

exceed its Authorized Amount through the Authorization Period.

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

**Margaret H. McFarland,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24931; 812-12444]

### SAFECO Tax-Exempt Bond Trust, et al.; Notice of Application

April 6, 2001.

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

**ACTION:** Notice of an 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 THE APPLICATION:

Applicants request an order to permit a series of a registered open-end management investment company to acquire all of the assets and assume all liabilities of another series of the investment company. Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

**APPLICANTS:** SAFECO Tax-Exempt Bond Trust ("Trust"), SAFECO Asset Management Company ("SAM"), SAFECO Insurance Company of America ("SAFECO Insurance") and SAFECO Corporation.

**FILING DATES:** The application was filed on February 20, 2001. Applicants have agreed to file an amendment to the application during the notice period, the substance of which is reflected in this notice.

**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 Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on April 27, 2001, 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 Commission's Secretary.

**ADDRESSES:** Secretary, Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Applicants, 10865 William Road, N.E., Redmond, WA 98052.

#### FOR FURTHER INFORMATION CONTACT:

Emerson S. Davis, Sr., Senior Counsel, at (202) 942-0714, or Michael Mundt, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (telephone (202) 942-8090).

#### Applicant's Representations

1. The Trust, a Delaware business trust, is registered under the Act as an open-end management investment company and offers four series, including the SAFECO Insured Municipal Bond Fund (the "Insured Fund") and the SAFECO Municipal Bond Fund (the "Municipal Bond Fund," together with the Insured Fund, the "Funds"). SAM is registered under the Investment Advisers Act of 1940 and is the investment adviser to the Funds. SAFECO Corporation is the parent of SAM and SAFECO Insurance. As of March 14, 2001, SAFECO Insurance owned approximately 31% of the outstanding voting securities of the Insured Fund.

2. On February 8, 2001, a majority of the board of trustees of the Trust (the "Board"), including all of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Trustees"), approved a Plan of Reorganization and Termination (the "Plan"). Under the Plan, the Municipal Bond Fund will acquire all of the assets and assume all of the liabilities of the Insured Fund in exchange for shares of the Municipal Bond Fund ("Reorganization"). The Insured Fund will then distribute the shares of the Municipal Bond Fund to its shareholders of record, so that each shareholder of the Insured Fund will receive a number of full and fractional shares of the Municipal Bond Fund equal in net asset value to the shareholder's Insured Fund shares on the date of the Reorganization. The value of the assets of each Fund will be determined according to the respective Fund's then-current prospectus and statement of additional information. The Insured Fund will liquidate as soon as practicable after the Reorganization, which currently is anticipated to occur on April 30, 2001.

3. Applicants state that the investment objectives, policies and restrictions of the Municipal Bond Fund are substantially the same as those of the Insured Fund. The Insured Fund offers only one class of shares, which is not subject to any front-end or contingent deferred sales charge or rule 12b-7 fee. Shareholders will receive shares of a class of the Municipal Bond Fund with the same charge structure. No sales charges will be imposed in connection with the Reorganization. As determined by the Board, each Fund will bear the expenses incurred by it or on its behalf in connection with the Reorganization, and certain expenses will be borne by SAM.

4. The Board, including a majority of the Independent Trustees, determined that the Reorganization is in the best interests of each Fund and its shareholders, and that the interests of the existing shareholders of each Fund would not be diluted as a result of the Reorganization. In assessing the Reorganization, the Board considered various factors, including: (a) The terms and conditions of the Reorganization; (b) the compatibility of the Funds' investment objectives, policies and restrictions; (c) the Fund's respective investment performances; (d) the expense ratios of the Funds; (e) the costs incurred by each Fund as a result of the Reorganization; and (f) the tax-free nature of the Reorganization.

5. The Reorganization is subject to a number of conditions precedent, including that: (a) The shareholders of the Insured Fund will have approved the Plan; (b) the Insured Fund will have received an opinion of counsel concerning the tax-free nature of the Reorganization; and (c) the Commission will have granted an exemption from section 17(a) of the Act to permit the Reorganization. The Plan may be terminated and the Reorganization abandoned at any time prior to the Reorganization if the Board determines that proceeding with the Reorganization is inadvisable for either Fund. Applicants agree not to make any material changes to the Plan without prior Commission approval.

6. A registration statement on Form N-14 with respect to the Reorganization was filed on February 16, 2001. Materials related to the Reorganization, including a prospectus/proxy statement, were mailed to shareholders of the Insured Fund on March 28, 2001. A special meeting of shareholders of the Insured Fund will be held on April 17, 2001 to vote on the Reorganization.

### Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an "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 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 that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) certain mergers, consolidations or sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied. Applicants believe that rule 17a-8 may not be available in connection with the Reorganization because the Funds may be deemed to be affiliated persons (or affiliated persons of an affiliated person) by reason of SAFECO Insurance's ownership of more than 5% of the outstanding voting shares of the Insured Fund.

3. Section 17(b) of the Act provides, in relevant part, that the Commission may exempt a 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, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

4. Applicants request an order under section 17(b) exempting them from section 17(a) to the extent necessary to complete the reorganization. Applicants believe that the terms of the Reorganization are reasonable and fair and do not involve overreaching. Applicants state that the investment objectives, policies and restrictions of the Funds are substantially the same. Applicants also state that the Board, including a majority of the Independent Trustees, has determined that the participation by the funds in the

Reorganization is in the best interests of each Fund and its shareholders, and that such participation will not dilute the interests of the existing shareholders of each Fund. In addition, applicants state that the Reorganization will be on the basis of the Funds' relative net asset values.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24927; File No. 812-12210]

#### State Farm Life Insurance Company, et al.

April 5, 2001.

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

**ACTION:** Notice of Application for an order under Section 11 of the Investment Company Act of 1940 (the "1940 Act" or "Act") permitting certain exchange offers between certain unit investment trusts and certain open-end management investment companies.

*Applicants:* State Farm Insurance Company ("Life Company"), State Farm Life and Accident Assurance Company ("Accident Company"), State Farm Life Insurance Company Variable Annuity Separate Account ("Life Company VA Separate Account"), State Farm Life and Accident Assurance Company Variable Annuity Separate Account ("Accident Company VA Separate Account," and together with the Life Company VA Separate Account, the "Separate Accounts" and individually, a "Separate Account"), State Farm Mutual Fund Trust (the "Retail Fund") and State Farm VP Management Corp. ("VP Management Corp.").

*Summary of Application:* Applicants seek an order to permit exchanges between individual deferred variable annuity contracts ("Contracts") of the Separate Accounts or any future Contracts offered by Life Company, Accident Company or any current and future affiliated insurance company ("Future Contracts") and Retail Fund or any other registered, open-end management investment companies sponsored, organized and advised by a subsidiary of State Farm Mutual Automobile Insurance Company ("Auto Company"), the parent of Life Company,

Accident Company and VP Management Corp. ("Future Funds, and together with Retail Fund, the "Funds"). Auto Company together with its subsidiaries are referred to collectively as "State Farm."

*Filing Date:* The Application was filed on August 7, 2000, and amended and restated on April 3, 2001.

*Hearing or Notification of Hearing:* An order granting the application will be issued unless the Commission orders a hearing. Any 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 should be received by the Commission by 5:30 p.m. on April 27, 2001, 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 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 Secretary of the Commission.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants: c/o Alan Goldberg, Bell, Boyd & Lloyd LLC, 70 W. Madison, Suite 3300, Chicago, IL 60602.

**FOR FURTHER INFORMATION CONTACT:** Yolanda L. Ross, Senior Counsel, or Lorna J. MacLeod, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application is available for a fee from the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (Tel. (202) 942-8090).

#### Applicants' Representations

1. Life Company and Accident Company are each stock life insurance companies organized under the laws of Illinois and wholly-owned by Auto Company Life Company and Accident Company issue the Contracts.

2. The Life Company VA Separate Account is a separate account of Life Company holding assets relating to the Contracts. Accident Company VA Separate Account is a separate account of Accident Company holding assets relating to Contracts. Each is registered as a unit investment trust under the 1940 Act. Each Separate Account currently has six separate subaccounts, each of which invests in a single corresponding portfolio of State Farm