

participating insurance company, or any of the insurance company's affiliates, as long as that person does not participate directly in the management or administration of the Trust. The relief provided by Rule 6e-2(b)(15)(ii) and Rule 6e-3(T)(b)(15)(ii) permits a participating insurance company to serve as the Trust's investment adviser or principal underwriter, provided that none of its personnel who are ineligible pursuant to Section 9(a) of the Act are participating in the management or administration of the Trust.

13. The partial relief provided by Rules 6e-2(b)(15) and 6e-3(T)(b)(15) limits, in effect, the amount of monitoring of personnel that a participating insurance company and its affiliates would otherwise have to conduct to ensure compliance with Section 9 to that which is appropriate in light of the policy and purposes of Section 9. These Rules recognize that it is not necessary for the protection of investors or the purposes fairly intended by the policy and provisions of the Act to apply the provisions of Section 9(a) to the many hundreds of individuals in a large insurance company complex, most of whom typically have no involvement in matters pertaining to investment companies affiliated with such an organization. These Rules also recognize that, in connection with the Trust, there exists no necessity to apply Section 9(a) to individuals in various participating insurance companies who would have no relationship to the Trust other than that their employer utilizes the Trust to support variable contracts. No regulatory purpose would be served in extending the Section 9(a) monitoring requirements because of mixed funding, extended mixed funding or shared funding. Participating insurance companies and plans are not expected to play any significant role in the management of the Trust. Those individuals at Roszel Advisors who would participate in the management of the Trust will do so regardless of which VLI accounts, VA accounts and plans invest in the Trust. The increased expense of extending the Section 9(a) monitoring requirements to participating insurance companies or plans could reduce the net return realized by investors in VLI accounts, VA accounts or plans and would not provide any material benefit to such investors.

14. Rule 6e-2(b)(15)(iii) and Rule 6e-3(T)(b)(15)(iii) provide partial exemptions from Sections 13(a), 15(a) and 15(b) of the Act to the extent that those Sections have been deemed by the Commission to require "pass-through" voting with respect to management

investment company shares held by an insurance company separate account, in order to permit the insurance company to disregard the voting instructions of its VLI contract owners ("VLI owners") in certain limited circumstances. Because the Commission has deemed Sections 13(a), 15(a) and 15(b) to require a participating insurance company to vote all shares of the Trust held by a VLI account in accordance with instructions from VLI owners, the partial exemption from these sections provided by subparagraph (b)(15)(iii)(A)(1) of the Rules 6e-2 and 6e-3(T) would permit a participating insurance company to disregard the voting instructions of such VLI owners when required to do so by any insurance regulatory authority (subject to the provisions of paragraphs (b)(5)(i) and (b)(7)(ii)(A) of Rules 6e-2 and 6e-3(T)), if following such instructions would cause the insurance company to: (1) make (or refrain from making) certain investments that would result in changes in the subclassification or investment objectives of the Trust, or (2) approve or disapprove any contract between the Trust and Roszel Advisors (or another investment adviser or subadviser).

15. Subparagraph (b)(15)(iii)(B) of Rule 6e-2 and subparagraph (b)(15)(iii)(A)(2) of Rule 6e-3(T) would permit a participating insurance company to disregard the voting instructions of such VLI owners if the owners initiate any change in the Trust's investment policies, principal underwriter, or investment adviser (provided that disregarding such voting instructions is reasonable and subject to the other provisions of paragraphs (b)(5)(ii), (b)(7)(ii)(B) and (b)(7)(ii)(C) of Rules 6e-2 and 6e-3(T)).

16. Because the Commission has deemed Sections 13(a), 15(a) and 15(b) to require any participating insurance company to vote all shares of the Trust held by the insurer's VLI accounts in accordance with instructions from owners of variable life insurance contracts issued through such account, the partial exemption from these sections provided by subparagraph (b)(15)(iii) of Rule 6e-2 and subparagraph (b)(15)(iii)(A)(1) of the Rule 6e-3(T) is one that almost all VLI accounts and their participating insurance companies may need to rely on.

17. Both Rule 6e-2 and Rule 6e-3(T) generally recognize that a variable life insurance contract is primarily a life insurance contract containing many important elements unique to life insurance contracts and subject to extensive state insurance regulation. Applicants assert that in adopting

subparagraph (b)(15)(iii) of these Rules, the Commission implicitly recognized that state insurance regulators have authority, pursuant to state insurance laws or regulations, to disapprove or require changes in investment policies, investment advisers, or principal underwriters.

18. If the Trust serves as an investment vehicle for mixed funding, extended mixed funding or shared funding, the exemptions otherwise provided by Rule 6e-2(b)(15) would not be available to VLI accounts and their participating insurance company depositors and principal underwriters. Likewise, if the Trust serves as an investment vehicle for extended mixed funding or shared funding, the exemptions otherwise provided by Rule 6e-3(T)(b)(15) would not be available to VLI accounts and their participating insurance companies and principal underwriters.

19. Applicants maintain that VLI owners and VA owners, as investors in the Trust, would have substantially identical interests. Likewise, owners of scheduled premium VLI contracts and flexible premium VLI contracts would, as investors in the Trust, have virtually identical interests.

20. Each Portfolio is, or will be, managed to attempt to achieve the investment objective or objectives of such Portfolio, and not to favor or disfavor any particular participating insurance company or type of variable contract. Applicants assert that there is no reason to believe that the different features of various types of variable contracts, including any "minimum death benefit" guarantee under certain VLI contracts, will lead to different investment policies for different types of variable contracts. To the extent that the degree of risk may differ between VLI contracts and VA contracts, the different insurance charges imposed, in effect, adjust any such differences and equalize the insurers' exposure to risk in either case.

21. Furthermore, no single investment strategy is appropriate to one particular type of variable contract but not another. Each pool of VLI owners and VA owners is composed of individuals of diverse financial status, age, and insurance and investment goals. A Portfolio supporting one type of variable contract must accommodate these diverse factors in order to attract and retain owners of other types of variable contracts. Permitting mixed funding will facilitate the success of each Portfolio and will broaden the base of VLI owners and VA owners and encourage the Trust to add additional Portfolios.