

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 28010; 812- 13419]

JNF Advisors, Inc. and Northern Lights Variable Trust; Notice of Application

October 2, 2007

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 (“Act”) for an exemption from section 15(a) of the Act and rule 18f-2 under the Act, as well as from certain disclosure requirements.

Summary of the Application: Applicants request an order permitting them to enter into and materially amend subadvisory agreements without shareholder approval and granting relief from certain disclosure requirements.

Applicants: JNF Advisors, Inc. (“JNF Advisors”) and Northern Lights Variable Trust (“Trust”).

Filing Dates: The application was filed on August 24, 2007, and amended on October 1, 2007.

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 October 29, 2007 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 by writing to the Commission’s Secretary.

Addresses: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants, c/o JoAnn Strasser, Esq., Thompson Hine, 312 Walnut Street, Cincinnati, Ohio 45202.

For Further Information Contact: Donna Tumminio, Law Clerk, at (202) 551-6826, or Nadya B. Roytblat, Assistant Director, at (202) 551-6821 (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, 100 F Street, NE, Washington, DC 20549-0102 (telephone (202) 551-5850).

Applicants' Representations:

1. The Trust is organized as a Delaware statutory trust and is registered under the Act as an open-end management investment company. JNF Advisors, a Delaware corporation, is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act").

2. The Trust currently offers 5 separate series, each with its own investment objective(s), policies and restrictions. JNF Advisors serves as the investment adviser to two of the series of the Trust (each, a "Fund," and collectively, the "Funds"). JNF Advisors has entered into an investment advisory agreement with the Trust for each Fund (each, an "Advisory Agreement," and collectively, the "Advisory Agreements") approved by the board of trustees of the Trust (the "Board"), including a majority of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act (the "Independent Trustees"), and the shareholders of each Fund.<sup>1</sup>

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<sup>1</sup> Applicants also request relief with respect to any future series of the Trust and any other existing or future registered open-end management investment company or series thereof that: (a) is advised by JNF Advisors

3. The Advisory Agreements permit JNF Advisors to enter into separate advisory agreements (“Sub-Advisory Agreements”) with sub-advisers (“Sub-Advisers”). Each Sub-Adviser will be registered under the Advisers Act. Under the terms of each Sub-Advisory Agreement, the Sub-Adviser will be responsible for the day-to-day decision-making with respect to the Fund’s investment program and will determine which securities will be purchased and sold. JNF Advisors will select Sub-Advisers based on an evaluation of their skills and proven abilities in managing assets pursuant to a specific investment style. JNF Advisors will monitor and evaluate the performance of Sub-Advisers and recommend to the Board their hiring, termination and replacement. In return for providing overall investment management services, including Sub-Adviser monitoring and evaluation, JNF Advisors will receive a fee under its Advisory Agreement from each Fund. JNF Advisors will compensate a Sub-Adviser out of the management fee paid to JNF Advisors by the Fund.

4. Applicants request an order to permit JNF Advisors, subject to Board approval, to enter into and materially amend Sub-Advisory Agreements without obtaining shareholder approval. The requested relief will not extend to any Sub-Adviser that is an “affiliated person,” as defined in section 2(a)(3) of the Act, of a Fund or JNF Advisors, other than by reason of serving as a Sub-Adviser to one or more of the Funds (“Affiliated Sub-Adviser”).

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or any entity controlling, controlled by, or under common control with JNF Advisors; (b) uses the multi-manager structure described in the application; and (c) complies with the terms and conditions contained in the application (included in the term “Funds”). The Trust is the only existing investment company that currently intends to rely on the requested order. If the name of any Fund contains the name of a Sub-Adviser (as defined below), the name JNF Advisors or the name of the entity controlling, controlled by, or under common control with JNF Advisors that serves as the primary adviser to such Fund will precede the name of the Sub-Adviser.

5. Applicants also request an exemption from the various disclosure provisions described below that may require each Fund to disclose fees paid by JNF Advisors to the Sub-Advisers. An exemption is requested to permit each Fund to disclose (both as a dollar amount and as a percentage of the Fund's net assets) the:

- (a) aggregate fees paid to JNF Advisors and any Affiliated Sub-Advisers; and
- (b) aggregate fees paid to Sub-Advisers other than Affiliated Sub-Advisers (collectively, "Aggregate Fee Disclosure").

If a Fund employs an Affiliated Sub-Adviser, the Fund will provide separate disclosure of any fees paid to the Affiliated Sub-Adviser.

Applicants' Legal Analysis:

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except under a written contract that has been approved by a vote of a majority of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve the matter if the Act requires shareholder approval.

2. Form N-1A is the registration statement used by open-end investment companies. Item 14(a)(3) of Form N-1A requires disclosure of the method and amount of the investment adviser's compensation.

3. Rule 20a-1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 ("Exchange Act"). Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8) and 22(c)(9) of Schedule 14A, taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the "rate of compensation of

the investment adviser,” the “aggregate amount of the investment adviser’s fees,” a description of the “terms of the contract to be acted upon,” and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

4. Form N-SAR is the semi-annual report filed with the Commission by registered investment companies. Item 48 of Form N-SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Sub-Advisers.

5. Regulation S-X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholders reports filed with the Commission. Sections 6-07(2)(a), (b) and (c) of Regulation S-X require that investment companies include in their financial statements information about investment advisory fees.

6. Section 6(c) 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 provisions of the Act, or from any rule thereunder, if and 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 policies and provisions of the Act. Applicants state that the requested relief meets this standard for the reasons discussed below.

7. Applicants assert that the Funds’ shareholders rely on JNF Advisors to select and monitor the Sub-Advisers best suited to achieve a Fund’s investment objectives. Applicants contend that, from the perspective of the investor, the role of the

Sub-Advisers is comparable to that of individual portfolio managers employed by traditional investment advisory firms. Applicants state that requiring shareholder approval of each Sub-Advisory Agreement would impose unnecessary costs and delays on the Funds and may preclude JNF Advisors from acting promptly in a manner considered advisable by the Board. Applicants note that the Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that many Sub-Advisers use a “posted” rate schedule to set their fees. Applicants state that, while Sub-Advisers are willing to negotiate fees lower than those posted in the schedule, they are reluctant to do so when the fees are disclosed to other prospective and existing customers. Applicants submit that the requested relief will encourage potential Sub-Advisers to negotiate lower Sub-Advisory fees with JNF Advisors, the benefits of which may be passed on to the Funds’ shareholders.

Applicants’ Conditions:

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

1. JNF Advisors will provide general investment management services to each Fund, including overall supervisory responsibility for the general management and investment of the Fund’s assets, and subject to review and approval of the Board, will:

- (a) set the Fund’s overall investment strategies;
- (b) evaluate, select and recommend Sub-Advisers to manage all or a portion of the Fund’s assets;
- (c) allocate and, when appropriate, reallocate the Fund’s assets among multiple Sub-Advisers;
- (d) monitor and evaluate Sub-Advisers’ performance; and
- (e) implement procedures reasonably designed

to ensure that the Sub-Advisers comply with the relevant Fund's investment objective, policies, and restrictions.

2. Before a Fund may rely on the requested order herein, the operation of the Fund in the manner described in the application will be approved by a majority of the Fund's outstanding voting securities, as defined in the Act, or, in the case of a Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 3 below, by the initial shareholder before such Fund's shares are offered to the public.

3. The prospectus for each Fund will disclose the existence, substance and effect of any order granted pursuant to the Application. In addition, each Fund will hold itself out to the public as employing the manager of managers structure described in the Application. The prospectus will prominently disclose that JNF Advisors has ultimate responsibility, subject to oversight by the Board, to oversee the Sub-Advisers and recommend their hiring, termination, and replacement.

4. Within 90 days of the hiring of any new Sub-Adviser, shareholders of the relevant Fund will be furnished all information about the new Sub-Adviser that would be included in a proxy statement, except as modified to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of a new Sub-Adviser. To meet this obligation, JNF Advisors will provide shareholders of the applicable Fund, within 90 days of the hiring of a new Sub-Adviser, with an information statement meeting the requirements of Regulation 14C, Schedule 14C and Item 22 of Schedule 14A under the Exchange Act, except as modified by the order to permit Aggregate Fee Disclosure.

5. No trustee or officer of the Trust or a Fund or director or officer of JNF Advisors will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person) any interest in a Sub-Adviser, except for:

(a) ownership of interests in JNF Advisors or any entity that controls, is controlled by, or is under common control with JNF Advisors; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

6. At all times, at least a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be placed within the discretion of the then-existing Independent Trustees.

7. Whenever a Sub-Adviser change is proposed for a Fund with an Affiliated Sub-Adviser, the Fund's Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board minutes, that such change is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which JNF Advisors or the Affiliated Sub-Adviser derives an inappropriate advantage.

8. Each Fund will disclose in its registration statement the Aggregate Fee Disclosure.

9. Independent legal counsel, as defined in rule 0-1(a)(6) under the Act, will be engaged to represent the Independent Trustees. The selection of such counsel will be within the discretion of the then-existing Independent Trustees.

10. JNF Advisors will provide the Board, no less frequently than quarterly, with information about JNF Advisors' profitability on a per Fund basis. This information



will reflect the impact on profitability of the hiring or termination of any Sub-Adviser during the applicable quarter.

11. Whenever a Sub-Adviser is hired or terminated, JNF Advisors will provide the Board with information showing the expected impact on JNF Advisors' profitability.

12. JNF Advisors will not enter into a Sub-Advisory Agreement with any Affiliated Sub-Adviser, without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Fund.

13. The requested order will expire on the effective date of rule 15a-5 under the Act, if adopted.

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

Nancy M. Morris  
Secretary