

sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied.

3. Applicants state that they may not rely on rule 17a-8 because the Funds may be deemed to be affiliated for reasons other than those set forth in the rule. U.S. Bancorp Affiliates hold a record 5% or more of the outstanding shares of each of the Funds, and hold or share voting power and/or investment discretion with respect to a portion of these shares, or have a funding obligation to defined benefit plans which own 5% or more of the outstanding shares of the Acquired Fund.

4. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) of the Act to the extent necessary to permit applicants to complete the Reorganization. Applicants submit that the Reorganization satisfies the standards of section 17(b) of the Act. Applicants state that the Board has found that participation in the Reorganization Agreement is in the best interests of each Fund and its shareholders, and that the interests of the existing shareholders will not be diluted as a result of the Reorganization. In addition, applicants state that the exchange of Acquired Fund shares for Acquiring Fund shares will be based on net asset value.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24646; 812-10518]

### Seasons Series Trust, et al.; Notice of Application

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

**ACTION:** Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 ("Act") for an exemption from sections 12(d)(1)(A) and (B) of the Act and under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act.

**SUMMARY OF THE APPLICATION:** The order would permit certain registered unit investment trusts or open-end management investment companies to acquire shares of registered open-end management investment companies both within and outside the same group of investment companies.

**APPLICANTS:** Seasons Series Trust ("Seasons"), Variable Annuity Account Five ("Account"), Anchor National Life Insurance Company ("Anchor"), First SunAmerica Life Insurance Company ("SunAmerica," together with Anchor, the "Insurance Companies"), and SunAmerica Asset Management Corp. ("Adviser").

**FILING DATES:** The application was filed on February 4, 1997, and amended on September 12, 2000.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on October 16, 2000, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549-0609.

**APPLICANTS:** Seasons, Account, and Anchor, One SunAmerica Center, Los Angeles, CA 90067-6022; SunAmerica and Adviser, the SunAmerica Center, 733 Third Avenue, New York, NY 10017-3204.

**FOR FURTHER INFORMATION CONTACT:** Michael W. Mundt, Branch Chief, and

Nadya B. Roytblat, Assistant Director, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

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

### Applicants' Representations

1. The Account, a unit investment trust registered under the Act, is a separate account of Anchor consisting of sixteen subaccounts. Seasons, an open-end management investment company registered under the Act, serves as a funding medium for variable annuity contracts offered through the Account and currently consists of sixteen series. Applicants state that the Account and Seasons are part of the "same group of investment companies," as that term is defined in section 12(d)(1)(G) of the Act (the "SunAmerica Group"). The Adviser, an investment adviser registered under the Investment Advisers Act of 1940, serves as investment adviser to Seasons and is an indirect, wholly-owned subsidiary of Anchor. The Insurance Companies are indirect, wholly-owned subsidiaries of American International Group, Inc.

2. Applicants request relief to permit the Account to invest (a) in series of Seasons and other registered open-end management investment companies that are part of the SunAmerica Group ("Affiliated Funds"), and (b) in other registered open-end management investment companies that are not part of the SunAmerican Group ("Unaffiliated Funds," and together with the Affiliated Funds, the "Underlying Funds"). Applicants request that the relief also apply to (a) any future separate account that is registered under the Act as a unit investment trust (together with the Account, each a "Trust of Funds" ) and is established by the Insurance Companies or another insurance Company that is in control of, controlled by, or under common control with the Insurance Companies (each, a "Sponsor") and (b) any future separate account that is registered under the Act as an open-end management investment company and is established by the Insurance Companies or another insurance company that is in control of, controlled by, or under common control with the Insurance Companies, or any open-end management investment company registered under the Act that is not a separate account but is within

the SunAmerica Group (each a "Fund of Funds").<sup>1</sup> The Trusts of Funds and Funds of Funds are each an "Acquiring Company," and collectively, the "Acquiring Companies."

3. Applicants state that the requested relief will enable the Account to offer investors the potential for additional diversification among an expanded universe of mutual funds available as investment options under variable annuity contracts.

### Applicants' Legal Analysis

#### A. Section 12(d)(1)

1. Section 12(d)(1)(A) of the Act prohibits a registered investment company from acquiring shares of an investment company if the securities represent more than 3% of the total outstanding voting stock of the acquired company, more than 5% of the total assets of the acquiring company, or, together with the securities of any other investment companies, more than 10% of the total assets of the acquiring company. Section 12(d)(1)(B) of the Act prohibits a registered open-end investment company from selling its shares to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies generally.

2. Section 12(d)(1)(G) provides, in relevant part, that section 12(d)(1) will not apply to securities of a registered open-end investment company acquired by a registered open-end investment company or registered unit investment trust if the acquired company and the acquiring company are part of the same group of investment companies, provided that certain other requirements contained in section 12(d)(1)(G) are met. Applicants state that they may not rely on section 12(d)(1)(G) because an Acquiring Company will invest in Unaffiliated Funds in addition to Affiliated Funds.

3. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the Acquiring Company to acquire shares of an Underlying Fund and to permit an Underlying Fund to

sell shares to an Acquiring Company beyond the limits in sections 12(d)(1)(A) and (B).

4. Applicants state that the proposed arrangement will not give rise to the policy concerns underlying sections 12(d)(1)(A) and (B), which include concerns about undue influence by a fund or funds over underlying funds, excessive layering of fees, and overly complex fund structures. Accordingly, applicants believe that the requested exemption is consistent with the public interest and the protection of investors.

5. Applicants state that the proposed arrangement will not result in undue influence by an Acquiring Company or its affiliates under Underlying Funds. To limit the control that an Acquiring Company may have over an Unaffiliated Fund, applicants propose a condition prohibiting the Sponsor or Adviser, the Acquiring Company, and certain affiliates (individually or in the aggregate) from controlling an Unaffiliated Fund within the meaning of section 2(a)(9) of the Act. To limit further the potential for undue influence over Unaffiliated Funds, applicants propose conditions 2 through 7, stated below to preclude an Acquiring Company and its affiliated entities from taking advantage of an Unaffiliated Fund with respect to transactions between the entities and to ensure that transactions will be on an arm's length basis.

6. As an additional assurance that an Unaffiliated Fund understands the implications of an investment by an Acquiring Company under the requested order, an Acquiring Company and Unaffiliated Fund will execute an agreement prior to the investment stating that the Unaffiliated Fund understands the terms and conditions of the order and agrees to fulfill its responsibilities under the order. Applicants note that an Unaffiliated Fund may choose to reject an investment from the Acquiring Company.

7. Applicants do not believe that the proposed arrangement will involve excessive layering of fees. With respect to any investment in an Underlying Fund by an Acquiring Company that is not a separate account, the aggregate sales charges, distribution-related fees and/or service fees of an Acquiring Company and the Underlying Fund will not exceed the limits set forth in rule 2830 of the Conduct Rules of the National Association of Securities Dealers ("NASD Conduct Rules").

Applicants represent that the fees and charges of an Acquiring Company that is a separate account and its Underlying Funds, in the aggregate, will be

reasonable in relation to the services rendered, expenses to be incurred, and risks assumed by the Sponsor.

8. In addition, applicants note that a Trust of Funds, as a unit investment trust, would not pay an advisory fee, and that a Fund of Funds would be subject to a condition under which the board of directors of the Fund of Funds, including a majority of the disinterested directors, would be required to determine that the advisory fees charged to the Fund of Funds are based on services that are in addition to the services provided under the advisory contract of any Underlying Fund. Pursuant to another condition to the order, the Adviser to a Fund of Funds or trustee or depositor of a Trust of Funds will waive or offset fees otherwise payable by the Acquiring Company to the Adviser or trustee or depositor in an amount at least equal to any compensation (including fees paid pursuant to a plan adopted by an Unaffiliated Fund under rule 12b-1 under the Act ("12b-1 Fees")) received by the Adviser or trustee or depositor, or an affiliated person of the Adviser or trustee or depositor, from an Unaffiliated Fund in connection with the investment by an Acquiring Company in the Unaffiliated Fund.

9. Applicants state that the proposed arrangement will not create an overly complex fund structure. Applicants note that an Underlying Fund will be prohibited from acquiring securities of any investment company in excess of the limits contained in section 12(d)(1)(A). Applicants also represent that an Acquiring Company's prospectus and sales literature will contain concise, "plain English" disclosure designed to inform investors of the unique characteristics of the Acquiring Company's structure, including, but not limited to, its expense structure and the additional expenses of investing in Underlying Funds.

#### B. Section 17(a)

1. Section 17(a) of the Act generally prohibits sales or purchases of securities between a registered investment company and any affiliated person of the company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote by the other person; and (c) any person directly or indirectly controlling,

<sup>1</sup> All investment companies that currently intend to rely on the requested order are named as applicants. Any other investment company that relies on the order in the future will comply with the terms and conditions of the application.

controlled by, or under common control with the other person.

2. Applicants state that a Fund of Funds and Affiliated Funds might be deemed to be under the common control of the Adviser. Applicants also state that an Acquiring Company and an Underlying Fund might become affiliated persons if the Acquiring Company acquires more than 5% of the Underlying Fund's outstanding voting securities. In light of these possible affiliation, section 17(a) could prevent an Underlying Fund from selling shares to and redeeming shares from an Acquiring Company.

3. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any person or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

4. Applicants submit that the proposed arrangement satisfies the standards for relief under sections 17(b) and 6(c) of the Act. Applicants state that the terms of the arrangement are fair and reasonable and do not involve overreaching. Applicants note that the consideration paid for the sale and redemption of shares of the Underlying Funds will be based on the net asset values of the Underlying Funds. Applicants state that the proposed arrangement will be consistent with the policies of each Acquiring Company and Underlying Fund and with the general purposes of the Act.

#### **Applicants' Conditions**

Applicants agree that the requested order will be subject to the following conditions:

1. (a) The Sponsor or Adviser, (b) any person controlling, controlled by, or under common control with the Sponsor or Adviser, and (c) any investment company and any issuer that would be an investment company but for section 3(c)(1) or section 3(c)(7) of the Act sponsored by the Sponsor or advised by the Adviser or by any person controlling, controlled by, or under

common control with the Sponsor or Adviser (collectively, the "Group") will not control (individually or in the aggregate) an Unaffiliated Fund within the meaning of section 2(a)(9) of the Act. If, as a result of a decrease in the outstanding voting securities of an Unaffiliated Fund, the Group, in the aggregate, becomes a holder of more than 25% of the outstanding voting securities of the Unaffiliated Fund, the Group (except for any member of the Group that is a separate account of the Insurance Companies registered under the Act ("Separate Account")) will vote its shares of the Unaffiliated Fund in the same proportion as the vote of all other holders of the Unaffiliated Fund's shares. A Separate Account will seek voting instructions from its contractholders and vote its shares in accordance with the instructions received and will vote those shares for which no instructions were received in the same proportion as the shares for which instructions were received.

2. An Acquiring Company and its Sponsor or Adviser, promoter, and principal underwriter, and any person controlling, controlled by, or under common control with any of those entities (each an "Acquiring Company Affiliate") will not cause any existing or potential investment by the Acquiring Company in shares of an Unaffiliated Fund to influence the terms of any services or transactions between the Acquiring Company or an Acquiring Company Affiliate and the Unaffiliated Fund or its investment adviser, promoter, and principal underwriter, and any person controlling, controlled by, or under common control with any of those entities (each an "Unaffiliated Fund Affiliate").

3. The board of directors of a Fund of Funds, including a majority of the disinterested directors, will adopt procedures reasonably designed to assure that the Adviser is conducting the investment program of the Fund of Funds without taking into account any consideration received by the Fund of Funds or an Acquiring Company Affiliate from an Unaffiliated Fund or an Unaffiliated Fund Affiliate in connection with any services or transactions.

4. Once an investment by an Acquiring Company in the securities of an Unaffiliated Fund exceeds the limits of section 12(d)(1)(A)(i) of the Act, the board of directors of the Unaffiliated Fund, including a majority of the disinterested directors, will determine that any consideration paid by the Unaffiliated Fund to an Acquiring Company or an Acquiring Company Affiliate in connection with any services

or transactions: (a) Is fair and reasonable in relation to the nature and quality of the services and benefits received by the Unaffiliated Fund; (b) is within the range of consideration that the Unaffiliated Fund would be required to pay to another unaffiliated entity in connection with the same services or transactions; and (c) does not involve overreaching on the part of any person concerned.

5. No Acquiring Company or Acquiring Company Affiliate will cause an Unaffiliated Fund to purchase a security from any underwriting or selling syndicate in which a principal underwriter is an officer, director, member of an advisory board, investment adviser, employee, or sponsor of the Acquiring Company, or a person of which any such officer, director, member of an advisory board, investment adviser, employee, or sponsor is an affiliated person (each an "Underwriting Affiliate"). An offering during the existence of an underwriting or selling syndicate of which a principal underwriter is an Underwriting Affiliate is considered an "Affiliated Underwriting."

6. The board of directors of an Unaffiliated Fund, including a majority of the disinterested directors, will adopt procedures reasonably designed to monitor any purchases by the Unaffiliated Fund of securities in Affiliated Underwritings once an investment by an Acquiring Company in the securities of the Unaffiliated Fund exceeds the limits of section 12(d)(1)(A)(i) of the Act, including any purchases made directly from an Underwriting Affiliate. The board of directors will review these purchases periodically, but no less frequently than annually, to determine whether the purchases were influenced by the investment by the Acquiring Company in shares of the Unaffiliated Fund. The board of directors should consider, among other things, (a) whether the purchases were consistent with the investment objectives and policies of the Unaffiliated Fund; (b) how the performance of securities purchased in an Affiliated Underwriting compares to the performance of comparable securities purchased during a comparable period of time in underwritings other than Affiliated Underwritings or to a benchmark such as a comparable market index; and (c) whether the amount of securities purchased by the Unaffiliated Fund in Affiliated Underwritings and the amount purchased directly from Underwriting Affiliates have changed significantly from prior years. The board of directors shall take any appropriate

actions based on its review, including, if appropriate, the institution of procedures designed to assure that purchases of securities from Affiliated Underwritings are in the best interests of shareholders.

7. The Unaffiliated Fund shall maintain and preserve permanently in an easily accessible place a written copy of the procedures described in the preceding condition, and any modifications, and shall maintain and preserve for a period not less than six years from the end of the fiscal year in which any purchase from an Affiliated Underwriting occurred, the first two years in an easily accessible place, a written record of each purchase made once an investment by an Acquiring Company in the securities of an Unaffiliated Fund exceeds the limits of section 12(d)(1)(A)(i) of the Act, setting forth from whom the securities were acquired, the identity of the underwriting syndicate's members, the terms of the purchase, and the information or materials upon which the board's determinations were made.

8. Prior to an investment in an Unaffiliated Fund in excess of the limit in section 12(d)(1)(A)(i), the Acquiring Company and the Unaffiliated Fund will execute an agreement stating, without limitation, that the Unaffiliated Fund understands the terms and conditions of the order and agrees to fulfill its responsibilities under the order. At the time of its investment in shares of an Unaffiliated Fund in excess of the limit in section 12(d)(1)(A)(i), an Acquiring Company will notify the Unaffiliated Fund of the investment. At such time, the Acquiring Company also will transmit to the Unaffiliated Fund a list of the names of each Acquiring Company Affiliate and Underwriting Affiliate. The Acquiring Company will notify the Unaffiliated Fund of any changes to the list as soon as reasonably practicable after a change occurs. The Unaffiliated Fund and the Acquiring Company will maintain and reserve a copy of the order, the agreement, and the list with any updated information for a period not less than 6 years from the end of the fiscal year in which any investment occurred, the first 2 years in an easily accessible place.

9. Prior to approving any advisory contract under section 15 of the Act, the board of directors of each Fund of Funds, including a majority of the disinterested directors, must find that the advisory fees charged under the contract are based on services that are in addition to, rather than duplicative of, services provided to Underlying Funds in which the Fund of Funds will invest. This finding and the basis upon

which the finding was made, will be recorded fully in the minute books of the Fund of Funds.

10. The Adviser to a Fund of Funds or trustee or depositor of a Trust of Funds will waive or offset fees otherwise payable by the Acquiring Company to the Adviser or trustee or depositor in an amount at least equal to any compensation (included 12b-1 Fees) received by the Adviser or trustee or depositor, or an affiliated person of the Adviser or trustee or depositor, from an Unaffiliated Fund in connection with the investment by an Acquiring Company in the Unaffiliated Fund.

11. With respect to any investment in an Underlying Fund by an Acquiring Company that is not a separate account, any sales charges, distribution-related fees, and/or services fees charged with respect to shares of an Acquiring Company, when aggregated with any sales charges, distribution-related fees, and/or service fees paid by the Acquiring Company with respect to its acquisition, holding, or disposition of shares of an Underlying Fund, will not exceed the limits set forth in rule 2830 of the NASD Conduct rules.

12. No Underlying Fund will acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

For the SEC, 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. 34-43250; File No. SR-CBOE-00-37]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Partial Accelerated Approval of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Reporting of Options Transactions

September 6, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 11, 2000, the Chicago Board Options Exchange, Inc. ("CBOE" or the "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule

change relating to the reporting of options transactions. The CBOE filed Amendment No. 1 to the proposed rule change on August 23, 2000.<sup>3</sup> On September 6, 2000, the CBOE filed Amendment No. 2 to the proposed rule change.<sup>4</sup> The proposed rule change, as amended, is described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant partial accelerated approval to that portion of the proposal that amends CBOE Rule 6.51.

### Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend CBOE Rule 6.51, "Reporting Duties," to require the reporting of options transactions within 90 seconds. In addition, the proposed rule change would amend CBOE Rule 17.50, which set forth the CBOE's minor rule violation find plan. The text of the proposed rule change, as amended, follows. New text is italicized and deleted text is bracketed.

#### Chicago Board Options Exchange, Incorporated Rules

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#### Chapter VI—Doing Business on the Exchange Floor

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#### Section C: Trading Practices and Procedures

Rule 6.51. Reporting Duties

(a) Designated member must report transaction. (i) A participant in each transaction to be designated by the Exchange [shall immediately] *must report or ensure* the transaction *is reported* to the Exchange within 90 seconds of the execution in a form and manner prescribed by the Exchange so that the trade information may be reported to

<sup>3</sup> See letter from Jaime Galvan, Attorney, Legal Division, CBOE to Deborah Flynn, Senior Special Counsel, Division of Market Regulation ("Division"), Commission, dated August 22, 2000 ("Amendment No. 1"). Amendment No. 1 moves certain proposed language from Interpretation and Policy .01 of CBOE Rule 6.51 to the body of CBOE Rule 6.51. The CBOE also requested accelerated approval of the portion of the proposal that amended CBOE Rule 6.51.

<sup>4</sup> See letter from Jaime Galvan, Attorney, Legal Division, CBOE to Deborah Flynn, Senior Special Counsel, Division, Commission, dated September 5, 2000 ("Amendment No. 2"). In Amendment No. 2, the CBOE confirmed that the failure to report an options transaction within 90 seconds of execution would be considered a violation of CBOE Rule 6.51. Amendment No. 2 also deletes footnote 5 to Exhibit 1, which defined the term "offense" for purposes of CBOE Rule 17.50(g)(4) as the first instance that a pattern or practice of late reporting or failure to report has been determined. In Amendment No. 2, the Exchange proposes to add a similar footnote to the text of CBOE Rule 17.50(g)(4).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.