

the characteristics of the instruments that led to the adoption of restrictions pertaining to "Senior securities." In this regard, the Funds would not be "borrowing" from their Directors in the manner that concerned Congress. Liabilities for deferred fees will be *de minimis* in relation to Fund net assets. In addition, given the common existence of deferred compensation agreements, the Proposed Plans would not confuse investors.

4. Section 22(f) prohibits undisclosed restrictions on transferability or negotiability of redeemable securities issued by open-end investment companies. Sections 22(g) and 23(a) prohibit registered open-end and closed-end investment companies, respectively, from issuing securities for services. The Applicants submit that the restriction on transferability of a Director's benefits under the Proposed Plans will have no adverse effects on the Director, the adopting Fund or Fund shareholders. With respect to Sections 22(g) and 23(a), Applicants submit that each Fund's obligation to make payments under its Proposed Plan would not be issued for services, but in return for the Fund not being required to pay fees on a current basis.

5. 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. Applicants submit that the sale of securities issued by the Funds pursuant to the Proposed Plans to other Funds do not implicate the concerns that led to the enactment of section 17(a), but would merely facilitate that matching of a Fund's liability for deferred Director's Fees with the Underlying Securities that would determine the amount of such Fund's liability. Accordingly, Applicants believe that, in addition to satisfying section 6(c), they also meet the standards of section 17(b) for exempting a series of transactions from section 17(a).

6. Section 139(a)(3) prohibits registered investment companies from, among other things, deviating without a shareholder vote from any investment policy that is changeable only if authorized by shareholder vote or deviating from any policy recited in its registration statement pursuant to section 8(b)(3). Certain of the Investment Companies have a fundamental investment restriction prohibiting them from investing in securities of other investment companies, except in connection with a merger, consolidation or acquisition of assets (collectively, the "Restricted

Investment Companies"). Applicants submit that it is appropriate to exempt the Restricted Investment Companies from the provisions of Section 13(a)(3), so as to enable the Restricted investment Companies to invest in Underlying Securities without a shareholder vote. The value of the Underlying Securities will be *de minimis* in relation to the total net assets of each Restricted Investment Company. Furthermore, the relief requested from section 13(a)(3) would extend only to future Funds for which an affiliated person of Holdings becomes investment adviser or principal underwriter subsequent to the future Fund's initial public offering and that have fundamental investment policies prohibiting the purchase of investment company shares without shareholder approval.

7. Rule 2a-7 imposes certain restrictions on the investments of "money market funds," as defined under the rule, that would prohibit a Fund that is a money market fund from investing in the shares of any other Fund. The Applicants submit that exempting each Fund that is a money market Fund from rule 2a-7 to the limited extent required to permit it to invest in Underlying Securities (and to exclude Underlying Securities in calculating such Fund's dollar-weighted average maturity) is appropriate. Such an exemption would permit the Funds in question to achieve an exact matching of Underlying Securities with the deemed investments of the Deferred Fee Accounts, thereby ensuring that the deferred fee arrangements will not affect net asset value.

8. 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 without prior SEC approval. To the extent that the Proposed Plans may be deemed to involve joint transactions between the Funds and their Directors, Applicants submit that the participation in the Proposed Plans by any Fund will not be on a basis that is less advantageous than that of any other participant. Deferral of a Director's Fees in accordance with the Proposed Plans would essentially maintain the parties, viewed both separately and in their relationship to one another, in the same position (apart from tax effects) as if the Fees were paid on a current basis.

9. Applicants believe that, for the reasons set forth above, the Proposed Plans are in the best interests of each Fund and its shareholders and are consistent with the purposes fairly

intended by the policy and provisions of the Act. In addition, the Applicants submit that exemption of the proposed deferred fee arrangement and transactions related thereto from the foregoing provisions of the Act is necessary and appropriate in the public interest and consistent with the protection of investors.

#### Conditions

Each Applicant agrees that the order of the SEC 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 another Fund, the purchasing Fund will vote such shares in proportion to the votes of all other shareholders of such other Fund.

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

Margaret H. McFarland,  
Deputy Secretary.

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[Rel. No. IC-21474; 812-9812]

#### Standish, Ayer & Wood Investment Trust; Notice of Application

November 6, 1995.

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

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

**APPLICANT:** Standish, Ayer & Wood Investment Trust (the "Trust").

**RELEVANT ACT SECTIONS:** Order requested under section 17(b) of the Act to exempt applicant from the provisions of section 17(a).

**SUMMARY OF APPLICATION:** Applicant seeks an order to permit the in-kind redemption of Trust shares held by an "affiliated person" of the Trust.

**FILING DATE:** The application was filed on October 11, 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 December 1, 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 may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street, NW., Washington, DC 20549. Applicant, One Financial Center, Boston, Massachusetts 02111.

**FOR FURTHER INFORMATION CONTACT:** Elaine M. Boggs, Staff Attorney, at (202) 942-0572, 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.

#### Applicant's Representations

1. The Trust is an open-end management investment company established as a Massachusetts business trust. The Trust consists of twelve portfolios, including the Standish Equity Fund (the "Fund"). Standish, Ayer & Wood, Inc. (the "Adviser") serves as the Fund's investment adviser.

2. State Mutual Separate Account F (the "Separate Account") is a shareholder of the Fund and is an insurance company segregated asset account established by State Mutual Life Assurance Company of America ("State Mutual"). It is operated as a comingled funding and investment vehicle for several qualified pension plans. As of September 21, 1995, the Separate Account owned beneficially and of record approximately 39.3% of the outstanding shares of the Fund.

3. State Mutual, acting pursuant to its fiduciary obligation under the Employee Retirement Income Security Act of 1974, as amended, has concluded that the assets of the Separate Account invested in the Fund should be managed directly by the Adviser in the form of a separate investment advisory account.

Consequently, State Mutual, on behalf of the Separate Account, has notified the Trust that it expects to redeem its shares of the Fund and place the proceeds in a separate investment advisory account to be managed by the Adviser.

4. The Fund's prospectus and statement of additional information provide that redemption requests generally will be paid in cash. If, however, the Fund's board of trustees (the "Board") determines that it would be in the best interest of the shareholders of the Fund, redemption amounts will be paid in-kind with respect to redemption requests in a single transaction or series of transactions during any 90 day period in excess of \$250,000. In such event, cash will be paid for that portion of the Fund's assets represented by cash equivalents (such as certificates of deposit, commercial paper, and repurchase agreements) and other assets which are not susceptible for distribution (including receivables and prepaid expenses), net of all liabilities. The Board has determined that it would be in the best interest of shareholders to redeem the shares of the Separate Account in-kind to the extent permitted by the Trust's election under rule 18f-1.<sup>1</sup>

#### Applicant's Legal Analysis

1. Section 17(a)(2) of the Act prohibits affiliated persons of the Fund from knowingly purchasing any securities from the Fund. Section 2(a)(3)(A) of the Act defines an "affiliated person" of another person as any person owning five percent or more of the outstanding voting securities of such other person. The Separate Account is an affiliated person of the Fund because it owns beneficially and of record in excess of 5% of the Fund's shares.

2. Section 17(b) of the Act provides that the SEC may exempt a transaction from the prohibitions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act.

3. Applicant submits that the terms of the proposed in-kind redemption meets the standards set forth in section 17(b). Applicant believes that the redemption will be on terms that are reasonable and fair to the Fund and its shareholders and will not involve overreaching on

<sup>1</sup> The Trust has elected to be governed by the provisions of rule 18f-1 under the Act and is, therefore, committed to pay in cash all requests for redemption by any shareholder of record, limited in amount with respect to each shareholder during any 90 day period to the lesser of \$250,000 or 1% of the Fund's net asset value at the beginning of such period.

the part of any person because the Fund will use an objective, verifiable standard for the selection and valuation of any securities to be distributed in connection with the proposed redemption in-kind. Similarly, the proposed transactions are consistent with the investment policy of the Fund, which expressly allows redemptions in-kind. Finally, applicant believes that the proposed transaction is consistent with policies and purposes of the Act to protect shareholders of investment companies from self-dealing on the part of investment company affiliates to the detriment of other shareholders because the Separate Account would not receive any advantage not available to any other shareholder if the proposed in-kind redemption is permitted.

#### Applicant's Conditions

Applicant agrees that any order granting the requested relief will be subject to the following conditions:

1. The portfolio securities of the Fund distributed to the Separate Account pursuant to a redemption in-kind (the "In-Kind Securities") will be limited to securities that are traded on a public securities market or for which quoted bid prices are available.

2. The In-Kind Securities will be distributed on a *pro rata* basis after excluding (a) securities which, if distributed, would be required to be registered under the Securities Act of 1933 and (b) certain portfolio assets (such as futures and options contracts and repurchase agreements) that, although they may be liquid and marketable, must be traded through the marketplace or with the counterparty to the transaction in order to effect a change in beneficial ownership. In addition, the Fund will distribute cash in lieu of any securities held in the Fund's portfolio not amounting to round lots, fractional shares, and accruals on such securities.

3. The In-Kind Securities distributed to the Separate Account will be valued in the same manner as they would be valued for purposes of computing the Fund's net asset value, which, in the case of securities traded on a public securities market for which quotations are available, is the last reported trade price on the exchange on which the securities are principally traded, or, if there is no such reported price, is the last quoted bid price.

4. The Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which the proposed in-kind redemption by the separate account occurred, the first two years in an easily accessible place, a written record of such

redemption setting forth a description of each security distributed, the terms of the distribution, and the information or materials upon which the valuation was made.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 95-27968 Filed 11-9-95; 8:45 am]

BILLING CODE 8010-01-M

**[Investment Company Act Release No. 21476; File No. 811-7053]**

**Torchmark Government Securities Fund, Inc.; Application for Deregistration**

November 6, 1995.

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

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

**APPLICANT:** Torchmark Government Securities Fund, Inc.

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

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

**FILING DATES:** The application on Form N-8F was filed on August 25, 1995, and amended on October 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 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 December 4, 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 a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549. Applicant, 6300 Lamar Avenue, P.O. Box 29217, Shawnee Mission, Kansas 66201-9217.

**FOR FURTHER INFORMATION CONTACT:** James J. Dwyer, Staff Attorney, at (202) 942-0581, or Alison E. Baur, Branch Chief, at (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 is an open-end, diversified management investment company organized as a corporation under Maryland law. On October 20, 1992, applicant registered under section 8(a) of the Act by filing a notification of registration on Form N-8A, and filed a registration statement on Form N-1A under section 8(b) of the Act and under the Securities Act of 1933 to register an indefinite number of shares. The registration statement was declared effective on February 26, 1993, and the initial public offering of applicant's shares commenced on that date.

2. At a meeting held on February 8, 1995, applicant's board of directors determined that it was desirable to dissolve applicant and approved a plan to liquidate. In determining to liquidate applicant, the board considered the fact that applicant's investment adviser, based upon analysis of market conditions, applicant's performance, and opportunities for growth, determined that it was unlikely that applicant's assets would increase to a level that would enable applicant to achieve a desirable expense level.

3. On or about March 1, 1995, proxy materials were distributed to applicant's shareholders containing the proposed plan of liquidation (the "Plan"). Applicant's shareholders approved the Plan at a special meeting of shareholders held on April 3, 1995.

4. Pursuant to the Plan, applicant sold substantially all of its portfolio securities and other property by June 27, 1995, on which date applicant had outstanding 150,772.54 shares of common stock. As of June 28, 1995, applicant had an aggregate value of \$1,460,985.89, and a net asset value per share of \$9.69. On June 28, 1995, pursuant to the Plan and in accordance with Maryland law, applicant made a liquidating distribution to its shareholders *pro rata* at net asset value. In addition, Waddell & Reed, Inc., the parent of applicant's investment adviser, made individual payments to applicant's shareholders not affiliated with Waddell & Reed, Inc., that, when added to the amounts received by such shareholders, approximated their investment in applicant.

5. The expenses incurred in connection with the liquidation are expected to total \$3,788 and have been or will be paid by Waddell & Reed, Inc. They consist primarily of legal

expenses, expenses of printing and mailing communications to shareholders, and miscellaneous accounting and administrative expenses.

6. At the time of the application, applicant had no securityholders, assets, or liabilities, except for certain legal and audit fees that will be paid by Waddell & Reed, Inc. Applicant is not a party to any litigation or administrative proceeding. Applicant is not presently engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

7. Applicant filed Articles of Dissolution with the Maryland Department of Assessments and Taxation on April 24, 1995. Applicant also took other actions required by Maryland law in connection with the dissolution.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 95-27970 Filed 11-9-95; 8:45 am]

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**[Investment Company Act Release No. 21475; File No. 811-7045]**

**Torchmark Insured Tax-Free Fund, Inc.; Application for Deregistration**

November 6, 1995.

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

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

**APPLICANT:** Torchmark Insured Tax-Free Fund, Inc..

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

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

**FILING DATES:** The application on Form N-8F was filed on August 25, 1995, and amended on October 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 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 December 4, 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