4. Guarantees

Conectiv requests authorization to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to the obligations of Subsidiaries in an aggregate amount not to exceed $350 million. In addition, the Non-Utility Subsidiaries request authority to enter into arrangements with each other similar to those described with respect to Conectiv in an aggregate amount not to exceed $100 million. Applicants state that the debt guaranteed will comply with the parameters for financing.

5. Conectiv System Money Pool

Conectiv and the Subsidiaries request authorization to establish a Conectiv system money pool (''System Money Pool''). Conectiv may invest, but not borrow from the System Money Pool. Also, Delmarva and Atlantic Electric would be authorized to borrow up to $275 million and $250 million, respectively, from the System Money Pool.[6] No other participant in the System Money Pool would be permitted to have borrowings from the System Money Pool exceeding $25 million at any one time outstanding during the Authorization Period. Support Conectiv will administer the System Money Pool on an ''at cost'' basis. Support Conectiv will act strictly in an agency capacity, and not as principal, with regard to funds deposited in the System Money Pool by other participants.

6. Changes in Capital Stock of Wholly-Owned Subsidiaries and Dividends Out of Capital or Unearned Surplus by Non-Utility Subsidiaries

Applicants request authority to change the terms of any wholly-owned Subsidiary's authorized capital stock capitalization by an amount deemed appropriate by Conectiv or other immediate parent company. A Subsidiary would be able to change the par value, or change between par and no-par stock, without additional Commission approval. Any action by a Utility Subsidiary would be subject to and would only be taken upon receipt of necessary approvals by the state commission in the state or states where the Utility Subsidiary is incorporated and doing business.

In addition, Conectiv requests the flexibility to withdraw capital from a Non-Utility Subsidiary with excess funds through a dividend out of capital surplus to the full extent permitted by the law of the state where the Non-Utility Subsidiary is incorporated.

7. Financing Entities

The Subsidiaries seek authorization to organize new corporations, trusts, partnerships or other entities created for the purpose of facilitating financings. These entities will issue to third parties income preferred securities or other securities authorized or issued under an exemption. In addition, authority is requested for (i) the issuance of debentures or other evidences of indebtedness by any of the Subsidiaries to a financing entity in return for the proceeds of the financing, (ii) the acquisition by any of the Subsidiaries of voting interests or equity securities issued by the financing entity to establish any such Subsidiary's ownership of the financing entity and (iii) the guarantee by the Applicants of such financing entity's obligations.

Applicants also request that (i) Delmarva be authorized to retain Delmarva Power Financing I, a wholly-owned trust, that has issued trust preferred securities and loaned the proceeds to Delmarva and (ii) Atlantic Electric be authorized to retain Atlantic Capital I, a wholly-owned trust, that has issued trust preferred securities and loaned the proceeds to Atlantic Electric.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–32170 Filed 12–8–97; 8:45 am]

BILLING CODE 8010–01–M

[6] As noted in footnote 2 above, the only Subsidiaries to be included in the System Money Pool are those companies specifically named on the cover and signature pages of the application-declaration, but specifically excluding Conectiv Communications, Inc. and CoastalComm. Inc., both wholly-owned ETCs.

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–22923; 812–10460]

Seligman Capital Fund, Inc., et al.; Notice of Application

December 3, 1997.

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

ACTION: Notice of application for an order under (i) section 6(c) of the Investment Company Act of 1940 (the ''Act'') granting an exemption from sections 13(a)(2), 13(a)(3), 18(a), 18(c), 18(f)(1), 22(f), 22(g) and 23(a) of the Act and rule 2a–7 under the Act; (ii) sections 6(c) and 17(b) granting an exemption from section 17(a) of the Act; and (iii) section 17(d) of the Act and rule 17d–1 under the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain registered investment companies to enter into deferred compensation arrangements with certain of their directors. The order would supersede an existing order (the ''Existing Order'').[1]

APPLICANTS: Seligman Capital Fund, Inc., Seligman Cash Management Fund, Inc., Seligman Common Stock Fund, Inc., Seligman Communications and Information Fund, Inc., Seligman Frontier Fund, Inc., Seligman Growth Fund, Inc., Seligman Henderson Global Fund Series, Inc., Seligman High Income Fund Series, Seligman Income Fund, Inc., Seligman Municipal Fund Series, Inc., Seligman Municipal Series Trust, Seligman New Jersey Municipal Fund, Inc., Seligman Pennsylvania Municipal Fund Series, Seligman Portfolios, Inc., Seligman Quality Municipal Fund, Inc., Seligman Select Municipal Fund, Inc., Seligman Value Fund Series, Inc., and Tri-Continental Corporation (collectively, the ''Funds''), J. & W. Seligman & Co., Incorporated (''Seligman''), and any registered open-end or closed-end investment companies for which Seligman or any entity controlling, controlled by, or under common control with Seligman serves as investment adviser.[2]

FILING DATES: The application was filed on December 12, 1996, and amended on May 15, 1997, and on October 27, 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 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 December 29, 1997, 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 notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, DC, 20549. Applicants, c/o J. & W. Seligman & Co., Incorporated, 100 Park Avenue, New York, New York 10017, attn: Frank J. Nasta.

FOR FURTHER INFORMATION CONTACT:

[1] *Liberty Cash Management Fund, Inc.*, Investment Company Act Release Nos. 13196 (Apr. 27, 1983) (notice) and 13271 (May 25, 1983) (order).

[2] Any existing Funds that currently intend to rely on the order have been named as applicants, and any other existing or future registered investment companies that subsequently rely on the order will comply with its terms and conditions.

Lisa McCrea, Attorney Adviser (202) 942–0562 (Office of Investment Company Regulation, Division of Investment Management), or Mercer E. Bullard, Special Counsel (202) 942–0659 (Office of Chief Counsel, 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, 450 5th Street, NW, Washington, DC 20549 (tel. 202–942–8090).

Applicants' Representations

1. Each of the Funds is an open-end management investment company registered under the Act, except for Seligman Quality Municipal Fund, Inc., Seligman Select Municipal Fund, Inc. and Tri-Continental Corporation, which are closed-end management investment companies registered under the Act. Certain Funds are money market funds that are subject to rule 2a–7 under the Act. Seligman or an affiliate of Seligman serves as the investment adviser to each of the Funds.

2. Each Fund pays annual fees and meeting attendance fees to directors who are not employees of Seligman or its affiliates (''Unaffiliated Directors''). The Existing Order permits the Funds to adopt deferred compensation plans (''Plans'') for their Unaffiliated Directors. Under the Plans, Unaffiliated Directors' fees are credited to an account on the Fund's books (''Deferred Fee Account'') when the fees otherwise would have been payable. Amounts in each Deferred Fee Account bear interest at a rate equivalent to the 90-day U.S. Treasury Bill rate. Applicants request an order that would supersede the Existing Order to permit a modified deferred compensation plan (''Modified Plan'').

3. Under the Modified Plan, applicants propose an alternative rate of return for the Deferred Fee Accounts. The Unaffiliated Directors would choose a rate of return equal to either (i) the 90-day U.S. Treasury Bill rate, or (ii) the rate of return on the shares of any of the Funds (''Underlying Securities'') designated by the Director (''Investment Fund Rate'').

4. If an Unaffiliated Director chooses an Investment Fund Rate, the value of the Deferred Fee Account (or a specified portion thereof) will be periodically adjusted as if the deferred fees had been invested in the Underlying Securities. The Deferred Fee Account will be credited or charged with book adjustments representing all dividends, distributions and other earnings and all realized gains and losses and unrealized appreciation or depreciation to the same extent as if the amounts credited to an account had actually been invested in Underlying Securities.

5. The Modified Plan provides that the participating Fund will be under no obligation to the Unaffiliated Director to purchase, hold or dispose of any investments. If the Fund chooses to purchase investments to cover all or a portion of its obligations under the Modified Plan, the investments will continue to be a part of the general assets and property of the Fund.

6. A Fund (other than a money market fund) may elect to cover its obligations under a Modified Plan with its general investment assets, or by purchasing Underlying Securities. Any Fund that is a money market fund will purchase and hold Underlying Securities in an amount equal to the value of the Deferred Fee Accounts. If the Underlying Securities are not purchased, the amounts credited to the Deferred Fee Accounts will be invested as part of the Fund's general investment operations, in which case there will not be an exact match between the Fund's liability for deferred fees and the value of the Deferred Fee Account. Any mismatch will be *de minimis* in relation to the net assets of the Fund.

7. If an Unaffiliated Director dies before receiving all amounts in the Deferred Fee Account, the amounts will be paid in a lump sum to any beneficiaries designated by the Director or, in the absence of a designation, to the Director's estate. No deferred amount may be transferred or assigned by an Unaffiliated Director except by will or the laws of descent and distribution.

8. The Modified Plan will not obligate a Fund to retain an Unaffiliated Director or to pay any (or any particular level of) Director's fees to any Director. Rather, it will permit an Unaffiliated Director to elect deferral of Director's fees that she or he otherwise would receive on a current basis from each Fund. The proposed arrangement will not affect the voting rights of the shareholders of any of the Funds.

Applicants' Legal Analysis

1. Applicants request an order that would supersede a prior order under (i) section 6(c) of the Act granting an exemption from Sections 13(a)(2), 13(a)(3), 18(a), 18(c), 18(f)(1), 22(f), 22(g), and 23(a) of the Act and rule 2a–7 under the Act; (ii) sections 6(c) and 17(b) of the Act granting an exemption from section 17(a) of the Act; and (iii) section 17(d) of the Act and rule 17d–1 under the Act to permit applicants to enter into deferred compensation arrangements with their Unaffiliated Directors.

2. Section 6(c) provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if an to the extent that the exemption is 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 Act. Applicants submit that, for the reasons discussed below, the requested relief satisfies this standard.

3. Sections 18(a) and 18(f)(1) of the Act generally prohibit registered closed-end and open-end investment companies, respectively, from issuing senior securities. Section 18(c) generally provides that registered closed-end investment companies may not have outstanding more than one class of senior security representing indebtedness. Section 13(a)(2) requires that a registered investment company obtain shareholder authorization before issuing any senior security not contemplated by the recitals of policy in its registration statement. Applicants state that the Modified Plan does not possess the characteristics that led to concerns underlying these provisions. The Modified Plan will not induce speculative investments by any Fund or provide opportunity for manipulative allocation of a Fund's expenses and profits. Applicants expect the liabilities for deferred fees to be *de minimis* in relation to a Fund's net assets and that the Modified Plan will not affect control of any Fund.

4. Section 22(f) generally prohibits restrictions on the transferability or negotiability of redeemable securities issued by open-end investment companies unless the restriction is disclosed in the registration statement and does not contravene SEC rules and regulations. Applicants submit that the Modified Plan will clearly set forth any restriction on transferability and will not adversely affect the interests of the Unaffiliated Directors, a Fund or its shareholders.

5. Sections 22(g) and 23(a) generally prohibit registered open-end and closed-end investment companies, respectively, from issuing any of their securities for services or for property other than cash or securities. Applicants believe that each Fund's obligation to make payments under the Modified Plan would not be issued for services, but in return for the Fund not being required to pay these fees on a current basis.

6. Section 13(a)(3) prohibits a registered investment company from deviating without shareholder vote from

any investment policy that is changeable only if authorized by shareholder vote. The relief requested from section 13(a)(3) would extend only to the Funds with a fundamental investment restriction that prohibits investments in the securities of investment companies (''Restricted Funds''). Applicants state that each Restricted Fund has a fundamental investment restriction prohibiting it from investing in securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization, or except as permitted by the Act. Applicants believe that purchases by the Restricted Funds of shares of any other Fund under the Modified Plan will not violate the Fund's policies because the purchases serve solely to offset the Fund's liabilities under the deferred fee arrangements, and, thus, have no impact on a Fund's investment results from the perspective of the shareholders. The value of the Underlying Securities will be *de minimis* in relation to the total assets of each Restricted Fund. Each Fund will disclose in its Statement of Additional Information the existence of the deferred fee arrangements. Each Restricted Fund also will disclose that, for the limited purpose of the deferred fee arrangements, it may invest in Underlying Securities.

7. Rule 2a–7 imposes certain restrictions on the investments of money market funds that use the amortized cost method or the penny-rounding method of computing their per share price. These restrictions would prohibit each Fund that is a money market fund from investing in the shares of any other Fund. Applicants submit that the requested exemption will permit the Funds to achieve an exact matching of Underlying Securities with the Deferred Fee Accounts, thereby ensuring that the deferred fee arrangements will not affect the Fund's net asset value. Applicants assert that the amounts involved in all cases will be *de minimis* in relation to the total net assets of each Fund and will have no effect on the per share net asset value of the Funds.

8. Section 17(a) generally prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, from selling any security to or purchasing any security from the company. Section 2(a)(3)(C) defines the term *affiliated person* of another person to include any person controlling, controlled by, or under common control with such other person. Because the Funds share the same investment adviser, directors, and many officers, applicants believe that each Fund might be deemed to be under common control with all other Funds.

9. Applicants assert that section 17(a) is designed to prevent sponsors of investment companies from using investment company assets as capital for enterprises with which they are associated or to acquire controlling interests in these kinds of enterprises and other types of ''overreaching.'' Applicants believe that the purchase and sale of securities issued by the Funds under the Modified Plan will not implicate the concerns underlying section 17(a), but merely will facilitate the matching of liabilities for deferred Unaffiliated Directors' fees with the Underlying Securities that would determine the amount of a Fund's liability.

10. The SEC may exempt a proposed transaction from section 17(a) when: the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person involved, and the transaction is consistent with the policies of the investment company and with the general purposes of the Act. Applicants assert that the terms of the deferred fee arrangements are fair and reasonable and show an absence of overreaching because the purchases and sales of Underlying Securities will be made at net asset value and market prices, which are the same prices at which the Unaffiliated Directors may purchase shares of the Funds outside of the Modified Plan. Applicants believe that the relief requested satisfies the standards of sections 6(c) and 17(b).

11. Section 17(d) and rule 17d-1 prohibit affiliated persons from participating in joint arrangements with a registered investment company unless authorized by the SEC. Rule 17d-1 provides that the SEC will consider whether the participation of an investment company is consistent with the provisions, policies and purposes of the Act and the extent to which the participation is on a basis different from or less advantageous than that of other participants. Applicants believe the Modified Plan may be construed to be a joint arrangement under section 17(d) and rule 17d-1. Applicants assert that deferral of Unaffiliated Directors' fees would have a negligible effect on each Fund's assets, liabilities, net assets and net income per share. Applicants believe that deferral of an Unaffiliated Director's fees essentially would maintain the parties, viewed both separately and in their relationship to one another, in the same position as if these fees were paid on a current basis.

Applicants' Condition

Applicants agree that the order granting the requested relief will be subject to the condition that, with respect to the requested relief from rule 2a-7 under the Act, any Fund that is a 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 the Fund's liability to pay deferred fees and the assets that offset that liability.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–32169 Filed 12–8–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39387; File No. SR–DTC–97–13]

Self-Regulatory Organizations; the Depository Trust Company; Order Approving a Proposed Rule Change Regarding the Branch Deposit Service

December 2, 1997.

On June 30, 1997, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–DTC–97–13) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on September 19, 1997.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

DTC currently operates a branch deposit service (''BDS'') through which DTC participants may route securities certificates and related documentation from their branches and other satellite offices directly to DTC rather than routing them through the participants' own central locations for processing before they are deposited at DTC.[3] The rule change permits DTC to enter into contracts with individual participants to provide customized processing services

[1] 15 U.S.C. 78s(b)(1).

[2] Securities Exchange Act Release No. 39075 (September 12, 1997), 62 FR 49279.

[3] For a complete description of BDS, refer to Securities Exchange Act Release No. 34600 (August 25, 1994), 59 FR 45317 [File No. SR–DTC–94–05] (order approving proposed rule change).