

**SECURITIES AND EXCHANGE COMMISSION**

[Rel. No. IC-23643; File No. 812-11334]

**The Lincoln National Life Insurance Company, et al.**

January 12, 1999.

**AGENCY:** Securities and Exchange Commission (the "Commission" or "SEC").**ACTION:** Notice of application for an order of approval pursuant to Section 26(b) of the Investment Company Act of 1940 (the "1940 Act" or "Act").**SUMMARY OF APPLICATIONS:** Applicants seek an order to permit Lincoln National and LLANY, on behalf of Lincoln National Account L and LLANY Account L, to substitute securities issued by certain management investment companies and held by the Accounts to support certain group variable annuity contracts (the "Contracts") issued by Lincoln National and LLANY.**APPLICANTS:** The Lincoln National Life Insurance Company ("Lincoln National"), Lincoln National Variable Annuity Account L ("Lincoln National Account L"), Lincoln Life & Annuity Company of New York ("LLANY") and Lincoln Life & Annuity Variable Annuity Account L ("LLANY Account L") (Lincoln National Account L and LLANY Account L together, the "Accounts") (all collectively, the "Applicants").**FILING DATE:** The application was filed on October 1, 1998.**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 the Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the SEC by 5:30 p.m. on February 8, 1999, and should be accompanied by proof of service on the 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 SEC.**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20549. Applicants, Jeremy Sachs, Esquire, The Lincoln National Life Insurance Company, 1300 South Clinton Street, Fort Wayne, IN 46801-1110, Robert O. Sheppard, Esquire, Lincoln Life & Annuity Company of New York, 120

Madison Street, Suite 1700, Syracuse, NY 13202-2802. Copies to Kimberly J. Smith, Esquire, Sutherland Asbill &amp; Brennan LLP, 1275 Pennsylvania Avenue, NW, Washington, DC 20004-2415.

**FOR FURTHER INFORMATION CONTACT:** Lorna MacLeod, Attorney, or Mark Amorosi, 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 SEC's Public Reference Branch.**Applicants' Representations**

1. Lincoln National, a stock life insurance company incorporated under the laws of Indiana, is the depositor and sponsor of the Lincoln National Account L. Lincoln National is wholly-owned by Lincoln National Corporation, a publicly-held insurance holding company.

2. LLANY is a life insurance company chartered under New York law and is a subsidiary of Lincoln National. LLANY is the depositor and sponsor of LLANY Account L.

3. Lincoln National Account L is registered under the Act as a unit investment trust (Rile No. 811-7645). The assets of Lincoln National Account L support certain group flexible premium deferred variable annuity contracts. Interests in Lincoln National Account L offered through such contracts are registered under the Securities Act of 1933 ("1933 Act") on Form N-4 (File Nos. 333-4999, 333-5827, and 333-5815). The following nine sub-accounts are currently available as options under Lincoln National Account L Contracts: Index Account; Growth I Account; Asset Manager Account; Growth II Account; Balanced Account; International Stock Account; Socially Responsible Account; Equity-Income Account; and Small Cap Account.

4. LLANY Account L is registered under the Act as a unit investment (File No. 811-7785). The assets of LLANY Account L support certain group flexible premium deferred variable annuity contracts. Interests in LLANY Account L offered through such contracts are registered under the 1933 Act on Form N-4 (Reg. File Nos. 333-10963, 333-10805, and 333-10861). LLANY Account L is invested in the same investment sub-accounts as are available under Lincoln National Account L.

5. Each of the nine sub-accounts of the Lincoln National Account L and

LLANY Account L invests exclusively in the shares of a single portfolio that is a separate series of an open-end management investment company registered on Form N-1A. The nine portfolios are: Dreyfus Stock Index Fund, Calvert Social Balanced Portfolio of Calvert Variable Series, Small Cap Portfolio of Dreyfus Variable Investment Fund, Fidelity Variable Insurance Products Fund ("VIP") Equity-Income Portfolio, VIP Growth Portfolio, and VIP Money Market Portfolio, Fidelity Variable Insurance Products Fund II Asset Manager Portfolio, American Century VP Capital Appreciation and American Century VP Balanced of American Century Variable Portfolios, Inc., and International Stock Portfolio of T. Rowe Price International Series, Inc.

6. The Contracts reserve to Lincoln National and LLANY the right, subject to Commission approval, to substitute shares of another open-end management investment company for the shares of an open-end management investment company held by any sub-account. The reservation is disclosed in the prospectuses for the Contracts.

7. Currently, Contract owners may transfer cash value among and between the sub-accounts without the imposition of a transfer charge. All the Contracts, however, reserve to Lincoln National or LLANY, as applicable, the right to restrict transfer privileges.

8. The Applicants propose on or about April 30, 1999, to replace shares of the Calvert Social Balanced Portfolio with shares of the Lincoln National Social Awareness Fund, Inc. (the "Social Awareness Fund"), and shares of the American Century VP Capital Appreciation with shares of the Lincoln National Aggressive Growth Fund, Inc. (the "Aggressive Growth Fund") (the Social Awareness Fund and the Aggressive Growth Fund together, the "Substitute Funds"). Lincoln National and LLANY, on behalf of Lincoln National Account L and LLANY Account L respectively, will redeem shares of the replaced funds for cash and use the proceeds to purchase shares in the Substitute Funds. The companies will place redemption requests and purchase orders simultaneously so that contract values are fully invested at all times.

9. The investment objective of the Calvert Social Balanced Portfolio, a nondiversified fund, is to achieve a total return above the rate of inflation through an actively managed, nondiversified portfolio of common and preferred stocks, bonds, and money market instruments which offer income and capital growth opportunity and which satisfy the social concern criteria

established for the fund. The fund invests in enterprises that make a significant contribution to society through their products and services and through the way they do business. The Calvert Social Balanced Portfolio's investment objective is not fundamental and may be changed at any time with 60 days notice to shareholders.

10. The investment objective of the Social Awareness Fund, a diversified fund, is to achieve long-term capital appreciation. It seeks to achieve this objective by investing primarily in common stocks of established companies which satisfy certain social criteria, with the objective of maximizing long-term capital appreciation, while giving some

emphasis to income. The fund invests in common stock and securities convertible into common stock, all selected in accordance with the fund's social criteria. The Social Awareness Fund's investment objective is fundamental, and cannot be changed without a shareholder vote.

11. The investment objective of the American Century VP Capital Appreciation is to seek capital growth. The fund seeks to achieve its investment objective by investing in common stocks and other securities that meet certain fundamental and technical standards of selection and have, in the opinion of the fund's investment manager, better than average potential for appreciation. The fund seeks to stay fully invested in such

securities, regardless of the movement of stock prices generally.

12. The investment objective of the Aggressive Growth Fund is to seek to maximize capital appreciation. The fund pursues its objective by investing in a diversified portfolio of equity securities of small and medium-sized companies which have a dominant position within their respective industries, are undervalued or have potential for growth in earnings.

13. The following chart shows the total returns for the replaced funds for the past two years as well as the average annual total return since each fund's date of inception.

Replaced funds	Total return <sup>1</sup> of replaced funds		
	Inception of portfolio through 12/31/97 <sup>2</sup> (percent)	1997 (percent)	1996 (percent)
Calvert Social Balanced (inception date: September 2, 1986) .....	11.20	20.08	12.62
American Century VP Capital Appreciation (inception date: November 20, 1987) .....	9.34	-3.26	-4.32

<sup>1</sup> Total return for the replaced funds represents the historic performance of the Funds calculated in accordance with methods prescribed in Form N-1A.

<sup>2</sup> Total returns for the period from inception through December 31, 1997 have been annualized.

14. The following chart shows the total returns for the Substitute Funds for the past two years as well as average annual total return since each fund's date of inception. Each Substitute Fund has outperformed the corresponding replaced fund during each period shown.

Substitute funds	Total return <sup>3</sup> of substitute portfolios		
	Inception of fund through 12/31/97 <sup>4</sup> (percent)	1997 (percent)	1996 (percent)
Social Awareness Fund (inception date: May 2, 1988) .....	19.03	37.53	28.94
Aggressive Growth Fund (inception date: February 3, 1994) .....	15.04	23.09	17.02

<sup>3</sup> Total return for the Substitute Funds represents historic performance calculated in accordance with methods prescribed in Form N-1A.

<sup>4</sup> Total returns for the period from inception through December 31, 1997 are annualized.

15. The following chart shows the approximate size and expense ratio for each of the replaced funds for the past two and one-half years.<sup>5</sup>

Replaced funds	Net assets at December 31 (in thousands)	Expense ratio (percent)
Calvert Social Balanced:		
1996 .....	\$161,473	0.81
1997 .....	227,834	0.80
June 30, 1998 (inception date: September 2, 1986) .....	275,385	0.77
American Century VP Capital Appreciation:		
1996 .....	1,313,865	1.00
1997 .....	593,698	1.00
June 30, 1998 (inception date: November 20, 1987) .....	515,262	1.00

16. The following chart provides the approximate size and expense ratios for each of the Substitute Funds for the past two and one-half years.<sup>6</sup>

<sup>5</sup> Expense ratios include management fees and operating expenses. Each Fund currently pays a monthly management fee based on its average daily net assets at the following annual rates: Calvert Social Balanced Portfolio, 0.70% (plus or minus a fee adjustment of 0.05% to 0.15%) and American Century VP Capital Appreciation, 1.00%. As of October 1, 1998, the management fee for the American Century VP Capital Appreciation will be: 1.00% of the first \$500 million, 0.95% of the next \$500 million, and 0.90% of the excess over \$500 million.

<sup>6</sup> Expense ratios include management fees and operating expenses. Each Substitute Fund currently pays a monthly management fee based on its average daily net assets. The management fee for each Substitute Fund as of December 31, 1997 is as follows: Social Awareness Fund—0.48% of the first \$200 million, 0.40% of the next \$200 million, 0.30% of the excess over \$400 million; and Aggressive Growth Fund—0.75% of the first \$200 million, 0.70% of the next \$200 million, 0.65% of the excess over \$400 million.

Substitute funds	Net assets at December 31 (in thousands)	Expense ratio (percent)
Social Awareness Fund:		
1996 .....	\$636,595	0.46
1997 .....	1,255,494	0.41
June 30, 1998 (inception date: May 2, 1988) .....	1,708,434	0.38
Aggressive Growth Fund:		
1996 .....	242,609	0.82
1997 .....	342,763	0.81
June 30, 1998 (inception date: February 3, 1994) .....	381,554	0.79

17. All Contract owners will be notified of the substitution before it occurs by supplements to the prospectus for the Contracts dated October 1, 1998. The supplements will also disclose that neither Lincoln National nor LLANY will exercise any rights reserved by it under any of the Contracts to impose restrictions or fees on transfers until at least thirty days after the proposed substitutions.

18. At least sixty days before the date of the substitutions, Contract owners invested in the affected subaccounts will receive a prospectus for each Substitute Fund.

19. The proposed substitutions will take place at relative net asset value with no change in the amount of any Contract owner's cash value or death benefit or the dollar value of his or her investment in any of the Accounts. Contract owners will not incur any additional fees or charges as a result of the proposed substitutions nor will their rights or Lincoln National's and LLANY's obligations under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitutions, including legal, accounting and other fees and expenses, will be paid by Lincoln National and LLANY. In addition, the proposed substitutions will not impose any tax liability on Contract owners. The proposed substitutions will not cause the Contract fees and charges currently paid by existing Contract owners to be greater after the proposed substitutions than before the proposed substitutions.

20. Within five days after the substitutions, the companies will send to all Contract owners invested in the affected subaccounts notice that the substitutions were completed. The notice will also advise the Contract owners of their right to transfer cash value from either of the affected subaccounts to other available subaccounts and reiterate that neither Lincoln National nor LLANY will impose any restriction or fee on transfers for at least 30 days after the substitutions.

### Applicants' Legal Analysis

1. Section 26(b) of the Act requires the depositor of a registered unit investment trust holding the securities of a single issuer to obtain Commission approval before substituting the securities held by the trust. The section further provides that the Commission shall issue an order approving such substitution if the evidence establishes that the substitution is consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act.

2. The purpose of Section 26(b) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate shares of a particular issuer and to prevent unscrutinized substitutions that might, in effect, force shareholders dissatisfied with the substituted security to redeem their shares and, thereby, possibly incur a sales charge. Section 26(b) protects investors by preventing a depositor or trustee of a unit investment trust from substituting the shares of one issuer for those of another issuer unless the Commission approves the substitution.

3. Applicants assert that the proposed substitutions meet the standards that the Commission has applied to past substitutions.

4. Applicants assert that despite some differences, the investment objectives and policies of the Substitute Funds are sufficiently similar to those of the replaced funds to assure that the core investment goals of the affected Contract owners can continue to be met. The Social Awareness Fund, like the Calvert Social Balanced Fund uses social criteria to select investments. The Aggressive Growth Fund, like the American Century VP Capital Appreciation Portfolio, is a growth-oriented stock fund.

5. Applicants further assert that Contract owners will benefit from the proposed substitutions. In both cases, the performance of the Substitute Fund has been superior to that of the fund it will replace as measured in each of the past two calendar years and since the inception of the fund. In addition, the

fees and expenses of the Substitute Fund are lower than those of the respective replaced fund. Applicants assert that the fees and expenses of the Substitute Funds are likely to remain lower for the foreseeable future because the Social Awareness Fund has substantially more assets than the Calvert Social Balanced Fund and because the asset base of the Aggressive Growth Fund, though currently lower than the American Century VP Capital Appreciation Portfolio, is growing, while the asset base of the American Century portfolio is declining.

### Conclusion

Applicants assert, for the reasons stated above, that the proposed substitutions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act and that the requested order approving the substitution should 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

[File No. 500-1]

### Powertech, Inc.; Order of Suspension of Trading

January 13, 1999.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Powertech, Inc. ("Powertech") because of questions regarding the accuracy of publicly disseminated information concerning, among other things, contracts entered into by Powertech.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading