

CDSC period, Prudential will apply the applicable CDSC according to the seven-year schedule detailed above. If a contract owner exercises his or her right to cancel the New Contract, the New Credit will be returned to Prudential and the Old Contract will be reinstated with contract values that reflect the investment experience while the New Contract was held, or such other value as is required by state law. After expiration of the New Contract's right to cancel period, withdrawals will be governed by the terms of the New Contract for purposes of calculating any CDSC. The Exchange Date will be the issue date of the New Contract for

purposes of determining contract years and anniversaries after the Exchange Date.

25. To accept the Exchange Offer, an owner of an Old Contract must complete an Internal Exchange Application Form. Contract values will be allocated to the New Contract investment options selected by the owner. Contract values may subsequently be reallocated under the New Contract pursuant to contract owner instructions. Payments submitted with the Internal Exchange Application Form will be assumed to be payments under the New Contract as of the date of issue of the New Contract.

26. No adverse tax consequences generally will be incurred by those Old

Contract owners who accept the Exchange Offer. The exchanges will constitute tax-free exchanges pursuant to Section 1035 of the Internal Revenue Code (for nonqualified annuities) or tax-free transfers (in connection with Old Contracts held under IRAs). Prudential designed the terms of the Exchange Offer (particularly the New Credit) in response to similar offers currently being made by its competitors as a means to maintain the existing Old Contract business.

27. The following chart summarizes the salient features of the Old Contracts and the New Contracts.

Features	New contract	Discovery plus	VIP
<b>A. Investment Options:</b>			
1. Number of underlying funds .....	27 .....	13 .....	13.
2. Fixed rate option (and MVA option) .....	Yes .....	Yes .....	Yes.
3. Dollar cost averaging fixed rate option .....	Yes .....	N/A .....	N/A.
4. Dollar cost averaging feature .....	Yes .....	Yes .....	Yes.
5. Asset allocation program .....	Yes .....	N/A .....	N/A.
6. Auto-rebalancing .....	Yes .....	N/A .....	N/A.
7. Number of Free Transfers .....	12 .....	4 .....	4.
<b>B. Death Benefit:</b>			
1. Base death benefit (greater of total purchase payments less withdrawals or contract value) .....	Yes .....	Yes .....	Yes.
2. Step-up or roll-up GMDB .....	Yes .....	N/A .....	N/A.
3. Greater of Step-up or Roll-up GMDB .....	Yes .....	N/A .....	N/A.
4. Earnings Appreciator supplemental death benefit .....	Yes .....	N/A .....	N/A.
<b>C. Annuity Options:</b>			
1. Annuity payments for a fixed period .....	Yes .....	Yes .....	Yes.
2. Life income annuity option. ....	Yes .....	Yes .....	Yes.
3. Interest payment option .....	Yes .....	Yes .....	Yes.
4. Other annuity options. ....	Yes .....	Yes .....	Yes.
5. Automated withdrawals .....	Yes .....	Yes .....	Yes.
<b>D. Guaranteed Minimum Income Benefit .....</b>	Yes .....	N/A .....	N/A.
<b>E. Spousal Continuation Benefit .....</b>	Yes .....	N/A .....	N/A.
<b>F. Credit Amount/Bonus .....</b>	Up to 3% .....	1% .....	1%.
<b>G. Fees and Charges:</b>			
1. Maximum transfer fee .....	\$30.00 .....	N/A .....	N/A.
2. Contract maintenance charge .....	\$0.00 .....	\$30.00 .....	\$30.00.
3. Base Death Benefit; or .....	1.20% .....	1.20% .....	1.20%.
GMDB—Roll-up or Step-up; or .....	1.45% .....	N/A .....	N/A.
GMDB greater of Roll-up and Step-up .....	1.55% .....	N/A .....	N/A.
4. Earnings appreciator charge .....	.30% .....	N/A .....	N/A.
5. Income Appreciator charge .....	.25% .....	N/A .....	N/A.
6. GMIB charge .....	.45% .....	N/A .....	N/A.
7. Underlying fund charge range (after Expense reimbursement) .....	.37%–1.30% .....	.37%–.82% .....	.37%–.82%.

28. Applicants submit that the Exchange Offer is meant to encourage existing Old Contract owners who might otherwise surrender their contracts in exchange for a competitor's product offering a similar bonus to remain with Prudential instead. If imposing the New Contract's CDSC on the New Contract is not permitted, Applicants believe some contract owners might exchange their New Contracts with the intent to take advantage of the New Credit and then surrender the New Contract without a CDSC. Without the CDSC, Prudential would have no assurance that a contract

owner who accepted the Exchange Offer would persist for long enough for the New Credit and any payments to registered representatives to be recouped through standard fees from the ongoing operation of the New Contracts. Old Contract owners will be informed in the offering letter that Prudential reserve the right to terminate the Exchange Offer at any time, and will be referred to a toll-free telephone number to call for information concerning the current status of the Exchange Offer.

#### *The FlexElite Exchange Program*

29. In addition to seeking an order under section 11(a) with respect to the Exchange Offer described above, PLIC, PLN, the New PLIC Account, the New PLN Account, and PIMS also seek Commission approval of an exchange offer to be made with respect to each of PLIC's and PLN's Strategic Partners FlexElite variable annuity contract (such exchange offer is referred to hereinafter as the "FlexElite Exchange Program"). PLIC currently offers a Strategic Partners FlexElite variable annuity contract through the New PLIC Account. (File