referenced federal tax charge is deducted will: (1) disclose the charge; (2) explain the purpose of the charge; and (3) state that the charge is reasonable in relation to the relevant Company's increased federal tax burden under Section 848 of the Code resulting from the receipt of premium payments.

c. The registration statement for each Contract under which the above-referenced federal tax charge is deducted will contain as an exhibit an actuarial opinion as to: (1) The reasonableness of the charge in relation to the relevant Company's increased federal tax burden under Section 848 of the Code resulting from the receipt of premiums; (2) the reasonableness of the targeted rate of return that is used in calculating such charge; and (3) the appropriateness of the factors taken into account by the relevant Company in determining such targeted rate of return.

Conclusion

1. Section 6(c) of the 1940 Act, in pertinent part, provides that the Commission, by order upon application, may conditionally or unconditionally exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from any provision or provisions of the 1940 Act, 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 contract and provisions of the 1940 Act.

2. For the reasons and upon the facts set forth above, Applicants submit that the requested exemptions from Sections 27(a)(3) and 27(c)(2) of the 1940 Act and paragraphs (b)(13)(ii) and (c)(4) of Rule 6e-3(T) thereunder, are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the contract and provisions of the 1940 Act. Therefore, the standards set forth in Section 6(c) of the 1940 Act are satisfied.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 95–16933 Filed 7–10–95; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Rel. No. 21177; 812–9510]

Paine Webber Group Inc., et al.; Notice of Application

June 30, 1995.

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

ACTION: Notice of Application for an Order under section 2(a)(9) of the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: Paine Webber Group Inc. (''PWG''), PaineWebber Incorporated (''PWI''), Mitchell Hutchins Asset Management Inc. (''MHAM''), and Mitchell Hutchins Institutional Investors Inc. (''MHII'') (collectively, the ''Painewebber Companies'').

RELEVANT ACT SECTION: Declaratory order requested under section 2(a)(9).

SUMMARY OF APPLICATION: General Electric Company (''GE'') acquired securities of Paine Webber Group Inc. (''PWG'') that, upon conversion of certain of such securities into common stock, would result in GE owning more than 25% of PWG's outstanding voting securities. The PWG securities owned by GE are subject to certain restrictions, obligations, and prohibitions as described in a stockholders agreement. Applicants request an order declaring that the presumption of control by a greater than 25% shareholder under section 2(a)(9) of the Act has been rebutted. The order would be effective for so long as the stockholders agreement remains in full force and effect without any amendment that would materially reduce the restrictions, obligations, and prohibitions with respect to GE's ownership of PWG's securities.

FILLING DATES: The application was filed on March 3, 1995 and amended on June 12, 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 26, 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, c/o Mitchell Hutchins Asset Management Inc., 1285 Avenue of the Americas, New York, New York 10019.

FOR FURTHER INFORMATION CONTACT: Marc Duffy, Senior Attorney, at (202) 942–0565, 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 from the SEC's Public Reference Branch.

Applicant's Representations

1. PWG is a publicly held financial services holding company. PWI, a wholly owned subsidiary of PWG, is a broker-dealer registered under the Securities Exchange Act of 1934 (''1934 Act'') and an investment adviser registered under the Investment Advisers Act of 1940 (''Advisers Act''). MHAM, a wholly owned subsidiary of PWI, is a broker-dealer registered under the 1934 Act and an investment adviser registered under the Advisers Act. As of October 31, 1994, MHAM served as investment adviser or sub-adviser to thirty investment companies with fifty-six separate portfolios and aggregate assets of over $23.3 billion. MHII, a wholly owned subsidiary of MHAM, is an investment adviser registered under the Advisers Act. As of October 31, 1994, MHII served as investment sub-adviser to eight separate portfolios of seven investment companies with aggregate assets of over $1.1 billion.

2. On October 17, 1994, PWG entered into an asset purchase agreement with General Electric Company (''GE'') and Kidder, Peabody Group Inc. (''Kidder'') (the ''Asset Purchase Agreement''). Under the Asset Purchase Agreement, PWG agreed to purchase certain assets from Kidder, a wholly owned subsidiary of GE. As part of the consideration for the purchase of those assets, on December 16, 1994 (the ''Closing''), PWG issued to GE shares of PWG Common Stock, Redeemable Preferred Stock, and Convertible Preferred Stock (collectively, the ''Equity Securities'').

3. At the Closing, GE received shares representing approximately 21.6% of the shares of Common Stock outstanding as of February 28, 1995. The Common Stock is the only class of securities of PWG outstanding that are generally entitled to vote for the election of directors.[1] GE does not hold for its

[1] As a holder of Redeemable Preferred Stock and Convertible Preferred Stock, GE could, under

Continued

own account any shares of Common Stock other than through its interest in the Equity Securities.

4. GE also received at the Closing 2,500,000 shares of Redeemable Preferred Stock, which stock does not have voting rights generally and is not convertible into shares of Common Stock. As of February 28, 1995, PWG has no other shares of Redeemable Preferred Stock outstanding.

5. GE also received at the Closing 1,000,000 shares of Convertible Preferred Stock. Such stock does not generally have the right to vote for the election of directors, but may be converted into shares of Common Stock. As of February 28, 1995, PWG has no other shares of Convertible Preferred Stock outstanding. Assuming that the Convertible Preferred Stock was converted into shares of Common Stock, GE would hold in the aggregate approximately 25.8% of the outstanding shares of Common Stock as of February 28, 1995.[2]

6. The Equity Securities issued by PWG to GE are subject to the terms of a stockholders agreement, dated as of the date of Closing, that creates material restrictions, obligations, and prohibitions with respect to GE's ownership of the Equity Securities (the ''Stockholders Agreement''). Under the Stockholders Agreement, GE is prohibited from acquiring additional voting securities of PWG, except in certain limited circumstances, and is prohibited from seeking to control or influence the management, business, operations, or affairs of PWG, other than through its single representative on the Board of Directors of PWG (the ''Board of Directors''). GE may not seek, submit, or give to any third party any proxy or consent for any matter subject to shareholder action, not may it propose any matter to be considered or voted upon by PWG's shareholders, nor may it seek to call a shareholder meeting for any purpose. GE may not propose any designee of GE to be elected to the Board of Directors of PWG other than the single representative (out of a total of 15 directors) contemplated by the Stockholders Agreement.[3]

7. Under the Stockholders Agreement, GE also may not propose any business combination with PWG. GE may not deposit its voting securities in any voting trust and must present all of its shares at each shareholder meeting either in person or by proxy, for purposes of establishing a quorum. GE must vote all its shares for or against any matter as directed by the Board of Directors or, in certain limited circumstances, if requested by the Board of Directors, as all other shares of Common Stock are voted. GE may sell its Common Stock only pursuant to an underwritten offering, or pursuant to certain registration rights, or pursuant to a tender offer that is not opposed by the Board of Directors. Subject to these restrictions, all shares of Common Stock and Convertible Preferred Stock proposed to be transferred by GE to a third party are subject to a right of first refusal in favor of PWG. GE's shares of Common Stock and Convertible Preferred Stock also are subject to a right of repurchase in favor of PWG that may be exercised at any time at the discretion of PWG.

8. The Stockholders Agreement has a scheduled term of 15 years. The Stockholders Agreement may be terminated earlier upon the written agreement of PWG, Kidder, and GE; upon the third anniversary of the date upon which GE and its affiliates no longer beneficially own any voting securities of PWG; or in the event that the obligations of PWG under the Stockholders Agreement (relating to nominating and electing a member to the Board of Directors) are not observed and performed.

Applicants' Legal Analysis

1. Section 2(a)(9) of the Act provides, in relevant part, that any person who owns beneficially more than 25% of the voting securities of a company shall be presumed to control such company. Applicants request an order declaring that the presumption of control by a greater than 25% shareholder under section 2(a)(9) has been rebutted by evidence presented in the application.

2. Section 2(a)(4) defines an ''assignment'' to include any transfer of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor. Section 15(a)(4) provides that a registered investment company's investment advisory contracts automatically terminate in the event of their assignment. If GE's acquisition of the Equity Securities is deemed to result in a change of control of PWG, then all of the existing investment advisory contracts to which MHAM or PWI is a party automatically would be terminated. If such contracts are terminated, new investment advisory contracts must be approved by the funds' Board of Directors and shareholders in accordance with section 15(a).

3. For the reasons set forth below, applicants believe that the evidence presented in the application rebuts the presumption under section 2(a)(9) that GE controls PWG as a result of its acquisition of the Equity Securities. There is not currently, nor has there ever been, any historical or traditional relationship between PWG and GE that would indicate any prospective intention or latent ability of GE, in fact, to control PWG. GE is entitled to a single representative to serve on the Board of Directors of 15 people, and only for so long as it owns 10% of the outstanding voting securities of PWG. Other than its single representative to the Board of Directors, GE is expressly prohibited from influencing or seeking any third party to influence any of the business, operations, management, or policies of PWG. In addition, GE has no right, privilege, or power to be consulted with respect to any material corporate actions by PWG and has no veto power over any extraordinary corporate action.

4. Applicants believe that the beneficial ownership by GE of approximately 25.8% of PWG Common Stock would not result in a change of control of PWG because there would be no transfer of actual control to GE. The Stockholders Agreement reflects the business agreement between the parties that PWG maintain its independence and that GE's ownership interest be a passive investment.

5. The order would remain in effect for so long as the Stockholders Agreement remains in full force and effect, without any amendment that would materially reduce the restrictions, obligations, and prohibitions with respect to GE's ownership, communication, voting, and transfer rights with respect to the Equity Securities contained therein.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 95–16929 Filed 7–10–95; 8:45 am]

BILLING CODE 8010–01–M

certain limited circumstances, elect two additional directors to the Board of Directors of PWG. *See* footnote 2.

[2] In a letter dated June 30, 1995, counsel for applicants stated that, as of the date of amendment 1 to the application, GE held in excess of 25% of PWG's outstanding voting securities on a fully diluted basis.

[3] If PWG does not pay in full six quarterly dividends (whether or not consecutive) or fails to make a mandatory redemption payment with respect to the Redeemable Preferred Stock or the Convertible Preferred Stock, the Board of Directors would be increased by two and GE would have the right to elect the two additional directors for so long as such arrearage continues and for a one-year period thereafter. In such event, GE nevertheless would continue to have minority representation on the Board of Directors.