

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

in the securities of the above listed company.

Therefore, it is ordered, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the above listed company is suspended for the period from 9:30 a.m. EST, January 14, 1999, through 11:59 p.m. EST, on January 28, 1999.

By the Commission.

**Jonathan G. Katz,**

Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40932; File No. SR-NASD-98-92]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to a Change in Position Limits for Standardized Equity Options

January 11, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 11, 1998, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly-owned subsidiary, NASD Regulation, Inc. ("NASD Regulation") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD Regulation proposes to amend Rule 2860(b)(3)(A) of the National Association of Securities Dealers, Inc. ("NASD" or "Association"), to triple the position limits on standardized (exchange-traded) equity options and make them equivalent to the limits on conventional (over-the-counter) equity options overlying the same security.

Below is the text of the proposed [rule change. Proposed new language is in italics; proposed deletions are in brackets.

#### Rule 2860. Options

##### (3) Position Limits.

(A) Stock Options—Except in highly unusual circumstances, and with the prior written approval of the Association pursuant to the Rule 9600 Series for good cause shown in each instance, no member shall effect for any account in which such member has an interest, or for the account of any partner, officer, director or employee thereof, or for the account of any customer, an opening transaction through Nasdaq, the over-the-counter market or on any exchange in a stock option contract of any class of stock options if the member has reason to believe that as a result of such transaction the member or partner, officer, director or employee thereof, or customer would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate equity options position in excess of:

(i) [4,500] *13,500* option contracts of the put class and the call class on the same side of the market covering the same underlying security, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options; or

(ii) [7,500] *22,500* options contracts of the put class and the call class on the same side of the market covering the same underlying security, providing that the [7,500] *22,500* contract position limit shall only be available for option contracts on securities which underlie Nasdaq or exchange-traded options qualifying under applicable rules for a position limit of [7,500] *22,500* option contracts; or

(iii) [10,500] *31,500* option contracts of the put class and the call class on the same side of the market covering the same underlying security providing that the [10,500] *31,500* contract position limit shall only be available for option contracts on securities which underlie Nasdaq or exchange-traded options qualifying under applicable rules for a position limit of [10,500] *31,500* option contracts; or

(iv) [20,000] *60,000* options contracts of the put and the call class on the same side of the market covering the same underlying security, providing that the [20,000] *60,000* contract position limit shall only be available for option contracts on securities which underlie

Nasdaq or exchange-traded options qualifying under applicable rules for a position limit of [20,000] *60,000* option contracts; or

(v) [25,000] *75,000* options contracts of the put and the call class on the same side of the market covering the same underlying security, providing that the [25,000] *75,000* contract position limit shall only be available for option contracts on securities which underlie Nasdaq or exchange-traded options qualifying under applicable rules for a position limit of [25,000] *75,000* option contracts; or

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##### (ix) Conventional Equity Options.

a. For purposes of this paragraph (b), standardized equity options contracts of the put class and call class on the same side of the market overlying the same security shall not be aggregated with conventional equity options contracts or FLEX Equity Options contracts overlying the same security on the same side of the market. Conventional equity options contracts of the put class and call class on the same side of the market overlying the same security shall be subject to a position limit equal to the greater of:

1. [three times] the basic limit of [4,500] *13,500* contracts, or

2. [three times] any standardized equity options position limit as set forth in subparagraphs (b)(3)(A)(ii) through (v) for which the underlying security qualifies or would be able to qualify.

b. In order for a security not subject to standardized equity options trading to qualify for an options position limit of more than [4,500] *13,500* contracts, a member must first demonstrate to the Association's Market Regulation Department that the underlying security meets the standards for such higher options position limit and the initial listing standards for standardized options trading.

#### II. Self-Regulatory Organization's Statement of Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purposes of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.