NUCLEAR REGULATORY COMMISSION

Advisory Committee on Reactor Safeguards Subcommittee Meeting on Human Factors; Notice of Meeting

The ACRS Subcommittee on Human Factors will hold a meeting on April 17, 1998, Room T–2B3, 11545 Rockville Pike, Rockville, Maryland.

The entire meeting will be open to public attendance.

The agenda for the subject meeting shall be as follows:

Friday, April 17, 1998—8:30 a.m. until the conclusion of business

The Subcommittee will review the latest version of the Human Performance and Reliability Plan, and associated activities. The purpose of this meeting is to gather information, analyze relevant issues and facts, and formulate proposed positions and actions, as appropriate, for deliberation by the full Committee.

Oral statements may be presented by members of the public with the concurrence of the Subcommittee Chairman; written statements will be accepted and made available to the Committee. Electronic recordings will be permitted only during those portions of the meeting that are open to the public, and questions may be asked only by members of the Subcommittee, its consultants, and staff. Persons desiring to make oral statements should notify the cognizant ACRS staff engineer named below five days prior to the meeting, if possible, so that appropriate arrangements can be made.

During the initial portion of the meeting, the Subcommittee, along with any of its consultants who may be present, may exchange preliminary views regarding matters to be considered during the balance of the meeting.

The Subcommittee will then hear presentations by and hold discussions with representatives of the NRC staff, its consultants, and other interested persons regarding this review.

Further information regarding topics to be discussed, whether the meeting has been canceled or rescheduled, the Chairman's ruling on requests for the opportunity to present oral statements and the time allotted therefor can be obtained by contacting the cognizant ACRS staff engineer, Mr. Noel F. Dudley (telephone 301/415–6888) between 7:30 a.m. and 4:15 p.m. (EST). Persons planning to attend this meeting are urged to contact the above named individual one or two working days prior to the meeting to be advised of any potential changes to the agenda, etc., that may have occurred.

Dated: March 24, 1998.

Medhat M. El-Zeftawy,

Acting Chief, Nuclear Reactors Branch.

[FR Doc. 98–8186 Filed 3–27–98; 8:45 am]

BILLING CODE 7590–01–P

OFFICE OF PERSONNEL MANAGEMENT

Federal Salary Council

AGENCY: Office of Personnel Management.

ACTION: Notice of meetings.

SUMMARY: According to the provisions of section 10 of the Federal Advisory Committee Act (P.L. 92–463), notice is hereby given that the fifty-third and fifty-fourth meetings of the Federal Salary Council will be held at the times and places shown below. At the meeting in the morning of April 16, 1998, the Council will continue discussing issues relating to locality-based comparability payments authorized by the Federal Employees Pay Comparability Act of 1990 (FEPCA). This will be the fifty-third meeting of the Federal Salary Council.

In the afternoon, the Federal Salary Council will meet with the President's Pay Agent and the Bureau of Labor Statistics (BLS) to discuss the use of BLS salary surveys for future locality pay adjustments. This will be the fifty-fourth meeting of the Federal Salary Council. Both meetings are open to the public.

DATES: April 16, 1998, 10:00 a.m., Room 7310; April 16, 1998, 1:00 p.m., Room 1350.

ADDRESSES: Office of Personnel Management, 1900 E Street NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Ruth O'Donnell, Chief, Salary and Wage Systems Division, Office Of Personnel Management, 1900 E Street NW., Room 7H31, Washington, DC 20415–0001. Telephone number: (202) 606–2838.

For the President's Pay Agent.

Janice R. Lachance,

Director.

[FR Doc. 98–8203 Filed 3–27–98; 8:45 am]

BILLING CODE 6325–01–P

POSTAL SERVICE

Sunshine Act Meeting

TIMES AND DATES: 11:00 a.m., Monday, April 6, 1998; 8:30 a.m., Tuesday, April 7, 1998.

PLACE: Washington, D.C., at U.S. Postal Service Headquarters, 475 L'Enfant Plaza, S.W., in the Benjamin Franklin Room.

STATUS: April 6 (Closed); April 7 (Open).

MATTERS TO BE CONSIDERED:

Monday, April 6—11:00 a.m. (Closed)

1. Personnel Matters.
2. Docket No. MC96–1, Experimental First-Class and Priority Mail Small Parcel Automation Rate (Parcel Barcode Experiment).
3. Status Report on Rate Case R97–1.
4. Performance Measurement.
5. Tray Management System.

Tuesday, April 7—8:30 a.m. (Open)

1. Minutes of the Previous Meeting, March 2–3, 1998.
2. Remarks of the Postmaster General/Chief Executive Officer.
3. Consideration of Amendments to BOG Bylaws.
4. SemiPostal Breast Cancer Stamp.
5. Report on the Diversity Study.
6. Capital Investments.

a. Spokane, Washington, Processing and Distribution Center.

b. Inspector General Office Space—Modification Request.

7. Tentative Agenda for the May 4–5, 1998, meeting in Washington, D.C.

CONTACT PERSON FOR MORE INFORMATION: Thomas J. Koerber, Secretary of the Board, U.S. Postal Service, 475 L'Enfant Plaza, S.W., Washington, D.C. 20260–1000. Telephone (202) 268–4800.

Thomas J. Koerber,

Secretary.

[FR Doc. 98–8456 Filed 3–26–98; 2:57 pm]

BILLING CODE 7710–12–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23073; File No. 812–10920]

The Guardian Insurance and Annuity Company, Inc. et al.

March 23, 1998.

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

ACTION: Notice of application for an order under Section 6(c) of the Investment Company Act of 1940 (''1940 Act'') granting exemptive relief from Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act and Rules 6e–2(b)(15) and 6e–3(T)(6)(15) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order to permit shares of The Guardian Cash Fund, Inc. and the other investment company applicants listed below (''Existing Funds'') and any other investment company that is designed to fund insurance products and for which

Guardian Investor Services Corporation or Guardian Baillie Gifford Limited, or any of their affiliates, may serve as investment adviser, administrator, manager, principal underwriter or sponsor (''Future Funds,'' together with Existing Funds, ''Funds'') to be sold to and held by: (a) variable annuity and variable life insurance separate accounts of both affiliated and unaffiliated life insurance companies (''Participating Insurance Companies''); and (b) qualified pension and retirement plans outside the separate account context (''Qualified Plans'').

APPLICANTS: The Guardian Insurance & Annuity Company, Inc. (''GIAC''), The Guardian Separate Account B (''Account B''), The Guardian Separate Account C (''Account C''), The Guardian Separate Account K (''Account K''), The Guardian Separate Account M (''Account M'') (Accounts B, C, K and M together, the ''Accounts''), The Guardian Cash Fund, Inc., The Guardian Bond Fund, Inc., The Guardian Stock Fund, Inc., GIAC Funds, Inc., Gabelli Capital Series Funds, Inc., Guardian Investor Services Corporation (''GISC''), and Guardian Baillie Gifford Limited (''GBGL'').

FILING DATE: The application was filed on December 23, 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 on this application by writing to the Secretary of the SEC and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on April 17, 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 interest, the reason for the request and the issues contested. Persons may request notification of the date of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o Richard T. Potter, Jr., Esq., The Guardian Insurance & Annuity Company, Inc., 201 Park Avenue, New York, New York 10003.

FOR FURTHER INFORMATION CONTACT: Joyce Merrick Pickholz, 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 SEC, 450 Fifth Street, N.W., Washington, D.C. (tel. (202) 942–8090).

Applicants' Representations

1. GIAC, a wholly owned subsidiary of The Guardian Life Insurance Company of America, is a stock life insurance company organized under the laws of Delaware.

2. The Accounts are separate investment accounts established by GIAC to fund variable life insurance contracts. Each Account is registered under the 1940 Act as a unit investment trust and has several investment divisions each of which invests in a designated investment portfolio of an Existing Fund or other underlying fund or trust.

3. The Existing Funds are Maryland corporations registered under the 1940 Act as open-end diversified management investment companies. The Guardian Cash Fund, Inc., The Guardian Bond Fund, Inc. and The Guardian Stock Fund, Inc. each has authorized capital stock that presently consists of one class of stock, but in the future may create one or more additional classes of stock, each corresponding to a portfolio of securities. GIAC Funds, Inc. is a diversified series company that presently consists of three investment portfolios: The Guardian Small Cap Stock Fund, Baillie Gifford International Fund and Baillie Gifford Emerging Markets Fund Gabelli Capital Series Funds, Inc. is also a diversified series company that presently has one investment portfolio, the Gabelli Capital Asset Fund.

4. GISC is the investment adviser for The Guardian Cash Fund, Inc., The Guardian Bond Fund, Inc., The Guardian Stock Fund, Inc. and the Guardian Small Cap Fund. GISC is a wholly owned subsidiary of GIAC and is registered with the Commission as an investment adviser under the Investment Advisers Act of 1940 (the ''Advisers Act'').

5. GBGL, an investment management company registered under the laws of Scotland, serves as the investment manager for Baillie Gifford International Fund and Baillie Gifford Emerging Markets Fund. GBGL was formed as a joint venture between GIAC and Baillie Gifford Overseas Limited (''BG Overseas''). GIAC owns 51% and BG Overseas owns 49% of the voting shares of GBGL. GB Overseas is an investment management company incorporated in Scotland. Both GB Overseas and GBGL are registered with the Commission as investment advisers under the Advisers Act.

6. The Existing Funds currently offer their shares to GIAC as the investment vehicle for its separate accounts supporting variable annuity and variable life insurance contracts (''Variable Contracts''). The Existing Funds intends to offer their shares to unaffiliated insurance companies as the investment vehicle for their separate accounts supporting variable annuity and variable life insurance contracts (''Participating Separate Accounts'').

7. Each Participating Insurance Company has or will have the legal obligation of satisfying all applicable requirements under both state and federal law and each has or will enter into a participation agreement with an Existing Fund on behalf of its Participating Separate Account. The Existing Funds will offer shares to the Participating Separate Accounts and fulfills any conditions that the Commission may impose upon granting the order requested in the application.

8. The Funds also wish to increase their respective asset bases by selling shares to qualified pension and retirement plans (''Qualified Plans''). Existing Fund shares sold to the Qualified Plans would be held by the Trustee of said Plans as required by Section 403(a) of the Employee retirement and Security Act (''ERISA''). ERISA does not require pass-through voting to be provided to participants in Qualified Plans.

Applicants' Legal Analysis

1. In connection with the funding of scheduled premium variable life insurance contracts issued through a separate account registered under the 1940 Act as a unit investment trust (''UIT''), Rule 6e–2(b)(15) provides partial exemptions from Sections 9(a), 13(a), 15(a), and 15(b) of the 1940 Act. The relief provided by Rule 6e–2 is available to a separate account's investment adviser, principal underwriter, and depositor. The exemptions provided under Rule 6e–2(b)(15) are available only where the management investment company underlying the UIT offers its shares ''exclusively to variable life insurance separate accounts of the life insurer, or of any affiliated life insurance company.'' The use of a common management investment company as the underlying investment medium for both variable annuity and variable life insurance separate accounts is referred to as ''mixing funding.'' The use of a common investment company as the underlying investment medium for separate accounts of unaffiliated

insurance companies is referred to as ''shared funding.'' The relief provided under Rule 6e–2(b)(15) is not applicable to a scheduled premium variable life insurance separate account that owns shares of an underlying fund where the underlying fund offers its shares to a variable annuity separate account of the same company or of any other affiliated or unaffiliated life insurance company. Therefore, Rule 6e–2(b)(15) does not provide exemptive relief for either mixed funding or shared funding.

2. Applicants state that Rule 6e–2(b)(15) does not contemplate that shares of the underlying fund might also be sold to Qualified Plans. The use of a common management investment company as the underlying investment medium for variable annuity and variable life separate accounts of affiliated and unaffiliated insurance companies and Qualified Plans is referred to as ''extended mixed and shared funding.''

3. In connection with flexible premium variable life insurance contacts issued through a separate account registered under the 1940 Act as a UIT, Rule 6e–3(T)(b)(15) provides partial exemptions from Sections 9(a), 13(a), 15(a), and 15(b) of the 1940 Act. The exemptions provided under Rule 6e–3(T)(b)(15) are available only where all the assets of the separate account consist of the shares of one or more registered management investment companies which offer their shares ''exclusively to separate accounts of the life insurer, or of any affiliated life insurance company, offering either scheduled or flexible contracts, or both; or which also offer their shares to variable annuity separate accounts of the life insurer or of an affiliated life insurance company.'' Therefore, Rule 6e–3(T) permits mixed funding, but does not permits shares funding or extended mixed and shares funding.

4. Applicants state that changes in the tax law have created the opportunity for a Fund to increase its asset base through the sale of its shares to Qualified Plans. Applicants state that Section 817(h) of the Internal Revenue Code of 1986, as amended (the ''Code''), imposes certain diversification standards on the assets underlying Variable Contracts. Specifically, the Code provides the Variable Contracts will not be treated as annuity contracts or life insurance contracts for any period in writing the underlying assets are not, in accordance with regulations prescribed by the Treasury Department, adequately diversified. On March 2, 1989, the Treasury Department issued regulations which established diversification requirements for the investment portfolios underlying Variable Contracts (Treas. Reg. § 1.817–5 (1989), the ''Treasury Regulations''). The Treasury Regulations provide that, to meet the diversification requirements, all of the beneficial interests in the investment company must be held by the segregated asset accounts of one or more insurance companies. The Treasury Regulations, however, contain certain exceptions to this requirement, one of which allows shares in an investment company to be held by the trustee of a qualified pension or retirement plan without adversely affecting the status of the investment company as an adequately diversified underlying investment for Variable Contracts issued through such segregated accounts.

5. Applicants state that the promulgation of Rules 63–2 and 6e–3(T) under the 1940 Act preceded the issuance of these Treasury Regulations. Applicants assert that, given the then current tax law, the sale of shares of the same investment company to both separate accounts and Qualified Plans could not have been envisioned at the time of the adoption of Rules 6e–2(b)(15) and 6e–3(T)(b)(15).

6. Applicants therefore request relief from Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act, and Rules 6e–2(b)(15) and 6e–3(T)(b)(15) thereunder to the extent necessary to permit shares of the Funds to be offered and sold to Qualified Plans and to variable annuity and variable life separate accounts in connection with both mixed and shared funding and extended mixed and shared funding.

7. Section 9(a) of the 1940 Act provides that it is unlawful for any company to serve as investment adviser to or principal underwriter for any registered open-end investment company if an affiliated person of that company is subject to a disqualification enumerated in Section 9(a)(1) or (2). Rules 6e–2(b)(15)(i) and (ii) and 6e–3(T)(b)(15)(i) and (ii) provide exemptions from Section 9(a) under certain circumstances, subject to the limitations on mixed and shared funding. These exemptions limit the disqualification to affiliated individuals or companies that participate directly in the management or administration of the underlying investment company.

8. Applicants state that the partial relief from Section 9(a) found in Rules 6e–2(b)(15) and 6e–3(T)(b)(15), in effect, limits the amount of monitoring necessary to ensure compliance with Section 9 to that which is appropriate in light of the policy and purposes of the Section. Applicants state that those 1940 Act rules recognize that it is not necessary to apply the provisions of Section 9(a) to the many individuals in a large insurance company complex, most of whom will have no involvement in matters pertaining to investment companies within that organization. Applicants note that neither the Participating Insurance Companies nor the Qualified Plans are expected to play any role in the management or administration of the Funds. Therefore, Applicants assert, applying the restrictions of Section 9(a) serves no regulatory purpose. The application states that the relief requested should not be affected by the proposed sale of shares of the Funds to Qualified Plans because the Plans are not investment companies and are not, therefore, subject to Section 9(a) and it is not anticipated that a Qualified Plan would be an affiliated person of a Fund by virtue of its shareholders.

9. Rules 6e–2(b)(15)(iii) and 6e–3(T)(b)(15)(iii) under the 1940 Act assume the existence of a pass-through voting requirement with respect to management investment company shares held by a separate account. The application states that the Participating Insurance Companies will provide pass-through voting privileges to all contractowners so long as the Commission interprets the 1940 Act to require such privileges.

10. Rules 6e–2(b)(15)(iii)(A) and 6e–3(T)(b)(15)(iii)(A) provide that the insurance company may disregard voting instructions of its contractowners with respect to the investments of an underlying fund, or any contract between a fund and its investment adviser, when required to do so by an insurance regulatory authority. Also, Rules 6e–2(b)(15)(iii)(B) and 6e–3(T)(b)(15)(iii)(A)(*2*) provide that the insurance company may disregard voting instructions of its contractowners if the contractowners initiate any change in the company's investment policies, principal underwriter, or any investment adviser, provided that disregarding such voting instructions is reasonable and subject to the other provisions of paragraphs (b)(15)(ii) and (b)(7)(ii)(B) and (C) of each rule.

11. Applicants represent that the sale of Fund shares to Qualified Plans does not affect the relief requested in this regard. Shares of the Funds sold to Qualified Plans would be held by the trustees of such Qualified Plans as required by Section 403(a) of ERISA. Section 403(a) also provides that the trustee(s) must have exclusive authority and discretion to manage and control the Qualified Plan with two exceptions: (a) when the Qualified Plan expressly provides that the trustee(s) is (are) subject to the direction of a named

fiduciary who is not a trustee, in which case the trustee(s) is (are) subject to proper directions made in accordance with the terms of the Qualified Plan and not contrary to ERISA; and (b) when the authority to manage, acquire or dispose of assets of the Qualified Plan is delegated to one or more investment managers pursuant to Section 402(c)(3) of ERISA. Unless one of the two exceptions stated in Section 403(a) applies, Qualified Plan trustees have the exclusive authority and responsibility for voting proxies. Where a named fiduciary appoints an investment manager, the investment manager has the responsibility to vote the shares held unless the right to vote such shares is reserved to the trustees or to the named fiduciary. In any event, there is no pass-through voting to the participants in such Qualified Plans. Accordingly, Applicants note that, unlike the case with insurance company separate accounts, the issue of the resolution of material irreconcilable conflicts with respect to voting is not present with such Qualified Plans. However, Applicants state that some Qualified Plans may provide for the trustee, an investment adviser or other named fiduciary to exercise voting rights in accordance with instructions from participants. Where a Qualified Plan provides participants with the right to give voting instructions, the Applicants see no reason why such participants would vote in a manner that would disadvantage variable contract holders. Applicants submit that the purchase of Fund shares by Qualified Plans that provide voting rights does not present any complications not otherwise occasioned by mixed or shared funding.

12. Applicants state that no increased conflicts of interest would be present by the granting of the requested relief. Applicants assert that shared funding does not present any issues that do not already exist where a single insurance company is licensed to do business in several, or all, states. Applicants note that where insurers are domiciled in different states, it is possible that the state insurance regulatory body in a state in which one insurance company is domiciled would require action that is inconsistent with the requirements of insurance regulators in other states in which other insurance companies are domiciled. Applicants submit that the fact that a single insurer and its affiliates offer their insurance products in several states does not create a significantly different or enlarged problem.

13. Applicants further submit that affiliation does not reduce the potential for differences among state regulatory requirements. In any event, the conditions set forth below are designed to safeguard against any adverse effects that these differences may produce. If a particular state insurance regulator's decision conflicts with the majority of other state regulators, the affected insurer may be required to withdraw its separate account's investment in the relevant Fund.

14. Applicants also state that affiliation does not eliminate the potential, if any exists, for divergent judgments as to the advisability or legality of a change in investment policies, principal underwriter, or investment adviser initiated by owners of the Variable Contracts. Potential disagreement is limited by the requirement that the Participating Insurance Company's disregard of voting instructions be both reasonable and based on specified good faith determinations. However, if a Participating Insurance Company's decision to disregard contractowner instructions represents a minority position or would preclude a majority vote approving a particular change, such Participating Insurance Company may be required, at the election of a Fund, to withdraw its investment in that Fund. No charge or penalty will be imposed as a result of such withdrawal.

15. Applicants state that there is no reason why the investment policies of a Fund would or should be materially different from what those policies would or should be if that Fund served as a funding medium for only variable annuity or only variable life insurance contracts. Moreover, Applicants represent that the Funds will not be managed to favor or disfavor any particular insurance company or type of Variable Contract.

16. As noted above, Section 817(h) of the Code imposes certain diversification standards on the underlying assets of Variable Contracts held in the portfolios of management investment companies. However, the Treasury Regulation which established diversification requirements for such portfolios, specifically permits ''qualified pension or retirement plans'' and separate accounts to invest in the same underlying management investment company. Therefore, Applicants have concluded that neither the Code, or the Treasury Regulations or the Revenue Rulings thereunder present any inherent conflicts of interest if Qualified Plans, variable annuity separate accounts and variable life insurance separate accounts all invest in the same management investment company.

17. Applicants state that while there are differences in the manner in which distributions are taxed for variable annuity and variable life insurance contracts and Qualified Plans, these tax consequences do not raise any conflicts of interest. When distributions are to be made, and the Separate Account or the Qualified Plan is unable to net purchase payments to make the distributions, the Separate Account or the Qualified Plan will redeem shares of a Fund at their net asset value. The Qualified Plan will then make distributions in accordance with the terms of the Qualified Plan and Participating Insurance Company will make distributions in accordance with the terms of the Variable Contract.

18. With respect to voting rights, Applicants state that it is possible to provide an equitable means of giving such voting rights to Participating Separate Account contractowners and to the trustees of Qualified Plans. Applicants represent that the Funds will inform each Participating Insurance Company and Qualified Plan of information necessary for the meeting, including their respective share ownership in the relevant Fund. Each Participating Insurance Company will then solicit voting instructions in accordance with Rules 6e–2 and 6e–3(T) and its participation agreement with a fund. Shares held by qualified plans will be voted in accordance with applicable law.

19. Finally, Applicants state that there are no conflicts between contractowners and participants under the Qualified Plans with respect to the state insurance commissioners' veto powers over investment objectives. The basic premise of shareholder voting is that not all shareholders may agree with a particular proposal. This does not mean that there are inherent conflicts of interest between shareholders. The state insurance commissioners have been given the veto power in recognition of the fact that an insurance company cannot simply request redemption of shares held in its separate account and have those shares redeemed out of one Fund and the proceeds invested in another Fund. Generally, to accomplish such redemptions and transfers, complex and time consuming transactions must be undertaken. In contrast, trustees of Qualified Plans or participants in participant directed Qualified Plans can make the decision quickly and implement the redemption of shares from a Fund and reinvest the monies in another funding vehicle without the same regulatory impediments or, as is the case with most Qualified Plans, even hold cash pending suitable investment. Based on the foregoing, Applicants represent that even should there arise issues where the interests of countractowners and the

interests of Qualified Plans conflict, the issues can be almost immediately resolved because the trustees of the Qualified Plans can, independently, redeem shares out of the Funds.

20. Applicants state that various factors have limited the number of insurance companies that offer variable annuity and variable life insurance contracts. According to Applicants, these factors include: the cost of organizing and operating an investment funding medium; the lack of expertise with respect to investment management; and the lack of name recognition by the public of certain insurers as investment professions. Applicants contend that use of the Fund as common investment media for the Variable Contracts would ease these concerns. Participating Insurance Companies would benefit not only form the investment and administrative expertise of GISC and GBGL, but also from the cost efficiencies and investment flexibility afforded by a large pool of funds. Applicants state that making the Funds available for mixed and shared funding may encourage more insurance companies to offer contracts such as the Variable Contracts which may then increase competition with respect to both the design and the pricing of Variable Contracts. Applicants submit that this can be expected to result in greater product variation and lower charges. Thus, Applicants represent that contractowners would benefit because mixed and shared funding will eliminate a significant portion of the costs of establishing and administering separate funds. Moreover, Applicants assert that sales of shares of the Funds to Qualified Plans should increase the amount of assets available for investment by the Funds. This should, in turn, promote economies of scale, permit increased safety of investments through greater diversification.

Applicants' Conditions

Applicants have consented to the following conditions if an order is granted:

1. A majority of the Board of Directors of a Fund (''Board'') shall consist of persons who are not ''interested persons'' of the Fund, as defined by Section 2(a)(19) of the 1940 Act and the rules thereunder and as modified by any applicable orders of the Commission, except that, if this condition is not met by reason of the death, disqualification, or bona fide resignation of any trustee or director, then the operation of this condition shall be suspended: (a) for a period of 45 days if the vacancy or vacancies may be filled by the Board; (b) for a period of 60 days if a vote of shareholders is required to fill the vacancy or vacancies; or (c) for such longer period as the Commission may prescribe by order upon application.

2. Each Board will monitor its respective Fund for the existence of any material irreconcilable conflict among the interests of the contractowners of all Participating Separate Accounts and of participants of Qualified Plans investing in the Fund and determine what action, if any, should be taken in response to such conflicts. A material irreconcilable conflict may arise for a variety of reasons, including: (a) an action by any state insurance regulatory authority; (b) a change in applicable federal or state insurance, tax, or securities laws or regulations, or a public ruling, private letter ruling, no-action or interpretative letter, or any similar action by insurance, tax, or securities regulatory authorities; (c) an administrative or judicial decision in any relevant proceeding; (d) the manner in which the investments of the Fund are managed; (e) a difference in voting instructions given by variable annuity contractowners and variable life insurance contractowners; (f) a decision by a Participating Insurance Company to disregard the voting instructions of contractowners; or (g) if applicable, a decision by a Qualified Plan to disregard the voting instructions of plan participants.

3. The Participating Insurance Companies, GISC and GBGL and any Qualified Plan that executes a fund participation agreement upon becoming an owner of 10% or more of the assets of a Fund (the ''Participants''), will report any potential or existing conflicts to the applicable Board. Participants will be responsible for assisting the Board in carrying out its responsibilities under these conditions by providing the Board with all information reasonably necessary for the Board to consider any issues raised. This responsibility includes, but is not limited to, an obligation by each Participating Insurance Company to inform the Board whenever contractowner voting instructions are disregarded, and, if pass-through voting is applicable, an obligation by each Participant to inform the Board whenever it has determined to disregard plan participant voting instructions. The responsibility to report such information and conflicts and to assist the Board will be contractual obligations of all Participants under their agreements governing participation in the Funds and such agreements, in the case of Participating Insurance Companies, shall provide that such responsibilities will be carried out with a view only to the interests of contractowners and for Qualified Plans, that these responsibilities will be carried out with a view only to the interest of Plan participants.

4. If it is determined by a majority of the Board, or by a majority of its disinterested directors, that a material irreconcilable conflict exists, the relevant Participants shall, at their expense and to the extent reasonably practicable (as determined by a majority of the disinterested directors), take whatever steps are necessary to remedy or eliminate the material irreconcilable conflict, up to and including: (a) withdrawing the assets allocable to some or all of the Participating Separate Accounts from a Fund and reinvesting such assets in a different investment medium, which may include another portfolio of that Fund, or submitting the question of whether such segregation should be implemented to a vote of all affected contractowners and, as appropriate, segregating the assets of any appropriate group (*i.e.*, variable annuity contractowners or variable life insurance contractowners of one or Variable Contractowners of one or more Participants) that votes in favor of such segregation, or offering to the affected contractowners the option of making such a change; and (b) establishing a new registered management investment company or managed separate account. If a material irreconcilable conflict arises because of a Participating Insurance Company's decision to disregard voting instructions and that decision represents a minority position or would preclude a majority vote, the Participating Insurance Company may be required, at the election of a Fund, to withdraw its separate account's investment in that Fund, and no charge or penalty will be imposed as a result of such withdrawal. If a material irreconcilable conflict arises because of a Qualified Plan's decision to disregard Plan participant voting instructions, if applicable, and that decision represents a minority position or would preclude a majority vote, the Plan may be required, at the election of the Fund, to withdraw its investment in such Fund, and no charge or penalty will be imposed as a result of such withdrawal.

5. The responsibility to take remedial action in the event of a Board determination of an material irreconcilable conflict and to bear the cost of such remedial action shall be a contractual obligation of all Participants under the agreements governing their participation in the Funds and, in the case of Participating Insurance Companies, will be carried out with a view only to the interest of contractowners and, in the case of

Qualified Plans, will be carried out with a view only to the interests of plan participants. A majority of the disinterested members of the Board shall determine whether any proposed action adequately remedies any material irreconcilable conflict, but, in no event will a Fund, GISC or GBGL be required to establish a new funding medium for any Variable Contract. Further, no Participating Insurance Company shall be required to establish a new funding medium for any Variable Contracts if an offer to do so has been declined by a vote of a majority of contractowners materially and adversely affected by the material irreconcilable conflict. Also, no Qualified Plan will be required to establish a new funding medium for the Plan if: (a) a majority of the plan participants materially and adversely affected by the material irreconcilable conflict vote to decline such offer, or (b) pursuant to documents governing the Qualified Plan, the Plan makes each decision without a plan participant vote.

6. A Board's determination of the existence of an irreconcilable material conflict and its implications will be made known promptly and in writing to all Participants.

7. Participating Insurance Companies will provide pass-through voting privileges to all contractowners to the extent that the Commission continues to interpret the 1940 Act as requiring pass-through voting privileges for contractowners. Accordingly, the Participating Insurance Companies will vote shares of a Fund held in their separate accounts in a manner consistent with voting instructions timely received from contractowners. Each Participating Insurance Company will vote shares of a Fund held in its separate accounts for which no voting instructions from contractowners are timely received, as well as shares of that Fund which the Participating Insurance Company itself owns, in the same proportion as those shares of the Fund for which voting instructions from contractowners are timely received. Participating Insurance Companies will be responsible for assuring that each of their separate accounts participating in a Fund calculates voting privileges in a manner consistent with other Participating Insurance Companies. The obligation to calculate voting privileges in a manner consistent with all other separate accounts will be a contractual obligation of all Participating Insurance Companies under the agreements governing their participation in the Funds. Each Participating Plan will vote as required by applicable Plan documents.

8. All reports received by a Board of potential or existing conflicts, and all Board action with regard to: (a) determining the existence of a conflict; (b) notifying Participants of the existence of a conflict; and (c) determining whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the appropriate Board or other appropriate records. Such minutes or other records shall be made available to the Commission upon request.

9. Each Fund will notify all Participating Insurance Companies that separate account prospectus disclosure regarding potential risks of mixed and shared funding may be appropriate. Further, each Fund will disclose in its prospectus that (a) shares of the Fund may be offered to insurance company separate accounts funding both variable annuity and variable life insurance contracts, and to Qualified Plans; (b) due to differences of tax treatment and other considerations, the interest of various contractowners participating in such Fund and the interest of Qualified Plans investing in the Fund may conflict; and (c) the Board will monitor the Fund for any material conflicts and determine what action, if any, should be taken.

10. Each Fund will comply with all provisions of the 1940 Act requiring voting by shareholders (which, for these purposes, shall be the persons having a voting interest in the shares of a Fund), and, in particular, each Fund will either provide for annual meetings (except to the extent that the Commission may interpret Section 16 of the 1940 Act not to require such meetings) or comply with Section 16(c) of the 1940 Act, (although the Fund is not within the type of trusts described in Section 16(c) of the 1940 Act), as well as with Section 16(a), and, if applicable, Section 16(b) of the 1940 Act. Further, each Fund will act in accordance with the Commission's interpretation of the requirements of Section 16(a) with respect to periodic elections of directors and with whatever rules the Commission may promulgate with respect thereto.

11. If and to the extent that Rules 6e–2 and 6e–3(T) under the 1940 Act are amended (or if Rule 6e–3 is adopted) to provide exemptive relief from any provision of the 1940 Act or the rules thereunder with respect to mixed and shared funding on terms and conditions materially different from any exemptions granted in the order requested by Applicants, then the Funds and/or the Participants, as appropriate, shall take such steps as may be necessary to comply with Rules 6e–2 and 6e–3(T), as amended, and Rule 6e–3, as adopted, to the extent such rules are applicable.

12. No less frequently than annually, the Participants shall submit to the relevant Board such reports, materials, or data as that Board may reasonably request so that the Board may fully carry out the obligations contained in these express conditions. Such reports, materials, and data shall be submitted more frequently if deemed appropriate by a Board. The obligations of the Participants to provide these reports, materials, and data to a Board shall be a contractual obligation under the agreements governing their participation in the Fund.

13. A Fund will not accept a purchase order from a Qualified Plan if such purchase would make the Plan an owner of 10% or more of the assets of such Fund unless the Plan executes a fund participation agreement with the relevant Fund including the conditions set forth above to the extent applicable. A Plan will execute an application containing an acknowledgment of this condition at the time of its initial purchase of Fund shares.

Conclusion

For the reasons and upon the facts summarized above, Applicants assert that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (P.T. Riau Andalan Pulp & Paper, 11½% Guaranteed Secured Notes due 2000; 13¼% Guaranteed Secured Notes Due 2005) File No. 1–88604

March 23, 1998.

P.T. Riau Andalan Pulp & Paper (''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 securities