

other than the twelve free transfers per year limit referred to above. A charge may be assessed for transfers made after the accumulation period ends. For deferred variable annuity contracts, after the accumulation period, no transfers are permitted from the fixed annuity option to the variable annuity option.

10. The Contracts provide for a free withdrawal privilege equal to at least 10% of Contract value annually; this right is not subject to reduction or withdrawal. No tax liability or consequences are associated with the transfer of Contract values within the Contract.

11. The Franklin Fund is part of the Trust, which was organized as a Massachusetts business trust on April 26, 1988. Shares of the Franklin Fund are sold to the Separate Account Applicants for the purpose of funding the Contracts. The Franklin Fund is managed by Franklin Advisers, Inc. ("Franklin Advisers"). The Franklin Fund's investment objective is to match the performance of the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index") before the deduction of fund expenses. The Franklin Fund seeks to invest at least 80% of its total assets in the common stocks of companies included in the S&P 500 Index. The Trust offers two classes of shares of the Franklin Fund to insurance company separate accounts. The terms of the Class 1 and Class 2 shares are identical except that the Class 2 shares bear the expenses of the Class 2 distribution plan. The Trust is registered as an open-end management company under the 1940 Act, and its shares are registered as securities under the Securities Act of 1933 ("1933 Act").

Under an agreement with Franklin Advisers, SSgA Funds Management, Inc. ("SSgA") is the Franklin Fund's sub-adviser. Neither Franklin Advisers nor SSgA is affiliated with the Applicants.

12. The Dreyfus Fund is a Maryland Corporation formed on January 24, 1989. It is registered as an open-end management company under the 1940 Act, and its shares are registered as securities under the 1933 Act. The investment adviser for the Dreyfus Fund is The Dreyfus Corporation ("Dreyfus"). Shares of the Dreyfus Fund are currently sold exclusively to insurance company separate accounts for the purpose of funding variable annuity contracts and variable life insurance policies. Like the Franklin Fund, the Dreyfus Fund's investment objective is to match the total return of the S&P 500 Index. The Dreyfus Fund attempts to have a correlation with the S&P 500 Index of at least .95 before expenses. A correlation of 1.00 would mean that the Dreyfus Fund and the S&P 500 Index were perfectly correlated. The Dreyfus Fund offers two classes of shares, Initial Class and Service Class. The terms of the Initial Class and Service Class are identical except that the Service Class shares bear the expenses of the Service Class distribution plan. Mellon Equity Associates, an affiliate of Dreyfus, serves as the Dreyfus Fund's index fund manager. Neither Dreyfus nor Mellon Equity Associates is affiliated with the Applicants.

13. In December of 2001, the Insurance Company Applicants were informed by Franklin Advisers that the Board of Trustees of the Franklin Fund had determined that the Franklin Fund

would be dissolved and liquidated. Franklin Advisers stated that the closing of the Franklin Fund was proposed primarily because the Franklin Fund had not attracted and/or retained sufficient assets to be a sufficiently economically viable fund.

14. Effective May 1, 2002, in anticipation of the closing of the Franklin Fund, the Insurance Company Applicants closed the Franklin Fund to new premiums and transfers. Also on May 1, the Insurance Company Applicants added the Dreyfus Fund as a variable investment option offered through the Contracts.

15. Applicants request the Commission's approval to effect the substitution of shares of the Franklin Fund with shares of the corresponding class of shares of the Dreyfus Fund. Dreyfus Initial Class shares would be substituted for Franklin Class 1 shares, and Dreyfus Service Class shares would be substituted for Franklin Class 2 shares.

16. Applicants believe that the Dreyfus Fund is an appropriate replacement for the Franklin Fund, and an appropriate investment vehicle for the Contract owners, because the two Funds share a virtually identical investment objective. The Franklin Fund and the Dreyfus Fund both seek to match the performance of the S&P 500 Index. Both funds use similar policies and strategies to attempt to match the performance of the S&P 500 Index.

17. The expenses of the Franklin Fund and the Dreyfus Fund as of December 31, 2002, and currently, as a percentage of average daily net assets, are as follows:

	Franklin Fund Class 1	Dreyfus Fund Initial Class	Franklin Fund Class 2	Dreyfus Fund Service Class
Management Fees	0.15%	0.25%	0.15%	0.25%
Rule 12b-1 Fee	N/A	N/A	² 0.25%	0.25%
Other Expenses	0.14%	0.02%	0.14%	0.02%
Total Expenses Before Reimbursement or Fee Waiver	0.29%	0.27%	0.54%	0.51%
Management Fee Reduction	³ (0.01%)	N/A	³ (0.01%)	N/A
Total Expenses After Reimbursement or Fee Waiver	0.28%	0.27%	0.53%	0.51%

² While the maximum amount payable under the Franklin Fund's Class 2 Rule 12b-1 plan is 0.35% per year of the fund's average daily net assets, the Board of Trustees of the Trust has set the current rate at 0.25% per year.

³ The manager has agreed in advance to reduce its fee to reflect reduced services resulting from the Fund's investment in a Franklin Templeton money fund. This reduction is required by the Fund's Board of Trustees and an order of the Commission.

18. As the foregoing chart indicates, for each Class, as of December 31, 2002, the Dreyfus Fund had lower expense ratios than the corresponding class of the Franklin Fund. In addition, the Applicants believe that the addition of assets resulting from the Substitution may result in even lower expense ratios

for the Contract owners that have currently allocated their Contract values to the Franklin Fund.

19. Contract owners were first notified of the proposed Substitution in May of 2002. This notice informed Contract owners of the proposed Substitution and the reason for the Substitution, and

also provided Contract owners a toll free number for obtaining a current prospectus for the Dreyfus Fund. In addition, on or before February 4, 2003, approximately 60 days prior to the projected effective date of the Substitution, Contract owners were sent a second notice of the Substitution. The