

**SECURITIES AND EXCHANGE COMMISSION****[Release No. IC-26097; File No. 812-12913]****National Life Insurance Company, et al.; Notice of Application**

July 9, 2003.

**AGENCY:** Securities and Exchange Commission ("Commission").**ACTION:** Notice of application for an order pursuant to section 26(c) of the Investment Company Act of 1940 (the "Act") approving certain substitutions of securities.**APPLICANTS:** National Life Insurance Company ("NLIC"), National Variable Annuity Account II ("Annuity Account"), and National Variable Life Insurance Account ("Life Account").**FILING DATE:** The application was filed on December 19, 2002, and amended and restated on April 3, April 18, and June 25, 2003.**SUMMARY OF APPLICATION:** Applicants request an order to permit NLIC to substitute securities issued by two series of the Sentinel Variable Products Trust ("SVPT") to support variable annuity contracts or variable life insurance contracts (collectively, the "Contracts") issued by NLIC, for securities issued by two series of the Garmore Variable Insurance Trust ("GVIT"), which series are successors of two series of the Market Street Fund ("MSF"), and are currently held by either the Annuity Account or the Life Account (each, an "Account," together, the "Accounts").**HEARING OR NOTIFICATION OF HEARING:** An order granting the amended and restated 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 must be received by the Commission by 5:30 p.m. on July 30, 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 may request notification of a hearing by writing to the Secretary of the Commission.**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Applicants, c/o D. Russell Morgan, Esq., Assistant General Counsel, National Life Insurance Company, National Life Drive, Montpelier, Vermont 05604. Copy to David S. Goldstein, Esq.,

Sutherland Asbill &amp; Brennan LLP, 1275 Pennsylvania Avenue, NW, Washington, DC 20004-2415.

**FOR FURTHER INFORMATION CONTACT:**

Ellen J. Sazzman, Senior Counsel, or Lorna J. MacLeod, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the Commission, 450 5th Street, NW, Washington, DC 20549 (tel. (202) 942-8090).**Background**

1. On December 19, 2002, Applicants applied for an order of the Commission, pursuant to section 26(c) of the Act, approving the substitution of securities issued by two series of SVPT for securities issued by two series of the MSF then held by the Accounts. Applicants amended that application on April 3, 2003 to reflect changes made in response to comments from the Commission staff as well as to update certain other information. The Commission published a notice of the amended application on April 4, 2003.

2. The amended application discussed, among other things, the fact that shareholders of the two MSF series had recently approved the acquisition of each of the series by similar series of the GVIT. At the time, Applicants anticipated that the acquisition would occur shortly after the proposed substitutions. Shortly after the April 4, 2003 notice of the amended application was published, Applicants became aware of the fact that the acquisition would, in fact, occur shortly before the proposed substitutions. In response, Applicants filed a second amended application on April 18, 2003, seeking an order approving the substitution of securities issued by the two series of SVPT for securities issued by two series of GVIT, which series were anticipated to be the successors of the two MSF series then held by the Accounts.

**Applicants' Representations**

1. SVPT currently has seven investment portfolios, two of which are the subject of this application (each, a "Fund"), while GVIT has thirty-four investment portfolios, two of which are the subject of this application (each, also a "Fund"). Prior to its reorganization (described below), MSF had eleven investment portfolios, two of which were the subject of the December 19, 2002 application (each, a Portfolio).

2. NLIC was a mutual life insurance company originally chartered by the State of Vermont in 1848. It is now a stock life insurance company, all of the outstanding stock of which is indirectly owned by National Life Holding Company, a mutual insurance holding company, established under Vermont law in 1999. All owners of NLIC contracts, including the Contracts, are voting members of National Life Holding Company. NLIC is authorized to transact life insurance and annuity business in Vermont and in 50 other jurisdictions. For purposes of the Act, NLIC is the depositor and sponsor of the Annuity Account and the Life Account as those terms have been interpreted by the Commission with respect to variable life insurance and variable annuity separate accounts.

3. NLIC established the Annuity Account on November 1, 1996, and the Life Account on February 1, 1985, as segregated investment accounts under Vermont law. Under Vermont law, the assets of each Account attributable to the Contracts through which interests in that Account are issued are owned by NLIC but are held separately from all other assets of NLIC for the benefit of the owners of, and the persons entitled to payment under, those Contracts. Consequently, such assets in each Account equal to the reserves and other liabilities with respect to such Account are not chargeable with liabilities arising out of any other business that NLIC may conduct. Income, gains and losses, realized or unrealized, from assets allocated to each Account are credited to or charged against that Account without regard to the other income, gains or losses of NLIC. Each Account is a "separate account" as defined by Rule 0-1(e) under the Act, and is registered with the Commission as an unit investment trust.

4. The Annuity Account is divided into twenty-eight subaccounts. Each subaccount invests exclusively in a corresponding investment portfolio of one of twelve series-type management investment companies. The assets of the Annuity Account support variable annuity contracts, and interests in the Account offered through such contracts have been registered under the Securities Act of 1933 (the "1933 Act").

5. The Life Account is divided into eighty-six subaccounts. Each subaccount invests exclusively in shares representing an interest in a corresponding investment portfolio of one of fourteen series-type management investment companies. The assets of the Life Account support variable life insurance contracts, and interests in this Account offered through such contracts