



DIVISION OF
INVESTMENT MANAGEMENT

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

July 12, 1995

Mr. Thomas H. Nevin
President & Chief Investment
Officer
PNC Institutional Management
Corporation
400 Bellvue Parkway
Wilmington, DE 19809

File	ICA-40
Section	17(a)
File	
Public	
Availability	7/12/95

Re: Municipal Fund for California Investors, Inc.

Dear Mr. Nevin:

Your letter of July 11, 1995 requests our assurance that we would not recommend that the Commission take any enforcement action under section 17(a) of the Investment Company Act of 1940 ("1940 Act") and the rules thereunder if the California Money Fund, a series of the above referenced registrant ("Fund"), and PNC Bank Corp. ("Affiliate") 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 in the principal amount of \$7.9 million (approximately 1.82% of net assets) that mature on July 19, 1995 ("Securities"). The Securities pay interest at a rate of 4.5% per year. As a result of the Orange County bankruptcy filing on December 6, 1994, the Fund was unable to obtain reliable market quotes for these Securities, and it determined the fair values of the Securities to be less than their amortized cost values.

In December 1994, PNC Bank, N.A. ("PNC Bank"), an affiliated person of the Fund's investment adviser, entered into an agreement with the Fund in order to avoid potential loss to shareholders of the Fund ("LOC Agreement").¹ Under the LOC Agreement, PNC Bank issued a letter of credit ("LOC") on behalf of the Fund that covered the principal amount of the Securities plus accrued interest. The obligation of PNC Bank to pay principal and interest under the LOC Agreement was to be discharged if the LOC was replaced with a letter of credit issued by a bank that was not an affiliated person of the Fund, or an affiliated person of such person ("Replacement LOC"). The staff of the Division of Investment Management informed PNC Bank and the Fund that it would not recommend to the Commission enforcement action against the parties if the LOC Agreement

¹ In your letter of December 9, 1994, you represented that PNC Bank 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. Thomas H. Nevin

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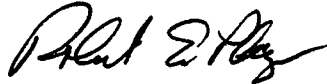
was effected. Subsequently, a Replacement LOC issued by Citibank, N.A. on behalf of the Fund in the amount of \$8.3 million was put into effect. The Fund continues to hold the Securities and values them based on the Replacement LOC. The Replacement LOC, by its terms, expires on July 31, 1995.

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 that will, among other things, extend the maturity date of the Securities to June 30, 1996.

To avoid potential shareholder losses on the Securities, you state that the Affiliate has offered to purchase the Securities from the Fund at their amortized cost values ("Purchase Offer"). You also represent that the Fund's board of directors will be advised of the Purchase Offer.

On the basis of the facts and representations in your letter, we will not recommend enforcement action under section 17(a) 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

**PNC Institutional
Management Corporation**
400 Bellevue Parkway
Wilmington, DE 19809
791 1728 Tel
791 1898 Fax

Thomas H. Nevin
*President &
Chief Investment Officer*

July 11, 1995

PIMC

VIA FACSIMILE

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

Re: Municipal Fund for California Investors, Inc.; File No. 2-79510

Dear Mr. Plaze:

We are writing on behalf of PNC Bank Corp. ("Affiliate"), an affiliated person of an affiliated person of Municipal Fund for California Investors, Inc. ("Registrant"). 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(a) of the Investment Company Act of 1940 ("1940 Act") or the rules thereunder if the Registrant and the Affiliate enter into the transaction described below.

The Registrant is registered with the Commission under the 1940 Act as an open-end management investment company. One series of shares of the Registrant, California Money Fund ("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. Approximately 1.82% of the Fund's net assets as of July 10, 1995 consisted of certain debt securities ("Securities") fully described below. As a result of the Orange County bankruptcy, the Fund has been unable to obtain reliable market quotes for these securities. The Securities are:

\$7.9 million of County of Orange, California Tax and Revenue Notes-A; CUSIP #684201EK8; original maturity date is July 19, 1995 and extended maturity date is June 30, 1996; Irrevocable Standby Letter of Credit of Citibank, N.A. in favor of Registrant up to \$8.3 million, expires July 31, 1995.

On July 11, 1995, the Affiliate offered to purchase the Securities from the Fund at their amortized cost value (the principal amount of the Securities plus accrued interest) to avoid any potential portfolio shareholder loss on the Securities. The Registrant's board of directors will be advised of this proposed transaction.

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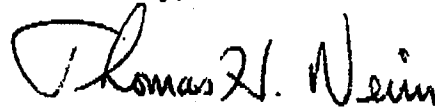
Mr. Robert E. Plaze
July 11, 1995
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The Affiliate is an "affiliated person of an affiliated person" of the Registrant under Section 2(a)(3) of the 1940 Act because PNC Bank, N.A., the Fund's sub-adviser, is an indirect wholly-owned subsidiary of Affiliate. The proposed transaction falls within 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 knowingly to purchase any security or other property from the investment company.

The Registrant and the Affiliate believe that it would be in the best interests of the Fund's shareholders if the Affiliate would purchase the Securities from the Registrant at their amortized cost value, plus accrued interest. On behalf of the Fund 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 Registrant or the Affiliate under Section 17(a) if the Affiliate purchases the Securities from the Fund as described above.

If you have any questions or other communications concerning this matter, please call the undersigned at (302) 791-1728.

Sincerely,



Thomas H. Nevin

THN/ira

cc: J. Richard Carnail - Chairman, PIMC
Gary M. Gardner - Chief Counsel, Mutual Funds
W. Bruce McConnel, III, Esquire - Drinker Biddle & Reath

FNC Institutional
Management Corporation
400 Bellevue Parkway
Wilmington, DE 19809
91 1539 Tel
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PIMC

December 9, 1994

Robert Plaze, Associate Director
Division of Investment Management
Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
MS 10-6, Room 10054
Washington, DC 20549

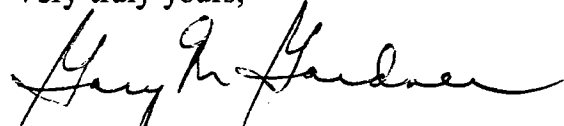
RE: Municipal Fund for California Investors, Inc.
(File No. 2 - 79510); Orange County CA TRANS

Dear Mr. Plaze:

This letter will confirm that Citibank, N.A. of New York has issued an irrevocable standby letter of credit for the benefit of the above referred registrant. This letter of credit has been issued by an institution (Citibank, N.A.) whose short-term obligations are rated P-1 and A-1, in an amount (\$8,300,000) in excess of the full principal and interest to be accrued on the above securities, with an expiration date (July 31, 1995) later than the July 17, 1995 maturity date of the above securities.

This confirmation is sent based upon the representation included in the December 9, 1994 letter from Vernon Stanton, Jr. of Drinker Biddle & Reath to you.

Very truly yours,



Gary M. Gardner
Chief Counsel, Mutual Funds

GMG:chs

cc: Vernon Stanton, Jr.
Drinker Biddle & Reath

LAW OFFICES

DRINKER BIDDLE & REATH

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(610) 993-2200

December 9, 1994

Robert Plaze, Associate Director
Division of Investment Management
Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
MS 10-6, Room 10054
Washington, DC 20549

Re: Municipal Fund for California Investors, Inc.
(File No. 2-79510); Orange County TRANS

Dear Mr. Plaze:

This is to confirm your conversation with Gary Gardner, Esq. of PNC Institutional Management Corporation, the investment adviser to the above-named registrant, relative to the \$7.9 million principal amount of 4.50% TRANS of Orange County, California, due July 19, 1995 (the "Securities"), which are held by the Money Market Portfolio of registrant. As a result of the filing for Bankruptcy of Orange County, the market for these securities is unsettled. While we have not examined the actual instrument, we believe that the filing under the Bankruptcy Code by Orange County would be a default under the terms of the Securities.

PNC Bank, N.A. (an affiliate of the investment adviser) is rated P-1 by Moody's Investors Service, Inc. and A-1 by Standard & Poor's Corporation. It proposes to issue a 90 day Letter of Credit of in favor of the registrant. The Letter of Credit can be drawn upon up to the full amount of principal and accrued interest:

1) at any time on and after the date of a downgrade in the credit rating of the Bank by Moody's or by Standard & Poor's;

Robert Plaze, Associate Director
Division of Investment Management
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2) at any time following a determination by the Internal Revenue Service that the interest on the Securities is taxable for federal income tax purposes;

3) at any time after the close of business on the third business day before the date of expiration of the Letter of Credit.

The investment adviser and the directors of the registrant have been advised that the position taken by the Staff described herein is conditioned on the understanding that the Letter of Credit will be drawn (a) upon the happening of the events described in paragraphs 1) and 2) above, and (b) during the period described in paragraph 3) above, unless the Securities have theretofore been sold, or the Securities become Eligible Securities as a result of the provision by the adviser of an irrevocable standby letter of credit issued by an institution rated P-1 by Moody's Investors Service, Inc. and A-1 by Standard & Poor's Corporation, in the full amount of principal and accrued interest on the Securities, extending to the maturity date of the Securities. If such a replacement letter of credit is obtained, the registrant will promptly notify the Commission. The investment adviser has advised the Board that it will adhere to the conditions required by the Staff and set forth above.

The 90 day term of the Letter of Credit will give the registrant time in which to determine what action it ultimately expects to take, and to give the markets for these securities time to return to a somewhat more normal situation.

I understand that you indicated to Mr. Gardner that the Staff would assure that it will not recommend enforcement action under Section 17(a) of the Investment Company Act of 1940 if the transaction were effected as set forth above.

While we have not fully analyzed the legal issues associated with the proposed course of action, it would appear that the issuance of the Letter of Credit, which is the action to be taken today, would not be a transaction prohibited by Section 17(a) of the Investment Company Act of 1940, but that the need for exemptive relief would arise when and if the registrant assigned its rights in the Securities to the issuer of the Letter of Credit in connection with draws thereon.

DRINKER BIDDLE & REATH

Robert Plaze, Associate Director
Division of Investment Management
Securities and Exchange Commission
December 9, 1994
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I would appreciate it if you would confirm that if PNC Bank, N.A. issues the Letter of Credit to the registrant containing the terms outlined above, subject to the performance of the conditions, the Staff of the Commission will assure that it will not recommend enforcement action under Section 17(a) of the Investment Company Act of 1940.

Sincerely yours,


Vernon Stanton, Jr.

VS:nt

Stantonv/Misc/Plaze.Ltr