

custodian for U.S. Investment Companies and MIC Custodians pursuant to the terms of the exemptive order requested by the application. The Subcustodian Agreement will explicitly provide that U.S. Investment Companies or MIC Custodians that have entered into an Agency Custody Agreement with Citibank will be third party, beneficiaries of the Subcustodian Agreement, will be entitled to enforce the terms thereof, and will be entitled to seek relief directly against Citibank T/O or against Citibank.

5. The Subcustodian Agreement between Citibank and Citibank T/O will be governed by New York law; or, if it were governed by the local law of the Russian Federation, Citibank shall obtain an opinion of counsel from Russian counsel opining as to the enforceability of the rights of a third party beneficiary under the laws of such foreign jurisdiction.

6. MIC Securities and MIC Cash of U.S. Investment Companies and MIC Custodians entering into Direct Custody Arrangements with Citibank T/O will be maintained with Citibank T/O only in accordance with a Direct Custody Agreement, required to remain in effect at all times during which Citibank T/O fails to satisfy the requirements of rule 17f-5 relating to shareholders' equity.

7. The Direct Custody Agreement will be among (i) each U.S. Investment Company or MIC Custodian for which Citibank T/O serves as custodian or subcustodian, (ii) Citibank T/O, (iii) Citibank, and (iv) Citicorp. The Direct Custody Agreement will provide the following:

(a) confirmation by Citibank T/O that it will act as the custodian or subcustodian, as the case may be, of the MIC Securities and MIC Cash pursuant to the requested order;

(b) Citicorp will be liable, in accordance with the terms of the Guarantee, for losses of MIC Securities and/or MIC Cash resulting from the bankruptcy or insolvency of Citibank T/O; and

(c) Citibank will be liable for any loss resulting from the performance of Citibank T/O, except such loss as may result from (i) political risk (e.g., exchange control restrictions, confiscation, expropriation, nationalization, insurrection, civil strife, or armed hostilities) and (ii) other risks of loss for which Citibank T/O would not be liable under rule 17f-5.

8. Under the Direct Custody Arrangements, U.S. Investment Companies or MIC Custodians, as the case may be, will be entitled to seek relief directly against Citibank or Citibank T/O.

9. The dollar value of the Guarantee applicable to the Exemptive Order Network Members shall be at least equal to the aggregate value of the MIC

Securities and MIC Cash held in the custody of such Exemptive Order Network Members pursuant to the Direct Custody Agreements and the Agency Custody Agreements, calculated at the close of the previous calendar month. The value of MIC Securities and MIC Cash held in the custody of the Exemptive Order Network Members, as Citibank's subcustodians, will be calculated by Citibank based on records maintained by Citibank and reports by such Exemptive Order Network Members as at the end of each calendar month, and such amount will be reported to Citicorp. In addition, each Exemptive Order Network Member will submit to Citibank, as agent for Citicorp, monthly its calculation, and the basis on which it was made, of the market value of MIC Securities and MIC Cash held in custody by it under Direct Custody Agreements. After reviewing the results of the monthly monitoring, Citicorp will take such steps as may be necessary to adjust the amount of the Guarantee to cover the aggregate value of the MIC Securities and MIC Cash held by Exemptive Order Network Members, under Agency and Direct Custody Agreements. In the event of the insolvency of an Exemptive Order Network Member at a time when the aggregate value of MIC Securities and MIC Cash held by such Exemptive Order Network Member is in excess of the amount of MIC Securities and MIC Cash which such Exemptive Order Network Member held at the prior calendar month's end, Citicorp will immediately take such steps (if any) as may be necessary to increase the size of the Guarantee to cover the amount of such excess.

10. Citibank currently satisfies and will continue to satisfy the Qualified U.S. Bank requirement set forth in rule 17f-5(c)(3).

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

Jonathan G. Katz,
Secretary.

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BILLING CODE 8010-01-M

[Release No. IC-22576; File No. 812-10462]

Cova Financial Services Life Insurance Company, et al.

March 20, 1997.

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

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

APPLICANTS: Cova Financial Services Life Insurance Company ("Cova Life") and Cova Variable Annuity Account One ("Variable Account One")

RELEVANT 1940 ACT SECTIONS: Order requested pursuant to Section 26(b) approving the proposed substitution of securities.

SUMMARY OF APPLICATION: Applicants seek an order approving the proposed substitution of shares of the International Equity Portfolio of Cova Series Trust ("Cova Trust") for shares of the Global Equity Portfolio of Lord Abbett Series Fund, Inc. ("Lord Abbett Fund") which currently are held by Variable Account One to fund certain single purchase payment and flexible purchase payment variable annuity contracts ("Contracts") issued by Cova Life.

FILING DATE: The application was filed on December 13, 1996, and amended and restated on March 18, 1997.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested Persons may request a hearing 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 14, 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 requester's interest, the reason for the request, and the issue contested. Persons may request notification of a hearing by writing to the Secretary of the SEC.

ADDRESSES: SEC, Secretary, 450 Fifth Street, NW., Washington, D.C. 20549. Applicants, c/o Raymond A. O'Hara III, Blazzard, Grodd & Hasenauer, P.C., P.O. Box 5108, Westport, Connecticut, 06881. Copies to Jeffery K. Hoelzel, Esq., Senior Vice President, General Counsel and Secretary, Cova Financial Services Life Insurance Company, One Tower Lane, Suite 3000, Oakbrook Terrace, IL 60181-4644.

FOR FURTHER INFORMATION CONTACT: Megan L. Dunphy, Staff Attorney, or Patrice M. Pitts, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the SEC.

Applicants' Representations

1. Cova Life originally was incorporated on August 17, 1981, as Assurance Life Company, a Missouri corporation, and changed its name to Xerox Financial Services Life Insurance Company in 1985. On June 1, 1995 a wholly-owned subsidiary of General American Life Insurance Company purchased Cova Life from Xerox Financial Services, Inc. The acquisition of Cova Life included related companies. On June 1, 1995, Cova Life changed its name to Cova Financial Services Life Insurance Company. Cova Life presently is licensed to do business in the District of Columbia and in all states except California, Maine, New Hampshire, New York and Vermont.

2. Variable Account One is a separate account registered under the 1940 Act as a unit investment trust and established for the purpose of funding certain variable annuity contracts, including the Contracts. Variable Account One currently is divided into twelve sub-accounts, each of which reflects the investment performance of a corresponding portfolio of Cova Trust, Lord Abbett Fund and another registered mutual fund.

3. The Lord Abbett Fund currently offers shares of its portfolios to corresponding sub-accounts of Variable Account One and to separate accounts of other insurance companies. Lord Abbett Fund was incorporated under the laws of Maryland on August 28, 1989, and is registered under the 1940 Act as an open-end management investment company of the series type. Lord Abbett Fund currently is comprised of three Portfolios, only one of which—the Global Equity Portfolio—is relevant herein.

4. The investment objective of the Global Equity Portfolio is long-term growth of capital and income consistent with reasonable risk. The production of current income is a secondary consideration for the portfolio. The Global Equity Portfolio normally invests primarily in common stocks (including securities convertible into common stocks) of domestic and foreign companies in sound financial condition, which common stocks are expected to show above-average price appreciation. Under normal circumstances, the portfolio will invest its total assets in domestic and foreign securities with at least 65% of such assets invested in equity securities primarily traded in at least three countries, including the United States.

5. Lord, Abbett & Co. ("Lord Abbett") is the investment manager of the Lord Abbett Fund. Lord Abbett retains

Dunedin Fund Managers Limited as a sub-adviser to the Global Equity Portfolio. Lord Abbett receives a monthly management fee, based on average daily net assets for each month, at an annual rate of .75 of 1%. Since inception of the Global Equity Portfolio, Lord Abbett has voluntarily waived this management fee and reimbursed a portion of the expenses of the portfolio. Lord Abbett is under no legal obligation to continue fee waivers and expense reimbursements.

6. The shares of Cova Trust are sold exclusively to separate accounts of Cova Life (including Variable Account One) and its affiliated insurance companies to fund benefits under the Contracts and certain other variable annuity contracts issued by affiliates of Cova Life. Cova Trust is an unincorporated business trust that was established under Massachusetts law by a Declaration of Trust dated July 9, 1987. Cova Trust is registered under the 1940 Act as an open-end management investment company of the series type. Cova Trust currently offers eleven portfolios, only one of which—the International Equity Portfolio—is relevant herein.

7. The investment objective of the International Equity Portfolio is to provide a high total return from a portfolio of equity securities of foreign corporations. In normal circumstances, the International Equity Portfolio should be essentially fully invested with at least 65% of the value of its total assets in equity securities of foreign issuers, consisting of common stocks and other securities with equity characteristics such as preferred stock, warrants, rights and convertible securities.

8. Cova Investment Advisory Corporation ("Cova Advisory") is the investment adviser for Cova Trust. Cova Advisory is a wholly-owned subsidiary of Cova Life Management Company, which is a wholly-owned subsidiary of Cova Corporation, which is a wholly-owned subsidiary of General American Life Insurance Company. Cova Advisory has engaged J.P. Morgan Investment Management Inc., a wholly-owned subsidiary of J.P. Morgan & Co., Inc., as sub-adviser to the International Equity Portfolio. The maximum management fee Cova Advisory receives is .85% of the net assets of the International Equity Portfolio. Cova Advisory has undertaken to pay the expenses of the International Equity Portfolio until May 1, 1998, to the extent that expenses of the portfolio, other than investment advisory fees, exceed the annual rate of 10% of the portfolio's average net assets.

9. The Global Equity Portfolio commenced operations on April 9, 1990. After experiencing slow sales of

portfolio shares the management of Cova Life and the management of Lord Abbett determined that it was unlikely that the Global Equity Portfolio would grow to a sufficient size to promote consistent investment performance or to reduce operating expenses. The sale of shares of the Global Equity Portfolio to Variable Account One was discontinued on May 1, 1992 (except for the acceptance of certain additional purchase payments received after that date in connection with dollar cost averaging program of Cova Life).

10. International Equity Portfolio began selling its shares to Variable Account One on May 1, 1996. As of December 31, 1996, the portfolio had \$15,619,255 in net assets, more than six times the asset size of the Global Equity Portfolio. Management of Cova Life believes that the International Equity Portfolio will continue to grow at a steady pace. In addition to sales to Variable Account One, Cova Life anticipates commencing sales of the International Equity Portfolio to additional separate accounts of Cova Life and its affiliates in the near future; that should result in a further increase in the net assets of the International Equity Portfolio.

11. Applicants propose to substitute shares of the International Equity Portfolio of Cova Trust (the "substitute fund") for shares of the Global Equity Portfolio of Lord Abbett Fund (the "removed fund"). The prospectuses for the Contracts will be amended by supplement to describe the proposed substitution. The supplement will be distributed to all Contract owners.

12. Affected Contract owners will not incur any fees or charges as a result of the substitution, nor will their rights or the obligations of Cova Life under the Contracts be altered in any way.

13. From the date of the supplement until the date of the proposed substitution, Contract owners may transfer any or all of their respective Contract value invested in the Global Equity sub-account to another sub-account of Variable Account One without any limitation or charge. For the 30-day period following the substitution, Cova Life will permit transfers from the International Equity sub-account to any other sub-account of Variable Account One without any limitation or charge being imposed. The proposed substitution will not be considered a "transfer" for purposes of calculating any transfer fee that may otherwise be payable under a Contract.

14. The proposed substitution will take place at net asset value with no change in the amount of any Contract owner's Contract value or in the dollar

value of his or her investment in Variable Account One. Cova Life will redeem shares of the Global Equity Portfolio in cash and purchase shares of the International Equity Portfolio with the proceeds.

15. Contract owners will not incur any fees or charges as a result of the proposed substitution, nor will their rights under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitution, including legal, accounting and other fees and expenses, will be paid by Cova Life. The proposed substitution will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitution than before the proposed substitution.

16. Within five days of the substitution, affected Contract owners will receive written notice of the substitution reiterating their right to make transfers from the International Equity sub-account to any other sub-account of Variable Account One for a period of 30 days from the date of the notice without any limitation or charge being imposed. Cova Life will include in such mailing a supplement to the prospectus of Variable Account One which describes the substitution.

17. Following the substitution, Contract 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.

Applicants' Legal Analysis and Conditions

1. Section 26(b) of the 1940 Act provides, in pertinent part, 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." Applicants assert 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 in effect might 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 substitution for those

shares the shares of another issuer, unless the Commission approves that substitution.

2. Applicants maintain 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. Applicant assert that the substitute fund is a suitable and appropriate investment vehicle for Contract owners. Applicants further assert that effecting the proposed substitution will not result in greater (aggregate) fees and charges under the Contracts.

3. Applicants represent that the proposed 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: prior to the substitution and for a period of thirty (30) days thereafter, Contract owners may transfer Global Equity sub-account values to any other sub-account of Variable Account One without any limitation or charge being imposed; the investment objective of the substitute fund is similar to that of the removed fund; the substitution will be at the net asset value of the respective portfolio shares, with no change in a Contract owner's contract value or in the dollar value of the Contract owner's investment in Variable Account One; Contract owners will not incur any fees or charges as a result of the proposed substitution, nor will their rights under the Contracts be altered in any way; all expenses incurred in connection with the proposed substitution, including legal, accounting and other fees and expenses, will be paid by Cova Life; the proposed substitution will not impose any tax liability on Contract owners; Contract owners may choose to withdraw amounts credited to them following the substitution under the conditions that currently exist, subject to any applicable deferred sales charge.

4. Applicants assert that the substitute fund is substantially larger than the removed fund, and that the substitute fund should grow further. Applicants anticipate that, after the proposed substitution, the substitute fund will provide Contract owners with comparable or more favorable investment results than would be the case if the proposed substitution did not take place.

5. Applicants also note that within 5 days after the proposed substitution, any affected Contract owners will be sent a written notice informing them that shares of the International Equity

Portfolio have been substituted for shares of the Global Equity Portfolio. Cova Life will include in such a mailing a supplement to the prospectus of Variable Account one which describes the substitution.

Conclusion

For the reasons set forth above, Applicants represent that the order requested, approving the proposed substitution, is necessary and appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy and provisions of the 1940 Act and should be granted.

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

Jonathan G. Katz,
Secretary.

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BILLING CODE 8010-01-M

[Investment Company Act Release No. 22574; 811-7854]

The U.S. Stock Portfolio; Notice of Application

March 20, 1997.

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

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

APPLICANT: The U.S. Stock Portfolio.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILING DATE: The application has filed on February 21, 1997.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on April 14, 1997, and should be accompanied by proof of service on the applicant, 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicant, Elizabethan Square, Shedden