SECURITIES AND EXCHANGE COMMISSION

[Release No. IC–26097; File No. 812–12913]

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

July 9, 2003.

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

ACTION: Notice of application for an order pursuant to section 26(c) of the Investment Company Act of 1940 (the ''Act'') approving certain substitutions of securities.

APPLICANTS: National Life Insurance Company (''NLIC''), National Variable Annuity Account II (''Annuity Account''), and National Variable Life Insurance Account (''Life Account'').

FILING DATE: The application was filed on December 19, 2002, and amended and restated on April 3, April 18, and June 25, 2003.

SUMMARY OF APPLICATION: Applicants request an order to permit NLIC to substitute securities issued by two series of the Sentinel Variable Products Trust (''SVPT'') to support variable annuity contracts or variable life insurance contracts (collectively, the ''Contracts'') issued by NLIC, for securities issued by two series of the Gartmore Variable Insurance Trust (''GVIT''), which series are successors of two series of the Market Street Fund (''MSF''), and are currently held by either the Annuity Account or the Life Account (each, an ''Account,'' together, the ''Accounts'').

HEARING OR NOTIFICATION OF HEARING: An order granting the amended and restated 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 must be received by the Commission by 5:30 p.m. on July 30, 2003, 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 Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549–0609. Applicants, c/o D. Russell Morgan, Esq., Assistant General Counsel, National Life Insurance Company, National Life Drive, Montpelier, Vermont 05604. Copy to David S. Goldstein, Esq., Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, NW, Washington, DC 20004–2415.

FOR FURTHER INFORMATION CONTACT: Ellen J. Sazzman, Senior Counsel, or Lorna J. MacLeod, 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 may be obtained for a fee from the Public Reference Branch of the Commission, 450 5th Street, NW, Washington, DC 20549 (tel. (202) 942–8090).

Background

1. On December 19, 2002, Applicants applied for an order of the Commission, pursuant to section 26(c) of the Act, approving the substitution of securities issued by two series of SVPT for securities issued by two series of the MSF then held by the Accounts. Applicants amended that application on April 3, 2003 to reflect changes made in response to comments from the Commission staff as well as to update certain other information. The Commission published a notice of the amended application on April 4, 2003.

2. The amended application discussed, among other things, the fact that shareholders of the two MSF series had recently approved the acquisition of each of the series by similar series of the GVIT. At the time, Applicants anticipated that the acquisition would occur shortly after the proposed substitutions. Shortly after the April 4, 2003 notice of the amended application was published, Applicants became aware of the fact that the acquisition would, in fact, occur shortly before the proposed substitutions. In response, Applicants filed a second amended application on April 18, 2003, seeking an order approving the substitution of securities issued by the two series of SVPT for securities issued by two series of GVIT, which series were anticipated to be the successors of the two MSF series then held by the Accounts.

Applicants' Representations

1. SVPT currently has seven investment portfolios, two of which are the subject of this application (each, a ''Fund''), while GVIT has thirty-four investment portfolios, two of which are the subject of this application (each, also a ''Fund''). Prior to its reorganization (described below), MSF had eleven investment portfolios, two of which were the subject of the December 19, 2002 application (each, a Portfolio).

2. NLIC was a mutual life insurance company originally chartered by the State of Vermont in 1848. It is now a stock life insurance company, all of the outstanding stock of which is indirectly owned by National Life Holding Company, a mutual insurance holding company, established under Vermont law in 1999. All owners of NLIC contracts, including the Contracts, are voting members of National Life Holding Company. NLIC is authorized to transact life insurance and annuity business in Vermont and in 50 other jurisdictions. For purposes of the Act, NLIC is the depositor and sponsor of the Annuity Account and the Life Account as those terms have been interpreted by the Commission with respect to variable life insurance and variable annuity separate accounts.

3. NLIC established the Annuity Account on November 1, 1996, and the Life Account on February 1, 1985, as segregated investment accounts under Vermont law. Under Vermont law, the assets of each Account attributable to the Contracts through which interests in that Account are issued are owned by NLIC but are held separately from all other assets of NLIC for the benefit of the owners of, and the persons entitled to payment under, those Contracts. Consequently, such assets in each Account equal to the reserves and other liabilities with respect to such Account are not chargeable with liabilities arising out of any other business that NLIC may conduct. Income, gains and losses, realized or unrealized, from assets allocated to each Account are credited to or charged against that Account without regard to the other income, gains or losses of NLIC. Each Account is a ''separate account'' as defined by Rule 0–1(e) under the Act, and is registered with the Commission as an unit investment trust.

4. The Annuity Account is divided into twenty-eight subaccounts. Each subaccount invests exclusively in a corresponding investment portfolio of one of twelve series-type management investment companies. The assets of the Annuity Account support variable annuity contracts, and interests in the Account offered through such contracts have been registered under the Securities Act of 1933 (the ''1933 Act'').

5. The Life Account is divided into eighty-six subaccounts. Each subaccount invests exclusively in shares representing an interest in a corresponding investment portfolio of one of fourteen series-type management investment companies. The assets of the Life Account support variable life insurance contracts, and interests in this Account offered through such contracts

have been registered under the 1933 Act.

6. *Market Street Fund.* MSF was originally incorporated in Maryland on March 21, 1985, but reorganized into a Delaware business trust on January 26, 2001. Until its existence ceased as a result of a reorganization on April 28, 2003, MSF was registered under the Act as an open-end diversified management investment company. MSF was a series investment company as defined by Rule 18f–2 under the Act and comprised eleven investment portfolios. MSF issued a separate series of shares of beneficial interest in connection with each portfolio and had registered these shares under the 1933 Act. Gartmore Mutual Fund Capital Trust (''Gartmore''), served as investment adviser to the MSF Balanced and Bond Portfolios, and selected their subadvisers. The most recent subadviser to the MSF Balanced Portfolio was Fred Alger Management, Inc., and the most recent subadviser to the Bond Portfolio was Western Asset Management Company.

7. The investment objective of the MSF Bond Portfolio was to seek a high level of current income consistent with prudent investment risk. This Portfolio invested in a diversified portfolio of fixed-income securities of U.S. and foreign issuers. The Portfolio's subadviser used active fixed-income management techniques by focusing on four key areas: (1) Sector and sub-sector allocation, (2) issue selection, (3) duration, and (4) term structure.

8. The investment objective of the MSF Balanced Portfolio was to realize as high a level of long-term total rate of return as was consistent with prudent investment risk. The MSF Balanced Portfolio's equity portion was invested primarily in equity securities, such as common or preferred stocks, which were listed on U.S. exchanges or traded in the over-the-counter markets. The Portfolio's subadviser used a growth-oriented strategy. Growth-oriented investments involved seeking securities of issuers with above-average recent earnings growth rates and what the subadviser viewed as a reasonable likelihood of maintaining these rates in the foreseeable future. The subadviser focused on stocks of companies with growth potential and fixed-income securities, with emphasis on income-producing securities that appear to have some potential for capital appreciation. Normally, the Portfolio invested in common stocks and fixed-income securities that included commercial paper and bonds rated within the four highest rating categories by an established rating agency or if not rated, that the subadviser determined were of comparable quality. Ordinarily, at least 25% of the Portfolio's net assets were invested in fixed-income securities.

9. *Gartmore Variable Insurance Trust.* GVIT was organized as a Massachusetts business trust on June 30, 1981. GVIT is registered under the Act as an open-end diversified management investment company. GVIT is a series investment company as defined by Rule 18f–2 under the Act and currently comprises thirty-four investment portfolios. GVIT issues a separate series of shares of beneficial interest in connection with each portfolio and has registered these shares under the 1933 Act. Gartmore serves as investment adviser to the J.P. Morgan GVIT Balanced Fund and Gartmore GVIT Government Bond Fund (''GVIT Government Bond Fund''), and selects their subadvisers. The subadviser to the J.P. Morgan GVIT Balanced Fund is currently J.P. Morgan Investment Management, Inc. Currently, Gartmore does not use a subadviser for the GVIT Government Bond Fund.

10. The investment objective of the GVIT Government Bond Fund is to seek as high a level of income as is consistent with the preservation of capital. The Fund invests in those securities with the highest level of expected income while also minimizing fluctuation in the price of the Fund's shares. Under normal conditions, the GVIT Government Bond Fund invests at least 80% of its net assets in U.S. government and agency bonds, notes, and bills. The Fund also may invest in mortgage-backed securities issued by U.S. government agencies. The Fund's dollar-weighted average maturity is generally five to nine years and its duration four to six years.

11. The investment objective of the J.P. Morgan GVIT Balanced Fund is to seek a high total return from a diversified portfolio of equity and fixed-income securities. Under normal circumstances, the Fund invests at least 50% of its net assets in fixed-income securities (including U.S. government, corporate, mortgage-backed, and asset-backed securities). The equity securities held by the Fund generally are common stocks of large and medium-sized companies included in the S&P 500 Index. The fixed-income securities held by the J.P. Morgan GVIT Balanced Fund are generally investment grade (or unrated securities of comparable quality), although a portion of the Fund's assets are invested in securities rated below investment grade. The Fund does not necessarily sell investment grade securities that are downgraded. The Fund also may invest in debt securities of issuers located in emerging nations or whose securities are traded in emerging securities markets.

12. *Sentinel Variable Products Trust.* SVPT was organized as a business trust in Delaware on March 14, 2000, and is currently registered under the Act as an open-end diversified management investment company. SVPT is a series investment company as defined by Rule 18f–2 under the Act and currently comprises seven investment portfolios, including two new Funds to receive certain of the assets of the GVIT Government Bond Fund and J.P. Morgan GVIT Balanced Fund in the proposed substitution. SVPT will issue a separate series of shares of beneficial interest in connection with each Fund and will register these shares under the 1933 Act. NL Capital Management, Inc. (''NLCM'') will serve as investment adviser to each of the Funds. NLCM is affiliated with NLIC.

13. The investment objective of the SVPT Bond Fund is to seek high current income while seeking to control risk, by investing mainly in investment grade bonds. The Fund will invest exclusively in fixed-income securities. At least 80% of the Fund's assets will normally be invested in the following types of bonds: (1) Corporate bonds which at the time of purchase are rated within the four highest rating categories of Moody's, Standard & Poor's, or any other nationally recognized statistical rating organization, (2) debt securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, including mortgage-backed securities, (3) debt securities (payable in U.S. dollars) issued or guaranteed by Canadian governmental entities, and (4) debt obligations of domestic banks or bank holding companies, even though not rated by Moody's or Standard & Poor's, that NLCM believes have investment qualities comparable to investment grade corporate securities. The remainder of the Fund's assets may be invested in other fixed-income securities, such as straight or convertible debt securities and straight or convertible preferred stocks. The Fund will invest no more than 20% of its total assets in lower quality bonds.

14. The investment objective of the SVPT Balanced Fund is to seek a combination of growth of capital and current income, with relatively low risk and relatively low fluctuations in value. It will seek this goal by investing in common stocks similar to those in the SVPT Common Stock Fund. NLCM tries to select stocks of leading companies that are financially strong and are selling at attractive prices in relation to their values and in investment grade

bonds similar to those in the SVPT Bond Fund, with at least 25% of its total assets in bonds. When determining this percentage, convertible bonds and/or preferred stocks will be considered common stocks, unless these securities are held primarily for income. NLCM will divide the Fund's investments among stocks and bonds based on whether it believes stocks or bonds offer a better value at the time.

15. The Contracts are flexible premium variable life insurance Contracts and individual flexible premium deferred variable annuity Contracts. The Contracts provide for the accumulation of values on a variable basis, fixed basis, or both, during the accumulation period, and provide settlement or annuity payment options on a fixed basis. Under each of the Contracts, NLIC reserves the right to substitute shares of one Fund or Portfolio for shares of another, including a fund or portfolio of a different investment company. The prospectuses for the Contracts disclose this right.

16. Under all of the variable life insurance Contracts, a Contract owner may make unlimited transfers of accumulated value in a contract year between and among the subaccounts of the Life Account and NLIC's general account. Currently there is no charge for transfers; however, NLIC reserves the right to assess a $25 charge for each transfer in excess of twelve in any Contract year. Under the variable annuity Contracts, a Contract owner may make unlimited transfers of Contract value between and among the subaccounts of the Annuity Account and NLIC's general account. Currently there is no charge for transfers; however, NLIC reserves the right to assess a $25 charge for each transfer in excess of twelve in any Contract year.

17. NLIC, on its behalf and on behalf of the Accounts, proposes to substitute shares of the SVPT Bond Fund for shares of the GVIT Government Bond Fund, and shares of the SVPT Balanced Fund for shares of the J.P. Morgan GVIT Balanced Fund. NLIC believes that by making the proposed substitutions in each of the Accounts, they can better serve the interests of owners of the Contracts.

18. During 2000, NLIC and the Accounts applied for and received an order approving a number of substitutions of SVPT Funds for MSF Portfolios. At the time of that application, Sentinel Advisors Company (''SAC'') served as the investment manager and adviser to a number of the MSF Portfolios, including the Bond and Balanced Portfolios. SAC is a general partnership, which at that time was owned and controlled by affiliates of NLIC, Provident Mutual Life Insurance Company (''PMLIC''), and The Penn Mutual Life Insurance Company (''Penn Mutual''). NLIC's affiliate controls the managing general partner and is entitled to a majority of the profits earned by SAC. NLIC, PMLIC, and Penn Mutual are not affiliated persons of each other. Effective June 30, 2002, NLCM (affiliated with NLIC) purchased all the stock of PMLIC's affiliates which owned PMLIC's interests in SAC, and as a result, NLIC's affiliates are now entitled to more than 90% of the profits of SAC. SAC's officers and investment personnel are all employees of NLCM, and they are the same officers and investment personnel who provide investment management services to the SVPT Funds. SAC, like NLCM, is located at NLIC's premises, in Montpelier, Vermont.

19. With the substitutions applied for in the previous order, PMLIC and NLIC intended to end their joint use of MSF as an investment vehicle for both companies' variable life insurance and variable annuity contracts (including the Contracts). NLIC originally intended to substitute independently managed funds for the MSF Bond and Balanced (then Managed) Portfolios, at the time of the substitutions effected in late 2000. However, the available independently managed funds did not meet the conditions that the SEC would impose on the substitutions and SVPT did not have the Bond or Balanced Funds to receive the Accounts' assets in the MSF Bond and Balanced Portfolios. NLIC chose to proceed with the substitutions that the SEC would approve at the time and the Accounts continued to invest in the MSF Bond and Balanced Portfolios.

20. After the initial substitutions, SAC stepped down as investment adviser to all of the MSF Portfolios of which it had been the investment adviser. Market Street Investment Management Company (''MSIM'') became the investment manager to the MSF Portfolios, and selected subadvisers to manage the assets on a day-to-day basis, including Western Asset Management Company for the Bond Portfolio and Fred Alger Management, Inc., for the Balanced Portfolio. New investment advisory contracts were approved by the shareholders, and management fees and overall expense ratios rose significantly.

21. In addition, effective September 30, 2002, PMLIC was acquired by Nationwide Financial Services, Inc. (''Nationwide''), in a sponsored demutualization transaction. PMLIC's name changed to Nationwide Life Insurance Company of America (''NLICA'') as part of this transaction. Also, effective October 1, 2002, Gartmore, an affiliate of Nationwide Financial, replaced MSIM as the MSF investment adviser. NLICA, under Nationwide's control, then proposed another reorganization of MSF, under which the MSF Balanced and Bond Portfolios would be acquired by series of the GVIT Trust, another series investment company offering shares to variable insurance product separate accounts, for which Gartmore also serves as investment adviser. Specifically, the MSF Balanced Portfolio would be acquired by the J.P. Morgan GVIT Balanced Fund, and the MSF Bond Portfolio would be acquired by the GVIT Government Bond Fund. As a result of this proposed reorganization, J.P. Morgan Investment Management, Inc. would be the subadviser of MSF Balanced Portfolio's assets and Gartmore would directly manage the assets of the MSF Bond Portfolio.

22. At a meeting held on February 21, 2003, shareholders of MSF Balanced Portfolio and MSF Bond Portfolio approved the proposed reorganization. The proposed reorganization took place on April 28, 2003. As of April 28, 2003: (1) J.P. Morgan GVIT Balanced Fund succeeded to the assets of MSF Balanced Portfolio, (2) holders of shares of MSF Balanced Portfolio (including the Accounts) had such shares exchanged for shares of J.P. Morgan GVIT Balanced Fund, (3) GVIT Government Bond Fund succeeded to the assets of MSF Bond Portfolio, and (4) holders of shares of MSF Bond Portfolio (including the Accounts) had such shares exchanged for shares of GVIT Government Bond Fund.

23. NLIC continues to desire to end the joint use of the successors to the MSF Portfolios by separate accounts of both companies. NLIC continues to believe that the manner of accomplishing this separation which would involve the least confusion and disruption to owners of the Contracts would be for it to substitute shares of new SVPT Funds for those of the successors to the MSF Bond and Balanced Portfolios held by the Accounts. This would avoid the possibility that GVIT may propose future changes that NLIC could not support. Such a disagreement could create unnecessary expense and confusion for owners of both the Contracts and NLICA contracts, and could result in one or more material irreconcilable conflicts between the interests of Contract owners and owners of NLICA contracts. NLIC had no role in the selection of the most recent subadvisers to the MSF Balanced and Bond Portfolios, no role in planning the

reorganization of MSF initiated by NLICA, and does not anticipate that it would have any role in future decisions relating to the GVIT Government Bond Fund or the J.P. Morgan GVIT Balanced Fund.

24. Prior to the April 28, 2002 reorganization, the majority of the assets in the MSF Bond and Balanced Portfolios belonged to owners of variable annuity and variable life insurance contracts issued by NLICA and its affiliates and only relatively small portions of each consisted of assets beneficially owned by owners of the Contracts.

Portfolios	Approximate percent represented by NLIC contracts	Approximate percent represented by contracts issued by NLICA or its affiliates
MSF Bond	24.5	75.5
MSF Balanced	16.1	83.9

25. NLIC believes that many of the owners of the Contracts who invested in the MSF Bond and Balanced Portfolios did so at the time these Portfolios were managed by SAC, and that most would prefer to invest in funds or portfolios selected by NLIC and over which NLIC has some influence.

26. Because the MSF Bond and Balanced Portfolios were only very recently reorganized into the GVIT Government Bond Fund or the J.P. Morgan GVIT Balanced Fund, Applicants believe that it is appropriate to compare and contrast the SVPT Bond and Balanced Funds with the MSF Bond and Balanced Portfolios. For the reasons explained below, Applicants assert that owners of the Contracts will be better off invested in the SVPT Bond and Balanced Funds than they would have been in the corresponding MSF Funds.

27. Projected expense levels for the SVPT Bond and Balanced Funds are the same as those recently experienced by the MSF Bond and Balanced Portfolios because each SVPT Fund will be capped by NLIC for two years at levels equal to the percentage expense levels experienced by its corresponding MSF Portfolio for the 2002 fiscal year. Likewise, the management fee rates (including breakpoints) of the SVPT Bond and Balanced Funds are the same as that of their corresponding MSF Portfolios. In addition, for those Contract owners who were Contract owners on the date of the proposed substitutions, NLIC will not increase Account or other asset-based expenses under the Contracts for a period of 24 months following the date of the proposed substitutions.

28. The projected expense levels for the SVPT Bond and Balanced Funds are substantially lower than those recently experienced by, or currently anticipated for, the J.P. Morgan GVIT Balanced Fund and the GVIT Government Bond Fund. Therefore, from an expense perspective, Contract owners will be substantially better off invested in the SVPT Bond Fund or Balanced Fund than they would be in the J.P. Morgan GVIT Balanced Fund or the GVIT Government Bond Fund.

29. NLIC notes that the equity portion of the SVPT Balanced Fund would be managed in a different style from that recently employed by the MSF Balanced Portfolio, utilizing a more value-oriented style similar to that employed by Sentinel Balanced Fund, as contrasted with the more growth-oriented style employed by Fred Alger Management. The J.P. Morgan GVIT Balanced Fund does not lean towards either a growth-oriented or a value-oriented investment style with regard to the equity portion of its portfolio. In this respect, it differs somewhat from both the MSF Balanced Portfolio and the SVPT Balanced Fund. NLIC expects that the fixed-income portion of the SVPT Balanced Fund would be comparable to the fixed-income portion of the MSF Balanced Portfolio, as managed before April 28, 2003. However, the J.P. Morgan GVIT Balanced Fund differs from both the MSF Balanced Portfolio and the SVPT Balanced Fund in that the fixed-income portion of the J.P. Morgan GVIT Balanced Fund has greater flexibility to invest in lower quality debt instruments and emerging market securities. NLIC also notes that it already has available to the Accounts three equity portfolios managed by Fred Alger Management, the Alger American Growth Portfolio, the Alger American Leveraged AllCap Portfolio, and the Alger American Small Capitalization Portfolio. As a result, any Contract owners who wish to invest a portion of their Contract value using Alger's equity investment style would be able to do so by allocating assets to one of these investment choices.

30. NLIC expects that the SVPT Bond Fund would be similar in investment style and categories of investments to the MSF Bond Portfolio as recently operated, and certainly similar to the MSF Bond Portfolio as managed by SAC prior to 2001. In contrast, the Gartmore GVIT Government Bond Fund is limited to investments in U.S. government and agency bonds, bills, and notes, while the SVPT Bond Fund would (as did the MSF Bond Portfolio) be able to invest in investment grade corporate issuers.

31. As the two new SVPT Portfolios will initially be relatively small in size (the SVPT Bond Fund is expected to initially have net assets of approximately $19 million, and the SVPT Balanced Fund is expected to initially have net assets of approximately $12 million), NLIC does not anticipate earning material profits from the management of these assets in the first few years after the proposed substitutions. Rather, its motivation is to complete the termination of the joint use of the MSF Portfolios (now GVIT Funds) which it initially sought in 2000, and to regain a level of control over its Contract owner assets which it lost as its joint venture with PMLIC ended.

32. In light of the significant beneficial ownership position of NLICA (and affiliate) contract owners, Contract owners and future NLIC contract owners cannot expect to command an influential (much less a majority) voting position in either of the GVIT Bond or Balanced Funds in the event that they, as a group, desire that such a Fund move in a direction different from that generally desired by owners of NLICA (or its affiliates') contracts. In addition, unless the growth in the number of Contracts or the assets supporting them increases at a much greater rate than those of similar contracts issued by NLICA and its affiliates, owners of Contracts have no prospects of ever gaining a position capable of influencing the future direction of these Funds.

33. NLIC also notes that it has had no prior business relationship with Nationwide, which now controls NLICA, or with Gartmore, the investment advisor to J.P. Morgan GVIT Balanced Fund and GVIT Government Bond Fund. NLIC has never selected a Nationwide-controlled entity to provide investment advisory services to its Contract owners, and while it has no particular problem with Nationwide, NLIC believes that it should not be forced into a position of offering investment portfolios managed by Nationwide-affiliated entities simply because Nationwide has acquired PMLIC.

34. The following charts show the approximate year-end size (in net assets), expense ratio (ratio of operating expenses as a percentage of average net assets), and annual total returns for each of the past three years for each of the Funds and Portfolios involved in the proposed substitutions.

SVPT Bond Fund	Anticipated net assets after substitution (in millions)	Anticipated expense ratio after substitution	Total return
	$19	0.67%	N/A
MSF Bond Portfolio	**Net assets at Year-End (in millions)**	**Expense ratio**	**Total return**
2000	$39.0	0.52%	9.68%
2001	$53.4	0.67%	7.40%
2002	$67.0	0.67%	9.09%
GVIT Government Bond Fund	**Net assets at year-end (in millions)**	**Expense ratio**	**Total return**
2000	$867	0.73%	12.54%
2001	$1,301	0.73%	7.25%
2002	$1,983	0.73%	10.98%
SVPT Balanced Fund	**Anticipated net assets after substitution (in millions)**	**Anticipated expense ratio after substitution**	**Total return**
	$12	0.79%	N/A
MSF Balanced Portfolio	**Net assets at year-end (in millions)**	**Expense ratio**	**Total return**
2000	$71.5	0.57%	8.75%
2001	$69.0	0.82%	(7.02)%
2002	$58.4	0.79%	(10.26)%
J.P. Morgan GVIT Balanced Fund	**Net assets at year-end (in millions)**	**Expense ratio**	**Total return**
2000	$113	1.07%	(0.35)%
2001	$150	1.03%	(3.77)%
2002	$147	1.00%	(12.31)%

35. The following charts show the approximate annual management fees, other expenses and total expenses of each of the Funds or Portfolios involved in the proposed substitutions both before and after any reimbursement or fee waivers. The management fees and expenses shown for the MSF Bond and Balanced Portfolios and for the GVIT Government Bond and J.P. Morgan GVIT Balanced Funds are for the last complete fiscal year, 2002.

Fund	Before reimbursement or fee waiver	After reimbursement or fee waiver	Revenue sharing percentage
MSF Bond	0.40%	0.40%	N/A
	0.29%	0.27%	
	0.69%	0.67%	
GVIT Government Bond	0.49%	0.49%	N/A
	0.24%	0.24%	
	0.73%	0.73%	
SVPT Bond	0.40%	0.40%	N/A
	0.29%	0.27%	
	0.69%	0.67%	
MSF Balanced	0.55%	0.55%	N/A
	0.27%	0.24%	
	0.82%	0.79%	

Fund	Before reimbursement or fee waiver	After reimbursement or fee waiver	Revenue sharing percentage
J.P. Morgan GVIT Balanced	0.73% 0.27%	0.73% 0.26%	N/A
	1.00%	0.99%	
SVPT Balanced	0.55% 0.32%	0.55% 0.24%	N/A
	0.87%	0.79%	

36. By disclosure in supplements to the various May 1, 2002 prospectuses for the Contracts and the Accounts and similar disclosure in May 1, 2003 prospectuses, all owners of the Contracts have been notified of NLIC's intention to take the necessary actions, including seeking the order requested by this application, to substitute shares of the SVPT Bond and Balanced Funds for shares of the GVIT Government Bond Fund and the J.P. Morgan GVIT Balanced Fund as described herein.

37. The supplement and prospectus disclosure about the proposed substitutions advises, (and any subsequent supplements will advise), Contract owners that from the date of the supplement or prospectus until the date of the proposed substitution, owners are permitted to make one transfer of all amounts under a Contract invested in either of the affected subaccounts to another subaccount available under a Contract other than one of the other affected subaccounts without that transfer counting as a ''free'' transfer permitted under a Contact. The supplement and prospectus disclosure also informs (and any subsequent supplements will inform) Contract owners that NLIC will not exercise any rights reserved under any Contract to impose additional restrictions on transfers until at least 30 days after the proposed substitutions. The supplements and prospectuses also advise, and will advise, Contract owners that if the proposed substitutions are carried out, then each Contract owner affected by a substitution will be sent a written notice (described below) informing them of the fact and details of the substitutions.

38. The proposed substitutions will take place at relative net asset value with no change in the amount of any Contract owner's account value or death benefit or in the dollar value of 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 NLIC's obligations under the Contracts be altered in any way. All applicable expenses incurred in connection with the proposed substitutions, including brokerage commissions, legal, accounting and other fees and expenses, will be paid by NLIC. 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.

39. The proposed substitutions will not, of course, be treated as a transfer of Contract value or an exchange of annuity units for the purpose of assessing transfer charges or for determining the number of remaining ''free'' transfers or exchanges in a Contract year. NLIC will not exercise any right it may have under the Contracts to impose restrictions on or charges for Contract value transfers or annuity unit exchanges under the Contracts for a period of at least 30 days following the substitutions. One exception to this is that NLIC may impose restrictions on transfers to prevent or limit ''market timing'' activities by Contract owners or agents of Contract owners.

40. NLIC will permit Contract owners to make one transfer of Contract value (or annuity unit exchange) out of the GVIT Government Bond Fund subaccount to another subaccount, and out of the J.P. Morgan GVIT Balanced Fund subaccount to another subaccount, without the transfer (or exchange) being treated as one of a limited number of transfers (or exchanges) permitted without a transfer charge. Likewise, for at least 30 days following the proposed substitutions, NLIC will permit Contract owners affected by the substitutions to make one transfer of Contract value (or annuity unit exchange) out of the SVPT Bond Fund subaccount to another subaccount, and out of the SVPT Balanced Fund subaccount to another subaccount, without the transfer (or exchange) being treated as one of a limited number of transfers (or exchanges) permitted without a transfer charge. All Contract owners, even those who are ''market timers,'' may avail themselves of the ''free'' transfer privilege both before and after the proposed substitutions.

41. To the extent that the annualized expenses of the SVPT Bond and Balanced Portfolios exceeds, for each fiscal period (such period being less than 90 days) during the twenty-four months following the substitutions, the 2002 net expense level of the MSF Bond and Balanced Portfolios, NLIC will, for each Contract outstanding on the date of the proposed substitutions, make a corresponding reduction in separate account (or subaccount) expenses on the last day of such fiscal period, such that the amount of the SVPT Balanced and Bond Portfolios' net expenses, together with those of the corresponding separate account (or subaccount) will, on an annualized basis, be no greater than the sum of the net expenses of the MSF Balanced and Bond Portfolios and the expenses of the separate account (or subaccount) for the 2002 fiscal year. In addition, for twenty-four months following the substitutions, NLIC will not increase asset-based fees or charges for Contracts outstanding on the day of the proposed substitutions.

42. In addition to the prospectus disclosure (and supplements) distributed to owners of Contracts, 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 accumulation or contract value under a Contract invested in any one of the affected subaccounts on the date of the notice to another subaccount available under their Contract without that transfer counting as one of a limited number of transfers permitted in a Contract year free of charge. The notice will also reiterate the fact that NLIC will not exercise any rights reserved by it under any of the Contracts to impose additional restrictions on transfers until at least 30 days after the proposed substitutions. The notice as delivered in

certain states also may explain that, under the insurance regulations in those states, Contract owners who are affected by the substitutions may exchange their Contracts for fixed-benefit life insurance contracts or annuity contracts, as applicable, issued by NLIC during the 60 days following the proposed substitutions. Current prospectuses for the new Funds will precede or accompany the notices.

43. NLIC also is seeking approval of the proposed substitutions from any state insurance regulators whose approval may be necessary or appropriate.

Applicants' Legal Analysis

1. The proposed substitutions appear to involve substitutions of securities within the meaning of section 26(c) of the Act.

2. The Contracts expressly reserve for NLIC the right, subject to compliance with applicable law, to substitute shares of one Portfolio or Fund held by a subaccount of an Account for another. Applicants state that NLIC reserved this right of substitution both to protect themselves and their Contract owners in situations where either might be harmed or disadvantaged by circumstances surrounding the issuer of the shares held by one or more of their separate accounts and to afford the opportunity to replace such shares where to do so could benefit itself and Contract owners.

3. In the case of the proposed substitutions, the GVIT Funds would be replaced by funds with substantially similar investment objectives to those of the MSF Portfolios, and management would return to the investment management team which managed the MSF Portfolios prior to the reorganization in late 2000 (in the case of many of the Contract owners, the management team that was in place at the time they made the decision to allocate Contract value to the MSF Portfolios). The substitutions would also prevent Contract owners from being affected by any additional changes of GVIT as it evolves under Nationwide's management.

4. In addition to the foregoing, Applicants generally submit that the proposed substitutions meet the standards that the Commission and its staff have applied to similar substitutions that have been approved in the past.

5. Applicants anticipate that Contract owners will be at least as well off with the proposed array of subaccounts offered after the proposed substitutions as they have been with the array of subaccounts offered prior to the substitutions. The proposed substitutions retain for Contract owners the investment flexibility which is a central feature of the Contracts. If the proposed substitutions are carried out, all Contract owners will be permitted to allocate purchase payments and transfer accumulated values and contract values between and among the same number of subaccounts as they could before the proposed substitutions.

6. Applicants argue that each of the proposed substitutions is not the type of substitution which section 26(c) was designed to prevent. Unlike traditional unit investment trusts where a depositor could only substitute an investment security in a manner which permanently affected all the investors in the trust, the Contracts provide each Contract owner with the right to exercise his or her own judgment and transfer accumulation and contract values into other subaccounts. Moreover, the Contracts will offer Contract owners the opportunity to transfer amounts out of the affected subaccounts into any of the remaining subaccounts without cost or other disadvantage. The proposed substitutions, therefore, will not result in the type of costly forced redemption which section 26(c) was designed to prevent.

7. In addition, Applicants argue that the proposed substitutions are unlike the type of substitution which section 26(c) was designed to prevent in that by purchasing a Contract, Contract owners select the specific type of insurance coverage offered by NLIC under their Contract as well as numerous other rights and privileges set forth in the Contract. Therefore, Applicants contend that Contract owners may also have considered NLIC's size, financial condition, type, and its reputation for service in selecting their Contract. These factors will not change as a result of the proposed substitutions.

8. Applicants submit that, for all the reasons stated above, the proposed substitutions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03–17919 Filed 7–15–03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–27696]

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

July 9, 2003.

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 under the Act. 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 amendment(s) is/are available for public inspection through the Commission's Branch 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 August 4, 2003 to the Secretary, Securities and Exchange Commission, Washington, DC 20549–0609, 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 the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After August 4, 2003, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

KeySpan Energy Canada Partnership, et al. (70–10126)

KeySpan Energy Canada Partnership (''KECP'') and KeySpan Energy Facilities Limited (''KEFL''), both located at 1700, 400 Third Avenue, SW Calgary, Alberta, Canada T2P 4H2 (together, the ''Applicants''), nonutility subsidiaries of KeySpan Corporation, a registered holding company under the Act, located at One MetroTech Center, Brooklyn, New York 11201, have filed an application-declaration (''Application'') under sections 9(a) and 10 of the Act and rule 54.

Background

KECP and KEFL, seek authorization for KECP and/or KEFL to acquire voting securities of Rimbey Pipe Line Co. Ltd. (''Rimbey Co.''), pursuant to a Letter Purchase Agreement dated February 6, 2003, as amended April 3, 2003 (the