

National Environmental Policy Act (NEPA).

Written comments may be forwarded to:

**ADDRESSES:** Dr. Craig B. Foltz, Program Officer, National Science Foundation, Division of Astronomical Sciences, 4201 Wilson Blvd., Room 1045, Washington, DC 22230. Telephone: (703) 292-4909. Fax: (703) 292-9034. E-mail: [cfoltz@nsf.gov](mailto:cfoltz@nsf.gov).

**SUPPLEMENTARY INFORMATION:** Proposed alternatives to be considered may include, but not be limited to, the following:

(1) Alternative 1: (Proposed Action): Undeveloped site East of Mees Observatory.

(2) Alternative 2: Former radio telescope site known as Reber Circle.

(3) Alternative 3: No-Action. The National Science Foundation will not construct the Advanced Technology Solar Telescope on Maui.

Publication of the NOI does not foreclose consideration of any courses of actions or possible decisions addressed by the National Science Foundation in its Final Environmental Impact Statement (FEIS). No final decisions will be made regarding construction of the ATST prior to completion and signature of the Record of Decision for the proposed action.

Scoping Process: Federal, State and local agencies and the public are invited to participate in the scoping process for the completion of this EIS. The scoping process will help identify potential impacts and key issues to be analyzed in the EIS.

Scoping meetings will be held at the following locations on the island of Maui, Hawai'i, with notification of the times and locations published in the local newspapers.

(1) J. Walter Cameron Center—Auditorium, 95 Mahalani Street, Wailuku, HI 96793; Tuesday, July 12, 2005, 5 p.m. to 9:30 p.m.

(2) Kula Community Center, Lower Kula Road, Kula, HI 96790; Wednesday, July 13, 2005, 6 p.m. to 10 p.m.

(3) Mayor Hannibal Tavares Community Center—Room 2, 91 Pukalani Street, Pukalani, HI 96788; Thursday, July 14, 2005 6 p.m. to 10 p.m.

Written comments identifying potential impacts to be analyzed in the EIS will be accepted within 30 days

after the scoping meetings or within 30 days after publication in the Bulletin of the State of Hawaii Office of Environmental Quality Control, whichever is later. Written comments may be submitted to Dr. Craig B. Foltz at the address above.

Dated: June 6, 2005.

**Craig B. Foltz,**

*Program Officer.*

[FR Doc. 05-11970 Filed 6-22-05; 8:45 am]

**BILLING CODE 7555-01-M**

Ronald J. Hodapp, Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois 60611-2092 or [Ronald.Hodapp@rrb.gov](mailto:Ronald.Hodapp@rrb.gov) and to the OMB Desk Officer for the RRB, at the Office of Management and Budget, Room 10230, New Executive Office Building, Washington, DC 20503.

**Charles Mierzwa,**

*Clearance Officer.*

[FR Doc. 05-12473 Filed 6-22-05; 8:45 am]

**BILLING CODE 7905-01-M**

**RAILROAD RETIREMENT BOARD**

**Agency Forms Submitted for OMB Review**

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the Railroad Retirement Board (RRB) has submitted the following proposal(s) for the collection of information to the Office of Management and Budget for review and approval.

**Summary of Proposal(s)**

(1) *Collection title:* Employee Non-covered Service Pension Questionnaire.

(2) *Form(s) submitted:* G-209.

(3) *OMB Number:* 3220-0154.

(4) *Expiration date of current OMB clearance:* 09/30/2005.

(5) *Type of request:* Extension of a currently approved collection.

(6) *Respondents:* Individuals or households.

(7) *Estimated annual number of respondents:* 500.

(8) *Total annual responses:* 500.

(9) *Total annual reporting hours:* 55.

(10) *Collection description:* Under Section 3 of the Railroad Retirement Act, the Tier I portion of an employee annuity may be subjected to a reduction for benefits received based on work not covered under the Social Security Act or Railroad Retirement Act. The questionnaire obtains the information needed to determine if the reduction applies and the amount of such reduction.

**ADDITIONAL INFORMATION OR COMMENTS:**

Copies of the forms and supporting documents can be obtained from Charles Mierzwa, the agency clearance officer at (312-751-3363) or [Charles.Mierzwa@rrb.gov](mailto:Charles.Mierzwa@rrb.gov).

Comments regarding the information collection should be addressed to

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. IC-26909; File No. 812-13170]

**Business Men's Assurance Company of America, et al.; Notice of Application**

June 17, 2005.

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

**ACTION:** Notice of application for an order pursuant to Section 26(c) of the Investment Company Act of 1940, as amended (the "Act"), approving certain substitutions of securities.

**APPLICANTS:** Business Men's Assurance Company of America ("BMA"), BMA Variable Annuity Account A ("BMA VA Account"), BMA Variable Life Account A ("BMA VL Account"), Fidelity Security Life Insurance Company ("Fidelity Security"), and FSL Separate Account M ("FSL Account").

**FILING DATE:** The application was filed on February 28, 2005, and amended on June 16, 2005.

**SUMMARY OF APPLICATION:** The Applicants request an order pursuant to Section 26(c) of the Act to permit certain unit investment trusts to substitute shares of certain portfolios of various unaffiliated funds ("Replacement Portfolios") for shares of certain portfolios of Investors Mark Series Fund, Inc. ("IMSF"), which are currently held by those unit investment trusts ("Existing Portfolios"). The shares are held by the unit investment trusts to fund certain variable annuity contracts and variable life insurance policies (collectively, the "Contracts") issued by the BMA and Fidelity Security. Specifically, Applicants propose to make the following substitutions:

Separate account	Existing portfolios	Replacement portfolio
BMA VA .....	IMSF Intermediate Fixed Income .....	Fidelity VIP II Investment Grade Bond (Initial Shares).
BMA VL .....		
BMA VA .....	IMSF Money Market .....	Fidelity VIP Money Market (Initial Shares).
BMA VL .....		

Separate account	Existing portfolios	Replacement portfolio
FSL .....	IMSF Money Market .....	Federated Prime Money Fund II.
BMA VA .....	IMSF Global Fixed Income .....	Fidelity VIP II Investment Grade Bond (Initial Shares).
BMA VL .....		
BMA VA .....	IMSF Mid Cap Equity .....	Fidelity VIP III Mid Cap (Initial Shares).
BMA VL .....		
All .....	IMSF Small Cap Equity .....	Dreyfus Emerging Leaders (Initial Class).
BMA VA .....	IMSF Large Cap Growth .....	T. Rowe Price Blue Chip Growth.
BMA VL .....		
FSL .....	IMSF Large Cap Growth .....	Universal Institutional Funds Equity Growth (Class I Shares).
BMA VA .....	IMSF Large Cap Value .....	Lord Abbett Growth and Income (Class VC Share).
BMA VL .....		
All .....	IMSF Growth and Income .....	Lord Abbett Growth and Income (Class VC Shares).
BMA VA .....	IMSF Balanced .....	T. Rowe Price Personal Strategy Balanced.
BMA VL .....		

**HEARING OR NOTIFICATION OF HEARING:** An order granting the amended and restated 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 July 12, 2005, 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, 100 F Street, NE., Washington, DC 20549. Applicants: Raymond A. O'Hara III, Blazzard, Grodd & Hasenauer, P.C., 943 Post Road East, Westport, CT 06880. Copy to Michael K. Deardorff, Business Men's Assurance Company of America, 2300 Main Street, Suite 450, Kansas City, MO 64108.

**FOR FURTHER INFORMATION CONTACT:** Thu Ta, Senior Counsel, or Lorna J. MacLeod, Branch Chief, at (202) 551-6795, Office of Insurance Products, Division of Investment Management.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the Commission, 100 F Street, NE., Washington, DC 20549 (tel. (202) 551-5850).

**Applicants' Representations**

1. BMA was incorporated on July 1, 1909, under the laws of the State of Missouri. As of December 31, 2003, BMA became a South Carolina domiciled insurance company. BMA is licensed to do business in the District of Columbia and in all States except New York. BMA is a wholly owned subsidiary of Liberty Life Insurance Company, which is an insurance company domiciled in the State of South Carolina.

2. Fidelity Security is a stock life insurance company. Fidelity Security was originally incorporated on January 17, 1969, as a Missouri corporation. It is principally engaged in the sale of life insurance and annuities. Fidelity Security is licensed in the District of Columbia and in all States except New York, where it is only admitted as a reinsurer. Fidelity Security is majority owned by Richard F. Jones (an individual).

3. BMA and Fidelity Security (collectively, the "Insurance Companies") are not affiliates. However, through their collective ownership of all of the shares of the Existing Portfolios, they are affiliates of the Existing Portfolios.

4. BMA VA Account is a separate investment account of BMA established pursuant to a resolution of its Board of Directors on September 6, 1996, under Missouri law to fund variable annuity contracts issued by BMA. BMA VA Account is registered under the Act as a unit investment trust. The variable annuity contracts issued through BMA VA Account are registered on Form N-4 under the Securities Act of 1933 (the "1933 Act").

5. BMA VL Account is a separate investment account of BMA established pursuant to a resolution of its Board of Directors on December 1, 1998, under Missouri law to fund variable life insurance policies issued by BMA. BMA VL Account is registered under the Act as a unit investment trust. The variable life insurance policies issued through BMA VL Account are registered on Form N-6 under the 1933 Act.

6. FSL Account is a separate investment account of Fidelity Security established pursuant to a resolution of its Board of Directors on August 25, 1998, pursuant to Missouri law to fund variable annuity contracts issued by Fidelity Security. FSL Account is registered under the Act as a unit investment trust. The variable annuity contract issued through FSL Account is registered on Form N-4 under the 1933 Act.

7. Each of the BMA VA Account, BML VL Account, and FSL Account meets the definition of "separate account" contained in Section 2(a)(37) of the Act.

8. IMSF is an open-end management investment company that was incorporated in Maryland in 1997. Currently, there are nine Portfolios offered in IMSF, each of which is involved in the Substitution. IMSF is registered under the Act as an open-end management investment company and its securities are registered under the 1933 Act. Investors Mark Advisor LLC ("IMA") is the investment adviser for each of the Existing Portfolios. IMA has hired sub-advisers for each of the Existing Portfolios. The sub-advisers are:

Portfolio	Sub-adviser
Intermediate Fixed Income Portfolio .....	Standish Mellon Asset Management Company LLC.
Money Market Portfolio .....	Standish Mellon Asset Management Company LLC.
Global Fixed Income Portfolio .....	Standish Mellon Asset Management Company LLC.
Mid Cap Equity Portfolio .....	The Boston Company Asset Management LLC.

Portfolio	Sub-adviser
Small Cap Equity Portfolio .....	Columbia Management Advisors, Inc.
Large Cap Growth Portfolio .....	Columbia Management Advisors, Inc.
Large Cap Value Portfolio .....	Babson Capital Management LLC.
Growth & Income Portfolio .....	Lord, Abnett & Co. LLC.
Balanced Portfolio .....	Kornitzer Capital Management, Inc.

9. The BMA Separate Accounts invest in all nine Portfolios of IMSF. The FSL Account invests in four Portfolios of IMSF: Money Market Portfolio, Small Cap Equity Portfolio, Large Cap Growth Portfolio and Growth & Income Portfolio.

10. Each of the Replacement Portfolios is a portfolio of a registered open-end management investment company, and their securities are registered under the 1933 Act. The Investment Grade Bond Portfolio is a portfolio of Fidelity Variable Insurance Products Fund II. The Mid Cap Portfolio is a portfolio of the Fidelity Variable Insurance Products Fund III. Money Market Portfolio is a portfolio of Fidelity Variable Insurance Products Fund. Fidelity Management & Research Company ("FMR") serves as the adviser for each of these Fidelity portfolios. The Federated Prime Money Fund II is a portfolio of Federated Insurance Series. Federated Investment management Company serves as adviser to the Federated Prime Money Fund II. T. Rowe Price Blue Chip Growth Portfolio and T. Rowe Price Personal Strategy Balanced Portfolio are portfolios of the T. Rowe Price Equity Series, Inc. T. Rowe Price Associates, Inc. serves as the investment manager for each of these T. Rowe Price portfolios. Equity Growth Portfolio is a portfolio of the Universal Institutional Funds, Inc. Morgan Stanley Investment Management, Inc. serves as the adviser for the Equity Growth Portfolio. The Growth and Income Portfolio is a portfolio of the Lord Abnett Series Fund, Inc. Lord, Abnett & Co., LLC serve as adviser to the Growth and Income Portfolio. The Emerging Leaders Portfolio is a portfolio of the Dreyfus Investment Portfolios. The Dreyfus Corporation serves as adviser to the Emerging Leaders Portfolio. None of the Replacement Portfolios is affiliated with either of the Insurance Companies.

11. Each of the Contracts permits its owners to allocate the Contract's accumulated value among numerous available Subaccounts, each of which invests in a different investment portfolio of an underlying mutual fund. Each of the BMA Contracts will have at least 21 different Subaccounts (and corresponding portfolios) available for this purpose. The FSL Contract will have 17 different Subaccounts (and

corresponding portfolios) available for this purpose.

12. Each Contract permits its owner to transfer the Contract's accumulated value from one Subaccount to another Subaccount of the issuing Separate Account at any time, subject to certain potential restrictions and charges. The only charges on such transfers are flat dollar amounts that may be assessed to help defray the administrative costs of effecting these transfers. Each of the Contracts permits up to a specified number of free transfers in a Contract year, before any such transfer charge may be imposed.

13. To the extent that the Contracts contain restrictions or limitations on an owner's right to transfer, such restrictions and limitations will be suspended in connection with substitution-related transfers as described in further detail elsewhere herein.

14. BMA or Fidelity Security, as applicable, reserves the right to make certain changes, including the right to substitute, for the shares held in any Subaccount, the shares of another Fund or the shares of another underlying mutual fund, as stated in each prospectus for the Contracts contained in the applicable Form N-6 or Form N-4 registration statement.

15. BMA and Fidelity Security, on each of its behalf and on behalf of the Separate Accounts, propose to make certain substitutions of shares of the Replacement Portfolio for shares of the Existing Portfolios held in sub-accounts of their respective Separate Accounts. The proposed substitutions are as follows:

(a) Shares of the Investment Grade Bond Portfolio (Initial Class) of Fidelity Variable Insurance Products Fund II for shares of the Intermediate Fixed Income Portfolio and Global Fixed Income Portfolio of IMSF, with respect to the BMA VA Account and BMA VL Account only.

(b) Shares of the Mid Cap Portfolio (Initial Class) of Fidelity Variable Insurance Products Fund III for shares of the Mid Cap Equity Portfolio of IMSF, with respect to the BMA VA Account and BMA VL Account only.

(c) Shares of the Money Market Portfolio (Initial Class) of Fidelity Variable Insurance Products Fund for

shares of the Money Market Portfolio of IMSF, with respect to the BMA VA Account and BMA VL Account only.

(d) Shares of the Federated Prime Money Fund II of Federated Insurance Series for shares of the Money Market Portfolio of IMSF, with respect to the FSL Account only.

(e) Shares of the T. Rowe Price Blue Chip Growth Portfolio of T. Rowe Price Equity Series, Inc. for shares of the Large Cap Growth Portfolio of IMSF, with respect to the BMA VA Account and BMA VL Account only.

(f) Shares of the Equity Growth Portfolio (Class I) of The Universal Institutional Funds, Inc. for shares of the Large Cap Growth Portfolio of IMSF, with respect to the FSL Account only.

(g) Shares of the T. Rowe Price Personal Strategy Balanced Portfolio of T. Rowe Price Equity Series, Inc. for shares of the Balanced Portfolio of IMSF, with respect to the BMA VA Account and BMA VL Account only.

(h) Shares of the Growth and Income Portfolio (Class VC Shares) of Lord Abnett Series Fund, Inc. for shares of the Growth & Income Portfolio and, with respect to the BMA VA Account and BMA VL Account only, the Large Cap Value Portfolio of IMSF.

(i) Shares of the Emerging Leaders Portfolio (Initial Class) of Dreyfus Investment Portfolios for shares of the Small Cap Equity Portfolio of IMSF.

16. The substitutions are expected to provide significant benefits to Contract owners, including improved selection of portfolio managers. The Applicants believe that the advisers and subadvisers of the Replacement Portfolios overall are better positioned to provide consistent above-average performance for their funds than are the adviser and sub-advisers of the Existing Portfolios. At the same time, Contract owners will continue to be able to select among a large number of funds, with a full range of investment objectives, investment strategies, and managers.

17. Applicants believe that the Replacement Portfolios have investment objectives, policies, and risk profiles that are substantially the same as, or sufficiently similar to, the corresponding Existing Portfolios to make those Replacement Portfolios appropriate candidates as substitutes.

Set forth below is a description of the investment objectives and principal investment policies of each Existing Portfolio and its corresponding Replacement Portfolio.

Existing Portfolio	Replacement Portfolio
<p><b>IMSF Intermediate Fixed Income Portfolio</b>—primarily seeks to achieve a high level of current income consistent with preserving capital and liquidity. Secondly, the Portfolio seeks capital appreciation when changes in interest rates or other economic conditions indicate that capital appreciation may be available without significant risk to principal. During normal market conditions, the Portfolio will invest at least 80% of its total net assets in investment grade fixed income securities. The Portfolio may invest up to 20% of its total net assets in fixed income securities of foreign corporations and foreign governments and their political subdivisions, including securities of issuers located in emerging markets. No more than 10% of the Portfolio's total net assets will be invested in foreign securities not subject to currency hedging transactions back into U.S. dollars. The Portfolio may invest up to 20% of its total net assets in below-investment grade securities (junk bonds).</p>	<p><b>Fidelity VIP II Investment Grade Bond Portfolio (BMA Substitution only)</b>—seeks as high a level of current income as is consistent with the preservation of capital. The Portfolio normally invests at least 80% of its assets in investment-grade debt securities (those of medium and high quality) of all types and repurchase agreements for those securities. The Portfolio may invest up to 10% of the Portfolio's assets in lower-quality (those of less than investment-grade quality) debt securities. The Portfolio is managed to have similar overall interest rate risk to an index, which, as of December 31, 2004, was the Lehman Brothers® Aggregate Bond Index. The Portfolio's assets are allocated across different market sectors and maturities.</p>
<p><b>IMSF Mid Cap Equity Portfolio</b>—seeks to achieve long-term growth of capital through investment primarily in equity and equity-related securities of companies which appear to be undervalued. The Portfolio invests primarily in equity securities of mid capitalization companies. Under normal conditions, the Portfolio will invest at least 80% of its assets in securities issued by mid capitalization companies, which are those companies whose equity market capitalizations at the time of investment are similar to the market capitalizations of companies in the Standard &amp; Poor's® MidCap 400 Index (“S&amp;P® MidCap 400 Index”).</p>	<p><b>Fidelity VIP III Mid Cap Portfolio (BMA Substitution only)</b>—seeks long-term growth of capital. The Portfolio normally invests primarily in common stocks. The Portfolio will normally invest at least 80% of its assets in securities of companies with medium market capitalizations (which, for purposes of this Portfolio, are those companies with market capitalizations similar to companies in the Russell Midcap® Index or the S&amp;P® MidCap 400 Index. The Portfolio may invest in domestic and foreign issuers; in either “growth” or “value” stocks; and in companies with smaller or larger market capitalizations.</p>
<p><b>IMSF Global Fixed Income Portfolio</b>—seeks maximum total return while realizing a market level of income consistent with preserving capital and liquidity. During normal market conditions, the Portfolio will invest at least 80% of its total net assets in fixed income securities of foreign governments or their political subdivisions and companies located in at least three countries around the world, including the United States. Usually the Portfolio will invest in no fewer than eight foreign countries. The Portfolio invests primarily in investment grade fixed income securities or those determined by the sub-adviser to be of comparable quality, but it may invest up to 15% of its total net assets in below-investment grade securities (junk bonds).</p>	<p><b>Fidelity VIP II Investment Grade Bond Portfolio (BMA Substitution only)</b>—seeks as high a level of current income as is consistent with the preservation of capital. The Portfolio normally invests at least 80% of its assets in investment-grade debt securities (those of medium and high quality) of all types and repurchase agreements for those securities. The Portfolio may invest up to 10% of the Portfolio's assets in lower-quality (those of less than investment-grade quality) debt securities. The Portfolio is managed to have similar overall interest rate risk to an index, which, as of December 31, 2004, was the Lehman Brothers® Aggregate Bond Index. The Portfolio's assets are allocated across different market sectors and maturities.</p>
<p><b>IMSF Money Market Portfolio</b>—seeks to obtain the highest level of current income which is consistent with the preservation of capital and maintenance of liquidity. The Portfolio invests in obligations of the U.S. Government and its agencies and instrumentalities. The Portfolio may also invest in other obligations and instruments common to money market funds.</p>	<p><b>Fidelity VIP Money Market Portfolio (BMA Substitution only)</b>—seeks as high a level of current income as is consistent with preservation of capital and liquidity. The Portfolio invests in U.S. dollar-denominated money market securities of domestic and foreign issuers and repurchase agreements. The Portfolio may invest more than 25% of its total assets in the financial services industries and may enter into reverse repurchase agreements.</p>
<p><b>IMSF Money Market Portfolio</b>—seeks to obtain the highest level of current income which is consistent with the preservation of capital and maintenance of liquidity. The Portfolio invests in obligations of the U.S. Government and its agencies and instrumentalities. The Portfolio may also invest in other obligations and instruments common to money market funds.</p>	<p><b>Federated Prime Money Fund II (Fidelity Security Substitution only)</b>—seeks to maintain a stable net asset value of \$1.00 per share. The Fund's investment objective is to provide current income consistent with stability of principal and liquidity. The Fund invests primarily in a portfolio of short-term, high-quality fixed income securities issued by banks, corporations and the U.S. Government.</p>
<p><b>IMSF Large Cap Growth Portfolio</b>—seeks long-term capital appreciation. During normal market conditions, the Portfolio will invest at least 80% of its total net assets in common stocks and other equity-type securities of companies exceeding \$10 billion in market capitalization at the time of purchase. The sub-adviser will focus on companies that it believes have long-term appreciation possibilities. The Portfolio may invest in investment grade debt securities of corporate and government issuers. The Portfolio also may invest up to 25% of its total net assets in foreign securities. The Portfolio may invest in options, futures contracts and futures options.</p>	<p><b>T. Rowe Price Blue Chip Growth Portfolio (BMA Substitution only)</b>—seeks to provide long-term capital growth. Income is a secondary objective. The Portfolio will normally invest at least 80% of its net assets in the common stocks of large and medium-sized blue chip growth companies, which in the adviser's view, are well established in their industries and have the potential for above-average earnings growth. The average market capitalization of the companies in which the Portfolio was invested as of December 31, 2004 was approximately \$83 billion. As of that same date, approximately 7.1% of the Portfolio was invested in companies with a market capitalization of less than \$10 billion. The Portfolio may also invest in foreign stocks, futures and options.</p>

Existing Portfolio	Replacement Portfolio
<p><b>IMSF Large Cap Growth Portfolio</b>—seeks long-term capital appreciation. During normal market conditions, the Portfolio will invest at least 80% of its total net assets in common stocks and other equity-type securities of companies exceeding \$10 billion in market capitalization at the time of purchase. The sub-adviser will focus on companies that it believes have long-term appreciation possibilities. The Portfolio may invest in investment grade debt securities of corporate and government issuers. The Portfolio also may invest up to 25% of its total net assets in foreign securities. The Portfolio may invest in options, futures contracts and futures options.</p>	<p><b>Equity Growth Portfolio of The Universal Institutional Funds, Inc. (Fidelity Security Substitution only)</b>—seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of large capitalization companies. The Portfolio invests primarily in growth-oriented equity securities of U.S. and, to a limited extent, foreign companies that are listed on U.S. exchanges or traded in U.S. markets. Under normal circumstances, at least 80% of the Portfolio's assets will be invested in equity securities. The Portfolio invests primarily in companies with market capitalizations of generally \$10 billion or more that the adviser believes exhibit, among other things, strong free cash flow and compelling business strategies.</p>
<p><b>IMSF Balanced Portfolio</b>—seeks long-term capital growth and high current income. The Portfolio seeks to achieve long-term capital growth primarily by investment in common stocks and secondarily by investment in convertible bonds and convertible preferred stocks. The sub-adviser seeks to achieve high current income by investing in: Corporate bonds; government bonds; mortgage-backed securities; convertible bonds; preferred stocks; and/or convertible preferred stocks. The Portfolio may invest up to 75% of its total net assets in corporate bonds; convertible bonds; preferred stocks; and/or convertible preferred stocks. The Portfolio may invest in below-investment grade debt securities (junk bonds).</p>	<p><b>T. Rowe Price Personal Strategy Balanced Portfolio (BMA Substitution only)</b>—seeks the highest total return over time consistent with an emphasis on both capital appreciation and income. The Portfolio pursues its objective by investing in a diversified portfolio typically consisting of approximately 60% stocks, 30% bonds, and 10% money market securities. Under normal conditions, allocations for the Portfolio can vary by 10% above or below these ranges, based on the adviser's outlook for the economy and the financial markets. The Portfolio will invest at least 25% of its total assets in senior fixed-income securities. The Portfolio may invest in below-investment grade debt securities (junk bonds) and in other securities, including futures, options and swaps.</p>
<p><b>IMSF Growth &amp; Income Portfolio</b>—seeks to provide long-term growth of capital and income without excessive fluctuation in market value. The Portfolio intends to keep its assets invested in those securities which are selling at reasonable prices in relation to value. During normal market conditions, the Portfolio will invest in common stocks (including securities convertible into common stocks) of large, U.S. and multinational companies that the sub-adviser believes are undervalued. A large company is a company having a market capitalization at the time of purchase that falls within the market capitalization range of companies in the Russell 1000 Index (which at 1/31/05 was \$471 million–\$382 billion).</p>	<p><b>Lord Abbett Growth and Income Portfolio (BMA and Fidelity Security Substitutions)</b>—seeks long-term growth of capital and income without excessive fluctuations in market value. The Portfolio primarily purchases equity securities of large, seasoned U.S. and multinational companies that the adviser believes are undervalued. Under normal circumstances, the Portfolio will invest at least 80% of its net assets in equity securities of large companies. Large companies are companies with a market capitalization at the time of purchase that falls within the market capitalization range of companies in the Russell 1000 Index (\$471 million to \$382 billion as of 1/31/05).</p>
<p><b>IMSF Large Cap Value Portfolio</b>—seeks long-term growth of capital and income by investing principally in a diversified portfolio of common stocks which are considered to be undervalued in relation to earnings, dividends and/or assets. The Portfolio invests, under normal circumstances, at least 90% of its net assets, plus any borrowings for investment purposes, in common stocks that are considered to be undervalued in relation to earnings, dividends and/or assets.</p>	<p><b>Lord Abbett Growth and Income Portfolio (BMA Substitution only)</b>—seeks long-term growth of capital and income without excessive fluctuations in market value. The Portfolio primarily purchases equity securities of large, seasoned U.S. and multinational companies that the adviser believes are undervalued. Under normal circumstances, the Portfolio will invest at least 80% of its net assets in equity securities of large companies. Large companies are companies with a market capitalization at the time of purchase that falls within the market capitalization range of companies in the Russell 1000 Index.</p>
<p><b>IMSF Small Cap Equity Portfolio</b>—seeks long-term capital appreciation. During normal market conditions, the Portfolio will invest at least 80% of its total net assets in a diversified portfolio of common stocks and equity-type securities of companies with market capitalization, at the time of purchase, equal to or less than the capitalization of the largest stock in the Standard &amp; Poor's Small Cap 600 Index. The Portfolio may invest up to 20% of its total net assets in debt securities of corporate and governmental issuers, primarily investment grade. The Portfolio may also invest up to 25% of its total net assets in foreign securities, and the Portfolio may invest in options, futures contracts and futures options.</p>	<p><b>Dreyfus Emerging Leaders Portfolio (BMA and Fidelity Security Substitutions)</b>—seeks capital growth. To pursue this goal, the Portfolio normally invests at least 80% of its assets in stocks of companies that the adviser believes to be emerging leaders. Based on current market conditions, the Portfolio primarily invests in companies with market capitalizations of less than \$2 billion at the time of purchase. The Portfolio may invest up to 25% of its assets in foreign securities. The Portfolio's investments may include common stocks, preferred stocks and convertible securities, including those issued in initial public offerings (IPOs) or shortly thereafter. The Portfolio may, but is not required to, use derivatives, such as futures and options, as a substitute for taking a position in an underlying asset, to increase returns or as part of a hedging strategy. The Portfolio also may engage in short-selling, typically for hedging purposes, such as to limit exposure to a possible market decline in the value of its portfolio securities. However, short sales in the Portfolio are extremely rare. Since the Portfolio's inception, the Portfolio managers have engaged in very few short sales, and there is no intent to increase the use of short sales in the future.</p>

18. Contract owners with sub-account balances invested in shares of the Replacement Portfolios will, in most

cases, based on current expenses, have lower total expense ratios than they currently have in the Existing Portfolios.

However, even where the expense ratios of the Replacement Portfolios are currently higher than those of the

Existing Portfolios, this is not expected to remain so. IMA and its affiliates have been heavily subsidizing each of the Existing Portfolios since their inception in 1997 through an expense reimbursement arrangement. None of the Existing Portfolios has ever been out of the expense reimbursement mode. As disclosed in a supplement to each Insurance Company's product prospectuses, the adviser's current contractual obligation to reimburse the Existing Portfolios' expenses expired on

May 1, 2005. As further disclosed in the supplement, IMA subsequently agreed to voluntarily continue the reimbursement arrangement until July 1, 2005. IMA has now determined that, effective July 1, 2005, it is discontinuing the expense reimbursement of the IMSF Money Market, Large Cap Growth and Small Cap Equity Portfolios. IMA may determine to voluntarily continue subsidizing the expenses of the other Portfolios after July 1, 2005.

19. The following tables compare the total operating expenses of the Existing Portfolio and the Replacement Portfolio for each proposed substitution. The comparative fund expenses are generally based on actual expenses, including waivers, for the year ended December 31, 2004. For the IMSF Money Market, Large Cap Growth and Small Cap Equity Portfolios, expenses have been restated to reflect the expenses of those funds without the waivers.

	<i>Existing portfolio:</i> IMSF Intermediate Fixed Income Portfolio (percent)	<i>Replacement portfolio:</i> Fidelity VIP II Investment Grade Bond Portfolio (Initial class) (percent)
Management Fee .....	0.60	0.43
12b-1 Fee .....	None	None
Other Expenses .....	2.16	0.13
<b>Total Expenses</b> .....	<b>2.76</b>	<b>0.56</b>
Waivers .....	*1.96	**0
<b>Net Expenses</b> .....	<b>0.80</b>	<b>0.56</b>

\* The adviser has voluntarily agreed to reimburse certain expenses of the Portfolio until July 1, 2005 so that the annual expenses do not exceed 0.80%.

\*\* Effective February 1, 2005, the adviser has voluntarily agreed to reimburse the Initial Class to the extent that total operating expenses (excluding interest, taxes, certain securities lending costs, brokerage commissions, and extraordinary expenses), as a percentage of the Initial Class' average net assets, exceed 0.58%.

	<i>Existing portfolio:</i> IMSF Mid Cap Equity Portfolio (percent)	<i>Replacement portfolio:</i> Fidelity VIP III Mid Cap Portfolio (Initial class) (percent)
Management Fee .....	0.80	0.57
12b-1 Fee .....	None	None
Other Expenses .....	1.93	0.14
<b>Total Expenses</b> .....	<b>2.73</b>	<b>0.71</b>
Waivers .....	*1.83	**0
<b>Net Expenses</b> .....	<b>0.90</b>	<b>0.71</b>

\*The adviser has voluntarily agreed to reimburse certain expenses of the Portfolio until July 1, 2005 so that the annual expenses do not exceed 0.90%.

\*\* Effective February 1, 2005, the adviser has voluntarily agreed to reimburse the Initial Class to the extent that total operating expenses (excluding interest, taxes, certain securities lending costs, brokerage commissions, and extraordinary expenses), as a percentage of the Initial Class' average net assets, exceed 0.85%.

	<i>Existing portfolio:</i> IMSF Global Fixed Income Portfolio (percent)	<i>Replacement portfolio:</i> Fidelity VIP II Investment Grade Bond Portfolio (Initial class) (percent)
Management Fee .....	0.75	0.43
12b-1 Fee .....	None	None
Other Expenses .....	1.85	0.13
<b>Total Expenses</b> .....	<b>2.60</b>	<b>0.56</b>
Waivers .....	*1.60	**0
<b>Net Expenses</b> .....	<b>1.00</b>	<b>0.56</b>

\*The adviser has voluntarily agreed to reimburse certain expenses of the Portfolio until July 1, 2005 so that the annual expenses do not exceed 1.00%.

\*\* Effective February 1, 2005, the adviser has voluntarily agreed to reimburse the Initial Class to the extent that total operating expenses (excluding interest, taxes, certain securities lending costs, brokerage commissions, and extraordinary expenses), as a percentage of the Initial Class' average net assets, exceed 0.58%.

	<i>Existing portfolio:</i> IMSF Money Market Portfolio (percent)	<i>Replacement portfolio:</i> Fidelity VIP Money Market Portfolio (Initial class) (percent)
Management Fee .....	0.40	0.20
12b-1 Fee .....	None	None
Other Expenses .....	3.07	0.09
Total Expenses .....	3.47	0.29
Waivers .....	0*	0
Net Expenses .....	3.47	**0.29

\* Effective July 1, 2005 an expense reimbursement arrangement currently in effect will terminate.

\*\* Effective February 1, 2005, the adviser has voluntarily agreed to reimburse the Initial Class to the extent that total operating expenses (excluding interest, taxes, certain securities lending costs, brokerage commissions, and extraordinary expenses), as a percentage of the Initial Class' average net assets, exceed 0.40%.

	<i>Existing portfolio:</i> IMSF Money Market portfolio (percent)	<i>Replacement portfolio:</i> Federated Prime Money Fund II (percent)
Management Fee .....	0.40	** 0.50
12b-1 Fee .....	None	None
Shareholder Services Fee .....	None	*** 0.25
Other Expenses .....	3.07	**** 0.30
Total Expenses .....	3.47	1.05
Waivers .....	0	0.40
Net Expenses .....	3.47	0.65

\* Effective July 1, 2005 an expense reimbursement arrangement currently in effect will terminate.

\*\* The adviser has voluntarily waived a portion of the management fee. The adviser can terminate this voluntary waiver at any time. The management fee paid by the Fund (after the voluntary waiver) was 0.38% for the fiscal year ended December 31, 2004.

\*\*\* The Fund did not pay or accrue the shareholder services fee during the fiscal year ended December 31, 2004. The Fund has no present intention of paying or accruing the shareholder services fee during the fiscal year ending December 31, 2005.

\*\*\*\* The administrator voluntarily waived a portion of its fee. The administrator can terminate this voluntary waiver at any time. Total other expenses paid by the Fund (after the voluntary waiver) were 0.27% for the fiscal year ended December 31, 2004.

	<i>Existing portfolio:</i> IMSF Large Cap Growth Portfolio (percent)	<i>Replacement portfolio:</i> T. Rowe Price Blue Chip Growth Portfolio (percent)
Management Fee .....	0.80	0.85
12b-1 Fee .....	None	None
Other Expenses .....	2.01	0
Total Expenses .....	2.81	0.85
Waivers .....	* 0	0
Net Expenses .....	2.81	0.85

\* Effective July 1, 2005 an expense reimbursement arrangement currently in effect will terminate.

	<i>Existing portfolio:</i> IMSF Large Cap Growth Portfolio (percent)	<i>Replacement portfolio:</i> Equity Growth Portfolio (Class I) (percent)
Management Fee .....	0.80	0.50
12b-1 Fee .....	None	None
Other Expenses .....	2.01	0.35
Total Expenses .....	2.81	0.85
Waivers .....	* 0	**
Net Expenses .....	2.81	0.85

\* Effective July 1, 2005 an expense reimbursement arrangement currently in effect will terminate.

\*\* The adviser has voluntarily agreed to reduce its advisory fee and/or reimburse the fund so that total annual operating expenses, excluding certain investment related expenses, will not exceed 0.85%.

	<i>Existing Portfolio: IMSF Balanced Portfolio (percent)</i>	<i>Replacement Portfolio: T. Rowe Price Personal Strategy Balanced Port- folio (percent)</i>
Management Fee .....	0.80	0.90
12b-1 Fee .....	None	None
Other Expenses .....	1.78	0
Total Expenses .....	2.58	0.90
Waivers .....	* 1.68	.....
Net Expenses .....	0.90	** 0.90

\* The adviser has voluntarily agreed to reimburse certain expenses of the fund until July 1, 2005 so that the annual expenses do not exceed 0.90%.

\*\* Actual expenses paid were 0.87% due to a credit received from investing in the T. Rowe Price Institutional High Yield Fund.

	<i>Existing Portfolio: IMSF Growth &amp; Income Port- folio (percent)</i>	<i>Replacement Portfolio: Lord Abbett Growth and Income Portfolio (Class VC shares) (percent)</i>
Management Fee .....	0.80	0.50
12b-1 Fee .....	None	None
Other Expenses .....	1.46	0.39
Total Expenses .....	2.26	0.89
Waivers .....	* 1.36	0
Net Expenses .....	0.90	0.89

\* The adviser has voluntarily agreed to reimburse certain expenses of the Portfolio until July 1, 2005 so that the annual expenses do not exceed 0.90%.

	<i>Existing Portfolio: IMSF Large Cap Value Port- folio (percent)</i>	<i>Replacement Portfolio: Lord Abbett Growth and Income Portfolio (Class VC shares) (percent)</i>
Management Fee .....	0.80	0.50
12b-1 Fee .....	None	None
Other Expenses .....	2.04	0.39
Total Expenses .....	2.84	0.89
Waivers .....	* 1.94	0
Net Expenses .....	0.90	0.89

\* The adviser has contractually agreed to reimburse certain expenses of the Portfolio until July 1, 2005 so that the annual expenses do not exceed 0.90%.

	<i>Existing Portfolio: IMSF Small Cap Equity Port- folio (percent)</i>	<i>Replacement Portfolio: Dreyfus Emerging Lead- ers Portfolio (Initial class) (percent)</i>
Management Fee .....	0.95	0.90
12b-1 Fee .....	None	None
Other Expenses .....	2.16	0.23
Total Expenses .....	3.11	1.13
Waivers .....	* 0	** .04
Net Expenses .....	3.11	1.09

\* Effective July 1, 2005 an expense reimbursement arrangement currently in effect will terminate.

\*\* The adviser's parent has agreed, until December 31, 2005, to waive receipt of its fees and/or assume the expenses of the Portfolio so that the expenses of the Class (excluding taxes, brokerage commissions, extraordinary expenses, interest expenses and commitment fees on borrowings) do not exceed 1.50%.

20. The T. Rowe Price Blue Chip Personal Strategy Balanced Portfolio and the T. Rowe Price Growth Portfolio and the T. Rowe Price each has higher management fees than its corresponding Existing Portfolio (higher by .05% and .10%,



respectively). However, each of the two T. Rowe Price Portfolios has a “unified” management fee which requires that many of the fund expenses be paid by the adviser out of its fee rather than be charged directly to the fund. Thus, under the unified fee arrangement, the overall expenses of the two T. Rowe Price Portfolios are largely reflected by each Portfolio’s management fee. Specifically, each T. Rowe Price Portfolio’s management fee pays for investment management services and ordinary, recurring operating expenses, but does not cover interest, taxes, brokerage, nonrecurring and extraordinary items or fees and expenses for the fund’s independent directors. The investment adviser of the T. Rowe Price Portfolios has represented to Applicants that the ordinary, recurring operating expenses covered by the management fee of the T. Rowe Price Blue Chip Growth and T. Rowe Price Personal Strategy Balanced Portfolios have exceeded .05% and

0.10%, respectively, for each of the past three years. Effectively, therefore, this makes the management fees of each of the two T. Rowe Price Portfolios lower than the management fees of each of their corresponding Existing Portfolios.

21. The Federated Prime Money Fund II also has a higher management fee than its corresponding Existing Portfolio (higher by .10%) as well as higher overall current total expenses. However, effective July 1, 2005, the expense reimbursement arrangement for the Existing Portfolio will be discontinued. When that occurs, the expenses of the IMSF Money Market Portfolio will increase significantly. In fact, the total expenses of the IMSF Money Market Portfolio are anticipated to be more than double those of the Federated Prime Money Fund II when the waiver with respect to the IMSF Money Market Portfolio is discontinued.

22. In summary, with respect to Fund expenses, given the anticipated discontinuation of the expense

reimbursement arrangement for the Existing Portfolios, there will be a dramatic increase in each Existing Portfolio’s total expenses resulting in a significant increase in overall expenses to the Contract owners. Without the expense reimbursement arrangement in place for the Existing Portfolios, the total expenses of each Existing Portfolio are substantially higher in all cases than those of the corresponding Replacement Portfolios, even without taking into account any fee waiver/expense reimbursement arrangements of the Replacement Portfolios.

23. The Insurance Companies also considered the performance history of the Existing Portfolios and the Replacement Portfolios and determined that no Contract owners would be materially adversely affected as a result of the substitutions. The following tables compare the performance history of the Existing Portfolio and the Replacement Portfolio for each proposed substitution.

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	Existing portfolio: IMSF Intermediate Fixed Income Portfolio	Replacement portfolio: Fidelity VIP II Investment Grade Bond Portfolio (Initial class) (percent)
One Year .....	4.50	4.46
Five Years .....	6.98	7.90
Ten Years .....	N/A	7.60
Life of Fund .....	5.75	
Fund Inception Date .....	11/13/97	

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	Existing portfolio: IMSF Mid Cap Equity (percent)	Replacement portfolio: Fidelity VIP III Mid Cap Portfolio (Initial class) (percent)
One Year .....	16.94	24.92
Five Years .....	11.11	15.11
Life of Fund .....	9.80	20.74
Fund Inception Date .....	11/13/97	12/28/98

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	Existing portfolio: IMSF Global Fixed Income Portfolio	Replacement portfolio: Fidelity VIP II Investment Grade Bond Portfolio (Initial class) (percent)
One Year .....	3.71	4.46
Five Years .....	5.86	7.90
Ten Years .....	N/A	7.60
Life of Fund .....	5.31	
Fund Inception Date .....	11/13/97	

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	Existing portfolio: IMSF Money Market Portfolio	Replacement portfolio: Fidelity VIP Money Market Portfolio (Initial class) (percent)
One Year .....	0.85	1.21
Five Years .....	2.50	2.86
Ten Years .....	N/A	4.16

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	<i>Existing portfolio:</i> IMSF Money Market Portfolio	<i>Replacement portfolio:</i> Fidelity VIP Money Mar- ket Portfolio (Initial class) (percent)		
Life of Fund .....	3.20	.....		
Fund Inception Date .....	11/13/97	.....		
Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	<i>Existing portfolio:</i> IMSF Money Market Portfolio	<i>Replacement portfolio:</i> Federated Prime Money Fund II (percent)		
One Year .....	0.85%	0.82		
Five Years .....	2.50%	2.50		
Ten Years .....	N/A	3.69		
Life of Fund .....	3.20%			
Fund Inception Date .....	11/13/97			
Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	<i>Existing portfolio:</i> IMSF Large Cap Growth Port- folio (percent)	<i>Replacement portfolio:</i> T. Rowe Price Blue Chip Growth Portfolio (percent)		
One Year .....	-1.96	8.69%		
Five Years .....	-10.00	N/A		
Life of Fund .....	0.89	-2.12		
Fund Inception Date .....	11/13/97	12/29/00		
Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	<i>Existing portfolio:</i> IMSF Large Cap Growth Port- folio (percent)	<i>Replacement portfolio:</i> Equity Growth Portfolio (Class I) (percent)		
One Year .....	-1.96	7.77		
Five Years .....	-10.00	-6.16		
Life of Fund .....	0.89	6.14		
Fund Inception Date .....	11/13/97	1/2/97		
Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	<i>Existing portfolio:</i> IMSF Bal- anced Portfolio	<i>Replacement portfolio:</i> T. Rowe Price Personal Strat- egy Balanced Portfolio (percent)	<i>Custom Benchmark</i> (percent)	<i>Merrill Lynch- Wilshire Cap- ital Market Index</i> (percent)
One Year .....	20.30% ...	12.80	9.70	9.54
Five Years .....	9.80% .....	5.95	2.12	1.23
Ten Years .....	N/A .....	11.12	9.67	10.11
Life of Fund .....	7.05%.			
Fund Inception Date .....	11/13/97.			
Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	<i>Existing portfolio:</i> IMSF Growth & Income Port- folio	<i>Replacement portfolio:</i> Lord Abbett Growth and Income Portfolio (Class VC shares) (percent)		
One Year .....	12.60%	12.65		
Five Years .....	5.58%	5.49		
Ten Years .....	N/A	12.77		
Life of Fund .....	8.49%			
Fund Inception Date .....	11/13/97			

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	Existing port- folio: IMSF Large Cap Value Port- folio	Replacement portfolio: Lord Abbett Growth and Income Portfolio (Class VC shares) (percent)	S&P 500 Index (percent)
One Year .....	15.77% .....	12.65	10.85
Five Years .....	6.25% .....	5.49	- 2.30
Ten Years .....	N/A .....	12.77	12.07
Life of Fund .....	4.75% .....		
Fund Inception Date .....	11/13/97.		

Average annual <i>total returns</i> (For years or periods ended December 31, 2004)	Existing portfolio: IMSF Small Cap Equity Port- folio (percent)	Replacement portfolio: Dreyfus Emerging Lead- ers Portfolio (Initial Shares) (percent)
One Year .....	10.86	14.42
Five Years .....	1.06	14.15
Life of Fund .....	4.75	15.65
Fund Inception Date .....	11/13/97	12/15/99

24. Applicants acknowledge with respect to the IMSF Balanced Portfolio—T. Rowe Price Personal Strategy Balanced Portfolio substitution, that the IMSF Balanced Portfolio has had one-year and five-year average annual total returns exceeding those of the T. Rowe Price Personal Strategy Balanced Portfolio. The Applicants believe, however, that the substitution is appropriate and in the best interests of Contract owners even given the superior performance of the IMSF Balanced Portfolio. The IMSF Balanced Portfolio has not attracted sufficient assets to make it a viable fund. The IMSF Balanced Portfolio's operating expenses have been heavily subsidized by IMA and its affiliates since inception. As discussed elsewhere in the Application, IMA anticipates discontinuing the reimbursement arrangement with respect to the IMSF Balanced Portfolio in the near future, possibly as early as July 1, 2005. Once the expense reimbursement arrangement is discontinued, the Portfolio's annual operating expenses will more than double which will result in a substantial decrease in performance. Further, the Replacement Portfolio has significantly outperformed its benchmarks over each of the one year, five year and ten year periods ended December 31, 2004.

25. Applicants acknowledge with respect to the IMSF Large Cap Value Portfolio—Lord Abbett Growth and Income Portfolio substitution, that the IMSF Large Cap Value Portfolio has had one-year and five-year average annual total returns exceeding those of the Lord Abbett Growth and Income Portfolio. The Applicants believe, however, that the substitution is appropriate and in

the best interests of Contract owners even given the superior performance of the IMSF Large Cap Value Portfolio. The IMSF Large Cap Value Portfolio has not attracted sufficient assets to make it a viable fund. The operating expenses of the IMSF Large Cap Value Portfolio have been heavily subsidized by IMA and its affiliates since inception. As discussed elsewhere in this Application, IMA anticipates discontinuing the expense reimbursement arrangement with respect to the IMSF Large Cap Value Portfolio in the near future, possibly as early as July 1, 2005. Once the expense reimbursement arrangement is discontinued, the Portfolio's annual operating expenses will more than triple which will result in a substantial decrease in performance. Further, the Replacement Portfolio has outperformed the S&P 500 Index, one of its benchmarks, over each of the one year, five year and ten year periods ended December 31, 2004.

26. Finally, in all cases, the assets of the Replacement Portfolios are substantially larger than those of the Existing Portfolios. It would be anticipated, therefore, that expenses of the Replacement Portfolios would have a greater likelihood going forward to be lower than those of the Existing Portfolios due to greater economies of scale and efficiencies of operation of the Replacement Portfolios. In addition, the Existing Portfolios have failed to attract sufficient assets to make them viable going forward, particularly in light of the anticipated discontinuation of the expense reimbursement arrangement. The Board of Directors of IMSF, in light of the above, has expressed its view that the Existing Portfolios should be

liquidated as soon as possible by way of the proposed substitutions.

27. The proposed substitutions will take place at relative net asset value with no change in the amount of any Contract owner's Contract value, accumulation value, or death benefit or in the dollar value of his or her investment in the Separate Accounts.

28. It is expected that the substitutions will be effected by redeeming shares of an Existing Portfolio for cash and using the cash to purchase shares of the Replacement Portfolio.

29. There will be no increase in Contract fees and expenses, including mortality and expense risk fees and administration fees charged to the Separate Accounts as a result of the substitutions. Contract owners will not incur any fees or charges as a result of the proposed substitutions, nor will their rights or an Insurance Company's obligations under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitutions, including brokerage, legal, accounting, and other fees and expenses, will be paid by IMA or an affiliate thereof. In addition, the proposed substitutions will not impose any tax liability on Contract owners. The proposed substitutions will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitutions than before the proposed substitutions. No fees will be charged on the transfers made at the time of the proposed substitutions because the proposed substitutions will not be treated as a transfer for the purpose of assessing transfer charges or

for determining the number of remaining permissible transfers in a Contract year.

30. The Applicants agree that the Insurance Companies will not increase total separate account charges with respect to the Replacement Portfolio sub-accounts for any outstanding Contracts involved in the proposed substitution on the date of the substitutions for a period of two years from the date of the substitutions.

31. In connection with assets held under variable annuity and variable life insurance contracts affected by the substitutions, BMA will not receive, for three years from the date of the substitutions, any direct or indirect benefits from the Replacement Portfolios, their advisors, or underwriters (or their affiliates) at a rate higher than that which BMA or IMA, IMSF's adviser and an affiliate of BMA, had received from the IMSF Portfolios or their advisors, underwriters or affiliates, including without limitation, 12b-1, shareholder service, advisory, administration or other service fees, revenue sharing or other arrangements in connection with such assets. BMA represents that the substitutions and the selection of Replacement Portfolios were not motivated by any financial consideration paid or to be paid by the Replacement Portfolios, their advisors or underwriters, or their respective affiliates.

32. In connection with assets held under variable annuity contracts affected by the substitutions, Fidelity Security will not receive, for three years from the date of the substitutions, any direct or indirect benefits from the Replacement Portfolios, their advisors, or underwriters (or their affiliates) at a rate higher than that which Fidelity Security had received from the IMSF Portfolios, their advisors or underwriters (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. Fidelity Security represents that the substitutions and the selection of the Replacement Portfolios were not motivated by any financial consideration paid or to be paid by the Replacement Portfolios, their advisors or underwriters, or their respective affiliates.

33. Each Insurance Company also will seek approval of the proposed substitutions from any state insurance regulators whose approval may be necessary or appropriate.

34. By a supplement to the prospectuses for the Contracts and the Separate Accounts, each Insurance

Company will notify all owners of the Contracts of its intention to take the necessary actions, including seeking the order requested by this Application, to substitute share of the funds as described herein. The supplement will advise Contract owners that from the date of the supplement until the date of the proposed substitution, owners are permitted to make transfers of Contract value out of the Existing Portfolio sub-account to another sub-account without the transfer (or exchange) being treated as one of a limited number of permitted transfers (or exchanges) or a limited number of transfers (or exchanges) permitted without charge. The supplement will also advise Contract owners that for at least 30 days following the proposed substitutions, the Insurance Companies will permit Contract owners affected by the substitutions to make transfers of Contract value out of the Replacement Portfolio sub-account to another sub-account without the transfer (or exchange) being treated as one of a limited number of permitted transfers (or exchanges) or a limited number of transfers (or exchanges) permitted without charge.

35. In addition to the prospectus supplements distributed to owners of Contracts, within five business days after the proposed substitutions, Contract owners will be sent a written notice informing them that the substitutions were carried out and that they may transfer all Contract value or accumulation value under a Contract invested in any one of the sub-accounts on the date of the notice to another sub-account available under their Contract at no cost and without regard to the usual limit on the frequency of transfers from the variable account options to the fixed account options. The Insurance Companies will also send each Contract owner current prospectuses for the Replacement Portfolios involved.

#### **Applicants' Legal Analysis**

1. Section 26(c) (formerly, Section 26 (b)) of the 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 [SEC] shall have approved such substitution." Section 26(b) of the 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 SEC, 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 SEC approval.

2. Congress responded to the SEC's concerns by enacting Section 26(b) (now Section 26 (c)) to require that the SEC approve all substitutions by the depositor of investments held by unit investment trusts. As the legislative history makes clear, Congress intended Section 26(b) to provide SEC scrutiny of proposed substitutions which could otherwise, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby possibly incurring either a loss of the sales load deducted from initial purchase payments, an additional sales load upon reinvestment of the proceeds of redemption, or both. The section-by-section analysis states in pertinent part:

The proposed amendment recognizes that in the case of the unit investment trust holding the securities of a single issuer notification to shareholders does not provide adequate protection since the only relief available to shareholders, if dissatisfied, would be to redeem their shares. A shareholder who redeems and reinvests the proceeds in another unit investment trust or in an open-end company would under most circumstances be subject to a new sales load. The proposed approval of the substitution would close this gap in shareholder protection by providing for [SEC] approval of the substitution. The [SEC] would be required to issue an order approving the substitution if it finds the substitution consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the act.

3. The Proposed substitutions appear to involve substitutions of securities within the meaning of Section 26(c) of the Act.

4. Applicants therefore request an Order of the SEC pursuant to Section 26(c) of the Act to permit them to effect the Substitution on the terms set forth in this Application. Section 26(c) of the Act provides:

It 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 [SEC] shall have approved such substitution. The [SEC] shall 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.

Applicants believe that their requests for approval meet the standards set forth in Section 26(c) and are consistent with applicable precedent.

5. The Contracts expressly reserve to the applicable Insurance Company the right, subject to compliance with applicable law, to substitute shares of another investment company for shares of an investment company held by a sub-account of the Separate Accounts. The prospectuses for the Contracts and the Separate Accounts contain appropriate disclosure of this right.

6. With respect to each proposed substitution, Contract owners with balances invested in the Replacement Portfolios will have a lower expense ratio in most cases. Moreover, it is expected that the expense reimbursement arrangements for the Existing Portfolios will be discontinued in the near future which will result in a dramatic increase in the expenses of the Existing Portfolios causing them to far exceed those of the Replacement Portfolios.

7. The proposed Replacement Portfolio for each Existing Portfolio has an investment objective that is at least substantially similar to that of the Existing Portfolio. Moreover, the principal investment policies of the Replacement Portfolios are similar to those of the corresponding Existing Portfolios.

8. In each case, the applicable Insurance Companies believe that it is in the best interests of the Contract owners to substitute the Replacement Portfolio for the Existing Portfolio. The Insurance Companies believe that the advisers and sub-advisers of the Replacement Portfolios will, over the long term, be positioned to provide at least comparable performance to that of the Existing Portfolios' adviser or sub-advisers.

9. The Applicants anticipate that Contract owners will be better off with the array of sub-accounts offered after the proposed substitutions than they have been with the array of sub-accounts offered prior to the substitutions. The proposed substitutions retain for Contract owners the investment flexibility which is a central feature of the Contracts. If the proposed substitutions are carried out, all Contract owners will be permitted to allocate purchase payments and transfer Contract values and accumulation values between and among

approximately the same number of sub-accounts as they could before the proposed substitutions.

#### Conclusion

Applicants submit, for all of the reasons stated herein, that their request meets the standards set out in Section 26(c) of the Act and that an Order should, therefore, be granted.

Accordingly, Applicants request an Order pursuant to Section 26(c) of the Act approving the substitution.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. E5-3257 Filed 6-22-05; 8:45 am]

**BILLING CODE 8010-01-P**

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-51862; File No. SR-NASD-2005-039]

#### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change to Incorporate the Brut System Book Feed into the TotalView Entitlement

June 16, 2005.

On March 30, 2005, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to incorporate Brut's System Book Feed into the TotalView entitlement. The proposed rule change was published for comment in the **Federal Register** on May 17, 2005.<sup>3</sup> The Commission received no comments on the proposal.

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a self-regulatory organization.<sup>4</sup> In particular,

<sup>1</sup> 17 CFR 200.30-3(a)(12).

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(6).

the Commission believes that the proposed rule change is consistent with Section 15A(b)(5) of the Act,<sup>5</sup> which requires, among other things, that the rules of the association provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system which the association operates or controls.

Nasdaq has proposed to modify NASD Rule 7010(q)(1) to incorporate Brut's System Book Feed within Nasdaq's TotalView entitlement. Nasdaq's TotalView data feed provides information regarding all quotes and orders in the Nasdaq Market Center (including, but not limited, to Brut orders), while the Brut System Book Feed, contains the same information with respect to orders in Brut. In the Notice, Nasdaq stated that it would make this proposal effective on July 1, 2005.

The Commission believes that the inclusion of the Brut System Book Feed into Nasdaq's TotalView entitlement for fee purposes should enable Nasdaq to equitably charge for Brut depth of book information, regardless of the source from which it is received. In approving the proposed rule change, the Commission notes that Nasdaq has stated that TotalView subscribers may obtain the Brut System Book Feed upon request of Nasdaq. In addition, the Commission notes that Nasdaq has stated that, in order to ease the transition of market participants to a single platform, it intends to distribute Brut order information via both TotalView and the System Book Feed as long as Brut remains a separate Nasdaq facility.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (File No. SR-NASD-2005-039) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. E5-3263 Filed 6-22-05; 8:45 am]

**BILLING CODE 8010-01-P**

<sup>4</sup> The Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78o-3(b)(5).

<sup>6</sup> 15 U.S.C. 78s(b)(2).