

Finding of No Significant Impact

On the basis of the environmental assessment, the staff concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission will not prepare an environmental impact statement for the proposed exemption.

For further details with respect to the proposed exemption, see licensee letters dated July 17, August 5 and 8, September 4, and December 9, 1997, which are available at the Commission's Public Document Room, 2120 L Street, NW., Washington, DC 20555 and at the Local Public Document Room, North Central Michigan College, 1515 Howard Street, Petosky, MI 49770.

Dated at Rockville, Maryland, this 19th day of December 1997.

For the Nuclear Regulatory Commission.

Seymour H. Weiss,

*Director, Non-Power Reactors and Decommissioning Project Directorate,
Division of Reactor Program Management,
Office of Nuclear Reactor Regulation.*
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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-22948; File No. 812-10886]

The Sierra Variable Trust, et al.; Notice of Application

December 19, 1997.

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

ACTION: Notice of application for an order under Section 17(b) of the Investment Company Act of 1940 ("1940 Act"), exempting Applicants from the provisions of Section 17(a) of the 1940 Act to the extent necessary to permit the merger of two series of a registered management investment company and the combination of corresponding sub-accounts of a separate account investing therein.

SUMMARY OF APPLICATION: Applicants seek an order exempting them from the provisions of Section 17(a) of the 1940 Act to the extent necessary to permit the merger of the Trust's Short Term Global Government Fund (the "Global Government Fund") into the Trust's Short Term High Quality Bond Fund (the "High Quality Bond Fund") (the "Merger") and the combination of corresponding sub-accounts of the Separate Account investing therein.

APPLICANTS: The Sierra Variable Trust ("Trust"), American General Life

Insurance Company ("Insurance Company") and American General Life Insurance Company Separate Account D ("Separate Account").

FILING DATES: The application was filed on December 5, 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 Secretary of the SEC and serving Applicants with a copy of the request, in person or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 13, 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 of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o J.B. Kittredge, Esq., Ropes & Gray, One International Place, Boston, Massachusetts 02110.

FOR FURTHER INFORMATION CONTACT: Michael Koffler, Attorney, or Mark Amorosi, 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 Public Reference Branch of the SEC, 450 Fifth St., N.W., Washington, D.C. 20549 (tel. (202) 942-8090).

Applicants' Representations

1. The Trust, an open-end, management investment company, is a Massachusetts business trust. It is a series investment company currently comprised of fourteen separate investment portfolios, two of which are the High Quality Bond Fund and the Global Government Fund. Five portfolios are asset allocation portfolios (the "Asset Allocation Portfolios") investing in six to eight of the other funds (the "Funds") (the Asset Allocation Portfolios and the Funds are hereafter referred to collectively as the "Portfolios"). The Trust issues a separate series of shares of beneficial interest in connection with each Portfolio and has registered these shares under the Securities Act of 1933 (the "1933 Act") on Form N1-A (File No. 33-57732).

2. The Trust has sold shares of the Portfolios to the Separate Account, which is a separate account established by the Insurance Company to receive and invest net purchase payments paid under variable annuity contracts issued by the Insurance Company (the "Contracts"). The Separate Account is registered as a unit investment trust under the 1940 Act (File No. 811-2441). The Funds are investment options available under one form of the Contract (the "Primary Contracts"). The Asset Allocation Portfolios are investment options currently available under a second form of the Contract (the "Secondary Contracts"). Owners of the Contracts ("Owners") may choose to have their net purchase payments allocated among investment divisions ("Divisions") of the Separate Account, which Divisions correspond to the fourteen series of the Trust.

3. The Insurance Company, a stock life insurance company, is leased to sell life, accident and health insurance and annuities in the District of Columbia and 49 states. The Insurance Company is the depositor and sponsor of the Separate Account.

4. Sierra Investment Advisors Corporation ("SIAC"), an indirect, wholly owned subsidiary of Washington Mutual, Inc. ("WMI"), is the investment manager the High Quality Bond Fund and the Global Government Fund. Under an investment sub-advisory agreement with SIAC, Scudder, Stevens & Clark, Inc. ("Scudder"), an unaffiliated corporation, manages the High Quality Bond Fund and the Global Government Fund. SIAC receives a fee for its investment advisory services at an annual percentage of the average daily net assets of each Fund. Neither of these two Funds pays Scudder directly for its services, which are paid for by SIAC. Sierra Fund Administration Corporation ("SFAC") serves as the administrator for both Funds and receives from each Fund an administrative fee equal to 0.18% of average daily net assets.

5. Applicants state that the Trustees of the Trust, including a majority of those trustees who are not interested persons of the Trust, SIAC, WMI and their affiliates or the Insurance Company, have unanimously approved a Plan of Reorganization (the "Plan") pursuant to which the High Quality Bond Fund and the Global Government Fund would be merged. Applicants state that the principal purposes of the Merger are (1) to eliminate a Fund for which there is limited demand in a way that provides current shareholders of the Global Government Fund with the opportunity to pursue compatible investment goals,

(2) to reduce management and transaction costs, and (3) to improve investment performance.

6. Applicants state that, pursuant to the Plan, on the closing date ("Closing Date"), the High Quality Bond Fund would acquire all of the assets and liabilities of the Global Government Fund. The net asset value of the shares of the High Quality Bond Fund issued in exchange shall equal the net asset value of the shares of the Global Government Fund then outstanding. Each Global Government Fund shareholder (which term includes both the Global Government Fund Division as well as the Asset Allocation Portfolios investing in the Global Government Fund) will receive the number of full and fractional shares of the High Quality Bond Fund equal in value at the date of the exchange to the value of such shareholder's shares of the Global Government Fund. Thereafter, the expenses borne by such shareholders will be those applicable to the High Quality Bond Fund. The shares of the High Quality Bond Fund issued pursuant to the Merger have been registered under the 1933 Act on Form N-14 (File No. 333-37637).

7. Applicants state that the Trust intends to submit the proposed Merger to shareholders for approval. Owners of a Primary Contract may provide voting instructions to the Insurance Company for the number of full or fractional shares of a Fund equal to the cash value of the Primary Contract held in the Division of the Separate Account investing in the Global Government Fund, divided by the net asset value per share. Fund shares attributable to the Secondary Contracts or to Primary Contracts for which no voting instructions are received will be voted by the Insurance Company in the same proportion as the instructions by Owners of Primary Contracts. The affirmative vote of a majority of the outstanding shares of the Global Government Fund will be required to approve the transaction.

8. Applicants also state that, contemporaneously with the Merger and subject to shareholder approval, Composite Research & Management Corporation ("Composite"), another indirect, wholly-owned subsidiary of WMI, will become the investment manager of the High Quality Bond Fund, with Composite providing the same services as are currently provided by SIAC and Scudder for a fee equal to the fee currently charged by SIAC. Murphey Favre Shareholders Services, Inc. ("MFSS"), an affiliate of Composite, would provide at the same rate the same

administrative services that are currently provided by SFAC.

9. Applicants state that if Composite is approved as the investment manager for the High Quality Bond Fund and the Merger is effected, Composite and MFSS have undertaken from the date of the Merger and at least through December 31, 1998, to waive their fees and/or to bear certain expenses to the extent necessary to limit total operating expenses of the High Quality Bond Fund to the annual rate of 1.00% (which equals the annualized rate of the High Quality Bond Fund for the first six months of 1997, taking into account the waiver of certain advisory fees during this time). Neither SIAC, SFAC, Composite nor MFSS has indicated their intentions with respect to the Global Government Fund should the merger not be approved. However, assuming the SIAC/SFAC waivers remain in effect, Applicants assert that the Merger would lower the expenses for Global Government Fund shareholders from the annual rate of 1.26% (1.28% during the last complete fiscal year) to the annual rate of 0.92%, with a guarantee through December 31, 1998, that the expense ratio could not exceed 1.00%.

10. Applicants assert that the High Quality Bond Fund and the Global Government Fund have substantially similar investment objectives: the High Quality Bond Fund's objective is to provide "as high a level of current income as is consistent with prudent investment management and stability of principal." The Global Government Fund's objective is "to provide high current income consistent with protection of principal." Applicants state that the Global Government Fund generally has a substantially higher percentage of its assets in securities of foreign issuers, has greater flexibility to invest in lower-rated securities, and is non-diversified within the meaning of the 1940 Act. The High Quality Bond Fund is diversified and may invest only in investment grade securities. Applicants maintain, however, that there is a substantial overlap in the securities eligible for purchase by both Funds and each seeks to maintain a targeted average weighted maturity of less than 3 years.

11. Applicants state that the Trustees have determined that the interests of Owners of Contract indirectly invested in the Global Government Fund and the High Quality Bond Fund will not be diluted as a result of the proposed transactions and that the Merger is in the best interests of each affected Fund and the shareholders thereof. Applicants represent that the Merger is expected to result in economies of the

scale and cost savings which will be reflected in improved performance prospects. Certain expenses of the affected Funds that are incurred by each Fund, such as fees for independent auditors and custodial fees, will be reduced on a percentage basis as the Funds are combined. The larger fund also will allow the adviser the opportunity to better able to choose new investments, reinvest funds from maturing investments and manage cash flows.

12. Applicants represent that apart from the fact that the future cash value of Contracts indirectly invested in the Global Government Fund will reflect the investment performance and expenses of the High Quality Bond Fund, the Merger will have no economic impact on Contract values, fees or charges under the Contracts. Applicants also represent that the Merger will have no effect on the rights or interests of Owners, other than reducing from 9 to 8 the number of investment options available to Owners of Primary Contract and reducing by 1 the number of asset classes available to the Asset Allocation Portfolios. Applicants state that the proposed transaction will not have adverse tax consequences for the Owners.

Applicants' Legal Analysis

1. Applicants request that the Commission issue an order pursuant to Section 17(b) of the 1940 Act exempting the Merger from the provisions of Section 17(a) of the 1940 Act, to the extent necessary to permit the High Quality Bond Fund to acquire substantially all of the assets of the Global Government Fund in exchange for shares of the High Quality Bond Fund.

2. Section 17(a)(1) of the 1940 Act, in relevant part, prohibits any affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, from knowingly selling any security or other property to the registered investment company. Section 17(a)(2) of the 1940 Act, generally, prohibits the persons described above, acting as principal, from knowingly purchasing any security of other property from the registered investment company.

3. Section 2(a)(3) of the 1940 Act defines the term "affiliated person," in relevant part, as (a) any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting securities of such other person; (b) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled

or held with power to vote, by such person; and (c) any person directly or indirectly controlling, controlled by, or under common control with, such other persons.

4. Applicants state that because the Insurance Company, through the Separate Account, technically owns 100% of the outstanding shares of each Fund, it is arguably an affiliate of each Portfolio. In this case, each Fund may be an affiliated person of an affiliated person (i.e., the Insurance Company) and transactions between the Funds may be subject to the prohibition of Section 17(a) of the 1940 Act. Applicants also state that an affiliation between the Funds also may arise if they are deemed to be under common control. Since the Funds are part of the same investment company, they each have common directors and officers as well as a common investment adviser. If the Funds are considered to be under common control, they could be affiliated persons of one another.

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

6. Applicants represent that the terms of the proposed Merger as set forth in the Plan, including the consideration to be paid and received, are reasonable and fair and do not involve overreaching on the part of any person concerned. Applicants also represent that the proposed Merger is consistent with the policies of the High quality Bond Fund and the Global Government Fund as recited in the Trust's current registration statement and reports filed under the 1940 Act, and with the general purposes of the 1940 Act. Applicants state that the Merger does not present any of the conditions or abuses that the 1940 Act was designed to mitigate or eliminate.

7. Applicants state that the Board of Trustees of the Trust, including a majority of the disinterested Trustees, has reviewed and approved the terms of

the Merger as set forth in the Plan, including the consideration to be paid or received by all parties. Applicants also state that they have independently determined that the proposed Merger will be in the best interests of the shareholders of each affected Fund and of the Owners indirectly invested in each affected Fund and that the consummation of the Merger will not result in the dilution of the current interests of any shareholder or Owner.

8. Applicants state that in determining whether to recommend approval of the Plan to shareholders and Owners, the Board of Trustees of the Trust, including a majority of disinterested Trustees, inquired into a number of matters and considered various factors, as described in the application. The Trustees noted, in particular, the potential benefits to shareholders and Owners, the substantially similar investment objectives of the affected Funds, the terms and conditions of the Plan which might affect the price of shares (or Owner interests) to be exchanged, and the direct or indirect costs to be incurred by the affected Funds or shareholders or Owners invested in such Funds. The Board of Trustees also considered the recent trend of declining annuity contract purchase payments and increased redemptions, as well as expectations of future payments under the variable annuity contracts which permit allocation to the global Government Fund. Applicants state that the Board of Trustees believes action is necessary to provide Owners certain benefits and to avoid certain adverse consequences to the Owners. Applicants also state that, in addition to anticipated lower expenses, a merger of the Global Government Fund and the High Quality Bond Fund should result in a larger portfolio which can be managed more effectively.

9. Applicants state that the proposed Merger will not in any way affect the price of outstanding shares of the High Quality Fund, nor will it in any way affect the Contract values or interests of Owners indirectly invested therein. Under the Plan, the transfer of assets of the Global Government Fund to the High Quality Bond Fund, and the issuance of shares of the High Quality Bond Fund in exchange therefor, will be made on the basis of the relative net asset values of the affected Funds on the Closing Date.

10. Applicants represent that the aggregate value of shares to be issued to

the Global Government Fund Division under the Plan will exactly equal the aggregate value of shares held by that Division immediately prior to the proposed Merger. The aggregate value of all Owner's outstanding units of interest of the Global Government Fund Division will not change on the Closing Date as a result of the Merger and the aggregate value of such units supporting the cash value of each Owner indirectly invested in that Division immediately prior to the Merger will remain unchanged immediately after the Merger. The same is true for Divisions owning Global Government Fund shares through the Asset Allocation Portfolios. Applicants state that Composite, WMI or one of its affiliates will pay all of the Trust's direct and indirect expenses of the Merger.

11. Rule 17a-8 under the 1940 Act exempts from Section 17(a) mergers, consolidations or purchases or sales of substantially all of the assets involving registered investment companies which may be affiliated persons, or affiliated persons of affiliated persons, solely by reason of having a common investment adviser, common directors and/or common officers. Because of the potential affiliations noted above, the Funds may not be able to rely on rule 17a-8. Applicants state, however, that the Trustees have evaluated the relevant considerations and have determined that the Plan will comply with the conditions that rule 17a-8 requires.

Conclusion

Applicants submit that, for all of the reasons summarized above, the terms of the proposed Merger as set forth in the Plan, including the consideration to be paid and received, are reasonable and fair to the Trust, to the affected Funds and to shareholders and Owners invested therein and do not involve overreaching on the part of any person concerned. Furthermore, the proposed Merger will be consistent with the policies of each of the affected Funds as recited in the Trust's registration statement and reports filed under the 1940 Act and with the general purposes of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

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