10. The Contracts provide that several types of withdrawals can be made without incurring a sales charge. In any Contract Year, the Contract Owner may surrender a portion of Contract Value without incurring any CDSC. The free withdrawal amount is equal to the greater of (1) 10% of the Contract Value at the beginning of the Contract Year during which the CDSC event occurs, or (2) the excess of Contract Value over purchase payments subject to the sales charge on the date of the CDSC event. A surrender will be attributed first to the free withdrawal amount. If the surrendered amount is greater than the free withdrawal amount, the excess will be attributed to purchase payments on a first in, first out basis.

The CDSC will be waived on full or partial surrenders if the Contract Owner is terminally ill, has been confined to a nursing home for more than 90 continuous days, or is permanently and totally disabled, as those terms are defined in the registration statement for the Contracts.

The CDSC may be waived if the Contract Owner applies the proceeds from a surrender to certain payment options as described in the Contract. The CDSC will also be waived (except in Pennsylvania and New York) if, under a spousal continuation provision, the Contract's Maturity Date is reset to a date that is less than seven years after the most recent purchase payment made under the Contract.

The Contracts may also be sold directly, without the application of the Contingent Deferred Sales Charge, to employees, officers, directors, trustees and registered representatives of NEVLICO, The New England and their affiliated companies, to employees, officers, directors, trustees and registered representatives of any broker/dealer authorized to sell the Contracts and of any subadivsor to the portfolios, and to the spouses and immediate family members of any of the foregoing.

11. NEVLICO will deduct premium tax charges from the Contract Value in states that impose premium taxes on annuity purchase payments received by insurance companies. Deductions for premium tax charges currently range from 0% to 3.5% of Contract Value.

12. For all Contracts issued in connection with the Variable Account, NEVLICO deducts a Mortality and Expense Risk Charge that is equal, on an annual basis, to 1.25% of the average daily net assets of the Variable Account: approximately 0.70% for mortality risks and 0.55% for expense risks. This charge will continue to be assessed if annuity payments are made on a variable basis either before or after the

Maturity Date. NEVLICO guarantees that this charge will not increase over the life of the Contract.

The mortality risks assumed by NEVLICO arise in part from NEVLICO's guarantee to make annuity payments at least equal to payments calculated based on annuity tables provided in the Contracts, regardless of how long an annuitant lives and regardless of any improvement in life expectancy.

NEVLICO also assumes a mortality risk in connection with the provision of a death benefit. If the Contract Owner dies prior to the Annuity Date, NEVLICO will pay the beneficiary the greater of (1) the Contract Value next determined after the later of the date when due proof of death is received at the Administrative Office and the date when an election of payment in one sum or under a payment option is received at the Administrative Office, or (2) the guaranteed minimum Death Proceeds on that date.

The expense risk assumed by NEVLICO is the risk that NEVLICO's administrative charges will be insufficient to cover actual administrative expenses over the life of the Contract.

Applicants' Legal Analysis and Conditions

1. Pursuant to Section 6(c) of the 1940 Act, the Commission may, by order upon application, conditionally or unconditionally exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from any provision of provisions of the 1940 Act or from any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act prohibit a registered unit investment trust and any depositor or underwriter thereof from selling periodic payment plan certificates unless the proceeds of all payments are deposited with a qualified trustee or custodian and held under arrangements which prohibit any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amounts as the Commission may prescribe, for performing bookkeeping and other administrative services.

3. Applicants request an order under Section 6(c) exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of the mortality

and expense risk charge from the assets of the Variable Account under the Contracts. Applicants request that the order also permit the deduction of the Mortality and Expense Risk Charge from the assets of any other separate account established by NEVLICO in the future to support variable annuity contracts similar in all material respects to the Contracts.

4. Applicants submit that their request for an order that applies to future separate accounts issuing contracts that are similar in all material respects to the Contracts is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity contract market by eliminating the need for NEVLICO to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of resources. Applicants argue that the elimination of the delay and expense of redundant filings would enhance the ability of NEVLICO to effectively take advantage of business opportunities as they arise. Applicants further represent that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. Investors would not receive any additional benefit or protection by requiring NEVLICO to repeatedly seek exemptive relief with respect to the same issues addressed in this application.

5. NEVLICO states that it is entitled to compensation for its assumption of mortality and expense risks, and it represents that the mortality and expense risk charge is within the range of industry practice with respect to comparable annuity products. NEVLICO bases this representation on the analysis of the mortality risks, taking into consideration such factors as annuity purchase rate guarantees, death proceeds guarantees, other contract charges, the frequency of charges, the administrative services performed by NEVLICO with respect to the Contracts, the means of promotion, the market for the Contracts, investment options under the Contracts, purchase payment, transfer, dollar cost averaging and systematic withdrawal features, and the tax status of the Contracts. NEVLICO represents that it will maintain at its principal office a memorandum, available to the Commission, setting forth in detail this analysis.

6. NEVLICO acknowledges that its revenues from the Contingent Deferred Sales Charge could be less than its costs of distributing the Contracts. If a profit is realized from the Mortality and Expense Risk Charge, all or a portion of such profit may be viewed as being