

assets under management. MetLife Advisers is responsible for overseeing MLIC and for making recommendations to the Metropolitan Series' board of directors relating to hiring and replacing any subadviser. MetLife Advisers also performs general administrative and management services for the Metropolitan Series. MLIC's principal offices are located at One Madison Avenue, New York, New York 10010. MLIC also is the Metropolitan Series' principal underwriter and distributor.

20. MetLife Investors Distribution Company ("MetLife Investors Distribution") serves as principal underwriter and distributor for the MetLife Investors Contracts. MetLife Investors Distribution is an indirect wholly-owned subsidiary of MetLife. MetLife Investors Distribution is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "1934 Act") and is a member of the National Association of Securities Dealers, Inc. ("NASD"). MetLife Investors Distribution may enter into selling agreements with other broker-dealers registered under the 1934 Act whose representatives are authorized to sell the MetLife Investors Contracts.

21. Walnut Street Securities, Inc. ("Walnut Street") serves as principal underwriter and distributor for Security Equity Life PP Contracts and Security Equity Life Contracts. Walnut Street is a wholly-owned subsidiary of GenAmerica Corporation. Walnut Street is registered as a broker-dealer under the 1934 Act and is a member of the NASD. Walnut Street may enter into selling agreements with other broker-dealers registered under the 1934 Act whose representatives are authorized to sell the Security Equity Life PP Contracts and Security Equity Life Contracts.

22. MetLife Investors USA and Security Equity Life propose to substitute Class A shares of Replacement Portfolio for Initial Class shares of the Substituted Portfolio held in the Accounts (the "proposed substitutions"). At the current time, most variable life insurance and variable annuity contracts being actively marketed by MetLife affiliated life insurance companies that offer an S&P 500 Index investment portfolio, offer the Replacement Portfolio. The proposed substitutions are part of efforts by MetLife Investors USA and Security Equity Life to standardize investment options offered through variable life insurance and variable annuity contracts across all MetLife affiliated life insurance companies. Investment option standardization is expected to make such contracts more efficient to

administer and oversee, thereby reducing costs to the companies and improving service to owners of all of the contracts. For example, one variable annuity operations center provides contract administration and contract owner services for most of the affiliated life insurance companies. Standardizing product features, such as investment options, will foster more efficient administration of the Contracts, thereby improving quality control and Owner satisfaction. Similarly, as part of this standardization process, several other mutual funds managed by companies affiliated with Metropolitan Life Insurance Company are being merged into investment portfolios of Metropolitan Series, including the MetLife Portfolio. This should, as with the proposed substitution, increase the Portfolio's net assets and lead to lower overall expenses for the Portfolio. By way of other examples, most sales representatives will only have to be familiar with one S&P 500 Index portfolio offering rather than several. Likewise, for most contracts, only one prospectus, rather than several, for an S&P 500 Index portfolio would have to be printed.

23. Though not a principal reason for the proposed substitutions, the substitutions would have the effect of transferring Contract values to an investment portfolio managed by MLIC, an affiliated person of MetLife Investors USA and Security Equity Life, thereby increasing the management fees to MLIC.

24. Applicants believe that replacing the Substituted Portfolio with the Replacement Portfolio is appropriate and in the best interests of Contract owners because the investment objectives and principal investment strategies of the Replacement Portfolio are substantially identical to those of the Substituted Portfolio so that Contract owners will have continuity in investment and risk expectations. In addition, the types of investment advisory and administrative services provided to the Replacement Portfolio are substantially the same as those provided to the Substituted Portfolio.

25. Although net expenses for the Substituted Portfolio were slightly lower than those for the Replacement Portfolio for the year ended December 31, 2002, Applicants note that the expense ratio for the Substituted Portfolio before voluntary waivers and reimbursements was higher than that of the Replacement Portfolio. More significantly, Applicants propose to limit Contract charges (discussed below) attributable to Contract value invested in the Replacement Portfolio following the

proposed substitutions, to a rate that would offset the expense ratio differential between the Substituted Portfolio's 2002 expense ratio and the expense ratio for the Replacement Portfolio.

26. Applicants believe that replacing the Substituted Portfolio with the Replacement Portfolio is appropriate and in the best interests of Contract owners because the Replacement Portfolio is larger than the Substituted Portfolio and has excellent prospects for future growth. Although almost all equity mutual funds have declined in size over the last two years (due primarily to equity market declines, but also as a result of investor redemptions), the Replacement Portfolio has, on a percentage basis, declined in size less than the Substituted Portfolio. In large part this is because it has gained new investors. As indicated above, the Applicants anticipate that, through mergers with affiliated funds and being added as an investment option in variable annuity and life insurance contracts of MetLife affiliated insurance companies, the Replacement Portfolio will continue to add new investors.

Size and continued growth are important factors in the performance of an index portfolio because they have a critical impact on expense levels. The Replacement Portfolio had an expense ratio in 2002 of 0.31%. Applicants believe that with the growth anticipated for the Portfolio, it has excellent prospects of maintaining or even lowering that ratio in future years. Although the Substituted Portfolio had an actual expense ratio of 0.28% for 2002, it achieved that ratio only after a reimbursement of 0.05% from FMR, its investment adviser. The reimbursement is voluntary and FMR may cease reimbursing the Portfolio at any time. In addition, FMR has the ability to seek repayment of the reimbursed amounts under certain circumstances in future years.

Applicants also believe that replacing the Substituted Portfolio with the Replacement Portfolio is appropriate and in the best interests of Contract owners because the Replacement Portfolio has had better performance than the Substituted Portfolio. Although, being index portfolios, performance differences are very small, the Replacement Portfolio has consistently outperformed the Substituted Portfolio in recent years.

27. The following chart sets out the investment objective and principal investment strategies of the Substituted Portfolio and the Replacement Portfolio, as stated in their respective prospectuses.