

underlying security or to simulate full investments in the S&P 500 Index—a strategy of potential benefit to Contract owners.

47. FMR currently serves as investment adviser for the Substituted Portfolio. Investment management decisions for the Substituted Portfolio are made by DAMI and FMRC in their capacity as subadvisers. The investment adviser for the Replacement Portfolio is MetLife Advisers. MLIC carries out the daily investment management decisions for the Replacement Portfolio in its capacity as subadviser.

48. Both the Replacement Portfolio and the Substituted Portfolio have assets of more than \$2.4 billion as of December 31, 2002. The Substituted Portfolio's

asset base, however, has declined from \$5.5 billion as of December 31, 1999.

49. Since both portfolios hold a large percentage of its assets in the 500 securities of the S&P 500 Index in the same proportion as the index, the respective expense ratios of the portfolios are the primary cause of tracking error (*i.e.*, the difference between the performance of the Substituted Portfolio or the Replacement Portfolio and the performance of the S&P 500 Index). For each of the last five years, the Substituted Portfolio's investment adviser voluntarily reimbursed a portion of the Portfolio's operating expenses. In fact, FMR retains the ability to be repaid

for these expense reimbursements in future years in the amount that expenses fall below the 0.28% limit prior to the end of a fiscal year. Through imposition of the expense caps described above following the proposed substitutions, Contract owners affected by the proposed substitutions will incur total Portfolio and subaccount expenses for two years that are no higher than the total Portfolio and subaccount expenses that they incurred in the fiscal year ended December 31, 2002.

50. The following table compares the respective asset levels, expense ratios, and performance data of the two portfolios, as well as performance data for the S&P 500 Index.

Portfolio	Asset levels (as of 12/31/ 02) (millions)	Expense ratios (for the year ended 12/31/ 02) (in percent)	Performance (for periods ending 12/ 31/02)
Index 500 Portfolio (Substituted Portfolio) .....	\$2,497	0.28	<ul style="list-style-type: none"> <li>• 1 Year: -22.25%</li> <li>• 5 Year: -0.84%</li> <li>• 10 Year: 9.04%</li> </ul>
MetLife Stock Index Portfolio (Replacement Portfolio) .....	\$2,840	0.31	<ul style="list-style-type: none"> <li>• 1 Year: -22.10%</li> <li>• 5 Year: -00.66%</li> <li>• 10 Year: 09.15%</li> </ul>
S&P 500 Index .....	N/A	N/A	<ul style="list-style-type: none"> <li>• 1 Year: -22.09%</li> <li>• 5 Year: -00.58%</li> <li>• 10 Year: 09.34%</li> </ul>

51. The Applicants submit that, for all the reasons stated above, the proposed substitutions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

52. Because shares held by a separate account of an insurance company are owned by the insurance company, MetLife Investors USA, Security Equity Life and other life insurance company affiliates of MetLife Investors USA and Security Equity Life own of record all of the shares of the Replacement Portfolio. Therefore, Metropolitan Series and the Replacement Portfolio are arguably under the control of MetLife Investors USA and Security Equity Life (and its affiliates) notwithstanding the fact that Contract owners may be considered the beneficial owners of those shares held in the Accounts. If Metropolitan Series and the Replacement Portfolio are under MetLife Investors USA's and Security Equity Life's control, then any person controlling MetLife Investors USA and Security Equity Life, or any person under common control with MetLife Investors USA and Security Equity Life, is an affiliated person of Metropolitan Series and the Replacement Portfolio. Similarly, if Metropolitan Series and the

Replacement Portfolio are under MetLife Investors USA's and Security Equity Life's control, then Metropolitan Series and the Replacement Portfolio are affiliated persons of MetLife Investors USA and Security Equity Life and also are affiliated persons of any persons that control MetLife Investors USA and Security Equity Life or are under common control with MetLife Investors USA and Security Equity Life.

53. Regardless of whether or not MetLife Investors USA and Security Equity Life can be considered to control Metropolitan Series or the Replacement Portfolio, because MetLife Investors USA and Security Equity Life each own of record more than 5% of the shares of the Replacement Portfolio, each is an affiliated person of Metropolitan Series and of the Replacement Portfolio. Similarly, because more than 5% of the Replacement Portfolio's shares are owned by each of MetLife Investors USA and Security Equity Life, Metropolitan Series and the Replacement Portfolio are affiliated persons of MetLife Investors USA and Security Equity Life and also are affiliated persons of affiliated persons of any person that controls MetLife Investors USA and Security Equity Life

or is under common control with MetLife Investors USA and Security Equity Life. Likewise, because MetLife Investors USA and Security Equity Life may, from time to time, own of record more than 5% of the shares of the Substituted Portfolio, each may, from time to time, be an affiliated person of VIP Fund II and of the Substituted Portfolio. Similarly, VIP Fund II and the Substituted Portfolio are each affiliated persons of MetLife Investors USA and Security Equity Life and also are affiliated persons of affiliated persons of any person that controls MetLife Investors USA and Security Equity Life or is under common control with MetLife Investors USA and Security Equity Life.

54. The proposed substitutions by MetLife Investors USA and Security Equity Life which may entail the purchase of shares of the Replacement Portfolio with portfolio securities of the Substituted Portfolio, therefore also may entail the purchase of such securities by the Replacement Portfolio and/or the sale of such securities by the Substituted Portfolio, each acting as principal, to the other and therefore may be in contravention of section 17(a) of the 1940 Act. In addition, the