reasonable and proper insurance charges imposed to compensate Applicants for bearing certain mortality and expense risks under the Contracts.

Applicants' Conditions

1. Applicants represent that the mortality and expense risk charges will range from a minimum of 0.35 percent to a maximum of 1.25 percent, that each form of the Contracts will include a mortality and expense risk charge that is within the range of industry practice for comparable variable annuity contracts, and the differentials between mortality and expense risk charges for different forms of the Contracts are reasonable in relation to the differentials in mortality or expense risks assumed. Applicants undertake not to offer any form of the Contracts without first making the required analysis and determinations that the mortality and expense risk charge is within the range of industry practice and that the differentials between mortality and expense risk charges for different forms of the Contracts are reasonable in relation to the differentials in mortality or expense risks assumed. Applicants state that these determinations will be made with respect to all forms of the Contracts, based on analysis by Applicants of publicly available information about similar industry products, taking into consideration such factors as current charge levels and benefits provided, the existence of expense charge guarantees and guaranteed annuity rates. Each Applicant undertakes to maintain at its principal office, available to the Commission upon request, a memorandum setting forth in appropriate detail the products analyzed, the methodology, and the results of the analysis, in making the foregoing determinations.

2. Applicants acknowledge that, if a profit is realized from the mortality and expense risk charge under the Contracts, all or a portion of such profit may be available to pay distribution expenses not reimbursed by the CDSC. Applicants state that, notwithstanding the foregoing, Applicants will not commence offering a form of the Contracts until the relevant Applicant has concluded that there is a reasonable likelihood that the proposed distribution financing arrangements will benefit the Separate Account of the Applicant and the affected Contract owners. Each Applicant represents that is will maintain at its principal office, and make available to the Commission, upon request, a memorandum setting forth the basis for such conclusion.

3. Each form of the Contracts will be offered by a separate prospectus and statement of additional information that will be filed pursuant to either Rule 497 or Rule 485 under the Securities Act of 1933. Applicants undertake to include in the letter transmitting each such filing representations that the relevant Applicants have made determinations that: (a) the mortality and expense risk charge is within the range of industry practice; (b) the differential between mortality and expense risk charges provided by the form of the Contract and such charges provided by other forms of the Contracts is reasonable in relation to the differentials in mortality or expense risks assumed; and (c) there is a reasonable likelihood that the distribution financing arrangements will benefit the Separate Account of the Applicant and the affected Contract owner.

4. Each Applicant represents that its Separate Account will invest only in a management investment company that undertakes, in the event it adopts a plan pursuant to Rule 12b–1 under the 1940 Act to finance distribution expenses, to have such plan formulated and approved by a board of directors, a majority of whom are not interested persons of such investment company.

5. Each Applicant undertakes to abide by the terms and conditions of any rule that may be adopted by the Commission in the future with regard to the deduction of mortality and expense risk charges.

Conclusion

For the reasons summarized above, Applicants submit that the exemptions requested are 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 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–19374 Filed 7–30–96; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Release No. 22098; 811–4457]

Prudential U.S. Government Fund; Notice of Application

July 25, 1996.

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

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

APPLICANT: Prudential U.S. Government Fund.

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

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

FILING DATE: The applicant was filed on March 20, 1996, and amended on July 8, 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 August 19, 1996, 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, NW., Washington, DC 20549. Applicant, One Seaport Plaza, New York, N.Y. 10292.

FOR FURTHER INFORMATION CONTACT: Christine Y. Greenlees, Senior Counsel, (202) 942–0581, or Robert A. Robertson, 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 an open-end management investment company organization as a business trust under the laws of the Commonwealth of Massachusetts.[1] On November 4, 1985, applicant registered under the Act and filed a registration statement on Form N–1A under section 8(b) of the Act and the Securities Act of 1933. The registration statement was declared effective and applicant commenced its initial public offering on November 7, 1986. Applicant has three classes of shares: Class A, Class B and Class C.

2. On September 28, 1995, applicant's trustees approved a resolution to adopt an Agreement and Plan of

[1] Applicant was organized initially as a Maryland corporation. Pursuant to Articles of Transfer, which were effective in Maryland on October 2, 1986, applicant's assets and liabilities were transferred to an unincorporated business trust organized under the laws of the Commonwealth of Massachusetts.

Reorganization and Liquidation (''Agreement'') between applicant and Prudential Government Income Fund, Inc. (''Government Income Fund''), a registered open-end management investment company organized as a corporation under the laws of Maryland. On January 12, 1996, applicant's shareholders approved the Agreement.

3. Applicant and Government Income Fund could be deemed to be affiliated persons under the Act solely by reason of having a common investment adviser, common trustees/directors, and/or common officers. Applicant therefore relied on the exemption provided by rule 17a–8 under the Act to effect the merger.[2] In accordance with the rule, the trustees of applicant found that the sale of applicant's assets to the Government Income Fund was in the best interests of applicant and that the interest of applicant's shareholders would not be diluted as a result of the reorganization contemplated by the Agreement. The board of directors of Government Income Fund also found that the sale of applicant's assets to the Government Income Fund was in the best interests of Government Income Fund, and the interests of Government Income Fund's shareholders would not be diluted as a result of the reorganization contemplated by the Agreement.

4. On January 19, 1996, applicant had total net assets of $125,590,639, comprising 4,731,652 Class A shares at a net asset value of $10.49 per share, 7,215,308 Class B shares at a net asset value of $10.49 per share, and 21,833 Class C shares at a net asset value of $10.49 per share.

5. Pursuant to the Agreement, on January 19, 1996, applicant transferred all of its assets to Government Income Fund, and Government Income Fund assumed all of applicant's liabilities. The transfer was based on the relative net asset value per Class A, Class B and Class C shares of applicant and Class A, Class B and Class C shares, respectively, of the Government Income Fund on such date. Such shares of Government Income Fund were then distributed *pro rata* to the shareholders of Class A, Class B and Class C shares of applicant, respectively.

6. Expenses incurred in connection with the merger included approximately $83,000 in printing expenses, $20,000 in solicitation expenses, $30,000 in legal fees and expenses, and $9,000 in mailing expenses. Applicant and Government Income Fund agreed to pay the expenses in proportion to their respective asset levels. Since all of applicant's assets have been transferred to Government Income Fund and Government Income Fund has assumed all of applicant's liabilities, these expenses will be satisfied from the assets of Government Income Fund.

7. As of the date of the application, applicant had no shareholders, assets, or liabilities, and was 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.

8. Applicant intends to file a Certificate of Termination with the Office of the Secretary of the Commonwealth of Massachusetts to effect the termination of the applicant as a Massachusetts business trust as soon as practicable.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–19468 Filed 7–30–96; 8:45 am]

BILLING CODE 8010–01–M

[2] Rule 17a–8 provides relief from the affiliated transaction prohibition of section 17(a) of the Act for a merger of investment companies that may be affiliated persons of each other solely by reason of having a common investment adviser, common directors, and/or common officers.

[Release Nos. 33–7314; 34–37480; International Series Release No. 1010; File No. S7–19–96]

RIN 3235–AG83

Securities Act Concepts and Their Effects on Capital Formation

AGENCY: Securities and Exchange Commission.

ACTION: Concept Release.

SUMMARY: The Securities and Exchange Commission (the ''Commission'') has received the Report of the Advisory Committee on the Capital Formation and Regulatory Processes (the ''Advisory Committee'') chartered by the Commission. In addition to its consideration of the Report of the Advisory Committee (the ''Advisory Committee Report''), the Commission is reexamining the application of the Securities Act of 1933 and the rules thereunder to securities offerings. Information and comment are being sought with regard to what reforms could or should be undertaken, consistent with the Commission's investor protection mandate, to reform the current regulation of the capital formation process. Varying approaches, including a ''company registration'' concept recommended by the Advisory Committee, are being considered.

DATES: Comments should be received by September 30, 1996.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Stop 6–9, Washington, D.C., 20549. Comments also may be submitted electronically to the following electronic mail address: rule-comment@sec.gov. All comment letters should refer to File No. S7–19–96; this file number should be included in the subject line if electronic mail is used. Comment letters will be available for public inspection and copying at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Electronically submitted comment letters will be posted on the Commission's Internet Web site (http://www.sec.gov).

FOR FURTHER INFORMATION CONTACT: Anita Klein, Office of Chief Counsel, Division of Corporation Finance, (202) 942–2900. For copies of the Advisory Committee Report, please fax a request to the Office of Commissioner Wallman at (202) 942–9563 or call (202) 942–0800.[1]

SUPPLEMENTARY INFORMATION:

I. Introduction

The Securities Act of 1933 (the ''Securities Act'')[2] and the rules and regulations thereunder have long provided the foundation for a capital formation system whose integrity, fairness and liquidity are unparalleled. Because U.S. capital formation methods and markets are characterized by innovation, the Commission vigilantly seeks to identify ways to improve its regulatory framework governing that system.[3] Two studies presented to the

[1] The Advisory Committee Report is also available through the Commission's Public Reference Room and the Commission's Internet Web site (http://www.sec.gov). For further information with respect to the Advisory Committee Report, contact the Advisory Committee staff: David A. Sirignano, Staff Director, at (202) 942–2870; Dr. Robert Comment (202) 942–8036; Catherine T. Dixon, (202) 942–2920; Meridith Mitchell (202) 942–0890; or Luise M. Welby (202) 942–2990.

[2] 15 U.S.C. §§ 77a *et seq.*

[3] The current reexamination of the Securities Act registration system is the most recent step in the modern reevaluation of the regulatory framework that many date back to the publication of the 1966 article by Milton Cohen which first suggested the integration of the Securities Act and the Securities Exchange Act of 1934 (the ''Exchange Act'') (15 U.S.C. §§ 78a *et seq.*) disclosure systems. *See* M. Cohen, ''Truth in Securities'' Revisited, 79 *Harv. L. Rev.* 1340 (1966). Since the publication of that article, the Commission has conducted or arranged several studies related to the disclosure system, including those completed by the Commission's Disclosure Policy Study Group in 1969 and the Commission's Advisory Committee on Corporate Disclosure in 1977. *See* Disclosure to Investors—A