

to the Office of Management and Budget for emergency clearance and for review and comment. A copy of the information collection may be obtained from Stuart Moran, Office of Volunteer Recruitment and Selection, United States PEACE CORPS, 1990 K Street, NW., Washington, DC 20526. Mr. Moran may be contacted by telephone at (202) 606-2080. Comments on these forms should be addressed to Victoria Becker Wassner, Desk Officer, Office of Management and Budget, NEOB, Washington, DC 20503.

Information Collection Abstract

Title: Peace Corps Reference Form.

Need for and Use of this Information:

Peace Corps needs this information in order to process applicants for Volunteer service. The information is used to determine suitability of applicants.

Respondents: Individuals who voluntarily agree to serve as references for Peace Corps applicants.

Respondents Obligation to Reply: Voluntary.

Burden on the Public:

- a. Annual reporting burden: 13,692
- b. Annual record keeping burden: 0 hr
- c. Estimated average burden per response: 30 minutes
- d. Frequency of response: one time
- e. Estimated number of likely respondents: 27,384.

This notice is issued in Washington, DC on March 19, 1996.

Stanley D. Suyat,

Associate Director for Management.

Brian Sutherland,

Certifying Officer, Peace Corps.

[FR Doc. 96-7066 Filed 3-22-96; 8:45 am]

BILLING CODE 6051-01-M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-21830; File No. 812-9858]

National Integrity Life Insurance Company, et al.

March 18, 1996.

AGENCY: The Securities and Exchange Commission (the "Commission").

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: National Integrity Life Insurance Company ("National Integrity"), Separate Account I of National Integrity Life Insurance Company ("Separate Account I"), Separate Account II of National Integrity Life Insurance Company ("Separate Account II," and together with Separate Account I, the "Separate Accounts")

and SBM Financial Services, Inc. ("SBM").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

SUMMARY OF THE APPLICATION:

Applicants seek an order under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) to the extent necessary to permit the deduction of a mortality and expense risk charge from the assets of the Separate Accounts or other separate accounts established by National Integrity ("Other Separate Accounts") to support certain flexible premium variable annuity contracts ("Contracts") as well as other variable annuity contracts that are substantially similar in all material respects to the Contracts ("Future Contracts"). In addition, Applicants request that such exemptive relief extend to any broker-dealer other than SBM which may serve in the future as principal underwriter in respect of the Contracts or of Future Contracts offered by National Integrity and made available through the Separate Accounts or the Other Separate Accounts.

FILING DATES: The application was filed on November 21, 1995.

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 Secretary of the SEC and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on April 12, 1996, 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 requestor'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.

Applicants, Kevin L. Howard, Esq., National Integrity Life Insurance Company, 239 S. Fifth Street, 12th Floor, Louisville, Kentucky 40202.

FOR FURTHER INFORMATION CONTACT: Mark C. Amorosi, Attorney, or Patrice M. Pitts, Special Counsel, 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 Public Reference Branch of the SEC.

Applicants' Representations

1. National Integrity, a stock life insurance company, is organized in New York and is licensed to sell life insurance and annuities in eight states and the District of Columbia and variable contracts in six states and the District of Columbia. National Integrity is an indirect wholly-owned subsidiary of ARM Financial Group, Inc. ("ARM Financial").

2. Separate Account I, formerly known as Separate Account NIA, and Separate Account II, formerly known as Separate Account SFN, were established on May 19, 1986, and May 21, 1992, respectively, as separate accounts under New York insurance law to fund the Contracts. The Separate Accounts are registered under the 1940 Act as unit investment trusts. Interests in the Contracts are registered as securities under the Securities Act of 1933. Each Separate Account is divided into ten investment divisions ("Divisions"), each of which invests solely in shares of a registered open-end management investment company.

3. Integrity Financial Services, Inc. ("IFS"), currently the principal underwriter of the Contracts, is registered with the Commission under the Securities Exchange Act of 1934 (the "1934 Act") as a broker-dealer and is a member of the NASD.¹ Applicants now seek to substitute SBM for IFS as the principal underwriter for the Contracts. Upon issuance of the requested order, National Integrity, the Separate Accounts, and SBM will enter into an agreement under which SBM will become principal underwriter for the Contracts. SBM, a wholly-owned subsidiary of ARM Financial, is registered with the Commission under the 1934 Act as a broker-dealer and is a member of the NASD.

4. The Contracts are flexible premium variable annuity contracts. Contract owners ("Participants") may allocate premium payments to one or more of the Separate Accounts' Divisions, or to

¹ Applicants state that the Commission has previously granted relief to National Integrity, Separate Account NIA and IFS permitting the deduction of mortality and expense risk charges from the assets of Separate Account NIA in connection with the Contracts. See, Investment Company Act Release Nos. 15355 (Oct. 10, 1986) (notice) and 15406 (Nov. 7, 1986) (order). In addition, Applicants state that the Commission has previously granted similar relief to National Integrity, Separate Account SFN and IFS. See, Investment Company Act Release Nos. 19052 (Oct. 26, 1992) (notice) and 19121 (Nov. 24, 1992) (order). Applicants are not requesting that the order sought herein amend or supercede the orders referenced above.

one or more of National Integrity's guarantee periods, or both. Amounts allocated to guarantee periods accumulate on a fixed basis, except as adjusted for any applicable market value adjustment.

5. A death benefit is available under the Contracts if a Participant dies prior to his or her retirement date. The amount of the death benefit is equal to the greatest of: (1) the Participant's annuity value; (2) the minimum death benefit, which equals total contributions less the sum of the market value adjusted withdrawals; and (3) the Participant's highest annuity value at the beginning of any participation year, plus subsequent contributions and minus subsequent withdrawals ("Enhanced Death Benefit").

6. Retirement benefits under the Contracts may take the form of a lump sum payment or an annuity. The retirement benefits are calculated as of the retirement date selected by the Participant. If no annuity payment option is elected by the retirement date, National Integrity will deem the retirement date to have been extended, and the values under the Participant's Contract in the Divisions or in the guarantee periods will remain invested in those Divisions or guarantee periods until National Integrity receives the Participant's written instructions at its administrative office.

7. Certain charges and fees are assessed under the Contracts. Until annuity payments begin, Participants may transfer their Contract values among Divisions of the relevant Separate Account and the relevant guarantee periods, except that transfers to any guarantee period must be to a newly elected guarantee period at the current guaranteed interest rate. No fee currently is imposed for a Participant's first twelve transfers per participation year. National Integrity reserves the right to impose a fee of up to \$25 for each transfer in excess of twelve per participation year. The transfer fee will be paid to National Integrity to compensate it for the anticipated actual administrative expenses relating to transfers and is guaranteed not to increase during the life of the Contracts. In addition, Applicants reserve the right to impose a transfer fee in connection with Future Contracts of up to \$25 on transfers beginning with the first transfer of Contract values in any participation year. No charges will be assessed for transfers made under National Integrity's dollar cost averaging program.

8. A contingent deferred sales charge ("CDSC") may be imposed on certain withdrawals. Applicants state that

contributions withdrawn will be subject to a CDSC of up to 7% of the total amount of the withdrawal requested, as adjusted for any applicable market value adjustment made in respect of withdrawals from the general account, plus the CDSC itself. Withdrawals made in the current participation year are subject to a CDSC of 7% of the amounts withdrawn or surrendered. Thereafter, the applicable CDSC decreases by 1% per year until reaching 0% after the fifth prior participation year. No CDSC will be applied to partial withdrawals made during any participation year that do not exceed the free corridor amount. National Integrity may waive the CDSC in certain circumstances.

9. If a Participant's Contract value is less than \$50,000 on the last day of any participation year prior to the Participant's retirement date, National Integrity charges an annual administrative charge of \$30. All Contracts are subject to a daily charge equal, on an annual basis, to 0.15% of the net asset value of the relevant Separate Account to cover Contract administration expenses. These daily and annual fees are guaranteed for the life of the Contracts and will not exceed the cost of services to be provided over the life of the Contract, defined in accordance with the standards in Rule 26a-1 under the 1940 Act.

10. National Integrity imposes charges as compensation for bearing certain mortality and expense risks under the Contracts. The amount of the mortality and expense risk charges under the Contracts is equal, on an annual basis, to 1.20% (of which 0.35% is attributable to mortality risks and 0.85% to expense risks) of the daily net asset value of the relevant Separate Account. For the Future Contracts, the annual mortality and expense risk charge will not exceed an effective annual rate of 1.20% of the daily net asset value of a Separate Account, or of Other Separate Accounts, attributable to such Future Contracts.

11. The mortality risk assumed by National Integrity under the Contracts arises from its obligation to make annuity payments (determined in accordance with the annuity tables and other provisions contained in the relevant Contract) where a life annuity is selected, regardless of how long an annuitant may live. The mortality risk under the Contracts is the risk that, upon selection of an annuity option that has life contingencies, annuitants will live longer than National Integrity's actuarial projections, resulting in higher than expected income payments. National Integrity is also assuming a mortality risk as a result of its promise to pay a minimum death benefit and the

Enhanced Death Benefit. The expense risk assumed by National Integrity is that the administrative charges will be insufficient to cover the actual cost of administering the Contracts.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission, by order upon application, to conditionally or unconditionally grant an exemption from any provision, rule or regulation of the 1940 Act to the extent that the 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 1940 Act.

2. Section 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

3. Applicants request an order under Section 6(c) exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of the mortality and expense risk charge from the assets of the Separate Accounts or Other Separate Accounts that issue the Contracts or Future Contracts. Applicants also propose that SBM replace IFS as principal underwriter for the Contracts, and that the relief requested in this application extend to any broker-dealer other than SBM which may serve in the future as principal underwriter in respect of the Contracts or of Future Contracts offered by National Integrity and made available through the Separate Accounts or the Other Separate Accounts. Any such principal underwriter will be wholly-owned, directly or indirectly, by ARM Financial.

4. Applicants submit that their request for an order is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity contract market by eliminating the need for National Integrity to file redundant exemptive applications, thereby reducing National Integrity's administrative expenses and maximizing the efficient use of its resources. The delay and expense involved in repeatedly having to seek exemptive relief would impair National

Integrity's ability effectively to take advantage of business opportunities as these opportunities arise. Applicants further submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. If National Integrity were required repeatedly to seek exemptive relief with respect to the same issues addressed in this application, investors would not receive any benefit or additional protection thereby.

5. Applicants represent that they have reviewed publicly-available information regarding the aggregate level of the mortality and expense risk charges under variable annuity contracts comparable to the Contracts currently being offered in the insurance industry, taking into consideration such factors as current charge levels, the manner in which charges are imposed, the presence of charge level or annuity rate guarantees and the markets in which the Contracts will be offered. Based upon the foregoing, Applicants represent that the mortality and expense risk charges under the Contracts are within the range of industry practice for comparable contracts. Applicants will maintain at the headquarters of Arm Financial and make available to the Commission, upon request, a memorandum outlining the methodology underlying this representation. Similarly, prior to making available any Future Contracts through the Separate Accounts or Other Separate Accounts, Applicants will represent that the mortality and expense risk charges under any such contracts will be within the range of industry practice for comparable contracts. Applicants will maintain at the headquarters of Arm Financial and make available to the Commission, upon request, a memorandum outlining the methodology underlying such representation.

6. Applicants do not believe that the CDSC under the Contracts will necessarily cover the expected costs of distribution the Contracts. Any shortfall will be made up from National Integrity's general account assets which will include amounts derived from mortality and expense risk charges. National Integrity has concluded that there is a reasonable likelihood that the distribution financing arrangement being used in connection with the Contracts will benefit the Separate Accounts and the Participants. National integrity will maintain at the headquarters of Arm Financial and make available to the Commission, upon request, a memorandum setting forth the basis for this representation. Similarly, National Integrity will maintain at the

headquarters of Arm Financial and make available to the Commission, upon request, a memorandum setting forth the basis for the same representation with respect to Future Contracts offered by the Separate Accounts or by Other Separate Accounts.

7. Applicants represent that the Separate Accounts and Other Separate Accounts will invest only in a management investment company which has undertaken, in the event such company adopts a plan under Rule 12b-1 under the 1940 Act to finance distribution expenses, to have a board of directors or trustees, a majority of whom are not "interested persons" of the company within the meaning of Section 2(a)(19) of the 1940 Act, formulate and approve any plan under Rule 12b-1 to finance distribution expenses.

Conclusion

Applicants assert that, for the reasons and upon the facts set forth above, the requested exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to deduct the mortality and expense risk charge under the Contracts are necessary and appropriate in the public interest and consistent with the protection of investors and the policies and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-7155 Filed 3-22-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21831; File No. 812-9784]

Princor Balanced Fund, Inc., et al.

March 19, 1996.

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

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: Princor Balanced Fund, Inc., Princor Blue Chip Fund, Inc., Princor Capital Accumulation Fund, Inc., Princor Emerging Growth Fund, Inc., Princor Growth Fund, Inc., Princor World Fund, Inc., Princor Bond Fund, Inc., Princor Cash Management Fund, Inc., Princor Government Securities Income Fund, Inc., Princor High Yield Fund, Inc., Princor Utilities Fund, Inc. (collectively, the "Funds"), Princor Financial Services Corporation ("Princor") and Principal Mutual Life Insurance Company ("Principal Mutual").

RELEVANT 1940 ACT SECTIONS: An order of the Commission is requested under Section 11(a) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants seek an order approving the terms of an offer of exchange by the Funds and Princor to certain holders of participation certificates under variable annuity contracts (the "Contracts") issued by Separate Account B ("Account B") and Separate Account C ("Account C," and together with Account B, the "Accounts") of Principal Mutual.

FILING DATE: The application was filed on September 27, 1995, and amended on March 13, 1996.

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 Secretary of the Commission 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 April 15, 1996, 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 requester'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, SEC, 450 5th Street, NW., Washington, DC 20549. Applicants, Michael D. Roughton, Esq., The Principal Financial Group, Des Moines, Iowa 50392-0300.

FOR FURTHER INFORMATION CONTACT: Mark C. Amorosi, Attorney, or Patrice M. Pitts, Special Counsel, 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 Public Reference Branch of the Commission.

Applicants' Representations

1. Each Fund was organized by Principal Mutual as a Maryland corporation and is registered under the 1940 Act as an open-end, diversified, management investment company. Each Fund has two classes of shares, "A Shares" (which are sold with a front-end sales load of up to 4.75%) and "B Shares" (which, for the Funds other than the Princor Cash Management Fund, are sold with a deferred sales load of up to 4% that declines to 0% after the sixth year). The Funds have a wide range of investment objectives.