

Tentative Agenda

Wednesday, October 9, 1996

- 9:00 a.m. Call to order and opening remarks
- 9:05 a.m. Public comment
- 10:45 a.m. Break
- 11:05 a.m. Staff briefings and Committee discussion on charter and Final Report
- 12:15 p.m. Lunch
- 1:30 p.m. Staff briefings and Committee discussion on charter and Final Report (cont.)
- 3:00 p.m. Break
- 3:15 p.m. Staff briefings and Committee discussion on charter and Final Report (cont.)
- 4:15 p.m. Committee and staff discussion: Next steps
- 4:30 p.m. Meeting adjourned

A final agenda will be available at the meeting.

Public Participation

The meeting is open to the public. Members of the public who wish to make oral statements should contact the Advisory Committee at the address or telephone number listed below at least five business days prior to the meeting. Reasonable provisions will be made to include on the agenda presentations from individuals who have not yet had an opportunity to address the Advisory Committee. Priority will be given to Gulf War veterans and their families. The Advisory Committee Chair is empowered to conduct the meeting in a fashion that will facilitate the orderly conduct of business. People who wish to file written statements with the Advisory Committee may do so at any time.

FOR FURTHER INFORMATION CONTACT:

Michael E. Kowalok, Presidential Advisory Committee on Gulf War Veterans' Illnesses, 1411 K Street, N.W., suite 1000, Washington, DC 20005, Telephone: (202) 761-0066, Fax: (202) 761-0310.

Dated: September 3, 1996.

C.A. Bock,

Federal Register Liaison Officer, Presidential Advisory Committee on Gulf War Veterans' Illnesses.

[FR Doc. 96-22806 Filed 9-5-96; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-22190; File No. 812-10178]

The Lincoln National Life Insurance Company, et al.

August 29, 1996.

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

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

APPLICANTS: The Lincoln National Life Insurance Company ("Lincoln Life"), Lincoln National Variable Annuity Account L ("Account L"), Lincoln Life & Annuity Company of New York ("Lincoln Life of NY"), Lincoln Life & Annuity Variable Annuity Account L ("Account L-NY"), and LNC Equity Sales Corporation.

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

SUMMARY OF APPLICATION: Applicants request an order pursuant to Section 6(c) of the Investment Company Act of 1940 (1940 Act) granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to permit the deduction of a mortality and expense risk charge of 1.20% from: the assets of Account L or Account L-NY (collectively, the "Accounts") in connection with the offer and sale of certain group variable annuity contracts ("Contracts") and any contracts ("Future Contracts") issued in the future by Lincoln Life or Lincoln Life of NY that are materially similar to the Contracts; the assets of other separate accounts "Future Accounts") established in the future by Lincoln Life or Lincoln Life of NY to fund Contracts and Future Contracts. Exemptive relief also is requested to the extend necessary to permit the offer and sale of Contracts and Future Contracts for which certain broker-dealers other than LNC Equity Sales Corporation serve as distributors and/or principal underwriters.

FILING DATE: The application was filed on June 3, 1996, and amended and restated on August 28, 1996.

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 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 September 23, 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 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 Secretary of the SEC.

ADDRESSES: SEC, Secretary, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, John L. Steinkamp, Esq., Vice President & Associate General Counsel, The Lincoln National Life Insurance Company, 1300 South Clinton Street, P.O. Box 1110, Fort Wayne, Indiana 46801.

FOR FURTHER INFORMATION CONTACT: Edward P. Macdonald, Staff Attorney, or Patrice M. Pitts, Special Counsel, 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 SEC.

Applicants' Representations

1. Lincoln Life, a stock life insurance company incorporated under the laws of the State of Indiana in 1905, is principally engaged in the sale of life insurance and annuity policies. Lincoln Life is wholly-owned by Lincoln National Corporation, a publicly-held insurance and financial services holding company.

2. Account L was established by Lincoln Life as a separate account under the laws of the State of Indiana in 1996, pursuant to a continuing resolution of Lincoln Life's board of directors.

3. Lincoln Life of NY, a stock life insurance company incorporated under the laws of the State of New York, in 1996, is principally engaged in the sale of life insurance and annuity policies in the state of New York. Lincoln Life of NY is a wholly-owned subsidiary of Lincoln Life.

4. Account L-NY was established as a separate investment account under the laws of the State of New York on July 24, 1996, pursuant to a resolution of the board of directors of Lincoln Life of NY.

5. Lincoln Life and Lincoln Life of NY (collectively, the "Companies") each will offer three group variable annuity contracts—Group Variable Annuity I, Group Variable Annuity II, and Group Variable Annuity III. The Contracts issued by Lincoln Life of NY are identical in all relevant respects to the Contracts issued by Lincoln Life, but for the identity of the insurance company issuing the Contracts and the separate account supporting the Contracts and any differences relating to state law

requirements. The contracts may be purchased with an initial contribution in connection with retirement plans that qualify for favorable federal income tax treatment as well as in connection with retirement plans that do not qualify for such treatment.

6. Each of the Accounts consists of subaccounts ("Subaccounts"). Each Subaccount invests net contributions received under the Contracts in shares of one or more of the investment portfolios of the Dreyfus Stock Index Fund, the Dreyfus Variable Insurance Products Fund, the Fidelity Variable Insurance Products Fund, the Fidelity Variable Insurance Products Fund II, the Twentieth Century TCI Portfolios, Inc., the T. Rowe Price International Series, Inc., the Acacia Capital Corporation, and such other registered investment companies as the Companies may make available under their Contracts from time to time (each, a "Fund"), or any combination thereof. Each Fund is an open-end management investment company and, except for the Dreyfus Stock Index Fund, has a number of classes or series, in accordance with Rule 18f-2 under the 1940 Act.

7. The Contracts also permit premium payments to be deposited in a guaranteed interest division which is part of the general account of Lincoln Life or Lincoln Life of NY, and in one or more Subaccounts. During the accumulation period, each Company permits transfers of all or part of a Contract participant's account balance from the guaranteed interest division to a Subaccount, from any one Subaccount to another, or from any Subaccount to the guaranteed interest division.

8. LNC Equity Sales Corporation serves as the distributor and principal underwriter of the Contracts and also may serve as the distributor and principal underwriter of Future Contracts. LNC Equity Sales Corporation is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. LNC Equity Sales Corporation is an indirect wholly-owned subsidiary of Lincoln National Corporation.

9. Broker-dealers other than LNC Equity Sales also may serve as distributors and principal underwriters of the Contracts and Future Contracts. Any such other broker-dealer ("Future Broker-Dealer") will be registered under the Securities Exchange Act of 1934 as a broker-dealer and will be a member of the National Association of Securities Dealers, Inc.

10. Each Company deducts \$25 (or the balance of a Contract participant's account, if less) per year from each

Contract participant's account balance on the last business day of the month in which a participation anniversary occurs. The annual administration charge is deducted only during the accumulation period. Under prescribed circumstances, each Company may waive or reduce the annual administration charge under a Contract. In addition, a Contractowner may pay the annual administration charge on behalf of the participants under its Contract. Applicants represent that each Company deducts the annual administration charge in reliance on Rule 26a-1 under the 1940 Act, and does not anticipate any profit from this charge.

11. The Companies do not deduct a sales charge from premium payments made under Contracts, but do deduct a contingent deferred sales charge ("CDSC") on certain full and partial withdrawals of account balance by participants in Group Variable Annuity I and Group Variable Annuity II contracts. The CDSC is designed to cover expenses relating to the sale of Contracts, including commissions and other promotional expenses. During the first six Contract years, the CDSC under a Group Variable Annuity I Contract is 5% of the gross withdrawal amount; the CDSC declines 1% each year thereafter until the charge is 0% in the eleventh and subsequent years. The Companies may impose a CDSC of up to 6% of the gross withdrawal amount on certain total and partial withdrawals of the account balance of a Group Variable Annuity II Contract participant.

12. Each Company will waive the CDSC under its Group Variable Annuity I and Group Variable Annuity II contracts if, at the time of the withdrawal request, the Company receives proof necessary to verify that: (a) the participant has attained the age of 59½; (b) the participant has died; (c) the participant has incurred a disability as defined under the Contract; (d) the participant has terminated employment with the employer (under the Group Variable Annuity II contracts the participant also must be at least 55 years of age). Contractowners of Group Variable Annuity I or Group Variable Annuity II contracts may identify other circumstances under which a CDSC may be waived—e.g., in the event of "financial hardship." Contracts providing such additional benefits to participants may have a declared guaranteed interest rate in the guaranteed interest division which is lower than that for Contracts not providing such benefits.

13. Each Company also may reduce or eliminate the CDSC under any Group

Variable Annuity I or Group Annuity II contract on any withdrawal to the extent the Company anticipates that it will incur lower sales expenses or perform fewer sales services because of economies arising from (i) the size of the group covered under a Contract, (ii) an existing relationship with the Contractowner, (iii) the utilization of mass enrollment procedures, or (iv) the performance of sales functions by the Contractowner which the Company would otherwise be required to perform. Death benefit payments and amounts subject to annuitization are not subject to a CDSC. In no event will a CDSC, when added to any CDSC previously imposed as a result of a prior withdrawal, exceed 8.5% of the cumulative contributions to a Contract participant's account.

14. Each Company imposes a daily charge to compensate it for bearing certain mortality and expense risks in connection with the Contracts. This charge is equal to an effective annual rate of 1.20% of the value of the net assets in each Account, and it will not increase. Of that amount, approximately 95% is attributable to mortality risks, and approximately .25% is attributable to expense risks.

15. The mortality risk borne by each Company arises from its contractual obligation to make annuity payments regardless of how long all annuitants or any individual annuitant may live. The expense risk assumed by each Company is the risk that the Company's actual administrative costs will exceed the amount recovered through the annual administration charge. If the mortality and expense risk charge is insufficient to cover actual costs and assumed risks, the loss will fall on the Company. Conversely, if the charge is more than sufficient to cover costs, any excess will be profit to such Company. Each Company may realize a profit from the mortality and expense risk charges.

16. Each Company also deducts a charge for the premium taxes paid on contributions to a Contract. Various states levy a premium tax charge currently ranging from .5% to 4% of premium payments on variable annuity contracts.

17. If a Contract participant should die during the accumulation period, the Company will pay the greater of (a) net contributions or (b) the Contract participant's account balance less any outstanding loan. Although each Company incurs a risk in connection with this death benefit guarantee, there is no extra charge for this death benefit.

Applicants' Legal Analysis and Conditions

1. Section 6(c) of the 1940 Act authorizes the SEC to grant an exemption from any provision, rule or regulation of the 1940 Act to the extent 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 1940 Act to do so.

2. Sections 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 are held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the SEC may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

3. Applicants seek an order under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of a mortality and expenses risk charge from the assets of the Accounts and Future Accounts under the Contracts and Future Contracts. Applicants also seek exemptive relief for Future Broker-Dealers that may serve as distributors and/or principal underwriters for Contracts and Future Contracts.

4. Applicants state that the terms of the relief requested with respect to any Future Contracts funded by the Accounts and Future Accounts are consistent with the standards set forth in Section 6(c) of the 1940 Act. Applicants represent that the Future Contracts will be materially similar to the Current Contracts. Applicants state that without the requested relief, each Company would have to request and obtain exemptive relief for the Accounts and Future Accounts to fund each Future Contract. Applicants assert that these additional requests for exemptive relief would present no issues under the 1940 Act not already addressed in this application, and the requested relief is appropriate in the public interest because the relief will promote competitiveness in the variable annuity market by eliminating the Applicants' need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing efficient use of resources.

5. Applicants represent that the 1.20% mortality and expense risk charge under the Contracts is reasonable in relation to the risks assumed by each Company under the Contracts, and is within the range of industry practice for comparable annuity contracts, based on a review of the publicly available information regarding products of other companies. Each Company represents that it will maintain at its principal offices, and make available upon request to the Commission or its staff, a memorandum detailing the variable annuity products analyzed, the methodology used in, and the results of, the comparative review.

6. Each Company represents that, before issuing any Future Contracts, it will make the same determinations on the same basis as to the mortality and expense risk charges under such contracts, and will maintain at its principal offices, and will make available upon request to the Commission or its staff, a memorandum setting forth in detail the methodology used in making such determinations.

7. Applicants acknowledge that the CDSC may be insufficient to cover all distribution costs, and that if a profit is realized from the mortality and expense risk charge, all or a portion of such profit may be offset by distribution expenses not reimbursed by the CDSC. Notwithstanding this, each Company has concluded that there is reasonable likelihood that the proposed distribution financing arrangement made with respect to the Contracts and Future Contracts will benefit the Accounts and Future Accounts, Contractowners and Future Contractowners, and Contract and Future Contract participants. The basis for such conclusion is set forth in a memorandum which will be maintained by the Company at its home office and will be available to the Commission or its staff upon request.

8. Each Company represents that, before issuing Future Contracts, it will conclude that there is a reasonable likelihood that the distribution financing arrangements proposed for such contracts will benefit the Accounts and Future Accounts, Future Contractowners, and Future Contract participants. Each Company represents that it will maintain at its executive office, and will make available upon request to the Commission or its staff, a memorandum setting forth the basis for such conclusion.

9. The Company also represents that the Accounts and Future Accounts will invest only in underlying investment companies which have undertaken to have a board of directors or a board of

trustees, as applicable, a majority of whom are not "interested persons" of such Accounts and Future Accounts—within the meaning of Section 2(a)(19) of the 1940 Act, formulate and approve any plan under Rule 12b-1 under the 1940 Act to finance distribution expenses.

Conclusion

For the reasons set forth above, Applicants represent that the requested exemptions are necessary and appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy 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. 96-22720 Filed 9-5-96; 8:45 am]

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[Release No. 35-26567]

Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

August 30, 1996.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by September 23, 1996, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended,