

and consult with the Boards of the affected Funds to assure that the Boards, including a majority of the Independent Trustees, are satisfied that the services provided will not be diminished in scope or quality.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-30571 Filed 11-20-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-22890; File No. 812-10674]

The Life Insurance Company of Virginia, et al.; Notice of Application

November 14, 1997.

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

ACTION: Notice of application for exemptions under Section 26(b) of the Investment Company Act of 1940 (the "1940 Act") approving the proposed substitutions of shares and under Section 17(a) of the 1940 Act from the provisions of Section 17(a)(1) and 17(a)(2) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants seek an order pursuant to Section 26(b) of the 1940 Act approving the substitution of securities issued by certain registered management investment companies for securities issued by certain other registered management investment companies currently held by separate accounts of The Life Insurance Company of Virginia and Great Northern Insured Annuity Corporation to support variable life insurance policies and variable annuity contracts. Applicants also seek an order pursuant to Section 17(b) of the 1940 Act granting exemptions from the provisions of Section 17(a) of the 1940 Act to the extent necessary to permit Applicants to carry out certain of the proposed substitutions in-kind.

APPLICANTS: The Life Insurance Company of Virginia ("Life of Virginia"), Great Northern Insured Annuity Corporation ("GNA," collectively with Life of Virginia, the "Companies") and their respective separate accounts, Life of Virginia Separate Account I ("Account I"), Life of Virginia Separate Account II ("Account II"), Life of Virginia Separate Account III ("Account III"), Life of Virginia Separate Account 4 ("Account 4") and GNA Variable Investment

Account ("GNA Account" and collectively with the other separate accounts "the Accounts").

FILING DATE: This application was filed on May 16, 1997, and amended and restated on October 9, 1997.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on this application by writing to the Secretary of the SEC and serving Applicants with a copy of the request, in person or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on December 9, 1997, and 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 interest, the reason for the request and the issues contested. Persons may request notification of the date of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o J. Neil McMurdie, Esq., The Life Insurance Company of Virginia, 6610 West Broad Street, Richmond, VA 23260. Copies to Stephen E. Roth/David S. Goldstein, Sutherland, Asbill & Brennan, L.L.P., 1275 Pennsylvania Avenue, N.W., Washington, D.C. 20004-2404.

FOR FURTHER INFORMATION CONTACT: Zandra Y. Bailes, Senior Counsel, or Mark C. Amorosi, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the SEC, 450 Fifth Street, NW., Washington, DC 20549 (tel. (202) 942-8090).

Applicants' Representations

1. Life of Virginia is a stock life insurance company operating under a charter granted by the Commonwealth of Virginia. Eighty percent of the capital stock of Life of Virginia is owned by General Electric Capital Assurance Corporation ("GECA"). The remaining twenty percent is owned by GE Life Insurance Group, Inc. ("GELIG"). GECA and GELIG are wholly owned subsidiaries of GE Capital Corporation ("GE Capital"). GE Capital's parent is General Electric Company. Life of Virginia is the depositor and sponsor of Account I, Account II, Account III and Account 4.

2. GNA is a stock life insurance company organized under the laws of

Washington. GNA is a wholly owned subsidiary of GECA. GNA is the depositor and sponsor of the GNA Account.

3. Each of the Accounts is registered under the 1940 Act as a unit investment trust. The assets of each Account support either variable annuity contracts or variable life insurance contracts (together, the "Contracts"). Interests in each of the Accounts offered through such Contracts are registered under the Securities Act of 1933 on either Form S-6 or Form N-4.

4. Account 1 is divided into four investment subdivisions; Account II, Account III and Account 4 are each divided into 34 investment subdivisions. Each investment subdivision invests exclusively in shares representing an interest in a separate corresponding portfolio (each, a "Fund") of one of nine series-type investment companies, each of which is registered under the 1940 Act as an open-end management investment company. The following five investment companies are involved in the substitutions discussed in the application: GE Investments Funds, Inc. ("GEIF"), Variable Insurance Products Fund ("VIPF"), Oppenheimer Variable Account Funds ("OVAF"), Janus Aspen Series ("JAS") and Neuberger & Berman Advisers Management Trust ("AMT").

5. GEIF (formerly, Life of Virginia Series Fund, Inc.) currently comprises (or will soon comprise) eleven Funds. The following seven GEIF Funds are involved in the proposed substitutions discussed in the application: Money Market Fund, Government Securities Fund, Income Fund, Premier Growth Fund, U.S. Equity Fund, International Equity Fund and Value Equity Fund. GE Investment Management Incorporated ("GEIM"), a wholly owned subsidiary of GE, currently serves as investment manager for GEIF.

6. VIPF currently comprises five Funds. VIPF's Money Market Portfolio, High Income Portfolio and Growth Portfolio are involved in the proposed substitutions. Fidelity Management & Research Company ("FMR") serves as VIPF's investment adviser.

7. OVAF currently comprises nine investment portfolios. OVAF's Money Fund and High Income Fund are involved in the proposed substitutions. Oppenheimer Funds, Inc. serves as investment adviser to OVAF.

8. JAS currently comprises nine investment portfolios. The JAS Balanced Fund is involved in the proposed substitutions. Janus Capital Corporation serves as the investment adviser to JAS.

9. AMT currently comprises eight investment portfolios. AMT's Balanced

Portfolio, Growth Portfolio and Limited Maturity Bond Portfolio are involved in the proposed substitutions. Neuberger & Berman Management Incorporated serves as investment adviser to AMT.

10. GNA Trust currently comprises for investment portfolios: GNA Adjustable Rate Portfolio, GNA Government Portfolio, GNA Value Portfolio and GNA Growth Portfolio. All four GNA Funds are involved in the proposed substitutions. GNA Capital Management Inc. serves as investment adviser to GNA Trust.

11. VIT currently comprises for investment portfolios: GE International Equity Portfolio, GE U.S. Equity Portfolio, GE Fixed Income Portfolio and GE Money Market Portfolio. All four VIT Funds are involved in the proposed substitution. GEIM serves as the investment adviser to VIT.

12. Life of Virginia on its own behalf and on behalf of Account I, Account II, Account III and Account 4 proposes to make certain substitutions of shares held in those Accounts. Applicants assert that by making the proposed substitutions in the Life of Virginia Accounts, Life of Virginia can better serve the interest of owners of its Contracts who will benefit from reduced confusion caused by duplicative Funds and the likely addition of new Funds of different types in the future that better suit the needs of such owners. At the current time, due to data processing constraints, Life of Virginia can only administer the Contracts on a cost-effective basis if the number of active investment subdivisions is limited to a manageable number. Applicants assert that while no particular number of investment subdivisions represents an outer limit as to what Life of Virginia could administer, each investment subdivision beyond the current thirty-four brings with it administrative expenses significantly beyond those associated with the addition of the tenth or twentieth investment subdivisions. The incremental cost of adding investment subdivisions in such that the projected increase in sales from each additional necessary to justify the addition, increase with each additional subdivision. Because of this, Applicants assert that there is an opportunity cost associated with each existing active investment subdivision. Thus, for example, having three investment subdivisions that invest in money market Funds could deprive owners of the opportunity to invest in two other alternative Funds. Likewise, maintaining investment subdivisions through which high income Fund offerings from both OVAF and VIPF and balances Fund offerings from both AMT

and JAS are available, utilizes valuable administrative resources yet offers Contract owners little additional value. In addition, Applicant's state that GEIF's Government Securities Fund and AMT's Limited Maturity Bond Portfolio have proven unpopular and do not exhibit signs of future growth potential. Life of Virginia believes that it and Contract owners would be better served by consolidating the subdivisions investing in duplicative Funds and by replacing the two unpopular Funds with ones that may prove more popular.

13. GNA on its own behalf and behalf of GNA Account proposes to make certain substitutions of shares held in GNA Account. Applicants assert that by making the proposed substitutions in the GNA Account, GNA can better serve the interests of owners of its individuals Contracts and participants under its group Contracts who will benefit from larger Funds with future growth potential. The proposed substitutions by GNA are principally the result of recent reorganizations of the lines of business of several life insurance subsidiaries of GE Capital, including Life of Virginia and GNA. Among the changes taking place in these life insurance companies is the centralization of variable annuity and variable life insurance operations at Life of Virginia's home office in Richmond, Virginia. To facilitate this reorganization, variable annuity operations are being moved from other GE Capital life companies, such as GNA, to Richmond.

14. GNA Trust and VIT were both recently established to support variable annuity contracts issued by GNA and possibly other affiliated and unaffiliated life insurance companies. With Life of Virginia becoming the principal variable annuity carrier for the GE Capital organization, Applicants state that it is unlikely that GNA will sell a significant number of additional Contracts. Consequently, Applicants assert that it is unlikely that the Funds of the GNA Trust and VIT will grow to any appreciable size in the foreseeable future unless Life of Virginia offers them as investment options in its variable life insurance and viable annuity contracts or unless other alternative distribution channels are found for them. Applicants state that the substitutions proposed by GNA would facilitate the distribution of GNA Trust Fund and VIT shares by consolidating duplicative Fund offerings among GEIF, GNA Trust and VIT and by transferring non-duplicative GNA Trust and VIT Funds to GEIF. This is because the consolidated Funds would be larger than any of the component Funds and because housing all of the insurance Funds managed by

GEIM in a single corporate entity with the "GE" name would enhance their brand identity.

15. Applicants state that in addition to the foregoing, the ultimate effect of the proposed GNA substitutions would be consolidate certain Fund offerings under the GEIF umbrella and to transfer other Funds to GEIF. Because GEIF is a Virginia corporation, GNA Trust is a Delaware Business Trust and VIT is a Massachusetts Business Trust, GEIM could achieve certain significant administrative efficiencies by housing all of the Funds in a single corporate entity.

The Proposed Transactions

1. Applicants propose that Life of Virginia carry out the following substitutions of shares held by corresponding investment subdivisions of Account I, Account II, Account III and Account 4: (1) shares of the GEIF Money Market Fund for shares of VIPF's Money Market Portfolio; (2) share of the GEIF Money Market Fund of shares of Oppenheimer Money Fund; (3) shares of the GEIF Income Fund for shares of the GEIF Government Securities Fund; (4) shares of the GEIF Income Fund for shares of AMT's Limited Maturity Bond Portfolio; (5) shares of Oppenheimer High Income Fund for shares of VIPF's High Income Portfolio; (6) shares of VIPF's Growth Portfolio for shares of AMT's Growth Portfolio; and (7) share of the Balanced Portfolio of JAS for shares of AMT's Balanced Portfolio. Where, after the proposed substitutions, more than one investment subdivision holds shares of a single Fund, Life of Virginia intends to consolidate those subdivisions.

2. Applicants propose that GNA carry out the following substitutions of shares held by corresponding sub-accounts of the GNA Account: (1) shares of the GEIF Income Fund for shares of GNA Trust's Adjustable Rate Portfolio; (2) shares of the GEIF Income Fund for shares of GNA Trust's Government Portfolio; (3) shares of the GEIF Income Fund for shares of VIT's Fixed Income Portfolio; (4) shares of the GEIF Premier Growth Fund for shares of GNA Trust's Growth Portfolio; (5) shares of the GEIF Value Equity Fund for shares of GNA Trust's Value Portfolio; (6) share of the GEIF International Equity Fund for shares of VIT's International Equity Portfolio; (7) shares of the GEIF U.S. Equity Fund for shares of VIT's U.S. Equity Portfolio; and (8) shares of GEIF's Money Market Fund for shares of VIT's Money Market Portfolio.

3. By supplements to the various prospectuses for the Contracted and the Accounts, all owners of the Contracts

have been notified of Life of Virginia's and GNA's intention to take the necessary actions, including seeking the order requested by the application, to carry out the proposed substitutions. The supplements for Accounts I, II, III and 4 advise Contract owners that from the date of the supplement until the date of the proposed substitution, owners are permitted to make one transfer of all amounts under a Contract invested in any one of the affected investment subdivisions of the date of the supplement to another investment subdivision other than one of the other affected investment subdivisions without that transfer counting as the free transfer permitted in a calendar month. The supplements also inform Contracts owners that Life of Virginia will not exercise any rights reserved under any Contract to impose additional restrictions on transfers until at least 30 days after the proposed substitution. The supplements for GNA Account advise Contract owners that from the date of the supplement until the date of the proposed substitution, owners are permitted to make one transfer of all amounts under a Contract invested in any one of the sub-accounts on the date of the supplement to another sub-account without that transfer counting as one of the six free transfers permitted in a Contract year or certificate year. The supplements also inform Contract owners that GNA will not exercise any rights reserved under any Contract to impose additional restrictions on transfers until at least 30 days after the proposed substitution.

4. Applicants state that the proposed substitutions will take place at relative net asset value with no change in the amount of any Contract owner's contract or accumulation value or death benefit or in the dollar value off his or her investment in any of the Accounts. Contract owners will not incur any fees or charges as a result of the proposed substitutions nor will their rights or Life of Virginia's or GNA's obligations under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitutions, including legal, accounting and other fees and expenses, will be paid by Life of Virginia or GNA. In addition, the proposed substitutions will not impose any tax liability on Contract owners. The proposed substitutions will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitutions than before the proposed substitutions. The proposed substitutions will not, of course, be treated as a transfer for the purpose of

assessing transfer charges or for determining the number of remaining permissible transfers in a calendar month or Contract year (or certificate year). Life of Virginia and GNA will not exercise any right either may have under the Contracts to impose additional restrictions on transfers under any of the Contracts for a period of at least 30 days following the proposed substitutions.

5. Applicants state that, within five days after the proposed substitutions, any Contract owners who were affected by the substitution will be sent a written notice informing them that the substitutions were carried out and that they may make one transfer of all amounts under a Contract invested in any one of the affected investment subdivisions or subaccounts on the date of the notice to another investment subdivision or sub-account without the transfer counting as one of any limited number of transfers permitted in a calendar month or Contract year (or certificate year) or as one of a limited number of transfers permitted in a calendar month or Contract year (or certificate year) free of charge. The notice will also reiterate the fact that Life of Virginia and GNA will not exercise any rights reserved by either under any of the Contracts to impose additional restrictions on transfers until at least 30 days after the proposed substitutions. The notices will be accompanied by a current GEIF prospectus.

Applicants' Legal Analysis

1. Applicants request an order pursuant to Section 26(b) of the 1940 Act approving the proposed substitutions. Section 26(b) provides, in pertinent part, that "[i]t shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution." Section 26(b) also provides that the Commission will approve the substitution if the evidence establishes that the substitution is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Applicants submit that the proposed substitutions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act and are not the type of substitution which Section 26(b) was designed to prevent. Applicants state that, for Life of Virginia, the consolidation of three money market investment subdivisions

into one money market investment subdivision, two high income subdivisions into one high income subdivision and two balanced subdivisions into one balanced subdivision is an appropriate way to promote the likelihood that additional new subdivisions will be added to Accounts II, III, and 4 in the future that better suit the needs of Contract owners. Similarly the consolidation of two relatively unpopular subdivisions with a third new one, offers a new subdivision while at the same time making room for an additional new subdivision in the future. Applicants represent that (1) GEIF's Money Market fund has a substantially identical investment objective to each of the VIPF's Money Market Portfolio and Oppenheimer Money Market Fund that it would replace; (2) Oppenheimer bond Fund has investment objectives that are similar to and compatible with those of the Government Securities Portfolio and Limited Maturity Bond Portfolios; (3) Oppenheimer High Income Fund has an investment objective that is compatible with that of VIPF's High Income Portfolio; (4) Growth Portfolio of VIPF and AMT's Growth Portfolio share similar investment objectives; and (5) JAS Balanced Portfolio has an identical investment objective to the Balanced Portfolio of AMT.

3. Applicants state that, for GNA, replacing certain GNA Trust and VIT Funds with those of GEIF and transferring others from GNA Trust or VIT to GEIF is an appropriate way in which to provide GNA Contract owners with Funds that have future growth potential. Applicants represent that the GEIF Income Fund has an investment objective that is similar to and compatible with GNA Trust's Adjustable Rate Portfolio and Government Securities Portfolio and that each of the other GEIF Funds that GNA proposes to substitute has an investment objective (or objectives) that is (or are) substantially identical to those that they would replace. With regard to GNA's proposed substitutions of shares of GEIF's Money Market Fund, Income Fund and International Equity Fund, the corresponding sub-accounts of GNA Account would immediately become invested in substantially larger Funds than those in which each sub-account is currently invested.

4. Applicants anticipate that Contract owners will be at least as well off with the proposed array of investment subdivisions or sub-accounts offered after the proposed substitutions as they have been with the array of investment subdivisions offered prior to the substitutions. The proposed

substitutions retain for Contract owners the investment flexibility which is a central feature of the Contracts. All Contract owners will be permitted to allocate purchase payments to and transfer contract values or accumulation values among and between the same number of investment subdivisions or sub-accounts as they could before the proposed substitutions.

5. Applicants also request an order pursuant to Section 17(b) of the 1940 Act exempting them and GEIF, GNA Trust and VIT from the provisions of Section 17(a) to the extent necessary to permit GNA to carry out certain of the substitutions of securities by redeeming securities issued by GNA Trust and VIT in-kind and using the redemption proceeds to purchase securities issued by GEIF. Section 17(a)(1) of the 1940 Act, in relevant part, prohibits any affiliated person of a registered investment company, or any affiliated person of such person, acting as principals, from knowingly selling any security or other property to that company. Section 17(a)(2) of the 1940 Act generally prohibits the persons described above, acting as principal, from knowingly purchasing any security or other property from the registered investment company.

6. Section 2(a)(3) of the 1940 Act defines the term "affiliated person of another person" in relevant part as:

(A) any person directly, or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting securities of such other person; (B) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such person; (C) any person directly or indirectly controlling, controlled by, or under common control with, such other person.

7. Applicants have concluded, as more fully described in the application, that GEIF, GNA Trust and VIT and the Funds of each may be affiliated persons of each other or affiliated persons of affiliated persons of each other. Each also may be an affiliated person of GNA or an affiliated person of an affiliated person of GNA. The proposed substitutions by GNA, which may entail the indirect purchase of shares of GEIF Funds with portfolio securities of GNA Trust and VIT Funds and the indirect sale of portfolio securities of such Funds for shares of GEIF Funds, therefore may also entail the purchase or sale of such securities by each of the Funds involved, acting as principal, to one of the other Funds and therefore may be in contravention of Section 17(a). In addition, the participation of GNA in such purchase and sale transactions

could be viewed as entailing the purchase of such securities from Funds of GNA Trust and VIT and the sale of such securities to Funds of GEIF by GNA, acting as principal, and therefore may be in contravention of Section 17(a).

8. Section 17(b) of the 1940 Act provides that the Commission may, upon application, grant an order exempting any transaction from the prohibitions of Section 17(a) if the evidence establishes that: (a) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement and reports filed under the 1940 Act; and (c) the proposed transaction is consistent with the general purposes of the 1940 Act.

9. Applicants submit that the terms of the proposed substitutions by GNA, including the consideration to be paid and received, are reasonable and fair and do not involve overreaching on the part of any person concerned.

Applicants state that the transactions will not cause owners' interests under a Contract to be diluted. Applicants also state that the transactions will conform with all but one of the conditions enumerated in Rule 17a-7. The proposed transactions will take place at relative net asset value with no change in the amount of any Contract owner's contract or accumulation value or death benefit or in the dollar value of his or her investment in any of the Accounts. Even though GNA, GEIF, GNA Trust and VIT may not rely on Rule 17a-7, Applicants believe that the Rule's conditions outline the type of safeguards that result in transactions that are fair and reasonable to registered investment company participants and preclude overreaching in connection with an investment company by its affiliated persons. Each transaction will be effected based upon (1) the independent market price of the portfolio securities valued as specified in paragraph (b) of Rule 17a-7, and (2) the net asset value per share of each Fund involved valued in accordance with the procedures disclosed in the respective management company's registration statement and as required by Rule 22c-1 under the 1940 Act.

10. Applicants also submit that the proposed substitutions by GNA are consistent with the policies of (1) GEIF and of its Income Fund, Premier Growth Fund, Value Equity Fund, International Equity Fund, U.S. Equity Fund and

Money Market Fund; (2) GNA Trust and its Adjustable Rate Portfolio, Government Portfolio, Growth Portfolio and Value Portfolio; and (3) VIT and its Fixed Income Portfolio, International Equity Portfolio, U.S. Equity Portfolio, and Money Market Portfolio as recited in the current registration statements and reports filed under the 1940 Act.

11. Applicants submit that the proposed substitutions are consistent with the general purposes of the 1940 Act. The proposed transactions do not present any of the conditions or abuses that the 1940 Act was designed to prevent.

Conclusion

Applicants assert that, for the reasons summarized above, the terms of the proposed substitutions and related transactions meet the standards set forth in Sections 26(b) and 17(b) of the 1940 Act.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26778]

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

November 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 December 8, 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