

2002. Personal communications between Jim Widlak and Julie Olivier.

6. NFS North Site Decommissioning Plan, Revision 1, July, 1999.

7. U.S. Environmental Protection Agency, Region 4, September 18, 2002. Personal communications between Leo J. Romanowski, Jr. to James Shepherd.

8. Tennessee Department of Environment and Conservation 2002. Communication, Debra Shults, TDEC and J. C. Shepherd. October 18, 2002.

The references with ADAMS accession numbers may also be viewed in the NRC's Electronic Public Document Reading Room at <http://www.nrc.gov/reading-rm/adams.html>. Any questions with respect to his action should be referred to Ms. Mary Adams, Fuel Cycle Facilities Branch, Division of Fuel Cycle Safety and Safeguards, U.S. Nuclear Regulatory Commission, Mail Stop T-8 A33, Washington, DC 20555-0001. Telephone 301-415-7249.

Dated in Rockville, MD, this 24th day of April, 2003.

For the Nuclear Regulatory Commission.

**Susan M. Frant,**

*Chief, Fuel Cycle Facilities Branch, Division of Fuel Cycle Safety and Safeguards, Office of Nuclear Material Safety and Safeguards.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-26040; File No. 812-12916]

### Sage Life Assurance of America Inc., et al., Notice of Application

May 1, 2003.

**AGENCY:** Securities and Exchange Commission ("SEC" or "Commission").

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

**APPLICANTS:** Sage Life Assurance of America, Inc., the Sage Variable Annuity Account A and the Sage Variable Life Account A (collectively, the "Applicants").

**SUMMARY:** Applicants seek an order to permit, under the specific circumstances identified in the application, the substitution of shares of the portfolios ("Replaced Portfolios") of the Sage Life Investment Trust (the "Sage Trust") with shares of certain portfolios ("Substituting Portfolios") of other variable insurance products funds as follows: (1) Shares of the S&P 500® Equity Index Fund with Series I shares of the AIM V.I. Premier Equity Fund; (2)

shares of the Nasdaq-100 Index® Fund with shares of the Oppenheimer Capital Appreciation Fund/VA; (3) shares of the All-Cap Growth Fund with shares of the Oppenheimer Capital Appreciation Fund/VA; and (4) shares of the Money Market Fund with Series I shares of the AIM V.I. Money Market Fund.

**DATES:** The Application was filed on December 26, 2002, and amended on March 24, 2003, and May 1, 2003.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the Application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on May 22, 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street, NW., Washington, DC 20549. Applicants, c/o Lynn K. Stone, Blazzard, Grodd & Hasenauer, P.C., PO Box 5108, Westport, Connecticut, 06881. Copies to Mitchell R. Katcher, Sage Life Assurance of America, Inc., 969 High Ridge Road, Stamford, CT 06902.

**FOR FURTHER INFORMATION CONTACT:** Rebecca A. Marquigny, Senior Counsel, or Zandra Bailes, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

**SUPPLEMENTARY INFORMATION:** Following is a summary of the Application; the complete Application is available for a fee from the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (telephone (202) 942-8090).

#### *Applicants' Representations*

1. Sage Life Assurance of America, Inc. ("Sage Life") is a stock life insurance company incorporated in Delaware in 1981. It is licensed to conduct an insurance business in 49 states and the District of Columbia. Sage Life is a wholly-owned subsidiary of Sage Life Holdings of America, Inc. ("Sage Life Holdings"). Sage Insurance Group Inc. ("SIGI") owns 90.1% of the common stock of Sage Life Holdings and Swiss Re Life & Health America, Inc. ("Swiss Re") owns the remaining

9.9% of the common stock of Sage Life Holdings. SIGI is a wholly-owned indirect subsidiary of Sage Group Limited ("Sage Group"), a South African corporation quoted on the Johannesburg Stock Exchange.

2. The Sage Variable Annuity Account A and The Sage Variable Life Account A (each a "Variable Account" and together the "Variable Accounts") are each segregated asset accounts of Sage Life. Each Variable Account was established by Sage Life on December 3, 1997, under Delaware law. The Variable Accounts are used to fund certain contracts issued by Sage Life. Each Variable Account is divided into subaccounts, each of which invests in and reflects the investment performance of a specific underlying registered investment company or portfolio thereof. The Sage Variable Annuity Account A is registered as a unit investment trust under the 1940 Act (File No. 811-08581). The Sage Variable Life Account A is registered as a unit investment trust under the 1940 Act (File No. 811-09339).

3. The Variable Accounts support certain variable annuity contracts and variable life insurance policies (collectively "the Contracts") issued by Sage Life. The Contracts allow the contract owners ("Owners") to allocate Contract values among the subaccounts providing variable investment options. In addition, the Contracts also allow Owners to allocate Contract values to registered fixed account options. Under the Contracts, Sage Life reserves the right to substitute one of the variable investment options with another variable investment option after appropriate notice. Moreover, Sage Life is entitled to limit further investment in a variable investment option if Sage Life deems the variable investment option inappropriate. Thus, the Contracts permit Sage Life to substitute the respective shares of each Replaced Portfolio with the corresponding shares of the Substituting Portfolio.

4. The Sage Trust is a Delaware business trust established under a Declaration of Trust dated January 9, 1998, and currently consists of four separately managed portfolios ("Portfolios" or "Replaced Portfolios"). The Sage Trust is a diversified, open-end investment management company registered under the 1940 Act (File No. 811-08623), and its shares are registered as securities under the Securities Act of 1933 ("1933 Act") (File No. 333-45293). The shares of the Sage Trust are sold exclusively to the Variable Accounts of Sage Life to fund benefits under the Contracts. Sage Advisors, Inc. ("Sage Advisors") is the investment adviser for

the Sage Trust. Sage Advisors is a wholly-owned subsidiary of SIGI. Sage Advisors has engaged sub-advisers for each of the Portfolios of the Sage Trust to make investment decisions and place orders.

5. Sage Life anticipates that the Sage Trust expense reimbursement arrangement will be discontinued as of May 1, 2003, and will result in a substantial increase in Sage Trust expenses with a corresponding decrease in the performance of the Sage Trust Portfolios. To date, the cash needs of the Sage insurance operations in the United States (including Sage Life), have been met primarily through (i) capital contributions from Sage Group, (ii) the funding of Sage Life's commission and acquisition expenses through a modified coinsurance arrangement ("Modco Agreement") with Swiss Re, (iii) issuance of preferred stock to Swiss Re, and (iv) through interest income on the invested assets of SIGI and Sage Life's general account.

During 2001, it was determined that the cash needs of SIGI and its subsidiaries could not be met solely by the methods described above. Sage Group had been and is currently prohibited under South African currency controls from using funds raised in South Africa for SIGI's cash needs, other than with funds raised through capital issues denominated in currencies other than the South African rand. Furthermore, Sage Group's ability to issue stock outside of South Africa has been hindered by a severe devaluation of the South African rand relative to the United States dollar and a decrease in its stock price reflective of a general decline of financial services stocks in South Africa and elsewhere. Consequently, Sage Group has not issued new securities in the international markets to provide for the cash needs of SIGI and its subsidiaries.

Effective January 1, 2003, Sage Life ceased all new sales of variable annuity and variable life insurance products. This action was taken due to the inability of Sage Life and its parents to raise the capital necessary to meet the ongoing needs of Sage Life. Sage Life is currently proceeding towards establishing the facilities necessary to administer an orderly disposition of the in-force business. Sage Life's ratings have been downgraded several times over recent months by the rating agencies. Further, Sage Life has substantially reduced its number of employees in recent months, and further layoffs are planned.

Sage Advisors has, since its inception, been subsidized by Sage Group. Because of the limitations imposed on Sage

Group, as described above, no further capital is available, and as a result, Sage Group no longer subsidizes the expenses of Sage Advisors. Sage Life is not able to assume financial responsibility for Sage Advisors. The advisory fee paid by the Portfolios of Sage Trust to Sage Advisors is not sufficient to cover the expenses incurred by Sage Advisors in managing the Trust. Given the above, Sage Advisors will soon be unable to continue to manage the Trust.

Since Sage Trust's inception, Sage Advisors has voluntarily reimbursed certain operating expenses of each Portfolio of Sage Trust. However, given its financial condition, Sage Advisors will no longer reimburse expenses of Sage Trust effective May 1, 2003.

6. Applicants request the Commission's approval to effect the substitutions of the shares of portfolios of other variable insurance products funds ("Substituting Portfolios") for the shares of the Replaced Portfolios (the "Substitution"). The Substituting Portfolios are series of open-end management investment companies registered under the 1940 Act, the shares of which are registered as securities under the 1933 Act. Applicants represent that the Substituting Portfolios, in general, have similar investment objectives to, and more assets, better performance and lower expense ratios than, the Replaced Portfolios. The Replaced Portfolios and the corresponding Substituting Portfolios are as follows:

Replaced portfolios	Substituting portfolios
S&P 500® Equity Index Fund.	AIM V.I. Premier Equity Fund (Series I Shares). <sup>1</sup>
Nasdaq-100 Index® Fund.	Oppenheimer Capital Appreciation Fund/VA. <sup>2</sup>
All-Cap Growth Fund	Oppenheimer Capital Appreciation Fund/VA
Money Market Fund ..	AIM V.I. Money Market Fund (Series I Shares). <sup>3</sup>

7. For the shares of each Replaced Portfolio held on behalf of the Variable Accounts at the close of business on the date selected for the Substitution, Sage Life will redeem those shares for cash. Simultaneously, Sage Life, on behalf of the Variable Accounts, will place a purchase order for shares of each Substituting Portfolio so that each purchase will be for the exact amount of

the redemption proceeds. Accordingly, at all times monies attributable to Owners then invested in the Replaced Portfolio will remain fully invested, and the transaction will result in no change in the amount of any Owner's Contract value, death benefit or investment in the Variable Accounts.

8. Applicants represent that the full net asset value of the redeemed shares held by the Variable Accounts will be reflected in the Owners' Contract values following the Substitution. The Applicants represent that the Owners will not bear, directly or indirectly, any expenses, including brokerage expenses, for the Substitution so that the full net asset value of redeemed shares of the Replaced Portfolio held by the Variable Accounts will be reflected in the Owners' Contract values following the Substitution.

9. The Sage Trust is fully advised of the terms of the Substitution. Applicants anticipate that until the Substitution occurs, the Sage Trust will conduct the trading of portfolio securities in accordance with the investment objectives and strategies stated in the Sage Trust's prospectus and in a manner that provides for the anticipated redemptions of shares held by the Variable Account Applicants.

10. Applicants have determined that the Contracts allow the Substitution as described in the application, and that the transactions are permissible in the manner described under applicable insurance laws and under the Contracts. In addition, Applicants represent that, prior to effecting the Substitution, they will comply with any regulatory requirements they believe are necessary to complete the transactions in each jurisdiction where the Contracts are qualified for sale.

11. Applicants represent that affected Owners will not incur any fees or charges, directly or indirectly, as a result of the Substitution, nor will the rights or obligations of Sage Life under the Contracts be altered in any way. Applicants represent that the proposed Substitution will not have any adverse tax consequences to Owners, nor will it cause Contract fees and charges currently being paid by existing Owners to be greater after the proposed Substitution than before the proposed Substitution. The Contracts provide that there are currently no restrictions on the number of transfers that an Owner can make. Currently, Sage Life does not assess a transfer fee. However, it reserves the right to impose a charge of up to \$25 on each transfer in a Contract year in excess of twelve, and to limit, upon notice, the maximum number of transfers that can be made per month or

<sup>1</sup> SEC File Numbers 33-57340 and 811-7452.

<sup>2</sup> SEC File Numbers 002-93177 and 811-4108.

<sup>3</sup> SEC File Numbers 33-57340 and 811-7452.

year. The proposed Substitution will not be treated as a transfer for the purpose of assessing transfer fees. Moreover, Sage Life will allow the Owners, with respect to shares substituted, to transfer the Contract values held in the subaccount invested in the Substituting Portfolio for a period of 31 days without collecting transfer fees or imposing any additional restrictions on transfers. Moreover, such a transfer will not be counted as a transfer request under any contractual provisions of the Contracts that may limit the number of transfers that may be made without charge.

12. In anticipation of the filing of the Application, the Applicants have supplemented the prospectuses for the Contracts to reflect the proposed Substitution. The supplement was mailed to Owners on December 27, 2002. Within five days after the Substitution, Sage Life will send to Owners written notice of the Substitution (the "Notice"), identifying the shares of the Replaced Portfolios that have been eliminated and the shares of the Substituting Portfolios that have been substituted. Sage Life will include in such mailing the applicable prospectus supplement for the Contracts of the Variable Account Applicants describing the Substitution. In addition, Sage Life will provide a copy of the prospectuses for the Substituting Portfolios with the Notice. Owners will be advised in the Notice that for a period of 31 days from the mailing of the Notice, Owners may transfer all assets, as substituted, to any other available subaccount without limitation or transfer charge (the "Free Transfer Period").

#### *Applicants' Legal Analysis*

1. Section 26(c) (formerly, section 26 (b)) 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." Section 26(b) of the 1940 Act (now section 26 (c)) 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 trust receive prior Commission approval. The Commission will issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title.

2. 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. Applicants represent that the Substitution will generally result in lower expense ratios for the Owners that have allocated their Contract values to the Substituting Portfolios or, in the case of the S&P 500® Equity Index Fund substitution, Applicants will provide the dollar value necessary to offset any differential in the expense ratios of the substituting and replaced funds. In addition, to the extent an Owner does not wish to participate in the Substitution, he or she is free to transfer to any other option available under the relevant Contract prior to the Substitution and within 31 days after the date of the Notice for the Substitution without any transfer fee. As discussed below, Owners will be substituted into a Substituting Portfolio whose investment objectives are substantially similar to those of the Replaced Portfolio.

3. Applicants submit that the Substitution does 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 for the following reasons:

(a) The Substitution will continue to fulfill Owners' objectives and risk expectations, because the investment objectives of each Substituting Portfolio are similar to those of each Replaced Portfolio;

(b) After receipt of the Notice informing an Owner of the Substitution, an 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 Owners to consider their reinvestment options;

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

(d) Neither the Owners, the Replaced Portfolios nor the Substituting Portfolios will bear any costs of the Substitution, including any brokerage fees relating to the Substitution, whether incurred on the date of the Substitution or on any prior date, and accordingly, the Substitution will have no impact on the Owners' Contract values;

(e) The Substitution will in no way alter the contractual obligations of Sage Life or the rights and privileges of Owners under the Contracts;

(f) The Substitution will in no way alter the tax benefits to Owners; and

(g) The Substitution is expected to confer certain economic benefits on Owners by virtue of enhanced asset size and lower expenses, as described below.

4. The prospectuses by which the Contracts are offered state that Sage Life has, subject to the requirements of the 1940 Act, the right to substitute the shares of any underlying registered investment company held by the Variable Account Applicants with shares of another registered investment company. The Applicants represent that each Substituting Portfolio is an appropriate replacement for each Replaced Portfolio and an appropriate investment vehicle for the Owners because they share similar investment objectives. The investment objectives, strategies and risks of each Replaced Portfolio and of each Substituting Portfolio are below.

Replaced portfolio	Substituting portfolio
<p align="center"><b>S&amp;P 500® Equity Index Fund</b></p> <p>The investment objective of the S&amp;P 500® Equity Index Fund (the "S&amp;P 500 Fund") is to match as closely as possible, the performance of the Standard &amp; Poor's 500 Composite Stock Price Index ("S&amp;P 500") before deduction of Fund expenses. The S&amp;P 500 emphasizes stocks of large U.S. companies.</p> <p>The S&amp;P 500 Fund will invest at least 80% of its assets in the stocks of companies included in the S&amp;P 500, selected on the basis of computer-generated statistical data. The Fund generally intends to allocate its investments among common stock in approximately the same proportions as they are represented in the S&amp;P 500.</p> <p><i>Market Risk:</i> Because the S&amp;P 500 Fund invests primarily in stocks, it is subject to stock market risk.</p> <p><i>Cash Flow Risk:</i> The S&amp;P 500 Fund's ability to meet its goal depends to some extent on the cash flow in and out of the Fund in that when a shareholder buys into the Fund, the Fund generally has to buy or sell stocks in the portfolio.</p> <p><i>Modeling Risk:</i> When the Fund cannot purchase all stocks in the S&amp;P 500 Index, it purchases a representative sample of the stocks listed in the Index. If the stocks that the Fund does not own outperform those that it does, the Fund's results will trail the Index.</p> <p><i>Foreign Securities Risk:</i> Not a principal risk factor .....</p>	<p align="center"><b>AIM V.I. Premier Equity Fund (Series I Shares)</b></p> <p>The investment objective of the AIM V.I. Premier Equity Fund is to achieve long-term growth of capital. Income is a secondary objective. The Fund seeks to meet its objectives by investing, normally, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities, including convertible securities. The Fund also may invest up to 25% of its total assets in foreign securities.</p> <p>The benchmark for the AIM V.I. Premier Equity Fund is the S&amp;P 500 Index.</p> <p><i>Market Risk:</i> In that 80% of its assets are normally invested in equity securities, the Fund is subject to stock market risk.</p> <p><i>Cash Flow Risk:</i> N/A.</p> <p><i>Modeling Risk:</i> N/A.</p> <p><i>Foreign Securities Risk:</i> In that the Fund may invest up to 25% of its assets in foreign securities, the Fund has, as a principal investment risk, foreign securities risk.</p>
<p align="center"><b>Nasdaq-100 Index® Fund</b></p> <p>The investment objective of the Nasdaq-100 Index® Fund (the "Nasdaq-100 Fund") is to provide investment returns that correspond to the performance of the Nasdaq-100 before the deduction of Fund expenses.</p> <p>The Nasdaq-100 Fund will invest at least 80% of its assets in stocks of companies included in the Nasdaq-100, selected on the basis of computer-generated statistical data. The Nasdaq-100 is a modified capitalization weighted index composed of 100 of the largest non-financial domestic and international companies listed on the National Market tier of The Nasdaq Stock MarketK (the "Nasdaq"). All companies listed on the Nasdaq-100 have a minimum market capitalization of \$500 million and an average daily trading volume of at least 100,000 shares.</p> <p><i>Market Risk:</i> Because the Nasdaq-100 Fund invests primarily in stocks, it is subject to stock market risk.</p> <p><i>Cash Flow Risk:</i> The Nasdaq-100 Fund's ability to meet its goal depends to some extent on the cash flow in and out of the Fund in that when a shareholder buys into the Fund, the Fund generally has to buy or sell stocks in the portfolio. Changes in the Fund's cash flow affect how closely its portfolio mirrors the index.</p> <p><i>Modeling Risk:</i> When the Fund cannot purchase all stocks in the Nasdaq-100 Index, it purchases a representative sample of the stocks listed in the index. If the stocks that the Fund does not own outperform those that it does, the Fund's results will trail its index.</p> <p><i>Foreign Securities Risk:</i> Because the Nasdaq-100 Fund invests in non-U.S. dollar-denominated equity securities, it is subject to the risks of international investing.</p> <p><i>Industry and Sector Focus Risk:</i> Not a principal risk factor .....</p> <p><i>Growth Stock Risk:</i> In that the Nasdaq-100 Fund may invest in stocks of growth companies which may be more volatile than stocks of larger, more established companies, the Fund does have this risk.</p>	<p align="center"><b>Oppenheimer Capital Appreciation Fund/VA</b></p> <p>The investment objective of the Oppenheimer Capital Appreciation Fund/VA is capital appreciation. It invests in securities of well-known, established companies.</p> <p>The Fund invests mainly in common stocks, of "growth companies." These may be newer companies or established companies of any capitalization range that the portfolio manager believes may appreciate in value over the long term. The Fund currently focuses mainly on mid-cap and large-cap domestic companies, but buys foreign stocks as well.</p> <p>The benchmark for the Fund is the S&amp;P 5000 Index.</p> <p><i>Market Risk:</i> Since the Fund invests primarily in equity securities, it is subject to stock market risk.</p> <p><i>Cash Flow Risk:</i> N/A.</p> <p><i>Modeling Risk:</i> N/A.</p> <p><i>Foreign Securities Risk:</i> In that the Fund may invest in foreign securities, it is subject to foreign securities risk.</p> <p><i>Industry and Sector Focus Risk:</i> The prices of stocks of issuers in a particular industry or sector may go up and down in response to changes in economic condition, government regulations, availability of basic resources or supplies, or other events that affect that industry or sector more than others.</p> <p><i>Growth Stock Risk:</i> Stocks of growth companies, particularly newer companies, may be more volatile than stocks of larger, more established companies.</p>
<p align="center"><b>All-Cap Growth Fund</b></p> <p>The investment objective of the All-Cap Growth Fund is long-term capital appreciation.</p> <p>The All-Cap Growth Fund seeks to achieve its objective by investing, under normal conditions, at least 80% of its assets in a diversified portfolio of common stocks of companies which have one or more of the following characteristics: Projected earnings growth and return on equity greater than those of the S&amp;P 500 average; dominance in their industries or market niches; the ability to create and sustain a competitive advantage; superior management teams; and high profit margins.</p>	<p align="center"><b>Oppenheimer Capital Appreciation Fund/VA</b></p> <p>The investment objective of the Oppenheimer Capital Appreciation Fund/VA is capital appreciation. It invests in securities of well-known, established companies.</p> <p>The Fund invests mainly in common stocks of "growth companies." These may be newer companies or established companies of any capitalization range that the portfolio manager believes may appreciate in value over the long term. The Fund currently focuses mainly on mid-cap and large-cap domestic companies, but buys foreign stocks as well.</p> <p>The benchmark for the Fund is the S&amp;P 500 Index.</p>

Replaced portfolio	Substituting portfolio
<p><i>Market Risk:</i> Because the All-Cap Growth Fund invests primarily in stocks, it is subject to stock market risk.</p> <p><i>Mid-Cap and Small-Cap Company Risk:</i> Mid-cap and small-cap companies often have narrower markets and more limited managerial and financial resources than larger, more established companies.</p> <p><i>Foreign Issuer Risk:</i> Because the Fund may invest in non-U.S. dollar-denominated equity securities, the Fund is subject to the risks of international investing.</p> <p><i>Growth Stock Risk:</i> Stocks of growth companies, particularly newer companies, may be more volatile than stocks of larger, more established companies.</p> <p><i>Industry and Sector Focus Risk:</i> Not a principal risk factor .....</p>	<p><i>Market Risk:</i> Because the Fund invests primarily in stocks of U.S. companies, the value of the Fund's portfolio will be affected by changes in the stock markets.</p> <p><i>Company Risk:</i> Because the Fund invests in mid-cap companies, the risks attendant thereto are applicable.</p> <p><i>Foreign Issuer Risk:</i> The change in value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of securities denominated in the foreign currency.</p> <p><i>Growth Stock Risk:</i> Stocks of growth companies, particularly newer companies, may be more volatile than stocks of larger, more established companies.</p> <p><i>Industry and Sector Focus Risk:</i> The prices of stocks of issuers in a particular industry or sector may go up and down in response to changes in economic condition, government regulations, availability of basic resources or supplies, or other events that affect that industry or sector more than others.</p>

**Money Market Fund**

The investment objective of the Money Market Fund is high current income consistent with the preservation of capital and liquidity. The Money Market Fund seeks to achieve its objective by investing in high-quality short-term money market instruments. The Fund maintains an average dollar-weighted portfolio maturity of 90 days or less. The Money Market Fund may invest in dollar-denoted foreign securities issued by foreign banks and companies.

*Money Market Risks:* Although the Fund seeks to preserve the value of an owner's investment at \$1.00 per share, that value is not guaranteed and it is still possible to lose money by investing in the Fund. The Fund invests mostly in short-term debt securities and rising interest rates cause the prices of debt securities to decrease. If the Fund invests a significant portion of its assets in debt securities and interest rates rise, then the value of the Fund's portfolio may decline. The value of the debt securities in which the Fund invests is affected by the issuer's ability to pay principal and interest on time. The failure of an issuer to pay an obligation in a timely manner may adversely affect the value of an investment in the Fund. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**AIM V.I. Money Market Fund (Series I Shares)**

The investment objective of the AIM V.I. Money Market Fund is to provide as high a level of current income as is consistent with the preservation of capital and liquidity. The Fund seeks to meet its objectives by investing only in high-quality U.S. dollar-denominated short-term obligations.

The Fund may invest up to 50% of its total assets in U.S. dollar-denominated securities of foreign issuers. The Fund may invest up to 100% of its total assets in obligations issued by banks.

*Money Market Risks:* Although the Fund seeks to preserve the value of an owner's investment at \$1.00 per share, that value is not guaranteed and it is still possible to lose money by investing in the Fund. The Fund invests mostly in short-term debt securities and rising interest rates cause the prices of debt securities to decrease. If the Fund invests a significant portion of its assets in debt securities and interest rates rise, then the value of the Fund's portfolio may decline. The value of the debt securities in which the Fund invests is affected by the issuer's ability to pay principal and interest on time. The failure of an issuer to pay an obligation in a timely manner may adversely affect the value of an investment in the Fund. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

5. The annual operating expenses of each Replaced Portfolio and each Substituting Portfolio as a percentage of average daily net assets are as follows: <sup>4</sup>

[In percentages]

	Management fee	Distribution and service fee (12b-1)	Other expenses	Total expenses (before reimbursement and/or fee waivers if applicable)	Total expenses (after fee waivers and/or reimbursement if applicable)
Replaced Portfolio: S&P 500® Equity Index Fund .....	0.38	0	0.17	1.23	0.55
Substituting Portfolio: AIM V.I. Premier Equity Fund (Series I Shares).	0.61	0	0.24	0.85	0.85
Replaced Portfolio: Nasdaq-100 Index® Fund .....	0.80	0	0.05	1.53	0.85
Substituting Portfolio: Oppenheimer Capital Appreciation Fund/VA.	0.64	N/A	0.02	0.66	0.66
Replaced Portfolio: All-Cap Growth Fund .....	0.94	0.0	0.11	1.77	1.10
Substituting Portfolio: Oppenheimer Capital Appreciation Fund/VA.	0.64	N/A	0.02	0.66	0.66
Replaced Portfolio: Money Market Fund .....	0.48	N/A	0.17	1.03	0.65
Substituting Portfolio: AIM Money Market Fund .....	0.40	N/A	10.27	0.67	0.67
		(Series I Shares)			

<sup>4</sup> The expenses shown above are for the year ended December 31, 2002.

6. Management fees before waivers for the Sage Life Portfolios are: .55% for the S&P 500® Index Fund; .85% for the Nasdaq—100 Index® Fund; 1.10% for the All-Cap Growth Fund; and .65% for the Money Market Fund. Sage Advisors, with respect to the Sage Trust, has entered into an expense limitation contract with the Portfolios, under which it will limit expenses of the Portfolios, excluding interest, taxes, brokerage and extraordinary expenses through May 1, 2003. Fees waived and/or reimbursed by Sage Advisors may vary in order to achieve such contractually obligated net fund operating expenses. Any waiver or reimbursement by Sage Advisors is subject to reimbursement within the first three (3) years of a Portfolio's operation, to the extent such reimbursements by the Portfolio would not cause total operating expenses to exceed any current net fund operating expenses. Rule 12b-1 fees, if any, waived by the distributor are not subject to reimbursement. A rule 12b-1 Plan (the "Plan") has been adopted by each Sage Trust Fund (except the Money Market Fund), pursuant to which up to 0.25% may be deducted from Fund assets. No Plan payments have been made to date, and none are anticipated to be made in the future.

7. Accordingly, Applicants represent that the Substituting Portfolios are appropriate investment vehicles for Owners who have allocated values to the Replaced Portfolios and that the Substitution will be consistent with Owners' investment objectives.

8. Since the Sage Trust's inception, Sage Advisors has voluntarily reimbursed certain operating expenses of each Portfolio of the Sage Trust. However, Sage Advisors has determined that it will no longer reimburse expenses of the Sage Trust effective May 1, 2003.

9. Applicants represent that the Oppenheimer Capital Appreciation Fund/VA, the Substituting Portfolio for the Nasdaq—100 Index Fund and the All-Cap Growth Fund, is expected to have substantially lower annual expense ratios than either of these two Replaced Portfolios. Applicants also represent that AIM V.I. Money Market Fund, the Substituting Portfolio for the Money Market Fund, is expected to have approximately the same annual expense ratio as the Money Market Fund. In addition, Applicants represent that the AIM V.I. Premier Equity Fund, the Substituting Portfolio for the S&P 500 Equity Index Fund, also is expected to have a higher annual expense ratio than the S&P 500 Equity Index Fund. However, Applicants represent that the

anticipated expense differential will be offset for the first year after the Substitution by the monies that will be contributed to Owners' accounts by Sage Life.

10. In addition, Applicants represent that, to the extent an Owner does not wish to participate in the Substitution, he or she is free (and has been since December 26, 2002) to transfer to any other option available under the relevant Contract for the period prior to the Substitution and through 31 days after the date of the Notice for the Substitution without any transfer fee. Applicants assert that Owners will be substituted into a Substituting Portfolio whose investment objectives are similar to those of the Replaced Portfolio.

11. Sage Life represents that it will not receive, for 3 years from the date of the substitutions, any direct or indirect benefits from the Substituting Portfolios, their advisors or underwriters (or their affiliates), in connection with assets representing Contract values of Contracts affected by the substitutions, at a higher rate than it had received from the Replaced Portfolios, their advisors or underwriter (or their affiliates), including without limitation 12b-1 shareholder service, administration or other service fees, revenue sharing or other arrangements in connection with such assets. Applicants represent that the substitutions and the selection of the Replacement Portfolios were not motivated by any financial consideration paid or to be paid to Sage Life or its affiliates by the Replacement Portfolios, their advisors or underwriters, or their respective affiliates.

12. Applicants represent that there will be no increase in the Contract or Variable Account charges from their current levels for a period of at least two years from the date of the Substitution.

13. For the year ended December 31, 2002, the total net expense ratio of the AIM V.I. Premier Equity Fund was .30% higher than that of the S&P 500® Equity Index Fund. In similar circumstances, other applicants seeking substitution orders have undertaken to cap expenses of the substituting funds for a period of one year at the then current expense levels of the replaced funds or, in cases of unaffiliated substituting funds, to reduce separate account charges for a period of one year to the extent necessary to offset the difference in expense ratios between the substituting and replaced funds. Sage Life, however, because of its financial condition as described above, represents that it is unable to follow this approach in that it has neither the administrative systems

capabilities nor the necessary personnel available to it to implement the expense cap. However, Sage Life has undertaken to give all contract owners in the S&P 500® Equity Index Fund, as of the date of Substitution, a sum of money that would be contributed to their accounts that is expected to make up for the 0.30% expense differential that exists between the S&P 500® Equity Index Fund and the AIM Premier Equity Fund.

14. Applicants will assume a 50% return on investment for the S&P 500® Equity Fund subaccount for the 12 month period commencing with the date of the substitution. On the date of the substitution, Sage Life will contribute to the subaccount an amount equal to 0.30% of the resulting subaccount value. For example, as of the date of the Substitution, Applicants anticipate that there will be approximately 190 contract owners involving approximately \$3 million in assets in the S&P 500® Equity Index Fund. The assumed 50% return would mean that the \$3 million sub-account would be worth \$4.5 million at the end of the 12 month period following the date of the Substitution. Under this example, for purposes of adding funds to the sub-accounts of the Variable Accounts and, therefore by definition, to each owner's account, Sage Life would make the following calculation: \$4.5 million  $\times$  .30% = \$13,500.

Thus, on the date of the Substitution, based on current projected assets, \$13,500 would be added on a *pro-rata* basis to the contract owners' accounts. Applicants represent that the calculation of the 50% return will be based on whatever the actual assets are of the sub-account on the date of the Substitution.

15. The benchmark for the AIM Premier Equity Fund is the S&P 500 Index. Given the historical market return averages, Applicant believes that using the 50% return is more than fair, and, in fact, should result in a windfall to contract owners. Further, those owners that transfer out of the AIM Premier Equity Fund prior to one full year from the date of Substitution will have received more than they would otherwise have been entitled.

16. Therefore, with respect to the S&P 500® Equity Index Fund substitution, Sage Life represents that it will add monies to the S&P 500 sub-accounts of the Variable Accounts in the manner described in the Application which will offset the 0.30% expense differential between the S&P 500 Equity Index Fund and the AIM Premier Equity Fund.

17. Based on the foregoing, Applicants represent that the Substitution will generally result in

lower expense ratios for the Owners that have allocated their Contract values to the Substituting Portfolios or, in the case of the S&P 500® Equity Index Fund substitution, Sage Life will provide the dollar value necessary to offset any differential in the expense ratios of the substituting and replaced funds.

#### Conclusion

Section 26(c) of the 1940 Act, in pertinent part, provides that the Commission may issue an order approving the substitution requested by the Applicants provided the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act. Applicants submit that, for the reasons stated in the Application, their exemptive requests meet the standards set out in section 26(c) and that an order should, therefore, be granted.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 03-11315 Filed 5-6-03; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47778; File No. S7-10-03]

### Notice of Solicitation of Public Views Regarding Possible Changes to the Proxy Rules

On April 14, 2003, the Commission issued Press Release No. 2003-46 announcing that it has directed the Division of Corporation Finance to formulate possible changes in the proxy rules and regulations and their interpretations regarding procedures for the election of corporate directors. As stated in that Press Release, this review will address the following topics:

- Shareholder proposals;
- The corporate director nomination process;
- Elections of directors;
- The solicitation of proxies for director elections;
- Contests for corporate control; and
- The disclosure and other requirements imposed on large shareholders and groups of shareholders.

As part of this process, the Commission has asked the Division to consult with all interested parties, including representatives of pension funds, shareholder advocacy groups, and representatives from the business

and legal communities. The Commission has requested that the Division provide its recommendations to the Commission by July 15 of this year.

We solicit public views on the topics listed above to assist the Division in formulating its recommendations. We are not soliciting responses to or comments on a particular set of inquiries but will consider all communications received. Any proposed rulemaking on these topics that the Commission may determine to publish in the future will be subject to separate notice and comment procedures.

If you wish to send us your views, please submit them by hard copy or e-mail, but not by both methods on or before June 13, 2003. We strongly encourage electronic submissions. You may submit your written views electronically at the following electronic mail address: [rule-comments@sec.gov](mailto:rule-comments@sec.gov). We do not edit personal identifying information, such as names or electronic mail addresses, from electronic submissions so you should submit only information that you wish to make available publicly. Views communicated in hard copy should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. All submissions should refer to File No. S7-10-03. This file number should be included in the subject line if electronic mail is used. Hard copy submissions will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549. Electronic submissions will be posted on the Commission's Internet Web site (<http://www.sec.gov>).

For additional information, please contact Lillian Cummins, Special Counsel, or Grace Lee, Special Counsel, at (202) 942-2900, in the Division of Corporation Finance, U.S. Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549.

By the Commission.

Dated: May 1, 2003.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 03-11316 Filed 5-6-03; 8:45 am]

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## DEPARTMENT OF STATE

[Public Notice 4357]

### Culturally Significant Objects Imported for Exhibition Determinations: "Crossing the Channel: British and French Painting in the Age of Romanticism"

AGENCY: Department of State.

ACTION: Notice.

**SUMMARY:** Notice is hereby given of the following determinations: Pursuant to the authority vested in me by the Act of October 19, 1965 (79 Stat. 985; 22 U.S.C. 2459), Executive Order 12047 of March 27, 1978, the Foreign Affairs Reform and Restructuring Act of 1998 (112 Stat. 2681, *et seq.*; 22 U.S.C. 6501 note, *et seq.*), Delegation of Authority No. 234 of October 1, 1999, and Delegation of Authority No. 236 of October 19, 1999, as amended, I hereby determine that the objects to be included in the exhibition "Crossing the Channel: British and French Painting in the Age of Romanticism," imported from abroad for temporary exhibition within the United States, are of cultural significance. The objects are imported pursuant to loan agreements with the foreign owners. I also determine that the exhibition or display of the exhibit objects at the Minneapolis Institute of Arts from on or about June 8, 2003 until on or about September 7, 2003, at the Metropolitan Museum of Art from on or about October 6, 2003 until on or about January 4, 2003, and at possible additional venues yet to be determined, is in the national interest. Public notice of these determinations is ordered to be published in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** For further information, including a list of the exhibit objects, contact the Office of the Legal Adviser, U.S. Department of State, (telephone: 202/619-6982). The address is U.S. Department of State, SA-44, 301 4th Street, SW., Room 700, Washington, DC 20547-0001.

Dated: April 29, 2003.

**C. Miller Crouch,**

*Principal Deputy Assistant Secretary for Educational and Cultural Affairs, Department of State.*

[FR Doc. 03-11351 Filed 5-6-03; 8:45 am]

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