principal underwriter of the Contracts. InterSecurities, Inc. is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers. InterSecurities, Inc. will receive no commissions for acting as distributor or principal underwriter for the Contracts.

- 3. The Variable Account was established by AUSA Life as a separate investment account under New York law on October 24, 1994, to act as a funding medium for variable annuity contracts. The Variable Account is registered with the Commission as a unit investment trust under the 1940 Act. Units of interest in the Variable Account under the Existing Contracts are registered under the Securities Act of 1933.
- 4. The Variable Account presently consists of eight subaccounts (the "Subaccounts"). Each Subaccount will invest solely in the shares of a designated portfolio of the Janus Aspen Series, an open-end "series" management investment company registered under the 1940 Act. Contract owners may invest in any one or more of the Subaccounts, and also may invest in the fixed account, part of the general account of AUSA Life. In the future, other subaccounts may be established by AUSA Life which will invest in specified portfolios of Janus Aspen Series or other investment companies. In the future, AUSA Life may issue, through the Variable Account and through Other Accounts, other variable annuity contracts which are substantially similar in all material respects to the Existing Contracts.
- 5. The Existing Contracts may be purchased on a non-tax qualified basis or may be purchased and used in connection with retirement plans that qualify for favorable federal income tax treatment.
- 6. The Existing Contracts provide for minimum initial purchase payments and permit additional minimum purchase payments and periodic payments, subject to certain limitations. The contract owner may allocate net purchase payments to one or more Subaccounts, the fixed account, or to a combination of both.
- 7. The Existing Contracts also provide for the payment of a death benefit. If the Annuitant dies during the accumulation period and the owner is a natural person other than the Annuitant, the owner will automatically become the new Annuitant. If the Annuitant dies during the accumulation period and the owner is either the same individual as the Annuitant or is not a natural person, AUSA Life will pay the death benefit to

the beneficiary in a lump sum upon receipt of proof of death, unless the beneficiary elects to receive a complete distribution of the death benefit: (i) Within five years of the Annuitant's death; (ii) over the lifetime of the beneficiary; or (iii) over a period that does not exceed the life expectancy of the beneficiary. If the beneficiary is entitled to receive the death benefit and is the spouse of the deceased Annuitant, he or she may instead elect to become the new owner and Annuitant and continue the Existing Contract. The death benefit is equal to the greater of: (i) The annuity value, defined as the sum of the Variable Account value and the fixed account value, or (ii) the excess of (a) the amount of the purchase payments paid, over (b) any partial withdrawals (and less any applicable premium taxes).

- 8. Various fees and expenses are deducted under the Existing Contracts. AUSA Life will assess an Annual Contract Charge of \$30 on each contract anniversary through the maturity date, and at the time of a full surrender on other than a contract anniversary, for the cost of providing administrative services under the Existing Contracts. Applicants guarantee that this fee will not increase for the life of the Existing Contracts.
- 9. AUSA Life also will deduct a daily charge from the assets of the Variable Account equal on an annual basis to 0.15% of the average daily net assets of the Variable Account ("Administrative Service Charge"). This charge will be deducted from the Variable Account both during the accumulation period and after the maturity date. This fee is guaranteed not to increase for the duration of the Existing Contracts.
- 10. The Administrative Service Charge and the Annual Contract Charge are designed to reimburse AUSA Life for the actual administrative costs incurred over the life of an Existing Contract.
- 11. AUSA Life also reserves the right to impose a \$10 charge for the thirteenth and each subsequent transfer from a Subaccount during a single contract year ("Transfer Charge").
- 12. AUSA Life does not expect to realize a profit from the Annual Contract Charge, the Administrative Service Charge, and the Transfer Charge (if any). Applicants represent that the Annual Contract Charge, the Administrative Service Charge, and any Transfer Charge will be deducted in reliance upon and in conformity with all of the requirements of Rule 26a–1 under the 1940 Act.
- 13. If applicable, and if AUSA Life has incurred or reasonably expects to incur expenses with respect to premium

taxes, such taxes will be deducted, as required by law, from: A purchase payment when received; amounts partially withdrawn or surrendered; death benefit proceeds; or the amount applied to an annuity at the time annuity payments commence. AUSA Life intends to deduct any applicable premium taxes when it incurs them, but reserves the right to defer deduction to a later date if such deferral is not detrimental to owners.

14. No charges currently are made for federal, state or local income taxes other than premium taxes. AUSA Life may make such a charge in the future, however, subject to obtaining any necessary regulatory approvals. Charges for any other applicable taxes—including any tax or other economic burden resulting from the application of tax laws that AUSA Life determines to be properly attributable to the Variable Account—also may be made.

15. No sales charges are deducted from purchase payments under the Contracts. No contingent deferred sales charges will be deducted from annuity value if a partial withdrawal or surrender occurs prior to the maturity date. AUSA Life will pay the expected costs of distribution from its general assets, which may include revenue from the mortality and expense risk charge deducted from the Variable Account.

16. A daily charge equal to an effective annual rate of 0.70% of the average daily net assets of the Variable Account will be imposed to compensate AUSA Life for bearing certain mortality and expense risks in connection with the Contracts. The portion of the charge attributable to mortality risk is approximately 0.35% of the average daily net assets of the Variable Account and the portion of the charge attributable to expense risk is approximately 0.35% of the average daily net assets of the Variable Account.

17. AUSA Life will assume two mortality risks under the Contracts: (1) that the annuity rates under the Existing Contracts cannot be changed to the detriment of the contract owners even if Annuitants live longer than projected; and (2) that AUSA Life may be obligated to pay a death benefit claim in excess of the cash value of an Existing Contract.

18. The expense risk borne by AUSA Life is the risk that the charges for administrative expenses, which are guaranteed not to increase for the life of the Contracts, may be insufficient to cover the actual costs of issuing and administering the Contracts.

19. If the mortality and expense risk charge is insufficient to cover actual costs, the loss will be borne by AUSA Life; conversely, if the amount deducted