requested and obtained separately. Applicants represent that these additional requests for exemptive relief would present no issues under the Act not already addressed herein. Applicants state that, if the Applicants were to repeatedly seek exemptive relief with respect to the same issues addressed herein, investors would not receive additional protection or benefit, and investors and the Applicants could be disadvantaged by increased costs from preparing such additional requests for relief. Applicants argue that the requested class relief is appropriate in the public interest because the relief will promote competitiveness in the variable annuity market by eliminating the need for the Companies or their affiliates to file redundant exemptive applications, thereby reducing administrative expenses and maximizing efficient use of resources. Elimination of the delay and the expense of repeatedly seeking exemptive relief would, Applicants opine, enhance each Applicant's ability to effectively take advantage of business opportunities as such opportunities arise. Applicants submit, for all the reasons stated herein, that their request for class exemptions 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, and that an order of the Commission including such class relief, should, therefore, be granted. All entities that currently intend to rely on the requested order are named as Applicants. Any entity that relies upon the requested order in the future will comply with the terms and conditions contained in this application.

Conclusion

Applicants represent that the Family Income Protector Rider charge under the Policies meets (and the charge under Future Policies will meet) all of the requirements for exemptive relief pursuant to Section 6(c) of the Act. Applicants submit that the requested exemptions are necessary and appropriate in the public interest and consistent with protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants therefore request that an order be granted permitting the proposed transactions.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–30272 Filed 11–18–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24132; 812–11772]

STI Classic Funds and SunTrust Banks, Inc.; Notice of Application

November 15, 1999.

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

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 17(a) of the Act.

SUMMARY OF THE APPLICATION: Applicants request an order to permit two series of a registered open-end management investment company to acquire all of the assets, subject to certain liabilities, of two other series of the investment company. Because of certain affiliations, applicants may not rely on rule 17a–8 under the Act.

APPLICANTS: STI Classic Funds (''STI Funds'') and SunTrust Banks, Inc. (''SunTrust'').

FILING DATES: The application was filed on September 13, 1999. Applicants have agreed to file an amendment to the application during the notice period, the substance of which is reflected in this notice.

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 by writing to the Commission's Secretary 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 8, 1999, 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 Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, N.W., Washington, D.C. 20549–0609. Applicants, c/o W. John McGuire, Esq., Morgan, Lewis & Bockius LLP, 1800 M Street, N.W., Washington, D.C. 20036–5869.

FOR FURTHER INFORMATION CONTACT: Emerson S. Davis, Sr., Senior Counsel, at (202) 942–0714, or George J. Zornada, 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 Commission's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. STI Funds, a Massachusetts business trust, is registered under the Act as an open-end management investment company and offers thirty-six series, including the SmallCap Growth Stock Fund (''Small Cap Fund'') and the International Equity Fund (''International Fund'') (together, the ''Acquiring Funds'') and the Sun Belt Equity Fund (''Equity Fund'') and the Emerging Markets Equity Fund (''Emerging Markets Fund'') (together, the ''Acquired Funds,'' and together with the Acquiring Funds, the ''Funds'').

2. SunTrust, a Georgia corporation, is a bank holding company and the parent of Trusco Capital Management, Inc. (''Trusco'') and STI Capital Management, N.A. (''STI Capital''), both wholly-owned subsidiaries. Trusco is registered under the Investment Advisers Act of 1940 (the ''Advisers Act'') and is the investment adviser to the Small Cap and Equity Funds. STI Capital, a bank, is exempt from registration under the Advisers Act and is the investment adviser to the International and Emerging Markets Funds. Currently, bank subsidiaries of SunTrust own in the aggregate, in a fiduciary capacity, 25% or more of the outstanding voting securities of each Fund.

3. On May 18, 1999 and August 17, 1999, the board of trustees of STI Funds (the ''Board''), including all of the trustees who are not ''interested persons,'' as defined in section 2(a)(19) of the Act (''Independent Trustees''), approved a plan of reorganization between the Small Cap Fund and Equity Fund and between the International Fund and Emerging Markets Fund, respectively (the ''Plan''). Under the Plan, on the date of the exchange (the ''Closing Date''), which is currently anticipated to be December 13, 1999, each Acquiring Fund will acquire all of the assets and certain stated liabilities of

the corresponding Acquired Fund in exchange for shares of the Acquiring Fund having an aggregate net asset value equal to the aggregate net asset value of the Acquired Fund's shares determined as of the close of business on the business day immediately preceding the Closing Date. As soon as reasonably practical after the Closing Date, each Acquired Fund will liquidate and distribute *pro rata* the shares of the Acquiring Fund to the shareholders of the Acquired Fund (''Reorganization''). The net asset value of the assets received will be determined in the manner set forth in each Fund's current prospectus and statement of additional information.

4. Applicants state that the investment objectives, policies and restrictions of each Acquired Fund are substantially similar to those of its corresponding Acquiring Fund. Each Fund offers Trust Shares which are not subject to any sales charge or rule 12b–1 distribution fee. Both the Equity and Small Cap Funds offer (a) Investor Shares, which are subject to a front-end sales load and rule 12b–1 distribution fee and (b) Flex Shares, which are subject to a contingent deferred sales charge (''CDSC'') and rule 12b–1 distribution fee.[1] Shareholders of Trust, Investor and/or Flex Shares of each Acquired Fund will receive corresponding shares of each Acquiring Fund. The holding period used to determine whether a CDSC will apply to a holder of Flex Shares of the Small Cap Fund who becomes a shareholder as a result of the Reorganization will include any period of time that the shareholder held shares of the Equity Fund. No sales charges will be imposed in connection with the Reorganization. Any expenses incurred in connection with the Reorganization will be borne by SunTrust.

5. The Board, including all of the Independent Trustees, determined that the Reorganization is in the best interests of the shareholders of each Fund, and that the interests of the existing shareholders of each Fund would not be diluted as a result of the Reorganization. In assessing the Reorganization, the Board considered various factors, including: (a) the compatibility of the investment objectives, policies and limitations of the Acquired and corresponding Acquiring Funds; (b) the expense ratios of the Acquired and Acquiring Funds (c) the terms and conditions of the Reorganization; (d) the tax-free nature of the Reorganization; and (e) the potential economics of scale to be gained from the Reorganization.

6. The Reorganization is subject to a number of conditions precedent, including that: (a) the shareholders of each Acquired Fund will have approved the Plan; (b) STI Funds will have received an opinion of counsel that the Reorganization will be tax-free for the Funds; and (c) applicants will receive from the Commission an exemption from section 17(a) of the Act for the Reorganization. The Plan may be terminated and the Reorganization abandoned at any time prior to the Closing Date by the Board or any authorized officer of STI Funds if it is determined that circumstances have changed to make the Reorganization inadvisable. Applicants agree not to make any material changes to the Plan without prior Commission approval.

7. Definitive proxy materials have been filed with the Commission and were mailed to shareholders of the Acquired Funds on or about November 10, 1999. A special meeting of shareholders of the Acquired Funds is scheduled for December 10, 1999.

Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by, or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.

2. Rule 17a–8 under the Act exempts certain mergers, consolidations, and sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied. Applicants believe that rule 17a–8 may not be available in connection with the Reorganization because the Funds may be deemed to be affiliated by reasons other than having a common investment adviser, common directors, and/or common officers. Applicants state that subsidiary banks of SunTrust own in the aggregate, as a fiduciary, 25% or more of the outstanding voting securities of each Fund and that SunTrust therefore may be deemed to be an affiliated person of the Funds, resulting in the Acquired Funds being affiliated persons of an affiliated person of the Acquiring Funds. Applicants also state that the Funds, by virtue of the above ownership, may be deemed to be under common control and therefore affiliated persons of each other.

3. Section 17(b) of the Act provides, in relevant part, that the Commission may exempt a transaction from the provisions of section 17(a) if evidence establishes that 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, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

4. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganization. Applicants submit that the Reorganization satisfies the standards of section 17(b) of the Act. Applicants believe that the terms of the Reorganization are reasonable and fair and do not involve overreaching. Applicants state that the investment objectives and policies of each Acquired Fund are substantially similar to those of its corresponding Acquiring Fund. Applicants also state that the Board, including all of the Independent Trustees, has made the requisite determinations that the participation of the Acquired and Acquiring Funds in the Reorganization is in the best interests of each Fund and that such participation will not dilute the interests of the existing shareholders of each Fund. In addition, applicants state that the Reorganization will be on the basis of relative net asset value.

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

Margaret H. McFarland,

Deputy Secretary.

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[1] The Equity Fund and Small Cap Fund Investor Shares have the same front-end sales load. Investor Shares of the Equity Fund have a distribution fee of .43% and Investor Shares of the Small Cap Funds have a distribution fee of .50%. Flex Shares have the same maximum distribution fees.