portfolio securities to the extent necessary to meet redemptions. The Target Account, however, is a managed investment company issuing variable annuities and, as such, will continually accept new premiums which it must continue to invest; it is not a unit investment trust with a fixed number of units outstanding. The Adviser is obligated to follow the investment formula described in the application and summarized in this notice as nearly as practicable, and therefore, for new investments during a year the 10% ratio for the DJIA Target 10 Subaccount and any Portfolios thereunder and the 20% ratio for the DJIA Target 5 Subaccount and any Portfolios thereunder will be based on the ratios of the number of shares established at the beginning of each year rather than the value of the stocks. Securities for each Subaccount and any Portfolio thereunder will be chosen with respect to specified formulas for each Subaccount or Portfolio and not in the Adviser's discretion.

9. The Adviser is permitted to deviate from the respective formula for a Subaccount or Portfolio where circumstances are such that the investment of a particular Subaccount or Portfolio would fail to meet the 817(h) diversification requirements and would thus cause the annuity contracts to fail to qualify as an annuity contract under the Code. Applicants maintain that, in such a situation, the Adviser must be permitted to deviate from a Subaccount's or Portfolio's investment strategy, but only in order to meet the 817(h) diversification requirements and then only to the extent necessary to do so. Applicants state that this limited discretion does not raise the concerns that Section 12(d)(3) is designed to prevent.

10. Applicants represent that the liquidity of a Subaccount's portfolio is not a concern here since the shares of common stock selected are each included in the DJIA, listed on the New York Stock Exchange and are among the most actively traded securities in the United States.

11. Applicants also represent that the effect of a Subaccount's purchase on the stock of parents of broker-dealers would be de minimis. The common stocks of securities related issuers represented in the DJIA are widely held and have active markets, and potential purchases by a Subaccount would represent an insignificant amount of the outstanding common stock and the trading volume of any of those issuers.

12. Applicants state that a potential conflict of interest could occur if broker-dealers are influenced to recommend certain investment company funds which invest in the stock of the broker-dealer or any of its affiliates. Because of the large market capitalization of the DJIA issuers and the small portion of these issuers' common stock and trading volume that would be purchased by a Subaccount, however, Applicants find that it is extremely unlikely that any advice offered by a broker-dealer to a customer as to which investment company to invest in would be influenced by the possibility that the Target Account would be invested in the broker-dealer or parent thereof.

13. Finally, Applicants state that another potential conflict of interest could occur if an investment company directed brokerage to an affiliated broker-dealer in which the company has invested to enhance the broker-dealer's profitability or to assist it during financial difficulty, even though that broker-dealer may not offer the best price and execution. To preclude this type of conflict, Applicants and each Subaccount agree, as a condition of the application, that no company held in a Subaccount portfolio, nor any affiliate of such company, will act as broker for any Subaccount in the purchase or sale of any security for its portfolio.

14. Applicants seek relief not only with respect to the Target Account and the Subaccounts described in the application, but also with respect to other separate accounts of PFL or its affiliated insurance companies hereinafter created that support materially similar subaccounts (''Future Accounts''). Applicants represent that the terms of relief requested with respect to Future Accounts are consistent with the standards set forth in Section 6(c) of the 1940 Act.

Applicants' Conditions

The Applicants agree to the following conditions:

1. The Common Shares are included in the DJIA as of the applicable specified Stock Selection Date;

2. The Common Shares represent one of the ten companies in the DJIA that have the highest dividend yield as of the applicable specified Stock Selection Date;

3. With respect to the DJIA Target 5 Subaccount, the Common Shares represent one of the five companies with the lowest dollar per share stock price of the ten companies in the DJIA that have the highest dividend yield as of the applicable specified Stock Selection Date;

4. With respect to the DJIA Target 10 Subaccount and any Portfolios thereunder, at the beginning of each year, the value of the Common Shares of each securities related issuer represents approximately 10% of the value of the DJIA Target 10 Subaccount's (or, if there is more than one Portfolio thereunder, of the applicable Portfolio's) total assets, but in no event more than 10.5% of the value of the DJIA Target 10 Subaccount's (or, if there is more than one Portfolio thereunder, of the applicable Portfolio's) total assets on the first business day after each Stock Selection Date;

5. With respect to the DJIA Target 5 Subaccount and any Portfolios thereunder, at the beginning of each year, the value of the Common Shares of each securities related issuer represents approximately 20% of the value of the DJIA Target 5 Subaccount's (or, of there is more than one Portfolio thereunder, of the applicable Portfolio's) total assets, but in no event more than 20.5% of the value of the DJIA Target 5 Subaccount's (or, if there is more than one Portfolio thereunder, of the applicable Portfolio's) total assets on the first business day after each Stock Selection Date; and

6. No company whose stock is held in any Subaccount or Portfolio, nor any affiliate thereof, will act as broker for any Subaccount or Portfolio in the purchase or sale of any security for the Subaccount or Portfolio.

Conclusion

For the reasons 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

[Release No. 35—26882]

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

June 5, 1998.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for

complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by June 29, 1998, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After June 29, 1998, the application(s) and /or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

PP&L Resources, Inc. (70–9165)

PP&L Resources, Inc. (''Resources''), Two North Ninth Street, Allentown, Pennsylvania 18101, a holding company exempt by order under section 3(a)(1) of the Act, has filed an application under sections 9(a)(2) and 10 of the Act for an order authorizing it to acquire all of the issued and outstanding common stock of Penn Fuel Gas, Inc. (''PFG''), a holding company exempt by order under section 3(a)(1) of the Act (''Transaction''). Resources also requests an order under section 3(a)(1) exempting it and all of its subsidiary companies from all provisions of the Act, except section 9(a)(2), after the Transaction is completed.

Resources is the parent holding company of PP&L, Inc. (''PP&L''). PP&L provides electric service to approximately 1.2 million customers in its retail service territory in Pennsylvania at retail rates. Additionally, PP&L sells electricity at retail throughout Pennsylvania under the state's retail access pilot programs. Finally, PP&L markets wholesale electric power throughout the eastern United States. PP&L operates its generation and transmission facilities as part of the Pennsylvania-New Jersey-Maryland Interconnection Association. PP&L is subject to regulation by the Pennsylvania Public Utility Commission (''PaPUC'') with respect to retail electric rates and other matters.

PP&L also is a holding company exempt from regulation under the Act under section 3(a)(2). PP&L owns 33.3% of the capital stock and 50% of the voting stock of Safe Harbor Water Power Corporation (''Safe Harbor''), which owns and operates a hydroelectric plant on the Susquehanna River in south central Pennsylvania. The entire output of the plant is sold to PP&L and Baltimore Gas & Electric, which owns the balance of the Safe Harbor capital and voting stock.

Resources has several nonutility subsidiaries. One subsidiary, PP&L Global invests in electric generation, transmission and distribution facilities both overseas and domestically.[1] Another subsidiary, PP&L Spectrum, Inc., provides energy-related products and services both inside and outside of PP&L's service territory. A third subsidiary, Interstate Energy Company, operates oil and gas pipeline facilities that supply fuel to a PP&L generating station. Two subsidiaries, Realty Company of Pennsylvania and BDW Corporation, own real estate and other interests related to the operation of PP&L's generating stations. One subsidiary, PP&L Capital Funding, Inc., engages in debt financing activities on behalf of Resources. Another subsidiary, CEPT Group, Inc., holds passive investments in securities for investment purposes.

For the year ended December 31, 1997, Resource's operating revenues on a consolidated basis were approximately $3.049 billion, of which approximately $90 million was attributable to nonutility activities. Resources' consolidated assets at December 31, 1997 were approximately $10.0 billion, of which approximately $6.8 billion consisted of net electric plant and equipment.

PFG owns two utility subsidiaries, PFG Gas, Inc. (''PFG Gas'') and North Penn Gas Company (''NPG''). PFG Gas provides natural gas distribution service to approximately 35,000 customers in Pennsylvania and to approximately 200 customers in Maryland. NPG provides natural gas distribution service to approximately 34,500 customers in Pennsylvania. PFG Gas and NPG also each provide natural gas transportation and storage services in Pennsylvania.

PFG Gas and North Penn are each subject to regulation by the PaPUC with respect to rates and other matters. In addition, PFG Gas is subject to the jurisdiction of the Maryland Public Service Commission with respect to rates and other matters for its utility business conducted in that state.

[1] Each of the entities invested in by PP&L Global, Inc. is either an exempt wholesale generator or a foreign utility company under the Act.

For the year ended December 31, 1997, PFG's operating revenues on a consolidated basis were approximately $119 million, of which approximately $106 million were attributable to its gas utility operations. Consolidated assets PFG and its subsidiaries as of December 31, 1997, were approximately $150 million. PFG has no nonutility subsidiaries.

The Transaction will be governed by the terms of a June 26, 1997 Agreement and Plan of Merger (''Agreement'') by and among Resources, Keystone Merger Corp. (''Keystone''), a wholly owned subsidiary of Resources, and PFG. Keystone was organized solely for the purpose of the Transaction and is not engaged in any business operations. Under the terms of the Agreement, Keystone will be merged into PFG and PFG will survive as a wholly owned subsidiary of Resources. Each share of PFG common stock outstanding prior to the Transaction will be converted into the right to receive between 6.968 and 8.516 shares of Resources common stock, depending on the market price of Resources common stock at the time of closing. PFG common stock shareholders will become Resources common stock shareholders, and Resources will become the sole holder of all outstanding PFG common stock.

In addition to its common stock, PFG has issued $1.40 cumulative preferred stock (''PFG Preferred''). PFG has undertaken to redeem shares of the PFG Preferred in accordance with its terms. PFG Preferred shareholders will receive either the redemption price or the right to receive between 0.682 and 0.833 shares of Resources common stock, depending on the market price of Resources common stock at the time of closing.

Following the Transaction, Resources and each of its public utility subsidiaries will be organized in Pennsylvania. Resources contends that it will quality for a section 3(a)(1) exemption upon consummation of the Transaction. In addition, Resources states that, following the Transaction, PP&L will continue to meet the requirements for exemption under section 3(a)(2), and PFG will continue to meet the requirements for an exemption under section 3(a)(1).

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

Margaret H. McFarland,

Deputy Secretary.

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