same person and the Annuitant dies prior to the maturity date, the contingent Annuitant becomes the Annuitant. If there is no contingent Annuitant, a death benefit calculated according to the death benefit formula will be paid to the Annuitant's beneficiary.

10. Pursuant to the death benefit formula, if the death occurred prior to the Annuitant's eighty-fifth birthday and during the first seven Contract years, the death benefit payment would be equal to the greater of: (a) The sum of all purchase payments made under the Contract less any prior partial withdrawals; or (b) the Contract value.

If the death occurs prior to the Annuitant eighty-fifth birthday and during Contract years 8 through 14 (or during any subsequent seven year period), the death benefit payment would be equal to the greater of: (a) The death benefit that would have been payable at the end of the immediately preceding seven year period, plus any purchase payments made and less any partial withdrawals since such date; or (b) the Contract value. After the Annuitant's eighty-fifth birthday, the death benefit is the Contract value next determined following receipt of a certified copy of the death certificate by PHLV. If the Contract owner and the Annuitant are not the same and the Contract owner dies prior to the maturity date and there is no surviving joint owner, upon receipt of due proof of death PHLV will fully surrender the Contract and pay the cash surrender value (Contract value less any applicable sales charge) to the Contract owner's beneficiary.

12. Various fees and expenses are deducted under the Contracts. Prior to maturity of a Contract, PHLV charges \$35 each year for administrative and related expenses ("Contract Fee"). This charge is waived for Contracts with an accumulation value on the last Contract anniversary date of \$50,000 or more. PHLV also makes a daily charge to the Subaccounts equal on an annual basis to 0.125% of the current value of the Subaccounts ("Administrative Service Charge''). The Administrative Service Charge is designed to cover actual administrative expenses which exceed the revenue from the Contract Fee.

13. Applicants represent that the Contract Fee and the Administrative Service Charge are guaranteed for the duration of the Contract and will be deducted in reliance upon and in conformity with all of the requirements of Rule 26a–1 under the 1940 Act.

14. PHLV will pay any premium tax due and will then deduct any premium tax from Contract value upon the earlier of partial withdrawal, surrender of the Contract, maturity date or payment of death proceeds.

15. No front-end sales charges are deducted from premium payments under the Contracts. The Contracts assess a contingent deferred sales charge ("CDSC") which may be taken from proceeds of withdrawals from, or complete surrender of, the Contracts if assets are not held under the Contract for a specified period of time. No sales charge is taken after the annuity phase of the Contract has begun. Any sales charge is applied on a first-in, first-out basis. With respect to withdrawals or surrenders during the first year a Contract is in existence, the deduction applies against the total amount withdrawn. After the first year of a Contract, and prior to its maturity date, a withdrawal of up to 10% of the amount held under the Contract as of the previous Contract anniversary may be made each year without imposition of a withdrawal or surrender sales charge, subject to certain restrictions described in the Contract.

16. The deduction for sales charges, expressed as a percentage of the amount redeemed in excess of the 10% allowable amount, is as follows:

Age of deposit in years	CDSC as percent- age of amount with- drawn
0	7
1	6
2	5
3	4
4	3
5	2
6	1
7 and over	0

There is no sales charge assessed if the Contract owner or the Annuitant dies before the Contract maturity date. The total deferred sales charges on a Contract will never exceed 9% of the total purchase payments, and the applicable level of sales charge will not be changed with respect to outstanding Contracts. Sales charges imposed in connection with partial surrenders will be deducted from the Subaccounts and the Guaranteed Interest Account on a pro-rata basis.

17. Applicants are relying on Rule 6c– 8 under the 1940 Act to deduct the CDSC. PHLV believes that the CDSC will not necessarily be sufficient to pay the cost of distributing the Contracts. If the CDSC is unsufficient to cover such expenses, the deficiency will be met from the general account assets of PHLV, which may include amounts derived from the charge for mortality and expenses risks, discussed below.

18. A daily charge equal to an effective annual rate of 1.25% of the net asset value of the Accounts will be imposed to compensate PHLV for bearing certain mortality and expense risks in connection with the Contracts. Of this amount, 0.85% is allocable to mortality risks and 0.40% is allocable to expense risk. The mortality and expense risk charge is guaranteed never to exceed 1.25%.

19. The mortality risk arises from PHLV's (1) guarantee that it will make annuity payments, in accordance with annuity rate provisions established at the time a Contract is issued for the life of the annuitant or in accordance with the annuity option selected, no matter how long the annuitant or other payee lives and no matter how long all annuitants as a class live, and (2) death benefit guarantees under the Contracts.

20. The expense risk borne by PHLV is the risk that the charges for administrative expenses, which are guaranteed for the life of the Contracts, may be insufficient to cover the actual costs of issuing and administering the Contracts.

21. If the mortality and expense risk charges deducted are insufficient to cover the actual cost of the mortality and expense risk, PHLV will bear the loss. Conversely, if the mortality and expense risk charges deducted prove more than sufficient, the excess will be added to PHLV's surplus and will be used for any lawful purpose, including offsetting the costs of distributing the Contracts.

Applicants' Legal Analysis and Conditions

1. Applicants request an order pursuant to Section 6(c) of the 1940 Act exempting them from Sections 26(a)(2)(C) and 27(c)(2) thereof to the extent necessary to permit the deduction of mortality and expense risk charges from the assets of the Accounts in connection with the issue and sale of the Contracts.

2. 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 or 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.