4. The Contracts are flexible premium deferred variable annuity contracts which may be sold on a non-tax qualified basis (''Non-Qualified Contracts'') or offered in connection with retirement plans which qualify for favorable federal income tax treatment (''Qualified Contracts''). The Contracts provide for, among other things: (a) Minimum initial and subsequent premium payments of $1,000; (b) several annuity payment options beginning on the annuity commencement date; and (c) if the annuitant dies during the accumulation phase, the payment of a death benefit equal to the greater of (1) the aggregate premium payments made under the Contract, less partial withdrawals, as of the date IL Annuity receives due proof of death and payment instructions, or (2) the Contract value as of the date IL Annuity receives due proof of death and payment instructions; and less applicable premium taxes not previously deducted (and less any outstanding loan amount on the date the death benefit is paid, if the Contract is a Qualified Contract).

The Contract also provides for a maturity benefit payment if the value of a particular Variable Account is less than the sum of the premium payments which were initially allocated to that Variable Account and which have remained continuously in that Variable Account for a minimum of ten years. The maturity benefit payment is equal to (a) the sum of the premium payments which have remained in a Variable Account from the time of initial payment until the maturity benefit date, provided ten years have elapsed from the time of payment until the maturity benefit date; minus (b) the value of the Variable Account on the maturity benefit date.

The Contract also provides transfer privileges, a dollar cost averaging program, an interest sweep program and an automatic account balancing program.

5. Various fees and charges are deducted under the Contracts. A quarterly contract maintenance fee of $7.50 will be deducted from Contract value at the end of each three month period measured from the date of issue until the annuity commencement date and upon a full withdrawal to reimburse IL Annuity for certain administrative expenses. A daily asset-based administration charge equal to an effective annual rate of 0.15% of the average daily separate account value will be deducted to reimburse IL Annuity for certain administrative services provided to Contract owners. These administrative fees are guaranteed not to increase for the duration of the Contract. IL Annuity permits twelve free transfers among the Variable Accounts per Contract year; however, a $25 charge will be assessed on the thirteenth and each subsequent transfer within the Contract year. IL Annuity represents that these charges will be deducted in reliance upon Rule 26a–1 under the 1940 Act and that each charge represents reimbursement only for administrative costs expected to be incurred.

6. IL Annuity will deduct premium taxes paid on behalf of a particular Contract either (a) from premium payments as received or (b) from the Contract proceeds upon (i) a partial or full surrender, (ii) application of the proceeds to a payment option or (iii) upon payment of a death benefit. Premium taxes currently range up to 3.5%.

7. No sales charge is deducted from premium payments. However, certain full or partial surrenders will be subject to a contingent deferred sales charge (''Withdrawal Charge'') of up to 8% during the first nine Contract years. Amounts subject to the Withdrawal Charge will be deemed to be first from premium payments, then from earnings. In any Contract year, a Contract owner may withdraw 10% of the Contract value as of the beginning of the Contract year without incurring a Withdrawal Charge. IL Annuity may also waive the Withdrawal Charge under other circumstances permitted under the 1940 Act.

The Withdrawal Charge covers expenses relating to the distribution and sale of the Contracts, including commissions to registered representatives, preparation of sales literature and other promotional expenses. IL Annuity does not anticipate that the Withdrawal Charge will generate sufficient revenues to pay the cost of distributing the Contracts. To the extent that the Withdrawal Charge is insufficient to cover all sales and distribution expenses, the deficiency will be met from IL Annuity's general account, which may include profits derived from the mortality and expense risk charge.

8. Shares of the Portfolios are sold to the Variable Accounts at net asset value. Each Portfolio pays its investment adviser a fee for managing its investments and business affairs. Each Portfolio is responsible for all of its operating expenses.

9. A daily charge equal to an effective annual rate of 1.25% of the average daily net assets in the IL Annuity Account will be deducted to compensate IL Annuity for bearing certain mortality and expense risks under the Contracts. Of that amount, approximately 0.90% is for mortality risks and approximately 0.35% is for the expense risk. The mortality risks arise from IL Annuity's contractual obligations (1) to make annuity payments (determined in accordance with the annuity tables and other provisions provided in the Contract) regardless of how long any individual annuitant or all annuitants may live and (2) to provide a death benefit if the annuitant dies prior to annuitization. Applicants represent that the mortality risk charge may not be increased under the Contract. The expense risk assumed by IL Annuity is the risk that IL Annuity's actual administrative costs will exceed the amount recovered through the administrative and policy maintenance charges. If the expense risk charge is insufficient to cover the actual cost of administering the Contracts and the IL Annuity Account, IL Annuity will bear the loss.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission to grant an exemption from any provision, rule or regulation of the 1940 Act to the extent that it 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. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

2. Applicants request exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of the 1.25% charge from the assets of the IL Annuity Account to compensate IL Annuity for the assumption of mortality and expense risks. Applicants further request that such exemptive relief extend to any Other Contracts which may be issued in the future by the IL Annuity Account or any Other Separate Account established by IL Annuity. Applicants assert that the requested exemptions are necessary and appropriate in the public interest and consistent with the protection of