

3. Rules 6e-3(T)(b)(13)(ii) and 6e-3(T)(d)(1)(ii) provide exemptions from Section 27(a)(3), provided that the proportionate amount of sales charge deducted from any payment does not exceed the proportionate amount deducted from any prior payment, unless an increase is caused by reductions in the annual cost of insurance or reductions in sales load for amounts transferred to a variable life insurance contract from another plan of insurance.

4. Under the sales load structure of the Contracts, in any given year no front-end sales load will be deducted from premiums paid in excess of the Maximum Sales Load Premium. Thus, a Contract owner could pay a premium in any given Contract year from which no front-end sales load deduction is made (because cumulative premiums paid that year exceeded the Maximum Sales Load Premium), then pay the initial premium in the next Contract year from which a front-end sales load will be deducted. The exemptions from Section 27(a)(3) of the 1940 Act provided by Rules 6e-3(T)(b)(13)(ii) and 6e-3(T)(d)(1)(ii) do not appear to provide relief under these circumstances. Accordingly, pursuant to Section 6(c), Applicants request an exemption from the provisions of Section 27(a)(3) of the 1940 Act and Rules 6e-3(T)(b)(13)(ii) and 6e-3(T)(d)(1)(ii) thereunder to the extent necessary to permit them to deduct sales charges from premiums paid pursuant to the Contracts in the manner described above.

5. Applicants assert that the sales load structure in the Contracts is designed to give Contract owners flexibility with respect to premium payments while permitting ITT Hartford to deduct only those charges deemed necessary to support the benefit guarantees under the Contracts. The sales load structure was designed to reflect ITT Hartford's operating expenses in connection with sales of the Contracts. Applicants submit that the deduction of a front-end sales load on only the premiums paid up to the Maximum Sales Load Premium does not implicate the policy concerns that underlie the stair-step provisions of Section 27(a)(3).

6. Applicants submit that ITT Hartford could avoid the stair-step issue simply by imposing the higher front-end sales load equally on premium payments up to the Maximum Sales Load Premium and on Excess Premiums, subject to the maximum permissible limits. Applicants assert that, while this sales load structure would qualify under the Rule 6e-3(T)(b)(13)(ii) exemption from Section 27(a)(3), it would be to the detriment of

Contract owners, who benefit from the absence of a front-end sales load in connection with Excess Premiums.

7. Applicants assert that, in two letters responding to requests for no-action assurance, the Commission staff concluded that Section 27(a)(3), in conjunction with the other sales charge limitations in the 1940 Act, was designed to address the perceived abuse of periodic payment plan certificates that deducted large amounts of front-end sales charges so early in the life of the plan that investors redeeming in the early periods would recoup little of their investments. Applicants submit that the sales charge structure for the Contracts would not have this effect. On the contrary, by not imposing a front-end sales load on premiums paid in any Contract year in excess of the Maximum Sales Load Premium, Applicants assert that a greater proportion of the sales load charges will be deducted later than otherwise would be the case.

8. Applicants submit that one purpose behind Section 27(h)(3) of the 1940 Act, a provision similar to Section 27(a)(3), is to discourage unduly complicated sales charges. This may also be deemed to be a purpose of Section 27(a)(3) and Rule 6e-3(T)(b)(13)(ii). By limiting front-end sales charges to premiums up to the Maximum Sales Load Premium, Applicants submit that the sales charge structure under the Contracts is not unduly complicated.

9. Applicants also request exemptive relief to permit ITT Hartford, through separate accounts it establishes in the future, to issue flexible premium variable life insurance contracts that are materially similar to the Contracts. Applicants believe that, without such relief, they would have to apply for and obtain orders granting exemptive relief in connection with future contracts that are materially similar to the Contracts under similar circumstances.

10. Applicants submit that their request for exemptive relief for future separate accounts established by ITT Hartford would promote competitiveness in the variable life insurance contract market by eliminating the need for redundant exemptive applications, thereby reducing Applicants' administrative expenses and maximizing the efficient use of their resources. Applicants further submit that the delay and expense involved in having repeatedly to seek exemptive relief would impair their ability effectively to take advantage of business opportunities as they arise. Further, if Applicants were required repeatedly to seek exemptive relief with respect to the same issues addressed in this application, investors would not

receive any benefit or additional protection.

#### Conclusion

For the reasons summarized above, Applicants represent that the exemptions requested are necessary and 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. 96-19565 Filed 7-31-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22102; 812-10102]

#### LB Series Fund, Inc. et al.; Notice of Application

July 26, 1996.

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

**ACTION:** Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

**APPLICANTS:** LB Series Fund, Inc., Lutheran Brotherhood Family of Funds ("LB Family of Funds"), Lutheran Brotherhood, Lutheran Brotherhood Research Corp., and all subsequently registered management investment companies advised by Lutheran Brotherhood or any entity under common control with Lutheran Brotherhood (together with the LB Series Funds and LB Family of Funds, the "Funds").

**RELEVANT ACT SECTIONS:** Order requested (a) under section 6(c) of the Act for an exemption from sections 13(a)(2), 13(a)(3), 18(f)(1), 22(f), and 22(g) of the Act and rule 2a-7 thereunder; (b) under sections 6(c) and 17(b) of the Act for an exemption from section 17(a)(1) of the Act; and (c) pursuant to section 17(d) of the Act and rule 17d-1 thereunder to permit certain joint transactions.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit each applicant investment company to establish deferred compensation plans for its trustees who are not interested persons of the company.

**FILING DATES:** The application was filed on April 23, 1996 and amended on July 16, 1996.

**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 August 20, 1996 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 625 Fourth Avenue South, Minneapolis, Minnesota 55415.

**FOR FURTHER INFORMATION CONTACT:** Suzanne Krudys, Senior Attorney, at (202) 942-0641, or Alison E. Baur, 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. Each of LB Series Fund and LB Family of Funds is a registered open-end management investment company. Lutheran Brotherhood, a fraternal benefit society owned and operated by its members, serves as investment advisor to each series of LB Series Fund. LB Research Corp. serves as investment adviser to each series of LB Family of Funds.

2. A majority of the board of directors of LB Series Fund and a majority of the board of trustees of LB Family of Funds (collectively, "Trustees") currently consists of Trustees who are not "interested persons" within the meaning of section 2(a)(19) of the Act. Each Trustee that is not an "interested person" of a Fund, receives an annual fee. No Trustees who is an affiliated person of Lutheran Brotherhood receives any remuneration from LB Series Fund or LB Family of Funds.

3. The proposed deferred fee arrangements would be implemented by means of a Deferred Compensation Plan (the "Plan") entered into by each Fund. The Plan would permit individual Trustees of a Fund who are not "interested persons" of such Fund to elect to defer receipt of all or a portion of their fees. This would enable the Trustees to defer payment of income taxes on such fees. The Trustees may amend the Plan from time to time. Such amendments will be consistent with any

relief granted pursuant to this application and are limited to immaterial amendments or supplements, or amendments or supplements made to conform to any applicable law.

4. Under the Plan, the Trustee's deferred fees will be credited to a book entry account established by each participating Fund (the "Deferred Fee Account") as of the date such fees would have been paid to such Trustee. The value of the Deferred Fee Account will be periodically adjusted by treating the Deferred Fee Account as though an equivalent dollar amount had been invested and reinvested in certain designated securities (the "Underlying Securities"). The Underlying Securities for a Deferred Fee Account will be shares of any of a selection of the Funds that the Trustees designates. The initial value of the Deferred Compensation credited to a Deferred Fee Account will be effected at the respective current net asset value of each Fund designated by the trustee and thereafter, the value of such Deferred Account will fluctuate as the net asset value of the shares of each such Fund fluctuates and will also reflect the value of the assumed reinvestment of dividends and capital gains distributions from each such Fund in additional shares of such Fund. Shares will not be designated as Underlying Securities, and Underlying Securities will not be purchased, if there is a material risk that the purchase of such shares would result in a violation of section 12(d)(1) of the Act.

5. As a matter of risk management, each Fund intends generally, and with respect to any money market Fund that values its assets by the amortized cost method undertakes, to purchase and maintain Underlying Securities in an amount equal to the deemed investments of the Deferred Fee Accounts of its Trustees. A Fund will either purchase its own shares or invest monies equal to the amount credited to the Deferred Fee Account as part of the general investment operations of the Fund.

6. The amounts paid to the Trustees under the Plan are expected to be *de minimis* in relation to the net assets of the Fund. The Plan provides that a Fund's obligation to make payments from a Deferred Fee Account will be a general obligation of the Fund and payments made pursuant to the Plan will be made from the Fund's general assets and property. With respect to the obligations created under the Plan, the relationship of a Trustee to a Fund will be that of a general unsecured creditor. A Fund will be under no obligation to the Trustee to purchase, hold, or

dispose of any investments but, if a Fund chooses to purchase investments to cover its obligations under the Plan, then any and all such investments will continue to be part of the general assets and property of the Fund.

7. Under the Plan, a Trustee may specify that the Trustee's deferred fees be distributed in whole or in part commencing on or as soon as practicable after a date specified by the Trustee, which may not be sooner than the earlier of (a) A date one year following the deferral election, or (b) the first business day of January following the year in which the Trustee ceases to be a member of the Board of Trustees of the Fund. Notwithstanding any elections by a Trustee, his or her deferrals under the Plan shall be distributed (x) in the event of the Trustee's death, or (y) upon: the dissolution, liquidation, or winding up of the Fund, whether voluntary or involuntary; the voluntary sale, conveyance or transfer of all or substantially all of the Fund's assets (unless the obligations of the Fund shall have been assumed by another Fund); or the merger of the Fund into another trust or corporation or its consolidation with one or more other trusts or corporations (unless the obligations of the Fund are assumed by such surviving entity and the surviving entity is another Fund). In addition, upon application by a Trustee and a determination by an administrator designated by the Trustees that such Trustee has suffered a severe and unanticipated financial hardship, the administrator shall distribute to the Trustee, in a single lump sum, an amount equal to the lesser of the amount needed by the Trustee to meet the hardship, or the balance of the Trustee's Deferred Fee Account. Payments will be made in a lump sum or in installments as elected by the Trustee. In the event of the Trustee's death, amounts payable under the Plan will be payable to the trustee's designated beneficiary. In all other events, the Trustee's right to receive payments will be nontransferable.

8. The Plan will not obligate any Fund to retain the services of a Trustee, nor will it obligate any Fund to pay any (or any particular level of) Trustee's fees to any Trustee. Rather, it will merely permit a Trustee to elect to defer receipt of all or part of the Trustee's fees which he or she would otherwise receive for future services from each Fund. The proposed arrangements will not affect the voting rights of the shareholders of any of the Funds. If a Fund purchases Underlying Securities issued by another Fund, the purchasing Fund will vote

such shares in proportion to the votes of all other holders of shares of such other Fund.

#### Applicants' Legal Analysis

1. Applicants request an order under section 6(c) of the Act granting relief from sections 13(a)(2), 13(a)(3), 18(f)(1), 22(f), and 22(g) of the Act and rule 2a-7 thereunder to the extent necessary to permit the Funds to enter into deferred fee arrangements with their Trustees; under sections 6(c) and 17(b) of the Act granting relief from section 17(a)(1) to the extent necessary to permit the Funds to sell securities issued by them to participating Funds; and pursuant to section 17(d) of the Act and rule 17d-1 thereunder to permit the Funds to engage in certain joint transactions incident to such deferred fee arrangements.

2. Section 6(c) provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that 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.

3. Section 18(f)(1) generally prohibits a registered open-end investment company from issuing senior securities. Section 13(a)(2) requires that a registered investment company obtain shareholder authorization before issuing any senior security not contemplated by the recitals of policy in its registration statement. Applicants state that the Plan possesses none of the characteristics of senior securities that led Congress to enact these sections. The Plan would not: (a) Encourage increased borrowings by investment companies without adequate assets and reserves; (b) induce speculative investments or provide opportunities for manipulative allocation of any Fund's expenses or profits; (c) affect control of any Fund; (d) be inconsistent with the theory of mutuality of risk; or (e) confuse investors or convey a false impression as to the safety of their investments. All liabilities created by credits to the Deferred Fee Account under the Plan would be offset by equal amounts of assets that would not otherwise exist if the fees were paid on a current basis.

4. Section 13(a)(3) provides that no registered investment company shall, unless authorized by the vote of a majority of its outstanding voting securities, deviate from any investment policy that is changeable only if authorized by shareholder vote. Any relief granted from section 13(a)(3) of the Act would extend only to existing series of LB Series Fund with a

fundamental investment restriction prohibiting the purchase of securities issued by investment companies (collectively, the "Restriction Series"). Applicants submit that it is appropriate to exempt the Restriction Series from the provisions of 13(a)(3) as to enable the Restriction Series to invest in shares of other Funds pursuant to the Plan without a shareholder vote. Applicants state that the value of the Underlying Securities will be *de minimis* in relation to the total net assets of the Restriction Series, and will at all times equal the value of the Restrictions Series' obligations to pay deferred fees. Applicants will provide notice to shareholders in their statements of additional information of the deferred fee arrangements with the Trustees.

5. Section 22(f) prohibits undisclosed restrictions on the transferability or negotiability of redeemable securities issued by open-end investment companies. The Plan would set forth any restrictions on transferability or negotiability, and such restrictions are primarily to benefit the participating trustees and would not adversely affect the interests of the Trustees, the Fund or any shareholder of any Fund.

6. Section 22(g) generally prohibits registered open-end investment companies from issuing any of their securities for services or for property other than cash or securities. These provisions prevent the dilution of equity and voting power that may result when securities are issued for consideration that is not readily valued. Applicants submit that the Plan would provide for deferral of payment of fees that would be payable independent of the Plan, and thus should be viewed as being issued not in return for services but in return for a Fund not being required to pay such fees on a current basis.

7. Rule 2a-7 imposes certain restrictions on the investments of money market funds that use the amortized cost method or the penny-rounding method of computing their per share price. This would prohibit a Fund that is a money market fund from investing in the shares of any other Fund. Applicants submit that the requested exemption would permit the Funds to achieve an exact matching of Underlying Securities with the deemed investments of the Deferred Fee Accounts, thereby ensuring that the deferred fee arrangements would not affect net asset value. Applicants further assert that the amounts involved in all cases would be *de minimis* in relation to the total net assets of each Fund, and would have no effect on the per share net asset value of the Funds.

8. Section 17(a)(1) generally prohibits an affiliated person of a registered investment company, or any affiliated person of such person, from selling any security to such registered investment company. Funds that are advised by the same entity may be "affiliated persons" of one another under section 2(a)(3)(C) of the Act by reason of being under the common control of their adviser. Applicants assert that section 17(a)(1) was designed to prevent sponsors of investment companies from using investment company assets as capital for enterprises with which they were associated or to acquire controlling interests in such enterprises. Applicants submit that an exemption from this provision would not implicate Congress' concerns in enacting section 17(a)(1), but would facilitate the matching of each Fund's liability for deferred Trustees' fees with the Underlying Securities that would determine the amount of such Fund's liability.

9. Section 17(b) authorizes the SEC to exempt a proposed transaction from section 17(a) if evidence establishes that: (a) The terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching; (b) the transaction is consistent with the policy of each registered investment company concerned; and (c) the transaction is consistent with the general purposes of the Act. Applicants assert that the proposed transaction satisfies the criteria of sections 6(c) and 17(b).

10. Section 17(d) and rule 17d-1 generally prohibit a registered investment company's joint or joint and several participation with an affiliated person in a transaction in connection with any joint enterprise or other joint arrangement on a basis different from or less advantageous than that of the affiliated person. Applicants assert that any adjustments made to the Deferred Fee Accounts to reflect the income, gain or loss on investments of the assets of a Fund would be identical in amount to income gain or loss by a shareholder of the same Fund whose shares were not held in the Deferred Fee Account. The Trustee would neither directly or indirectly receive a benefit which would otherwise inure to the Funds or their shareholders. Deferral of a Trustee's fees in accordance with the Plan would essentially maintain the parties, viewed both separately and in their relationship to one another, in the same position as if fees were paid on a current basis. When all payments have been made to a participating Trustee, the participating Trustee would be no better off (apart from the effect of tax deferral) than if he or she had received deferred fees on a

current basis and invested them in shares of the Underlying Securities.

#### Applicants' Conditions

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

1. With respect to the requested relief from rule 2a-7, any money market Fund that values its assets by the amortized cost method or the penny-rounding method will buy and hold Underlying Securities that determine the performance of Deferred Fee Accounts to achieve an exact match between such Fund's liability to pay deferred fees and the assets that offset that liability.

2. If a Fund purchases Underlying Securities issued by an affiliated Fund, the purchasing Fund will vote such shares in proportion to the votes of all other holders of shares of such affiliated Fund.

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

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 96-19566 Filed 7-31-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22100; 811-6335]

#### Quest For Value Global Funds, Inc.; Notice of Application

July 25, 1996.

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

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

**APPLICANT:** Quest For Value Global Funds, Inc. (the "Fund").

**RELEVANT ACT SECTION:** Section 8(f).

**SUMMARY OF APPLICATION:** Applicants request an order declaring that it has ceased to be an investment company.

**FILING DATES:** The application was filed on May 6, 1996 and amended on June 16, 1996.

**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 August 19, 1996, 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 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, DC 20549. Applicant, One World Financial Center, New York, NY 10281.

**FOR FURTHER INFORMATION CONTACT:** Suzanne Krudys, Senior Counsel, at (202) 942-0641, or Alison E. Baur, 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, a registered open-end investment company, was organized as a Maryland corporation on June 12, 1991. On June 19, 1991, the Fund registered under the Act on Form N-8A and filed a registration statement on Form N-1A pursuant to section 8(b) of the Act and the Securities Act of 1933. The registration statement was declared effective on August 23, 1991 and applicant commenced its public offering of shares on December 2, 1991.

2. At a meeting held on June 22, 1995, the applicant's Board of Directors adopted and recommended an Agreement and Plan of Reorganization (the "Agreement"). The Agreement provided that applicant would transfer its assets to Oppenheimer Strategic Income Fund ("SIF"), a series of Oppenheimer Strategic Funds Trust ("Trust"), in exchange for shares of SIF.

3. Also at this meeting, the applicant's directors determined that the reorganization of the Fund would be in the best interests of the shareholders of the Fund and that no shareholder's interest would be diluted as a consequence thereof.

4. A proxy statement was filed with the Commission and mailed to shareholders in connection with the solicitation by the applicant's Board of Directors of proxies for the purpose of voting on the Reorganization Plan. At a meeting held on November 16, 1995, the shareholders approved the Agreement.

5. The reorganization of the Fund with SIF closed on November 24, 1995 (the "Closing Date"). Pursuant to the Reorganization Plan, all of the assets of the Fund less a cash reserve and net of any liability for outstanding shareholder redemptions were transferred to SIF in exchange for shares of SIF. The asset transfer in exchange for shares of SIF was based on the relative net asset value

of applicant's shares. Following the exchange, applicant distributed the SIF shares to each of its shareholders on a *pro rata* basis.

6. The cost of printing and mailing the proxies and proxy statements, and the cost of the tax opinion, were divided between Oppenheimer Capital, applicant's investment adviser, and OppenheimerFunds, Inc., manager of the Trust. Any other out-of-pocket expenses of the Fund, including legal, accounting and transfer agent expenses, were borne by Oppenheimer Capital. Expenses incurred with respect to documents included in the mailing to SIF's shareholders were borne by SIF. Any other out-of-pocket expenses of SIF, including legal, accounting and transfer agent expenses, were borne by OppenheimerFunds Inc.

7. At the time of filing the application, applicant's only assets remaining are \$2,341.00 in cash. The cash retained represents an estimate of the total outstanding invoices which remain unbilled.

8. Applicant has no shareholders as of the time of filing the application and is not a party to any litigation or administrative proceeding. Applicant is not engaged, nor does it propose to engage, in any business activities other than those necessary for the winding-up of its affairs.

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

Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 96-19529 Filed 7-31-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22104; 812-9100]

#### Scudder Global Fund, Inc., et al; Notice of Application

July 26, 1996.

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

**ACTION:** Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

**SUMMARY:** Scudder Global Fund, Inc., Scudder International Fund, Inc., Scudder Mutual Funds, Inc., Scudder Equity Trust, Scudder Investment Trust, Scudder Funds Trust, Scudder Portfolio Trust, Scudder Securities Trust, Scudder GNMA Fund, Scudder Cash Investment Trust, Scudder Pathway Series ("Pathway Series," collectively the foregoing are the "Scudder Funds"), Scudder, Stevens & Clark, Inc. ("SSC"), Scudder Service Corporation ("Scudder Service"), Scudder Investor Services, Inc. ("SIS"), Scudder Trust Company