related Operating Company may be required to pay additional interest equal to the tax payment. Each Operating Company, individually, expects to apply the net proceeds of the Loans to the repayment of outstanding short-term debt, for construction purposes, and for other gereral corporate purposes, including the redemption or other retirement of outstanding senior securities.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–13453 Filed 5–21–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–22665; 812–10456]

Royce Global Trust, Inc., et al.; Notice of Application

May 16, 1997.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: Royce Global Trust, Inc., Royce Mirco-Cap Trust, Inc. (''RMC'') Royce Value Trust, Inc. (''RVT'') (collectively, the foregoing are the ''Funds''), and Quest Advisory Corp. (''Quest'').

RELEVANT ACT SECTIONS: Exemption requested under section 6(c) of the Act that would grant an exemption from section 19(b) of the Act and rule 19b–1 thereunder.

SUMMARY OF APPLICATION: Applicants request an order to permit the Funds to make periodic distributions of long-term capital gains in any one taxable year, so long as they maintain in effect distribution policies with respect to their preferred stock calling for periodic dividends of a specified percentage of the liquidation preference of a Fund's preferred stock or distribution policies with respect to their common stock calling for periodic distributions of an amount equal to a fixed percentage of a Fund's net asset value or the market price per share of common stock or a fixed dollar amount.

FILING DATES: The application was filed on December 6, 1996, and amended on May 9, 1997.

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 applicants with a copy of the request, personally or my mail. Hearing requests should be received by the SEC by 5:30 p.m. on June 10, 1997, 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 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 N.W., Washington, D.C. 20549. Applicants, 1414 Avenue of the Americas, New York, New York 10019.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Senior Counsel, at (202) 942–0572, or Mary Kay Frech, Branch Chief, at (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.

Applicants' Representations

1. Each Fund is a closed-end management investment company organized as a Maryland corporation. Each Fund issues common stock and, in addition, RVT has outstanding one class of preferred stock. Each Fund's investment objective is to seek long-term capital appreciation by investing in a portfolio of equity securities. Quest is the investment adviser of the Funds.

2. The Funds wish to institute dividend payment policies (''specified periodic payments'') with respect to the RVT preferred stock an any other preferred stock that may be issued by the Funds calling for periodic dividends in an amount equal to a specified percentage of the liquidation preference of such Funds's preferred stock. The specified percentage may be determined at the time the preferred stock is initially issued, pursuant to periodic remarketings or auctions, or otherwise. The specified periodic payments may include long-term capital gains so long as a Fund maintains in effect the specified periodic payments.

3. The Funds also wish to institute distribution policies (''periodic pay-out policies'') with respect to their common stock calling for periodic (but in no event, more frequently than quarterly)[1] distributions of an amount equal to a fixed percentage of such Funds's net asset value or market price per share of common stock at the time of the declaration or payment or of a fixed dollar amount. Such payments may include long-term capital gains so long as a Fund maintains in effect the periodic pay-out policies.

4. The periodic pay-out policy will be initially established and reviewed at least annually in light of the Fund's performance by each Fund's board of directors and will be changeable at the discretion of the Fund's board of directors. The annual distribution rate under the periodic pay-out policy generally will be independent of the Fund's performance in any of the first three quarters of the Fund's fiscal year. The rate may be adjusted in a Fund's fourth fiscal quarter in light of such Fund's performance for the fiscal year to enable the Fund to comply with the requirements of the Internal Revenue Code of 1986, as amended (the ''Code''), for the year.

5. Applicants request that relief be extended to the Funds and to each registered closed-end investment company to be advised in the future by Quest or an entity controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with Quest. (Such investment companies are also the ''Funds.'')

Applicant's Legal Analysis

1. Section 19(b) provides that registered investment companies may not, in contravention of such rules, regulations, or orders as the SEC may prescribe, distribute long-term capital gains more often than once every twelve months. Rule 19b–1 limits the number of capital gains distributions, as defined in section 852 (b)(3)(C) of the Internal Revenue Code of 1986, as amended, that the Funds may make with respect to any one taxable year to one, plus a supplemental distribution made pursuant to section 855 of the Code not exceeding 10% of the total amount distributed for the year, plus one additional long-term capital gains distribution made to avoid the excise tax under section 4982 of the Code. In addition, Revenue Ruling 89–81 takes the position that if a regulated investment company has two classes of shares, it may not designate distributions made to either class in any years as consisting of more than such class's proportionate share of particular types of income, such as capital gains.

[1] The frequency of the specific periodic payments with respect to preferred stock of the Funds and the periodic pay-out policies with respect to common stock of the Funds will not be related to one another in any way.

2. Rule 19b–1, by limiting the number of net long-term capital gain distributions that the Funds may make with respect to any one year, prevents the operation of the specified periodic payments for the preferred stock and the periodic pay-out policies for the common stock whenever the Fund's realized net long-term capital gains in any year exceed the total of the periodic distributions that under rule 19b–1 may include such capital gains. In that situation, the rule effectively forces the periodic dividends and distributions, that under the rule may not include such capital gains, to be treated as returns of capital (to the extent net investment income and realized short-term capital gains are insufficient), even though net realized long-term capital gains would otherwise be available therefor. The net long-term capital gains in excess of the periodic distributions permitted by the rule then must either be added as an ''extra'' on one of the permitted capital gains distributions on the common stock, thus exceeding the total annual amount called for by the periodic pay-out policy or be retained by the Funds (with the Funds paying taxes thereon). Furthermore, because of Revenue Ruling 89–81, any ''extra'' payments of long-term capital gains to holders of common stock require proportionate allocations of such ''extra'' long-term capital gains to the preferred stock, which applicants state can be extremely difficult to do.

3. Applicants believe that granting the requested relief would limit the Funds' return of capital distributions to that amount necessary to make up any shortfall between the Funds' targeted annual distribution and the total of its investment income and capital gains. Applicants state that the likelihood that the Funds' shareholders would be subject to additional tax return complexities involved when the Funds retain and pay taxes on long-term capital gains would also be avoided. In addition, with respect to the common stock, applicants state that the discount at which each Fund's shares of common stock trade will be reduced if the Funds are permitted to pay dividends with respect to their common stock more frequently than annually.

4. One of the concerns leading to the adoption of section 19(b) and rule 19b–1 was that shareholders might be unable to distinguish between frequent distributions of capital gain and dividends from investment income. In the case of preferred stock, applicants state that there is little chance for investor confusion since all an investor expects to receive is the specified dividend distribution for any particular dividend period, and no more. Applicants argue that as a further protection against investor confusion, in accordance with rule 19a–1, a separate statement showing the net investment income component of the distribution would accompany each preferred stock dividend, with a statement being provided near the end of the last dividend period in a year indicating the source or sources of each distribution that was made on the preferred stock during the year. In the case of common stock, applicants argue that in accordance with rule 19a–1 under the Act, a separate statement showing the source of the distribution (net investment income, net realized capital gains, or returns of capital) will accompany each common stock distribution (or the confirmation of the reinvestment thereof under the Funds' dividend reinvestment plan). In addition, for both the common and the preferred stock, the amount and source or sources of distributions received during the year will be included on each Fund's IRS Form 1099–DIV reports sent to each shareholder who received distributions during the year (including shareholders who sold shares during the year). This information on an aggregate basis will also be included in the Funds' annual report to shareholders. Through these disclosures and other communications with shareholders, applicants state that the Funds' shareholders will understand that the Funds' fixed distributions are not tied to its investment income and realized capital gains and will not represent yield or investment return.

5. Another concern that led to the adoption of section 19(b) and rule 19b–1 was that frequent capital gain distributions could facilitate improper fund distribution practices, including in particular the practice of urging an investor to purchase fund shares on the basis of an upcoming dividend (''selling the dividend''), where the dividend results in an immediate corresponding reduction in net asset value and is in effect a return of the investor's capital. Applicants believe that this concern does not apply to closed-end investment companies, such as the Funds, which do not continuously distribute common stock. Although, to date, RMC and RVT have completed rights offerings of additional shares of common stock to shareholders, each of the offerings were short in duration and involved a relatively small number of new shares. The rights were non-transferable and offered only by means of a statutory prospectus.

6. In addition, applicants state that a solicitation fee payment to broker-dealers in rights offerings of up to 3% may be required in order for the broker-dealers to promptly forward materials to shareholders and respond to investor inquiries. Applicants state that without such solicitation fee, adequate attention by broker-dealers to the rights offering of Fund shares of common stock could not be assured. Further, applicants state that they will limit the magnitude of the discount between the subscription price for the rights offering and the pricing date market or bid price to not more than $.50 in order to minimize the dilution of existing investor investments and to avoid any appearance of ''selling the dividend.''

7. Furthermore, applicants state that the concern of selling the dividend is not applicable to preferred stock, which entitles a holder to a specified periodic dividend and no more and, like a debt security, is initially sold at a price based on its liquidation preference plus an amount equal to any accumulated dividends.

8. Applicants state that another concern leading to the adoption of section 19(b) and rule 19b–1, increase in administrative costs, is not present because the Funds will continue to make periodic distributions regardless of what portion thereof is composed of capital gains.

9. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provisions of the Act, if and to the extent 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. For the reasons stated above, applicants believe that the requested exemption meets the standards set forth in section 6(c).

Applicants' Condition

Applicants agree that the order granting the requested relief for each Fund's periodic pay-out policies with respect to its common stock shall terminate with respect to such Fund upon the effective date of a registration statement under the Securities Act of 1933, as amended, for any future public offering of common stock of such Fund other than: (i) a rights offering of common stock to shareholders of such Fund, provided that (a) such offering does not include the payment of solicitation fees to brokers in excess of 3% of the subscription price per share or the payment of any other commissions or underwriting fees in connection with the offering or exercise of the rights, (b) the rights will not be

exercisable between the date a dividend to such Fund's common stockholders is declared and the record date of such dividend, (c) such Fund has not engaged in more than one rights offering during any given calendar year, and (d) the subscription price for a share of common stock in such Fund's rights offering is not more than $0.50 per share below the closing market or bid price, as the case may be, for the common stock on the pricing date for the rights offering; or (ii) an offering in connection with a merger, consolidation, acquisition, or reorganization; unless the Fund has received from the staff of the Commission written assurance that the order will remain in effect.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–13454 Filed 5–21–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 22664; 812–10658]

USLIFE Income Fund, Inc., et al.; Notice of Application

May 16, 1997.

AGENCY Securities and Exchange Commission (''SEC'').

ACTION: Notice of Application for Exemption Under the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: USLIFE Income Fund, Inc. (the ''Fund'') and USLIFE Advisers, Inc. (the ''Adviser'').

RELEVANT ACT SECTIONS: Order requested under section 6(c) granting an exemption from section 15(a).

SUMMARY OF APPLICATION: USLIFE Corporation (''USLIFE''), the parent of the Adviser, has agreed to merge with a wholly-owned sudsidiary of American General Corporation (''American General''). The indirect change in control of the Adviser will result in the assignment, and thus the termination, of the existing investment advisory agreement (''Existing Advisory Agreement'') between the Fund and the Adviser. The order would permit the implementation, without shareholder approval, of a new investment advisory agreement (the ''New Advisory Agreement'') for a period of up to 120 days following the date of the change in control of USLIFE (but in no event later than October 15, 1997) (the ''Interim Period''). The order also would permit the Adviser to receive all fees earned under the New Advisory Agreement following shareholder approval.

FILING DATE: The application was filed on May 12, 1997.

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 applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on June 10, 1997 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 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 Fifth Street, NW., Washington, DC 20549. Applicants: 125 Maiden Lane, New York, NY 10038.

FOR FURTHER INFORMATION CONTACT: John K. Forst, Attorney-Adviser, at (202) 942–0569, or Mary Kay Frech, Branch Chief, at (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 from the SEC's Public Reference Branch.

Applicants' Representations

1. The Fund is a Maryland corporation registered under the Act as a closed-end, management investment company. The Adviser, a registered investment adviser under the Investment Advisers Act of 1940, serves as the investment adviser for the Fund pursuant to the Existing Advisory Agreement.

2. On February 13, 1997, USLIFE, a life insurance holding company, announced its agreement to merge with a wholly owned subsidiary of American General (the ''Merger''). As a result of the Merger, USLIFE will become a 100% owned subsidiary of American General. The Merger is subject to the satisfaction of certain conditions, including approval by the shareholders of both USLIFE and American General. Applicants expect the Merger to be consummated on or about June 17, 1997.

3. Applicants request an exemption to permit implementation, prior to receiving shareholder approval, of the New Advisory Agreement between the Fund and the Adviser. The requested exemption will cover the Interim Period of not more than 120 days beginning on the date on which USLIFE and a wholly owned subsidiary of American General consummate the Merger and continuing through the date the New Advisory Agreement is approved or disapproved by the shareholders of the Fund (but in no event later than October 15, 1997). It is anticipated that the New Advisory Agreement will contain identical terms and conditions as the Fund's Existing Advisory Agreement, except for its effective date and escrow provisions. The aggregate contractual rate chargeable for advisory services will remain the same as in the Existing Advisory Agreement. The Fund proposes to implement the New Advisory Agreement during the Interim Period, subject to the conditions contained in the application.

4. The Fund's board of directors is scheduled to meet in-person on May 14, 1997 for the purpose of considering the New Advisory Agreement in accordance with section 15(c) of the Act. The board will receive such information as the directors deem necessary to evaluate whether the terms of the New Advisory Agreement are in the best interests of the Fund and its shareholders. The Fund expects to prepare the required proxy materials and schedule a shareholder meeting as soon as reasonably practicable. Applicants believe that the Interim Period is reasonable and in the best interest of the Fund's shareholders because it will allow sufficient time for preparation, mailing, consideration, and return of proxy materials in order to obtain shareholder approval.

5. Applicants also request an exemption to permit the Adviser to receive from the Fund all fees earned under the New Advisory Agreement implemented during the Interim Period if the New Advisory Agreement is approved by the shareholders of the Fund. The fees to be paid during the Interim Period are at the same rate as the fees currently payable by the Fund.

6. Applicants propose to enter into an escrow arrangement with an unaffiliated financial institution that will serve as escrow agent. The fees payable to the Adviser during the Interim Period will be paid into an interest-bearing escrow account maintained by the escrow agent. Amounts in the escrow account (including interest earned on such fees) will be paid to the Adviser only if shareholders of the Fund approve the New Advisory Agreement. If shareholders of the Fund fail to approve the New Advisory Agreement, the escrow agent will pay to the Fund the