

directors in the future. The Company also believes that such options are a necessary adjunct to its directors' fees to provide fair and reasonable compensation for the services and attention devoted by the non-officer directors. Each current non-officer director makes a significant contribution to the management of the Company's business and to analysis and supervision of its loan portfolio. The Company believes that any non-officer directors who are elected initially after issuance of the SEC's order will provide similar services and devote similar time and attention to serving the Company.

3. The projected compensatory value of an automatic, one-time grant to the Company's non-officer directors of a stock option to purchase 10,000 shares at fair market value is well within the range of reasonable director compensation in consideration of the time commitment described above, especially given that realization of such compensation is contingent upon the Company's market performance. Automatic, one-time option grants to current and future non-officer directors permit the Company to devote its cash resources to additional investments and not to increases in directors' fees to retain qualified non-officer directors or to attract replacements. Most importantly, as a method of compensation which is contingent on the Company's stock performance, such stock option awards serve the best interest of the Company's stockholders by reinforcing the alignment of the interests of non-officer directors and stockholders of the Company.

4. For all of these reasons, the Company believes that providing for the automatic, one-time grant of stock options to purchase 10,000 shares to each of the Company's current and future non-officer directors is fair and reasonable and does not involve overreaching of the Company or its stockholders.

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

Margaret H. McFarland,
Deputy Secretary.

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[Rel. No. IC-21545; No. 812-9668]

National Life Insurance Company, et al.

November 27, 1995.

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

ACTION: Notice of Application for an Exemption pursuant to the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: National Life Insurance Company (the "Company"), National Variable Life Insurance Account (the "Account"), any other separate account established in the future by the Company (the "Future Accounts", collectively, with the Account, the "Accounts") to support flexible premium variable life insurance policies (the "Future Contracts," collectively, with the Existing Contracts, the "Contracts") and Equity Securities, Inc. (the "Underwriter").

RELEVANT 1940 ACT SECTIONS: Order requested pursuant to Section 6(c) of the 1940 Act seeking exemptions from the provisions of Section 27(c)(2) thereof and from Rule 6e-3(T)(c)(4)(v) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order permitting them to deduct from premiums received under the Contracts issued by the Company and the Accounts a charge in an amount that is reasonable in relation to the Company's increased federal income tax burden related to the receipt of such premium payments and that results from the application of Section 848 of the Internal Revenue Code of 1986, as amended (the "Code").

FILING DATE: The application was filed on July 14, 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 Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on December 22, 1995, and must 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 may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549. Applicants, c/o D. Russell Morgan, Counsel, National Life Insurance Company, One National Life Drive, Montpelier, Vermont 05604.

FOR FURTHER INFORMATION CONTACT: Kevin M. Kirchoff, Senior Counsel, or Wendy Friedlander, Deputy Chief, 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 is available for a fee from the Public Reference Branch of the Commission.

Applicant's Representations

1. The Company, a mutual life insurance company chartered pursuant to the law of the State of Vermont in 1848, is authorized to transact life insurance and annuity business in Vermont and in 50 other jurisdictions. The Company is depositor and sponsor of the Account.

2. The Company established the Account pursuant to Vermont law to support variable life insurance contracts. The Account is registered with the Commission as a unit investment trust and is a "separate account" as defined by Rule 0-1(e) under the 1940 Act. The Company anticipates that any Future Account would be registered under the 1940 Act as a unit investment trust and would meet the definition of a separate account in Rule 0-1(e) thereunder.

3. The Account currently has nine sub-accounts, each of which invests in a corresponding portfolio of one of two series-type mutual funds registered with the Commission as open-end, diversified management investment companies: the Market Street Fund and Variable Insurance Products Fund.

4. The Underwriter, an indirect, wholly-owned subsidiary of the Company, is registered as a broker-dealer pursuant to the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc.

5. The Existing Contracts are flexible premium variable life insurance contracts.

6. In the Omnibus Budget Reconciliation Act of 1990, Congress amended the Code by, among other things, enacting Section 848 thereof. Section 848 changed the federal income taxation of life insurance companies by requiring them to capitalize and amortize over a period of ten years part of their general expenses for the current year. Under prior law, these expenses were deductible in full from the current year's gross income.

7. The amount of expenses that must be capitalized and amortized under Section 848 is generally determined with reference to premium payments for certain categories of life insurance and other contracts ("Specified Contracts"). Thus, for each Specified Contract, an amount of expenses must be capitalized and amortized equal to a percentage of