

exercisable between the date a dividend to such Fund's common stockholders is declared and the record date of such dividend, (c) such Fund has not engaged in more than one rights offering during any given calendar year, and (d) the subscription price for a share of common stock in such Fund's rights offering is not more than \$0.50 per share below the closing market or bid price, as the case may be, for the common stock on the pricing date for the rights offering; or (ii) an offering in connection with a merger, consolidation, acquisition, or reorganization; unless the Fund has received from the staff of the Commission written assurance that the order will remain in effect.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-13454 Filed 5-21-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 22664; 812-10658]

USLIFE Income Fund, Inc., et al.; Notice of Application

May 16, 1997.

AGENCY Securities and Exchange Commission ("SEC").

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

APPLICANTS: USLIFE Income Fund, Inc. (the "Fund") and USLIFE Advisers, Inc. (the "Adviser").

RELEVANT ACT SECTIONS: Order requested under section 6(c) granting an exemption from section 15(a).

SUMMARY OF APPLICATION: USLIFE Corporation ("USLIFE"), the parent of the Adviser, has agreed to merge with a wholly-owned subsidiary of American General Corporation ("American General"). The indirect change in control of the Adviser will result in the assignment, and thus the termination, of the existing investment advisory agreement ("Existing Advisory Agreement") between the Fund and the Adviser. The order would permit the implementation, without shareholder approval, of a new investment advisory agreement (the "New Advisory Agreement") for a period of up to 120 days following the date of the change in control of USLIFE (but in no event later than October 15, 1997) (the "Interim Period"). The order also would permit

the Adviser to receive all fees earned under the New Advisory Agreement following shareholder approval.

FILING DATE: The application was filed on May 12, 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 June 10, 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants: 125 Maiden Lane, New York, NY 10038.

FOR FURTHER INFORMATION CONTACT: John K. Forst, Attorney-Adviser, at (202) 942-0569, or Mary Kay Frech, 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.

Applicants' Representations

1. The Fund is a Maryland corporation registered under the Act as a closed-end, management investment company. The Adviser, a registered investment adviser under the Investment Advisers Act of 1940, serves as the investment adviser for the Fund pursuant to the Existing Advisory Agreement.

2. On February 13, 1997, USLIFE, a life insurance holding company, announced its agreement to merge with a wholly owned subsidiary of American General (the "Merger"). As a result of the Merger, USLIFE will become a 100% owned subsidiary of American General. The Merger is subject to the satisfaction of certain conditions, including approval by the shareholders of both USLIFE and American General. Applicants expect the Merger to be consummated on or about June 17, 1997.

3. Applicants request an exemption to permit implementation, prior to receiving shareholder approval, of the New Advisory Agreement between the

Fund and the Adviser. The requested exemption will cover the Interim Period of not more than 120 days beginning on the date on which USLIFE and a wholly owned subsidiary of American General consummate the Merger and continuing through the date the New Advisory Agreement is approved or disapproved by the shareholders of the Fund (but in no event later than October 15, 1997). It is anticipated that the New Advisory Agreement will contain identical terms and conditions as the Fund's Existing Advisory Agreement, except for its effective date and escrow provisions. The aggregate contractual rate chargeable for advisory services will remain the same as in the Existing Advisory Agreement. The Fund proposes to implement the New Advisory Agreement during the Interim Period, subject to the conditions contained in the application.

4. The Fund's board of directors is scheduled to meet in-person on May 14, 1997 for the purpose of considering the New Advisory Agreement in accordance with section 15(c) of the Act. The board will receive such information as the directors deem necessary to evaluate whether the terms of the New Advisory Agreement are in the best interests of the Fund and its shareholders. The Fund expects to prepare the required proxy materials and schedule a shareholder meeting as soon as reasonably practicable. Applicants believe that the Interim Period is reasonable and in the best interest of the Fund's shareholders because it will allow sufficient time for preparation, mailing, consideration, and return of proxy materials in order to obtain shareholder approval.

5. Applicants also request an exemption to permit the Adviser to receive from the Fund all fees earned under the New Advisory Agreement implemented during the Interim Period if the New Advisory Agreement is approved by the shareholders of the Fund. The fees to be paid during the Interim Period are at the same rate as the fees currently payable by the Fund.

6. Applicants propose to enter into an escrow arrangement with an unaffiliated financial institution that will serve as escrow agent. The fees payable to the Adviser during the Interim Period will be paid into an interest-bearing escrow account maintained by the escrow agent. Amounts in the escrow account (including interest earned on such fees) will be paid to the Adviser only if shareholders of the Fund approve the New Advisory Agreement. If shareholders of the Fund fail to approve the New Advisory Agreement, the escrow agent will pay to the Fund the

escrow funds (including interest earned). The escrow agent will release the escrow funds only upon receipt of a certificate from an officer of the Fund who is not an interested person of the Adviser stating, if the escrow funds are to be delivered to the Adviser, that the New Advisory Agreement has received the requisite Fund shareholder vote, or, if the escrow funds are to be delivered to the Fund, that the Interim Period has ended, and the New Advisory Agreement has not been approved by the requisite shareholder vote. Before any such certificate is sent, the directors of the Fund would be notified.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in pertinent part, that it shall be unlawful for any person to serve or act as an investment adviser of a registered investment company, except pursuant to a written contract that has been approved by the vote of a majority of the outstanding voting securities of such investment company. Section 15(a) further requires that such written contract provide for automatic termination in the event of its assignment. Section 2(a)(4) of the Act defines "assignment" to include any direct or indirect transfer of a contract by the assignor or the transfer of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor. Beneficial ownership of more than 25% of a company's voting securities is presumed to constitute control.

2. Applicants state that, upon completion of the Merger, American General will own 100% of the voting securities of USLIFE, the Adviser's parent. Applicants therefore believe that the Merger will result in an "assignment" of the Existing Advisory Agreement between the Fund and the Adviser within the meaning of section 2(a)(4).

3. Rule 15a-4 provides, in pertinent part, that if an investment advisory contract with an investment company is terminated by assignment, the adviser may continue to act as such for 120 days under a written contract that has not been approved by the company's shareholders, only to the extent that (a) the new contract is approved by the company's board of directors (including a majority of directors that are not "interested persons" of the investment company), (b) the compensation to be paid under the new contract does not exceed the compensation which would have been paid under the contract most recently approved by shareholders of

the investment company, and (c) neither the investment adviser nor any controlling person of the investment adviser "directly or indirectly receives money or other benefit" in connection with the assignment. Applicants state that they cannot rely on rule 15a-4 because of the benefits to USLIFE and its shareholders arising from the Merger.

4. Section 6(c) provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that such 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 believe that the requested relief meets this standard.

5. Applicants contend that the Fund will prepare the required proxy materials as expeditiously as possible and shareholder meetings are expected to be held as soon as reasonably practicable. Applicants believe that the timing of the shareholder meetings may not provide an adequate solicitation period to obtain approval of the New Advisory Agreement by the Fund's shareholders prior to effecting the Merger.

6. Applicants believe that the requested relief is necessary, as it would permit continuity of investment management services to the Fund during the Interim Period. Applicants submit that the scope and quality of services provided to the Fund during the Interim Period will not be diminished. During the Interim Period, the Fund would operate under the New Advisory Agreement, which is anticipated to be identical to the Existing Advisory Agreement, except for its effective date and escrow provisions. Applicants believe that the level of service will remain the same.

7. Applicants represent that the best interests of the Fund's shareholders would be served if the Adviser receives fees for services during the Interim Period as provided herein. In addition, applicants believe that it would be unjust to deprive the Adviser of fees due to a change in control of the Adviser's parent. Finally, the fees to be paid during the Interim Period are at the same rate as the fees currently payable by the Fund under the Existing Advisory Agreement.

Applicant's Conditions

Applicants agree as conditions to the issuance of the exemptive order requested by the application that:

1. The New Advisory Agreement will have the identical terms and conditions as the Existing Advisory Agreement, except for provisions relating to when such agreement will be effective and provisions necessary to effectuate the escrow arrangement.

2. The investment advisory fees payable by the Fund to the Adviser during the Interim Period will be maintained in an interest-bearing escrow account, and amounts in the account (including interest earned on such amounts) will be paid (a) to the Adviser in accordance with the New Advisory Agreement, after the requisite approval is obtained, or (b) to the Fund, in the absence of such approval.

3. The Fund will hold a meeting of shareholders to vote on approval of the New Advisory Agreement on or before the 120th day following the termination of the Existing Advisory Agreement (but in no event later than October 15, 1997).

4. The Fund will not bear the costs of preparing and filing the application. The fund will not bear any costs relating to the solicitation of shareholder approval of the Fund's shareholders necessitated by consummation of the Merger.

5. The Adviser will take all appropriate steps so that the scope and quality of advisory services provided to the Fund during the Interim Period will be at least equivalent, in the judgment of the Funds's board of directors, including a majority of the non-interested directors, to the scope and quality of services previously provided. If personnel providing material services during the Interim Period change materially, the Adviser will apprise and consult with the board of directors of the Fund to assure that it, including a majority of the non-interested board members, is satisfied that the services provided will not be diminished in scope or quality.

6. The board of directors of the Fund, including a majority of the non-interested directors, will have approved the New Advisory Agreement in accordance with the requirement of section 15(c) of the Act prior to termination of the Existing Advisory Agreement.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-13455 Filed 5-21-97; 8:45 am]

BILLING CODE 8010-01-M