

underwriters, or by affiliates of the Replacement Portfolios, their adviser or underwriters.

7. As explained more fully in the application, SAAMCO is entitled to receive a Business Management Fee from each Replaced Portfolio in return for certain business management and administrative services. Further, AIG SunAmerica will be entitled to receive a Service Fee from each Replacement Portfolio, to cover the expense of providing certain administrative services. Each Replacement Portfolio's Service Fee will be lower than the current Business Management Fee imposed on its corresponding Replaced Portfolio by between two and six basis points. Notwithstanding that advisory fees (including the Service Fees) for the Replacement Portfolios will be higher than the advisory fees (including the Business Management Fee) for the Replaced Portfolios (except for the International Fund, which has lower advisory fees), each Replacement Portfolio has a lower total expense ratio than its corresponding Replaced Portfolio (except for the Growth Fund, which has a slightly higher total annual expense than the Growth Series).

8. Applicants represent that, in the event that the Growth Fund's total annualized expenses are not equal to or lower than the total annual expenses of the Growth Series at February 28, 2003 during the 12-month period following the Substitution, as determined quarterly, the amount of the Service Fee imposed on the Growth Fund for a period of one-year following the Substitution will be reduced for such quarter by an amount equal to the disparity between the lower total annual expenses of the Growth Series and the then higher total annualized expenses of the Growth Fund.

9. The Applicants represent that, in the event that the Growth Fund total annualized expenses are not equal to or lower than the total annual expenses of the Growth Series at February 28, 2003 during the 12-month period following the Substitution, as determined quarterly, and waiver of the entire .18 basis point of Service Fees is insufficient to offset any excess of the Growth Fund fees over the expenses of the Growth Series, Applicants will make a corresponding reduction in the corresponding separate account sub-account expenses on the last day of each such quarterly period, such that the amount of the Growth Fund expenses, together with those of the corresponding sub-account will, on an annualized basis, be no greater than the sum of the net expenses of the Growth Series and

the net expenses of the sub-account on February 28, 2003.

10. AIG SunAmerica will not increase any Contract fees or reduce any services to the Growth Series during the 12-month period following the Substitution.

11. The Applicants, on the basis of the facts and circumstances described in the Application, assert that the proposed Substitution is consistent with the protection of investors and the purposes fairly intended by the policy and purposes of the 1940 Act and therefore request that the Substitution should be granted.

Section 17(a) of the 1940 Act

1. Section 17(a)(1) of the 1940 Act, in relevant part, prohibits any affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, from knowingly selling any security or other property to that company. Section 17(a)(2) of the 1940 Act generally prohibits the persons described above, acting as principals, from knowingly purchasing any security or other property from the registered investment company.

2. Section 17(b) of the 1940 Act provides that the SEC may, upon application, grant an order exempting any transaction from the prohibitions of Section 17(a) if the evidence establishes that: (a) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement and reports filed under the 1940 Act; and (c) the proposed transaction is consistent with the general purposes of the 1940 Act.

3. Applicants request an order pursuant to Section 17(b) of the 1940 Act exempting them from the provisions of Section 17(a) to the extent necessary to permit them to carry out the In-Kind Transactions.

4. Applicants submit that the terms of their proposed Substitutions, including the consideration to be paid and received, as described in their application, are reasonable and fair and do not involve overreaching on the part of any person concerned. Applicants also submit that their proposed Substitutions are consistent with the policies of the Anchor Fund (and each of its Replaced Portfolios) as recited in its current registration statement and reports filed under the 1940 Act, and AFIS (and each of its Replacement

Portfolios), as recited in its registration statements and reports to be filed under the 1940 Act. As more fully described in the application, 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, and Capital Research will review the In-Kind Transactions. The Applicants anticipate that all redeemed assets of the Replaced Portfolios will be suitable for the corresponding Replacement Portfolios.

5. Applicants submit that the proposed In-Kind Transactions are consistent with the general purposes of the 1940 Act.

6. The In-Kind Transactions effecting the Substitutions will be carried out in conformity with Section 22(c) of the 1940 Act and Rule 22c-1 thereunder, and will substantially comply with the conditions of Rule 17a-7 under the 1940 Act. Owners will not incur any fees or charges as a result of the transfer of Contract value pursuant to the Substitutions. Owners' rights and privileges under the Contract and AIG SunAmerica's obligations thereunder will not be affected by the Substitutions. The Substitutions will not increase Contract or separate account fees and charges after the Substitutions. Expenses incurred in connection with the Substitutions including, but not limited to, legal and accounting fees (or any brokerage commissions, if any redemptions are effected otherwise than on an in-kind basis), will not be borne by Owners. Contract values will remain unchanged and fully invested following consummation of the Substitutions. Accordingly, Owner interests after the Substitutions, in practical economic terms, will not differ in any measurable way from such interests immediately prior to the Substitutions. In each case, the consideration to be received and paid is, therefore, reasonable and fair.

7. As more fully discussed in the application, the investment objectives of each of the Replacement Portfolios are substantially identical to the investment objectives of the corresponding Replaced Portfolios. In this regard, the Substitutions are consistent with the findings required under Section 17(b) of the 1940 Act.

8. The proposed In-Kind Transactions do not present any of the issues or abuses that the 1940 Act is designed to prevent. Moreover, the proposed In-Kind Transactions will be effected in a manner consistent with the public interest and the protection of investors as Owners will be fully informed of the terms of the Substitutions through the