

respective Acquired Series. As a result of this transaction, each shareholder of an Acquired Series ceased to be a shareholder of the Acquired Series and received that number of full and fractional shares of the respective Acquiring Series having an aggregate net asset value equal to the aggregate net asset value of such shareholder's shares of an Acquired Series as of December 30, 1994.

7. On December 31, 1994, pursuant to the Agreement and Plan, Applicant transferred to the Acquiring Series all of the assets and certain identified liabilities of the Acquired Series, and ceased operations.

8. Other than as described above, during the last 18 months, Applicant has not transferred any of its assets to a separate trust, the beneficiaries of which were or are security holders of Applicant.

9. Presently, no assets are retained by the Acquired Series, and no other debts or liabilities of the Applicant remain outstanding.

10. The expenses applicable to the transfer of the Applicant's assets, certain accounting, administrative and legal expenses, were borne by the Applicant, Pacific Select Fund, and Pacific Mutual Life Insurance Company (the Applicant's investment adviser), with the Applicant and Pacific Select Fund each bearing no more than one-third of the expenses. No series of either Applicant or Pacific Select Fund bore expenses to the extent that such expenses had a material impact on a series net asset value. For these purposes, an expense was considered material if its impact on the net asset value per share of a series equalled or exceeded \$.01 per share.

11. No brokerage commissions were paid in connection with the Reorganizations.

12. Expenses of liquidating, dissolving and deregistering the Applicant will be paid from assets paid by the Applicant to Pacific Select Fund which, pursuant to Agreement and Plan, were designated for such purposes in an amount up to \$2000 for each Acquired Series. Any additional costs will be paid by Pacific Mutual Life Insurance Company, not the Applicant or Pacific Select Fund.

13. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding-up of its affairs.

14. Other than the administrative proceeding initiated by the filing of this application, Applicant was not a party to any litigation or administrative

proceeding at the time of the filing of this application.

15. Applicant has made all filings under the 1940 Act, including Form N-SAR filings, for each period for which such filings were required.

16. The Applicant, a California corporation, intends to file a Certificate of Dissolution with the State.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-16575 Filed 7-5-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21173; 812-9548]

The Travelers Life and Annuity Company, et al.;

June 29, 1995.

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

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

APPLICANTS: The Travelers Life and Annuity Company ("TLAC"), The Travelers Fund BD II for Variable Annuities ("Fund BD II") and any other separate account that TLAC may establish to support certain flexible premium deferred variable annuity contracts and certificates issued by TLAC ("Other Accounts" or together with Fund BD II, the "Accounts"), and Tower Square Securities, Inc. ("TSSI").

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act that would exempt applicants from sections 26(a)(2)(C) and 27(c)(2) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit them to deduct a mortality and expense risk charge from the assets of the Accounts, in connection with certain flexible premium deferred variable annuity contracts.

FILING DATES: The application was filed on March 23, 1995, and amended on June 13, 1995 and June 27, 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 July 24, 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, D.C. 20549. Applicants, One Tower Square, Hartford, Connecticut 06183.

FOR FURTHER INFORMATION CONTACT: Sarah A. Buescher, Staff Attorney, at (202) 942-0573, or C. David Messman, 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. TLAC is a stock life insurance company organized in Connecticut and licensed to do business in all states except Alabama, Hawaii, Kansas, Maine, New Hampshire, New Jersey, North Carolina, Tennessee, Texas, Wyoming, and New York, and currently seeks to obtain licensure in the remaining states, except New York. TLAC is a wholly owned subsidiary of The Travelers Insurance Company, which is an indirect wholly owned subsidiary of Travelers Group Inc.

2. Fund BD II is a separate investment account established by TLAC to fund certain individual and group flexible premium deferred variable annuity contracts and certificates to be issued by TLAC ("Current Contracts"). In the future, TLAC may issue other flexible premium deferred variable annuity contracts and certificates that are materially similar to the Current Contracts that are issued through Fund BD II or the Other Accounts (the "Future Contracts", together with the Current Contracts, the "Contracts").

3. Fund BD II has filed a registration statement as a unit investment trust under the Act. Units of interest in Fund BD II under the Contracts will be registered under the Securities Act of 1933. Fund BD II is currently divided into twelve subaccounts. Each subaccount will invest in the shares of a portfolio of the Smith Barney/Travelers Series Fund, Inc., and one of the portfolios of the Smith Barney Series Fund, both open-end series-type management investment companies registered under the Act. In the future, TLAC may create or eliminate subaccounts.

4. TSSI, an affiliate of TLAC and an indirect wholly owned subsidiary of

The Travelers Inc., will serve as the distributor and principal underwriter of the Contracts. TSSI is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers, Inc.

5. The Contracts would provide retirement payments and other benefits to persons qualified for Federal income tax advantages and to those who do not qualify for such tax advantages. Annuity payments would be made on a fixed or variable basis, and the Contracts have several annuity and income options. The Contracts require an initial purchase payment of \$5,000. The minimum additional payment is \$500. Contract owners may allocate purchase payments to one or more subaccounts and to the fixed account.

6. The Contracts provide for two death benefit options, the standard death benefit and the enhanced death benefit. The standard death benefit varies, depending on the age of the annuitant or Contract owner and the maturity date. If the annuitant or Contract owner dies before age 75 and before the maturity date, the standard death benefit is equal to the greater of the following, less any applicable premium tax or surrenders not previously deducted: (a) The Contract value, (b) the total purchase payments under the Contract, and (c) the Contract value on the fifth Contract year anniversary immediately preceding TLAC's receipt of proof of death. If the annuitant or Contract owner dies on or after age 75, but before age 85 and before the maturity date, TLAC will pay as a standard death benefit the greater of the following, less any applicable premium tax or surrenders not previously deducted: (a) The Contract value, (b) the total purchase payments under the Contract, and (c) the Contract value on the latest fifth Contract year anniversary occurring on or before the deceased's 75th birthday. If the annuitant or Contract owner dies on or after age 85 and before the maturity date, TLAC will pay as a standard death benefit the Contract value, less any applicable premium tax and surrenders not previously deducted.

7. Under the enhanced death benefit, if the annuitant or Contract owner dies before age 75 and before the maturity date, TLAC will pay the greater of (a) the guaranteed death benefit, or (b) the Contract value less any applicable premium tax and surrenders not previously deducted. The guaranteed death benefit equals the purchase payments made to the Contract (minus surrenders and applicable premium taxes) increased by 5% on every

Contract date anniversary up to the Contract date anniversary following the deceased's 75th birthday, with a maximum guaranteed death benefit of 200% of purchase payments minus surrenders and applicable premium taxes. If the annuitant or Contract owner dies on or after age 75 but before age 85 and before the maturity date, TLAC will pay as an enhanced death benefit the greater of (a) the guaranteed death benefit as of the deceased's 75th birthday, plus additional purchase payments, minus surrenders and minus applicable premium tax or (b) the Contract value less any applicable premium tax or surrenders not previously deducted. If the annuitant or Contract owner dies on or after age 85 but before the maturity date, TLAC will pay as an enhanced death benefit the Contract value, less any applicable premium tax and surrenders not previously deducted.

8. Prior to the maturity date, the Contract owner may transfer all or part of the Contract value between subaccounts. TLAC currently does not charge or restrict the amount or frequency of transfers, but it reserves the right to limit the number of transfers to no more than one in any six month period.

9. TLAC will deduct an annual Contract administration charge of \$30 from the Contract value once each year. No Contract administration charge is payable after an annuity payout has begun, at the death of the annuitant or Contract owner, nor if the Contract value is greater than or equal to \$40,000 at the date of assessment of the charge. TLAC also will deduct a daily asset-based administration charge at an annual rate of .15%.

10. Applicants represent that the annual administration fee and the asset-based administration charge will not increase during the life of the Contracts. In addition, applicants represent that the charges represent reimbursement for the actual administration costs expected to be incurred over the life of the Contracts. Applicants will rely on rule 26a-1 to deduct this charge and certain other charges under the Contract.¹

11. Applicants will charge a contingent deferred sales charge ("surrender charge") upon certain withdrawals. The surrender charge is 6% of a purchase payment in the first, second, and third years following the payment, 3% in the fourth year, 2% in the fifth year, and 1% in the sixth year

following the payment. After the first Contract year, Contract owners may surrender up to 15% of their Contract value as of the first valuation date of a Contract year without incurring a surrender charge (the "free withdrawal amount"). The free withdrawal allowance applies to partial and full surrenders except full surrenders where the Contract owner transfers the Contract value to annuity contracts issued by other financial institutions.

12. There is no surrender charge on Contract earnings, which equal the Contract value, minus the sum of all purchase payments received that have not been previously surrendered, minus the amount of the 15% free withdrawal, if applicable. In determining the amount of any surrender charge, surrenders will be deemed to be taken first from any free withdrawal amount, next from purchase payments on a first-in, first-out basis, and then from Contract earnings in excess of any 15% free withdrawal amount.

13. TLAC proposes to deduct a daily mortality and expense risk charge of 1.02% for Contracts providing the standard death benefit. Of this amount, approximately .765% is for mortality risk and .255% is for expense risk. For Contracts providing the enhanced death benefit, TLAC proposes to deduct a daily mortality and expense risk charge of 1.30%. Of that amount, approximately 1.04% is for mortality risk and .26% is for expense risk.

14. TLAC assumes the mortality risk that annuitants may live for a longer period than estimated when the guarantees in the Contract were established, thus requiring TLAC to pay out more in annuity income than it had planned. TLAC also assumes a mortality risk in that it may be obligated to pay a death benefit in excess of the Contract value. Because the enhanced death benefit provides a higher level of benefits than the standard death benefit, the mortality risks for the enhanced death benefit exceed those for the standard death benefit. The expense risk assumed by TLAC is that the other fees may be insufficient to cover the actual cost of administering the Contracts.

15. If the mortality and expense risk charge is insufficient to cover the actual cost of the risks, TLAC will bear the shortfall. Conversely, if the charge is more than sufficient, the excess will be profit to TLAC and will be available for any proper corporate purpose, including payment of distribution expenses.

16. If premium taxes are applicable to a Contract, they will be deducted when the Contract is purchased, upon surrender of the Contract, when

¹ Rule 26a-1 allows for payment of a fee for bookkeeping and other administrative expenses provided that the fee is no greater than the cost of the services provided, without profit.

retirement payments begin, or upon payment of a death benefit.

Applicants' Legal Analysis

1. Applicants request an exemption pursuant to section 6(c) from sections 26(a)(2)(C) and 27(c)(2) to the extent necessary to permit the deduction from Fund BD II and Other Accounts of the Mortality and Expense Risk Charge. Sections 26(a)(2)(C) and 27(c)(2) of the Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

2. Section 6(c) of the Act authorizes the Commission to exempt any person from any provision of the Act or any rule or regulation thereunder, 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. Applicants also request relief with respect to Future Contracts that may be funded by Fund BD II and Other Accounts. Applicants represent that the terms of the relief requested with respect to any Future Contracts are consistent with the standards of section 6(c) of the Act. Without the requested relief, applicants represent that they would have to request and obtain exemptive relief for Future Contracts and any Other Account. Applicants represent that these additional requests for exemptive relief would present no issues under the Act not already addressed in this application, and that investors would not receive any benefits or additional protections thereby.

4. Applicants represent that the requested relief is appropriate in the public interest, because it would promote competitiveness in the variable annuity contract market by eliminating the need for applicants to file redundant exemptive applications, thereby reducing their administrative expenses and maximizing the efficient use of resources. The delay and expense involved in repeatedly seeking exemptive relief would reduce applicants' ability to effectively take advantage of business opportunities as they arise.

5. Applicants represent that the 1.02% mortality and expense risk charge for Contracts providing the standard death benefit is reasonable in relation to the risks assumed by TLAC under the Contracts and is within the range of industry practice for comparable annuity contracts. This representation is based on an analysis of publicly available information regarding similar contracts of other companies, taking into consideration such features as the charge levels, the benefits provided, and investment options under the contracts. TLAC will maintain at its home office, and make available to the SEC upon request, a memorandum setting forth in detail the products analyzed and the methodology and results of applicants' comparative review.

6. Applicants represent that the mortality and expense risk charge of 1.30% for Contracts providing the enhanced death benefit is reasonable in relation to the risks assumed by TLAC under the Contracts. Based on its analysis, TLAC determined that an additional mortality risk charge of .28% was a reasonable charge for the enhanced death benefit. TLAC will maintain at its home office, and make available to the SEC upon request, a memorandum setting forth in detail the methodology used in applicants review.

7. Applicants acknowledge that distribution expenses may in part be financed by profits derived from the mortality and expense risk charges. TLAC has concluded that there is a reasonable likelihood that the proposed distribution financing arrangement will benefit Fund BD II and investors in the Contracts. TLAC will maintain and make available to the Commission upon request a memorandum at its home office setting forth the basis of such conclusion.

8. The Accounts will invest in a management investment company that has adopted a plan pursuant to rule 12b-1 under the Act only if that company has undertaken to have such plan formulated and approved by its board of directors, a majority of whom are not "interested persons" of the company within the meaning of section 2(a) (19) of the Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-16567 Filed 7-5-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21174; 812-9132]

Harris & Harris Group, Inc.; Notice of Application

June 29, 1995.

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

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

APPLICANT: Harris & Harris Group, Inc.

RELEVANT ACT SECTIONS: Order requested pursuant to sections 6(c) and 61(a) granting an exemption from sections 18(d), 23(b), 61(a)(3)(B), and 61(b).

SUMMARY OF APPLICATION: Applicant is a closed-end registered investment company that intends to elect business development company ("BDC") status under the Act. Before becoming a registered investment company, applicant issued warrants that currently are held by two of its officers (the "Warrants") and issued stock options to certain officers and non-employee directors (the "Options"). Upon applicant's election of BDC status, the requested order would permit the Warrants and Options to remain exercisable pursuant to their terms as if they had been issued pursuant to an executive compensation plan conforming to section 61(a)(3)(B) of the Act.

FILING DATES: The application was filed on July 29, 1994 and amended on November 3, 1994 and June 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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on July 24, 1995, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of the date 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. Applicant, One Rockefeller Plaza, New York, NY 10020.

FOR FURTHER INFORMATION CONTACT: Marianne H. Khawly, Staff Attorney, at (202) 942-0562, or C. David Messman, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).