

9. If the charges for the mortality and expense risks prove insufficient to cover mortality, administration and maintenance costs, then the excess of the expenses over the charges made for these expenses will result in a loss, and such loss will be borne by Skandia Life. Conversely, if the charges prove more than sufficient to cover such costs, the excess will result in a profit to Skandia Life.

Applicants' Legal Analysis

1. Applicants request exemptive relief, pursuant to Section 6(c) of the 1940 Act from the provisions of Sections 26(a)(2)(C) and 27(c)(2) of the Act to permit the deduction of a mortality and expense risk charge from the assets of the Account or Future Accounts with respect to the Contracts and Future Contracts that are substantially similar in all material respects to the Contracts. Applicants also request that the exemptive relief granted to SLESCO extend to any other National Association of Securities Dealers member broker-dealer controlling, controlled by, or under common control with Skandia Life that may serve in the future as principal underwriter for the Contracts or Future Contracts.

2. Section 26(a)(2)(C) provides that no payment to the depositor of, or principal underwriter for a registered unit investment trust shall be allowed the trustee or custodian as an expense except compensation, not exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the trustee or custodian. Section 27(c)(2) prohibits a registered investment company or a depositor or underwriter for such company from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, on such certificates are deposited with a trustee or custodian having the qualifications prescribed in Section 26(a)(1), and are held by such trustee or custodian under an agreement containing substantially the provisions required by Sections 26(a)(2)(C) and 26(a)(3) of the 1940 Act. Applicants request exemption from those provisions to the extent necessary to permit the assessment of the charge for mortality and expense risks under the Contracts and Future Contracts.

3. Applicants submit that their request for an order that applies to Future Contracts, Future Accounts and Skandia Life Broker-Dealers is necessary and appropriate in the public interest. Applicants assert that the issuance of

the requested order on a prospective basis would promote competitiveness in the variable annuity contract market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses, maximizing the efficient use of Skandia Life's resources, and enabling Skandia Life to take advantage of business opportunities as they arise. Further, if Skandia Life 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 thereby.

4. Applicants submit that Skandia Life is entitled to reasonable compensation for its assumptions of mortality and expense risks and that the charge provided for in the Contracts is a reasonable and proper insurance charge. Skandia Life further represents that the charge of 1.25% for mortality and expense risks assumed by Skandia Life is within the range of industry practice with respect to comparable annuity products. This representation is based on Skandia Life's analysis of publicly available information about similar industry products, taking into consideration such factors as current charge levels, the existence of charge level guarantees, and guaranteed annuity rates. Skandia Life will maintain at its administrative offices, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, its comparative survey.

5. Similarly, prior to making available any Future Contracts through the Account, or through other Future Accounts, Applicants will represent that the mortality and expense risk charge under any such Future Contracts will be within the range of industry practice for comparable contracts. Applicants represent that Skandia Life will maintain at its administrative offices, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, its comparative survey. Further, such mortality and expense risk charge would not exceed 1.25% of the daily net assets of the Account or Future Accounts.

6. Applicants acknowledge that the CDSC may be insufficient to cover all costs relating to the distribution of the Contracts and that if a profit is realized from the mortality and expense risk charge all or a portion of such profit may be viewed as being offset by distribution expenses. Nevertheless, Skandia Life has concluded that the

proposed distribution financing arrangements will benefit the Account and the Contract owners. The basis for such conclusion is set forth in a memorandum which will be maintained by Skandia Life at its administrative offices and will be available to the Commission. Skandia Life also will maintain and make available to the Commission memoranda setting forth the basis for the same representation with respect to Future Contracts offered by the Account or Future Accounts.

7. Skandia Life represents that the Account, and all Future Accounts, shall invest only in management investment companies which undertake to have a Board of Directors, the majority of whom are not "interested persons" of such company as that term is used under Section 2(a)(19) of the Act, formulate and approve any plan adopted under Rule 12b-1 of the 1940 Act.²

Conclusion

Applicants submit that the exemptive relief requested is 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. 95-8544 Filed 4-6-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-20980; File No. 812-9362]

American Skandia Life Assurance Corporation, et al.

March 31, 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" or "Act").

APPLICANTS: American Skandia Life Assurance Corporation ("Skandia Life"); American Skandia Life Assurance Corporation Variable Account B (Class 1 Sub-Accounts) (the "Account"); and Skandia Life Equity Sales Corporation ("SLESCO").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) for

² An amendment will be filed during the notice period to confirm that the Board of Directors will formulate and approve any plan adopted under rule 12b-1.

exemption from Sections 26(a)(2)(C) and 27(c)(2) of the Act.

SUMMARY OF APPLICATION: Applicants seek an order to permit the deduction of a mortality and expense risk charge from the assets of the Account with respect to certain flexible premium deferred variable annuity contracts ("Contracts") and contracts offered in the future that are substantially similar in all material respects to the Contracts ("Future Contracts") that are issued through the Account or any other Accounts established in the future by Skandia Life ("Future Accounts"). Applicants also request that the exemptive relief granted to SLESCO extend to any other National Association of Securities Dealers member broker-dealer controlling, controlled by, order common control with Skandia Life ("Skandia Life Broker-Dealers"), that may serve in the future as distributor and/or principal underwriter for the Contracts or Future Contracts.

FILING DATES: The application was filed on December 12, 1994 and amended on February 27, 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 on this application, or ask to be notified if a hearing is ordered, by writing to the Commission's Secretary and serving the Applicants with a copy of the request, either personally or by mail. Hearing requests must be received by the SEC by 5:30 p.m., on April 25, 1995 and should be accompanied by proof of service on the Applicants, either by affidavit, or, for lawyers, by certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o American Skandia Life Assurance Corporation, One Corporate Drive, P.O. Box 883, Shelton, Connecticut 06484-9932, Attention: Jeffrey M. Ulness, Esq.

FOR FURTHER INFORMATION CONTACT: Joyce Merrick Pickholz, Senior Counsel, or Wendy Finck 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. Skandia Life is a stock life insurance company incorporated under the laws of Connecticut. It is wholly owned by American Skandia Investment Holding Corporation ("AHIHC") which in turn is ultimately wholly owned by Skandia Insurance Company Ltd., a Swedish Corporation.

2. The Account was established by Skandia Life as a unitized separate account under the laws of Connecticut and is registered with the Commission under the Act as a unit investment trust.

3. SLESCO, a wholly owned subsidiary of AHIHC, will serve as the distributor and principal underwriter of the Contracts. SLESCO is registered under the Securities Exchange Act of 1934 and with the National Association of Securities Dealers, Inc. as a broker-dealer.

4. The Contracts are flexible premium deferred variable annuities. Contract owners may allocate premium payments or account value to one or more sub-accounts of the Account which will invest in shares of corresponding investment portfolios of American Skandia Trust or such other investment company as may be made available in the future.

5. During the accumulation phase, a death benefit is generally payable upon the death of the first Contract owner to die (if the Contract is held by one or more natural persons) or upon the death of the annuitant. If death occurs prior to the 90th birthday of the individual upon whose death the benefit is payable, the death benefit is the greater of a Contract's Account Value or the minimum death benefit (which is the sum of all Purchase Payments less the sum of all withdrawals). If death occurs on or after the 90th birthday of the individual on whose death the benefit is payable, the death benefit is the Account Value.

6. Prior to the annuity date and upon surrender, Skandia Life will deduct a maintenance fee of the lesser of 2% of Account Value or \$30 per annuity year from the sub-account holdings attributable to any particular Contract in the same proportion that each sub-account holding bears to the Account Value of such Contract. Skandia Life states that this fee for maintaining the Contracts will not be greater than the anticipated costs. Also, during the accumulation period, Skandia Life will deduct from the Account, on a daily basis, an administration fee at the rate of 0.15% per annum of the average daily total value of assets of the Account.

Applicants assert¹ that a relationship does not necessarily exist between the administration charge and maintenance fee upon a particular Contract and the expenses attributable to that particular Contract, however, the total administrative charge assessed against the Account will not be greater than the total anticipated cost of services to be provided over the life of the Contract(s) in accordance with the applicable standards in Rule 26a-1 under the 1940 Act. The administration and maintenance fees can be increased only for contracts issued subsequent to the effective date of any such change. In addition, Skandia Life deducts an amount equal to any premium taxes due either prior to allocation to the sub-accounts or upon annuitization. Finally, a charge of \$10 is assessable for each transfer in excess of twelve transfers in each Annuity Year.

7. No deduction or charge will be made from Purchase Payments for sales or distribution expenses. However, a contingent deferred sales charge ("CDSC") may be assessed on surrender or withdrawal. The Contract offers a free withdrawal privilege that, under certain circumstances, permits a Contract owner to withdraw funds without any CDSC being imposed. For purposes of the CDSC, amounts withdrawn as a free withdrawal are not considered a liquidation of purchase payments. For withdrawals of unliquidated new premiums that exceed the free withdrawal amount, the CDSC under the Contracts begins at 7.5% and declines to 0% in year eight in accordance with a schedule set forth in the application. However, Applicants represent that in no event will the total CDSC for a particular Contract or Future Contract exceed 9% of purchase payments under the Contract or Future Contract. CDSC's will be used to compensate Skandia Life for sales commissions and other promotional or distribution expenses incurred by Skandia Life which are associated with the marketing of the Contracts. Skandia Life does not anticipate that the CDSC will be sufficient to permit it to recoup all its sales and distribution expenses. To the extent the CDSC is not sufficient, Skandia Life will pay these expenses from its general assets which may include proceeds (if available) from the mortality and expense risk charges.

8. A mortality and expense risk charge will be deducted daily from the net asset value of the Account attributable to the Contracts at a rate of 1.25% per annum of the daily net assets in the

¹ An amendment will be filed during the notice period to confirm this representation.

Account. Of that amount, approximately 0.90% is allocable to Skandia Life's assumption of mortality risks and 0.35% is allocable to Skandia Life's assumption of administration and expense risks. The annuity rates incorporated in any issued Contracts cannot be changed. Skandia Life's assumption of mortality risks guarantees that the variable annuity payments made to Contract owners will not be affected by the mortality experience of persons receiving such payments or of the general population. Skandia Life assumes this risk by virtue of the annuity rates incorporated in the Contracts which cannot be changed. Additional mortality risks are assumed when the sub-accounts decline in value resulting in losses to Skandia Life on paying death benefits. The expense risk undertaken by Skandia Life is that the administration and maintenance fees, which are guaranteed for current Contract owners, may be insufficient to cover the actual costs of maintaining the Contracts and the Account.

9. If the charges for the mortality and expense risks prove insufficient to cover mortality, administration and maintenance costs, then the excess of the expenses over the charges made for these expenses will result in a loss, and such loss will be borne by Skandia Life. Conversely, if the charges prove more than sufficient to cover such costs, the excess will result in a profit to Skandia Life.

Applicants' Legal Analysis

1. Applicants request exemptive relief, pursuant to Section 6(c) of the 1940 Act from the provisions of Sections 26(a)(2)(C) and 27(c)(2) of the Act to permit the deduction of a mortality and expense risk charge from the assets of the Account or Future Accounts with respect to the Contracts and Future Contracts that are substantially similar in all material respects to the Contracts. Applicants also request that the exemptive relief granted to SLESCO extend to any other National Association of Securities Dealers member broker-dealer controlling, controlled by, or under common control with Skandia Life that may serve in the future as principal underwriter for the Contracts or Future Contracts.

2. Section 26(a)(2)(C) provides that no payment to the depositor of, or principal underwriter for a registered unit investment trust shall be allowed the trustee or custodian as an expense except compensation, not exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other

administrative duties normally performed by the trustee or custodian. Section 27(c)(2) prohibits a registered investment company or a depositor or underwriter for such company from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, on such certificates are deposited with a trustee or custodian having the qualifications prescribed in Section 26(a)(1), and are held by such trustee or custodian under an agreement containing substantially the provisions required by Sections 26(a)(2)(C) and 26(a)(3) of the 1940 Act. Applicants request exemption from those provisions to the extent necessary to permit the assessment of the charge for mortality and expense risks under the Contracts and Future Contracts.

3. Applicants submit that their request for an order that applies to Future Contracts, Future Accounts and Skandia Life Broker-Dealers is necessary and appropriate in the public interest. Applicants assert that the issuance of the requested order on a prospective basis would promote competitiveness in the variable annuity contract market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses, maximizing the efficient use of Skandia Life's resources, and enabling Skandia Life to take advantage of business opportunities as they arise. Further, if Skandia Life 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 thereby.

4. Applicants submit that Skandia Life is entitled to reasonable compensation for its assumptions of mortality and expense risks and that the charge provided for in the Contracts is a reasonable and proper insurance charge. Skandia Life further represents that the charge of 1.25% for mortality and expense risks assumed by Skandia Life is within the range of industry practice with respect to comparable annuity products. This representation is based on Skandia Life's analysis of publicly available information about similar industry products, taking into consideration such factors as current charge levels, the existence of charge level guarantees, and guaranteed annuity rates. Skandia Life will maintain at its administrative offices, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, its comparative survey.

5. Similarly, prior to making available any Future Contracts through the Account, or through other Future Accounts, Applicants will represent that the mortality and expense risk charge under any such Future Contracts will be within the range of industry practice for comparable contracts. Applicants represent that Skandia Life will maintain at its administrative offices, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, its comparative survey. Further, such mortality and expense risk charge would not exceed 1.25% of the daily net assets of the Account or Future Accounts.

6. Applicants acknowledge the CDSC may be insufficient to cover all costs relating to the distribution of the Contracts and that if a profit is realized from the mortality and expense risk charge all or a portion of such profit may be viewed as being offset by distribution expenses. Nevertheless, Skandia Life has concluded that the proposed distribution financing arrangements will benefit the Account and the Contract owners. The basis for such conclusion is set forth in a memorandum which will be maintained by Skandia Life at its administrative offices and will be available to the Commission. Skandia Life also will maintain and make available to the Commission memoranda setting forth the basis for the same representation with respect to Future Contracts offered by the Account or Future Accounts.

7. Skandia Life represents that the Account, and all Future Accounts, shall invest only in management investment companies which undertake to have a Board of Directors, the majority of whom are not "interested persons" of such company as that term is used under Section 2(a)(19) of the Act, formulate and approve any plan adopted under Rule 12b-1 of the 1940 Act.²

Conclusion

Applicants submit that the exemptive relief requested is 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.

² An amendment will be filed during the notice period to confirm that the Board of Directors will formulate and approve any plan adopted under Rule 12b-1.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-8545 Filed 4-6-95; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Rel. No. 20982; 812-9166]

Pitcairn Group L.P., et al.; Notice of Application

March 31, 1995.

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

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

APPLICANTS: Pitcairn Group L.P. ("Pitcairn"), and Johnstone L.P. ("Johnstone").

RELEVANT ACT SECTIONS: Exemption requested under section 23(c)(3) from the provisions of section 23(c), and under section 57(c) from the provisions of section 57(a)(2).

SUMMARY OF APPLICATION: Applicants seek an order permitting Pitcairn to acquire 221,954 (approximately 39%) of its limited partnership units (the "Units") from Johnstone, a limited partnership formed by former Pitcairn unitholders to liquidate their ownership interests in Pitcairn, in exchange for a *pro rata* portion of the total assets of Pitcairn (the "Redemption"). The order also would permit Johnstone to acquire assets from Pitcairn in the Redemption and to acquire a *pro rata* portion of the total assets of Moreland L.P. ("Moreland"), a limited partnership controlled by Pitcairn, in exchange for the 222,553 Moreland limited partnership units owned by Johnstone (the "Related Transaction").

FILING DATES: The application was filed on August 15, 1994, and amended on December 9, 1994, and March 29, 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 received by the SEC by 5:30 p.m. on April 25, 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 who wish to be notified of a

hearing may request such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants: Pitcairn, One Pitcairn Place, Suite 3000, 165 Township Line Road, Jenkintown, Pennsylvania 19046; Johnstone, 75 James Way, Southampton, Pennsylvania 18966.

FOR FURTHER INFORMATION CONTACT: Courtney S. Thornton, Senior Attorney, at (202) 942-0583, or Barry D. Miller, Senior Special Counsel, 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. Pitcairn, a Delaware limited partnership that has elected to be regulated as a business development company ("BDC") under section 54 of the Act, was organized in 1986 as a vehicle for private investments for the Pitcairn family. It was capitalized with assets derived from the liquidation of The Pitcairn Company, a Delaware corporation formed in 1923 by members of the Pitcairn family to hold and manage the estate of John Pitcairn, one of the founders of Pittsburgh Plate Glass Company. Units in Pitcairn were distributed to the former shareholders of The Pitcairn Company.¹

2. Pitcairn is the sole shareholder of Pitcairn Company ("Pitco"), an investment adviser formed in 1986 and registered under the Investment Advisers Act of 1940. Pitco serves as the managing general partner of Pitcairn. Pitcairn also has four individual general partners, each of whom is a member of the Pitcairn family. In addition, Pitco serves as the general partner of Moreland, a Pennsylvania limited partnership that owns undeveloped land in and near the Borough of Bryn Athyn, Pennsylvania (where a large number of Pitcairn family members reside), and One Place L. P. ("One Place"), a Pennsylvania limited

partnership that owns the land and building in which the offices of Pitcairn, Pitco, and Pitcairn Trust Company ("PTC") (a Pennsylvania chartered trust company formed as a subsidiary of Pitco in 1987 to provide trust and related services to the Pitcairn family and other high net worth individuals) are situated.²

3. As a result of general change in the Pitcairn family and divergence of points of view as to investment philosophy, among other things, it became apparent in the early 1990s that a separation of family members from the family partnerships would occur.

Consequently, in February 1993, the board of directors of Pitco asked its management to recommend a plan for a buy-out of the interests of certain Pitcairn family members in certain family assets. This recommendation, through arms' length negotiations, resulted in the proposed Redemption and Related Transaction.

4. The series of transactions contemplated by the Redemption and the Related Transaction are as follows:

a. Four individuals formed Johnstone, a Pennsylvania limited partnership, for the purpose of receiving, with the intent to liquidate, their and other Pitcairn family members' (collectively, the "Separating Members") limited partnership interests in Pitcairn, Moreland, and One Place. The Separating Members, together with their spouses and related trusts, are no longer clients of PTC and have contributed their limited partnership interests in Pitcairn, Moreland, and One Place to Johnstone in exchange for limited partnership interests in Johnstone.³ Accordingly, Johnstone has become a substitute limited partner in Pitcairn, Moreland, and One Place, owning approximately 39%, 38.6%, and 39%, respectively, of the limited partnership units. Assets received by Johnstone in the Redemption and the Related Transaction are intended to be held by Johnstone only until they can be liquidated and the proceeds distributed to the Separating Members.

b. In the Redemption, Johnstone will transfer to Pitcairn all of the Units

¹ There are 576,124 units of general and limited partnership interests of Pitcairn issued and outstanding, approximately 70% of which are held in irrevocable trusts for members of the Pitcairn family, and approximately 30% of which are owned directly by family members and their churches. The units are registered under section 12 of the Securities Exchange Act of 1934, but there is no market for the units, and there are generally fewer than ten transfers per year. These transfers typically arise from terminating trusts or estates, interfamily gifts, or similar transactions involving one or more members of the Pitcairn family or trusts for their benefit.

² Pitcairn was the sole initial limited partner of Moreland and One Place; it spun off its interests in the partnerships to the owners of its Units in 1992. As a result, ownership of Pitcairn, Moreland, and One Place is nearly identical.

³ The only connection of the Separating Members with the remaining unitholders after consummation of the transactions described herein will be that two of the Separating Members will serve as trustees of trusts holding Units. These two Separating Members will continue to serve as trustees at the request of the beneficiaries of those trusts, notwithstanding their status as Separating Members.