

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-95-11 and should be submitted by May 9, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-9526 Filed 4-17-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21000; 811-1522]

Centurion Growth Fund, Inc.; Notice of Application

April 12, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for Deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: Centurion Growth Fund, Inc.

RELEVANT ACT SECTIONS: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILING DATES: The application was filed on March 2, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on May 8, 1995, and should be

accompanied by proof of service on applicant 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549. Applicant, c/o Mutual Funds Service Co., 600 Memorial Drive, Dublin, Ohio 43017.

FOR FURTHER INFORMATION CONTACT:

James M. Curtis, Senior Counsel, at (202) 942-0563, or Robert A. Robertson, Branch Chief, (202) 942-0564 (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 at the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is registered as an open-end management investment company that was organized as a corporation under the laws of Delaware on August 1, 1967 under the name America Future Fund, Inc. On August 14, 1967, applicant filed a notice of registration pursuant to section 8(a) of the Act and a registration statement under section 8(b) of the Act. On August 24, 1967, applicant also filed a registration statement under the Securities Act of 1933 on Form S-5. Applicant's registration statements both were declared effective on February 8, 1968.

2. On April 22, 1994, the United States District Court, Southern District of Florida (the "Court"), appointed Daniel H. Aronson (the "Receiver") as the receiver for applicant at the request of the SEC after applicant's investment adviser and underwriter resigned and all but one director and officer of applicant had resigned.

3. On June 10, 1994, the Court directed the Receiver to pursue a merger of applicant with another investment company on terms as advantageous as possible to applicant's shareholders. After reviewing several proposals, the Receiver selected the merger proposal submitted by Vontobel USA, Inc., an investment adviser, and The World Funds, Inc., a diversified, open-end, management investment company.

4. On November 23, 1994, the Receiver and World Funds executed an Agreement and Plan of Reorganization (the "Plan"), and the Receiver appointed Vontobel as interim investment adviser. The Court, by order

dated December 16, 1994, granted the Receiver's motion to approve the Plan. No vote, consent, or other action by applicant's shareholders was required or solicited in connection with the Plan due to the Court's jurisdiction and broad powers of equity.

5. On December 27, 1994, pursuant to the Plan, the U.S. Value Fund Series of World Funds acquired all applicant's assets and goodwill, except for \$65,000 in cash applicant retained to pay its expenses related to the Plan and other liabilities, in exchange for a number of shares of common stock of the series based on the relative net asset values of such series and applicant. World Funds then distributed to applicant's shareholders 730,811,301 shares of the series *pro rata* based on the series's net asset value per share of \$10.25.

6. The Receiver retained \$65,000 to pay applicant's final costs, expenses, debts, and liabilities. The Receiver has been paying these expenses as they come due and anticipates that such expenses will exhaust the funds withheld.

7. Applicant has no security holders, assets, or other liabilities. Applicant is not a party to any litigation or administrative proceeding other than those described above. Applicant is not engaged and does not propose to engage in any business activity other than those necessary for the winding up of its affairs.

8. On December 16, 1994, the Court authorized the dissolution of applicant. Applicant filed a Certificate of Dissolution with the Secretary of State of Delaware on December 29, 1994.

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

Margaret M. McFarland,

Deputy Secretary.

[FR Doc. 95-9520 Filed 4-17-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21003; No. 812-9164]

Neuberger & Berman Advisers Management Trust, et al.

April 12, 1995.

AGENCY: Securities and Exchange Commission ("SEC" or "Commission").

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: Neuberger & Berman Advisers Management Trust ("Trust"), Advisers Managers Trust ("Managers Trust"), Neuberger & Berman Management Incorporated ("Investment Adviser"), and Certain Life Insurance

Companies ("Participating Insurance Companies") and their Separate Accounts ("Separate Accounts") Investing in the Trust.

RELEVANT 1940 ACT SECTION: Order requested under Section 6(c) granting exemptions from Sections 9(a), 13(a), 15(a), and 15(b) of the 1940 Act, and Rules 6e-2(b)(15) and 6e-3(T)(b)(15) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order to permit shares of the Trust (and/or any successor entity), beneficial interests of Managers Trust, and beneficial interests or shares of any other investment company that is designed to fund insurance products and for which the Investment Adviser or its affiliates may serve now or in the future as investment adviser, administrator, manager, principal underwriter or sponsor, to be sold to and held by: (a) separate accounts of both affiliated and unaffiliated Participating Life Insurance Companies offering variable annuity contracts and variable life insurance contracts; and (b) qualified pension and retirement plans ("Qualified Plans").

FILING DATE: The application was filed on August 16, 1994, and amended on April 5, 1995 and April 10, 1995.

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 May 2, 1995, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requestor's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549. Applicants, c/o Stanley Egener, President, Neuberger & Berman Management Incorporated, 605 Third Avenue, 2nd Floor, New York, New York 10158-0006.

FOR FURTHER INFORMATION CONTACT: Yvonne M. Hunold, Assistant Special Counsel, or Wendy Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products (Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the

application; the complete application is available for a fee from the Commission's Public Reference Branch.

Applicants' Representations

1. The Trust is a series Massachusetts business trust that is registered under the 1940 Act as a diversified, open-end management investment company. The Trust currently consists of six portfolios ("Trust Portfolios"). A seventh Trust Portfolio, the International Portfolio, is scheduled to commence operations on May 1, 1995. As more fully discussed below, reorganization of the Trust ("Successor Trust") is anticipated to take effect on May 1, 1995, with a conversion date currently anticipated for April 28, 1995. After the reorganization, the Successor Trust will become a "feeder" fund in a "master-feeder" fund structure¹ by investing in Managers Trust.

2. Managers Trust is a New York common law trust that offers shares of its series of portfolios ("Series") to insurance company separate accounts and to Qualified Plans. Upon reorganization of the Trust, Managers Trust will serve as a "master fund" in a master-feeder structure in which the Successor Trust will be a "feeder" fund.

3. Investment Adviser currently manages and distributes shares of each Trust Portfolio. Upon reorganization of the Trust, Investment Adviser will serve as administrator of the Successor Trust's portfolios and as administrator or manager of Managers Trust's Series. Investment Adviser's voting stock is owned by general partners of Neuberger & Berman, L.P. ("Neuberger & Berman"), the sub-adviser to the Trust Portfolios. Investment Adviser is not affiliated with any of the Participating Insurance Companies.

4. Participating Insurance Companies are both affiliated and unaffiliated insurance companies that currently invest in the Trust through either their general or Separate Accounts in connection with the offering of both variable annuities and variable life insurance contracts ("Contracts"). Separate Accounts of Participating Insurance Companies are unit investment trusts ("UIT-Separate Accounts") that are either registered under the 1940 Act or exempt from registration pursuant to Section 3(c)(11)

¹ A "master feeder" fund structure is a two-tiered arrangement in which one or more investment companies (or other collective investment vehicles) ("feeder funds") pool their assets by investing in a single investment company having the same investment objective ("master fund"). This structure typically has been used to customize distribution channels, fee structures and marketing techniques while continuing to offer interests in the same underlying investment portfolios.

of the 1940 Act. UIT-Separate Accounts invest directly in the Trust, resulting in a two-tier structure. Participating Insurance Companies' Separate Accounts registered under the 1940 Act as management investment companies ("Managed-Separate Accounts") currently do not invest in the Trust. Upon reorganization of the Trust, UIT-Separate Accounts will invest in the Successor Trust, which, in turn, will invest in Managers Trust, resulting in a three-tier structure. Managed-Separate Accounts will invest directly in Managers Trust, resulting in a two-tier structure.

5. Trust shares currently are offered pursuant to orders of the Commission under Section 6(c) of the 1940 Act exempting the Trust and Investment Adviser from Sections 9(a), 13(a), 15(a), and 15(b) of the 1940 Act, and Rules 6e-2(b)(15) and 6e-3(T)(b)(15) thereunder.² The purpose of this application is to extend the exemptive relief granted to the Trust and Investment Adviser to the successor entities of the Trust and to certain other investment companies ("Other Investment Companies") that may be used as underlying funds for both UIT-Separate Accounts and Qualified Plans.

(The Trust (and/or any successor entity) and Other Investment Companies hereinafter are referred to, collectively, as "Insurance Products Funds." Investment companies offering shares to Insurance Products Funds, to Managed-Separate Accounts, and to Qualified Plans are referred to, collectively, as "Master Funds." The term "Master Funds" does not include "Insurance Products Funds." "Participating Insurance Companies" refers to: (a) insurance companies, the assets of which currently are invested in the Trust through either their general or Separate Accounts, and which will be invested in the successor to the Trust, and/or one or more other Insurance Products Funds, and/or more Master Funds; and (b) insurance companies, the assets of which, in the future, may be invested through either their general or Separate Accounts in the Trust (and/or any successor entity) and/or one or more other Insurance Products Funds, and/or one or more Master Funds.)³

6. As noted previously, the Trust will be reorganized into the Successor Trust,

² Investment Company Act Release Nos. 18573 (Feb. 26, 1992) (Amended Order), 18506 (Jan. 29, 1992) (Notice), 16207 (Jan. 7, 1988) (Amended Order), 16165 (Dec. 9, 1987) (Notice), 15324 (Sept. 23, 1986) (Order), and 15274 (Aug. 25, 1986) (Notice).

³ Any assets invested by the general accounts of Participating Insurance Companies will be in the form of initial operating capital commonly known as "seed money."

which will serve as a "feeder" fund in a "master-feeder" fund structure. The proposal by the Investment Adviser to reorganize the Trust was approved by the Board of Trustees of the Trust and, on August 25, 1994, by shareholders of the Trust. The Successor Trust will be a series Delaware business trust registered under the 1940 Act as an open-end diversified management investment company. The Successor Trust, which will retain the Trust's present name, initially will consist of seven portfolios ("Successor Portfolios"). Each Successor Portfolio will retain the same name and have substantially the same investment objective and policies as its current corresponding Trust Portfolio. Additional Successor Portfolios may be added in the future.

7. Upon reorganization, each Trust Portfolio will transfer all of its assets to the corresponding Successor Portfolio. In exchange, share of each Successor Portfolio will be distributed to the shareholders of the corresponding Trust Portfolio on the basis of one Successor Portfolio share for one outstanding Trust Portfolio share, with the Successor Portfolio assuming all of the liabilities of that corresponding Trust Portfolio. Each Successor Portfolio, in turn, will invest all of its assets in a corresponding Series of Managers Trust and offer its shares to UIT-Separate Accounts of Participating Insurance Companies and to Qualified Plans, resulting in a three-tier structure. Each Series of Managers Trust will have the same investment objectives and policies as the corresponding Successor Portfolio. Thereafter, the only investment securities held by each Successor Portfolio will be its interest in the corresponding Series of Managers Trust. In the future, Managed-Separate Accounts of Participating Insurance Companies will and certain Qualified Plans may invest directly in the Master Funds, thus resulting in a two-tier structure with respect to these arrangements.

8. Applicants assert that the primary objective of the Trust's restructuring into a master-feeder fund structure is to retain and increase assets in the Trust and, ultimately, lower Contract owner's expenses. Applicants believe that economies of scale may be achieved that would benefit all shareholders. Applicants state that, to the extent that certain operating costs are relatively fixed and currently are borne by a Trust Portfolio alone, these expenses instead would be borne by the Series and shared by the corresponding Successor Portfolio and any other investors

pooling their assets through investment in the Series.

9. Investment Adviser will serve as administrator of the Successor Portfolios and as manager of the corresponding Series of Managers Trust, except with respect to the International Series of Managers Trust. BNP-N&B Global Asset Management L.P., an affiliate of Investment Adviser, will act as investment adviser for the International Series, for which Investment Adviser will serve as administrator. In addition, Investment Adviser, or its affiliates, may serve now or in the future as investment adviser, administrator, manager, principal underwriter or sponsor with respect to the Insurance Products Funds and the Master Funds. Investment Adviser may provide services to Managed-Separate Accounts or to Qualified Plans that may, in the future, function as "feeder" funds by investing in the Master Funds. Investment Adviser does not and will not act as investment adviser to Qualified Plans which have purchased or will purchase shares of the Insurance Products Funds, or beneficial interests in the Master Funds. Investment Adviser is not affiliated with any of the Participating Insurance Companies.

10. Neuberger & Berman will be the sub-adviser for the Series of Managers Trust and may act as investment adviser to Qualified Plans investing in the Successor Trust, but is not permitted to advise such Qualified Plans to invest in the Successor Trust. Independent fiduciaries of such Qualified Plans for which Neuberger & Berman acts as investment adviser may choose to invest in the Successor Trust.

11. Qualified Plans, in the future, may invest directly in the Master Funds and may choose any Insurance Products Funds or Master Funds as their sole investment or as one of several investments. Qualified Plan participants may or may not be given an investment choice depending on the terms of the Plan. Shares of any of the Insurance Products Funds, or beneficial interests in the Master Funds, sold to such Qualified Plans will be held by the trustees of said Plans as mandated by Section 403(a) of the Employee Retirement Income Security Act of 1974 ("ERISA"). There is no pass-through voting to the participants of such Qualified Plans.

12. Section 817(h) of the Internal Revenue Code of 1986, as amended, ("Code") imposes certain diversification standards on the underlying assets of variable annuity and variable life

insurance contracts.⁴ The Successor Trust and Managers Trust, on behalf of each Successor Portfolio and Series, have applied to the Internal Revenue Service ("IRS") for a private letter ruling with respect to certain tax issues arising out of the proposed restructuring of the Trust. The Successor Trust and Managers Trust have requested that the IRS rule, among other things, that the "look-through" rule of Section 817 of the Code will be available for the variable insurance contract diversification test. In the event that the requested IRS ruling is not received by the conversion date, the Investment Adviser expects to receive a favorable opinion of counsel with respect to the Section 817 and other relevant tax issues, prepared solely for its use in connection with the creation of the master-feeder fund.

Applicants' Legal Analysis

1. Section 6(c) authorizes the Commission to grant exemptions from the provisions of the 1940 Act, and rules thereunder, if and to the extent that an 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 1940 Act.

A. Rule 6e-2—Scheduled Premium Variable Life Insurance Contracts

2. In connection with the funding of scheduled premium variable life insurance contracts issued through a separate account registered under the 1940 Act as a UIT Rule 6e-2(b)(15) provides partial relief from Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act. The exemptions granted to a separate account by Rule 6e-2(b)(15) are available only where all of the assets of the separate account consist of the shares of one or more registered management investment companies ("Underlying Funds") offering their shares "exclusively" to variable life insurance separate accounts of the life insurer, or of any affiliated life insurance company, funding such variable contracts. The relief provided by Rule 6e-2 also is available to a

⁴ Insurance Products Funds selling their shares to Qualified Plans must meet certain diversification requirements with respect to the portfolios underlying their variable contracts. According to Applicants, diversification requirements are satisfied where all beneficial interests in an investment company (*master fund*) are held by Separate Accounts (*feeders*) of one or more insurers. Under regulations prescribed by the Treasury Department establishing diversification requirements for investment portfolios underlying variable contracts, the ability of these Separate Accounts to hold shares in the same investment company is not adversely affected if such shares are held by the trustee of a Qualified Plan.

separate account's investment adviser, principal underwriter and sponsor or depositor. The relief granted by Rule 6e-2(b)(15), however, is not available with respect to a scheduled premium variable life insurance separate account that owns shares of an underlying fund that also offers its shares to a variable annuity separate account of the same company or of any other affiliated or unaffiliated life insurance company. The use of a common underlying fund as the investment vehicle for both variable annuity contracts and scheduled or flexible premium variable life insurance contracts is referred to as "mixed funding." The use of a common underlying fund as the underlying investment vehicle for separate accounts of unaffiliated insurance companies is referred to as "shared funding." Rule 6e-2(b)(15), thus, precludes both mixed funding and shared funding.

3. Moreover, because the relief under Rule 6e-2(b)(15) is available only where shares are offered exclusively to separate accounts, additional exemptive relief is necessary if shares of an underlying fund also are offered to Qualified Plans.⁵ Applicants assert that the appropriateness of granting relief under this provision is not affected by the purchase of Insurance Products Funds' shares by Qualified Plans.

4. Rule 6e-2(b)(15) also does not exempt Managed-Separate Accounts of Participating Insurance Companies functioning as "feeders" by virtue of the acquisition of beneficial interests in a Master Fund because such a Managed-Separate Account would not be registered as a UIT. Because under certain circumstances the Master Funds will solicit votes of their interest holders with respect to items relating solely to their operations, Applicants assert that the exemptive relief granted by Rule 6e-2(b)(15) should be extended to such Managed-Separate Accounts to the extent that they are required to vote on issues affecting the Master Funds. Applicants further assert that the extension of this relief to Managed-Separate Accounts of Participating Insurance Companies is consistent with the purpose and intent of Rule 6e-2. Applicants submit that the relief granted by Rule 6e-2 also is in no way affected

⁵ Applicants state that the sale of shares of the same investment company to separate accounts and to Qualified Plans was not contemplated at the time of the adoption of Rules 6e-2 and 6e-3(T), given the then-current tax laws. Further, the promulgation of paragraph (b)(15) of Rules 6e-2 and 6e-3(T) preceded the issuance of the Treasury Regulations permitting the trustee of a Qualified Plan to hold shares of an investment company without adversely affecting the ability of insurance company separate accounts to hold shares of the same investment company.

by the purchase of shares of the Master Fund by Qualified Plans.

B. Rule 6e-3(T)—Flexible Premium Variable Life Insurance Contracts

5. In connection with flexible premium variable life insurance contracts issued through a separate account registered under the 1940 Act as a UIT, Rule 6e-3(T)(b)(15) provides partial exemptions from Sections 9(a), 13(a), 15(a), and 15(b) of the 1940 Act. The exemptions provided by Rule 6e-3(T)(b)(15) also are available to a separate account's investment adviser, principal underwriter and sponsor or depositor. Rule 6e-3(T)(b)(15) exemptions are available, however, only if all of the assets of the separate account consist of shares of one or more underlying funds which offer their shares exclusively to such separate accounts of the life insurer, or its affiliated life insurance companies, offering either scheduled premium or flexible premium variable life insurance contracts, or both; or which also offer their shares to variable annuity separate accounts of the life insurer or of an affiliated life insurance company. Rule 6e-3(T) therefore permits "mixed funding" for flexible premium variable life insurance separate accounts, subject to certain conditions, but does not permit "shared funding." Moreover, because Rule 6e-3(T) relief is available only where underlying fund shares are offered exclusively to separate accounts, additional exemptive relief is necessary because shares of the Insurance Products Funds also are sold to Qualified Plans.

6. Rule 6e-3(T)(b)(15) also does not exempt Managed-Separate Accounts of Participating Insurance Companies functioning as "feeders" by virtue of the acquisition of beneficial interests in a Master Fund, because such Managed-Separate Account would not be registered as a UIT. Applicants assert that the exemptive relief granted by Rule 6e-3(T)(b)(15) should be extended to Managed-Separate Accounts of Participating Insurance Companies to the extent they are required to vote on issues affecting the Master Funds, which will solicit votes of their interest holders under certain circumstances. Applicants further assert that the extension of this relief to the Managed-Separate Accounts is consistent with the purpose and intent of Rule 6e-3(T). Applicants submit that the relief granted by Rule 6e-3(T) also is in no way affected by the purchase of shares of the Insurance Products Funds by Qualified Plans, or by the possible future purchase of Master Funds shares by Qualified Plans.

C. Request for Class Relief

7. Applicants request that the Commission grant exemptive relief to a class or classes of persons and transactions, consisting of: (i) Insurers and separate accounts (organized as UITs) of Participating Insurance Companies investing in Insurance Products Funds; (ii) insurers and separate accounts (organized as managed separate accounts) of Participating Insurance Companies investing in Master Funds; and (iii) with respect to (i) and (ii) above, each of their investment advisers, principal underwriters and depositors.

8. Applicants state that the requested class relief is appropriate in the public interest. Such relief will promote competitiveness in the market by eliminating the need to file redundant exemptive applications, therefore, reducing administrative expenses and maximizing the efficient use of resources. Applicants assert that the delay and expense involved in having to seek exemptive relief repeatedly would impair their ability to take advantage effectively of business opportunities as they arise. Applicants submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. Finally, Applicants state that were they required to seek repeated exemptive relief with respect to the issues addressed in the application, no additional benefit or protection would be provided to investors through the redundant filings. Applicants submit that they are not aware of any facts or circumstances which would prevent the extension of the relief requested to the class of Managed-Separate Accounts of Participating Insurance Companies investing directly in the Master Funds.

D. Disqualification

9. Section 9(a) prohibits any company from serving as investment adviser or principal underwriter of any registered open-end investment company if an affiliated person of that company is subject to a disqualification specified in subparagraph (1) or (2) of that section.⁶ Paragraphs (b)(15)(i) and (ii) of Rules 6e-2 and 6e-3(T) provide partial exemptions from Section 9(a) under certain circumstances, subject to limitations on mixed and shared funding. These partial exemptions only are available to UIT-Separate Accounts and limit the disqualification to affiliated individuals or companies directly participating in the

⁶ Applicants state that no relief from Section 9(a) is necessary with respect to the Qualified Plans which are not investment companies.

management or administration of the underlying fund.

10. Applicants state that the partial relief granted in paragraph (b)(15) of Rules 6e-2 and 6e-3(T) from the requirements of Section 9(a), in effect, limits the monitoring of an insurer's personnel that would otherwise be necessary to ensure compliance with Section 9 to that which is appropriate in light of the policy and purposes of that Section. Applicants further state that Rules 6e-2 and 6e-3(T) recognize that it is not necessary for the protection of investors or for the purposes of the 1940 Act to apply the provisions of Section 9(a) to the many individuals in an insurance company complex, most of whom typically will have no involvement in matters pertaining to an investment company in that organization. Applicants represent that Participating Insurance Companies are not expected to play any role in the management or administration of the Trust (and/or any successor to the trust) or of Managers Trust. Applicants therefore submit that applying the restrictions of Section 9(a) serves no regulatory purpose.

E. Pass-Through Voting

11. Subparagraph (b)(15)(iii) of Rules 6e-2 and 6e-3(T) assume the existence of a pass-through voting requirement with respect to underlying fund shares held by a separate account funding variable insurance contracts. These provisions are applicable to UIT-Separate Accounts. The application states that Participating Insurance Companies will provide pass-through voting privileges to all Contract owners so long as the Commission interprets the 1940 Act to require such privileges.

12. Subparagraph (b)(15)(iii)(A) of Rules 6e-2 and 6e-3(T) provides exemptions from the pass-through voting requirement with respect to several significant matters, assuming observance of the limitations on mixed and shared funding imposed by the 1940 Act and the rules thereunder. Subparagraph (b)(15)(iii)(A) of Rules 6e-2 and 6e-3(T) provide that an insurance company may disregard the voting instructions of its contract owners with respect to the investments of an underlying investment company or any contract between an investment company and its adviser when required to do so by an insurance regulatory authority under certain specified circumstances.

13. Subparagraph (b)(15)(iii)(B) of Rules 6e-2 and 6e-3(T) provides that the insurance company may disregard contract owners' voting instructions with regard to changes initiated by the

contract holders in the investment company's investment policies, principal underwriter or investment adviser, provided that disregarding such voting instructions is reasonable and subject to the other provisions of paragraphs (b)(15)(iii) and (b)(7)(ii)(B) and (C) of each rule.

14. Applicants state that Rules 6e-2 and 6e-3(T) were adopted by the Commission before the "master-feeder" structure was developed. Applicants assert that a Separate Account's acquisition of Successor Trust shares or of beneficial interests of the Master Funds should not change the purpose and intent of Rules 6e-2 and 6e-3(T). Accordingly, Applicants further assert that, because Master Funds from time-to-time solicit votes from their interest holders with respect to certain issues relating to their operations, the exemption from pass-through voting requirements of Rules 6e-2 and 6e-3(T) should be extended to the Managed-Separate Accounts of Participating Insurance Companies investing directly in the Master Funds.

15. Applicants represent that the sale of Insurance Products Funds' shares to Qualified Plans will not have any impact on the relief requested. As noted previously by Applicants, shares of the Insurance Products Funds sold to Qualified Plans will be held by their trustees as mandated by Section 403(a) of ERISA. Section 403(a) also provides that the trustees must have exclusive authority and discretion to manage and control the Qualified Plan with two exceptions: (1) when the Plan expressly provides that the trustees are subject to the direction of a named fiduciary who is not a trustee, in which case the trustees are subject to proper directions made in accordance with the terms of the Qualified Plan and not contrary to ERISA, and (2) when the authority to manage, acquire or dispose of assets of the Qualified Plan is delegated to one or more managers pursuant to Section 402(c)(3) of ERISA. Unless one of the two exceptions stated in Section 403(a) applies, Qualified Plan trustees have the exclusive authority and responsibility for voting proxies. Where a named fiduciary appoints an investment manager, the investment manager has the responsibility to vote the shares held unless the right to vote such shares is reserved to the trustees or to the named fiduciary. In any event, there is no pass-through voting to the participants of such Qualified Plans and, thus, the issue of the resolution of irreconcilable conflicts with respect to voting is not present with Qualified Plans.

F. No Increased Conflicts of Interests

16. Applicants assert that no increased conflicts of interest would be present if the Commission grants the relief requested. Applicants further assert that shared funding does not present any issues that do not already exist where a single insurance company is licensed to do business in several states. Applicants note that when different Participating Insurance Companies are domiciled in different states, state insurance regulators in one state could require action that is inconsistent with the requirements of insurance regulators in one or more other states. That possibility, however, is no different and no greater than that which exists when a single insurer and its affiliates offer their insurance products in several states, as currently is permitted.

17. Applicants argue that affiliations do not reduce the potential, if any exists, for differences in state regulatory requirements. The conditions stated below are adapted from the conditions included in Rule 6e-3(T)(b)(15) and are designed to safeguard against any adverse effects that differences among state regulatory requirements may produce. If a particular state insurance regulator's policy conflicts with the policies of a majority of other state regulators, the affected insurer may be required to withdraw its Separate Account's investments in the relevant Insurance Products Fund or Master Fund.

18. Applicants also argue that affiliation does not eliminate the potential, if any, for divergent judgments as to when a Participating Insurance Company could disregard variable contract owner voting instructions. Applicants assert that the potential for disagreement is limited by the requirement that a decision to disregard voting instructions be reasonable and based on specified good faith determinations. If, however, a Participating Insurance Company's decision to disregard Contract owner voting instructions represents a minority position, or would preclude a majority vote approving a particular change, Applicants represent that such Participating Insurance Company may be required, at the election of the relevant Insurance Products Fund or Master Fund, to withdraw its Separate Account's investment in that Fund and no charge or penalty will be imposed as a result of such withdrawal.

19. Applicants assert that there is no reason why the investment policies of an Insurance Products Fund or Master Fund with mixed funding would or

should be materially different from what they would or should be if such investment company or series thereof funded only variable annuity or variable life insurance contracts. Applicants represent that Insurance Products Funds or Master Funds will not be managed to favor or disfavor any particular insurer or type of Contract.

20. Applicants state that no one investment strategy can be identified as appropriate to a particular insurance product because each pool of variable contract owners is composed of individuals of diverse financial status, age, insurance and investment goals. These diversities are of greater significance than any differences in insurance products. An underlying fund supporting even one type of insurance product must accommodate those diverse factors.

21. Applicants note that Section 817(h) of the Code imposes certain diversification standards on the underlying assets of variable annuity and variable life contracts held in the portfolios of underlying funds. Treasury Regulation 1.817-5(f)(3)(iii), which established diversification requirements for such portfolios, specifically permits, among other things, "qualified pension or retirement plans" and separate accounts to share the same underlying fund. Therefore, Applicants have concluded that neither the Code, the Treasury Regulations nor Revenue Rulings thereunder recognize any inherent conflicts of interest if Qualified Plans and variable annuity and variable life separate accounts all invest in the same Underlying Fund.

22. Applicants also note that there are differences in the manner in which distributions are taxed for variable annuities, variable life insurance contracts and Qualified Plans. Applicants assert, however, that the differences in tax consequences do not raise any conflicts of interest. When distributions are to be made, and the Separate Account or the Qualified Plan cannot net purchase payments to make the distributions, each will redeem shares of the Trust (and/or any successor entity to the Trust) at their net asset value. The Qualified Plan will then make distributions in accordance with its terms and the life insurance company will make distributions in accordance with the terms of the variable contract.

23. With respect to voting rights, Applicants contend that it is possible to provide an equitable means of giving such voting rights to Contract owners and to Qualified Plans. Applicants represent that the transfer agent for the Insurance Products Fund will inform

each Participating Insurance Company of its Separate Accounts' share ownership and the trustees of each Qualified Plan of their respective holdings in the Fund. Each Participating Insurance Company then will solicit voting instructions in accordance with Rules 6e-2 and 6e-3(T). The transfer agent for the Master Funds will inform each Insurance Products Fund and each Participating Insurance Company with a Managed-Separate Account invested in a Master Fund, as well as the trustees of any Qualified Plan so invested, of its beneficial interest.

24. As with the Insurance Products Funds, there will be certain issues on which a shareholder vote is required that relate solely to the operations of the Managed-Separate Accounts for which such Separate Account will solicit votes of its contract owners. As to those issues on which a vote is required that relates to the operations of the Master Funds, Applicants state that the Master Funds will solicit votes of their interest holders, which would include both the Insurance Products Funds, the Managed-Separate Accounts of Participating Insurance Companies and the trustees of any Qualified Plan. Insurance Products Funds, in turn, will solicit their shareholders, the UIT-Separate Accounts of Participating Insurance Companies, which will solicit voting instructions from their contract owners, as noted above. The Managed-Separate Accounts will solicit proxies from their Contract owners.

25. Applicants assert that the ability of Insurance Products Funds or Master Funds to sell their respective shares or beneficial interests directly to Qualified Plans does not create a "senior security," as defined under Section 18(g) of the 1940 Act, with respect to any contract owner as compared to a participant under a Qualified Plan. Regardless of the rights and benefits of participants under Qualified Plans, or contract owners under variable contracts, Qualified Plans and Separate Accounts have rights only with respect to their respective Insurance Products Fund shares, which they can redeem only at net asset value. No shareholder of any of the Insurance Products Funds, and no interest holder of any Master Fund, has any preference over any other shareholder or interest holder with respect to distribution of assets or payment of dividends.

26. Applicants further assert that there are no conflicts between the Contract owners and Qualified Plan participants with respect to state insurance commissioners' veto powers over the Insurance Products Funds' or Master Funds' investment objectives.

The basic premise of shareholder voting is that not all shareholders may agree that there are any inherent conflicts of interest between shareholders. The state insurance commissioners have been given veto power in recognition of the fact that insurance companies cannot redeem their Separate Accounts out of one underlying fund and invest in another fund but must undertake time-consuming, complex transactions to accomplish such redemptions and transfers. Trustees of Qualified Plans can redeem their shares in an Insurance Products Fund, or beneficial interests in a Master Fund, and reinvest in another fund quickly and implement their decisions without the same regulatory impediments or, as is the case with most Qualified Plans, even hold cash pending reinvestment. Applicants assert that, based on the foregoing, even if there should arise issues where the interests of contract owners and the interests of Qualified Plans conflict, these issues can be almost immediately resolved because trustees of Qualified Plans can, on their own, redeem the shares out of the Insurance Products Funds or the beneficial interests out of the Master Fund.

27. Applicants further assert that the potential for conflict is not increased by allowing Managed-Separate Accounts to invest directly in the Master Funds at the same time as UIT-Separate Accounts are invested in the Insurance Products Funds. Because both types of Separate Accounts are subject to the same state insurance regulatory authority and the same concerns with respect to funding their contracts, one type of separate account investing directly and the other investing indirectly in the same portfolio of securities does not increase the potential for conflict with respect to state insurance regulation and divergent judgments as to when a Participating Insurance Company can disregard variable contract voting instructions. The potential for conflict also is not increased by the possible investment in the Master Funds by Qualified Plans. As noted above, in the event of a conflict, Trustees of Qualified Plans can, on their own, redeem their beneficial interests out of the Master Funds.

G. General Grounds for Relief

28. Applicants assert that various factors have kept certain insurance companies from offering variable annuity and variable life insurance contracts. According to Applicants, these factors include: the costs of organizing and operating a funding medium; a lack of expertise with respect to investment management, principally with respect to stock and money market

investments; and the lack of public name recognition as investment experts. Applicants argue that use of Insurance Products Funds and Master Funds as common investment media for variable contracts would ease those concerns. Participating Insurance Companies would benefit from the investment advisory and administrative expertise of the Investment Adviser and also from the cost efficiencies and investment flexibility afforded by a larger pool of funds. Applicants state that making Insurance Products Funds and Master Funds available for mixed and shared funding will encourage more insurance companies to offer variable contracts, such as the Contracts, which may then increase competition with respect to both the design and pricing of variable insurance contracts. Applicants submit that this can be expected to result in greater product variation and lower charges. Thus, Applicants argue that Contract owners would benefit because mixed and shared funding will eliminate a significant portion of the costs of establishing and administering separate funds and that these savings may be passed on to customers.

29. Moreover, Applicants assert that the sale of Insurance Products Funds' shares to Qualified Plans should increase the amount of assets available for investment by such Funds. This, in turn, should promote economies of scale, permit increased safety through greater diversification, and make the addition of new Series to Insurance Products Funds more feasible.

30. Applicants state that they are not aware of any facts or circumstances which would prevent the extension of the requested relief to master-feeder arrangements that include the class of Managed-Separate Accounts investing directly in the Master Funds.

31. Applicants also state that they are not aware of any rationale for excluding Participating Insurance Companies from the exemptive relief requested because Insurance Products Funds also may sell their respective shares, and Master Funds may sell their beneficial shares, to Qualified Plans. Applicants submit that the relief provided under paragraph (b)(15) of Rules 6e-2 and 6e-3(T) does not relate to Qualified Plans or to a registered investment company's ability to sell its shares to such Plans. Applicants state that they request exemptive relief because the Separate Accounts investing in Insurance Products Funds are themselves investment companies seeking relief under Rules 6e-2 and 6e-3(T), and Applicants do not wish to be denied such relief if Insurance Products Funds

sell shares, or Master Funds sell beneficial interests, to Qualified Plans.

32. Applicants assert that, for the reasons stated below, the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

33. Applicants represent that, under the Trust's current structure, each Trust Portfolio pays a fee to the Investment Adviser for both investment advisory and administrative services. Under the master-feeder fund structure, the Investment Adviser would be paid an administration fee by each Successor Portfolio and a management fee by each Series (with the exception of the International Portfolio and the corresponding International Series which have not commenced investment operations, have different advisory arrangements, and have a different fee structure). The combined management and administration fees paid under the master-feeder fund structure would be higher than the current investment advisory fee by 0.15% of average daily net assets annually paid by the Trust. Applicants represent that the Trust's Board of Trustees, after review of the fees, expenses and profitability of the Adviser, determined to approve the increase in fees and concluded that higher management and administration fees were justified, even absent the conversion to the master-feeder fund structure. At the Special Meeting of shareholders of the Trust, shareholders approved the fee increase as part of their approval of the conversion of the Trust to the master-feeder fund structure. Under the new master-feeder fund structure, all of the Series would have management fees that decline with increasing assets. At present, only three Trust Portfolios have such fee structures. Applicants assert that the introduction of such "breakpoints" for all Series could ultimately benefit shareholders by reducing the rate of management fees over time as assets grow.

34. Applicants further assert that upon conversion to the master-feeder fund structure, the Trust's Distribution Plan, adopted pursuant to Rule 12b-1 under the 1940 Act, will be eliminated. The Distribution Plan currently permits each Trust Portfolio to pay up to 0.25% of its average daily net assets for certain items relating to the sale of each Trust Portfolio's share.⁷ Applicants maintain

⁷ Actual expenses under the Distribution Plan for the Trust Portfolio for the year ended December 31, 1994, ranged from 0.01% to 0.07% of average daily net assets per Trust Portfolio.

that the termination of the current Distribution Plan and the adoption of a new non-fee Distribution Plan, approved by the shareholders of the Trust at the Special Meeting, will eliminate any separate payment for distribution expenses.

Applicants' Conditions

The Applicants have consented to the following conditions:

1. A majority of the Trustees or Board of Directors (each a "Board" and collectively, "Boards") of each Insurance Products Funds and Master Fund will consist of persons who are not "interested persons" thereof, as defined by Section 2(a)(19) of the 1940 Act and Rules thereunder and as modified by any applicable orders of the Commission, except that, if this condition is not met by reason of death, disqualification, or bona fide resignation of any trustee or director, then the operation of this condition shall be suspended: (a) for a period of 45 days, if the vacancy or vacancies may be filled by the Board; (b) for a period of 60 days, if a vote of shareholders is required to fill the vacancy or vacancies; or (c) for such longer period as the Commission may prescribe by order upon application.

2. The Boards will monitor their respective Insurance Products Funds and Master Funds for the existence of any material irreconcilable conflict between the interests of the Contract owners of all Separate Accounts investing in the Insurance Products Funds and Master Funds. A material irreconcilable conflict may arise for a variety of reasons, including: (a) State insurance regulatory authority action; (b) a change in applicable federal or state insurance, tax, or securities laws or regulations, or a public ruling, private letter ruling, or any similar action by insurance, tax, or securities regulatory authorities; (c) an administrative or judicial decision in any relevant proceeding; (d) the manner in which the investments of the Insurance Products Funds and Master Funds are being managed; (e) a difference in voting instructions given by variable annuity and variable life insurance Contract owners or by Contract owners of different Participating Insurance Companies; or (f) a decision by a Participating Insurance Company to disregard voting instructions of contract owners.

3. Participating Insurance Companies, Investment Adviser (or any other investment advisor of the Insurance Products Funds and/or Master Funds), and any Qualified Plan that executes a fund participation agreement upon

becoming an owner of 10% or more of the assets of an Insurance Products Fund or Master Funds (collectively, "Participants") will report any potential or existing conflicts to the Boards. Participants will be responsible for assisting the appropriate Board in carrying out its responsibilities under these conditions by providing the Board with all information reasonably necessary for it to consider any issues raised. This responsibility includes, but is not limited to, an obligation by each Participant to inform the Board whenever variable contract owner voting instructions are disregarded. The responsibility to report such information and conflicts and to assist the Board will be a contractual obligation of all Participants investing in Insurance Products Funds and Master Funds under their agreements governing participation in such Funds, and such agreements shall provide that these responsibilities will be carried out with a view only to the interests of the Contract owners.

4. If a majority of the Board of an Insurance Products Fund or Master Fund, or majority of its disinterested trustees or directors, determine that a material irreconcilable conflict exists, the relevant Participant, at its expense and to the extent reasonably practicable (as determined by a majority of disinterested trustees or directors), will take any steps necessary to remedy or eliminate the irreconcilable material conflict, including: (a) Withdrawing the assets allocable to some or all of the Separate Accounts from an Insurance Products Fund or Master Fund or any Series thereof and reinvesting those assets in a different investment medium, which may include another series of an Insurance Products Fund or Master Fund, or another Insurance Products Fund or Master Fund, or submitting the question as to whether such segregation should be implemented to a vote of all affected variable Contract owners and, as appropriate, segregating the assets of any appropriate group (*i.e.*, variable annuity or variable annuity Contract owners of one or more Participants) that votes in favor of such segregation, or offering to the affected variable Contract owners the option of making such a change; and (b) establishing a new registered management investment company or managed separate account. If a material irreconcilable conflict arises because of a Participant's decision to disregard Contract owner voting instructions, and that decision represents a minority position or would preclude a majority vote, the Participant may be required, at the election of the

relevant Insurance Products Fund or Master Fund, to withdraw its separate account's investment in such Fund, and no charge or penalty will be imposed as a result of such withdrawal.

The responsibility to take remedial action in the event of a Board determination of an irreconcilable material conflict and to bear the cost of such remedial action shall be a contractual obligation of all Participants under their agreements governing their participation in the Insurance Products Funds and Master Funds. The responsibility to take such remedial action shall be carried out with a view only to the interests of the Contract owners.

For the purposes of condition (4), a majority of the disinterested members of the applicable Board shall determine whether or not any proposed action adequately remedies any irreconcilable material conflict, but in no event will the relevant Insurance Products Fund or Master Fund or the Investment Adviser (or any other investment adviser of the Insurance Products Funds and/or Master Funds) be required to establish a new funding medium for any variable contract. Further, no Participant shall be required by this condition (4) to establish a new funding medium for any variable contract if any offer to do so has been declined by a vote of a majority of Contract owners materially affected by the irreconcilable material conflict.

5. Any Board's determination of the existence of an irreconcilable material conflict and its implications shall be made known promptly and in writing to all Participants.

6. Participants will provide pass-through voting privileges to all Contract owners so long as the Commission continues to interpret the 1940 Act as requiring pass-through voting privileges for variable Contract owners. This condition will apply to UIT-Separate Accounts investing in Insurance Products Funds and to Managed-Separate Accounts investing in Master Funds to the extent a vote is required with respect to matters relating to the Master Funds. Accordingly, the Participants, where applicable, will vote shares of an Insurance Products Fund or Master Fund held in their separate accounts in a manner consistent with voting instructions timely received from variable contract owners. Participants will be responsible for assuring that each of their Separate Accounts that participates in the Insurance Products Funds and Master Funds calculates voting privileges in a manner consistent with other Participants. The obligation to calculate voting privileges in a manner consistent with all other

Separate Accounts investing in the Insurance Products Fund and Master Fund will be a contractual obligation of all Participants under the agreements governing participation in the Insurance Products Funds or Master Fund. Each Participant will vote shares for which it has not received timely voting instructions, as well as shares it owns, in the same proportion as it votes those shares for which it has received voting instructions.

7. All reports received by the Board of potential or existing conflicts, and all Board action with regard to (a) Determining the existence of a conflict, (b) notifying Participants of a conflict, and (c) determining whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the appropriate Board or other appropriate records, such minutes or other records shall be made available to the Commission, upon request.

8. Each Insurance Products Fund and Master Fund will notify all Participants that Separate Accounts prospectus disclosure (contained in Form N-4 with respect to UIT-Separate Accounts investing in Insurance Products Funds, and in Form N-3 with respect to Managed-Separate Accounts investing in Master Funds) regarding potential risks of mixed and shared funding may be appropriate. Each Insurance Products Fund shall disclose in its prospectus that: (a) shares of the Fund may be offered to insurance company separate accounts of both annuity and life insurance variable contracts, and to qualified plans; (b) due to differences of tax treatment and other considerations, the interests of various contract owners participating in the Funds and the interests of Qualified Plans investing in the Funds may conflict; and (c) the Board will monitor the Funds for any material conflicts and determine what action, if any, should be taken.

9. Each Insurance Products Fund and Master Fund will comply with all provisions of the 1940 Act requiring voting by shareholders (which, for these purposes, shall be the persons having a voting interest in the shares of the Insurance Products Fund or Master Fund), and in particular each such fund either will either provide for annual meetings (except insofar as the Commission may interpret Section 16 of the 1940 Act not to require such meetings) or comply with Section 16(c) (although the funds are not one of the trusts described in this section), as well as with Section 16(a) and, if applicable, Section 16(b). Further, each Insurance Products Fund and Master Fund will act in accordance with the Commission's interpretation of the requirements of

Section 16(a) with respect to periodic elections of directors (or trustees) and with whatever rules the Commission may adopt with respect thereto.

10. If and to the extent Rule 6e-2 and Rule 6e-3(T) are amended, or Rule 6e-3 is adopted, to provide exemptive relief from any provision of the 1940 Act or the rules thereunder with respect to mixed and shared funding on terms and conditions materially different from any exemptions granted in the order requested, then the Insurance Products Fund, Master Funds and/or the Participants, as appropriate, shall take such steps as may be necessary to comply with Rule 6e-2 and Rule 6e-3(T), as amended, and Rule 6e-3, as adopted, to the extent such Rules are applicable.

11. No less than annually, the Participants shall submit to the Boards such reports, materials or data as such Boards may reasonably request so that the Boards may fully carry out the obligations imposed upon them by these conditions. Such reports, materials, and data shall be submitted more frequently if deemed appropriate by the applicable Boards. The obligations of the Participants to provide these reports, materials, and data to the Boards, when the appropriate Board so reasonably requests, shall be a contractual obligation of all Participants under the agreements governing their participation in the Insurance Products Funds and Master Funds.

12. If a Qualified Plan becomes an owner of 10% or more of the assets of an Insurance Products Fund (or Master Fund), such Qualified Plan shareholder will execute a participation agreement with the applicable Fund. A Qualified Plan shareholder will execute an application containing an acknowledgment of this condition upon such Qualified Plan's initial purchase of shares of the Insurance Products Fund, or beneficial interests of a Master Fund.

Conclusion

For the reasons stated above, Applicants assert that the requested exemptions pursuant to Section 6(c) and Sections 9(a), 13(a), 15(a), and 15(b) of the 1940 Act and Rules 6e-2(b)(15) and 6e-3(T)(b)(15) thereunder, are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-9517 Filed 4-17-95; 8:45 am]

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[Rel. No. IC-20997; 811-3791]

SAFECO California Tax-Free Income Fund, Inc.; Notice of Application

April 12, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of Application for Deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: SAFECO California Tax-Free Income Fund, Inc.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company under the Act.

FILING DATE: The application was filed on March 31, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on May 8, 1995, and should be accompanied by proof of service on applicant, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street NW., Washington, DC 20549. Applicant, SAFECO Plaza, Seattle, WA 98185.

FOR FURTHER INFORMATION CONTACT: Felice R. Foundos, Staff Attorney, (202) 942-0571, or Robert A. Robertson, Branch Chief, (202) 942-0564 (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 SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an open-end management investment company

organized as a corporation under the laws of the State of Washington. On July 1, 1983, applicant registered under the Act as an investment company and filed a registration statement under the Securities Act of 1933 to register its shares. The registration statement was declared effective on October 20, 1983 and applicant's initial public offering commenced on that same date.

2. On May 6, 1993, applicant's board of directors approved a plan of reorganization (the "Plan") between applicant and SAFECO Tax-Exempt Bond Trust (the "Trust") on behalf of its series SAFECO California Tax-Free Income Fund (the "Acquiring Fund").¹ The Trust is an investment company organized under the laws of Delaware.

3. By moving its assets from a Washington corporation to a Delaware trust, applicant expects its shareholders to benefit from the adoption of new methods of operations and employment of new technologies that are expected to reduce costs. For example, Washington corporations are required to hold annual meetings, whereas a series of the Trust has no such requirement. Further, Delaware trusts generally have greater flexibility than Washington corporations to respond to future contingencies, allowing such trusts to operate under the most advanced and cost efficient form of organization. For example, Delaware law authorizes electronic or telephonic communications between a Delaware trust and its shareholders. In addition, as one of the several series of the Trust, applicant's shareholders should enjoy certain expense savings through economies of scale that would not be available to a stand-alone entity.

4. On May 7, 1993, applicant filed proxy materials with the SEC relating to the proposed reorganization and afterwards distributed such proxy materials to its shareholders. Applicant's shareholders approved the reorganization at a meeting held on August 5, 1993.

5. Pursuant to the Plan, applicant transferred all of its assets and liabilities to the Acquiring Fund on September 30, 1993, in exchange for shares of the Acquiring Fund. The exchange was based on the relative net asset value of applicant and the Acquiring Fund. Immediately thereafter, applicant distributed *pro rata* to its shareholders the Acquiring Fund shares it received in the reorganization. No brokerage commissions were incurred in this reorganization.

¹ Applicant's board of directors determined that the Plan was in the best interests of applicant and that the interests of applicant's existing shareholders would not be diluted as a result of effecting the transaction.