

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-22859; File No. 812-10738]

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

October 17, 1997.

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

ACTION: Notice of application for an order pursuant to Section 26(b) of the Investment Company Act of 1940 (the "1940 Act").

SUMMARY OF APPLICATION: Applicants seek an order pursuant to Section 26(b) of the 1940 Act, approving the substitution of shares of certain registered management investment companies ("Current Portfolios") with shares of other registered management investment companies ("Substitute Portfolios"). Applicants also seek an order pursuant to Section 17(b) of the 1940 Act to permit Applicants to carry out the above-referenced substitution (the "Substitution") by redeeming shares of the Current Portfolios in-kind, and using the redemption proceeds to purchase shares of the Substitute Portfolios, and to permit Applicants to combine certain subaccounts holding shares of the same Substitute Portfolio after the Substitution.

APPLICANTS: Integrity Life Insurance Company ("Integrity"), Integrity Life Insurance Company Separate Account II ("Integrity Separate Account"), National Integrity Life Insurance Company ("National Integrity," together with Integrity, the "Companies") and National Integrity Life Insurance Company Separate Account II ("National Integrity Separate Account," together with Integrity Separate Account, the "Separate Accounts").

FILING DATE: The application was filed on July 23, 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 November 12, 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 requester'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 Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants, 515 West Market Street, Louisville, Kentucky 40202-3319.

FOR FURTHER INFORMATION CONTACT: Megan L. Dunphy, Attorney, or Mark 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. Integrity, a stock life insurance company, is authorized to sell life insurance and annuities in 45 states and the District of Columbia. Integrity is the sponsor and depositor of the Integrity Separate Account.

2. National Integrity, a stock life insurance company, is authorized to sell

life insurance and annuities in 8 states and the District of Columbia. National Integrity is the sponsor and depositor of the National Integrity Separate Account.

3. Both Integrity and National Integrity are wholly owned subsidiaries of ARM Financial Group, Inc. ("ARM"). Approximately 53% of the outstanding shares of ARM's common stock is owned by private equity funds sponsored by Morgan Stanley, Dean Witter, Discover & Co.

4. The Integrity Separate Account was established by Integrity Life Insurance Company pursuant to the insurance laws of Arizona, and was redomesticated under the insurance laws of Ohio, to fund variable unity contracts. Integrity Separate Account is registered under the 1940 Act as a unit investment trust.

5. The National Integrity Separate Account was established by National Integrity Life Insurance Company pursuant to the insurance laws of New York, to fund variable annuity contracts (collectively with the variable annuity contracts referred to above, the "Contracts"). National Integrity Separate Account is registered under the 1940 Act as a unit investment trust.

6. Each Separate Account consists of ten investment divisions, each of which invests its assets in the shares of one of ten designated investment portfolios (each a "Portfolio" and collectively, the "Portfolios") of The Legends Fund, Inc. ("Legends Fund"), a registered open-end management investment company. There are currently ten different Portfolios offered as investment options under the Contracts. The investment adviser for each Portfolios is ARM Capital Advisors, Inc.

7. Due to higher relative expenses and/or the poor performance of the Current Portfolios, Applicants are proposing the following substitutions:

Current portfolio	Substitute portfolio
1. Morgan Stanley Asian Growth (Asian Growth")	Morgan Stanley Asian Equity ("Asian Equity").
2. Morgan Stanley Worldwide High Income ("Worldwide High Income")	Morgan Stanley Emerging Markets Debt ("Emerging Markets").
3. Renaissance Balanced	Janus Aspen Series Balanced ("Janus Balanced").
4. Nicholas-Applegate Balanced	Janus Aspen Series Balanced ("Janus Balanced").
5. Pinnacle Fixed Income ("Fixed Income")	JPM Bond.
6. ARM Capital Advisors Money Market ("ARM Money Market")	Janus Aspen Series Money Market ("Janus Money Market").

8. For each substitution, the Applicants have concluded that the investment objectives of the Substitute Portfolios are the same as or substantially similar to those of the Current Portfolios, and, therefore, sufficiently consistent so as to ensure that the investment objectives and

expectations of the contractowners will be met.

9. Applicants state that the Contracts give the Companies the right to add to or remove investment divisions, combine two or more divisions, or substitute one or more underlying mutual funds or portfolios for others in which one or more investment divisions

are invested. These contractual provisions have also been disclosed in the prospectuses or statement of additional information relating to the Contracts.

10. Applicants represent that the proposed Substitution will be effected by redeeming shares of the Current Portfolios on an in-kind basis at net

asset value and using the proceeds to purchase shares of the Substitute Portfolios at net asset value on the same date. Net asset value will be calculated in accordance with Section 22(c) of the Act and Rule 22c-1 thereunder. All contract values will remain unchanged and fully invested and the Substitution will not result in any change in the dollar value of any contractowner's investment in his or her contract.

11. Applicants represent that each Substitute Portfolio's investment adviser will review the in-kind redemption to assure that the assets are suitable for the Substitute Portfolio. The assets will be valued based on the normal valuation procedures of the redeeming and purchasing Portfolios.

12. Applicants state that after the Substitution is completed, there will be two investment divisions holding shares of the same Substitute Portfolio. Applicants intend to combine those two investment divisions into a single investment division by transferring shares from one investment division to the other. The transfer will be done at net asset value on the same date as the Substitution so that there is no financial impact to any contractowner.

13. Applicants represent that a preliminary notice advising affected contractowners of the proposed Substitution was mailed on September 19, 1997. The notice described the reasons for engaging in the Substitution and referred contractowners to the prospectus supplement adding the Substitute Portfolios to the investment options underlying the Separate Accounts.

14. Prospectus supplements for each of the Companies were filed with the Commission on September 12, 1997 and amended on September 22 and 26, 1997. The prospectus supplements provide complete information on each new Portfolio including its investment objectives and policies, its investment adviser and applicable fees and expenses. The supplement states that contractowners can reallocate contract values from the Portfolios to be replaced and the proposed Substitute Portfolios to other Portfolios available under the Contract, without imposition of any transfer charge or limitation. No such transfers from the date of initial notice, through a date thirty days following the Substitution will count against the number of free transfers permitted in a year. The supplement was mailed to contractowners of Integrity on October 1-2, 1997, and is expected to be mailed to contractowners of National Integrity on October 31, 1997.

15. Amendments to the prospectuses for the Contracts reflecting the proposed

Substitution were filed with the Commission on September 5, 1997. The Applicants represent that within five days after the Substitution, the companies will send to affected contractowners written confirmation that the Substitution has occurred, identifying the Portfolios that were substituted and disclosing the Substitute Portfolios.

16. Applicants represent that the Companies will pay all expenses and transaction costs of the Substitution. Affected contractowners will not incur any fees or charges as a result of the Substitution, nor will the rights or obligations of the Companies under the Contracts be altered in any way. The proposed Substitution will not cause the fees and charges under the Contracts currently being paid by contractowners to be greater after the proposed Substitution than before the proposed Substitution.

17. Applicants state that their request satisfies the requirements of Section 26(b) of the 1940 Act because: (i) The proposed Substitutions involve Portfolios with the same or substantially similar investment objectives; and (ii) after the Substitution, contractowners will be invested in Portfolios whose performance has been better on an historical basis or whose performance should be identical because the new Portfolios will have the same investment adviser and investment objectives, but whose net performance should be better as a result of lower Portfolio expenses due to lower management fees, lower total expenses, greater combined assets, and, therefore, greater economies of scale.

Applicants' Legal Analysis

1. Applicants request an order pursuant to Section 26(b) of the 1940 Act approving the substitutions. Section 26(b) of the 1940 Act makes it 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 approves the Substitution. Section 26(b) of the 1940 Act also provides that the Commission will approve such 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 Act.

2. Applicants assert that the purposes, terms, and conditions of the proposed Substitutions are consistent with the protection of investors and the purposes of Section 26(b) and do not entail any of the abuses that Section 26(b) is designed to prevent. Applicants

represent that a substitution is an appropriate solution to the unfavorable performance, on a relative basis, and/or higher relative expenses of the Portfolios to be eliminated. Applicants anticipate that the Substitute Portfolios will better serve contractowners interests because their performance has been significantly better than the performance of the Portfolios to be eliminated and/or their expenses have been or can be expected to be significantly lower, as applicable.

3. Applicants represent that the Substitution will not result in the type of costly forced redemption that Section 26(b) was intended to guard against and is consistent with the protection of investors and the purposes fairly intended by the 1940 Act:

1. The Substitute Portfolios have objectives, policies and restrictions the same as or substantially similar to the objectives, policies and restrictions the Portfolios being replaced so as to continue fulfilling contractowners' objectives and expectations.

2. The costs of the Substitution will be borne by Integrity and National Integrity and will not be borne by contractowners. No charges will be assessed to effect the Substitution.

3. The Substitution will, in all cases, be at net asset values of the respective shares, without the imposition of any transfer or similar charge and with no change in the amount of any contractowner's account value.

4. The proposed Substitution will not cause the contract fees and charges currently being paid by existing contractowners to be greater after the proposed Substitution than before the proposed Substitution.

5. The contractowners have been given notice of the Substitution and will have the opportunity to reallocate contract values among the available Portfolios without the imposition of any transfer charge or limitation, nor will any such transfers from the date of the initial notice, through a date 30 days following the Substitution count against the number of free transfers permitted in a year.

6. Within five days after the Substitution, the Companies will send to contractowners written notice that the Substitution has occurred, identifying the Portfolios that were substituted and disclosing the Substitute Portfolios.

7. The Substitution will in no way alter the insurance benefits to contractowners or the contractual obligations of the Companies.

8. The Substitution will in no way alter the tax benefits to contractowners. Counsel for the Companies has advised that the Substitution will not give rise to any tax consequences to the contractowners.

4. Section 17(a) (1) and (2) of the 1940 Act prohibits any affiliated person of a registered investment company, or an affiliated person of an affiliated person, from selling any security or other property to or purchasing any security

or other property from such registered investment company.

5. Applicants state that the redemptions and purchases in-kind involve the purchase of property from the Current Portfolios by the Separate Accounts, affiliated persons of those Portfolios, and the sale of property to the Substitute Portfolios by the Separate Accounts, which may be considered affiliates of the Substitute Portfolios. Similarly, by combining two investment divisions holding shares of the same Substitute Portfolios into a single investment division, the Companies, each being the depositor for and therefore each an affiliated person of the respective Separate Account, could be said to be transferring property of one investment division to another investment division. This transfer of property could be said to involve purchase and sale transactions between the investment divisions such that an affiliated person (the "first investment division") of an investment division (the "second investment division") could be said to be selling its shares of a Portfolio to the second investment division in return for units of the second investment division, which are immediately credited to the accounts of the contractowners participating in the first investment division. Conversely, the second investment division could be said to be purchasing from the first investment division shares of a Portfolio owned by the first investment division.

6. Applicants request an order pursuant to Section 17(b) of the 1940 Act exempting the in-kind redemptions and purchases and the merger of investment divisions from the provisions of Section 17(a). Section 17(b) of the 1940 Act provides that the Commission may grant an order exempting a proposed transaction from Section 17(a) if evidence establishes that: (1) 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; (2) 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 (3) the proposed transaction is consistent with the general purposes of the 1940 Act.

7. Applicants assert that the terms of the in-kind redemptions and purchases are reasonable and fair and do not involve overreaching on the part of any person concerned and that the interests of contractowners will not be diluted. The in-kind redemptions and purchases will be done at values consistent with

the policies of both the Current Portfolios and Substitute Portfolios. The investment advisers will review the asset transfers to assure that the assets meet the objectives and policies of the Substitute Portfolios and that they are valued under the appropriate valuation procedures of the Current and Substitute Portfolios.

8. Applicants represent that the merger of investment divisions is intended to reduce administrative costs and thereby benefit contractowners with assets in those investment divisions. The purchase and sale transactions described in the application will be effected based on the net asset value of the shares held in the investment divisions and the value of the units of the investment division involved. Therefore, there will be no change in the value to any contractowner.

Conclusion

Applicants assert that, for the reasons summarized above, the requested orders approving the Substitution and related transactions involving in-kind redemptions and the merger of certain investment divisions should be granted.

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

[Rel. No. IC-22860; International Series Rel No. 1105; 812-10552]

Old Mutual South Africa Equity Trust, et al.; Notice of Application

October 17, 1997.

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

ACTION: Notice of 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 APPLICATION: Order requested to permit a non-registered investment company to sell certain securities to a registered investment company.

APPLICANTS: Old Mutual South Africa Equity Trust (the "Trust") and Old Mutual Global Assets Fund Limited (the "Global Fund").

FILING DATES: The application was filed on March 7, 1997, and amended on August 28, 1997.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on November 12, 1997, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants, 61 Front Street, Hamilton, Bermuda, Attention: Melanie Saunders.

FOR FURTHER INFORMATION CONTACT: Lawrence W. Pisto, Senior Counsel, at (202) 942-0527, or Christine Y. Greenlees, Branch Chief, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 fifth Street, NW., Washington, D.C. 20549 (tel. (202) 942-8090).

Applicants' Representations

1. The Trust is an open-end management investment company organized as a trust under Massachusetts law and registered under the Act. The investment objective of the Trust is long-term total return in excess of that of the Johannesburg Stock Exchange (the "JSE") Actuaries All Share Index through investment in equity securities of South African issuers that are listed on a securities exchange. Beneficial interests in the Trust are issued solely in a private placement transactions to investment companies, common or commingled trust funds, or similar entities that are "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as well as to certain investment funds organized outside the United States. As of August 12, 1997, 91.96% of the voting securities of the Trust was owned by Old Mutual Fund Holdings (Bermuda) Limited ("Old Mutual Fund Holdings"), a wholly-owned subsidiary of the South African Mutual Life Assurance Society ("Old Mutual").