

21. Applicants have considered whether there are any conflicts between the contract owners of separate accounts and the participants under Qualified Plans, the Manager or its affiliates with respect to the state insurance commissioners' veto powers (direct with respect to variable life and indirect with respect to variable annuities) over investment objectives. The basic premise of shareholder voting is that not all shareholders agree with a particular proposal. This does not mean that there are any inherent conflicts of interest between shareholders. The state insurance commissioners have been given the veto power in recognition of the fact that insurance companies cannot simply redeem their separate accounts out of one fund and invest in another. Time-consuming, complex transactions must be undertaken to accomplish such redemptions and transfers. On the other hand, the trustees of Qualified Plans can quickly make the decision to redeem and then implement the redemption of their Plans' shares from the Insurance Funds and reinvest in another funding vehicle without the same regulatory impediments, or, as is the case with most Qualified Plans, even hold cash pending suitable investment. Based on the foregoing, Applicants have concluded that, even if there should arise issues where the interests of contract owners and Qualified Plans are in conflict, these issues can be resolved almost immediately in that the trustees of the Qualified Plans can, on their own, redeem shares out of the Insurance Funds. The Manager and its affiliates can similarly redeem their shares out of the Insurance Funds and make alternative investments at any time.

22. Applicants considered whether there is a potential for future conflicts of interests between Separate Accounts and Qualified Plans created by future changes in the tax laws. Applicants do not see any greater potential for material irreconcilable conflicts arising between the interest of participants under Qualified Plans and contract owners of Separate Accounts from possible future changes in the federal tax laws than that which already exists between variable annuity contract owners and variable life insurance contract owners.

23. Applicants assert that permitting an Insurance Trust to sell shares of its Insurance Funds to the Manager and its affiliates in compliance with Treas. Reg. 1.817-5 will enhance Insurance Trust management without raising significant concerns regarding material irreconcilable conflicts. Applicants assert that, unlike the circumstances of many investment companies that serve

as underlying investment media for variable insurance products, the Insurance Trusts may be deemed to lack an insurance company "promoter" for purposes of Rule 14a-2 under the Act. It is anticipated that many other Insurance Trusts may lack an insurance company promoter. Accordingly, Applicants assert that such Insurance Trusts will be subject to the requirements of Section 14(a) of the 1940 Act, which generally requires that an investment company have a net worth of \$100,000 upon making a public offering of its shares.

24. Applicants assert that given the conditions of Treas. Reg. 1.817-5(i)(3) and the harmony of interest between an Insurance Fund, on the one hand, and its Manager(s) and its affiliates, on the other, little incentive for overreaching exists. Applicants assert that such investments should not implicate the concerns discussed above regarding the creation of material irreconcilable conflicts. Instead, Applicants assert that permitting investment by the Manager and its affiliates will permit the orderly and efficient creation and operation of an Insurance Fund, and reduce the expense and uncertainty of using outside parties at the early stages of Insurance Fund operations.

25. Applicants assert that various factors have limited the number of insurance companies that offer variable contracts. These factors include the costs of organizing and operating a funding medium, the lack of expertise with respect to investment management (principally with respect to stock and money market investments) and the lack of name recognition by the public of certain Participating Insurance Companies as investment experts. In particular, some smaller life insurance companies may not find it economically feasible, or within their investment or administrative expertise, to enter the variable contract business on their own. Use of the Insurance Funds as a common investment medium for variable contracts and Qualified Plans would help alleviate these concerns, because Participating Insurance Companies and Qualified Plans will benefit not only from the investment and administrative expertise of CTB, or any other investment manager to an Insurance Fund, but also from the cost efficiencies and investment flexibility afforded by a large pool of funds. Therefore, making the Insurance Funds available for mixed and shared funding and permitting the purchase of Insurance Fund shares by Qualified Plans may encourage more insurance companies to offer variable contracts, and this should result in increased

competition with respect to both variable contract design and pricing, which can be expected to result in more product variation. Mixed and shared funding also may benefit variable contract owners by eliminating a significant portion of the costs of establishing and administering separate funds. Furthermore, granting the requested relief should result in an increased amount of assets available for investment by the Insurance Funds. This may benefit variable contract owners by promoting economies of scale, by reducing risk through greater diversification due to increased money in the Insurance Trusts, or by making the addition of new Insurance Funds more feasible.

26. Applicants submit that, regardless of the type of shareholder in any of the Insurance Funds, the investment advisers and subadvisers are or will be contractually obligated to manage each Insurance Fund solely and exclusively in accordance with that Insurance Fund's investment objectives and restrictions as well as with any guidelines established by the Board of Trustees of the Trust, or by the board of directors or trustees of any future Insurance Fund that is not a series of the Trust, as the case may be. With respect to each Insurance Fund, the investment advisers and subadvisers work with a pool of money and do not take into account the identity of the shareholders. Thus, any current or future Insurance Fund will be managed in the same manner as any other mutual fund.

Applicants' Conditions

1. A majority of the Board of Trustees or Board of Directors ("Board") of each Insurance Trust shall consist of persons who are not "interested persons" of the Insurance Trust, as defined by Section 2(a)(19) of the 1940 Act and the rules thereunder and as modified by any applicable orders of the Commission, except that if this condition is not met by reason of the death, disqualification, or bona fide resignation of any trustee or director, then the operation of this condition shall be suspended: (a) For a period of 90 days if the vacancy or vacancies may be filled by the Board; (b) for a period of 150 days if a vote of shareholders is required to fill the vacancy or vacancies; or (c) for such longer period as the Commission may prescribe by order upon application.

2. Each Board will monitor the respective Insurance Trust for the existence of any material irreconcilable conflict among and between the interests of the contract owners of all Separate Accounts, and of the Plan participants, Qualified Plans, and the