

seeks to earn a high level of current income while preserving capital and providing liquidity. It invests only in high-quality, U.S. dollar denominated money market securities of domestic and foreign issuers, such as certificates of deposit, obligations of governments and their agencies, and commercial paper and notes.

22. The Touchstone Money Market Fund is a separate series of the Touchstone Variable Series Trust, an open-end management investment company registered under the Act. The Touchstone Money Market Fund seeks high current income, consistent with liquidity and stability of principal. The Fund invests in high-quality money market instruments. The Fund's investments may include domestic bank obligations, including certificates of deposit, bankers' acceptances and time deposits; U.S. Government obligations issued directly by the U.S. Treasury or by agencies of the U.S. Government; short-term corporate debt obligations and taxable and tax-exempt municipal securities.

23. The Touchstone International Equity Fund is a separate series of the Touchstone Variable Series Trust. The investment objective of the Touchstone International Equity Fund is to seek long-term growth of capital through investment in equity securities of foreign issuers. The Fund seeks growth of capital. This means that the Fund looks for investments that it thinks will increase in value over a period of 3 to 5 years. Under normal circumstances, the Fund will invest at least 80% of net assets in the common stock and preferred stock of foreign companies in at least 3 countries outside of the United States. The Fund focuses on mid- and large-capitalization located in Europe, Australia and the Far East. The Fund may invest up to 15% of its assets in securities issued by companies located in emerging market countries.

24. The Putnam VT International Equity Fund is a separate series of Putnam Variable Trust, an open-end management investment company registered under the Act. The Putnam VT International Equity Fund seeks capital appreciation. It invests mainly in common stocks of companies outside the United States. The Fund's investment adviser looks for companies it believes to have favorable investment potential. For example, it may purchase stocks of companies with stock prices that reflect a value lower than that which the investment adviser places on the company. The Fund invests mainly in mid-sized and large companies, although it can invest in companies of any size. Although the Fund emphasizes

investments in developed countries, it may also invest in companies located in emerging markets.

25. The Substitutions are a part of a restructuring designed to eliminate the offering of overlapping funds in the Western-Southern enterprise and those available from unaffiliated funds which also are available as investment options, with similar investment objectives and strategies and to eliminate uncompetitive products based on performance history or lack of ability to gather assets to be operationally efficient that serve as funding vehicles for insurance contracts issued by Western-Southern and its affiliates, including the Insurance Companies.

26. The Substitution of Touchstone Money Market Fund for Fidelity VIP Money Market Portfolio, which replaces an outside fund with a fund for which Touchstone acts as investment adviser also will permit Touchstone, under the Multi-Manager Order, to hire, monitor and replace sub-advisers as necessary to seek optimal performance. Before Touchstone Money Market Fund can rely on the Multi-Manager Order, the operation of the Touchstone Money Market Fund as a multi-manager fund, as described in the application for the Multi-Manager Order, will be approved, following the proposed Substitution, by a majority of the outstanding voting securities of the Touchstone Money Market Fund.

27. In addition, contract owners with sub-account balances invested in shares of the Replacement Funds will have a lower management fee and the same (or lower in the case of Class I shares) total expense ratio taking into account fund expenses and fee waivers, in the case of the Touchstone Money Market Fund, and a lower management fee and a lower total expense ratio taking into account fund expenses (including Rule 12b-1 fees) in the case of the Putnam VT International Equity Fund. With respect to the Substitution of the Class IB shares of the Putnam VT International Equity Fund for the Class I shares of the Touchstone International Equity Fund, the Insurance Companies considered the fact that the Class IB shares were already an investment option under certain contracts issued by Integrity and National Integrity. Moreover, there will be no increase in Contract fees and expenses, including mortality and expense risk fees and administration and distribution fees charged to the Separate Accounts as a result of the Substitutions. The Applicants believe that the Replacement Funds have investment objectives, policies and risk profiles that are substantially similar to the

corresponding Replaced Funds to make those Replacement Funds appropriate candidates as substitutes. The Insurance Companies considered the performance history of the Replaced Funds and the Replacement Funds and determined that no contract owners would be materially adversely affected as a result of the Substitutions.

28. With respect to the Substitution relating to the Touchstone International Equity Fund, the Applicants represent that (i) the Insurance Companies will not receive, for three years from the date of the Substitution, any direct or indirect benefits from the Replacement Fund, its adviser or underwriter (or their affiliates), in connection with assets representing contract values of Contracts affected by the Substitution, at a higher rate than they had received from the Replaced Fund, its adviser or underwriter (or their affiliates), including without limitation: Rule 12b-1, shareholder service, administration or other service fees, revenue sharing or other arrangements in connection with such assets; and (ii) the Substitution and the selection of the Replacement Fund was not motivated by any financial consideration paid or to be paid to the Insurance Companies by the Replacement Fund, its adviser or underwriter or their respective affiliates.

29. The following describes the proposed Substitutions with respect to each Fund's comparative performance history and comparative fund expenses.

#### **Fidelity VIP Money Market Portfolio—Touchstone Money Market Fund**

The Applicants represent that the historical performance of Touchstone Money Market Fund for the year ended December 31, 2002 is comparable to and for the three-month period ended April 30, 2003 and year-to-date through April 30, 2003 exceeds that of, Fidelity VIP Money Market Portfolio. Effective April 28, 2003, Touchstone Money Market Fund's management fee was reduced to 0.18%. In addition, the Fund entered into a Sponsor Agreement with Touchstone, effective April 28, 2003, whereby total annual operating expenses for the Class I shares will not exceed 0.28% and total annual operating expenses for the Class SC shares will not exceed 0.55% through December 31, 2005. The Sponsor Agreement will be amended with respect to Class SC shares prior to the Substitution to provide that total annual operating expenses will not exceed 0.54% for at least two years from the date of the Substitution. As a result of the change in management fee and the expense cap contained in the amended Sponsor Agreement, as set forth below,