



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

DIVISION OF
INVESTMENT MANAGEMENT

July 14, 1995

ACT ICA-40
SECTION 17(a)
RULE _____
PUBLIC
AVAILABILITY 7/14/95

Mr. Bruce Senzel
Seward & Kissel
One Battery Park Plaza
New York, NY 10004

Re: ACM Institutional Reserves, Inc. - Tax
Free Portfolio

Dear Mr. Senzel:

Your letter of July 13, 1995 requests our assurance that we would not recommend that 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 ACM Institutional Reserves, Inc. - Tax Free Portfolio ("Fund") and Alliance Capital Management, L.P., the investment adviser to the Fund ("Alliance") effect the transaction summarized below and more fully described in the 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 as permitted by rule 2a-7 under the 1940 Act. The Fund holds tax and revenue anticipation notes issued by Orange County, California that mature on July 19, 1995 ("Securities")¹ in the principal amount of \$500,000 (approximately 1.11% of the Fund's net assets). The Securities pay interest at a rate of 4.5% per year, and all interest due on the Securities is payable on July 19, 1995. As a result of the Orange County bankruptcy filing on December 6, 1994, the Fund was unable to obtain reliable market quotes for the Securities then held, and it determined the fair values of those Securities to be less than their amortized cost values.

In December 1994, The Chase Manhattan Bank, N.A. ("Chase"), upon the application of Alliance, issued a letter of credit on behalf of the Fund ("LOC") in order to avoid any potential losses to shareholders of the Fund on the Securities then held by reason of the nonpayment by Orange County of principal and interest thereon at maturity ("LOC Arrangement").² The LOC Arrangement provided for the full payment of principal and interest when due on the Securities then held by the Fund if Orange County failed to make

¹ In your letter of July 13, 1995, you represented that the principal amount of the Securities held by the Fund in December 1994 was \$1,000,000. Since that time, you state that the Fund has sold Securities having a principal amount of \$500,000.

² In Alliance's letter of December 8, 1994, it represented that Chase had the highest ratings on its short-term debt obligations from the "Requisite NRSROs" (as this term is defined in paragraph (a)(13) of rule 2a-7 under the 1940 Act).

Mr. Bruce Senzel
Page 2

these payments on July 19, 1995 (the final maturity date of the Securities). Under the LOC Arrangement, Alliance agreed to reimburse Chase for any amounts drawn by the Fund pursuant to the LOC. The LOC Arrangement was entered into after the staff of the Division of Investment Management informed the Fund and Alliance that it would not recommend enforcement action to the Commission if the LOC Arrangement was effected. The Fund continues to hold Securities as indicated above and values them based on the LOC Arrangement.

Orange County, in all likelihood, will not make the scheduled principal payment due on the Securities on July 19, 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 Securities ("Amendment") that will, among other things, extend the maturity date of the Securities to June 30, 1996 ("Amended Securities"). The Amendment provides that all interest accrued and payable on the Securities will be paid on July 19, 1995 (the maturity date of the Securities).

Alliance has offered to purchase the Securities now held by the Fund from the Fund on July 19, 1995 at an amount equal to their principal values (\$500,000). If Orange County fails to make interest payments on the Securities pursuant to the Amendment, Alliance has offered to purchase the Securities from the Fund at their amortized cost values (the principal values of the Securities plus all accrued but unpaid interest) ("Purchase Offer").

On the basis of the facts and representations in your letter, and a telephone conference on July 14, 1995 with Marjorie Riegel of the staff, we will not recommend enforcement action under sections 17(a) and 17(d) of the 1940 Act and the rules thereunder if the Purchase Offer is effected. 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

SEWARD & KISSEL

ONE BATTERY PARK PLAZA

NEW YORK, N.Y. 10004

TELEPHONE: (212) 574-1200

FACSIMILE: (212) 480-8421

WRITER'S DIRECT DIAL NUMBER

GEORGE C. SEWARD
SENIOR COUNSEL

LESTER KISSEL
RICHARD H. VALENTINE
EDWARD W. BEUCHERT
ROBERT D. SIMON
KEITH W. ELLIS
ALBERTO L. CALAFELL
RICHARD H. METSCH
COUNSEL

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

REPRESENTATIVE OFFICE
NADOR UTCA II
1051 BUDAPEST, HUNGARY
TELEPHONE: (361) 132-7115
FACSIMILE: (361) 132-7240

July 13, 1995

Investment Company Act
of 1940 /17(a) and 17(d)

EUGENE P. SOUTHER
BLAISE G. A. PASZTORY
ALBERT A. WALSH
ARRIAL S. COGAN
BRUCE D. SENZEL
CARLENE D. DANIELS
AMES H. MANCOCK
ANTHONY M. MANSFIELD
ANTHONY C. J. NULAND
M. WILLIAM MUNNO
PETER E. PRONT
DALE C. CHRISTENSEN, JR.
DAVID L. FOBES
MAGLÉY S. ROC
RUSSELL C. PRINCE
CRAIG T. WICKERNELL
JANET R. ZIMMER
ROBERT A. WALDER
JOHN E. TAVSS
WILLIAM F. KUNTZ, II
GARY J. WOLFE
LAWRENCE RUTKOWSKI
RONALD L. COHEN
MARK J. MYLAND
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

*ADMITTED IN D.C. ONLY

Mr. Robert E. Plaze
Assistant Director
Office of Disclosure and Investment
Adviser Regulation
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Mail Stop 10-6
Washington, D.C. 20549

ACM Institutional Reserves, Inc. - Tax Free Portfolio

Dear Mr. Plaze:

This letter is submitted on behalf of ACM Institutional Reserves, Inc. - Tax Free Portfolio (the "Fund") and Alliance Capital Management L.P., the investment adviser of the Fund ("Alliance"), to seek assurance from the staff of the Division of Investment Management (the "Division") of the U.S. Securities and Exchange Commission (the "Commission") that the Division would not recommend any enforcement action to the Commission with reference to Section 17(a) or Section 17(d) of the Investment Company Act of 1940, as amended (the "1940 Act"), or the rules thereunder, if the Fund and Alliance enter into the transaction described below.

The Fund is a "money market fund" registered with the Commission under the 1940 Act as an open-end management investment company which 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. On the date hereof, the Fund owns the following securities (the "Securities") having a maturity date of July 19, 1995:

County of Orange, California, 1994-95 Tax and Revenue Anticipation Notes, Series A, having a principal amount of \$500,000.

The Securities, including interest accrued thereon, represented approximately 1.11% of the net assets of the Fund based on asset valuations as of the close of business on July 12, 1995.

By letter dated December 8, 1994 to you, relief was requested from the Division regarding the proposed issuance to the Fund by The Chase Manhattan Bank, N.A. ("Chase") of an irrevocable standby letter of credit for the benefit of the Fund providing for the payment in full to the Fund of principal and interest at maturity of the Securities. The relief requested was granted by telephone on December 8, 1994.¹ By letter to you dated December 12, 1994, Alliance confirmed that the letter of credit was issued. Alliance paid for the letter of credit and is obligated to pay to Chase any amounts paid by Chase thereunder. A copy of each of the December 8 and 12 letters accompanies this letter.

Alliance has offered to purchase the Securities on July 19, 1995 directly from the Fund for cash at the then value of the Securities reflected on the books of the Fund as determined using the amortized cost method of valuation, i.e., at the principal amount of the Securities plus accrued interest not paid by the County of Orange when due on that date, if any.² Same-day

1. When the letter of credit was issued, the principal amount of the Securities held by the Fund was \$1,000,000. Since that time, the Fund has sold Securities having a principal amount of \$500,000.
2. As we understand the staff is aware, the principal of the Securities is not to be repaid at maturity on July 19, 1995 and the County of Orange, issuer of the Securities, presented a Modification and Extension Agreement (the "Agreement") to owners of certain County obligations, including the Securities, pursuant to which such owners could irrevocably elect by July 7, 1995 to an extension of the original maturity date of the Securities upon the effectiveness of which (which is subject to certain conditions) the Securities would become Extension Obligations (as defined in the Agreement). We understand that the staff is familiar with this Agreement. At a special meeting of the Trustees of the Fund held on July 5, 1995, Alliance informed the Trustees that Alliance had determined that it would be advisable for the Fund to make the election with respect to all of the Securities. The Trustees concurred in Alliance's conclusion, which was implemented promptly thereafter. We understand that timely elections were

(Footnote continued)

funds in the principal amount will be deposited in the Fund's account on July 19. If the County does not pay the full amount of accrued interest on July 19, Alliance will pay the amount of unpaid accrued interest to the Fund's account in same-day funds on July 20, the day on which the Fund would have received same-day funds from the County's disbursing agent if the County had timely paid such interest or if the Fund had drawn on the Chase letter of credit. Thus, the purchase price to be paid by Alliance will be the same amount the Fund would otherwise have received under the letter of credit or from the County had there been no default in the payment of principal or interest, and the timing of the Fund's receipt of the amount involved in same-day funds will be the same.

As the Fund's investment adviser, Alliance is an "affiliated person" of the Fund under Section 2(a)(3) of the 1940 Act. Given that status and the nature and background of the proposed purchase, the purchase of the Securities by Alliance would fall within Section 17(a) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company to knowingly purchase any security from the investment company, and might be considered as falling within Section 17(d) of the 1940 Act, which makes it unlawful for an affiliated person of a registered investment company to effect any transaction in which such registered investment company is a joint and several participant with such person.

The purchase of the Securities by Alliance at their current amortized cost value (the principal amount of the Securities plus accrued but unpaid interest) would avoid portfolio shareholder loss on the Securities. To attain a corresponding objective, the Fund and Alliance understand that no action relief covering corresponding purchases shortly after the County's bankruptcy filing last December was in fact granted to a number of other money market funds and their advisers soon after the County filed for bankruptcy last year. The Fund and Alliance do not believe the relief now requested with respect to Alliance's acquiring the Securities to be substantively distinguishable from the corresponding situation of those other funds and advisers. The Fund and Alliance do not believe there is any meaningful difference to the Fund between a purchase occurring as proposed as contrasted with a purchase which might have been made last December.

(Footnote continued)

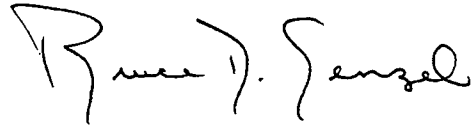
made with respect to a sufficient percentage of the obligations covered by the Agreement for the Agreement to become effective and binding on all holders of such obligations.

July 13, 1995

If the staff is unable to agree with this request for relief, an opportunity is requested to discuss the subject with the staff prior to the issuance of the staff's written response.

In accordance with Release No. 33-6269 (December 5, 1980), seven additional copies of this letter are enclosed. Please direct any questions or requests for further information concerning the foregoing to the undersigned ((212) 574-1267) or Edmund P. Bergan, Jr. of the Fund ((212) 969-2108).

Very truly yours,

A handwritten signature in cursive script, appearing to read "Edmund P. Bergan, Jr.", written in dark ink.

BDS:bac
Enclosures

Alliance Fund
Distributors, Inc.
1345 Avenue of the Americas
New York, NY 10105
(212) 869-2156

George O. Martinez
Vice President and
Associate General Counsel

December 8, 1994

VIA FACSIMILE

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, D.C. 20549

Re: Alliance Municipal Trust - General Portfolio
ACM Institutional Reserves, Inc. - Tax Free
Portfolio

Dear Mr. Plaze:

We are writing on behalf of Alliance Capital Management L.P. ("Affiliate"), an affiliated person of Alliance Municipal Trust-General Portfolio ("AMT-General") and ACM Institutional Reserves, Inc.-Tax Free Portfolio ("AIR-Tax Free") (jointly, "Funds"). We seek assurance from the staff of the Division of Investment Management ("Division") that it will not recommend enforcement action to the Commission under Section 17(d) of the Investment Company Act of 1940 ("1940 Act"), or the rules thereunder if the Funds and the Affiliate enter into the arrangement described below.

Each Fund is registered with the Commission under the 1940 Act as an open-end management investment company. The Funds, each a money market fund, seek to maintain a stable net asset value per share of \$1.00, and use the amortized cost method of valuation in valuing portfolio securities. As of December 7, 1994, AMT-General had approximately 2.27% of its net assets and AIR-Tax Free had approximately 2.6% of its net assets in the below-referenced securities ("Securities"). The Securities are:

1. County of Orange, California; 1994-95 Tax and Revenue Anticipation Notes, Series A (CUSIP No. 684201EK8);

2. Based on December 7, 1994 market values, the Funds held the following amounts of the Securities:
AMT-General - \$27,550,000
AIR-Tax Free - \$950,000; and
3. Final Maturity - July 19, 1995.

As a result of Orange County filing for bankruptcy, the Funds may not be able to obtain reliable market quotes for the Securities. On December 8, 1994, the Affiliate applied for two irrevocable standby letters of credit to be issued by Chase Manhattan Bank ("Chase"), a national bank with a short-term rating of A-1/P-1, for the benefit of each Fund providing for the full payment of principal and interest at maturity of the Securities to each Fund to avoid any potential portfolio shareholder loss on the Securities. The Affiliate will pay to Chase any amounts paid by Chase under the letters of credit. Each Fund's Board has been advised of this proposed arrangement.

The Affiliate is an "affiliated person" under Section 2(a)(3) of the 1940 Act because it is the investment adviser of each Fund. The proposed arrangement may fall within Section 17(d) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company or an affiliated person of such person to effect any transaction in which such registered company is a joint or a joint and several participant with such person.

The Funds and the Affiliate believe that it would be in the best interests of each Fund's shareholders if the irrevocable standby letters of credit are issued and the Affiliate is obligated to pay to Chase any amounts paid by it to the Funds. On behalf of the Funds and the Affiliate, we hereby request that the Division staff give its assurance that it will not recommend that the Commission take enforcement action against the Funds or the Affiliate under Section 17(d) if the Affiliate acts in such capacity.

If you have any questions or other communications concerning this matter, please call the undersigned at (212) 969-2156 or Ms. Emilie Wrapp at (212) 969-2154 (facsimile (212) 969-2290).

Sincerely,

George O. Martiny

AllianceCapital

Alliance Fund
Distributors, Inc.
1345 Avenue of the Americas
New York, NY 10105
(212) 969-2156

George O. Martinez
Vice President and
Associate General Counsel

December 12, 1994

VIA FACSIMILE

Robert E. Plaze
Assistant Director
Office of Disclosure and Investment
Adviser Regulation
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: Alliance Municipal Trust-General Portfolio
ACM Institutional Reserves, Inc.-Tax Free
Portfolio

Dear Mr. Plaze:

This letter will confirm to the staff that Alliance Capital Management L.P., an affiliated person of the above-referenced money market funds, received on December 9, 1994 two letters of credit for the benefit of each of the above-referenced funds as described in our letter to the staff dated December 8, 1994 requesting no-action assurances. Each Fund's board was advised of this transaction.

If you have any further questions or comments regarding this matter, please feel free to contact me at the telephone number set forth above or Ms. Emilie Wrapp at (202) 969-2154.

Sincerely,

George O. Martinez

GOM/jnd