

officers, and employees pursuant to an executive compensation plan would exceed 15% of the BDC's outstanding voting securities, then the total amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights at the time of issuance shall not exceed 20% of the outstanding voting securities of the BDC.

4. Applicant represents that the Plan, the stock options to be granted automatically to applicant's non-employee directors, and the stock options to be granted automatically to applicant's future non-employee directors pursuant to the Plan would meet the requirements of section 61(a): (a) the options would expire within ten years from the date of grant; (b) the exercise price of the options would be the current market value of applicant's common stock on the date of issuance; (c) the proposal to issue the options would be authorized by applicant's shareholders; (d) the options would not be transferable except for disposition by gift, will, or intestacy; (e) applicant does not have an investment adviser; and (f) applicant does not have a profit-sharing plan as described in section 57(n) of the Act. In addition, the total amount of voting securities that would result from the exercise of all outstanding warrants, options, and rights at the time of issuance would not exceed 20% of the outstanding voting securities of applicant.

5. Applicant represents that its directors are actively involved in the oversight of applicant's affairs, and that applicant relies on the judgment and experience of its directors. Applicant's directors have experience in many of the industries in which applicant's investee companies operate. The directors' backgrounds enhance applicant's ability to review and evaluate its investee companies and their performance. Applicant states that in order to attract and retain qualified personnel, it must provide non-employee directors with incentives in the form of an executive compensation program, as contemplated by section 61(a) of the Act.

6. Applicant submits that the terms of the Plan and the stock options to be granted automatically to applicant's non-employee directors are fair and reasonable and do not involve any overreaching of applicant or its shareholders. Options granted to purchase 6,000, 12,000, or 18,000 shares of applicant's common stock would currently represent only .07%, .13%, and .20%, respectively, of applicant's outstanding common stock. Given these relatively small amounts of stock,

applicant submits that the exercise of the options would not, absent extraordinary circumstances, have a substantial dilutive effect on the net asset value of applicant's common stock.

7. Applicant asserts that because the stock options granted to a non-employee director would not vest until after the first anniversary of the date of grant, the Plan would provide non-employee directors with incentives to remain directors of applicant. In addition, applicant contends that because the options granted pursuant to the Plan have no value unless the price of applicant's common stock exceeds the exercise price of the option, the options provide significant incentives for its non-employee directors to devote their best efforts to the success of applicant's business. Applicant also represents that the options provide a means for the directors to increase their ownership interests in applicant, thereby helping to ensure close identification of their interests with those of applicant and its shareholders. Applicant contends that incentives in the form of stock options enable it to maintain continuity in the membership of its board of directors and to attract and retain as directors the highly experienced, successful, and dedicated business and professional people that are critical to applicant's success as a BDC and to the success of its investee companies.

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

Margaret H. McFarland,

Deputy Secretary.

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[Rel. No. IC. 21592; File No. 812-9236]

Variable Insurance Funds, et al.

December 12, 1995.

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

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

APPLICANTS: Variable Insurance Funds (the "Trust"), The Winsbury Company ("Winsbury") and Qualivest Capital Management, Inc. ("Qualivest").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) for exemptions 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.

SUMMARY OF APPLICATION: Applicants seek an order to permit shares of each

existing and future series of the Trust and shares of any other investment company that is designed to fund insurance products and for which Winsbury, or any of its affiliates, may serve as principal underwriter and administrator (collectively with the Trust, "Funds") to be sold to and held by variable annuity and variable life separate accounts of both affiliated and unaffiliated life insurance companies.

FILING DATE: The application was filed on September 21, 1994 and amended on May 9, 1995.

HEARING AND NOTIFICATION OF HEARING:

An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on the 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 SEC by 5:30 p.m. on January 8, 1996, 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 writer's interest, the reason for the request, and the issues contested. Persons may request notification of the date of the hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants: The Trust and Winsbury, 1900 East Dublin-Granville Road, Columbus, Ohio 34229; Qualivest, 111 S.W. Fifth Avenue, Portland, Oregon 97204.

FOR FURTHER INFORMATION CONTACT:

Joyce Merrick Pickholz, Senior Counsel, or Wendy Finck Friedlander, Deputy Chief, on (202) 942-0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: Following is a summary of the application; the complete application is available for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. The Trust, an open-end management investment company organized as a Massachusetts business trust, currently consists of four series, each with its own investment objective and policies. Additional series may be established in the future.

2. Winsbury, a registered broker-dealer and member of the National Association of Securities Dealers, Inc., serves as the administrator and the principal underwriter of the Trust. Winsbury is a division of BISYS Group, Inc.