

46. The Substitutions requested in this application will be described in supplements to the applicable prospectuses for the Contracts filed with the Commission or in other supplemental disclosure documents, (collectively, "Supplements") and mailed to all affected Contract owners. Each Supplement will give the relevant Contract owners notice of each Substitution that would affect their respective Contracts and will describe the reasons for engaging in that Substitution. The Supplements will also inform existing Contract owners with values allocated to a Subaccount investing in a Replaced Fund that no additional amounts may be allocated to the Subaccounts that invest in that Fund on or after the date of Substitution.

47. In addition, the affected Contract owners will have (and the Supplements will inform them that they have) an opportunity to reallocate their accumulated value:

- Prior to a Substitution, from the Subaccount investing in the Replaced Fund in that Substitution, or
- For 30 days after a Substitution, from a Subaccount investing in the Replacing Fund in that Substitution to one or more Subaccounts investing in other Funds available under the applicable Contract without the reallocation resulting in any transfer charge or limitation, counting toward the Lifetime Cap, or diminishing the number of free transfers that otherwise may be made in a given Contract year.

48. Each affected Contract owner will also be provided with a prospectus for each relevant Replacing Fund, which will accompany or precede the Supplement discussed above.

49. Within five days after a Substitution, John Hancock and JHVLICO each will send to its affected Contract owners written confirmation that the Substitutions have occurred. The confirmations will also identify the shares of the Replaced Portfolios that have been eliminated and the shares of the Replacing Portfolios that have been substituted. That confirmation will reiterate the free transfer rights disclosed in the Supplements that such owners will have previously received.

50. The Substitutions will in no way alter the tax treatment of owners in connection with their Contracts, and no tax liability will arise for Contract owners as a result of the Substitutions.

Applicants' Legal Analysis

1. According to Applicants, the legislative history makes it clear that the purpose of section 26(c) is to protect the expectation of investors in a unit investment trust that the unit

investment trust will accumulate shares of a particular issuer. Applicants state that section 26(c) does this by preventing unscrutinized substitutions, which might, in effect, force shareholders dissatisfied with the replacing security to redeem their shares, thereby possibly incurring either a loss of any sales load deducted from their original investment, an additional sales load upon reinvestment of the redemption proceeds, or both.

2. Applicants submit that all of the Substitutions will benefit Contract owners by moving them to Funds with lower overall expenses and equal or better performance record and prospects.

3. Applicants also contend that the investment characteristics of each Replacing Fund are very similar to those of the corresponding Replaced Fund. In this connection, Applicants point out that the Hancock International Opportunities Fund is somewhat more conservative than the Templeton Developing Fund, and that the AIM V.I. Premier Equity Fund is somewhat more conservative than the AIM V.I. Growth Fund. However, Applicants assert that the Hancock International Fund should not be considered to be either more or less conservative than the Templeton Foreign Fund.

4. Applicants assert that the Substitutions will be effected in a manner that has no adverse economic consequences for Contract owners. In this regard, Applicants will afford affected Contract owners protection against increased expenses and changes, under terms described in Applicants' Condition 1, below.

5. Applicants note that Contract owners who do not wish to participate in a Replacing Fund will have an opportunity to reallocate their accumulated value among other available Subaccounts without the imposition of any charge or limitation.

6. The Substitution from AIM V.I. Growth Fund is to the much larger AIM V.I. Premier Equity Fund, which, according to Applicants, has potential advantages to Contract owners in terms of economies of scale and diversification of portfolio investments. Applicants acknowledge that The Templeton Developing Fund is larger than the Hancock International Opportunities Fund and that the Templeton Foreign Fund is larger than the Hancock International Fund, which would replace it. Nevertheless, Applicants point out that, even without any reimbursement arrangement, the expense ratio of each Replaced Fund is higher than that of the corresponding Replacing Fund.

7. To summarize, Applicants submit (a) that the Substitutions will benefit the affected Contract owners and will not entail any of the abuses against which section 26(c) is addressed, and (b) that the approvals Applicants request under section 26(c) are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicants' Conditions

As conditions to the approvals that Applicants seek,

1. For each fiscal period (not to exceed a fiscal quarter) during the 24 months following the date of Substitution into the Hancock International Fund and the Hancock International Opportunities Fund, each of John Hancock and JHVLICO will adjust the Contract values invested in either of such Funds as a result of the Substitutions, to the extent necessary to effectively reimburse the affected owners for their proportionate share of any amount by which the annual rate of the Replacing Fund's total operating expenses (after any expense waivers or reimbursements) for that fiscal period, as a percentage of the Fund's average daily net assets, plus the annual rate of any asset-based charges (excluding any such charges that are for premium taxes) deducted under the terms of the owner's Contract for that fiscal period, exceed the sum of:

- The annualized rate of the corresponding Replaced Fund's total operating expenses, as a percentage of such replaced Fund's average daily net assets, for the twelve months ended December 31, 2002; plus
- The annual rate of any asset-based charges (excluding any such charges that are for premium taxes) deducted under that Contract for such twelve months.

2. For a period of three years following the date of the Substitution of the AIM V.I. Premier Equity Fund for the AIM V.I. Growth Fund, neither John Hancock nor JHVLICO will receive any direct or indirect benefits from AIM V.I. Premier Equity Fund, any investment adviser or underwriter to that Fund, or any "affiliated person" (as that term is in section 2(a)(3) of the Act) of any of them, that exceed the rate of any benefits that such insurance company directly or indirectly has been receiving from AIM V.I. Growth Fund, any investment adviser or underwriter to that Fund, or any affiliated person of any of them. For this purpose, "benefits" shall be construed to include any investment advisory fees, payments pursuant to rule 12b-1 plans, shareholder or other service fees,