deferred sales charge will be imposed with respect to Class B Institutional Service Shares.

8. The investment objectives of each Selling Fund and its corresponding Acquiring Fund are substantially similar. The investment restrictions and limitations of each Selling Fund and its corresponding Acquiring Fund also are substantially similar, but in some cases involve differences that reflect the differences in the general investment strategies utilized by the Funds.

9. The Boards, including a majority of Independent Directors, approved the Reorganizations in the best interests of existing shareholders of the Funds and determined that the interests of existing shareholders will not be diluted. The Boards considered a number of factors in authorizing the Reorganizations, including: (a) The terms and conditions of the Reorganizations; (b) whether the Reorganizations would result in the dilution of shareholders' interests; (c) expense ratios of the Funds, fees and expenses of the Reorganizations; (d) the comparative performance records of the Funds; (e) compatibility of the Funds' investment objectives and policies; (f) the investment experience, expertise and resources of the Funds' advisers; (g) service features available to shareholders of the respective Acquiring Fund and Selling Fund; (h) the fact that FUNB will bear the expenses incurred by the Funds in connection with the Reorganizations; (i) the fact that the Acquiring Funds will assume the identified liabilities of the Selling Funds; and (j) the expected federal income tax consequences of the Reorganizations. FUNB will pay the expenses of the Reorganizations other than the Acquiring Funds' federal and state registration fees.

10. The Plans may be terminated by either the Selling or Acquiring Fund at or prior to the Closing Date if the other party breaches any provision of a Plan that was to be performed and the breach is not cured within 30 days or a condition precedent to the terminating party's obligations has not been met and it appears that the condition precedent will not or cannot be met.

11. Registration statements on Form N–14 containing preliminary combined prospectus/proxy statements for each Fund Reorganization, were filed with the SEC between April 10, 1998 and June 10, 1998. A final prospectus/proxy was mailed to shareholders of the Selling Funds on June 10, 1998, except for the CoreFunds Global Bond Fund the prospectus/proxy for which will be mailed on or about July 10, 1998. A special meeting of the Selling Funds' shareholders will be held on or about July 17, 1998 for all Selling Funds except for the CoreFunds Global Bond Fund the meeting of whose shareholders will be held on or about August 17, 1998.

12. The consummation of each Reorganization under the Plans is subject to a number of conditions precedent, including: (a) The Plans have been approved by the Boards and each of the Funds' shareholders in the manner required by applicable law; (b) management of each Selling Fund solicits proxies from its shareholders seeking approval of the Reorganizations; (c) the Funds have received opinions of counsel stating, among other things, that each Reorganization will not result in federal income taxes for the Fund or its shareholders; and (d) the Funds have received from the SEC an order exempting the Reorganizations from the provisions of section 17(a) of the Act. Applicants agree not to make any material changes to the Plans that affect the application without prior SEC approval.

Applicants' Legal Analysis

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

2. Rule 17a–8 under the Act exempts from the prohibitions of section 17(a) of the Act mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied.

3. Applicants believe that they cannot rely on rule 17a–8 under the Act because the Funds may be affiliated for reasons other than those set forth in the rule. The Selling Funds may be affiliated persons of FUNB because FUNB, as fiduciary for its customers, owns of record 5% or more of the outstanding securities of the Selling Funds. FUNB, in turn, is an affiliated person of the Acquiring Funds because FUNB, or one of its affiliates, serves as adviser to the Acquiring Funds. In addition, the Acquiring Funds may be affiliated persons of FUNB because FUNB, as fiduciary for its customers, owns of record 5% or more of the outstanding securities of the Acquiring Funds.

4. Section 17(b) of the Act provides that the SEC may exempt a transaction from section 17(a) of the Act if evidence establishes that (a) the terms of the proposed transaction, including the consideration to be paid, 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; and (c) the proposed transaction is consistent with the general purposes of the Act.

5. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) of the Act to the extent necessary to consummate the Reorganizations. Applicants submit that the Reorganizations satisfy the provisions of section 17(b) of the Act. Applicants state that the Board of each of the Funds has determined that the transactions are in the best interests of the shareholders and that the interests of the existing shareholders will not be diluted as a result of the Reorganizations. In addition, applicants state that the exchange of the Selling Funds' shares for shares of the Acquiring Funds will be based on the relative net asset values.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–17783 Filed 7–2–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23288; File No. 812–11004]

Phoenix Home Life Mutual Insurance Company, et al.; Notice of Application

June 26, 1998.

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

ACTION: Notice of application (''Application'') for order pursuant to Section 26(b) and Section 17(b) of the Investment Company Act of 1940 (the ''Act'' or the ''1940 Act'').

Summary of Application: Applicants seek an order approving the proposed substitution of shares of the Phoenix Money Market Series of the Phoenix Edge Series Fund (the ''Substitute Fund'') for shares of the Templeton Money Market Series of the Templeton Variable Products Series Fund (the ''Current Fund'')(the ''Substitution''). Applicants also seek an order pursuant to Section 17(b) of the Act granting exemptions from Section 17(a) to permit Applicants to: (1) effect the Substitution by redeeming shares of the Current Fund in-kind and using the proceeds to purchase shares of the Substitute Fund; and (2) merge two investment divisions of Phoenix Home Life Variable Accumulation Account (the ''Account'') which will be holding shares of the same Substitute Fund as a result of the Substitution.

Applicants: Phoenix Home Life Mutual Insurance Company (''Phoenix'') and the Account.

Filing Date: The application was filed on February 12, 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 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 no later than 5:30 p.m. on July 21, 1998, and must 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 Phoenix Home Life Mutual Insurance Company, One American Row, P.O. Box 5056, Hartford, Connecticut 06102–5056.

FOR FURTHER INFORMATION CONTACT:

Keith E. Carpenter, Senior Counsel, 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 (tel. (202) 942–8090).

Applicants' Representations

1. Phoenix is a mutual insurance company existing under New York law and is licensed to do business in all states, as well as in the District of Columbia and Puerto Rico. Phoenix offers individual and group variable immediate and deferred annuity contracts and single premium and flexible premium variable life insurance policies.

2. Phoenix established the Account on June 21, 1982, pursuant to the provisions of the insurance laws of the state of Connecticut. The Account is a segregated investment account registered with the Commission as a unit investment trust pursuant to the provisions of the 1940 Act. The Account is divided into subaccounts (''Subaccounts'') that correspond to the portfolios of the Phoenix Edge Series Fund (the ''Phoenix Trust'') and the Templeton Variable Products Series Fund (the ''Templeton Trust''), including the Phoenix Money Market Series (the ''Phoenix Fund'') and the Templeton Money Market Series (the ''Templeton Fund''). The Account serves as the funding medium for certain variable annuity contracts issued and administered by Phoenix. WS Griffith & Co., Inc. serves as principal underwriter for the flexible premium variable annuity contract (the ''Contract'') involved in the Substitution.

3. The deferred variable annuity Contract offered by the Account currently provides for investment in five Subaccounts, each of which invests solely in shares of a different portfolio of the Templeton Trust.

4. On April 18, 1986, the Phoenix Trust filed its initial registration statement with the Commission on Form N–1A under the Securities Act of 1933 (''1933 Act'') and the 1940 Act. The Phoenix Trust is a series type investment company, organized as a Massachusetts business trust on February 18, 1986, that currently has ten separate investment portfolios (referred to individually as a ''Fund'') that have differing investment objectives, policies and restrictions. Each Fund is managed in compliance with diversification requirements under the Internal Revenue Code of 1986, as amended, (the ''Code''). Shares of the Funds of the Phoenix Trust are currently sold only to separate accounts of Phoenix and its affiliates to fund variable life insurance policies or variable annuity contracts. Phoenix Investment Counsel, Inc. (the ''Phoenix Adviser'') serves as investment adviser to the Phoenix Fund.

5. On February 25, 1988, the Templeton Trust filed its initial registration statement with the Commission on Form N–1A under the 1993 Act and the 1940 Act. The Templeton trust is a series type investment company, organized as a Massachusetts business trust on February 25, 1998, that currently has nine separate investment portfolios (referred to individually as a ''Fund'') that have differing investment objectives, policies and restrictions. Each Fund is managed in compliance with diversification requirements under the Code. Shares of the Funds of the Templeton Trust are sold only to insurance company separate accounts to fund variable life insurance policies or variable annuity contracts. Templeton Investment Counsel, Inc. (the ''Templeton Adviser'') services as investment adviser to the Templeton Fund.

6. The Templeton Fund as an individual investment alternative has not generated substantial interest of holders of Contracts (''Owners'') in recent years. On December 31, 1997, the Templeton Fund had $15.77 million in assets, compared to $14.09 million at the end of 1996, $20.72 million at the end of 1995 and $33.09 million at the end of 1994, an aggregate decrease of 52% from 1994 to 1997 and 57.4% from 1994 to 1996.

7. Applicants believe the Phoenix Fund, with assets of $126.48 million on December 31, 1997, offer Owners a larger fund with similar investment policies, providing a potential for economies of scale. The Applicants believe that they can better serve the interests of Owners by using the Phoenix Fund rather than the Templeton Fund as a funding vehicle for the Contracts.

8. Phoenix proposes to effect a substitution of shares of the Phoenix Fund for all shares of the Templeton Fund attributable to the Contract. Phoenix will pay all expenses and transaction costs associated with the Substitution, including any applicable brokerage commissions. Applicants state that concurrent with the filing of the Application with the Commission, Phoenix will have filed with the Commission and mailed to Owners a supplement to the prospectus of the Account to provide Owners and prospective investors with information concerning the proposed Substitution.

9. Phoenix will schedule the Substitution to occur as soon as practicable following the issuance of the requested order so as to maximize the benefits to be realized from the Substitution.

10. Within five days after the Substitution, Phoenix will send to Owners written notice of the Substitution (the ''Notice'') that identifies the shares of the Templeton Fund that have been eliminated and the shares of the Phoenix Fund that have been substituted. Owners will be advised in the Notice that for a period of 30 days from the mailing of the Notice, Owners may transfer all assets, as substituted, to any other available Subaccount, without limitation and without charge. Moreover, any owner-initiated transfers of all available assets from the Subaccount investing in the Phoenix Fund to a Subaccount investing in certain other portfolios of Templeton Variable Products Series Fund, from the date of the Notice to 30 days thereafter, will not be counted as transfer requests under any contractual provisions of the Contracts that limit the number of allowable transfers. The period from the date of the Notice to 30 days thereafter is referred to herein as the ''Free Transfer Period.''

11. Following the Substitution, Owners will be afforded the same contract rights, including surrender and other transfer rights with regard to amounts invested under the Contracts, as they currently have. Any applicable contingent deferred sales loads will be imposed.

12. Immediately following the Substitution, Phoenix will combine the Subaccount invested in the Templeton Fund with the Subaccount invested in the Phoenix Fund. Phoenix will reflect this treatment in disclosure documents for the Account, the Financial Statements of the Account and the Form N–SAR annual reports filed by the Account.

13. Phoenix will redeem all shares of the Templeton Fund it currently holds on behalf of the Account at the close of business on the effective date of the Substitution. In connection with the redemption of all shares of the Templeton Fund held by Phoenix, it is expected that the Templeton Fund will incur brokerage fees and expenses in connection with such redemption. To reduce the impact of such fees and expenses on the Templeton Fund, the redemption of shares will be effected partly for cash and partly for portfolio securities redeemed ''in-kind.'' By this procedures, at the effective date of the Substitution, the Templeton Fund will transfer to the Account cash proceeds and/or portfolio securities held by the Templeton Fund and the Account will use such cash proceeds and/or portfolio securities to purchase shares of the Substitute Fund. The Templeton Trust will effect the redemption-in-kind and the transfers of portfolio securities in a manner that is consistent with the investment objectives and policies and diversification requirements applicable to the Substitute Fund. Phoenix will take appropriate steps to assure that the portfolio securities selected by the Templeton Adviser for redemptions-in-kind are suitable investments for the Substitute Fund. In effecting the redemption-in-king and transfers, the Templeton Trust will comply with the conditions of Rule 18f–1 under the 1940 Act.

14. The portfolio securities redeemed in-king will be used together with the cash proceeds to purchase the shares of the Substitute Fund. The Applicants have determined that partially effecting the redemption of shares of the Templeton Fund in-kind is appropriate, based on the current similarity of certain of the portfolio investments of the Templeton Fund to those of the Substitute Fund. The valuation of any ''in-kind'' redemptions will be made on a basis consistent with the normal valuation procedures of the Templeton Fund and the normal valuation procedures of the Substitute Fund.

15. In all cases, Phoenix, on behalf of the Account, will simultaneously place redemption requests with the Templeton Fund and purchase orders with the Substitute Fund so that purchases will be for the exact amount of the redemption proceeds. As a result, at all times, monies attributable to Owners whose funds are currently invested in the Templeton Fund will remain fully invested.

16. The full net asset value of the redeemed shares held by the Account will be reflected in the Owners' accumulation unit or annuity unit values following the Substitution. Phoenix hereby undertakes to assume all transaction costs and expenses relating to the Substitution, including any direct or indirect costs of liquidating the assets of the Templeton Fund, so that the full net asset value of the redeemed shares of the Templeton Fund held by the Account will be reflected in the Owners' accumulation unit or annuity unit values following the Substitution.

17. The Templeton Adviser and the Phoenix Adviser have been fully advised of the terms of the Substitution. Phoenix anticipates that the Templeton Adviser and the Phoenix Adviser, to the extent appropriate, will conduct the trading of portfolio securities in a manner that provides for the anticipated redemptions of shares held by the Account.

Applicant's Legal Analysis

1. Section 26(b) of the 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. The Commission will approve a 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 the Act.

2. 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 shares of a particular issuer by preventing 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 premium payments, an additional sales load upon reinvestment of the redemption proceeds, or both. Moreover, in the insurance product context, a contractowner forced to redeem is very likely to suffer adverse tax consequences. 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 of another issuer, unless the Commission approves that substitution.

3. The Substitution involves: (a) Funds with substantially identical investment objectives, policies and restrictions; (b) Funds with comparable investment strategies and levels of risk exposure; (c) a Substitute Fund exhibiting equivalent or better prior investment performance than the Current Fund; and (d) a Substitute Fund with a substantially larger size than the Current Fund, which should promote greater economies of scale that may help to lower expense ratios and further improve investment performance. Applicants therefore believe that their request for an order of approval satisfies the standards for relief of Section 26(b).

4. The Substitution will not result in the type of costly forced redemption that Section 26(b) was intended to guard against and, for the following reasons, is consistent with the protection of investors and the purposes fairly intended by the Act:

(a) The Substitution involves interests that have objectives, policies and restrictions the same as or substantially similar to the objectives, policies and restrictions of the Fund being replaced so as to continue fulfilling

contractowners' objectives and expectations.

(b) The costs of the Substitution will be borne by the Applicants and will not be borne by contractowners. No charges will be assessed to effect the Substitution.

(c) 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.

(d) The proposed Substitution will not cause fees and charges under the Contracts currently being paid by contractowners to be greater after the proposed Substitution than before the proposed Substitution.

(e) The contractowners have been given notice of the Substitution and will have an opportunity to reallocate contract values among other available Funds 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.

(f) Within five days after the Substitution, Phoenix will send to contractowners written Notice that the Substitution has occurred, identifying the Fund that was substituted and disclosing the Substitute Fund.

(g) The Substitution will in no way alter the insurance benefits to contractowners or the contractual obligations of Phoenix.

(h) The Substitution will in no way alter the tax benefits to contractowners. Counsel for Phoenix has advised that the Substitution will not give rise to any tax consequences to the contractowners.

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

6. Applicants anticipate that the Substitution will be effected by redeeming shares of the Current Fund in-kind and then using those assets to purchase shares of the Substitute Fund. This redemption and purchase in-kind involves the purchase of property from the Current Fund by the separate account, an affiliated person of that Fund, and the sale of property to the Substitute Fund by the separate account, which may be considered an affiliate of the Substitute Fund.

7. Similarly, where two investment divisions holding shares of the same Substitute Fund are combined into a single investment division, the transfer of assets could be said to involve purchase and sale transactions between the investment divisions by an affiliated person.

8. Applicants request an order pursuant to Section 17(b) of the Act exempting the in-kind redemption and purchase and the merger of certain investment divisions from the provisions of Section 17(a). Section 17(b) of the Act provides that the Commission shall grant an order exempting a proposed transaction from Section 17(a) 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 overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policy of each registered investment company; and (c) the proposed transaction is consistent with the general purposes of the Act.

9. Applicants represent that the terms of the in-kind redemption and purchase 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 redemption and purchase will be done at values consistent with the objectives and policies of both the Current and Substitute Funds. The asset transfers will be reviewed to assure that the assets meet the objectives and policies of the Substitute Fund and that they are valued under the appropriate valuation procedures of the Current and Substitute Funds. In-kind redemption and purchase will reduce the brokerage costs that would otherwise be incurred in connection with the Substitution.

10. Applicants represent that the merger of the investment divisions is intended to reduce administrative costs and thereby benefit contractowners with assets in those investment divisions. The purchase and sale transactions 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 value to any contractowner.

Conclusion

For the reasons summarized above, Applicants assert that the requested orders meet the standards set forth in Sections 26(b) and 17(b), respectively, and should, therefore, be granted.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–17715 Filed 7–2–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–26891]

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

June 26, 1998.

Notice is hereby given that the following filling(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 transactions(s) summarized below. The application(s) and/or declaration(s) and any amendments is/are available for public inspection through the Commission's Office 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 July 21, 1998, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, 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 case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact 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 July 21, 1998, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

New England Electric System (70–9167)

New England Electric System (''NEES''), 25 Research Drive, Westborough, Massachusetts 01582, a registered holding company, has filed a post-effective amendment to its declaration under sections 6(a) and 7 of the Act and rule 54 under the Act.

By order dated March 25, 1998 (HCAR No. 26849) (''March Order''), the Commission authorized NEES to issue, no later than December 31, 2002, up to one million shares of its common stock to be used to acquire the stock or assets