

result from combining the assets and operations of the two Funds.

10. Applicants request an order of the Commission pursuant to Section 26(c) of the Act approving the substitution and an order of exemption pursuant to section 17(b) of the Act in connection with aspects of the substitution that may be deemed to be prohibited by section 17(a), as described above. Section 26(c), in pertinent part, provides that the Commission shall issue an order approving a substitution of securities if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. For the reasons and upon the facts set forth above, Applicants believe that the requested order meets the standards set forth in section 26(c) and should, therefore, be granted. Section 17(b) of the Act provides that the Commission may grant an order exempting transactions prohibited by section 17(a) of the Act upon application subject to certain conditions. Applicants represent that the proposed In-Kind Transaction meets all of the requirements of section 17(b) of the Act and that an exemption should be granted, to the extent necessary, from the provisions of section 17(a).

Conclusion

Section 6(c) of the Act, in pertinent part, provides that the Commission, by order upon application, may conditionally or unconditionally exempt any persons, security or transaction, or any class or classes of persons, securities or transactions, from any provision or provisions of the Act, or any rule or regulation thereunder, to the extent that 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. Applicants submit that, for the reasons stated in the Application, their exemptive requests meet the standards set out in section 6(c) and that an order should, therefore, be granted.

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. IC-25995; File No. 812-12840]

Principal Life Insurance Company, et al., Notice of Application

April 7, 2003.

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

ACTION: Notice of application for an order pursuant to section 26(b) of the Investment Company Act of 1940 (the "Act") approving the substitution of securities and an order of exemption pursuant to section 17(b) of the Act.

APPLICANTS: Principal Life Insurance Company ("Principal Life"), Principal Life Insurance Company Variable Life VL Separate Account (the "VL Separate Account"), and Principal Life Insurance Company Separate Account B ("Separate Account B").

SUMMARY: Applicants seek an order to permit, under the specific circumstances identified in the application, the substitution of shares of the SmallCap Account of Principal Variable Contracts Fund, Inc. ("SmallCap Account") for shares of the MicroCap Account of Principal Variable Contracts Fund, Inc. ("MicroCap Account"). Applicants also request an order exempting the proposed substitution from the provisions of section 17(a) of the Act.

DATES: The Application was filed on May 8, 2002, and amended on December 19, 2002, and March 24, 2003.

HEARING OR NOTIFICATION OF HEARING: An order granting the Application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 on April 29, 2003, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, NW., Washington, DC 20549. Applicants, c/o John W. Blouch, Esq., Jones & Blouch L.L.P., 1025 Thomas Jefferson Street, NW., Washington, DC 20007-0805; copy to Michael D. Roughton, Esq., Principal Financial Group, Inc., 711 High Street, Des Moines, Iowa 50392-0200.

FOR FURTHER INFORMATION CONTACT:

Rebecca A. Marquigny, Senior Counsel, or Zandra Bailes, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the Application; the complete Application is available for a fee from the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. Principal Life is a stock life insurance company organized under the laws of Iowa in 1879. It is authorized to transact life insurance and annuity business in all of the United States and the District of Columbia.

2. The VL Separate Account was established in 1987 by Principal Life as a separate account under Iowa law for the purpose of funding variable life contracts issued by Principal Life (File No. 811-05118). Separate Account B was established in 1970 by Principal Life as a separate account under Iowa law for the purpose of funding variable annuity contracts issued by Principal Life (File No. 811-02091). The only contracts affected by this application are: (a) Four flexible premium variable life insurance policies called "Flex Variable Life" (File No. 033-13481) ("FVL Contract"), "Prinflex Life" (File No. 333-00101) ("Prinflex Contract"), "Survivorship Variable Universal Life" (File No. 333-71521) ("Survivorship Contract"), and "Principal Variable Universal Life Accumulator" (File No. 333-65690) ("Accumulator Contract"); (b) an individual deferred annuity contract called "Flexible Variable Annuity" (File No. 33-74232) ("FVA Contract"); and (c) a group variable annuity contract called "Premier Variable Annuity Contract" (File No. 333-63401) ("Premier Contract," collectively with FVL Contract, Prinflex Contract, Survivorship Contract, Accumulator Contract and FVA Contract, the "Contracts").

3. Purchase payments for FVL, Prinflex, Survivorship and Accumulator Contracts are allocated to one or more subaccounts ("Divisions") of VL Separate Account. Purchase payments for FVA and Premier Contracts are allocated to one or more Divisions of Separate Account B. The Contracts permit allocations of accumulation value to the available Divisions. Each Division invests in shares of an underlying mutual fund ("Underlying Fund"). There currently are 40 Divisions available under the FVL