action. The State official had no comments.

Finding of No Significant Impact

Based upon the environmental assessment, the Commission concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission has determined not to prepare an environmental impact statement for the proposed action.

For further details with respect to the proposed action, see the licensee's letter dated August 17, 1995, which is available for public inspection at the Commission's Public Document Room, The Gelman Building, 2120 L Street, NW., Washington, DC, and at the local public document room located at the Maud Preston Palenske Memorial Library, 500 Market Street, St. Joseph, Michigan 49085.

Dated at Rockville, Maryland, this 1st day of December 1995.

For the Nuclear Regulatory Commission.

John B. Hickman,

Project Manager, Project Directorate III–1, Division of Reactor Projects—III/IV, Office of Nuclear Reactor Regulation.

[FR Doc. 95–30456 Filed 12–13–95; 8:45 am]

BILLING CODE 7590–01–P

SECURITIES AND EXCHANGE COMMISSION

Issuer Delisting; Notice of Application To Withdraw From Listing and Registration; (American Eco Corporation, Common Stock, No Par Value) File No. 1–10621

December 8, 1995.

American Eco Corporation (''Company'') has filed an application with the Securities and Exchange Commission (''Commission''), pursuant to Section 12(d) of the Securities Exchange Act of 1934 (''Act'') and Rule 12d2–2(d) promulgated thereunder, to withdraw the above specified security (''Security'') from listing and registration on the American Stock Exchange, Inc. (''Amex'').

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

According to the Company, its Board of Directors approved resolutions on September 14, 1995 to withdraw the Security from listing on the Amex and instead, to list the Security on the National Association of Securities Dealers Automated Quotations National Market System (''Nasdaq/NMS''). The NASD approved the Company's application for initial inclusion on the Nasdaq/NMS on November 3, 1995.

The decision of the Board followed a thorough study of the matter and was based upon the belief that listing the Security on the Nasdaq/NMS will be more beneficial to the Company's shareholders than the present listing on the Amex for the following reasons:

(a) The Company believes that the Nasdaq/NMS system of competing market makers will result in increased visibility and sponsorship for the Security than is presently available on the Amex;

(b) The Company believes that the Nasdaq/NMS system will offer the Company's shareholders more liquidity than is presently available on the Amex and less volatility in quoted prices for share when trading volume is slight;

(c) The Company believes that the Nasdaq/NMS system will offer an opportunity for the Company to secure its own group of market makers and to expand the capital base available for trading in the Security; and

(d) The Company believes that the firms making a market in the Security on the Nasdaq/NMS system will also be inclined to issue research reports concerning the Company, thereby increasing the number of firms providing institutional research and advisory reports.

Any interested person may, on or before January 2, 1996 submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the exchanges and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 95–30421 Filed 12–13–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21587; No. 812–9156]

Safeco Life Insurance Company, et al.

December 7, 1995.

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

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 (''1940 Act'').

APPLICANTS: Safeco Life Insurance Company (''SAFECO'') and Separate Account SL (''Separate Account'').

RELEVANT 1940 ACT SECTION: Order requested under Section 26(b) of the 1940 Act.[1]

SUMMARY OF APPLICATION: Applicants seek an order authorizing the substitution of shares of certain portfolios of the Variable Insurance Products Fund and the Variable Insurance Products Fund II (''VIP Trusts'') for shares of certain portfolios of The Hudson River Trust (''Hudson Trust'') currently held by the Separate Account.

FILING DATE: The application was filed on August 10, 1994, and amended on September 6, 1995.

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 December 27, 1995, 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 issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549. Applicants, c/o Leslie Harrison, Counsel, SAFECO Life Insurance Company, P.O. Box 34690, Seattle, Washington 98124–1690.

FOR FURTHER INFORMATION CONTACT: Yvonne M. Hunold, Assistant Special Counsel, or Brenda Sneed, Assistant Director, Division of Investment Management (Office of Insurance Products), 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.

Applicants' Representations

1. SAFECO is a stock life insurance company licensed to sell insurance and

[1] Applicants represent that they will amend the application during the notice period to make this representation.

annuities in the District of Columbia and all states except New York. SAFECO is a wholly-owned subsidiary of SAFECO Corporation, a holding company.

2. *Separate Account.* The Separate Account was established by SAFECO and registered under the 1940 Act as a unit investment trust for the purpose of funding certain flexible premium variable life insurance contracts (''Contracts''). The Contracts have been registered under the Securities Act of 1933.[2] The Separate Account currently has fourteen Investment Divisions (''Investment Divisions''), each investing exclusively in the shares of a corresponding portfolio of the Hudson Trust or the VIP Trusts.

3. *The Hudson Trust.* The Hudson Trust is registered under the 1940 Act as an open-end management investment company. The Hudson Trust currently issues twelve series of shares of beneficial interest, each representing a separate investment portfolio. Each Hudson Trust portfolio is a separate open-end diversified management investment company. Shares of six of the twelve Hudson Trust portfolios [3] currently are held by the Separate Account. Alliance Capital Management L.P. (''Alliance'') is the manager and investment adviser to the Hudson Trust portfolios. Alliance is an investment adviser registered under the Investment Advisers Act of 1940. Alliance, a publicly-traded Delaware limited partnership, is indirectly owned by Equitable Life Assurance Society of the United States (''Equitable''). Equico Securities, Inc. (''Equico''), a wholly-owned subsidiary of Equitable, is the principal underwriter of the Hudson Trust.

4. *The VIP Trusts.* The VIP Trusts are registered under the 1940 Act as open-end management investment companies. The VIP Trusts currently are issuing ten series of shares of beneficial interest, each representing a separate investment portfolio (''VIP Trust Portfolios''). Each VIP Portfolio is an open-end, diversified management investment company. Fidelity Management & Research Company (''FMR''), the manager of the VIP Trusts, is an investment adviser registered under the Investment Advisers Act of 1940. FMR is indirectly owned by FMR Corporation, a holding company for the Fidelity companies.

5. *The Contracts.* The Contracts provide for minimum initial premium payments and additional subsequent payments. Net premium payments are allocated to the Investment Divisions and to the Guaranteed Interest Division, a part of SAFECO's General Account. Twelve transfers of Contract account value are permitted in a Contract year, without charge; thereafter, a maximum charge of $25 may be imposed for each additional transfer. The current transfer fee of $25 will be allocated equally among the Investment Divisions from which the requested amounts were transferred.

a. *Sales Loads.* The Contracts provide for the deduction of: (1) a 3% sales charge from each premium payment, and (2) a deferred sales charge (''Surrender Charge'') from Contract account value if the Contract is partially or fully surrendered in the first ten Contract years. The Surrender Charge is equal to the lesser of: (1) a percentage of the maximum premium for the Contract as follows:

Contract year	Percentage of maximum premium
1 through 6	47.0
7	37.0
8	29.2
9	18.8
10	9.4

or (2) an amount equal to (A) minus (B) where (A) is 27% of the premium payments received during the first Contract year up to the maximum premium for the Contract, plus 6% of all other premium payments received to the time of surrender, and (B) is the amount of any pro rata Surrender Charge previously made under the Contract. A request for a decrease in face amount of insurance is considered to be a partial surrender subject during the first ten contract years to the pro rata deduction of the Surrender Charge from contract account value. An increase in face amount followed by a decrease in face amount will be subject to the deduction of a Surrender Charge only on the amount of decrease below the original face amount of insurance.

b. *Right of Substitution.* Under the Contracts, SAFECO has reserved the right to substitute shares of another mutual or portfolio within the Hudson Trust or the VIP Trusts if share of the Hudson Trust or the VIP Trusts (or any portfolio thereof) become unavailable for investment by the Separate Account, or if in SAFECO's judgment further investment in such shares becomes inappropriate in view of the purposes of the Contracts, subject to applicable state and federal securities laws.

c. *Administration.* SAFECO has primary responsibility for all administration of the Contracts and the Separate Account. Currently, Financial Administrative Services, Inc. (''FAS'') (formerly, Fleet Administrative Services, Inc.) has been retained by SAFECO to provide administrative services to SAFECO and its contract owners. FAS is indirectly owned by Phoenix Home Life Mutual Insurance Company (''Phoenix Home Life'').[4] Prior to September, 1994, SAFECO had retained Integrity Life Insurance Company (''Integrity''),[5] the principal underwriter for the Hudson Trust, to provide such administrative services, including use of the Hudson Trust as the underlying funding vehicle for the Contracts.[6] On September 30, 1991, the Distribution Agreement between the Hudson Trust and Integrity was terminated.[7] Accordingly, investment in Hudson Trust Portfolios has been restricted to Contracts sold prior to September 30, 1991 (''Pre-September 30 Contracts''). The Hudson Trust no longer is available as an investment option under Contracts sold after September 30, 1991 (''Post-September 30 Contracts''). Consequently, the VIP Trusts were selected as investment alternatives for the variable life programs administered by Integrity.

6. *Proposed Transactions.* Applicants now propose to substitute shares of five VIP Trusts Portfolios for shares of six Hudson Trust Portfolios (''Substitution''). The Portfolios and their investment objectives as stated in their respective prospectuses are as follows:

a. *Shares of the VIP Trusts Money Market Portfolio will be substituted for shares of the Hudson Trust Money Market Portfolio.* The VIP Trusts Money Market Portfolio's investment objective is to seek as high a level of current income as is consistent with preserving

[2] Applicants incorporate by reference the registration statement for the Contracts (File No. 33–10248).

[3] The Hudson Trust Portfolios in which the Separate Account invests include: the Common Stock, Money Market, Balanced, Aggressive Stock, High Yield, and Global Portfolios.

[4] On December 31, 1993, FAS was acquired from Fleet Financial Group by P.M. Holdings, Inc., a holding company owned by Phoenix Home Life.

[5] On November 26, 1993, Integrity was acquired by ARM Financial Group, Inc., a financial services holding company, from The National Mutual Life Association of Australasia, Ltd. (''Australasia''), an Australian life insurance company. Prior to its acquisition in 1988 by Australasia, Integrity had been a wholly-owned subsidiary of Equitable.

[6] At that time, the Hudson Trust was managed by a SAFECO affiliate, which SAFECO believed would assure good service between the administrator and the fund manager.

[7] Under its terms, the Distribution Agreement would continue in effect until September 30, 1991, and thereafter only if reapproved by a majority of independent Trustees of the Hudson Trust. The Trustees did not continue the Distribution Agreement after September 30, 1991.

capital and providing liquidity by investing only in high quality U.S. dollar denominated money market securities of domestic and foreign issuers. The Hudson Trust Money Market Portfolio's investment objective is to obtain a high level of current income, preserve its assets and maintain liquidity by investing primarily in high quality U.S. dollar denominated money market instruments.

b. *Shares of the VIP Trusts Growth Portfolio will be substituted for shares of: (1) The Hudson Trust Common Stock Portfolio; and (2) the Hudson Trust Aggressive Stock Portfolio.* The VIP Trusts Growth Portfolio's investment objective is to achieve capital appreciation by investing in common stocks, as well as bonds, preferred stocks, and high-yielding, lower-rated debt securities and foreign securities. The Hudson Trust Common Stock Portfolio's investment objective is to achieve long-term growth of its capital and increased income by investing primarily in common stocks and other equity-type instruments. The Hudson Trust Aggressive Stock Portfolio's investment objective is to achieve long-term growth of capital by investing primarily in common stocks and other equity-type securities issued by quality small and intermediate sized companies with strong growth prospects and in covered options on those securities.

c. *Shares of the VIP Trusts Asset Manager Portfolio will be substituted for shares of the Hudson Trust Balanced Portfolio.* The VIP Trusts Asset Manager Portfolio's investment objective is to seek high total return with reduced risk over the long-term by allocating its assets among domestic and foreign stocks, bonds and short-term, fixed-income instruments. The Hudson Trust Balanced Portfolio's investment objective is to achieve a high return through both appreciation of capital and current income by investing in a diversified portfolio of publicly traded equity and debt securities and short-term money market instruments.

d. *Shares of the VIP Trusts High Yield Portfolio will be substituted for shares of the Hudson Trust High Yield Portfolio.* The VIP Trusts High Yield Portfolio's investment objective is to seek a high level of current income by investing primarily in high-yielding, lower-rated, fixed income securities, while also considering growth of capital. The Hudson Trust High Yield Portfolio's investment objective is to achieve high return by maximizing current income and, to the extent consistent with that objective, capital appreciation by investing primarily in a diversified mix of high yield, fixed income securities involving greater volatility of price and risk of principal and income than high quality fixed income securities. The medium and lower quality debt securities in which the High Yield Portfolio may invest are known as "junk bonds."

e. *Shares of the VIP Trusts Overseas Portfolio will be substituted for shares of the Hudson Trust Global Portfolio.* The VIP Trusts Overseas Portfolio's investment objective is to seek long-term growth of capital primarily through investments in foreign securities. The Hudson Trust Global Portfolio's investment objective is to achieve long-term growth of capital by investing primarily in equity securities of non-United States companies as well as United States issuers.

Applicants assert that the investment objectives and policies of each of the VIP Trusts Portfolios which are to be substituted and the Hudson Trust Portfolios to be substituted are similar, except for the Hudson Trust Aggressive Stock Portfolio and the VIP Trusts Growth Portfolio. Applicants represent that the VIP Trusts Growth Portfolio's investments are all permissible investments of the Hudson Trust Aggressive Stock Portfolio. However, the Aggressive Stock Portfolio permits certain additional investments [8] that are not allowed under the investment policy of the Growth Portfolio. Nevertheless, Applicants submit that Contract owners are seeking long-term growth when they invest in either the Growth Portfolio or the Aggressive Stock Portfolio, that this goal can be achieved by investment in either Portfolio, and that the differences between investment policies are non-material to achievement of these investment goals.

7. *Additional Investments Options.* In addition to the five VIP Trusts Portfolios which are to be substituted for the six Hudson Trust Portfolios, Contract owners will be able to invest in the five additional VIP Trusts Portfolios:

a. *Investment Grade Bond Portfolio,* which seeks high current income by investing primarily in fixed-income obligations of all types by investing at least 65% of its total assets in investment-grade, fixed income securities, such as bonds, notes and debentures.

b. *Asset Manager Growth Portfolio,* which seeks to maximize total return over the long term by allocating its assets among three classes, or types of investments: (1) stock class, consisting of equity securities of all types; (2) bond class, including all varieties of fixed-income instruments with maturities of more than three years; (3) short-term class, including all types of short-term instruments with remaining maturities of three years of less. Applicants state that the difference between this Portfolio and the VIP Trusts Asset Manager Portfolio is the percentage allocation to these three classes of investment.

c. *Equity Income Portfolio,* which seeks reasonable income by investing primarily in income producing equity securities. The Portfolio normally invests at least 65% of its total assets in these securities.

d. *Index 500 Portfolio,* which seeks to match the total return of the S&P 500 while keeping expenses low. The Portfolio normally invests at least 80% (65% if Portfolio assets are below $20 million) of its assets in equity securities of companies that comprise the S&P 500.

e. *Contrafund Portfolio,* which seeks capital appreciation by investing in companies that are believed to be undervalued due to an overly pessimistic appraisal by the public.

8. *Advisory Fees—Hudson Trust Portfolios.* Advisory fees are payable by the Hudson Trust Portfolios at the following annual percentages of values of each Portfolio's average daily net assets:

Portfolio	Daily average net assets		
	First $350 million (percent)	Next $400 million (percent)	Over $750 million (percent)
a. Money market b. Balanced	.400	.375	.350
c. Common Stock d. Aggressive Stock	.500	.475	.450
e. High Yield f. Global	.550	.525	.500

9. *Management Fees—VIP Trust Portfolios.* The management fee for each VIP Trusts Portfolio (excluding the Money Market Portfolio) is calculated by adding a group fee rate to an individual fund fee rate, and multiplying the result by each Portfolio's average net assets. The group fee rate is based on the average net assets of all the mutual funds advised by FMR and can not exceed certain maximum rates. The Management fee for the Money market Portfolio is calculated by multiplying the sum of

[8] The Aggressive Stock Portfolio may invest in foreign securities, write covered call options, purchase call and put options on individual equity securities, security indexes and foreign currencies, and purchase and sell stock index and foreign currency future investments and options thereon.

three components (group fee rate, which drops as total assets under management increase, individual fee rate and an income component)[9] by the fund's average net assets.

Portfolio	Maximum group fee rate (percent)	For 12/31/94 group fee rate (percent)	Individual fee rate (percent)
Money Market	0.37	0.1563	0.03
Growth[10]	0.52	0.3191	0.30
Asset Manger[11]	0.52	0.3191	0.40
High Income	0.37	0.1563	0.45
Overseas	0.52	0.3191	0.45

[10] FMR has directed certain portfolio trades of the Growth Portfolio to brokers who paid a portion of the Portfolio's expenses. For the period ending December 31, 1994, the Portfolio's expenses were reduced by $204,452.

[11] FMR directed certain portfolio trades to brokers who paid a portion of the Asset Manager Portfolio's expenses. For the period ended December 31, 1994, the expenses of the Asset Manager Portfolio were reduced by $131,585 under this arrangement.

10. *Sub-Advisory Agreements—VIP Trusts Portfolios.* FMR, the manager of the VIP Trusts, has entered into various sub-advisory agreements for research, investment advice and portfolio management services. FMR has entered into sub-advisory agreements with Fidelity Management & Research (UK), Inc. (''FMR UK'') and Fidelity Management & Research (Far East), Inc. (''FMR Far East'') on behalf of the VIP Trusts High Income and Asset Manager Portfolios. FMR also has entered into sub-advisory agreements with FMR U.K., FMR Far East and Fidelity International Investment Advisers (''FIIA'') on behalf of the VIP Trusts Overseas Portfolio; FIIA, in turn, has entered into a sub-advisory agreement with its wholly-owned subsidiary Fidelity International Investment Advisors (U.K.) Limited (''FIIAL UK''). FMR has entered into a sub-advisory agreement with FMR Texas, Inc. (''FMR Texas'') on behalf of the VIP Trusts Money Market Portfolio. Under these sub-advisory agreements, FMR pays the fees of FMR UK, FMR Far East, FMR Texas and FIIA. FIIA, in turn, pays the fees of FIIAL UK.

a. For providing investment advice and research services, the sub-advisors are compensated as follows: (1) FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of their costs; (2) FMR pays FIIA 30% of its monthly management fee with respect to the average market value of investments held by the fund for which FIIA has provided FMR with investment advice; and (3) FIIA pays FIIAL UK a fee equal to 100% of its costs.

b. For providing investment management services, the sub-advisors are compensated as follows: (1) FMR pays FMR UK, FMR Far East and FIIA 50% of FMR's monthly management fee with respect to the fund's average net assets managed by the sub-advisor on a discretionary basis; (2) FIIA pays FIIAL UK 100% of its costs; and (3) FMR pays FMR Texas a fee equal to 50% of the management fee payable to FMR under its management contract with the Money Market Portfolio.

11. The following table indicates the amount of assets that were invested in Hudson River Trust Portfolios at the year ended December 31:

	As of 12/31/94	As of 12/31/93	As of 12/31/92	As of 12/31/91	As of 12/31/90
Total Contracts	2,785	1,655	765	357	237
Invested in Hudson Trust	308				

Portfolio	Assets 12/31/94	Assets 12/31/93	Assets 12/31/92	Assets 12/31/91	Assets 12/31/90
Common Stock	$1,011,187	$1,114,766	$1,053,292	$992,549	$437,830
Money Market	376,959	427,557	69,058	145,332	34,025
Balanced	60,865	97,035	108,132	59,470	13,598
Aggressive	68,285	108,403	176,348	141,097	13,361
High Yield	21,162	293,199	275,997	11,819	10,003
Global	154,454	113,683	32,276	25,518	7,377

Proposed Transactions

1. Transactions to implement the proposed Substitution of shares of five VIP Trusts Portfolios for shares of six Hudson Trust Portfolios will take place both at the Separate Account level and at the underlying Fund level.

a. *Separate Account Level.* At the Separate Account level, the Substitution will result in a transfer of Contract account values from one Separate Account Division to another. On the day of the Substitution, SAFECO will determine the Contract account values held in the Investment Divisions which invest in the Hudson Trust Portfolios, redeem those units of interest, purchase units of the Investment Division which invests in the corresponding VIP Trusts Portfolio and credit those units to the Contract. Contract account value will be identical immediately before and after the Substitution. The number of units held in the Contract, however, may vary to reflect the difference in unit values of the various Investment Divisions. All unit values will be valued at the next computed value in a manner consistent with Rule 22c–1 under the 1940 Act.

b. *Fund Level.* On the day of the Substitution, all shares held by the Separate Account in the Hudson Trust will be redeemed and, contemporaneously, an amount equal to the cash proceeds of the redemption will be used to purchase shares of the corresponding VIP Trusts Portfolios.[12] All shares will be purchased and redeemed at prices based on the current net asset values per share next computed after receipt of the redemption request and in a manner consistent with Rule 22c–1 under the 1940 Act.

2. Applicants represent that Contract owners invested in the Hudson Trust have been sent a Supplement to the Hudson Trust Prospectus which

[9] The income component is 6% of gross income in excess of 5% yield and can not rise above 0.24% of the average net assets.

[12] SAFECO, on behalf of the Separate Account, will make a request for redemption of all Hudson Trust shares. Due to the time needed to process the redemption request, a delay in payment of the cash redemption proceeds is anticipated. Thus, SAFECO will advance an amount in cash equivalent to the redemption proceeds amount, which will be used to purchase VIP Trusts Portfolio shares. Contract account values which were held in Hudson Trust Portfolios will remain fully vested. Subsequently, the Hudson Trust will pay the cash redemption proceeds to SAFECO. No cash will be distributed to Contract owners unless, incidentally, a Contract owner requests a surrender.

explains the proposed Substitution, the anticipated change in SAFECO's administrative support system, and the right to elect to transfer Contract account value to the VIP Trusts. Applicants further represent that a notice has been sent to Contract owners informing them of the new administrator and the new administrative system. If the Commission issues an order regarding the proposed Substitution, a second notice, accompanied by a current prospectus for the VIP Trusts, will be sent to Contract owners informing them of the Commission's order and the proposed date of the Substitution. A third notice will be mailed to each affected Contract owner within five days after the Substitution has been effected confirming that the Substitution has been completed and reflecting the transfer of Contract account values from the Hudson Trust Investment Divisions to the VIP Trusts Investment Divisions. Affected Contract owners will have a period of 30-days after the date of the mailing of the third notice and confirmation of Substitution to exercise the right to make a one-time transfer of Contract account values to any other Division, including the Guaranteed Interest Division, without charge and without the transfer counting as one of the free transfers permitted in a Contract year.

3. All administrative or other transaction costs, except brokerage costs, will be borne by SAFECO. The proposed Substitution will not result in adverse tax consequences to Contract owners, the Separate Account or SAFECO. The Substitution will not result in a change in Contract provisions or alter SAFECO's contractual obligations under the Contracts.

Applicants' Legal Analysis

1. The Applicants request that the Commission issue an order under Section 26(b) of the 1940 Act to the extent necessary to permit the substitution of shares of the VIP Trusts Portfolios for the shares of the Hudson Trust Portfolios currently held by the Separate Account.[13] Thereafter, the VIP Trusts Portfolios will be eligible funding vehicles for the Contracts, including the Pre-September 30 Contracts.

2. Section 26(b) of the 1940 Act prohibits a depositor or trustee of a registered unit investment trust holding the securities of a single issuer from substituting another security for such security unless the Commission approves the substitution, finding that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

3. SAFECO represents that the Substitution is in the best interests of Contract owners. The Hudson Trust is the only permitted investment option for SAFECO's approximately 308 Pre-September 30 Contracts, which are expected to decrease in the ordinary course of events and, therefore, become more costly and less efficient to administer.[14]

4. Applicants represent that the Contract provides for both guaranteed rates of insurance and current rates of insurance. Under the Contract, the current rates of insurance cannot exceed the guaranteed rate and usually is less. Applicants represent that state insurance laws require SAFECO to establish current rates of insurance that reasonably anticipate future expenses. Accordingly, SAFECO periodically restates its rates of insurance to take into account all expenses incurred in its insurance business. To the extent that expenses reasonable can be reduced, all Contract owners will benefit to the extent to improve current insurance rates. Conversely, insurance rates may increase if expenses increase.

5. Applicants further represent that the additional support provided by the Manager of the VIP Trusts of life insurance companies and their separate accounts (''Participating Companies'') by way of fund information is helpful in the sales process and to existing Contract owners as they periodically review their investment decisions. Applicants submit that this support will benefit Contract owners by helping SAFECO enhance Contract size in this product line and keep costs down.

6. Applicants represent that the Hudson Trust no longer is available to new Participating Companies and to new Contract owners of existing Participating Companies, including SAFECO. As a result, the Hudson Trust is not an investment alternative for SAFECO's Contract owners. SAFECO submits that a substitution of the VIP Trust Portfolios for the corresponding Hudson Trust Portfolios would provide more investment opportunities for its Contract owners because the VIP Trusts continuously offer their shares to Participating Companies with an expanding asset base and distribution outlets.

7. Applicants represent that currently, six Hudson Trust Portfolios are available under the Contracts. Applicants further represent that ten VIP Trusts Portfolios are available under the non-Hudson Trust Contracts. The VIP Trusts are intended to fund variable life insurance and variable annuity contracts offered by Participating Companies. Currently, there are in excess of 40 Participating Companies that have elected to use the VIP Trusts as funding vehicles for their variable contracts. Applicants submit that this is a significant distribution outlet for VIP Trusts shares which will result in an expanding asset base for the VIP Trusts and a concomitant reduction in the per share management fees and other expenses and, thus, greater economies of scale.

8. Applicants represent that a comparison of the relative asset sizes of the Hudson Trust and the comparable VIP Trusts Portfolios for the year ended December 31, 1994, indicates that in all cases, except for the Hudson Trust Common Stock Portfolio (which commenced operations on June 16, 1975) compared with the VIP Trusts Growth Portfolio (which commenced operations on October 9, 1986), the corresponding VIP Trusts Portfolio has a larger asset base.

9. Applicants further represent that a comparison of expense ratios for the period ended December 31, 1994, shows that there has been a steady decline in expense ratios of all Portfolios. The VIP Trusts Portfolios have shown a greater decrease; however, on average, the Hudson Trust Portfolios have lower expense ratios.

10. Applicants assert that the performance of the VIP Trusts Portfolios is comparable to or better than the comparable Hudson Trust Portfolios. For example, a comparison of the five year average total return shows that the VIP Trusts Portfolios exceed the total return for the corresponding Hudson Trust Portfolios in four of the six Portfolios: (a) VIP Trusts Money Market Portfolio (5.09%) compared to Hudson Trust Money Market Portfolio (4.98%); (b) VIP Trusts Asset Manager Portfolio (10.71%) compared to Hudson Trust Balanced Portfolio (7.29%); (c) VIP Trusts Growth Portfolio (10.88%) compared to Hudson Trust Common Stock Portfolio (9.82%); and (d) VIP Trusts High Income Portfolio (14.01%) compared to Hudson Trust High Yield Portfolio (10.60%). With respect to the

[13] Applicants state that to the extent that any aspect of the Substitution may be deemed to require approval under Section 11 of the 1940 Act, they intend to rely on the exemptive provisions of Rule 11a–2 under the 1940 Act.

[14] Overhead expenses associated with maintaining investments in the Hudson Trust include costs for determining and maintaining the daily unit values, preparation and mailing to Contract owners of annual and semi-annual reports, proxy statements and other mailings, preparation of performance information, maintenance of bank accounts, reconciliations and other accounting and banking costs associated with the underlying fund.

other two Portfolios, the Hudson Trust Aggressive Stock Portfolio had an exceptional return of 86.87% in 1991, and in the other case the VIP Trusts Overseas Portfolio experienced a significant loss in 1992 (10.72%) when compared to the Hudson Trust Global Portfolio's return (0.50%). Applicants note further that, as of December 31, 1994, the Hudson Trust Contract owners only had $68,285 in the Hudson Trust Aggressive Stock Portfolio and $154,454 in the Hudson Trust Overseas Portfolio. Applicants submit that this demonstrates that performance is comparable or better in the VIP Trusts Portfolios as compared to the Hudson Trust.

11. Applicants state that the Substitution would permit a Contract owner to remain in the VIP Trusts Portfolios or transfer Contract account values to any other available Investment Division or to the Guaranteed Interest Division without cost and without such transfer counting as a transfer for purposes of assessing a transfer fee. Applicants represent that the notice of Substitution provided to Contract owners will inform them of their rights. Accordingly, Applicants submit that the terms of the proposed Substitution are consistent with the purpose underlying Section 26(b) of preventing investors from being forced to forfeit a sales load already deducted or perhaps to incur additional sales loads upon redemption and purchase of another investment company security.

12. Applicants represent that the Substitution will not alter or affect the Contract. All the terms and conditions of the Contract are the same after the Substitution as before, including surrender and transfer rights. Applicants also represent that after the Substitution, insurance benefits to Contract owners and the contractual obligations of SAFECO are exactly the same as before the Substitution. Contract owners will continue to look to SAFEC with regard to their rights under the Contracts. Applicants further represent that no surrender, transfer or other charge will be imposed at the time of the Substitution or for the first transfer made during the 30 day period following mailing of the confirmation and notice.

13. Applicants note that the Commission has approved a number of substitutions where contract owners assets were reinvested in large funds or investment portfolios in order to mitigate the adverse impact of operating expenses on very small asset bases. Such substitutions have been permitted even where the investment objectives, policies and restrictions of the two portfolios involved were not nearly as similar as in this application, including permitting the substitution of money market portfolio shares for the shares of zero coupon bond, real estate securities and bond portfolios. Further, the Commission also has permitted a substitution which represented a negotiated settlement of a dispute between the parties.

14. Applicants submit that Section 26(b) was designed to forestall the ability of a depositor to present holders of interests in a unit investment trust with situations in which a holder's only choice would be to continue an investment in an unsuitable, unbargained for underlying security, or to elect a costly, and, in effect, forced redemption. Applicants submit that the proposed Substitution does not present this type of situation. Moreover, under the Contracts, each Contract owner now has the ability to make transfers among a range of underlying investments, and Contract owners will have an ever greater choice of investment options after the Substitution. Further, each Contract owner can make the proposed Substitution temporary, without cost or adverse tax consequences, by transferring the Contract account value to any other Investment Division.

Conditions

Applicants consent to the following terms of and conditions to the issuance of an order granting the requested exemptions:

1. All administrative or other costs of the transactions, except brokerage fees, relating to the Substitution will be borne by SAFECO. SAFECO will assume all expenses and transaction costs (including, among others, legal and accounting fees) relating to the Substitution in a manner that attributes all transaction costs to SAFECO.

2. SAFECO will mail a notice to the affected Contract owners which will include a supplement to the Contract prospectus and a prospectus for the VIP Trusts. The notice and the supplement will describe the proposed Substitution.

3. Upon effecting the Substitution, SAFECO will mail a notice and confirmation to each affected Contract owner informing the Contract owner that the Substitution has been completed and the Contract account value involved. Such confirmation and notice will be mailed to Contract owners within five (5) days after the Substitution.

4. SAFECO will provide that, during a period of 30 days after the date of the mailing of the notice and confirmation of Substitution to affected Contract owners (the Free Transfer Period), the affected Contract owners will have the right to make a one-time transfer of Contract account values (at the value next computed after SAFECO receives the request for transfer) to any other Investment Division and to the Guaranteed Interest Division without charge and without the transfer counting as one of the free transfers permitted in a Contract year. Applicants represent that this 30-day period is sufficient time for Contract owners to determine if they wish to be invested in another Investment Division or the Guaranteed Interest Division.

5. The Substitution will, in all cases, be at net asset value of the respective shares of the affected Portfolios. All transfers of Contract account values will be affected without the imposition of any transfer or other charge.

6. The Substitution in no way will alter the insurance benefits to the Contract owners or the contractual obligations of SAFECO.

7. The Substitution in no way will alter the tax benefits to Contract owners.

8. Contract owners may choose to withdraw amounts credited to them following the Substitution under conditions that currently exist under the Contracts, subject to any applicable deferred sales charge.

9. The Substitution is expected to confer certain economic benefits on Contract owners by virtue of the increase in investment options, a reduction in overall administrative costs thus helping to keep current cost of insurance rates from increasing, and because of increased support from the Manager of the VIP Trusts by way of consumer information.

Conclusion

Applicants submit that, for the reasons and upon the facts set forth above, the exemptive relief requested under Section 26(b) of the 1940 Act is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act, and satisfies the purposes underlying Section 26(b) 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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