

Warburg, Pincus Counsellors, Inc. advised that, in its view open-ending applicant, either by having it remain a stand-alone fund or by merger would not be economically viable and accordingly not in the best interest of shareholders.

3. At a duly constituted Board meeting held on November 4, 1996, the Board resolved to liquidate all of applicant's assets and distribute on November 22, 1996 all of the proceeds of such liquidation, in the form of cash, less an amount provided for debts and liabilities of applicant, to shareholders of record as of November 21, 1996. In approving such action, the Board considered a number of factors, including possible tax consequences to shareholders, the relatively small size of applicant's assets, the likelihood of redemption requests following conversion of applicant to an open-end fund, the resulting high expense ratio of the Fund, and the improbability that sales of applicant's shares could be increased to raise applicant's assets to a more economically viable level.

4. On October 30, 1996, all issued and unredeemed Preferred Shares of applicant were redeemed in full in accordance with the Articles of Incorporation. As of November 21, 1996, there were 2,729,862.351 Common Shares of applicant outstanding, having an aggregate net asset value of \$53,632,507 and a per share net asset value of \$19.65. Applicant had no other classes of securities outstanding. On November 22, 1996 applicant's assets were liquidated and distributed to its Common shareholders.

5. In connection with its liquidation, applicant incurred expenses of approximately \$23,000, consisting of auditing and legal expenses. These expenses were borne by applicant.

6. As of the date of the filing of the application, applicant has no shareholders, liabilities, or assets. Applicant is not a party to any litigation or administrative proceeding.

7. 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.

8. Applicant intends to terminate its existence under the laws of the State of Maryland.

For the SEC, by the Division of Investment Management, under delegated authority.  
Margaret H. McFarland,  
*Deputy Secretary.*

[FR Doc. 97-4240 Filed 2-20-97; 8:45 am]

BILLING CODE 8010-01-M

**[Investment Company Act Release No. 22509]**

**Kansas Farm Bureau Life Variable Account; Notice of Application**

February 13, 1997.

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

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

**APPLICANT:** Kansas Farm Bureau Life Variable Account.

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

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

**FILING DATE:** The application was filed on February 3, 1997.

**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 March 10, 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, 2627 KFB Plaza, Manhattan, Kansas 66503.

**FOR FURTHER INFORMATION CONTACT:** Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or H. R. Hallock, Jr., Special Counsel, at (202) 942-0564 (Division or 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. Applicant is a registered unit investment trust under the Act. On March 1, 1988, 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-8B-2 pursuant to section 8(b) of the Act. On the same date, applicant filed a registration statement on Form S-6 under the Securities Act of 1933.

Applicant's registration statement was never declared effective and no public offering ever commenced.

2. Applicant has no security holders, debts, liabilities or assets. Applicant is not a party to any litigation or administrative proceeding. 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.

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

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 97-4241 Filed 2-20-97; 8:45 am]

BILLING CODE 8010-01-M

**[Release No. 35-26668]**

**Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")**

February 14, 1997.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by March 10, 1997, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Northeast Utilities, et al. (70-8507)

Northeast Utilities ("NU"), 174 Brush Hill Avenue, West Springfield, Massachusetts 01089, a registered holding company, and its wholly owned subsidiaries, Charter Oak Energy, Inc.

("Charter Oak") and COE Development Corporation ("COE Development"), both located at 107 Seldon Street, Berlin, Connecticut 06037, (collectively, the "Applicants") have filed a post-effective amendment to their application-declaration under section 12(c) of the Act and rule 46 thereunder, regarding the payment to dividends out of capital or unearned surplus.

By order dated December 12, 1996 (HCAR No. 2613) ("Order"), the Commission authorized the Applicants to engage in certain power development activities. Specifically, the Order authorized Charter Oak and COE Development to, among other things, invest in, and finance the acquisition of, exempt wholesale generators within the meaning of section 32 of the Act ("EWGs") and foreign utility companies within the meaning of section 33 of the Act ("FUCOs," and together with EWGs, "Exempt Projects"), subject to certain limitations. In addition, the Applicants may acquire interests in, finance the acquisition, and hold the securities, of one or more companies ("Intermediate Companies") engaged directly or indirectly and exclusively in the business of holding the securities of one or more Exempt Projects and in project development activities relating to the acquisition of such interests and securities in the underlying projects, without filing specific project applications with the Commission, and to issue guarantees and assume liabilities subsequent to operation with regard to those projects.

NU's authorized investment in Charter Oak, Charter Oak's authorized investment in COE Development and Charter Oak's and COE Development's authorized expenditures are \$200 million for the period from January 1, 1997 to December 31, 1997.

The Applicants now propose to expand their authorization to allow Intermediate Companies and/or Exempt Projects to pay dividends to their parent companies, from time to time out of capital or unearned surplus, and for Charter Oak to use such funds to pay dividends to NU, to the extent permitted by applicable corporate law and to be accounted for in a manner consistent with rule 46 promulgated under the Act.

Central and South West Corporation et al. (70-8979)

Central and South West Corporation ("CSW"), 1616 Woodall Rodgers Freeway, Dallas, Texas 75202, a registered holding company, and its wholly-owned public utility subsidiaries, Central Power and Light Company ("CP&L"), 539 North Carancahua Street, Corpus Christi,

Texas 78401-2802, Public Service Company of Oklahoma ("PSO"), 212 East Sixth Street, Tulsa, Oklahoma 74119-1212, Southwestern Electric Power Company, 428 Travis Street, Shreveport, Louisiana 71156-0001 ("SWEPCO") and West Texas Utilities Company ("WTU"), 301 Cypress Street, Abilene, Texas 79601-5820, have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(a)-(e) of the Act and rules 43, 44, 51, 54, 62 and 65 thereunder.<sup>1</sup>

#### *Proxy Solicitation*

All of the outstanding common stock of the Subsidiaries is held by CSW (individually and collectively, "Common Stock"). As of September 30, 1996, CP&L, PSO, SWEPCO and WTU had issued seven,<sup>2</sup> three,<sup>3</sup> four<sup>4</sup> and one<sup>5</sup> series, respectively, of preferred stock, \$100 par value per share (individually and collectively, "Preferred Stock"), none of which are listed on a securities exchange. The Common Stock and Preferred Stock of each series are each entitled to one vote per share. None of the Subsidiaries has any other authorized class of equity securities.

CP&L's and WTU's respective Restated Articles of Incorporation and PSO's and SWEPCO's respective Restated Certificates of Incorporation (collectively, "Articles") currently provide that, without the consent of the holders of at least a majority of the total number of such Subsidiary's shares of Preferred Stock of all series voting as one class, it may not issue or assume any unsecured notes, debentures or other securities representing unsecured indebtedness ("Unsecured Obligations"), for any purpose other than (a) refunding or renewing outstanding Unsecured Obligations

resulting in later maturities, or (b) funding existing unsecured indebtedness (not represented by Unsecured Obligations), if immediately after such issue or assumption (1) the principal amount of all Unsecured Obligations issued or assumed by the Subsidiary and then outstanding would exceed 20% of the aggregate of (i) the principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Subsidiary and then outstanding and (ii) the total capital stock and surplus of the Subsidiary as then recorded on its books (the "20% Provision"), or (2) the principal amount of all Unsecured Obligations maturing in less than ten years,<sup>6</sup> issued or assumed by the Subsidiary and then outstanding would exceed 10% of such aggregate amount (the "10% Provision").

The Subsidiaries propose to solicit proxies or consents from the holders of their outstanding shares of Common Stock and Preferred Stock ("Proxy Solicitation")<sup>7</sup> to approve a proposed amendment to each Subsidiary's Articles that would eliminate in their entirety the 10% Provision and 20% Provision (individually, "Proposed Amendment" and collectively, "Proposed Amendments") from each of their Articles. Approval and adoption of the applicable Proposed Amendment by each Subsidiary's shareholders requires the affirmative vote of the holders of not less than two-thirds of the outstanding shares of the Subsidiary's (1) Preferred Stock of all series, voting together as one class, and (2) Common Stock. CSW has advised the Subsidiaries that it will vote its shares of Common Stock of each Subsidiary in favor of the Proposed Amendments. If proxies are solicited, they would be voted at special meetings of the Subsidiaries' respective stockholders to be held as soon as possible ("Special Meetings") for the purpose of voting on the Proposed Amendments. Each Subsidiary may elect to make a special cash payment out of its general funds (each, a "Cash Payment") to each holder of its Preferred Stock who voted in favor of

<sup>1</sup> CP&L, PSO, SWEPCO & WTU are sometimes referred to herein individually as a "Subsidiary" or collectively as "Subsidiaries."

<sup>2</sup> The seven series of CP&L Preferred Stock consist of a Money Market Preferred series, of which 750,000 shares are outstanding ("MMP Series"); an Auction Rate Preferred Series A series, of which 425,000 shares are outstanding ("ARP Series A"), an Auction Rate Preferred Series B series, of which 425,000 shares are outstanding ("ARP Series B"); a 8.72% series, of which 500,000 shares are outstanding; a 7.12% series, of which 260,000 shares are outstanding; a 4.20% series, of which 75,000 shares are outstanding; and a 4.00% series, of which 100,000 shares are outstanding.

<sup>3</sup> The two series of PSO Preferred Stock consist of a 4.24% series, of which 100,000 shares are outstanding; and a 4.00% series, of which 97,900 shares are outstanding.

<sup>4</sup> The four series of SWEPCO Preferred Stock consist of a 6.95% series, of which 340,000 shares are outstanding; a 5.00% series, of which 75,000 shares are outstanding; a 4.65% series, of which 25,000 shares are outstanding; and a 4.28% series, of which 60,000 shares are outstanding.

<sup>5</sup> The series of WTU Preferred Stock is a 4.40% series, of which 60,000 shares are outstanding.

<sup>6</sup> The principal amount of any Unsecured Obligations which had an original single maturity of more than ten years from the date thereof, and the principal amount of the final maturity of any serially-maturing Unsecured Obligations which had one or more original maturities of more than ten years from the date thereof, may not be regarded as Unsecured Obligations maturing in less than ten years until such principal amount is due or required to be paid within three years.

<sup>7</sup> In connection with the Proxy Solicitation, the Subsidiaries will engage an information agent and will pay such information agent a fee and reimburse reasonable out-of-pocket expenses in an amount expected not to exceed approximately \$75,000.

the applicable Proposed Amendment (except that no Cash Payment will be made with respect to any share of Preferred Stock validly tendered pursuant to the concurrent tender offer described below). The Cash Payment also may be conditioned on approval and adoption of the Proposed Amendments.

#### *Tender Offer*

Concurrently with or shortly before the commencement of the Proxy Solicitation, and subject to the terms and conditions to be stated in an Offer to Purchase and Proxy Statement and accompanying Letter of Transmittal and Proxy (together, "Offer Documents"), CSW may make a cash tender offer ("Tender Offer") to acquire from the holders of the preferred stock of one or more series (each a "Series") any and all shares ("Shares") of such Series at cash purchase prices (which CSW anticipates will reflect a premium over the current market price at the commencement of the Tender Offer) to be determined based on market conditions (each a "Purchase Price").<sup>8</sup> Additionally, the Subsidiaries may call shares of any or all series of outstanding Preferred Stock at the applicable call price. The Tender Offer consists of separate offers by CSW to acquire some or all Series of preferred stock of each Subsidiary, except for CP&L's MMP Series, ARP Series A and ARP Series B, for which no Tender Offer will be made, with the Tender Offer for any one Series being independent of the Tender Offer for any other Series. The applicable Purchase Price and the other terms and conditions of the Tender Offer apply equally to all preferred stockholders of a respective Series.

CSW anticipates that the Tender Offer for each Series of preferred stock will expire on the date of the applicable Special Meeting or expiration of the consent solicitation ("Expiration Date") but the Expiration Date may be extended or the Tender Offer terminated early under certain circumstances. The Tender Offer would not be conditioned upon any minimum number of Shares of the applicable Series being tendered, but may be conditioned, among other things, on the Proposed Amendments being adopted and/or all tendering preferred stockholders voting in favor of the applicable Proposed Amendment.

Tenders of Shares made pursuant to the Tender Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders will be

irrevocable, subject to certain conditions identified in the Offer Documents. CSW states that its obligation to proceed with the Tender Offer and to accept for payment and to pay for any Shares tendered is subject to various conditions that will be enumerated in the Offer Documents, which include the Commission issuing an order under the Act authorizing the proposed transactions, and which may include, among other conditions, that the Proposed Amendments be adopted and/or that all tendering preferred stockholders vote in favor of the applicable Proposed Amendment.

Shares validly tendered to the depositary for the Tender Offer ("Depositary") pursuant to the Tender Offer and not withdrawn in accordance with procedures in the Offer Documents will be held by CSW until the Expiration Date (or returned in the event the Tender Offer is terminated). Subject to the terms and conditions of the Tender Offer, as promptly as practicable after the Expiration Date, CSW will accept for payment and pay for any and all Shares validly tendered and not withdrawn. CSW plans to use its general funds and/or funds borrowed through its commercial paper program<sup>9</sup> on an interim basis to pay the Purchase Price for all tendered Shares. CSW expects to select one or more dealer managers in connection with the Tender Offer.<sup>10</sup> In addition, CSW will pay soliciting brokers and dealers a separate fee for Shares tendered that are accepted and paid for pursuant to the Tender Offer.<sup>11</sup>

If the Proposed Amendments are adopted, promptly after consummation of the Tender Offer the Subsidiaries propose to purchase the Shares sold to CSW pursuant to the Tender Offer at the relevant Purchase Price, and the Subsidiaries will retire and cancel such Shares.

If the Tender Offer is conditioned upon the Proposed Amendments being adopted at the Special Meetings and the Proposed Amendments are not adopted, CSW may elect to waive such condition. In that case or if the Tender Offer is not conditioned upon the Proposed

Amendments being adopted, as promptly as practicable after CSW's purchase of any Shares validly tendered pursuant to the Tender Offer, each Subsidiary may call another special meeting or commence another consent solicitation of its common and preferred stockholders and solicit proxies or consents (to secure the requisite two-thirds affirmative vote of stockholders to amend the Articles) to eliminate the 10% Provision and the 20% Provision. At each such meeting, CSW would vote any Shares acquired by it pursuant to the Tender Offer or otherwise (as well as all of its shares of Common Stock of the Subsidiaries) in favor of the Proposed Amendments. If the Proposed Amendments are adopted at that meeting and in any event within one year from the Expiration Date (including any potential extension thereto pursuant to the Tender Offer), the Subsidiaries will acquire all shares from CSW at the Purchase Price after such meetings or at the expiration of such one-year period, as applicable, and the Subsidiaries will retire and cancel such Shares.

#### *Proposed Financing*

CSW and/or the Subsidiaries propose to issue junior subordinated debentures ("Debentures") and tax deductible preferred securities ("Preferred Securities") indirectly through a special purpose financing subsidiary to the public from time to time in one or more series, through December 31, 2001, not to exceed the following aggregate principal amounts (each, an "Offering Limit"): CSW—\$500 million, CP&L—\$350 million, PSO—\$100 million, SWEPCO—\$150 million and WTU—\$80 million. Each series of Debentures and Preferred Securities will mature in not more than 49 years.

Debentures issued and sold to the public are expected to be sold through negotiation with underwriters, agents or other entities, at an initial public offering price resulting in a yield to maturity that is not expected to exceed by more than 3% the yield to maturity on United States Treasury bonds of similar maturity. The commission payable to agents or underwriters would not exceed 3.5% of the principal amount of the Debentures sold.

CSW and the Subsidiaries may have the right to defer payment of interest on the Debentures for up to five years. In the event interest payments are so deferred on the Debentures, CSW and the Subsidiaries may not declare and pay dividends (except in common stock) on outstanding stock. The payment of principal, premium and interest on the Debentures would be subordinated in right of payment to the prior payment in

<sup>8</sup> The Purchase Price would be based on a number of factors, including the dividend payable on the preferred stock, the redemption price on the date of acquisition and the then current market rates for similar securities.

<sup>9</sup> See Holding Co. Act Release No. 26254 (March 21, 1995) (authorizing CSW to issue and sell commercial paper and notes to banks up to \$1.2 billion to finance the capital expenditures of the Subsidiaries through March 31, 1997).

<sup>10</sup> The applicants state that dealer manager fees will be determined following negotiation and investigation of fees in similar transactions and will include reasonable out-of-pocket expenses, including attorneys' fees.

<sup>11</sup> The applicants state that fees to soliciting brokers and dealers will be determined following negotiation and investigation of fees in similar transactions. In addition, CSW proposes to pay the Depositary a fee estimated at approximately \$30,000.

full of senior indebtedness. The Debentures may be subject to redemption and, in addition, their maturities may be extended up to 49 years if the original maturity is less than 49 years, provided other conditions are met. The Debentures will be issued under indentures between the issuing applicant and a trustee.

CSW and the Subsidiaries anticipate that the issuance and sale of Preferred Securities would occur through a special purpose entity ("SPE"), organized as a limited liability company ("LLC"), a limited partnership ("LP") or a statutory business trust ("Trust").<sup>12</sup> Depending on the form of the SPE, the Preferred Securities would constitute preferred membership interests in an LLC, limited partnership interests in an LP or preferred interests (or senior trust certificates) in a Trust. With respect to a SPE that is a LLC, CSW or the respective Subsidiary may also form a wholly-owned subsidiary ("Investment Sub") to acquire and hold an interest in the SPE so that any applicable two-member LLC requirement would be satisfied. Similarly, with respect to a SPE that is a LP, CSW or the respective Subsidiary may form an Investment Sub to act, or may itself act, as the general partner of such SPE and may acquire, either directly or indirectly through such Investment Sub a limited partnership interest in such SPE so that any applicable two-partner LP requirement would be satisfied. The Preferred Securities will have aggregate par or stated value or liquidation preference of up to \$1,000 per security.

CSW and the Subsidiaries and/or their respective Investment Subs will acquire an aggregate ownership interest, including general partnership interests or common membership interests, as the case may be, or will become the grantors and holders of the junior trust certificates, of their respective SPE in an amount not to exceed 10% of the total equity capitalization or deposits from time to time of such SPE ("Equity Contribution"). At any time or from time to time in one or more series, CSW and the Subsidiaries may issue and sell Debentures to their respective SPE and the SPE would purchase such Debentures, applying both the Equity Contribution made to it and the proceeds from the sale of Preferred Securities. CSW and each Subsidiary may sell Debentures and utilize their respective SPE to issue Preferred Securities. The payment rate, terms,

redemption and other provisions of the Preferred Securities would correspond to those of the Debentures purchased from CSW or the Subsidiaries, as the case may be.

In order for the SPE to sell Preferred Securities up to the maximum Offering Limit, CSW or the Subsidiaries would be required to issue Debentures to such SPE in an amount equal to the maximum Offering Limit plus the total Equity Contribution. CSW or the Subsidiaries selling such Debentures to an SPE may or may not be the owner of the general partnership interests, common member interests or the grantor or holder of the junior trust certificates of such SPE, as the case may be.

CSW or the Subsidiaries may redeem the Debentures held by an SPE which is required to redeem the related series of Preferred Securities at a price equal to their par or stated value or liquidation preference, as the case may be, plus any accrued and unpaid dividends or distributions, under certain circumstances, including if an SPE may become subject to federal income tax on the interest it received on Debentures issued to the SPE, a determination that the interest payment by CSW or a Subsidiary on its Debentures are not deductible for income tax purposes, or the SPE becomes subject to regulation as an "investment company" under the Investment Company Act of 1940, as amended. The Preferred Securities also may be subject to mandatory redemption under certain circumstances. In certain instances, CSW and the Subsidiaries also may have the right to exchange the Preferred Securities of their respective SPE for the related Debentures.

In connection with the Preferred Securities, CSW and the Subsidiaries request authorization to guarantee the payment of dividends or distributions on the Preferred Securities of their respective SPE, payments to the holder of Preferred Securities of amounts due upon liquidation of such SPE or redemption of the Preferred Securities, payments of certain additional amounts that may be payable in respect of such Preferred Securities and/or certain other matters.

It is expected that each applicant's interest payments on the Debentures it issues will be deductible for federal income tax purposes and that any respective SPE will be treated as a grantor trust if organized as a Trust or a partnership if organized as a LP or LLC, as the case may be, for federal income tax purposes. Consequently, holders of the Preferred Securities, the applicants and any respective Investment Sub, will be deemed to have

received either payments in respect of the Debentures or partnership distributions from their respective SPE and will not be entitled to any "dividends received deduction" under the Internal Revenue Code.

In the event that any SPE is required to withhold or deduct certain amounts in connection with dividends, distributions or other payments, the SPE may have the obligation to "gross up" such payments so that the holders or the Preferred Securities issued by such SPE will receive the same payment after withholding or deduction as they would have received if no withholding or deduction were required. CSW or the related Subsidiary would be required to make corresponding payments under the Debentures that would provide the SPE with sufficient funds to make the additional payment.

If any SPE is required to pay taxes with respect to income derived from interest payments on the Debentures issued to it, CSW or the related Subsidiary may be required to pay such additional interest on the Debentures as shall be necessary in order that net amounts received and retained by such SPE after the payment of such taxes, shall result in the SPE having such funds as it would have had in the absence of such payment of taxes.

In the event of any liquidation, dissolution or winding up of any SPE, the holders of the Preferred Securities of such SPE will be entitled to receive before any distribution of assets to the common membership interest holders, general partner, grantor or junior trust certificate holder of such SPE, an amount equal to the par or stated value or liquidation preference of such Preferred Securities plus any accrued and unpaid dividends or distributions.

The applicants represent that the constituent documents governing each SPE will contain provisions, among others, limiting the SPE's activities to (i) the issuance and sale of Preferred Securities and (ii) the loan of proceeds from the sale of Preferred Securities and the Equity Contribution by the SPE to CSW, Subsidiaries and Investment Subs. The applicants propose that the constituent documents of any SPE contain no interest or dividend coverage or capitalization ratio restrictions in respect of issuance and sale of Preferred Securities. Moreover, the applicants state that CSW and the Subsidiaries' ownership interests in any SPE will be subject to transfer restrictions, the business of the SPE will be managed and controlled by CSW, the respective Subsidiary and/or their respective Investment Sub, and CSW and each

<sup>12</sup> The applicants state that a LLC, LP or Trust would be organized under the Delaware Limited Liability Company Act, Delaware Revised Uniform Limited Partnership Act or Delaware Business Trust Act, respectively, or other similar statutes.

Subsidiary will pay all expenses of its SPE.

CSW and Subsidiaries request authorization to enter into negotiations with underwriters to establish the interest rate, right of redemption and other terms and conditions applicable to the Debentures and Preferred Securities, subject to the receipt, or terms of an order under the Act.

CSW and the Subsidiaries intend to use the net proceeds of the Debentures to retire or replace, through redemption, repurchase or otherwise, outstanding first mortgage bonds or preferred stock (or any combination thereof), to pay outstanding short-term borrowings and for other general corporate purposes. CSW intends to use the net proceeds of the Debentures to loan or make equity contributions to the Subsidiaries to be evidenced by a Subsidiary's issuance of notes, preferred securities and/or common stock to CSW. Such notes and preferred securities would have substantially the same terms as the Debentures issued by CSW.

In connection with the issuance of Debentures and Preferred Securities, the applicants seek authorization to manage interest rate risk, through the use of interest rate management instruments, including interest rate swaps, caps, floors, collars and other similar instruments. The applicants represent that in no event would the aggregate notional amount of the interest rate swaps, at any one time, exceed the respective Offering Limit for CSW and the Subsidiaries, and that none of the interest rate swaps would be "leveraged".

The applicants also request authorization to deviate from the preferred stock provisions of the *Statement of Policy Regarding Preferred Stock Subject to the Public Utility Holding Company Act of 1935*, HCAR No. 13106 (Feb. 16, 1956), as amended in HCAR No. 16758 (June 22, 1970) to the extent applicable with respect to the Proposed Amendments.

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

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 97-4243 Filed 2-20-97; 8:45 am]

BILLING CODE 8010-10-M

[Rel. No. IC-22512; 812-10132]

### Sierra Prime Income Fund, et al.; Notice of Application

February 14, 1997.

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

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

**APPLICANTS:** Sierra Prime Income Fund (the "Trust"), Sierra Investment Advisors Corporation (the "Adviser"), and Sierra Investment Services Corporation (the "Distributor").

**RELEVANT ACT SECTIONS:** Order requested under section 6(c) of the Act for an exemption from sections 18(c) and 18(i) of the Act, and under section 17(d) of the Act and rule 17d-1 thereunder permitting certain joint transactions.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit certain closed-end investment companies to issue multiple classes of shares in the same portfolio of securities and impose distribution fees on one or more classes of shares.

**FILING DATES:** The application was filed on May 7, 1996 and amended on August 14, 1996, and on November 26, 1996.

Applicants have agreed to file an amendment during the notice period, the substance of which is incorporated herein.

**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 March 11, 1997 and should be accompanied by proof of service on the 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, 9301 Corbin Avenue, Suite 333, Northridge, California 91324.

**FOR FURTHER INFORMATION CONTACT:** Sarah A. Buescher, Staff Attorney, at (202) 942-0573, or Elizabeth G. Osterman, Assistant Director, 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. The Trust is a registered closed-end management investment company

organized as a Massachusetts business trust. The Trust has entered into an investment advisory agreement with the Adviser, a wholly-owned subsidiary of Sierra Capital Management Corporation. The Adviser has delegated the management of the Trust's investment portfolio to Van Kampen American Capital Management Inc. The Trust has entered into a distribution agreement with the Distribution pursuant to which the Distributor acts as principal underwriter or distributor for the Trust. Applicants request that relief extend to all future series of the Trust and all other registered closed-end investment companies with substantially the same investment policies and manner of operation as the Trust for which the Adviser, the Distributor, or any entity controlling, controlled by, or under common control with the Adviser or Distributor acts as adviser or distributor now or in the future.

2. The Trust's investment objective is to provide as high a level of income as is consistent with the preservation of capital primarily through investment in senior collateralized corporate loans ("Senior Loans") in the form of participation interests in Senior Loans made by banks or other financial institutions. The Trust and funds with similar investment policies and manners of operation are commonly known as "prime rate" funds. While the Trust's investment policies require it to be organized as a closed-end investment company, the Trust has characteristics largely associated with an open-end investment company. Similar to open-end funds, shares of the Trust are not listed on an exchange and are not traded over-the-counter on the National Association of Securities Dealers, Inc.'s ("NASD's") Automated Quotation National Market System. Also similar to open-end funds, the Trust engages in a continuous offering of its shares, and updates its registration statement annually. The Trust currently offers one class of shares to investors with a front-end sales load, as described below.

3. Because the Trust does not currently anticipate that a secondary market will develop for its shares, the Trust considers the shares to be illiquid. Therefore, consistent with section 23(c)(2) of the Act, the Trust intends to consider making tender offers each quarter to purchase its shares from shareholders at the then current net asset value ("NAV") per share. Section 23(c)(2) provides that a registered closed-end investment company may