

facts. According to the adopting release, the concern was that a company may be considered a non-investment company for the purposes of the Act under section 3(c) and still be engaged primarily in investment company activities. Applicant states that none of the CIBC Entities to which applicant may loan money are engaged primarily in investment company activities. In addition, if CIBC issued the securities that are to be issued by applicant and use the proceeds, none of the CIBC Entities would be subject to regulation under the Act. While CIBC has chosen instead to use applicant as a financing vehicle, the Guarantee ensures that holders of applicant's securities will have direct access to CIBC's credit.

4. Under rule 3a-5(a)(6), a finance subsidiary may only invest in government securities, securities of its parent company or a company controlled by its parent company, or debt securities exempt under section 3(a)(3) of the Securities Act. Applicant intends to invest in equity securities of unaffiliated companies in an amount that does not exceed 4% of its assets. Applicant will hold such securities due to non-U.S. tax constraints applicable to CIBC. Applicant's primary purpose, however, will continue to be the financing of the business operations of CIBC and companies controlled by CIBC. In addition, purchasers of applicant's debt securities will receive disclosure documents that make clear that such purchasers should ultimately look to CIBC for repayment pursuant to CIBC's guarantee. Thus, applicant asserts that, because neither its structure nor its mode of operation will resemble that of an investment company, the holders of applicant's securities will not rely on applicant's management of securities issued by unaffiliated companies.

5. Section 6(c) provides, in relevant part, that the SEC may, conditionally or unconditionally, by order, exempt any person or class of persons from any provision of the Act or from any rule thereunder, if such exemption is necessary or appropriate in the public interest, consistent with the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. Applicant submits that the relief requested satisfies the section 6(c) standard.

Applicant's Condition

Applicant agrees that any order issued on this application shall be subject to the following condition:

Applicant will comply with all of the provisions of rule 3a-5 under the Act, except: (a) applicant will be permitted

to invest in or make loans to corporations, partnerships, and joint ventures that do not meet the portion of the definition of "company controlled by the parent company" in rule 3a-5(b)(3)(i) solely because they are excluded from the definition of investment company by section 3(c) (1), (3), (4), (6), or (7), *provided* that any such entity excluded from the definition of investment company pursuant to section 3(c)(1) will only engage in lending, leasing or related activities (such as entering into credit derivatives to manage that credit risk exposures of its lending and leasing activities) and will not be structured solely as a means of avoiding regulation under the Act, and *provided further*, that any such entity excluded from the definition of investment company pursuant to section 3(c)(6) of the Act will not be engaged primarily, directly or indirectly, in one or more of the businesses described in section 3(c)(5) of the Act; and (b) applicant will be permitted to invest in, reinvest in, own, hold, or trade in equity securities of unaffiliated companies with a purchase price not in excess of \$200 million (or any higher amount not in excess of 4% of applicant's assets).

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-239 Filed 1-6-97; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22421; 811-7069]

Senior High Income Portfolio II, Inc.; Notice of Application

December 30, 1996.

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

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

APPLICANT: Senior High Income Portfolio II, Inc.

RELEVANT ACT SECTION: Order requested under section 8(f) of the Act.

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

FILING DATE: The application was filed on October 8, 1996 and amended on December 13, 1996.

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 January 24, 1997, and should be accompanied by proof of service on the 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 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

FOR FURTHER INFORMATION CONTACT: Kathleen L. Knisely, Staff Attorney, at (202) 942-0517, or Alison E. Baur, 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. Applicant is a closed-end, non-diversified management investment company organized as a Maryland corporation. On July 19, 1993, applicant filed a Notification of Registration on Form N-8A pursuant to section 8(a) of the Act and a registration statement on Form N-2 under the Act and the Securities Act of 1933. The registration statement became effective on September 17, 1993, and applicant commenced the initial public offering the same day.

2. On December 6, 1995, applicant's board of directors approved an Agreement and Plan of Merger (the "Plan") whereby applicant would transfer its assets to Senior High Income Portfolio, Inc. ("SHIP I"), a registered closed-end management investment company, in exchange for shares of SHIP I. Pursuant to rule 17a-8 under the Act,¹ applicant's board of directors determined that the proposed reorganization was in the best interest of applicant and that the interests of the existing shareholders would not be

¹ Rule 17a-8 provides an exemption from section 17(a) of the Act for certain reorganizations among registered investment companies that may be affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers.

diluted as a result of the proposed reorganization.

3. In approving the Plan, the directors identified certain benefits which were likely to result from the reorganization. It was anticipated that the applicant's shareholders would remain invested in a closed-end fund with investment objectives and policies virtually identical to those of applicant, and applicant's shareholders would also benefit from a reduced overall operating expense ratio based on the combined assets of the surviving fund and from greater efficiency and flexibility in portfolio management.

4. On December 29, 1995, applicant filed a proxy statement with the SEC that was declared effective on February 5, 1996 and distributed to shareholders on or about February 5, 1996. In addition to solicitation by mail, certain agents of applicant solicited shareholder proxies by telephone. Applicant's shareholders approved the Plan at a special meeting held on March 14, 1996.

5. Pursuant to the Plan, on April 15, 1996, applicant transferred all of its assets and liabilities to SHIP I. Upon transfer, each share of applicant's common stock converted into the right to receive an equivalent dollar amount (to the nearest one ten-thousandth of one cent) of full shares of SHIP I common stock plus cash in lieu of any fractional shares, computed based on the net asset value per share of each of applicant and SHIP I.

6. Expenses incurred in connection with the reorganization included proxy solicitation expenses, filing fees, legal and audit fees and printing and stock exchange fees. All expenses applicant incurred in connection with the reorganization were paid by SHIP I after the reorganization.

7. As of the date of the application, applicant had no shareholders and no securities outstanding, and has no debts or other liabilities outstanding. Applicant is not a party to any litigation or administrative proceeding. Applicant is neither engaged, nor proposes to engage, in any business activities other than those necessary for the winding up on its affairs.

9. Applicant filed articles of merger with the State of Maryland on April 12, 1996, which became effective on April 15, 1996.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-243 Filed 1-6-97; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22422; 811-7131]

**Senior Strategic Income Fund, Inc.;
Notice of Application**

December 30, 1996.

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

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

APPLICANT: Senior Strategic Income Fund, Inc.

RELEVANT ACT SECTION: Order requested under section 8(f) of the Act.

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

FILING DATE: The application was filed on October 8, 1996 and amended on December 13, 1996.

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 January 27, 1997, and should be accompanied by proof of service on the 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.

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