prevent. Applicants have reserved the right to make such a substitution under the Contracts and this reserved right is disclosed in each Contract's prospectus.

4. Substitutions have been common where the substituted portfolio has investment objectives and policies that are similar to those of the eliminated portfolio, current expenses that are similar to or lower than those of the eliminated portfolio, and performance that is similar to or better than that of the eliminated portfolio.

5. In all cases the investment objectives and policies of the Replacement Portfolios are sufficiently similar to those of the corresponding Replaced Portfolios that contract owners will have reasonable continuity in investment expectations. Accordingly, the Replacement Portfolios are appropriate investment vehicles for those contract owners who have contract values allocated to the Replaced Portfolios.

6. In addition, the Replacement Portfolios have lower annual expenses than the Replaced Portfolios and superior or equal performance for the three years ended June 30, 2002. Integrity and National Integrity will not increase separate account fees and charges of the subaccounts that invest in the Replacement Portfolios for those contract owners who were contract owners on the date of the Substitution for a period of one year from the date of the Substitution except to the extent of any increase in premium or similar taxes charges by a state or other locality.

7. Moreover, Integrity and National Integrity will not receive, for three years from the date of the Substitution, any direct or indirect benefit from the Replacement Portfolios, their advisers or underwriters, or from affiliates of the Replacement Portfolios, their advisers or underwriters, in connection with the assets attributable to the Contracts affected by the Substitution, at a higher rate than Integrity and National Integrity received from the Replaced Portfolios, their advisers or underwriters, or from affiliates of the Replaced Portfolios, their advisers or underwriters, including without limitation Rule 12b–1 fees, shareholder service, administrative, or other service fees, revenue sharing or other arrangements. The Substitution and the selection of the Replacement Portfolios were not motivated by any financial consideration paid or to be paid to Integrity or National Integrity or their affiliates by the Replacement Portfolios, their advisers or underwriters, or their affiliates.

8. The Substitution will not result in the type of costly forced redemption that Section 26(c) was intended to guard against and, for the following reasons, is consistent with the protection of investors and the purposes fairly intended by the Act:

(a) Each of the Replacement Portfolios is an appropriate portfolio to which to move contract owners with values allocated to the Replaced Portfolios because the portfolios have substantially similar investment objectives and policies.

(b) The costs of the Substitution, including any brokerage costs, will be borne by Integrity and National Integrity and will not be borne by contract owners. No charges will be assessed to effect the Substitution.

(c) The Substitution will be at the net asset values of the respective shares without the imposition of any transfer or similar charge and with no change in the amount of any contract owner's accumulation value.

(d) The Substitution will not cause the fees and charges under the Contracts currently being paid by contract owners to be greater after the Substitution than before the Substitution and will result in contract owners' contract values being moved to a Replacement Portfolio with lower total annual expenses.

(e) All contract owners will be given notice of the Substitution prior to the Substitution and will have an opportunity for 30 days after the Substitution to reallocate accumulation value among other available subaccounts without the imposition of any transfer charge or limitation and without being counted as one of the contract owner's free transfers in a contract year.

(f) Within five days after the Substitution, Integrity and National Integrity will send to its affected contract owners written confirmation that the Substitution has occurred.

(g) The Substitution will in no way alter the insurance benefits to contract owners or the contractual obligations of Integrity and National Integrity.

(h) The Substitution will have no adverse tax consequences to contract owners and will in no way alter the tax benefits to contract owners.

Conclusion

Applicants request an order of the Commission pursuant to Section 26(c) of the Act approving the Substitution. Section 26(c), in pertinent part, provides that the Commission shall issue an order approving a substitution of securities if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. For the reasons and upon the facts set forth above, the requested order meets the standards set forth in Section 26(c) and should, therefore, be granted.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 46921 / November 26, 2002]

Securities Exchange Act of 1934; Order Extending Broker-Dealer Exemption From Sending Financial Information to Customers

In the Matter of Securities Industry Association, 1401 Eye Street, NW., Washington, DC 20005–2225.

The Securities and Exchange Commission (''Commission'') is extending its Temporary Order, which was originally issued on December 10, 1999[1] and then extended on December 20, 2001,[2] under Section 17(e) of the Securities Exchange Act of 1934 (''Exchange Act''), exempting broker-dealers from Exchange Act Section 17(e)(1)(B) and Rule 17a–5(c). These sections require a broker-dealer to send each of its customers semi-annually its balance sheet with appropriate footnotes prepared in accordance with generally accepted accounting principles (''GAAP'') and a footnote disclosing the firm's net capital and required net capital. To take advantage of the exemption, a broker-dealer must semi-annually send the net capital footnote to its customers, must send its balance sheet and appropriate footnotes to customers upon request via a toll-free number, and must place its balance sheet and appropriate footnotes on its website.

The Commission's Temporary Order and extension established a pilot program which expires on December 31, 2002. During the pilot program, a broker-dealer taking advantage of the exemption was required, among other things, to report to the Commission the number of times its balance sheet was viewed on its website and the number of requests for paper copies received via its toll-free number. During the December 31, 2001 to December 31, 2002 extension of the pilot program, a broker-dealer was also required to report to the Commission any written customer

[1] Exchange Act Release No. 42222.

[2] Exchange Act Release No. 45179.

complaints it received regarding the exemption.

The Commission has determined, on the basis of information reported by broker-dealers taking advantage of the exemption, which indicates that customers are using the exemption to access broker-dealers' financial information and that broker-dealers taking advantage of the exemption have received no written customer complaints regarding the exemption, that extending the exemption for six months is consistent with the public interest and the protection of investors. The Commission has today proposed a rule amendment for comment which, if adopted, would make the relief permanent (Exchange Act Release No. 46920; File No. S7–48–02).

A broker-dealer exempted under this Order must comply with each of the following requirements:

(1) The broker-dealer semi-annually sends its customers, at the times it otherwise would have sent its customers its balance sheet in accordance with Rule 17a–5(c), a statement which includes:

(a) The amount of the broker-dealer's net capital and its required net capital in accordance with Rule 15c3–1;

(b) To the extent required under Rule 17a–5(c)(2)(ii), a description of the effect on the broker-dealer's net capital and required net capital of subsidiaries consolidated pursuant to Appendix C of Rule 15c3–1 (jointly the ''Net Capital Disclosure''); and

(c) Any statements otherwise required by Rule 17a–5(c)(2)(iii) and (iv).[3]

(2) The above statement is given prominence in the materials sent to its customers and includes an appropriate caption stating that customers may obtain the broker-dealer's balance sheet (in the case of the annual balance sheet, audited and with the auditor's certification) at no cost, by accessing the broker-dealer's website or calling the broker-dealer's stated toll-free number. The statement must provide the specific Internet Uniform Resource Locator (URL) at which the broker-dealer's balance sheet is located.

(3) The broker-dealer publishes a balance sheet prepared in accordance with GAAP, including footnotes and the Net Capital Disclosure, accessible through each of the following Internet locations:

(a) The broker-dealer's website home page, containing a hyperlink providing a direct link to the broker-dealer's balance sheet;

(b) Each page at which a customer can log-on to the broker-dealer's website, containing a hyperlink providing a direct link to the broker-dealer's balance sheet; and

(c) If the websites for two or more broker-dealers can be accessed from the same home page, a hyperlink directing the Internet user to the home page of each broker-dealer. Upon reaching the broker-dealer's home page, the home page contains a hyperlink providing a direct link to the particular broker-dealer's balance sheet.

Each of the above hyperlinks is placed on the broker-dealer's website, in either textual or button format, as a separate, prominent link, in a manner that is clearly visible.[4]

(4) The broker-dealer maintains a toll-free number that customers can call to request a paper or electronic copy of its balance sheet.

(5) If a customer requests a paper or electronic copy of the broker-dealer's balance sheet, the firm sends it promptly at no cost to the customer.

(6) If the broker-dealer's net capital falls below the early warning levels of Rule 17a–11 and the broker-dealer fails to cure the relevant deficiency within 24 hours, or if the broker-dealer's auditors determine that a material inadequacy exists with regard to any of the financial disclosures contained in the audited financial statements or in the broker-dealer's internal controls, the firm returns to sending its balance sheet as required under Rule 17a–5(c), including footnotes, by the next date that financial disclosures are required, until the deficiency or material inadequacy is cured.

(7) The broker-dealer submits to the Commission, addressed to Division of Market Regulation, United States Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549–1001, no later than 60 days after each distribution of its published statement containing the Net Capital Disclosure:

(a) A report on the number of requests that the broker-dealer has received for copies of its balance sheet via its toll-free number and the number of times its balance sheet has been viewed on its website. The report contains the number of requests received in the month following its website publishing of its recent balance sheet and, except in the case of the first website publishing, in the preceding six months; and

(b) Written investor complaints regarding the exemption received by the broker-dealer in the preceding six months.

Accordingly,

It is ordered, under Exchange Act Section 17(e)(l)(C) and Rule 17a–5(l)(3), that the exemption from Exchange Act Section 17(e)(1)(B) and Rule 17a–5(c) granted in Exchange Act Release No. 42222 and extended in Exchange Act Release No. 45179 is extended to June 30, 2003.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

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[3] A broker-dealer may comply with this requirement by: (a) Delivering the statements to its customers in paper copy form or (b) transmitting the statements to its customers electronically.

[4] This Order exempts certain firms from the delivery requirement under Rule 17a–5(c), in part, based on the protections afforded by the Commission's financial responsibility rules. The condition that a broker-dealer makes its balance sheet available on its website is not an alternative method of delivering this information to customers under Rule 17a–5(c).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46857; File No. SR–Amex–2001–06]

Self-Regulatory Organizations; American Stock Exchange LLC; Order Approving a Proposed Rule Change and Amendment Nos. 1, 2 and 3 Thereto Relating to Relief and Temporary Specialists

November 21, 2002.

On February 14, 2001, the American Stock Exchange LLC (''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to require specialists units consisting of fewer than three members to arrange for the registration of one or more relief specialists,[3] and to revise the Exchange's rules regarding the appointment of temporary specialists. The Exchange also proposed allowing specialist units with less than three persons six months (or such longer time as the Chief Executive Officer of the Exchange may determine is appropriate) from the date of approval of the proposed rule change to obtain Exchange approval of their relief specialist arrangements. The Exchange

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The Exchange identified that specialists units with more than three persons may also arrange for relief specialists pursuant to this proposed rule. Telephone conversation among William Floyd-Jones, Assistant General Counsel, Amex, Terri Evans, Assistant Director, and Lisa N. Jones, Attorney, Division, Commission, dated May 30, 2002.