

3. The Contract issued by AIG SunAmerica through its Separate Account, the American Pathway II Variable Annuity, is an individual flexible premium deferred non-participating variable annuity contract that currently utilizes only the Replaced Portfolios as underlying investments. AIG SunAmerica discontinued new sales of the Contract as of the close of business on August 31, 1993, but continues to accept subsequent purchase payments on existing Contracts and to issue the Contract to new participants in existing qualified retirement plans using the Contract as a funding vehicle.

4. The Replaced Portfolios, each of which offers a single class of shares, constitute each of the separate series available through the Anchor Fund. The Anchor Fund was organized as a Massachusetts business trust on March 23, 1987, and established to provide a funding medium for the Variable Accounts of the Separate Account that are its sole shareholders. The Separate Account buys and sells shares of the Anchor Fund at net asset value that is net of the management fees ("Business Management Fee"), which range from .20% to .24% of average daily net assets, paid to SunAmerica Asset Management Corp. ("SAAMCO"), an affiliate of AIG SunAmerica, to manage the business affairs of the Anchor Fund and to provide administrative services pursuant to a written agreement ("Business Management Agreement"). The Anchor Fund is registered as a diversified, open-end management investment company under the 1940 Act, and its shares are registered as securities under the Securities Act of 1933 (the "1933 Act"). Capital Research and Management Company ("Capital Research" or the "Adviser") serves as the investment adviser to the Anchor

Fund. Capital Research is not affiliated with AIG SunAmerica.

5. The Replacement Portfolios represent the Class 3 shares of seven (7) of the thirteen (13) series of AFIS, each of which also offers Class 1 and Class 2 shares. AFIS is registered as a diversified, open-end management investment company under the 1933 Act and was organized as a Massachusetts business trust on September 13, 1983. Its Class 1 and Class 2 shares are sold currently only to separate accounts of various insurance companies to provide a funding medium for their variable annuity contracts and variable life policies. The Replacement Portfolios, which the Separate Account will purchase, will be offered at net asset value subject to a plan adopted pursuant to Rule 12b-1 under the 1940 Act (the "Rule 12b-1 Plan"). Pursuant to the plan, AFIS will pay .18%, subject to the condition discussed below with respect to the Growth Fund, of the average daily net assets attributed to the Class 3 shares to reimburse AIG SunAmerica for performing administrative services (the "Service Fee").

6. Once registered, the Class 3 shares of the Replacement Portfolios will initially be sold only to the Separate Account to serve as the exclusive funding medium for the Variable Accounts under the Contract. However, AFIS would be permitted to offer shares of the Replacement Portfolios to other insurance companies. Capital Research serves as the investment adviser to AFIS. Capital Research is not affiliated with AIG SunAmerica.

7. The application covers all of the available Portfolios in which the Separate Account invests under the Contract. AIG SunAmerica reviewed the Portfolios available under the Contract. The primary goal of the review was to

consider and determine whether to replace certain or all of the Portfolios based on a review of their investment objectives and principal investment strategies, total annual expenses, net asset size, and performance. The review resulted in the proposal that AIG SunAmerica discontinue offering Variable Accounts investing in the Replaced Portfolios as investment options under the Contract and substitute shares of the Replacement Portfolios. Taking into account that the Contract is no longer offered for sale and will not be offered for sale after the Substitutions occur, this proposal was due primarily to AIG SunAmerica's conclusion that the larger and growing asset size of the Replacement Portfolios would provide the only feasible means of maintaining lower total annual expenses and maintaining effective asset management with the goal of improving performance. No other contract is funded through investment in the Replaced Portfolios, and therefore, there is no growth potential for the Replaced Portfolios.

8. The Applicants represent that each of the Replacement Portfolios has investment objectives, policies, and restrictions substantially identical in all material respects to those of its corresponding Replaced Portfolio. In addition, the Replacement Portfolios utilize the same investment adviser as the Replaced Portfolios, Capital Research, a well-known and respected investment adviser.

9. The Applicants represent that each of the Replacement Portfolios has lower total annual expenses than those of its corresponding Replaced Portfolio (except for the Growth Fund, which has slightly higher total annual expense than the Growth Series), as set forth in the following chart.

EXPENSE RATIOS

[As a percentage of average daily net assets]

Replaced portfolios (one year period ended 2/28/03) ¹ growth series		Replacement portfolios (one year period ended 12/31/02) growth fund	
Advisory Fee	0.30	Advisory Fee	0.38
Business Mgmt. Fee	0.20	Service (12b-1) Fee	0.18
Other Expenses	0.05	Other Expenses	0.02
Total Operating Expenses	0.55	Total Operating Expenses	0.58
International Series		International Fund	
Advisory Fee	0.62	Advisory Fee	0.57
Business Mgmt. Fee	0.24	Service (12b-1) Fee	0.18
Other Expenses	0.16	Other Expenses	0.06
Total Operating Expenses	1.02	Total Operating Expenses	0.81
Growth-Income Series		Growth-Income Fund	
Advisory Fee	0.30	Advisory Fee	0.34