

6. Management fees before waivers for the Sage Life Portfolios are: .55% for the S&P 500® Index Fund; .85% for the Nasdaq—100 Index® Fund; 1.10% for the All-Cap Growth Fund; and .65% for the Money Market Fund. Sage Advisors, with respect to the Sage Trust, has entered into an expense limitation contract with the Portfolios, under which it will limit expenses of the Portfolios, excluding interest, taxes, brokerage and extraordinary expenses through May 1, 2003. Fees waived and/or reimbursed by Sage Advisors may vary in order to achieve such contractually obligated net fund operating expenses. Any waiver or reimbursement by Sage Advisors is subject to reimbursement within the first three (3) years of a Portfolio's operation, to the extent such reimbursements by the Portfolio would not cause total operating expenses to exceed any current net fund operating expenses. Rule 12b-1 fees, if any, waived by the distributor are not subject to reimbursement. A rule 12b-1 Plan (the "Plan") has been adopted by each Sage Trust Fund (except the Money Market Fund), pursuant to which up to 0.25% may be deducted from Fund assets. No Plan payments have been made to date, and none are anticipated to be made in the future.

7. Accordingly, Applicants represent that the Substituting Portfolios are appropriate investment vehicles for Owners who have allocated values to the Replaced Portfolios and that the Substitution will be consistent with Owners' investment objectives.

8. Since the Sage Trust's inception, Sage Advisors has voluntarily reimbursed certain operating expenses of each Portfolio of the Sage Trust. However, Sage Advisors has determined that it will no longer reimburse expenses of the Sage Trust effective May 1, 2003.

9. Applicants represent that the Oppenheimer Capital Appreciation Fund/VA, the Substituting Portfolio for the Nasdaq—100 Index Fund and the All-Cap Growth Fund, is expected to have substantially lower annual expense ratios than either of these two Replaced Portfolios. Applicants also represent that AIM V.I. Money Market Fund, the Substituting Portfolio for the Money Market Fund, is expected to have approximately the same annual expense ratio as the Money Market Fund. In addition, Applicants represent that the AIM V.I. Premier Equity Fund, the Substituting Portfolio for the S&P 500 Equity Index Fund, also is expected to have a higher annual expense ratio than the S&P 500 Equity Index Fund. However, Applicants represent that the

anticipated expense differential will be offset for the first year after the Substitution by the monies that will be contributed to Owners' accounts by Sage Life.

10. In addition, Applicants represent that, to the extent an Owner does not wish to participate in the Substitution, he or she is free (and has been since December 26, 2002) to transfer to any other option available under the relevant Contract for the period prior to the Substitution and through 31 days after the date of the Notice for the Substitution without any transfer fee. Applicants assert that Owners will be substituted into a Substituting Portfolio whose investment objectives are similar to those of the Replaced Portfolio.

11. Sage Life represents that it will not receive, for 3 years from the date of the substitutions, any direct or indirect benefits from the Substituting Portfolios, their advisors or underwriters (or their affiliates), in connection with assets representing Contract values of Contracts affected by the substitutions, at a higher rate than it had received from the Replaced Portfolios, their advisors or underwriter (or their affiliates), including without limitation 12b-1 shareholder service, administration or other service fees, revenue sharing or other arrangements in connection with such assets. Applicants represent that the substitutions and the selection of the Replacement Portfolios were not motivated by any financial consideration paid or to be paid to Sage Life or its affiliates by the Replacement Portfolios, their advisors or underwriters, or their respective affiliates.

12. Applicants represent that there will be no increase in the Contract or Variable Account charges from their current levels for a period of at least two years from the date of the Substitution.

13. For the year ended December 31, 2002, the total net expense ratio of the AIM V.I. Premier Equity Fund was .30% higher than that of the S&P 500® Equity Index Fund. In similar circumstances, other applicants seeking substitution orders have undertaken to cap expenses of the substituting funds for a period of one year at the then current expense levels of the replaced funds or, in cases of unaffiliated substituting funds, to reduce separate account charges for a period of one year to the extent necessary to offset the difference in expense ratios between the substituting and replaced funds. Sage Life, however, because of its financial condition as described above, represents that it is unable to follow this approach in that it has neither the administrative systems

capabilities nor the necessary personnel available to it to implement the expense cap. However, Sage Life has undertaken to give all contract owners in the S&P 500® Equity Index Fund, as of the date of Substitution, a sum of money that would be contributed to their accounts that is expected to make up for the 0.30% expense differential that exists between the S&P 500® Equity Index Fund and the AIM Premier Equity Fund.

14. Applicants will assume a 50% return on investment for the S&P 500® Equity Fund subaccount for the 12 month period commencing with the date of the substitution. On the date of the substitution, Sage Life will contribute to the subaccount an amount equal to 0.30% of the resulting subaccount value. For example, as of the date of the Substitution, Applicants anticipate that there will be approximately 190 contract owners involving approximately \$3 million in assets in the S&P 500® Equity Index Fund. The assumed 50% return would mean that the \$3 million sub-account would be worth \$4.5 million at the end of the 12 month period following the date of the Substitution. Under this example, for purposes of adding funds to the sub-accounts of the Variable Accounts and, therefore by definition, to each owner's account, Sage Life would make the following calculation: \$4.5 million \times .30% = \$13,500.

Thus, on the date of the Substitution, based on current projected assets, \$13,500 would be added on a *pro-rata* basis to the contract owners' accounts. Applicants represent that the calculation of the 50% return will be based on whatever the actual assets are of the sub-account on the date of the Substitution.

15. The benchmark for the AIM Premier Equity Fund is the S&P 500 Index. Given the historical market return averages, Applicant believes that using the 50% return is more than fair, and, in fact, should result in a windfall to contract owners. Further, those owners that transfer out of the AIM Premier Equity Fund prior to one full year from the date of Substitution will have received more than they would otherwise have been entitled.

16. Therefore, with respect to the S&P 500® Equity Index Fund substitution, Sage Life represents that it will add monies to the S&P 500 sub-accounts of the Variable Accounts in the manner described in the Application which will offset the 0.30% expense differential between the S&P 500 Equity Index Fund and the AIM Premier Equity Fund.

17. Based on the foregoing, Applicants represent that the Substitution will generally result in