

EXPENSE RATIOS—Continued
[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	
Business Mgmt. Fee	0.20	Service (12b–1) Fee	0.18
Other Expenses	0.05	Other Expenses	0.01
Total Operating Expenses	0.55	Total Operating Expenses	0.53
Asset Allocation Series		Asset Allocation Fund	
Advisory Fee	0.32	Advisory Fee	0.43
Business Mgmt. Fee	0.21	Service (12b–1) Fee	0.18
Other Expenses	0.11	Other Expenses	0.02
Total Operating Expenses	0.64	Total Operating Expenses	0.63
High-Yield Bond Series		High-Income Bond Fund	
Advisory Fee	0.34	Advisory Fee	0.50
Business Mgmt. Fee	0.22	Service (12b–1) Fee	0.18
Other Expenses	0.17	Other Expenses	0.02
Total Operating Expenses	0.73	Total Operating Expenses	0.70
U.S. Government/AAA-Rated Securities Series		U.S. Government/AAA-Rated Securities Fund	
Advisory Fee	0.33	Advisory Fee	0.45
Business Mgmt. Fee	0.22	Service (12b–1) Fee	0.18
Other Expenses	0.12	Other Expenses	0.02
Total Operating Expenses	0.67	Total Operating Expenses	0.65
Cash Management Series		Cash Management Fund	
Advisory Fee	0.34	Advisory Fee	0.44
Business Mgmt. Fee	0.23	Service (12b–1) Fee	0.18
Other Expenses	0.17	Other Expenses	0.02
Total Operating Expenses	0.74	Total Operating Expenses	0.64

¹ February 28, 2003 is the fiscal year end for the Anchor Fund.

10. The Applicants represent that each of the Replacement Portfolios has a significantly larger asset base than that of its corresponding Replaced Portfolio. Moreover, AIG SunAmerica believes that it is no longer economical to continue to offer the Replaced Portfolios as their smaller and dwindling asset size will make it more difficult to manage such assets so as to keep expense ratios down and to maintain performance.

11. The Applicants represent that each of the Replacement Portfolios has a performance record comparable to that of its corresponding Replaced Portfolio.

12. The Applicants will effect the proposed Substitutions by first redeeming shares of each of the Replaced Portfolios wholly on an in-kind basis at their net asset value and then immediately contributing those assets in-kind to the corresponding Replacement Portfolio to purchase their respective shares (the “In-Kind Transactions”). The In-Kind Transactions will be done in a manner consistent with the investment objectives, policies and restrictions, and diversification requirements of the Replaced and Replacement Portfolios. Capital Research will review the In-

Kind Transactions, and given that it is the investment adviser and employs the same system of multiple portfolio counselors in managing assets for both the Replaced and Replacement Portfolios, which have substantially identical investment objectives, policies and restrictions, Applicants anticipate that all redeemed assets of the Replaced Portfolios will be suitable for the corresponding Replacement Portfolios. For these same reasons, Applicants also submit that the portfolio securities to be contributed in-kind for shares of the Replacement Portfolios will be of the type and quality that each Replacement Portfolio could have acquired, respectively, with the proceeds from the sale of its shares had the shares been sold for cash. In effecting the In-Kind Transactions, Applicants will follow the requirements of Rule 17a–7 under the 1940 Act to the extent possible and all assets and liabilities will be valued based on the normal valuation procedures of the Replaced and Replacement Portfolios, as set forth, respectively, in the Anchor Fund and AFIS’s registration statements.

13. At all times, before and after the Substitutions, monies attributable to

owners of the Contract (“Owners”) then invested in the Replaced Portfolios will remain fully invested and will result in no change in the amount of any Owner’s Contract value, death benefit or investment in the Separate Account so that the full net asset value of the redeemed shares held by the Separate Account will be reflected in the Owners’ accumulation values or annuity unit values following the Substitutions. In addition, AIG SunAmerica hereby undertakes to assume all transaction costs and expenses relating to the Substitutions, including any direct or indirect costs of liquidating the assets of the Replaced Portfolios such as legal and accounting fees (or any brokerage commissions, if any redemptions are effected otherwise on an in-kind basis), so that the full net asset value of redeemed shares of the Replaced Portfolios held by the Separate Account will be reflected in the Owners’ accumulation values or annuity unit values following the Substitutions.

14. Owners will not incur any fees or charges as a result of the Substitutions, nor will the rights of Owners or obligations of AIG SunAmerica under the Contract be altered in any way. The