

Balanced Portfolios; (ii) The Lord Abbett Growth & Income Portfolio (AST) will be substituted for the Alger Income & Growth and Alliance Growth & Income Portfolios; (iii) the Seligman Henderson International Equity Portfolio (AST) will be substituted for the Alliance International, Scudder International, and Janus Aspen Worldwide Growth Portfolios; (iv) the Alger Growth Portfolio will be substituted for the Alliance Premier Growth, AST Phoenix Capital Growth, AST Eagle Growth Equity, Scudder Capital Growth, and the Janus Aspen Aggressive Growth Portfolios; (v) the PIMCO Limited Maturity Bond Portfolio (AST) will be substituted for the Alliance Short-Term Multi-Market, Alliance U.S. Government/High Grade Securities, AMT Limited Maturity Bond, and Janus Short-Term Bond Portfolios; (vi) the AMT Partners Portfolio will be substituted for the AMT Growth Portfolio; (vii) the PIMCO Total Return Bond Portfolio (AST) will be substituted for the Scudder Bond and Janus Aspen Flexible Income Portfolios; and, (viii) the JanCap Growth Portfolio (AST) will be substituted for the Janus Aspen Growth Portfolio. Applicants note that allocations to the Alliance Fund Transferor Portfolios available under Separate Account Contracts will be substituted, except for those amounts allocated under the Alliance Navigator Contract (Account B—Class 1). Allocations under the Alliance Navigator Contract will remain unaffected by the Substitutions.

9. The Substitution process will include two periods during which Contract owners may make cost free transfers to the remaining portfolios of their choice. The first free transfer period will start prior to the "Automatic Selection Date." The Automatic Selection Date is the date ASLAC will schedule the Substitutions to occur. Such date will be as soon as practicable following the issuance of an order by the SEC. Moreover, any transfers of account value from any of the Transferor Portfolios from May 1, 1995 (the date the relevant Contract prospectuses reflected the proposed Substitutions), will not be counted toward the twelve free transfers permitted under relevant Contracts.

10. For several months prior to the Automatic Selection Date, and in all cases since May 1, 1995, relevant Contract prospectuses reflected the Substitutions. Such registration statements as in effect as of May 1, 1995 for ASAP, PSA and Wrap Fee also contain information of the investment policies of the Transferee Portfolios.

11. The first free transfer period will start before the Automatic Selection Date. Within approximately five days after the Applicant's notice of application appearing in the Federal Register, ASLAC will mail a written notice to all Contract owners who, as of the date the notice of application appears in the Federal Register, have allocations in any Transferor Portfolio. The notice will contain information as to the Substitutions and will provide instructions regarding the ability of Contract owners to make transfers of account value out of any Transferor Portfolio without transfer fees or similar charges, and without such transfer being counted as a free transfer. After notice is mailed and up until the Automatic Selection Date, any Contract owner making an allocation or transfer (*i.e.*, new money) to any Transferor Portfolio during the first free transfer period will be sent a similar notice with their confirmation statement (the "Affected Contract owners").

12. As of the Automatic Selection Date, allocations or transfers to a Transferor Portfolio will automatically be allocated to the corresponding Transferee Portfolio. No Transferor portfolio will accept additional premium payments (*i.e.*, new money) on or after the Automatic Selection Date.

3. On the Automatic Selection Date, all account values allocated to each Transferor Portfolio, if any, will be transferred to the corresponding Transferee Portfolio ("Automatic Selection Option"). Applicants state that the Automatic Selection Options (which may only occur if Contract owners do not give timely instructions during the first free transfer period) are temporary in character because Contract owners can always exercise their own judgment as to the most appropriate alternative investment. Applicants also state that Affected Contract owners will have an additional free transfer period after the Automatic Selection Date. No sales load deductions will be made in connection with any transfers among the portfolios because of the Substitutions or otherwise. Contract owners who have not annuitized may at any time, before or after the Substitutions, transfer their account value to any of the other portfolios offered under their respective Contracts.

14. The second free transfer period will start after the Automatic Selection Date. For thirty (30) calendar days, or if the thirtieth day is not a business day then the following business day after the Automatic Selection Date, Affected Contract owners may transfer account values out of the Transferee Portfolios to any other available portfolios without

transfer fees or similar charges and without transfer being counted as a free transfer. Within five (5) days of the Automatic Selection Date, ASLAC will send Affected Contract owners written notice of the Substitution identifying units of the Transferee Portfolios. ASLAC will include in this notice information regarding the second free transfer period. Applicants state that if Affected Contract owners have telephone transfer privileges, telephone instructions will be accepted during both free transfer periods.

15. Applicants anticipate that some or all Substitutions may be effected partly for cash and partly for securities as a partial redemption "in-kind" at the net asset values of the portfolios (such transfer will be in conformity with Sections 22(c) and 22(g) of the 1940 Act and Rule 22c-1 thereunder). The transfers will be effected by selling the securities of the applicable Transferor Portfolios and applying the proceeds to the purchase price of securities issued by the Transferee Portfolios selected by Contract owners. At all times all contract values will remain unchanged, no fees or charges will be incurred, all Contract owner rights will be unaffected, and ASLAC's obligations under any Contract will not be altered in any way because of the Substitutions.

16. To the extent "in-kind" redemptions are not utilized, Applicants anticipate that Transferor Portfolios will incur brokerage fees and expenses to the extent not assumed by Applicants, or the adviser or sub-adviser of the Transferee Portfolios in connection with the redemption of shares of the affected Transferor Portfolios.

Applicants state that they will effect the redemptions "in-kind" to the extent consistent with investment objectives and applicable diversification requirements. ASLAC states that it will establish procedures to ensure that "in-kind" redemptions will be effected in a fair and equitable manner from the perspective of the Separate Account, the Transferor Portfolios, and other separate accounts which currently invest in the Transferor Portfolios, and other separate accounts which currently invest in the Transferor Portfolios. These procedures will provide that: (i) the Transferor Portfolio investment adviser identify prior to the effective date of the Substitutions the securities to be included in the "in-kind" transfer; and (ii) the investment adviser to the Transferee Portfolio reviews and agrees to accept the securities so identified as payment for the purchase of Transferee Portfolio shares. The valuation of "in-kind" transfers will be on a basis consistent with the valuation