

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 27595; 812-13257]

The MainStay Funds, et al.; Notice of Application

December 11, 2006

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

Action: Notice of an application under section 6(c) of the Investment Company Act of 1940 (“Act”) for an exemption from section 15(a) of the Act and rule 18f-2 under the Act, as well as certain disclosure requirements.

Summary of Application: Applicants request an order that would permit them to enter into and materially amend subadvisory agreements without shareholder approval and would grant relief from certain disclosure requirements.

Applicants: The MainStay Funds and MainStay VP Series Fund, Inc. (each a “Registrant” and together, the “Registrants”) and New York Life Investment Management LLC (“NYLIM” or the “Manager”).

Filing Dates: The application was filed on February 1, 2006, and amended on May 2, 2006 and November 15, 2006. 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 January, 5, 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.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants, c/o Marguerite E.H. Morrison, Esq., New York Life Investment Management LLC, 169 Lackawanna Ave., 3rd Floor, Parsippany, NJ 07054.

For Further Information Contact: Laura L. Solomon, Senior Counsel, at (202) 551-6915, or Nadya B. Roytblat, Assistant Director, at (202) 551-6821 (Division of Investment Management, Office of Investment Company Regulation).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Desk, 100 F Street, NE, Washington, DC 20549-0102 (telephone (202) 551-5850).

Applicants' Representations:

1. The MainStay Funds is organized as a Massachusetts business trust and is registered under the Act as an open-end management investment company. Each Registrant currently offers multiple series (each a "Fund") with its own investment objectives, policies and restrictions.¹ MainStay VP Series Fund, Inc. is organized as a

¹ Applicants also request relief with respect to: (a) all of the Funds; and (b) any other existing and future series of the Registrants and any other existing or future registered open-end management investment company or series thereof that wishes to rely on the relief and: (1) uses the "manager-of-managers" arrangement described in the application; (2) complies with the terms and conditions of the application; and (3) is advised by a Manager (together with the Funds, the "Sub-Advised Funds"). All references to the term "Manager" herein include (a) NYLIM, and (b) any entity controlling, controlled by, or under common control with NYLIM. All existing registered open-end management investment companies that currently intend to rely on the requested order are named as applicants. If the name of any Sub-Advised Fund contains the name of a Sub-Adviser (as defined below), the name of the Manager, including the legal name of the Manager and/or any "doing business as" or business unit names used by the Manager, will precede the name of the Sub-Adviser.

Maryland corporation and is registered under the Act as an open-end management investment company. The Manager is a Delaware limited liability company and is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act") and provides investment management services to the Sub-Advised Funds pursuant to an investment advisory agreement with each Sub-Advised Fund ("Investment Advisory Agreement"). Each Investment Advisory Agreement has been approved by the Registrants' board of trustees or directors (the "Board"), including a majority of the members of the Board who are not "interested persons," as defined in section 2(a)(19) of the Act, of the Sub-Advised Fund ("Independent Board Members") and the shareholders of the Sub-Advised Fund at the time and in the manner required by sections 15(a) and (c) of the Act and Rule 18f-2 under the Act.

2. Under the terms of the Investment Advisory Agreement, the Manager is responsible for providing a program of continuous investment management to each Sub-Advised Fund in accordance with the investment objective, policies and limitations of the Sub-Advised Fund. The Investment Advisory Agreement also authorizes the Manager, subject to Board approval, to enter into investment sub-advisory agreements ("Sub-Advisory Agreements") with one or more subadvisers ("Sub-Advisers"). Each Sub-Adviser is, and will be, registered as an investment adviser under the Advisers Act. The Manager monitors and evaluates the Sub-Advisers and recommends to the Board their hiring, retention or termination. Sub-Advisers recommended to the Board by the Manager have been, or will be, selected and approved by the Board, including a majority of the Independent Board Members. In return for providing Sub-Adviser selection, monitoring and asset allocation services, and overall management services, the Manager will receive a

fee from the Sub-Advised Fund (“Advisory Fee”). The Sub-Adviser’s fees will be paid out of the Advisory Fee that a Sub-Advised Fund pays to its Manager.

3. Applicants request an order to permit the Manager, subject to approval of the applicable Board, including a majority of the Independent Board Members, and without obtaining shareholder approval to enter into and materially amend Sub-Advisory Agreements. The requested relief will not extend to any Sub-Adviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of the Sub-Advised Fund or of a Manager, other than by reason of serving as a Sub-Adviser to one or more of the Sub-Advised Funds ("Affiliated Sub-Adviser").

4. Applicants also request an exemption from the various disclosure provisions described below that may require a Sub-Advised Fund to disclose fees paid by the Manager to each Sub-Adviser. An exemption is requested to permit each Sub-Advised Fund to disclose (as both a dollar amount and as a percentage of the Sub-Advised Fund’s net assets): (a) the aggregate fees paid to the Manager and any Affiliated Sub-Advisers; and (b) the aggregate fees paid to Sub-Advisers other than Affiliated Sub-Advisers (collectively, "Aggregate Fee Disclosure"). For any Sub-Advised Fund that employs an Affiliated Sub-Adviser, the Fund will provide separate disclosure of any fees paid to the Affiliated Sub-Adviser.

Applicants' Legal Analysis:

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except under a written contract that has been approved by the vote of a majority of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class

of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Form N-1A is the registration statement used by open-end investment companies. Item 14(a)(3) of Form N-1A requires disclosure of the method and amount of an investment adviser's compensation.

3. Rule 20a-1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 ("1934 Act"). Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8) and 22(c)(9) of Schedule 14A, taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the "rate of compensation of the investment adviser," the "aggregate amount of the investment adviser's fees," a description of the "terms of the contract to be acted upon," and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

4. Form N-SAR is the semi-annual report filed with the Commission by registered investment companies. Item 48 of Form N-SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Sub-Advisers.

5. Regulation S-X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholder reports filed with the Commission. Sections 6-07(2)(a), (b), and (c) of Regulation S-X require that investment companies include in their financial statements information about investment advisory fees.

6. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provisions of the Act, or from any rule thereunder, if 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. Applicants state that their requested relief meets this standard for the reasons discussed below.

7. Applicants assert that the shareholders of a Sub-Advised Fund are relying on the Manager's experience to select one or more Sub-Advisers best suited to achieve the Sub-Advised Fund's investment objectives. Applicants assert that, from the perspective of the investor, the role of the Sub-Advisers is comparable to that of the individual portfolio managers employed by traditional investment company advisory firms. Applicants state that requiring shareholder approval of each Sub-Advisory Agreement would impose costs and unnecessary delays on the Sub-Advised Funds, and may preclude the Manager from acting promptly in a manner considered advisable by the Board. Applicants note that the Investment Advisory Agreement and any Sub-Advisory Agreement with an Affiliated Sub-Adviser will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that some Sub-Advisers use a "posted" rate schedule to set their fees. Applicants state that while Sub-Advisers are willing to negotiate fees that are lower than those posted on the schedule, they are reluctant to do so where the fees are disclosed to other prospective and existing customers. Applicants submit that the requested relief will allow the Manager to negotiate more effectively with each Sub-Adviser.

Applicants' Conditions:

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Before a Sub-Advised Fund may rely on the requested order, the operation of the Sub-Advised Fund in the manner described in the application will be approved by a majority of the Sub-Advised Fund's outstanding voting securities, as defined in the Act, or, in the case of a Sub-Advised Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole initial shareholder before offering the Sub-Advised Fund's shares to the public.

2. Each Sub-Advised Fund will disclose in its prospectus the existence, substance, and effect of any order granted pursuant to the application. In addition, each Sub-Advised Fund will hold itself out to the public as employing the manager of managers arrangement described in the application. The prospectus relating to each Sub-Advised Fund will prominently disclose that its Manager has ultimate responsibility (subject to oversight by the Board) to oversee the Sub-Advisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of a new Sub-Adviser, the applicable Manager will furnish shareholders all information about the new Sub-Adviser that would be included in a proxy statement, except as modified to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of the new Sub-Adviser. To meet this condition, the Manager will provide shareholders of the applicable Sub-Advised Fund within 90 days of the hiring of a new Sub-Adviser with an information statement meeting the requirements of Regulation

14C, Schedule 14C, and Item 22 of Schedule 14A under the 1934 Act, except as modified by the order to permit Aggregate Fee Disclosure.

4. The Manager will not enter into a Sub-Advisory Agreement with any Affiliated Sub-Adviser unless that agreement, including the compensation to be paid thereunder, has been approved by the shareholders of the applicable Sub-Advised Fund.

5. At all times, at least a majority of the Board will be Independent Board Members and the nomination of new or additional Independent Board Members will be at the discretion of the then existing Independent Board Members.

6. When a change of Sub-Adviser is proposed for a Sub-Advised Fund with an Affiliated Sub-Adviser, the Board, including a majority of the Independent Board Members, will make a separate finding, reflected in the Board minutes, that such change is in the best interests of the Sub-Advised Fund and its shareholders, and does not involve a conflict of interest from which the Manager or an Affiliated Sub-Adviser derives an inappropriate advantage.

7. The Manager will provide general management services to each Sub-Advised Fund, including overall supervisory responsibility for the general management and investment of each Sub-Advised Fund's assets, and, subject to review and approval by the Board, will, for each Sub-Advised Fund: (a) set the Sub-Advised Fund's overall investment strategies; (b) evaluate, select and recommend Sub-Advisers to manage all or a part of the Sub-Advised Fund's assets; (c) when appropriate, allocate and reallocate the Sub-Advised Fund's assets among multiple Sub-Advisers; (d) monitor and evaluate the Sub-Advisers' investment performance; and (e) implement procedures reasonably designed

to ensure compliance by the Sub-Advisers with the Sub-Advised Fund's investment objective, policies and restrictions.

8. No director, trustee or officer of a Sub-Advised Fund, or director or officer of the Manager, will own, directly or indirectly (other than through a pooled investment vehicle over which such person does not have control), any interest in a Sub-Adviser, except for: (a) ownership of interests in the Manager or any entity that controls, is controlled by, or is under common control with the Manager, or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of any publicly traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

9. Each Sub-Advised Fund will disclose in its registration statement the Aggregate Fee Disclosure.

10. Independent Legal Counsel, as defined in rule 0-1(a)(6) under the Act, will be engaged to represent the Independent Board Members. The selection of such counsel will be within the discretion of the then existing Independent Board Members.

11. The requested order will expire on the effective date of rule 15a-5 under the Act, if adopted.

12. The Manager will provide the Boards, no less frequently than quarterly, with information about the profitability of the Manager on a per-Sub-Advised Fund basis. The information will reflect the impact on profitability of the hiring or termination of any Sub-Adviser during the applicable quarter.

13. Whenever a Sub-Adviser is hired or terminated, the Manager will provide the Board with information showing the expected impact on the profitability of the Manager.

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

Nancy M. Morris
Secretary