

Funds would be on the same basis and consistent with the purposes of the Act.

### Applicants' Conditions

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

1. Shares of the Money Market Funds sold to and redeemed from the Investing Funds will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b-1, or service fee (as defined in section 2830(b)(9) of the NASD Rules of Conduct).

2. If Janus Capital collects from the Money Market Funds a fee for acting as investment adviser with respect to assets invested by the Investing Funds, before the next meeting of the board of trustees of an Investing Fund ("Board") that invests in the Money Market Funds is held for the purpose of voting upon an investment advisory contract of the Investing Fund under section 15 of the Act, Janus Capital will provide the Board with specific information regarding the approximate cost to Janus Capital for, or the portion of the investment advisory fee under, the existing investment advisory agreement attributable to managing the assets of the Investing Fund that can be invested in such Money Market Funds. Before approving any investment advisory contract under section 15 of the Act, the Board of the Investing Fund, including a majority of the trustees who are not "interested persons" as defined in section 2(a)(19) of the Act, shall consider to what extent, if any, the investment advisory fees charged to the Investing Fund by Janus Capital should be reduced to account for the investment advisory fees indirectly paid by the Investing Fund because of the investment advisory fee paid by the Money Market Fund to Janus Capital. The minute books of the Investing Fund will record fully the Board's consideration in approving the investment advisory contract, including the consideration relating to fees referred to above.

3. Each of the Investing Funds will invest Uninvested Cash in, and hold shares of, the Money Market Funds only to the extent that the Investing Fund's aggregate investment in the Money Market Funds does not exceed 25% of the Investing Fund's total assets. For purposes of this limitation, each Investing Fund will be treated as a separate investment company.

4. Investment in shares of the Money Market Funds will be in accordance with each Investing Fund's investment restrictions and policies as set forth in

its prospectus and statement of additional information.

5. No Money Market Fund shall acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act, except as permitted by the Interfund Lending Order.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-15076 Filed 6-5-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

### Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (The Parts Source, Inc., Common Stock, \$.001 Par Value) File No. 1-14308

June 1, 1998.

The Parts Source, Inc. ("Company") has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to Section 12(d) of the Securities Exchange Act of 1934 ("Act") and Rule 12d2-2(d) promulgated thereunder, to withdraw the above specified security ("Security") from listing and registration on the Boston Stock Exchange, Inc. ("BSE" or "Exchange").

The reasons cited in the application for withdrawing the Security from listing and registration include the following:

The Security has been listed for trading on the BSE and the Nasdaq Stock Market ("Nasdaq") pursuant to a Registration Statement on Form 8-A which became effective April 8, 1996.

The Company has complied with the BSE rules by filing with the Exchange a certified copy of a resolution adopted by the Company's Board of Directors authorizing the withdrawal of the Security from listing and registration on the BSE and by setting forth in detail to the Exchange the reasons and facts supporting the withdrawal.

In making the decision to withdraw its Security from listing and registration on the BSE, the Company considered primarily the direct and indirect costs and expenses attendant on maintaining the listing of its Security on the BSE. The Company does not see any particular advantage in the dual trading of its Security.

By letter dated May 12, 1998, the BSE informed the Company that it had no objection to the withdrawal of the Company's Security from listing and registration on the BSE.

By reason of Section 12(g) of the Act and the rules and regulations thereunder, the Company shall continue to be obligated to file reports with the Commission under Section 13 of the Act.

Any interested person may, on or before June 22, 1998, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

**Jonathan G. Katz,**  
*Secretary.*

[FR Doc. 98-15074 Filed 6-5-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-23234; File No. 812-11010]

### Security Life of Denver Insurance Company, et al.; Notice of Application

June 1, 1998.

**AGENCY:** Securities and Exchange Commission (the "Commission").

**ACTION:** Notice of Application for an order pursuant to Sections 17(b) and 26(b) of the Investment Company Act of 1940 ("1940 Act").

**SUMMARY OF APPLICATION:** Applicants seek an order approving the substitution of shares of the Limited Maturity Bond Portfolio ("Limited Maturity Bond Portfolio") of Neuberger & Berman Advisers Management Trust (the "Trust") for shares of the Government Income Portfolio ("Government Income Portfolio") of the Trust (Limited Maturity Bond Portfolio and Government Income Portfolio, the "Portfolios"). Thereafter, the Limited Maturity Bond Portfolio together with certain other series of the Trust, as well as other investment options will continue to serve as the eligible funding vehicles under group and individual flexible premium deferred combination variable annuity contracts and individual flexible premium variable universal life insurance policies (collectively, "Contracts") offered by

Security life of Denver Insurance Company ("Security Life") and other forms of variable annuity contracts and variable life insurance that are or may in the future be issued by Security Life.

**APPLICANTS:** Security Life of Denver Insurance Company and its Separate Account A1 ("Account. 1") and Separate Account L1 ("Account 2").

**FILING DATE:** The application was filed on February 17, 1998, and amended and restated on May 11, 1998.

**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 regarding this application by writing to the Secretary of the Commission 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. June 26, 1998, and should be 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 Commission.

**ADDRESSES:** Secretary, Securities and Exchange Commission: 450 Fifth Street, NW, Washington, DC 20549.

Applicants: c/o Security Life of Denver Insurance Company, 1290 Broadway, Denver, Colorado 80203-5699. Copies to: Diane E. Ambler, Esq., Mayer, Brown & Platt, 2000 Pennsylvania Avenue NW, Washington, DC 20006-1882 and Jeffrey S. Poretz, Esq., Dechert Price & Rhoads, 1775 I Street, NW, Washington, DC 20006-2401.

**FOR FURTHER INFORMATION CONTACT:** Susan M. Olson, Attorney or Kevin M. Kirchoff, Branch Chief, Office of Insurance Products, Division of Investment Management, at 202-942-0670.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission, 450 Fifth Street, NW, Washington, DC 20005 (tel. (202) 942-8090).

#### Applicant's Representations

1. Security life is a stock life insurance organized under the laws of the State of Colorado in 1982. Security Life is wholly owned, indirect subsidiary of ING Group, N.V. which has headquarters in Amsterdam, Netherlands.

2. Account 1 is a segregated asset account of Security Life that was established by Security Life on November 3, 1993, pursuant to the provisions of the insurance laws of the State of Colorado. Account 1 was registered on December 3, 1993, as a unit investment trust with the Commission under the 1940 Act. Account 1 is currently divided into 21 divisions, one of which invests in shares of the Government Income Portfolio. Account 1 serves as the funding medium for flexible premium deferred combination variable annuity contracts issued and administered by Security Life.

3. Account 2 is a segregated asset account of Security Life that was established by Security Life on November 3, 1993, pursuant to the provisions of the insurance laws of the State of Colorado. Account 2 was registered on January 14, 1994, as a unit investment trust with the Commission under the 1940 Act. Account 2 is currently divided into 19 divisions, one of which invests in shares of the Government Income Portfolio. Account 2 serves as the funding medium for individual flexible premium variable universal life insurance policies issued and administered by Security Life.

4. The Contracts are flexible premium deferred combination variable annuity contracts and individual flexible premium variable universal life insurance policies. The Contracts provide for the allocation of premiums to divisions of Account 1 or Account 2 (the "Separate Accounts"), which invest in shares of the Government Income Portfolio.

Other divisions of the Separate Accounts, which invest in shares of other series of the Trust, including the Limited Maturity Bond Portfolio, as well as other underlying investments options, are also available under the Contracts.

5. The Trust filed its initial registration statement on Form N-1A under the Securities Act of 1933 (the "1933 Act") and the 1940 Act of December 22, 1983. The Trust is a Delaware business trust registered as a series type open-end management investment company. The Trust is a "feeder" fund in a "master-feeder" structure and each series of the Trust currently invests all of its net ingestible assets in a corresponding series of Advisers Managers Trust, the "master" fund. The Trust currently consists of eight operational series, including the Portfolios. Shares of the Trust are offered to life insurance companies for allocation to separate accounts funding variable annuity contracts and variable

life insurance policies. Each series of the Trust and Advisers Managers Trust is managed in compliance with Subchapter M and Section 817(h) of the Internal Revenue Code of 1986, as amended. Shares of one series of the Trust are also offered directly to qualified pension and retirement plans. The Government Income Portfolio commenced investment operations on March 22, 1994.

6. Nueberger&Berman Management Inc. ("NBMI") serves as investment manager to the underlying series of Advisers Managers Trust corresponding to each series of the Trust, and serve as administrator to each series of the Trust. NBMI also serves as distributor of the shares of each series of the Trust, without remuneration from the Trust. NBMI is a registered broker-dealer under the Securities Exchange Act of 1934, as amended (the "1934 Act") and a member of the National Association of Securities Dealer, Inc. ("NASD").

7. Neuberger&Berman, LLC is subadviser to the series of Advisers Managers Trust and furnishes NBMI with investment recommendations and research information without added cost to Advisers Managers Trust or the Trust. Neuberger&Berman, LLC is a registered broker-dealer under the 1934 Act, a member of the NASD, and a member firm of the New York Stock Exchange, Inc. and other principal exchanges. Neuberger&Berman, LLC acts as the principal broker in the purchase and sale of portfolio securities and the sale of covered call options for the series of Advisers Managers Trust. All of the voting stock of NBMI is owned by individuals who are principal of Neuberger&Berman, LLC.

8. Security Life on its own behalf and on behalf of Account 1 and Account 2 proposes to effect a substitution of shares of the Limited Maturity Bond Portfolio for all shares of the Government Income Portfolio attributable to the Contracts (the "Substitution"). Security Life will pay all expenses and transaction costs of the Substitution, including any applicable brokerage commissions. NBMI has agreed to reimburse Security Life for its expenses in connection with the Substitution. Applicants represent that Security Life intends to, soon after the filing with the Commission of the application that is the subject of this notice, supplement the prospectuses for the Contracts to provide owners of the Contracts ("Owners") with information concerning the proposed Substitution. Unless previously sent, Security Life states that copies of the prospectus for the Limited Maturity Bond Portfolio will be sent to Owners with the Contract

prospectuses. In addition, Security Life states that the supplement will be accompanied by a written notice of the Substitution (the "Notice") stating that the shares of the Government Income Portfolio have been proposed to be eliminated and that shares of the Limited Maturity Bond Portfolio have been proposed to be substituted.

9. Security Life states that the Government Income Portfolio has not generated the interest of Owners that

was anticipated at the time of its creation and that at all times since inception the asset level of the Government Income Portfolio has been relatively small. Security Life states that the portfolio's assets have not increased to a level to make it a viable investment alternative. In contrast, the Limited Maturity Bond Portfolio has reached an asset level consistent with viability and the achievement of economies of scale. Security Life states that it is currently

the only investor in the shares of the Government Income Portfolio and that, subsequent to the proposed Substitution, it is anticipated that the Government Income Portfolio and its corresponding series of Advisers Managers Trust will cease investment operations. Net assets for the years ending December 31, 1995, 1996 and 1997 for the Portfolios were as follows:

#### NET ASSETS

[In millions]

Portfolio	December 31, 1997	December 31, 1996	December 31, 1995
Government Income .....	\$2.6	\$3.5	\$2.2
Limited Maturity Bond .....	251.1	256.9	238.9

10. Security Life states that the current level of assets of the Government Income Portfolio does not allow for cost-efficient operations and has resulted in high expense ratios. Security Life states that the Portfolio has not generated a sufficient level of assets to justify the high expense ratios or the portion of its expenses that NBMI reimburses. NBMI voluntarily limits certain expenses of the Government Income Portfolio through reimbursement, including the Portfolio's

pro rata share of its underlying master series' operating expenses. Security Life states that the amount of expenses reimbursed to the Government Income Portfolio is significant and that the expenses of the Government Income Portfolio as a percentage of average net assets, both before and after the voluntary limitation, are higher than the expenses of the Limited Maturity Bond Portfolio. Moreover, Security Life notes that NBMI limits the Government Income Portfolio's expenses voluntarily,

and is under no obligation to continue to do so. Because the expenses of the Limited Maturity Bond Portfolio are much lower than the expenses of the Government Income Portfolio, Security Life states that Owners will not be exposed to higher expenses following the Substitution and may benefit from lower expense ratios.

The table below summarizes the expense ratios of the Portfolios:

#### ANNUAL EXPENSES\*

[As a percentage of average net assets]

Total expenses	Fiscal year ended December 31		
	1997	1996	1995
Government Income .....	1.02% (after reimbursement) 2.88% (before reimbursement).	1.02% (after reimbursement) 2.95% (before reimbursement).	1.05% (after reimbursement) 4.21% (before reimbursement).
Limited Maturity Bond .....	0.77%	0.78%	0.71%.

\* These expense figures include the Portfolios' pro rata share of the expenses of their underlying master series.

Security Life states that the annual costs incurred by the Government Income Portfolio are too great for a fund that is too small to be a viable mutual fund portfolio and for which no current distribution efforts are anticipated that might result in the Portfolio's growth.

Applicants' believe that it is not in the public interest for NBMI to continue subsidizing the Government Income Portfolio's operating expenses, and assert that investment in the Limited Maturity Bond Portfolio would better suit the needs of Owners.

11. Applicants state that the investment objective of the Government Income Portfolio is to achieve a high level of current income and total return, consistent with safety to principal.

Applicants state that the investment objective of the Limited Maturity Bond Portfolio is to achieve highest current income consistent with low risk to principal and liquidity, and secondarily, total return. Both Portfolios share the primary objective of high current income. Applicants state that the Portfolios also have a similar investment strategy of investing assets in debt securities and that generally, both Portfolios are intended to provide investors with current income and safety of principal. Applicants state that the Portfolios seek safety of principal through different approaches, one through investment primarily in U.S. Government securities, and the other through investment primarily in

securities of limited duration. However, Applicants submit that both approaches are intended to address credit risk. In addition, applicants state that the Portfolios are included in the same investment company classification by the Investment Company Institute. Accordingly, Security Life has concluded that the Portfolios are sufficiently similar to be appropriate for substitution.

12. Security Life has also considered the investment performance of the Portfolios, which it believes has been generally similar. The total returns for the fiscal years ended December 31, 1997, 1996 and 1995, and the period since inception of the Government

Income Portfolio through December 31, 1997, are as follows:

## TOTAL RETURN

Portfolio	Year ended Dec. 31, 1997 (percent)	Year ended Dec. 31, 1996 (percent)	Year ended Dec. 31, 1995 (percent)	Since Mar. 22, 1994 * (percent)
Government Income .....	+9.51	+1.32	+11.76	+6.28
Limited Maturity Bond .....	+6.74	+4.31	+10.94	+5.85

\*Date of commencement of the Government Income Portfolio through December 31, 1997.

13. Security Life will schedule the Substitution to occur as soon as practicable after the exemptive relief Applicants seek is obtained. Within five days after the Substitution, Security Life states that Owners will be sent confirmation of the Substitution.

14. Security Life states that Owners will be advised in the Notice that, for a period from the date of mailing of the Notice until 30 days after the date of the Substitution, Owners may transfer all assets (as substituted if after the date of the Substitution) to any other available division of the Separate Account funding their Contracts, without limitations and without charge (the "Free Transfer Period"). Security Life states that transfers made in connection with the proposed Substitution during the Free Transfer Period will not count toward the limit on the number of free transfers permitted under the Contracts in a Contract year.

15. Security Life states that following the Substitution, Owners will be afforded the same contract rights with regard to amounts invested under the Contracts as they currently have. Immediately following the Substitution, Security Life plans to treat, as a single division the current division invested in shares of the Government Income Portfolio and the continuing division invested in shares of the Limited Maturity Bond Portfolio in each of Account 1 and Account 2. Security Life will reflect this treatment in disclosure documents for the Contracts and Separate Accounts, the financial statements of the Separate Accounts, and the Form N-SAR annual report filed by the Separate Accounts.

16. Security Life will submit for cash redemption all the shares of Government Income Portfolio it currently holds on behalf of the Separate Accounts at the close of business on the date selected for the Substitution. All shares of Government Income Portfolio held by the Separate Accounts are attributable to Owners. Security Life on behalf of the Separate Accounts will simultaneously place a purchase order with the Limited

Maturity Bond Portfolio so that the purchase will be for the exact amount of the redemption proceeds. Security Life states that, at all times, monies attributable to owners currently invested in Government Income Portfolio will be fully invested. Security Life states that the full set asset value of and number of redeemed shares held by the Separate Accounts will be reflected in the Owners' accumulation unit values following the Substitution. Security Life states that it will assume all transaction costs and expenses relating to the Substitution, including any direct and indirect costs of liquidating the assets of the Government Income Portfolio, so that the full net asset value of redeemed shares of the Government Income Portfolio will be reflected in the Owner's accumulation units following the Substitution. NBMI has agreed to reimburse Security Life for these expenses.

#### Applicants' Legal Analysis and Conclusions

1. Section 26(b) of the 1940 Act provides that "[i]t shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution. The Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title." The legislative history makes clear that the purpose of Section 26(b) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate the shares of a particular issuer and to prevent unscrutinized substitutions which might, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby possibly incurring either a loss of the sales load deducted from initial purchase payments, an additional sales load upon reinvestment of the

redemption proceeds, or both. Section 26(b) affords this protection to investors by preventing a depositor or trustee of a unit investment trust holding the shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves that substitution.

2. Applicants represent that the proposed Substitution is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act. Applicants state that the purposes, terms and conditions of the Substitution are consistent with the principles and purposes of Section 26(b) and do not entail any of the abuses that Section 26(b) is designed to prevent. Applicants submit that the Substitution is an appropriate solution to the limited Owner investment in the Government Income Portfolio, which is currently, and in the future may be expected to be, of insufficient size to promote consistent investment performance or to reduce operating expenses.

3. Applicants state 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 for the following reasons:

(a) the Substitution is of shares of the Limited Maturity Bond Portfolio, the investment objective, policies, and restrictions of which are sufficiently similar to the objective, policies, and restrictions of the Government Income Portfolio so as to be an appropriate investment vehicle in light of the Owners' objectives and risk expectations;

(b) the expenses of the Limited Maturity Bond Portfolio are much lower than the expenses of the Government Income Portfolio and therefore Owners will not be exposed to higher expenses following the Substitution and in fact may benefit from lower expense ratios;

(c) the Substitution is expected to confer certain modest economic benefits to Owners by virtue of the larger asset size of the Limited Maturity Bond Portfolio and the investment performance of the Portfolios has generally been similar;

(d) if an Owner so requests, during the Free Transfer Period, assets will be reallocated for investment to another investment option available under their Contract;

(e) the Substitution will, in all cases, be at net asset value of the respective shares, in conformity with Section 22(c) and the 1940 Act and rule 22c-1 thereunder, without the imposition of any transfer or similar charge;

(f) Security Life will assume the expenses and transaction costs, including among others, legal and accounting fees and any brokerage commissions, relating to the Substitution in a manner that attributes all transaction costs to Security Life, although NBMI has agreed to reimburse Security Life for its expenses in connection with the Substitution.

(g) the Substitution in no way will change the amount of any Owner's Contract value or the dollar value of his or her investment in such Contract and in no way will alter the annuity benefits to Owners or the contractual obligations of Security Life;

(h) the Substitution in no way will alter the tax benefits to Owners under their Contracts;

(i) Owners may choose simply to withdraw amounts credited to them following the Substitution under the conditions that currently exist;

(j) Owners affected by the Substitution will be sent confirmation of the Substitution within five days following the date of Substitution;

(k) the Commission will have issued an order approving the Substitution under Section 26(b) of the 1940 Act;

(l) the Commission will have issued an order exempting the transaction in connection with the Substitution to the extent necessary from the provisions of Section 17(a) of the 1940 Act;

(m) the supplements to the prospectuses for the Contracts describing the Substitution will have been filed with the Commission;

(n) each Owner will have been sent a copy of the effective prospectus for the Limited Maturity Bond Portfolio and amendments to the applicable Contract prospectuses;

(o) Applicants will have satisfied themselves that the Contracts involved allow the Substitution of underlying investment options, and that the Substitution can be consummated under applicable insurance laws and under the Contracts;

(p) Applicants will have complied with any regulatory requirements they believe necessary to complete the Substitution in each jurisdiction where the Contracts are qualified for sale; and

(q) Applicants will have sent to Owners soon after the filing of the application that is the subject of this notice, the Notice describing the terms of the Substitution and Owners' rights in connection with it.

4. Security Life, on the basis of the facts and circumstances described herein, has determined that it is in the best interests of Owners to substitute shares of the Limited Maturity Bond Portfolio for shares of the Government Income Portfolio. Both Portfolios are existing series of the Trust. The investment manager (with respect to the corresponding series of Advisers

Managers Trust), distributor, and independent accountants are the same for the Portfolios.

5. Section 26(b) of the 1940 Act, in pertinent part, provides that the Commission shall issue an order approving substitutions of securities if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act. Applicants submit that their request for approval meets the standards set out in Section 26(b) and should, therefore, be granted.

Accordingly, Applicants request an order of the Commission approving the Substitution pursuant to Section 26(b).

6. Section 17(a)(1) 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 such registered investment company. Section 17(a)(2) of the 1940 Act prohibits any of the persons described above, from purchasing any security or other property from such registered investment company. Immediately following the Substitution, Security Life plans to treat as a single division of each Separate Account the division currently invested in shares of the Government Income Portfolio and the continuing division currently invested in shares of the Limited Maturity Bond Portfolio. Applicants state that divisions of a registered separate account may be treated as separate investment companies in connection with substitution transactions. If Security Life combines the divisions of the Separate Accounts following the substitution, Security Life states that it could be said to be transferring unit values between divisions which could be construed to involve purchase and sale transactions between divisions that are affiliated persons. After the Substitution, with respect to each Separate Account, the division currently investing in shares of the Government Income Portfolio could be said to be selling shares of the Limited Maturity Bond Portfolio to the continuing division currently investing in shares of the Limited Maturity Bond Portfolio, in return for units of that division. Conversely, it could be said that the division currently investing in shares of the Limited Maturity Bond Portfolio was purchasing shares of the Limited Maturity Bond Portfolio from the division currently investing in shares of the Government Income Portfolio. Applicants state that the sale and purchase transactions between divisions could be said to come within the scope of Sections 17(a)(1) and

17(a)(2) of the 1940 Act, respectively. Therefore, Applicants state that the Substitution may require an exemption from Section 17(a) of the 1940 Act, pursuant to Section 17(b) of the 1940 Act.

7. Section 17(b) of the 1940 Act provides that the Commission may grant an order exempting transactions prohibited by Section 17(a) of the 1940 Act from that section upon application if 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 over-reaching on the part of any person concerned, (b) the proposed transaction is consistent with the investment policy of each registered investment company concerned, as recited in its registration statement and reports filed under the 1940 Act; and (c) the proposed transaction is consistent with the general purposes of the 1940 Act.

8. Applicants represent that the terms of the proposed Substitution are reasonable and fair, including the consideration to be paid and received; do not involve over-reaching; are consistent with the policies of the Separate Accounts; and are consistent with the general purposes of the 1940 Act.

9. Applicants submit that the Substitution is reasonable and fair. Applicants state that it is expected that existing Owners that have allocated contributions to the divisions of the Separate Accounts investing in shares of the Government Income Portfolio will benefit from the Substitution, and will not bear the costs of the Substitution. The transactions effecting the Substitution will be effected in conformity with Section 22(c) of the 1940 Act and Rule 22c-1 thereunder. Owner interests after the combination of the divisions, in practical economic terms, will not differ in any measurable way from such interests immediately prior to the Substitution. In each case, Applicants state that the consideration to be received and paid is, therefore, reasonable and fair. Security Life believes that the Substitution will not give rise to any taxable income for Owners.

10. Applicants state that the investment objectives of the Portfolios are sufficiently similar so as to continue to be an appropriate investment vehicle consistent with the investment policies of the applicable divisions of the Separate Accounts. In this regard, Applicants state that the Substitution is consistent with Commission precedent pursuant to Section 17.

11. Applicants state that the transactions that may be deemed to be within the scope of Section 17(a) have been the subject of Commission review in the context of reorganizations of separate accounts from management separate accounts to unit investment separate accounts and the transfer of assets to an underlying fund. Applicants state that the terms and conditions of the transfer of assets entailed in the Substitution are consistent with such precedent and the precedent under Section 26(b).

Section 17(b) of the 1940 Act provides that the Commission may grant an order exempting transactions prohibited by Section 17(a) from that section upon application, subject to certain conditions. Applicants request an order of the Commission pursuant to Section 17(b) from the provisions of Section 17(a) in connection with any aspect of the Substitution that may be deemed prohibited by Section 17(a). Applicants represent that the Substitution meets all of the requirements of Section 17(b) of the 1940 Act and that an order should be granted exempting the Substitution from the provisions of Section 17(a) to the extent requested.

### Conclusion

For the reasons summarized above, Applicants submit that the proposed Substitution is consistent with the protection of investors and the purposes fairly intended by the policy and the provisions of the 1940 Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-15075 Filed 6-5-98; 8:45 am]

BILLING CODE 8010-01-M

### SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23237; 812-10930]

### Stagecoach Funds, Inc., et al.; Notice of Application

June 2, 1998.

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

**ACTION:** Notice of application for exemption under the Investment Company Act of 1940 ("Act").

### SUMMARY OF THE APPLICATION:

Applicants seek an order that would permit certain registered open-end management investment companies to utilize their uninvested cash to

purchase shares of affiliated money market funds.

**APPLICANTS:** Stagecoach Funds, Inc., on behalf of its series Asset Allocation Fund, Arizona Tax-Free Fund, Balanced Fund, California Tax-Free Bond Fund, California Tax-Free Income Fund, California Tax-Free Money Market Mutual Fund, California Tax-Free Money Market Trust, Corporate Bond Fund, Diversified Equity Income Fund, Equity Index Fund, Equity Value Fund, Government Money Market Mutual Fund, Growth Fund, Index Allocation Fund, Intermediate Bond Fund, International Equity Fund, Money Market Mutual Fund, Money Market Trust, National Tax-Free Fund, National Tax-Free Money Market Trust, National Tax-Free Money Market Mutual Fund, Oregon Tax-Free Fund, Overland Express Sweep Fund, Prime Money Market Mutual Fund, Short-Intermediate U.S. Government Income Fund, Short-Term Municipal Income Fund, Short-Term Government Corporate Income Fund, Small Cap Fund, Strategic Growth Fund, Strategic Income Fund, Treasury Money Market Mutual Fund, U.S. Government Allocation Fund, U.S. Government Income Fund, and Variable Rate Government Fund (each series, a "Stagecoach Fund," and collectively, the "Stagecoach Funds"); Life & Annuity Trust, on behalf of its series Asset Allocation Fund, Equity Value Fund, Growth Fund, Money Market Fund, Strategic Growth Fund, and U.S. Government Allocation Fund (each series, a "LAT Fund," and collectively, the "LAT Funds"); Wells Fargo Bank, National Association and any entity controlling, controlled by, or under common control with Wells Fargo Bank, National Association that in the future may serve as an investment adviser to the Funds (as defined below) (collectively, "Wells Fargo"); and each registered investment company or series to be organized in the future and advised by, or to be advised in the future by, Wells Fargo (together with the Stagecoach Funds and LAT Funds, each a "Fund," and collectively, the "Funds").

**FILING DATES:** The application was filed on December 23, 1997 and amended on May 13, 1998.

**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

June 29, 1998, 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, 525 Market Street, 19th Floor, San Francisco, CA 94105.

**FOR FURTHER INFORMATION CONTACT:** Michael W. Mundt, Staff Attorney, at (202) 942-0578, or Mary Kay Frech, 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, N.W., Washington, D.C. 20549, (202) 942-8090.

### Applicant's Representations

1. Stagecoach Funds, Inc. ("Stagecoach") is an open-end management investment company registered under the Act and organized as a Maryland corporation. Stagecoach currently offers thirty-four separate Stagecoach Funds. Life & Annuity Trust ("LAT") is an open-end management investment company registered under the Act and organized as a Delaware business trust. LAT currently offers six LAT Funds. Ten of the Stagecoach Funds and one LAT Fund are money market funds subject to rule 2a-7 under the Act (together with any future money market portfolio of Stagecoach or LAT or any future money market portfolio advised by Wells Fargo, each a "Money Market Fund," and collectively, the "Money Market Funds"). The remaining Stagecoach Funds and LAT Funds are variable net asset value funds (together with any future variable net asset value portfolio of Stagecoach or LAT or any future variable net asset portfolio advised by Wells Fargo, each a "Non-Money Market Fund," and collectively, the "Non-Money Market Funds").

2. Wells Fargo is the investment adviser for all of the Stagecoach Funds and LAT Funds and, as a national banking association, is exempt from registration under the Investment Advisers Act of 1940 ("Advisers Act"). Barclays Global Fund Advisors ("BGFA") is a registered investment adviser under the Advisers Act that serves as investment sub-adviser to four Stagecoach Funds and two LAT Funds.