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 R. Scott Burton, Assistant General Counsel, Southland Life Insurance Company, 5780 Powers Ferry Road, NW., Atlanta, Georgia 30327–4390.

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: 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. Southland is a stock life insurance company organized pursuant to the laws of the State of Texas and authorized to transact life insurance and annuity business in the District of Columbia and all states other than New York and Vermont. Southland is a wholly-owned indirect subsidiary of Internationale Nederlanden Groep, N.V., a diversified financial services company with headquarters in The Hague, Netherlands.
- 2. ING Equities, an affiliate of Southland, will serve as the principal underwriter of the Existing Contracts. ING Equities is registered with the Commission as a broker-dealer pursuant to the Securities Exchange Act of 1934 and is a member of the National Securities Dealers, Inc.
- 3. The Account was established by Southland as a separate investment account pursuant to Texas insurance law on February 24, 1994, as a funding medium for variable annuity contracts. The Account is registered with the Commission as a unit investment trust under the 1940 Act. Pursuant to Texas law, the assets of the Account attributable to the Contracts are owned by Southland but are held separately from all other assets of Southland for the benefit of owners of, and persons entitled to payments under, the Contracts.
- 4. The Account currently has twentyone subaccounts ("Subaccounts") that each invest exclusively in the shares of

- a designated investment portfolio of The Alger American Fund, Variable Insurance Products Fund, Variable Insurance Products Fund II, or the Janus Aspen Series.
- 5. The Existing Contracts are available for purchase in connection with retirement plans that qualify for federal tax advantages available pursuant to the Internal Revenue Code ('qualified contracts'') and that do not qualify for the special federal tax advantages available pursuant to the Internal Revenue Code ('non-qualified contracts'').
- 6. The minimum initial purchase payment is \$5,000 for a non-qualified Existing Contract and \$1,000 for a qualified Existing Contract. The minimum additional purchase payment is \$500 for non-qualified Existing Contract and \$250 for a qualified Existing Contract (or \$90 for an individual retirement annuity on a monthly program of purchase payments).
- 7. The Existing Contracts provide a death benefit that is the greatest of the following, less taxes incurred by Southland but not taken:
- (1) the aggregate purchase payments made (less partial withdrawals and any charges taken in connection with partial withdrawals), accumulated at 4% per year (0% after attained age 75) up to a maximum of two times the sum of all net purchase payments (less partial withdrawals and any charges taken in connection with partial withdrawals;
- (2) the accumulation value at the time of death; and
- (3) the step-up benefit ¹ plus net purchase payments made, less partial withdrawals (and charges taken in connection with partial withdrawals) since the last step-up anniversary.
- 8. The portion of the death benefit equal to the accumulation value, or to the sum of the purchase payments made less partial withdrawals (and any charges taken in connection with partial withdrawals), constitutes the basic death benefit. The death benefit in excess of the foregoing basic death benefit, including purchase payments accumulated at 4% interest, as described in (1) of paragraph 7 above, and the step-up benefit, as described in (3) of paragraph 7 above, constitutes the

- enhanced death benefit ("Enhanced Death Benefit").
- 9. The Existing Contracts permit transfer of accumulation value among Subaccounts, subject to certain conditions. Prior to the annuity date, up to twelve transfers each contract year are permitted with no charge. Each additional transfer is subject to a charge of \$25. After the annuity date, no more than four transfers each contract year are permitted. No charge is assessed for a transfer after the annuity date. Southland represents that it does not expect that the total revenues from the excess transfer charge will be greater than the total cost of administering excess transfer, on average, over the period that the Existing Contracts are in force.
- 10. If the more than one partial withdrawal (other than a withdrawal pursuant to a systematic withdrawal program or Individual Retirement Account income program) is made during a contract year, Southland will charge the lesser of \$25 of 2% of the amount withdrawn for each additional partial withdrawal. This charge will be deducted from each Subaccount in the same proportion that the contract owner's Subaccount accumulation value bears to the contract owner's accumulation value. Southland represents that it does not expect that the total revenues from this charge will be greater than the total expected cost of administering partial withdrawals.
- 11. For the accounts of contract owners who reside in states that require payment of premium taxes at the time purchase payments are made, Southland currently advances the amount of the charge for premiums taxes, without reducing the contract owner's accumulation value. Southland then recovers the amount of the premium payments that it advanced upon the surrender of a contract or on the annuity date. Applicable premium taxes depend on the contract owner's place of residence and general range from 0% to 3.5% of purchase payment or the amount annuitized. Southland represents that the amount that it will recover for premium taxes will not be greater than the amount of premium taxes required to be paid.

12. The Existing Contracts do not provide for a front-end sales load to be deducted from the purchase payments. However, within certain time periods, if all or a portion of the contract value is withdrawn prior to the annuity date, a contingent deferred sales charge ("CDSC") will be calculated at the time of each withdrawal and deducted from the contract value. This charge reimburses Southland for expenses

¹At each step-pup anniversary, the current accumulation value is compared to the prior determination of the step-up benefit, increased by purchase payments made and reduced by partial withdrawals and any surrender and partial withdrawal transaction charges taken since that anniversary. The greater of these becomes the new step-up benefit. The step-up anniversaries are the contract date and every sixth contract anniversary thereafter (i.e., sixth, twelfth, eighteenth, etc., contract anniversaries).