transfer of their accounts to the New Adviser and the prompt delivery of the benefits that the joint venture agreement is expected to produce would not have been met.

8. Applicants believed that a speedy Closing would serve to minimize employee anxiety, assist in the retention of portfolio personnel, and assist in the delivery of improved portfolio service through the integration of credit research, back office, and other operations.

9. Applicants also state that an arrangement whereby all non-mutual fund accounts were transferred on December 31, 1994, but all mutual fund accounts were not transferred until the shareholder votes occurred, would have required the Advisers to implement a form of ''dual employee'' arrangement. Such an arrangement would have created needless organizational complexity and would have raised the possibility of shareholder confusion as to the provision of investment advisory services during the Interim Periods.

Applicants' Conditions

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

1. The new advisory agreements to the implemented during the Interim Periods will have the same terms and conditions as each respective current agreement, except in each case for the names or identities of the parties, the commencement and termination dates, the inclusion of escrow arrangements, the incorporation of certain previously adopted amendments (if any) into the body of the agreements, and certain additional language to satisfy regulatory requirements of the Advisers Act.

2. Fees earned by the New Adviser during the Interim Period in accordance with the terms of such new advisory agreements will be maintained in an interest-bearing escrow account, and amounts in the account will be paid to: (a) the New Adviser only upon approval by the shareholders of such Fund, or (b) in the absence of such approval, to such Fund.

3. Each Fund will hold a meeting of shareholders to vote on approval of its new investment advisory agreement on or before the 120th day following the termination of its existing investment advisory agreement as a result of the transfer of the investment advisory businesses of the Advisers to the New Adviser (which transfer will be completed on or before Janaury 31, 1995).

4. The Advisers and the New Adviser will pay the costs of preparing and filing the application and the costs of holding all meetings of each Fund's shareholders necessitated by the consummation of the joint venture agreement, including the cost of proxy solicitations.

5. The New Adviser will take all appropriate steps so that the scope and quality of advisory and other services provided to each Fund during the respective Interim Periods will be at least equivalent, in the judgment of the Governing Board of each Fund, including a majority of the independent board members, to the scope and quality of services previously provided. In the event of any material change in personnel providing services pursuant to the advisory agreement, the New Adviser will apprise and consult with the Governing Board of the affected Fund in order to assure that they, including a majority of the independent board members, are satisfied that the services provided will not be diminished in scope or quality.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–2383 Filed 1–31–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–20863; File No. 812–9326]

Financial Horizons Variable Separate Account—2, et seq.

January 26, 1995.

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

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

APPLICANTS: Financial Horizons Variable Separate Account-2 (''Separate Account''), Financial Horizons Life Insurance Company (the ''Company''), and Nationwide Financial Services (''NFS'').

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) for exemptions from Sections 26(a)(2)(C) and 27(c)(2).

SUMMARY OF APPLICATION: Applicants seek on order to permit the deduction from the assets of the Separate Account of a mortality and expense risk charge under certain variable annuity contracts.

FILING DATE: The application was filed on November 14, 1994.

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 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 February 21, 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 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, DC. 20549; Applicants c/o Steven Savini, Esq., Druen Rath & Dietrich, One Nationwide Plaza, Columbus, Ohio 43216.

FOR FURTHER INFORMATION CONTACT: Joseph G. Mari, Senior Special Counsel, at (202) 942–0567, or Wendy F. Friedlander, Deputy Chief, at (202) 942–0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. The Company is a stock life insurance company incorporated under the laws of Ohio.

2. The Separate Account, registered as a unit investment trust under the 1940 Act, is a separate account of the Company that was established to fund certain variable annuity contracts issued by the Company (the ''Contracts''). Purchase payments under the Contracts will be allocated to the Separate Account and invested at net asset value in shares of one or more mutual funds that are registered under the 1940 Act, as designated by the Contract owner at the time of the purchase. The Separate Account maintains a separate sub-account corresponding to each available mutual fund.

3. The Contracts are sold to individuals either as Non-Qualified Contracts or as Individual Retirement Annuities that may qualify for special federal tax treatment. They also may be sold as Qualified Contracts to Qualified Plans on behalf of Qualified Plan Participants, which may qualify for special federal tax treatment.

4. NFS, registered as a broker-dealer under the Securities Exchange Act of 1934, is the general distributor for the Contracts.

5. An Administration Charge equal on an annual basis to .20% of the daily net asset value of the Variable Account is deducted during both the ''pay-in''

accumulation phase and the ''pay-out'' annuity phase. The Company relies upon Rule 26a–1 to assess the Administration Charge, and will monitor the proceeds of the Administration Charge to ensure that they do not exceed expenses without profit.

6. There are no sales charges under the Contracts.

7. The Company will assess a mortality and expense risk charge at an annual rate of 1.25% of the daily net value of the Separate Account. Of this amount, .80% represents mortality risks and .45% represents expense risks.

The mortality risks the Company assumes arise from (1) the guarantee to make monthly payments for the lifetime of the annuitant regardless of how long the annuitant may live; and (2) the guaranteed minimum death benefit risk assumed by the Company in connection with its promise to return, upon the death of the annuitant, the greatest of the Contract value as of the most recent five-year anniversary of the Contract, total purchase payments, or the Contract value at the time of death. The expense risk the Company assumes is the guarantee that the Administration Charge will never be increased regardless of the actual expense incurred by the Company.

Applicants' Legal Analysis

1. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act require that all payments received under a periodic payment plan certificate be held by a qualified trustee or a custodian under a trust indenture, and prohibit any payment to the depositor of or a principal underwriter for a registered unit investment trust except a fee, not exceeding such reasonable amounts as the Commission may prescribe, for performing bookkeeping and other administrative services.

2. Applicants request an order under Section 6(c) exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to issue Contracts subject to the proposed mortality and expense risk charge.

3. The Company represents that the level of the mortality and expense risk charge is within the range of industry practice for comparable annuity products and is reasonable in relation to the risks assumed under the Contracts. The Company bases this representation on its analysis of publicly available information regarding other insurance companies of similar size and risk ratings offering similar products. Applicants represent that the Company will maintain a memorandum, available to the Commission, setting forth in detail the products analyzed in the course of, and the methodology and results of, its comparative survey. The Company also maintains, and will make available to the Commission upon request, a supporting actuarial memorandum demonstrating the reasonableness of the mortality and expense risk charge.

4. If the mortality and expense risk charge is insufficient to cover the actual cost of the mortality and expense risk, the loss will be borne by the Company. If the mortality and expense risk charge proves more than sufficient, the excess will be a profit to the Company, and will become a part of the Company's general account surplus.

5. The Company advances sales commissions from its surplus and intends to recover sales expenses through the long-term profitability, if any, derived from the mortality and expense risk charge. If long-term profitability does not materialize, the Company will bear the shortfall in its general account. The Company represents that there exists a reasonable likelihood that this distribution financing arrangement will benefit the separate Account and the Contract owners. Applicants also represent that the basis of this conclusion is set forth in a memorandum maintained on file by the Company which will be made available to the Commission upon its request.

6. The Applicants represent that investments of the Separate Account will be made only in investment companies that, if they adopt any distribution financing plan under Rule 12b–1 under the 1940 Act, will have boards of trustees or directors, the majority of which will not be interested persons as defined in the 1940 Act. Applicants further represent that such boards of directors or trustees must formulate and approve any such distribution plan.

Conclusion

Applicants assert that based on the reasons and the facts set forth above, their requested exemptions from Sections 26(c)(2)(C) and 27(c)(2) of the 1940 Act to deduct the mortality and expense risk charge from the assets of the Separate Account under the Contracts are 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.

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

Margaret M. McFarland,

Deputy Secretary.

[FR Doc. 95–2428 Filed 1–31–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–20864; 812–9168]

Heritage Cash Trust, et al.; Notice of Application

January 26, 1995.

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

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

APPLICANTS: Heritage Cash Trust (''HCT''), Heritage Capital Appreciation Trust (''HCAT''), Heritage Income-Growth Trust (''HIGT''), Heritage Income Trust (''HIT''), Heritage Series Trust (''HST''), Heritage Asset Management, Inc. (the ''Adviser''), and Raymond James & Associates, Inc. (the ''Distributor''), and any other open-end management investment companies created in the future, for which the Adviser, or any person directly or indirectly controlling, controlled by, or under common control with the Adviser, serves as investment adviser, and/or for which the Distributor, or any person controlled by or under common control with the Distributor, serves as principal underwriter (collectively, the ''Funds'').

RELEVANT ACT SECTIONS: Order requested pursuant to section 6(c) granting an exemption from sections 2(a)(32), 2(a)(35), 18(f)(1), 18(g), 18(i), 22(c), and 22(d) of the Act, and rule 22c–1 thereunder.

SUMMARY OF APPLICATION: Applicants seek an order to permit certain open-end management investment companies to issue and sell multiple classes of shares representing interests in the same portfolios of securities, assess a contingent deferred sales charge (''CDSC'') on certain redemptions, defer, and waive the CDSC in certain instances.

FILING DATES: The application was filed on August 15, 1994 and amended on November 29, 1994, December 19, 1994 and January 25, 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 applicants with a copy of the request, personally or by mail. Hearing requests should be