

1, 2002, an order was issued to American Enterprise Life Insurance Company, *et al.* (Release No. IC-25561) (the "May 1 Order"). Applicants note that the Amended Service Fee Representation is consistent with the corresponding representation made in the exemptive application filed by American Enterprise Life Insurance Company, *et al.*

Applicants' Legal Analysis

1. Section 26(c) of the 1940 Act provides, in pertinent part, that "[i]t shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution." The purpose of Section 26(c) is both to protect the expectations of investors that the unit investment trust will accumulate the shares of a particular issuer and to prevent unscrutinized substitutions which might, in effect, force shareholders dissatisfied with a substituted security to redeem their shares, thereby incurring either a loss of the sales load deducted from initial purchase payments, an additional sales load upon reinvestment of the redemption proceeds, or both. Section 26(c) affords this protection to investors by preventing a depositor or trustee of a unit investment trust holding the shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves the substitution.

2. By approving the April 30 Order, the Commission determined that the Substitution was "consistent with the protection of the investors and the purposes fairly intended by the policy and provisions of [the 1940 Act]." Applicants submit that the amended order also will meet this standard. Applicants submit that the requested amendment is appropriate and in the public interest, and that the interests of fairness require that the April 30 Order be amended to be no more restrictive than the relief granted other parties in the same circumstances.

3. Applicants submit that a restriction of the type in the April 30 Order is less necessary in the context of a liquidation. Applicants submit that in this situation, the need for a substitution is forced on the insurer and is not a product of the insurer's independent business planning. Accordingly, Applicants argue, it is less likely that an improper or self-interested motive has prompted the insurer's action, and it should not be presumed that a prophylactic measure like the Service Fee Representation is necessary. Moreover, Applicants believe

that because the Amended Service Fee Representation directly and fully denies the existence of any financial incentive from the Replacement Fund or its affiliates, the broad restriction imposed by the existing Service Fee Representation is wholly unnecessary.

4. Second, Applicants submit that the existing Service Fee Representation places a significant burden on assets that are entirely unrelated to the Substitution. Applicants state that because the Replaced Fund was not popular among investors, only a few Contracts and a small amount of Applicants' subaccount assets were invested in the Replaced Fund. On the other hand, a significant amount of subaccount assets were invested in the Replacement Fund, which was an existing investment option under the Contracts. Applicants submit that in the absence of the Substitution, the service fee rate was set and could be changed as a product of arm's length bargaining between Applicants and the Replacement Fund's adviser. Applicants submit that it is unfair to impose an artificial restriction on Applicants' negotiating posture with respect to all service fees for all of those assets, as well as assets relating to new product developments entirely unrelated to the Substitution, because of a substitution that was compelled by circumstances beyond Applicants' control.

5. Applicants also argue that imposing the restriction in the existing Service Fee Representation may discourage insurers in some circumstances from selecting the most appropriate replacement fund in future substitutions. Applicants argue that limiting service fees with respect to all other funds in a replacement fund's fund complex creates an incentive for insurers to effect substitutions only with members of fund families in which the insurer does not already invest, and that this incentive may conflict with the interests of investors.

6. Applicants submit that fairness requires that the Service Fee Representation be amended to conform with the representation on which the May 1 Order was based. Applicants submit that the circumstances there were identical in all material respects with the circumstances presented by this substitution. Applicants state that both cases involved the liquidation of an unaffiliated fund for reasons unrelated to the affected insurers and the substitution into another unaffiliated fund. Applicants submit that by granting the May 1 Order, the Commission determined that a representation such as the Amended Service Fee Representation was in the

public interest in circumstances involving a substitution prompted by liquidation of an unaffiliated fund. Given the similarity of the two cases, Applicants submit that here also, the proposed change in the Service Fee Representation would be fair and in the public interest.

7. Applicants submit that, for the reasons summarized above, their request meets the standards set out in Section 26(c) of the 1940 Act. Accordingly, Applicants request an order, pursuant to Section 26(c) of the 1940 Act, amending the April 30 Order as requested above.

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

[Rel. No. IC-25959; File No. 812-12828]

Allianz Life Insurance Company of North America, et al.

March 14, 2003.

AGENCY: The Securities and Exchange Commission ("Commission").

ACTION: Notice of application for an order of approval pursuant to section 26(c) of the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: Allianz Life Insurance Company of North America ("Allianz Life"), Allianz Life Variable Account A ("Allianz Account A"), Allianz Life Variable Account B ("Allianz Account B"), Allianz Life Insurance Company of New York ("Allianz Life of NY") and Allianz Life of NY Variable Account C ("Allianz Account C"). Allianz Life and Allianz Life of NY are collectively referred to as the "Insurance Company Applicants." Allianz Account A, Allianz Account B and Allianz Account C are collectively referred to as the "Separate Account Applicants."

FILING DATE: The application was filed on May 20, 2002, and amended and restated on August 6, 2002, December 16, 2002, March 7, 2003 and March 13, 2003.

SUMMARY OF APPLICATION: Applicants request an order of approval to permit the substitution of shares of The Dreyfus Stock Index Fund ("Dreyfus Fund") for shares of Franklin Templeton Variable Insurance Products Trust's (the "Trust's") Franklin S&P 500 Index Fund ("Franklin Fund") (the "Substitution").

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on April 3, 2003, and should be accompanied by proof of service on Applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, c/o Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, Minnesota 55416, Attention: Stewart D. Gregg, Esq.

FOR FURTHER INFORMATION CONTACT: Leland B. Erickson, Staff Attorney, or Zandra Y. Bailes, Branch Chief, Division of Investment Management, Office of Insurance Products, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission, 450 Fifth Street, NW., Washington, DC 20549 (tel. (202) 942-8090).

Applicants' Representations

1. Allianz Life is organized under the laws of the state of Minnesota. Allianz Life offers fixed and variable life insurance and annuities and group life, accident and health insurance. Allianz Life is licensed to do direct business in 49 states and the District of Columbia. Allianz Life is a wholly-owned subsidiary of Allianz Versicherungs AG Holding.

2. Allianz Life of NY is organized under the laws of the state of New York. (Until January 1, 2003, Allianz Life of NY was known as Preferred Life Insurance Company of New York). Allianz Life of NY offers variable annuities, group life, and group accident and health insurance. Allianz Life of NY is licensed to do business in six states, including New York and the District of Columbia. Allianz Life of NY is a wholly-owned subsidiary of Allianz Versicherungs AG Holding.

3. Allianz Account A is a segregated asset account of Allianz Life. Allianz

Account A was established by Allianz Life on May 31, 1985, under Minnesota insurance laws. Allianz Account A is used to fund certain variable life insurance policies issued by Allianz Life. Allianz Account A is divided into several subaccounts, each of which invests in and reflects the investment performance of a specific underlying registered investment company or portfolio thereof. Allianz Account A is registered as a unit investment trust under the 1940 Act.

4. Allianz Account B is a segregated asset account of Allianz Life. Allianz Account B was established by Allianz Life on May 31, 1985, under Minnesota insurance laws. Allianz Account B is used to fund certain variable annuity contracts issued by Allianz Life. Allianz Account B is divided into several subaccounts, each of which invests in and reflects the investment performance of a specific underlying registered investment company or portfolio thereof. Allianz Account B is registered as a unit investment trust under the 1940 Act.

5. Allianz Account C is a segregated asset account of Allianz Life of NY. Allianz Account C was established by Allianz Life of NY on February 26, 1988 under New York insurance laws. (Until January 1, 2003, Allianz Account C was known as Preferred Life Account C). Allianz Account C is used to fund certain variable annuity contracts issued by Allianz Life of NY. Allianz Account C is divided into several subaccounts, each of which invests in and reflects the investment performance of a specific underlying registered investment company or portfolio thereof. Allianz Account C is registered as a unit investment trust under the 1940 Act.

6. The Separate Account Applicants support certain variable annuity contracts and variable life policies (collectively, the "Contracts") issued by the Insurance Company Applicants. The Contracts offer a large number of widely diverse variable investment options. For purposes of clarity, the Contracts can be divided into four general categories. There are currently offered contracts and three categories of closed contracts no longer available for sale.

- First, there are six currently offered Contracts that historically have offered the Franklin Fund. Each of these Contracts currently offers a total of 50 variable investment options, including a money market investment option. (The Franklin Fund is not included as one of the 50 available options, as it is closed to allocations of new premium payments and transfers of Contract value.) Each Contract in this Category offers the same 50 investment options.

- Second, there are two "Category 1 Closed Contracts." These are Contracts that are no longer available for sale. Each of these Contracts makes available the same investment options that are available through currently offered Contracts, and, as such, each of these Contracts permits owners of existing Contracts to allocate new premium payments and transfers among 50 investment options.

- Third, there is one "Category 2 Closed Contract." This Contract is no longer available for sale. This Contract permits owners of existing Contracts to allocate new premium payments and transfers among forty-two variable investment options, including a money market option.

- Fourth, there are three "Category 3 Closed Contracts." These Contracts are no longer available for sale. These contracts permit owners of existing Contracts to allocate new premiums (if permitted by the terms of the Contract) and transfers among thirty-six variable investment options, including one money market option. Each Contract in this Category offers the same thirty-six investment options.

7. As of March 13, 2003, 42 of the 50 investment options offered through currently offered Contracts and Category 1 Closed Contracts have been offered through each of these Contracts for a year or more. All of the investment options available in the Category 2 Closed Contract other than the Dreyfus Fund have been available for over a year. Lastly, all of the investment options available in the Category 3 Closed Contracts other than the Dreyfus Fund have been available through each of these Contracts for over a year. In addition, Applicants will not add or close any investment options prior to the effective date of the proposed Substitution.

8. Under the Contracts, the Insurance Company Applicants reserve the right to substitute one of the variable investment options with another variable investment option subject to prior approval of the Commission. Moreover, the Insurance Company Applicants are entitled to limit further investment in a variable investment option.

9. Each Contract permits transfers of Contract values. In most instances, up to twelve transfers may be made during each year free of charge.¹ There is currently no limitation on the aggregate number of transfers that may be made,

¹ For the Allianz Life variable immediate annuity contract, currently an unlimited number of transfers is permitted each year without charge, however, Allianz Life has reserved the right to limit the number of free transfers each year (File Number 33-76190).

other than the twelve free transfers per year limit referred to above. A charge may be assessed for transfers made after the accumulation period ends. For deferred variable annuity contracts, after the accumulation period, no transfers are permitted from the fixed annuity option to the variable annuity option.

10. The Contracts provide for a free withdrawal privilege equal to at least 10% of Contract value annually; this right is not subject to reduction or withdrawal. No tax liability or consequences are associated with the transfer of Contract values within the Contract.

11. The Franklin Fund is part of the Trust, which was organized as a Massachusetts business trust on April 26, 1988. Shares of the Franklin Fund are sold to the Separate Account Applicants for the purpose of funding the Contracts. The Franklin Fund is managed by Franklin Advisers, Inc. ("Franklin Advisers"). The Franklin Fund's investment objective is to match the performance of the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index") before the deduction of fund expenses. The Franklin Fund seeks to invest at least 80% of its total assets in the common stocks of companies included in the S&P 500 Index. The Trust offers two classes of shares of the Franklin Fund to insurance company separate accounts. The terms of the Class 1 and Class 2 shares are identical except that the Class 2 shares bear the expenses of the Class 2 distribution plan. The Trust is registered as an open-end management company under the 1940 Act, and its shares are registered as securities under the Securities Act of 1933 ("1933 Act").

Under an agreement with Franklin Advisers, SSgA Funds Management, Inc. ("SSgA") is the Franklin Fund's sub-adviser. Neither Franklin Advisers nor SSgA is affiliated with the Applicants.

12. The Dreyfus Fund is a Maryland Corporation formed on January 24, 1989. It is registered as an open-end management company under the 1940 Act, and its shares are registered as securities under the 1933 Act. The investment adviser for the Dreyfus Fund is The Dreyfus Corporation ("Dreyfus"). Shares of the Dreyfus Fund are currently sold exclusively to insurance company separate accounts for the purpose of funding variable annuity contracts and variable life insurance policies. Like the Franklin Fund, the Dreyfus Fund's investment objective is to match the total return of the S&P 500 Index. The Dreyfus Fund attempts to have a correlation with the S&P 500 Index of at least .95 before expenses. A correlation of 1.00 would mean that the Dreyfus Fund and the S&P 500 Index were perfectly correlated. The Dreyfus Fund offers two classes of shares, Initial Class and Service Class. The terms of the Initial Class and Service Class are identical except that the Service Class shares bear the expenses of the Service Class distribution plan. Mellon Equity Associates, an affiliate of Dreyfus, serves as the Dreyfus Fund's index fund manager. Neither Dreyfus nor Mellon Equity Associates is affiliated with the Applicants.

13. In December of 2001, the Insurance Company Applicants were informed by Franklin Advisers that the Board of Trustees of the Franklin Fund had determined that the Franklin Fund

would be dissolved and liquidated. Franklin Advisers stated that the closing of the Franklin Fund was proposed primarily because the Franklin Fund had not attracted and/or retained sufficient assets to be a sufficiently economically viable fund.

14. Effective May 1, 2002, in anticipation of the closing of the Franklin Fund, the Insurance Company Applicants closed the Franklin Fund to new premiums and transfers. Also on May 1, the Insurance Company Applicants added the Dreyfus Fund as a variable investment option offered through the Contracts.

15. Applicants request the Commission's approval to effect the substitution of shares of the Franklin Fund with shares of the corresponding class of shares of the Dreyfus Fund. Dreyfus Initial Class shares would be substituted for Franklin Class 1 shares, and Dreyfus Service Class shares would be substituted for Franklin Class 2 shares.

16. Applicants believe that the Dreyfus Fund is an appropriate replacement for the Franklin Fund, and an appropriate investment vehicle for the Contract owners, because the two Funds share a virtually identical investment objective. The Franklin Fund and the Dreyfus Fund both seek to match the performance of the S&P 500 Index. Both funds use similar policies and strategies to attempt to match the performance of the S&P 500 Index.

17. The expenses of the Franklin Fund and the Dreyfus Fund as of December 31, 2002, and currently, as a percentage of average daily net assets, are as follows:

	Franklin Fund Class 1	Dreyfus Fund Initial Class	Franklin Fund Class 2	Dreyfus Fund Service Class
Management Fees	0.15%	0.25%	0.15%	0.25%
Rule 12b-1 Fee	N/A	N/A	² 0.25%	0.25%
Other Expenses	0.14%	0.02%	0.14%	0.02%
Total Expenses Before Reimbursement or Fee Waiver	0.29%	0.27%	0.54%	0.51%
Management Fee Reduction	³ (0.01%)	N/A	³ (0.01%)	N/A
Total Expenses After Reimbursement or Fee Waiver	0.28%	0.27%	0.53%	0.51%

² While the maximum amount payable under the Franklin Fund's Class 2 Rule 12b-1 plan is 0.35% per year of the fund's average daily net assets, the Board of Trustees of the Trust has set the current rate at 0.25% per year.

³ The manager has agreed in advance to reduce its fee to reflect reduced services resulting from the Fund's investment in a Franklin Templeton money fund. This reduction is required by the Fund's Board of Trustees and an order of the Commission.

18. As the foregoing chart indicates, for each Class, as of December 31, 2002, the Dreyfus Fund had lower expense ratios than the corresponding class of the Franklin Fund. In addition, the Applicants believe that the addition of assets resulting from the Substitution may result in even lower expense ratios

for the Contract owners that have currently allocated their Contract values to the Franklin Fund.

19. Contract owners were first notified of the proposed Substitution in May of 2002. This notice informed Contract owners of the proposed Substitution and the reason for the Substitution, and

also provided Contract owners a toll free number for obtaining a current prospectus for the Dreyfus Fund. In addition, on or before February 4, 2003, approximately 60 days prior to the projected effective date of the Substitution, Contract owners were sent a second notice of the Substitution. The

Applicants filed this notice with the Commission on January 27, 2003, as a supplement to Contract owners' prospectuses. This notice

- Informed Contract owners of the proposed Substitution and the projected effective date of the Substitution (approximately April 4, 2003);

- Informed Contract owners that a substitution of Dreyfus Fund shares for Franklin Fund shares would occur if contrary transfer instructions were not received from the owner;

- Informed owners that they were entitled to a "free transfer right" prior to the Substitution commencing on the date of the notice. This free transfer right permits Contract owners to make one transfer from the Franklin Fund, without that transfer incurring any transfer charge or counting toward any limitation on free transfers. If the Contract owners choose to transfer Contract value from the Franklin Fund to multiple transferee funds, it will still count as only one (free) transfer;

- Informed owners that there would be no charge associated with a default allocation of Franklin Fund assets to the Dreyfus Fund, and that any such default allocation will not count toward any limit on free transfers;

- Informed owners that from the date of the Substitution owners would have an additional thirty-day free transfer right out of the Dreyfus Fund, if they had not already exercised their free transfer right, without that transfer incurring any transfer charge or counting toward any limitation on free transfers;

- Included a transfer form that can be filled out and mailed by the customer;

- Included information regarding all investment options currently available under their Contract; and

- Included instructions for obtaining a current prospectus for the Dreyfus Fund or any other currently available investment option.

20. The Insurance Company Applicants will confirm all transfers made at the request of Contract owners during the free transfer period, as well as any transfer of Contract value made in connection with the Substitution, in accordance with Rule 10b-10 under the Securities Exchange Act of 1934.

21. Within five days following the Substitution, the Insurance Company Applicants will send Contract owners a third notice. The third notice will inform the Contract owners that the Substitution has taken place and notify them that they are entitled to one free transfer from the Dreyfus Fund for a period of thirty days from the date of the Substitution, if they have not already exercised this right prior to the

Substitution. Specifically, the third notice will inform Contract owners that the free transfer right permits Contract owners to make one transfer of Contract value attributable to the Franklin Fund out of the Dreyfus Fund and into any other investment option without that transfer incurring any transfer charge or counting toward any limitation on free transfers. If Contract owners choose to transfer Contract value to multiple transferee funds, it will still count as only one (free) transfer. The third notice will include a transfer form that can be filled out and mailed by the customer. The notice will include information regarding all investment options currently available under their Contract. Lastly, the notice will include directions for obtaining prospectuses for any of the investment options available under the Contract. In addition, a current prospectus for the Dreyfus Fund will be included with the third notice to Contract owners affected by the Substitution, if not previously provided. The Insurance Company Applicants will file this notice with the Commission pursuant to Rule 497 under the 1933 Act as a supplement to their current prospectuses.

22. At the close of business on the date selected for the Substitution, the Insurance Company Applicants will redeem shares of the Franklin Fund held on behalf of their respective Separate Account Applicants in kind. Simultaneously, the Insurance Company Applicants, on behalf of each of its Separate Account Applicants, will place a purchase order for shares of the corresponding class of the Dreyfus Fund so that each purchase will be for the exact amount of the assets received as redemption proceeds. Accordingly, at all times monies attributable to Contract owners then invested in the Franklin Fund will remain fully invested and will result in no change in the amount of any owner's contract value, death benefit or investment in the applicable Separate Account Applicant.

23. The redemption and purchase will be made at prices based on the current net asset values next computed after receipt of the redemption request and purchase order and, therefore, in a manner consistent with Rule 22c-1 under the 1940 Act. The full net asset value of the redeemed shares held by the Separate Account Applicants will be reflected in Contract owner's contract values following the Substitution without reduction for brokerage or other such fees or charges. The Insurance Company Applicants, or the adviser to the Dreyfus Fund or the Franklin Fund, will pay all expenses incurred in connection with the Substitution,

including legal, accounting, brokerage, and other fees and expenses.

24. Neither the rights nor the obligations of the Insurance Company Applicants under the Contracts will be altered in any way. The proposed Substitution will in no way alter insurance benefits to Contract owners. The Substitution will not have any adverse tax consequences to Contract owners. The proposed Substitution will not cause Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed Substitution than before the proposed Substitutions. The proposed Substitution will not be treated as a transfer for the purpose of assessing transfer charges.

25. The Insurance Company Applicants represent that the proposed Substitution and the selection of the Dreyfus Fund were not motivated by any financial consideration paid or to be paid to the Insurance Company Applicants or their affiliates by the Dreyfus Fund, its adviser or underwriter or their affiliates. The Insurance Company Applicants represent that, immediately after the Substitution, they will not receive any direct or indirect benefits from the Dreyfus Fund, its adviser or underwriter (or their affiliates), in connection with assets attributable to Contracts affected by the Substitution, at a higher rate than they had received from the Franklin Fund, its advisor or underwriter (or their affiliates), including without limitation, 12b-1, shareholder service, administration or other service fees, revenue sharing or other arrangements. As noted above, the Substitution is occurring because of the planned closing of the Franklin Fund.

Applicants' Legal Analysis

1. Section 26(c) of the 1940 Act requires the depositor of a registered unit investment trust holding the securities of a single issuer to receive Commission approval before substituting the securities held by the trust. Specifically, section 26(c) of the 1940 Act provides that "[i]t shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution."

2. Section 26(c) of the 1940 Act was enacted as part of the Investment Company Act Amendments of 1970. Prior to the enactment of these amendments, a depositor of a unit investment trust could substitute new securities for those held by the trust by notifying the trust's security holders of

the substitution within five (5) days after the substitution. In 1966, the Commission, concerned with the high sales charges then common to most unit investment trusts and the disadvantageous position in which such charges placed investors who did not want to remain invested in the substituted security, recommended that section 26 be amended to require that a proposed substitution of the underlying investments of a unit investment trust receive prior Commission approval.

3. Applicants assert that the purposes, terms, and conditions of the Substitution are consistent with the principles and purposes of section 26(c) and do not entail any of the abuses that section 26(c) is designed to prevent. The Applicants state that the Contracts are designed with a number of features that provide adequate protection to Contract owners in the event of a substitution. These features include free partial withdrawal rights, transferability between investment options including 12 free transfers per year, and a significant number of investment options. In addition, Contract owners are free to transfer to any other option available under the relevant Contract for approximately 60 days prior to the date of the Substitution and 30 days after the Substitution ("Free Transfer Period") without any transfer fee and without that transfer counting as one of the twelve permitted each year free of charge. In addition, the Contracts provide reasonably diversified investment options. Contract owners will be assessed no charges whatsoever in connection with the Substitution, and their annual fund expense ratios are expected to decrease. Further, Contract owners will be substituted into the Dreyfus Fund, whose investment objectives and policies are substantially similar in all material respects to those of the Franklin Fund. In addition, expenses for the Dreyfus Fund are lower than those of the Franklin Fund.

4. Applicants submit that the Substitutions do not present the type of costly forced redemption or other harms that section 26(c) was intended to guard against and is consistent with the protection of investors and the purposes fairly intended by the 1940 Act. The Substitution will be in accordance with Contract owners' objectives and risk expectations because the investment objective of the Franklin Fund is nearly identical to that of the Dreyfus Fund. In addition, the Contracts provide adequate protection in the event of a substitution. Moreover, the Substitution will be subject to the following terms and conditions:

(a) After receipt of Notice informing a Contract owner of the Substitution, a Contract owner may request that his or her assets be reallocated to another subaccount at any time during the Free Transfer Period. The Free Transfer Period provides sufficient time for Contract owners to consider their reinvestment options;

(b) The Substitution will be at net asset value of the respective shares, without the imposition of any transfer, brokerage, or similar charge;

(c) Neither the Contract owners, the Franklin Fund, nor the Dreyfus Fund will bear any costs of the Substitution, and all legal costs and any brokerage or other costs incurred in the Substitution will be paid by the Insurance Company Applicants or Franklin Advisers, and accordingly, the Substitution will have no impact on the Contract owners' Contract values;

(d) The Substitution will in no way alter the contractual obligations of the respective Insurance Company Applicants or the rights and privileges of Contract owners under the Contracts, or alter insurance benefits to Contract owners; and

(e) The Substitution will in no way alter the tax benefits to Contract owners.

5. Applicants represent that the fees and expenses of the Dreyfus Fund have historically been less than those of the Franklin Fund. Accordingly, the proposed Substitution poses no concerns in connection with the fees and expenses that will arise therefrom.

Applicants' Conclusions

Applicants request an Order of the Commission pursuant to section 26(c) of the 1940 Act to permit them to effect the Substitution on the terms set forth in the Application. Applicants believe, for all of the reasons stated in the Application, that their request for approval meets the standards set forth in section 26(c).

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. 34-47489; File No. SR-Amex-2003-13]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC To Add iShares S&P 100 Index Fund to the List of Exchange Traded Funds for Which the Exchange Pays Non-Reimbursed Fees to Third Parties

March 12, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and rule 19b-4 thereunder,² notice is hereby given that on February 27, 2003, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Amex has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under section 19(b)(3)(A)(ii) of the Act,³ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex proposes to add the iShares S&P 100 Index Fund to the list of Exchange Traded Funds ("ETFs") for which the Exchange pays non-reimbursed fees to third parties, (included in Note 4 to the Amex Equity Fee Schedule). The text of the proposed rule change is available at the Amex and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The Amex has prepared summaries, set forth in Sections A, B and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).