

additional contributions of at least \$100 at any time. The Companies may limit total contributions to \$1,000,000 if the owner is under age 76 and to \$250,000 if the owner is age 76 or older.

8. The Companies will credit an extra amount to the Contracts equal to a maximum of 8% of a contribution made within the first twelve months of issuance (the "Credit"). Currently the Credit is 5%. The minimum Credit that may be offered is 4%. The Companies will allocate the Credit pro rata among the investment options in the same proportion as the corresponding contribution. The Companies will fund the Credit from their general account assets.

9. The Credit is not part of the amount an owner will receive if he or she exercises the free look provision. Credits applied within twelve months of the date of receipt of due proof of death will be recaptured and are not included in the amount payable as a death benefit. Similarly, all or part of a Credit applied within twelve months of a withdrawal made pursuant to a withdrawal charge waiver (due to, for example, unemployment, terminal illness, nursing home care, or disability) will be recaptured in the same proportion as the withdrawal bears to the value of the Contract (for example, if 50% of account value is withdrawn, 50% of the Credit will be recaptured). In addition, Integrity will recapture all or part of a Credit if the owner annuitizes within the first five years of the date of issuance. Regardless of whether or not the Credit is vested, all gains or losses attributable to such Credit are part of the owner's account value and are immediately vested.

10. The free look period is the 10-day period (or longer if required by state law) during which an owner may return a Contract after it has been delivered and receive a full refund of the account value, less any Credit applied. Unless the law requires that the full amount of the contribution be refunded, less any withdrawals, the owners bears the investment risk from the time of purchase until he or she returns the Contract and the refund amount may be more or less than the contributions the owner made. The Credit will not be part of the amount an owner will be paid if the free look provision is exercised.

11. The Contracts provide for a standard death benefit and an optional death benefit. Integrity's Contract also provides for an enhanced earnings benefit rider. Any Credit applied within twelve months of the date of receipt of due proof of death will be recaptured and will not be included in the death benefit paid under the Contracts. The

Credit will be recaptured whether or not the owner's spouse elects to continue the Contract. However, recapture of the Credit will never cause the amount of the death benefit to decrease below the amount of the owner's total contributions minus the amount of any withdrawals.

12. An owner may make withdrawals from the Contracts at any time before annuitization. Withdrawals in excess of the 10% annual free withdrawal amount are subject to a withdrawal charge during the first nine years after a contribution is made. Under certain circumstances, the withdrawal charge may be waived. Under the Contract issued by Integrity, the withdrawal charge may be waived for withdrawals made due to unemployment, terminal illness, or nursing home care. Under the Contract issued by National Integrity, the withdrawal charge may be waived for withdrawals made due to disability, terminal illness, or nursing home care.

13. In those cases, where the withdrawal charge is waived, any Credit applied within twelve months of such a withdrawal will be recaptured in the same proportion as the amount of the withdrawal in excess of the 10% annual free withdrawal bears to the account value. For example, if 50% of account value is withdrawn, 10% of which falls within the annual free withdrawal amount, only 40% of the Credit will be recaptured; however, if the entire annual free withdrawal amount has previously been withdrawn, 50% of the Credit will be recaptured. There will be no recapture if a withdrawal charge is imposed or in connection with amounts withdrawn that fall within the 10% annual free withdrawal.

14. In the case of the Contract issued by Integrity, if an owner annuitizes during the first five years after issuance, the Credit will be recaptured according to the following schedule:

Contract Year	Percentage of Credit Recaptured
1 .....	100
2 .....	90
3 .....	80
4 .....	70
5 .....	60

Annuity does not trigger recapture of the Credit under National Integrity's Contract.

15. Owners of the Contracts may allocate their contributions among sixty-three investment options, sixty variable investment options and three fixed investment options. Each subaccount of the Accounts is a variable investment option that will invest in shares of a

corresponding portfolio of Fidelity's Variable Insurance Product Funds, Franklin Templeton Variable Insurance Products Trust, Janus Aspen Series, J.P. Morgan Series Trust II, MFS Variable Insurance Trust, Putnam Variable Trust Funds, Scudder Variable Insurance Trust, Touchstone Variable Series Trust, or Van Kampen Life Portfolios.

16. The Companies, at a later date, may decide to create additional subaccounts to invest in any additional funding options as may now or in the future be available. The Companies, from time to time, also may combine or eliminate subaccounts or transfer assets to and from subaccounts.

17. The Contracts provide for a death benefit, various death benefit options, annuity benefits, and annuity payout options, as well as transfer privileges, dollar cost averaging, asset allocation and rebalancing, and other features. The Contracts assess the following charges: (a) A withdrawal charge as a percentage of contributions withdrawn declining from 9% in contribution year 1 to 0% in contribution year 10; (b) an annual maintenance fee of \$40 for Contracts with account value of \$75,000 or less; (c) an annual administrative fee of .15%; (d) a mortality and expense risk charge of 1.52% in the first nine years after issuance and 1.00% thereafter; (e) a transfer charge of \$20 after the first twelve transfers during a Contract year; (f) any applicable death benefit option charge; and (g) any applicable state premium tax. In addition, assets invested in the subaccounts are charged with the annual operating expenses of the underlying portfolios.

18. Applicants seek exemption pursuant to section 6(c) from sections 2(a)(32) and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder to the extent deemed necessary to permit the Companies to recapture part or all of a Credit in the following instances: (a) When an owner exercises the Contracts' free look provision; (b) when a death benefit is payable and the date of receipt of due proof of death is within twelve months of a Credit being applied; (c) when a withdrawal is made within twelve months of a Credit being applied under circumstances when the withdrawal charge is waived; or (d) in the case of Integrity only, when the Contract is annuitized during the first five years after issuance.

#### Applicants' Legal Analysis

1. Section 6(c) of the Act authorizes the Commission to exempt any person, security or transaction, or any class or classes of persons, securities or transactions from the provisions of the Act and the rules promulgated