

J.P. Morgan GVIT Balanced Fund, the investment style for the equity portion of the Portfolio will change anyway, and furthermore, the fixed-income portion of the Portfolio would have greater flexibility to invest in lower quality debt instruments and emerging market securities. NLIC also notes that it already has available to the Accounts three equity portfolios managed by Fred Alger Management, the Alger American Growth Portfolio, the Alger American Leveraged AllCap Portfolio, and the Alger American Small Capitalization Portfolio. As a result, any Contract owners who wish to invest a portion of their Contract value using Alger's equity investment style would be able to participate by allocating assets to one of these investment choices.

24. NLIC expects that the SVPT Bond Fund would be similar in investment style and categories of investments to the MSF Bond Portfolio as currently operated, and certainly similar to the MSF Bond Portfolio as managed by SAC prior to 2001. In contrast, if the proposed reorganization occurs, the Gartmore GVIT Government Bond Fund will be limited to investments in U.S. government and agency bonds, bills, and notes, while the SVPT Bond Fund

would, like the current MSF Bond Portfolio, be able to invest in investment grade corporate issuers.

25. As the two new SVPT Portfolios will initially be relatively small in size (the SVPT Bond Fund is expected to initially have net assets of approximately \$19 million, and the SVPT Balanced Fund is expected to initially have net assets of approximately \$12 million), NLIC does not anticipate earning material profits from the management of these assets in the first few years after the proposed substitutions. Rather, its motivation is to complete the termination of the joint use of the MSF Portfolios which it initially sought in 2000, and to regain a level of control over its Contract owner assets which it lost as its joint venture with PMLIC ended.

26. In light of the significant beneficial ownership position of NLICA (and affiliate) contract owners, Contract owners and future NLIC contract owners cannot expect to command a majority voting position in either of the MSF Bond or Balanced Portfolios in the event that they, as a group, desire that a Portfolio move in a direction different from that generally desired by owners of NLICA (or its affiliates') contracts. In

addition, unless the growth in the number of Contracts or the assets supporting them increases at a much greater rate than those of similar contracts issued by PMLIC and its affiliates, owners of Contracts have no prospects of ever gaining a position capable of influencing the future direction of these Portfolios.

27. NLIC also notes that it has had no prior business relationship with Nationwide, which now controls NLICA and the investment advisor to MSF. NLIC has never selected a Nationwide-controlled entity to provide investment advisory services to its Contract owners, and while it has no particular problem with Nationwide, NLIC feels that it should not be forced into a position of offering investment portfolios managed by Nationwide-affiliated entities simply because Nationwide has acquired PMLIC.

28. The following charts show the approximate year-end size (in net assets), expense ratio (ratio of operating expenses as a percentage of average net assets), and annual total returns for each of the past three years for each of the Funds and Portfolios involved in the proposed substitutions.

SVPT bond fund		Anticipated net assets after substitution (in millions)	Anticipated expense ratio after substitution (percent)	Total return
		\$19	0.67	N/A
MSF bond portfolio		Net assets at year-end (in millions)	Expense ratio (percent)	Total return (percent)
2000 .....		\$39.0	0.52	9.68
2001 .....		53.4	0.67	7.40
2002 .....		67.0	0.67	9.09
SVPT balanced fund		Anticipated net assets after substitution (in millions)	Anticipated expense ratio after substitution	Total return
		\$12	0.79	N/A
MSF balanced portfolio		Net assets at year-end (in millions)	Expense ratio (percent)	Total return (percent)
2000 .....		\$71.5	0.57	8.75
2001 .....		69.0	0.82	(7.02)
2002 .....		58.4	0.79	(10.26)

29. The following charts show the approximate annual management fees, other expenses and total expenses of each of the Funds or Portfolios involved

in the proposed substitutions both before and after any reimbursement or fee waivers. The management fees and expenses shown for the MSF Bond and

Balanced Portfolios are for the last complete fiscal year, 2002.