issuing Contracts. The Company will assess a charge of \$5 for each transfer of Contract value among the various subaccounts.

8. The administration expense and transfer charges will be deducted from VAD assets in reliance upon Rules 26a– 1 and 11a–2 under the 1940 Act, and no relief is requested in connection with the deduction of those charges. Neither of these charges is designed to produce a profit, but rather to reimburse the Company for expenses incurred.

9. When applicable, the Company will deduct state premium taxes. Where permitted, the Company will assess a premium tax charge when annuity payments begin; otherwise, a premium tax charge will be deducted from premium payments. The Company will deduct a premium tax charge in reliance on Rule 26a–2 of the 1940 Act and, therefore, requests no relief connection with the deduction of such a charge.

10. The Company will assess a contingent deferred sales charge ("CDSC") for partial withdrawals or surrenders in the first seven years after a Plan participant's account has been established under the Contract. The CDSC will be deducted as a percentage of the amount withdrawn, and declines from 7 percent in the first year to 1 percent in the seventh year.

11. The prospectuses for the Contracts will disclose that, to the extent that the amount of the CDSC received by the Company is insufficient to recover the fees paid to ONESCO for sales commissions, any deficiency will be made up from the assets in the general account of the Company. Those general account assets include, among other things, any profit from mortality and expense risk charges. The CDSC will be deducted in reliance on Rule 6c–8 under the 1940 Act.

12. The Contracts provide that the Company has the right to deduct up to 0.40 percent of contract value, on an annual basis, for distribution expenses. This "distribution charge" is designed to compensate the Company for assuming the risk that the cost of distributing the Contracts will exceed the revenues from the CDSC. Whether the Applicants actually impose a distribution charge depends upon their assessment of the profitability of selling and administering the Contracts without such a charge. If sufficient sales levels are achieved without the charge, there may be no need to impose the charge, or at least no need to impose it at the maximum (0.40 percent) rate.

13. If and to the extent that a distribution charge is imposed, the Company will monitor VAD to ensure that aggregate deductions for distribution expense and sales charges deducted upon partial withdrawals or surrender do not exceed 9 percent of aggregate contributions to be made by or on behalf of any Plan participant.

14. Although the distribution charge will not be imposed initially and may never be imposed, the prospectus for the Contracts will include a description of the distribution expense charge and a representation that aggregate deductions for distribution expense and sales charges deducted upon partial withdrawals or surrender will not exceed 9 percent of aggregate contributions made by any Contract owner.

15. The Company will assess a mortality and expense risks charge equal, on an annual basis, to 1 percent of Contract value. The Company estimates that 0.40 percent of the charge is for assumption of mortality risks, and 0.60 percent is for the assumption of expense risks. The Company hopes to realize a profit from this charge. If, however, the charge is insufficient to cover the actual mortality and expense risks involved, the loss will fall on the Company.

16. The mortality risk arises from the Company's guarantee that it will make annuity payments in accordance with annuity rate provisions established at the time the Contract is issued for the life of the annuitant, no matter how long the annuitant lives. The expense risk assumed by the Company is that the costs of administering the Contracts during the accumulation and annuity periods will exceed the amounts received from the administrative expense charge assessed by the Company.

17. Changes in annuity rates specified in a Contract may not be effected without the consent of the Contract holder unless a Contract has been in effect for at least 5 years and the Contract holder has been given 5 years' notice of the change; changes in annuity rates apply only to participant accounts established after the effective date of such changes. The administrative charge of 0.35 percent, the distribution charge of 0.40 percent, and the mortality and expense risks charge of 1 percent assessed under the Contracts may be modified during the first five years of a Contract only by written agreement with the Contract holder. Thereafter, changes in those charges may be made on any Contract anniversary, provided that the Contract holder is given 90 days notice of such changes. Any modification in adminstrative, distribution, and/or mortality and expense risks charges effected pursuant to a written agreement with the Contract holder would not

affect the rights of a participant, contingent annuitant, or beneficiary in or to any annuity effected before the date of the modification, unless (i) the modification was necessary to secure a tax benefit for the Contract holder or the participants, or (ii) a ruling or determination by a court of law or a governmental agency indicated that the modification was necessary in order to satisfy the requirements of any law or regulation administered by that agency. Because the order requested herein would permit deduction of mortality and expense risks charges of up to 1 percent, additional exemptive relief would be necessary to increase the mortality and expense risk charge in excess of that amount. The Contracts also provide that the mortality and expense risks charge may not be increased more frequently than once per year, and that the sum of the mortality and expense risks charge, the distribution charge, and the administrative charge may never exceed 2 percent.

Applicants' Legal Analysis

1. The Applicants request that the Commission, under Section 6(c) of the 1940 Act, grant exemptions from Sections 26(a)(2)(C) and 27(c)(2) thereof to the extent necessary to permit the issuance and sale of Contracts and any future contracts funded by existing and future subaccounts of VAD, from which a mortality and expense risk charge and/ or a distribution charge may be deducted.

2. Section 6(c) of the 1940 Act provides, in pertinent part, that the Commission, by order upon application, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes thereof, from any provision of the 1940 Act or any rule or regulation thereunder, if and to the extent that the 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.

3. The Applicants submit that extending the requested relief to future subaccounts of VAD and to the future contracts is appropriate in the public interest. Such an order would eliminate the need for the Company to file redundant exemptive applications, thereby reducing its administrative expenses and maximizing the efficient use of its resources. Both the delay and expense of repeatedly seeking exemptive relief in connection with new subaccounts or in connection with materially similar contracts would impair the ability of the Company to