

Manulife Financial. The separate accounts of the Insurance Companies include both separate accounts that are registered as investment companies under the Act ("registered separate accounts") and separate accounts that are not registered as investment companies under the Act in reliance on the exemption provided by section 3(c)(11) of the Act.

3. MSS is a Delaware limited liability company that is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"). MSS is an indirect, wholly-owned subsidiary of Manulife USA. MSS currently serves as the investment adviser to MIT with respect to each of the Existing Funds. Pursuant to investment subadvisory agreements, MSS has retained a subadviser for each of the Existing Funds. Each such subadviser is registered as an investment adviser under the Advisers Act.

4. Applicants propose that the Existing Funds and Future Funds be authorized to offer their shares to separate accounts of Participating Insurance Companies in order to serve as the investment media for variable contracts issued through such separate accounts. Each separate account is or will be established as a segregated asset account by a Participating Insurance Company pursuant to the insurance law of such company's domicile. As such, the assets of each are or will be the property of the Participating Insurance Company, and that portion of the assets of such an account equal to the reserves and other contract liabilities with respect to the account is not or will not be chargeable with liabilities arising from any other business that the Participating Insurance Company may conduct. The income, gains and losses, realized or unrealized, from such an account's assets are or will be credited to or charged against the account without regard to other income, gains or losses of the Participating Insurance Company. If a separate account is a registered separate account, it will be a "separate account" as defined in Rule 0-1(e) (or any successor rule) under the Act and will be registered as a unit investment trust. For purposes of the Act, the Participating Insurance Company that establishes a registered separate account is the depositor or sponsor of the account as those terms have been interpreted by the Commission with respect to variable life insurance and variable annuity separate accounts.

5. The Funds will sell their shares to registered separate accounts only if the Participating Insurance Company

sponsoring such a separate account enters into a participation agreement with the Fund. The participation agreements will define the relationship between each Fund and each Participating Insurance Company and provide that, except where the agreement specifically provides otherwise, the Participating Insurance Company will remain responsible for establishing and maintaining any separate account covered by the agreement and for complying with all applicable requirements of federal and state laws pertaining to such separate accounts and to the sale and distribution of variable contracts issued through such separate accounts. The participation agreements will also provide that the obligations of the Funds with regard to compliance with the federal securities laws will, unless the agreement specifically provides otherwise, relate solely to offering and selling their shares to the separate accounts covered by the agreements.

6. The use of a common management investment company (or series thereof) as an investment medium for both variable life insurance and variable annuity contracts of the same insurance company, or of two or more insurance companies that are affiliated persons of each other, is referred to herein as "mixed funding." The use of a common management investment company (or series thereof) as an investment medium for variable life insurance and variable annuity contracts of two or more unaffiliated insurance companies is referred to herein as "shared funding."

7. Applicants propose that Existing Funds and Future Funds be authorized to offer and sell their shares directly to Qualified Plans, Other Investors and General Accounts. As stated above, Qualified Plans are pension or retirement plans within the scope of Treasury Regulation 1.817-5(f)(3)(iii). Other Investors will be persons described in Treasury Regulation 1.817-5(f)(3)(ii) which purchase Fund shares in connection with advances made in connection with the operation of separate accounts. General Accounts will be persons described in Treasury Regulation 1.817-5(f)(3)(i) which, if insurance companies, hold Fund shares in their general accounts.

8. Applicants state that they expect that most of the Qualified Plans will be pension or retirement plans intended to qualify under sections 401(a) and 501(a) of the Code and that many of these Plans will include a cash or deferred arrangement (permitting salary reduction contributions) intended to qualify under section 401(k) of the Code. The Plans that qualify under

sections 401(a) and 501(a) of the Code will also be subject to, and will be designed to comply with, the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), applicable to either defined benefit or defined contribution profit sharing plans, specifically "Title I—Protection of Employee Benefit Rights." These Plans will thus be subject to regulatory provisions under the Code and ERISA regarding, for example, reporting and disclosure, participation and vesting, funding, fiduciary responsibility and enforcement. Fund shares sold to Qualified Plans will be held by the trustees of such plans as required by section 403(a) of ERISA. Applicants state that pass-through voting is generally not required to be provided to participants in Qualified Plans pursuant to ERISA. Applicants note state that some of the Qualified Plans will not be subject to ERISA. These include governmental plans within the meaning of sections 414(d) or 457(b) of the Code, custodial accounts described in section 403(b) of the Code, and regular and Roth individual retirement accounts ("IRAs") described in sections 408(a) and 408A of the Code, respectively. Generally, Fund shares sold to governmental plans will be held by trustees, those sold to custodial accounts will be held by custodians, and those sold to IRAs will be held by custodians or trustees on behalf of individual plan owners. Applicants state that pass-through voting is generally not required to be provided to participants in governmental plans, and voting rights in the case of custodial accounts and IRAs are generally exercised by individual participants or owners.

9. Applicants state that the current federal tax law permits the Funds to sell their shares to Qualified Plans, Other Investors and General Accounts. Section 817(h) of the Code imposes certain diversification standards on the underlying assets of variable contracts held in segregated asset accounts. The Code provides that a variable contract shall not be treated as an annuity or life insurance contract for any period (and any subsequent period) for which the investments, in accordance with regulations prescribed by the Treasury Department, are not adequately diversified. The Treasury Department has issued regulations (Treas. Reg. 1.817-5) (the "Treasury Regulations") that establish diversification requirements for the investment portfolios underlying variable contracts. The Treasury Regulations provide that, in order to rely on certain look-through