pursuant to section 57(i) and rule 17d–1 to permit them to participate in the liquidation transactions and possible follow-on investments with Venture and/or Technology, to the extent that the transactions may otherwise be prohibited by section 57(a)(4) and rule 17d–1.

4. Applicants believe that the transactions satisfy rule 17d–1(b)'s standard, as described above, and that the Co-investing Conditions are unnecessary, because ACC, the parent of the SBIC and SSBIC Subsidiaries, will be internally managed; Venture and Technology are in the process of liquidation and will not be engaging in a broad range of transactions; and Venture and Technology and the SBIC and SSBIC Subsidiaries will be treated on an equal basis in any transaction. Applicants also contend that the relief is consistent with rule 57b–1, which exempts from section 57(a)(4) any transactions in which the BDC controls the relevant affiliate. Applicants asset that the SBIC and SSBIC Subsidiaries should be deemed to control Venture and Technology, for purposes of rule 57b–1, because they are wholly-owned subsidiaries of ACC.

Applicants' Conditions

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. ACC will at all times own and hold, beneficially and of record, all of the outstanding voting capital stock of the Subsidiaries.

2. No person will serve or act as investment adviser to any Subsidiary unless the directors and stockholders of ACC will have taken the action with respect thereto also required to be taken by the directors and sole stockholder of the Subsidiary.

3. The Consolidation will not be consummated unless it has been approved by the holders of a majority of outstanding common stock of Allied I, Allied II, and Allied Lending.

4. ACC will: (a) file with the Commission, on behalf of itself and the Subsidiaries, all information and reports required to be filed with the SEC under the Exchange Act and other applicable federal securities laws, including information and financial statements prepared solely on a consolidated basis as to ACC and the Subsidiaries, these reports to be in satisfaction of any separate reporting obligations of the Subsidiaries; and (b) provide to its stockholders the information and reports required to be disseminated to ACC's stockholders, including information and financial statements prepared solely on a consolidated basis as to ACC and the Subsidiaries, these reports to be in satisfaction of any separate reporting obligations of the Subsidiaries. Notwithstanding anything in this condition, ACC will not be relieved of any of its reporting obligations, including, but not limited to, any consolidating statement setting forth the individual statements of the Subsidiaries required by rule 6–03(c) of Regulation S–X.

5. ACC and the Subsidiaries may file on a consolidated basis under condition 4 above only so long as the amount of ACC's total consolidated assets invested in assets other than (a) securities issued by the Subsidiaries or (b) securities similar to those in which the Subsidiaries invest, does not exceed ten percent.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 97–31395 Filed 11–28–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–22901; File No. 812–10788]

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

November 21, 1997.

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

ACTION: Notice of application for an order under Section 26(b) of the Investment Company Act of 1940 (''1940 Act'') approving the proposed substitution of securities.

SUMMARY OF APPLICATION: Applicants request an order approving the substitution of shares of the Salomon Brothers U.S. Government Securities Portfolio of WNL Series Trust (the ''Salomon Portfolio'') for shares of the Black Rock Managed Bond Portfolio of WNL Series Trust (the ''BlackRock Portfolio'') to fund individual fixed and variable deferred annuity contracts (the ''Contracts'') issued by Western National Life Insurance Company (''Western National'').

APPLICANTS: Western National and WNL Separate Account A (the ''Account'').

FILING DATE: The application was filed on September 17, 1997.

HEARING OR NOTIFICATION OF HEARING: And order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on December 16, 1997, and 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 requester's interest, the reason for the request and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o Raymond A. O'Hara III, Esq., Blazzard, Grodd & Hasenauer, PC., 943 Post Road East, Westport, Connecticut 06880.

FOR FURTHER INFORMATION CONTACT: Laura A. Novack, Senior Attorney, or Kevin M. Kirchoff, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942–0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee from the SEC's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549 (tel. (202) 942–8090).

Applicants' Representations

1. Western National, a stock life insurance company incorporated in Texas, is a wholly-owned subsidiary of Western National Corporation. American General Life Insurance Company (''AG Life''), a Missouri-domiciled life insurer, owns approximately 40% of Western National Corporation. In turn, AG Life is a wholly-owned subsidiary of American General Corporation, also a Texas corporation. Western National is the depositor of the Account.

2. The Board of Directors of Western National authorized the Account on November 9, 1994. The Account is registered under the 1940 Act as a unit investment trust for the purpose of funding the Contracts. Security interests under the Contracts have been registered under the Securities Act of 1933 (''Securities Act'') (File No. 33–86464). The Account currently is divided into eight sub-accounts, each of which reflects the investment performance of a corresponding portfolio of WNL Series Trust (the ''Trust'').

3. The Trust was organized as a Massachusetts business trust on December 12, 1994. It is registered under the 1940 Act as an open-end management investment company. The

Trust is a series investment company that is currently comprised of eight portfolios, two of which are the BlackRock and Salomon Portfolios. WNL Investment Advisory Services, Inc. (''WNL Advisory''), a subsidiary of Western National Corporation, is the investment adviser to the Trust.

4. WNL Advisory has engaged sub-advisors for each of the portfolios of the Trust. The Sub-Advisor for the BlackRock Portfolio is BlackRock Financial Management. The Sub-Adviser for the Salomon Portfolio is Salomon Brothers Asset Management, Inc.

5. The BlackRock Portfolio seeks to provide a high total return consistent with moderate risk of capital and maintenance of liquidity by investing primarily in the broad sector of the fixed-income market, including U.S. government and agency securities, corporate securities, private placements, and asset-backed and mortgage-related securities, including residential and commercial mortgage-backed securities. The Salomon Portfolio seeks a high level of current income by investing a substantial portion of its assets in debt obligations and mortgage-backed securities issued or guaranteed by the U.S. government and its agencies or instrumentalities and collateralized mortgage obligations backed by such securities.

6. Since their inception, WNL Advisory has voluntarily waived all or a portion of its advisory fees from the BlackRock and Salomon Portfolios. Currently, until May 1, 1998, WNL Advisory has undertaken to waive those portions of its advisory fees which are in excess of the amounts payable by it to the Sub-Advisors for the BlackRock and Salomon Portfolios. In addition, since inception, Western National has reimbursed portions of the expenses of the BlackRock and Salomon Portfolios. Currently, Western National has undertaken to bear until May 1, 1998, all operating expenses of both portfolios, excluding the compensation of WNL Advisory, that exceed .12% of the portfolios' average daily net assets. WNL Advisory is under no legal obligation to continue waiving its advisory fees nor is Western National under any obligation to continue reimbursing expenses. State Street Bank and Trust Company, the Trust's custodian and sub-administrator, also has waived certain fees with respect to both portfolios.

7. As a result of these fee waivers and expense limitation agreements, the expense ratio (annualized) for the BlackRock Portfolio for the year ending December 31, 1996 (from the date of inception of January 2) was .28%. In the absence of these waivers and expense limitation agreements, the expense ratio would have been 3.93%. For the six-month period ended June 30, 1997, the expense ratio (annualized) was .42%. In the absence of the waivers and expense limitation agreements, it would have been 4.38%. The (non-annualized) total returns for the BlackRock Portfolio for these twelve-month and six-month periods were 3.76% and 3.20%, respectively. In the absence of the fee waivers and expense limitation agreements, the total returns would have been lower.

8. As a result of the fee waivers and expense limitation agreements, the expense ratio (annualized) for the Salomon Portfolio for the year ending December 31, 1996 (from the date of inception of February 6) was .22%. In the absence of the fee waivers and expense limitation agreements, it would have been 5.26%. For the six-month period ended June 30, 1997, the expense ratio (annualized) was .35%. In the absence of these waivers and expense limitation agreements, it would have been 5.59%. The (non-annualized) total returns for the Salomon Portfolio for these twelve-month and six-month periods were 3.40% and 3.35%, respectively. These numbers would have been lower absent the fee waivers and expense limitation agreements.

9. As of June 30, 1997, the BlackRock Portfolio and Salomon Portfolio had $3.6 million and $2.5 million in net assets, respectively.

10. Applicants state that the BlackRock Portfolio is quite small when compared with many other similar investment portfolios of open-end management companies available as investment vehicles for variable annuity contracts. Furthermore, after experiencing slow sales, management of Western National determined that it was unlikely that the BlackRock Portfolio would grow to a sufficient size to promote consistent investment performance or to absorb operating expenses. As of September 30, 1997, shares of the BlackRock Portfolio were no longer available for sale and no transfers could be made into the BlackRock Portfolio Sub-Account (however, dollar cost averaging transfers to the BlackRock Portfolio Sub-Account will be permitted until the date of substitution).

11. Applicants propose that Western National substitute shares of the Salomon Portfolio for shares of the BlackRock Portfolio, by redeeming shares of the BlackRock Portfolio in cash and purchasing with the proceeds shares of the Salomon Portfolio.

12. The proposed substitution will take place at relative net asset value with no change in the amount of any Contract owner's Contract value or in the dollar value of his or her investment in the Account. Contract owners will not incur any fees or charges as a result of the proposed substitution nor will their rights or Western National's obligations under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitution, including legal, accounting and other fees and expenses, will be paid by Western National. In addition, the proposed substitution will not result in the imposition of any tax liability on Contract owners. The proposed substitution will cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitution than before the proposed substitution.

13. By supplements to the prospectus for the Account dated September 25, 1997, all owners and prospective owners were notified of the Applicants' intention to take the necessary actions, including seeking the order requested by the Applicants, to affect the substitution described herein. The supplement also apprised Contract owners that, from the date of the supplement until the date of the proposed substitution, owners may transfer any or all of their Contract value under a Contract invested in the Sub-Account for the BlackRock Portfolio to another Sub-Account of the Account, without that transfer counting as one of a limited number of transfers permitted in a Contract year free of charge. In addition, the supplement will inform Contract owners that for a period of 30 days following the proposed substitution, Western National will permit transfers of the cash value under a Contract invested in the Sub-Account for the Salomon Portfolio to any other Sub-Account of the Account without any limitation or charge being imposed.

14. In addition to the prospectus supplements distributed to owners and prospective owners of Contracts, within 5 days after the proposed substitution, all owners who were affected by the substitution will be sent a written notice informing them that the substitution was carried out and reiterating their right to make transfers from the Sub-Account for the Salomon Portfolio to any other Sub-Account of the Account for a period of 30 days without any limitation or charge being imposed.

Applicants' Legal Analysis

1. Section 26(b) of the 1940 Act provides in pertinent part that ''it 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.'' The legislative history of Section 26(b) provides that the Commission will approve a substitution if it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. The purpose of Section 26(b) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate the shares of a particular issuer, and to prevent unscrutinized substitutions which might, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby incurring either a loss of the sales load deducted from initial proceeds, an additional sales load upon reinvestment of the redemption proceeds, or both. Section 26(b) affords protection to investors by preventing a depositor or trustee of a unit investment trust holding shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves that substitution.

2. Applicants state that Western Life has reserved the right to substitute securities held by the Sub-Accounts of the Account and that this right is disclosed in the Contracts and prospectus for the Contracts.

3. Applicants represent that the Salomon Portfolio is a suitable and appropriate investment vehicle for Contract owners. Applicants assert that the Salomon Portfolio has a lower advisory fee and a lower expense ratio than the BlackRock Portfolio. Applicants also assert that the Salomon Portfolio has a similar investment objective, and to date has experienced an investment return comparable to the BlackRock Portfolio. Applicants anticipate that after the proposed substitution, the Salomon Portfolio will provide Contract owners with comparable or more favorable investment results than would be the case if the proposed substitution did not take place.

4. Applicants represent that the Salomon Portfolio has similar investment policies to the BlackRock Portfolio, with each investing in many of the same types of fixed income securities.

5. Applicants generally submit that the proposed substitution meets the standards that the Commission and its staff have applied to substitutions that have been approved by the Commission.

Conclusion

Applicants submit that, for the reasons summarized above, the proposed substitution is 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.

Jonathan G. Katz,

Secretary.

[FR Doc. 97–31396 Filed 11–28–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39347; File No. SR–Amex–97–41]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to Trading Differentials for Options Contracts

November 21, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Exchange Act'' or ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on November 3, 1997, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend *Rules* 952 and 951C to adopt a procedure that would allow the Exchange to establish the minimum fractional change (or trading increments) for options. The text of the proposed rule change is available at the Office of the Secretary, Amex and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Currently, Exchange *Rule* 952 provides that the minimum fractional change for stock options trading at $3.00 or higher shall be one-eighth and for stock options trading under $3.00 shall be one-sixteenth. Additionally, *Rule* 951C provides that the minimum fractional change for stock index options shall be one-eighth for stock index options trading at a premium greater than $300.00 and stock index options less than $300.00 shall be one sixteenth. The Exchange now proposes to amend Rules 952 and 951C to give the Board of Governors the authority to establish the minimum fractional changes for options. Until such time as the Board determines to use its authority to change the minimum fractional changes the current rules described above will apply. The proposal will allow the Exchange to revise its minimum fractional changes quickly in response to changes adopted in the underlying stock markets and at the other options exchanges. When the Board of Governors has determined to change the minimum trading increments, the Exchange will designate such a change as a stated policy, practice, or interpretation with respect to the administration of Rules 952 and 951C within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for effectiveness upon filing with the Commission.

As derivatives securities, the prices of options are determined in reference to the prices of the underlying securities. Consequently, the Exchange believes that where practicable, the Exchange should have minimum increments comparable to those applicable to the securities underlying its options.[3]

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

[2] 17 CFR 240.19b–4.

[3] See Exchange Act Rel. No. 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (Commission order approving a change in the minimum increment to 1/16 for securities listed on the American Stock Exchange); Exchange Act Rel. No. 38678 (May 27, 1997), 62 FR 30363 (June 3, 1997) (Commission order approving a change in the minimum increment to 1/16 for Nasdaq-listed securities); and Exchange Act Rel. No. 38897 (Aug. 1, 1997), 62 FR