSIMILE: (202) 737-5184

GENE P. SOUTHER  
 NISE G. A. PASZTORY  
 BERT A. WALSH\*  
 MERRIAL S. COGAN  
 BRUCE D. BENZEL  
 MARLENE D. DANIELS  
 JAMES H. HANCOCK\*  
 ANTHONY R. MANSFIELD\*  
 ANTHONY C. J. NULAND\*  
 M. WILLIAM MUNNO  
 BRADFORD J. RACE, JR.  
 PETER E. PRONT\*  
 DALE C. CHRISTENSEN, JR.  
 DAVID L. FOSBES  
 HADLEY S. ROE  
 RUSSELL C. PRINCE  
 CRAIG T. MICKERNELL  
 JANET R. ZIMMER\*  
 ROBERT A. WALDER  
 JOHN E. TAVBS  
 WILLIAM F. KUNTZ, II  
 GARY J. WOLFE  
 LAWRENCE RUTKOWSKI  
 RONALD L. COHEN  
 MARK J. HYLAND  
 PAUL T. CLARK\*  
 JONATHAN BERGER  
 THOMAS G. MACDONALD  
 MARK A. BRODY  
 PAUL M. GOTTLIEB  
 JOHN J. CLEARY  
 MICHAEL J. MCNAMARA  
 KALYAN DAS  
 JOHN F. RIGNEY  
 PATRICIA A. POGLINCO

GEORGE C. SEWARD\*  
 SENIOR COUNSEL

LESTER KISSEL  
 RICHARD H. VALENTINE  
 EDWARD W. BEUCHERT  
 ROBERT S. SIMON  
 KEITH H. ELLIS\*  
 ALBERTO L. CALAFELL  
 RICHARD H. NETSCH  
 COUNSEL

ONE BATTERY PARK PLAZA  
 NEW YORK, N.Y. 10004  
 TELEPHONE: (212) 874-1200  
 FACSIMILE: (212) 480-8421

REPRESENTATIVE OFFICE  
 NÁDOR UTCA 11  
 1051 BUDAPEST, HUNGARY  
 TELEPHONE: (361) 132-7118  
 FACSIMILE: (361) 132-7940

December 28, 1994

\*ADMITTED IN DISTRICT OF COLUMBIA

**VIA FACSIMILE**

Mr. Kenneth J. Berman  
 Deputy Chief  
 Office of Disclosure and Investment  
 Adviser Regulation  
 Division of Investment Management  
 U.S. Securities and Exchange Commission  
 450 Fifth street, N.W.  
 Mail Stop 10-6  
 Washington, D.C. 20549

Re: Norwest Funds - Municipal Money Market Fund

Dear Mr. Berman:

We are counsel to Norwest Funds, a Delaware trust (the Trust") registered with the Securities and Exchange Commission (the "Commission") as an investment company pursuant to the Investment Company Act of 1940, as amended (the "Act"). We are writing on behalf of the Trust and Norwest Corporation, the parent of the Trust's investment adviser, Norwest Bank Minnesota, N.A. (the "Investment Adviser") to obtain assurance from the staff of the Division of Investment Management ("Division") that it will not recommend enforcement action to the Commission under Sections 17(a) and 17(d) of the Act, or the rules thereunder, if the Trust and Norwest Corporation enter into the arrangement described below.



Mr. Kenneth J. Berman

December 28, 1994  
Page 2

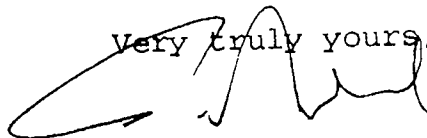
The Municipal Money Market Fund (the "Fund") is a portfolio of the Trust and, as a money market fund, seeks to maintain a stable net asset value per share of \$1.00 using the amortized cost method of valuing portfolio securities. Currently, the Fund had approximately 2.52 percent of its net assets invested in \$8,000,000 principal amount of State of California, County of Orange, 1994-95 Tax and Revenue Anticipation Notes, Series B (CUSIP No. 684201EN2) due August 10, 1995 (the "Notes").

As a result of the filing for bankruptcy by Orange County, the Fund is concerned that the Notes may not be paid at maturity and is purchasing an irrevocable standby letter of credit (the "letter of credit") from the Trust Company Bank, a Georgia banking corporation (the "Bank") which has an A-1+ short-term rating from Standard & Poor's and a P-1 short-term rating from Moody's. The letter of credit provides for payment to the Fund of principal and accrued unpaid interest upon default of the Notes at maturity. The letter of credit would protect shareholders of the Fund from potential loss on the Notes. Norwest Corporation would reimburse the Bank for any amounts paid to the Fund under the letter of credit and would have the Notes transferred to it in the event of a payment under the letter of credit. The Trustees of the Trust have approved the proposed arrangement as being in the best interests of the Fund and its shareholders and directed the Investment Adviser to draw on the letter of credit in the event of a default on the Notes at maturity.

The Trust and Norwest Corporation are requesting assurances from the staff of the Division because, as an affiliate of the investment adviser (which is an affiliated person of the fund within the meaning of Section 2(a)(3) of the Act) Norwest Corporation's participation in the arrangement could be deemed to fall within the prohibitions of Section 17(a) and 17(d) of the Act, which make it unlawful for any affiliated person of an affiliated person of an investment company to effect certain transactions with the investment company or to which it is a party.

If you have any questions concerning the foregoing arrangement, please telephone the undersigned at (202) 737-8833.

Very truly yours,



Anthony C.J. Nuland