



1st GLOBAL, Inc.

The business development partner to the tax and accounting professions

August 9, 2004

Barbara Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

Re: Comments on NTM 04-45

Dear Ms. Sweeney:

1st Global is pleased to respond to the request for comments on Notice to Members 04-45, which proposes new rules including specific sales practice standards and supervisory requirements for transactions in deferred variable annuities ("Proposal").

1st Global Capital Corp. ("1st Global") is a fully disclosed retail broker-dealer registered to conduct business in all domestic jurisdictions, with over 1200 Registered Representatives offering securities services through nearly 600 branch and non-branch locations. As the Chief Executive Officer of 1st Global, I appreciate the opportunity to submit comments on the issues raised in the above captioned proposed rule change by the NASD.

As a preliminary matter, 1st Global would like to offer the following general commentary.

It is worth noting that we believe that the increased volume of customer complaints/arbitrations cited by the NASD results more from market volatility and the increased publicity and active promotion of litigation than any industry-wide systemic supervisory failures. Furthermore, we believe that the trend is a general one not limited solely to variable annuities.

Various regulators, together with the financial press, have trumpeted the supposed conflict of interest experienced by a commissioned-based registered representative whenever recommending a variable annuity. This perceived conflict of interest is at the core of the proposals emanating from the NASD and other regulators. We respectfully request that the NASD consider another conflict of interest: the conflict of interest inherent whenever a client seeks to recoup investment losses from a broker-dealer.

*Investment advisory
services offered through
1st Global Advisors, Inc.*

*An SFC Registered
Investment Advisor*

*Securities offered through
1st Global Capital Corp.*

Member NASD, SIPC

The conflict is evidenced by the fact that if clients admit that they were fully aware of all material information regarding a purchase, they are denied relief. Whereas, if they represent that such information was not adequately disclosed, they may obtain relief. For this reason, we believe that representations made by clients that information was not adequately disclosed needs to be viewed with the same degree of skepticism with which the NASD views claims by a registered representative and broker-dealer that such information was adequately disclosed.

1st Global appreciates the fact that proposals like the current one make it easier to determine who is telling the truth about the level of information disclosed by providing documentation of such disclosure. However, it was not very long ago that the prospectus sufficed for such purposes. We are concerned that in the not too distant future even a targeted disclosure form will not be adequate.

Please do not misconstrue our initial commentary as anti-consumer protection sentiment. 1st Global is a securities industry participant and we know firsthand that this industry is the most regulated in the United States. That degree of regulation has transformed financial services into the most transparent, consumer friendly industry in the world. Notwithstanding recent shortcomings, we believe that the industry is second to none when advancing its objective of serving the consumer. As a participant in such an industry, we strongly support the NASD's effort to further enhance investor education and protection.¹ However, we believe that the Proposal taken in its entirety is impractical and overreaching, and would cause significant, unnecessary harm to member firms while providing only marginal benefits to investors – benefits that could be provided via a much more non-invasive manner.

The Financial Services Institute ("FSI") in its July 23, 2004 letter to the NASD addresses the same concerns that 1st Global has with the Proposal. Therefore, 1st Global supports the positions taken by the Financial Services Institute in its letter to the NASD. In addition, we would like to offer the following comments.

Specific Disclosure Form²

We share the FSI's concern that a customized point of sale disclosure brochure is unworkable. We believe that the complexity and therefore the cost might be even higher than the FSI has stated in its comment letter. According to NAVA statistics, there were over 818 unique annuity contracts offered in the marketplace in 2003. Due to the vagaries of state law, there are often a number of different derivations of each unique contract. A

¹ In fact, 1st Global voluntarily implemented the use of a variable annuity disclosure form in December 2000. We have attached a sample of the original version and the soon to be released next version (and there have been several versions in between).

² It is important to note the expectations of member firms with regard to the implementation of such a requirement. It would be our expectation that obtaining a client's signature on a mandatory form (absent forgery) would be per se evidence that all necessary disclosures were made to the client. If this is not the NASD's expectation with regard to the implementation of such a requirement, we rescind all listed favorable comments regarding such a requirement. In this event, our comment would be that the mandatory disclosure form element of the Proposal should be eliminated in its entirety.

conservative assumption would put the number of state specific variations at five per unique annuity contract taking the told number of annuity contract variations up to 4,090. In addition, many variable annuity products offer clients the ability to tailor their own contract by selecting from a list of available death benefits and living benefits. The proposal would require broker-dealers to prepare, continually update and manage 4,090 or more disclosure brochures. Additionally, part of that management would be ensuring that the specific disclosure provided matches the benefits selected by the individual client. This is unduly burdensome and unnecessary.

While the regulatory response to this objection might be direction to limit the number of annuity products offered, there are two primary problems with such an action. First, decreasing the number of available options to clients is anti-competitive. Creating a rule that has such a result seems antithetical to the role of a self-regulatory organization that to foster competition to benefit the consumer. Has the NASD sought comment from the general public to ascertain how they feel about any regulation that would result in a reduced number of variable annuity product offerings through certain distribution channels?³ Second, in the context of an exchange transaction, the proposed rule requires a separate exchange or replacement document that discloses, "information required by the NASD's proposed rule." We interpret this to impose a requirement to maintain a disclosure form on every available variable annuity product since it is impossible to limit the variable annuity products that may be replaced. In other words, since one of our Registered Representatives might be involved in a transaction that replaces one of the over 4,090 unique annuity contracts available, we would need to have a form for each such annuity contract. Therefore, there is seemingly no way to avoid having to construct a disclosure program that takes into consideration all available variable annuity contracts.

Besides the complexity, we also question the appropriateness of requiring such a product specific document to be created by a member firm, which is merely part of a selling group as opposed to the principal underwriter of the product. Will prospectus liability attach to the document? Will a clearinghouse be established by the NASD for review purposes?⁴ The potential for material errors and omissions are frightening. The only solution will be to hire inside counsel or retain outside counsel to craft such a document. This will have two effects. First, the disclosure documents will be neither brief nor easy to read. Second, the cost of compliance will be monumental with massive duplication of effort.

³ Independent agents generally have a wider range of available annuity contracts to chose from when compared to captive agents or stockbrokers. Independent agents represent 26% market share of variable annuity sales according to the NAVA 2004 Annuity Fact Book. That is up from 17% in 1995. Decreasing the number of available annuity contracts at the independent agent level will result in decreasing the number of available annuity contracts at the prospective client level.

⁴ It is certainly not going to be the NASD advertising review department. In anticipation of this comment letter we filed our mutual fund disclosure form with the NASD advertising department. A copy of the NASD letter indicating they would not review the form is attached.

Alternatives to a specific disclosure form are many:

- Require variable annuity issuers (through their broker-dealer distributor) to provide specific disclosure forms covering a number of specified⁵ topics on each variable annuity contract that they issue.
- Require variable annuity issuers (through their broker-dealer distributor) to provide general disclosure forms covering a number of specified⁶ topics on their variable annuity line of business.
- Require firms to provide a general disclosure form covering a number of specified⁷ topics. (We have attached a sample of our form)
- Require firms to provide an industry created (perhaps from NAVA) general disclosure form.
- Require firms to provide a NASD created general disclosure form.
- Require firms to provide a SEC created general disclosure form.

Each of these alternatives would achieve the same objective at a significantly reduced cost to member firms.

Variable Annuities in Tax-Qualified Plans

The proposal once again reminds firms of the longstanding concern of the NASD regarding transactions in tax-qualified accounts; in particular, its concern over certain fees and charges associated with many variable annuities in the absence of any additional tax-deferral benefits. In response, we feel compelled to offer the following commentary on this point.

According to NAVA, the first variable annuity issued in the United States was issued in 1952 by TIAA-CREF for use in college and university qualified retirement plans. Therefore, the genesis of the variable annuity was that the product was specifically created and designed for the qualified market. Additionally, they have been recognized by Congress in the Internal Revenue Code to be legitimate funding vehicles for qualified plans. When used to fund a qualified plan, these payments can also be used to satisfy the Internal Revenue Code's minimum distribution rules. The application and acceptance of variable annuities inside tax-qualified plans market is both longstanding and widespread.

The tax-deferred status afforded to variable annuity owners is not a benefit created by the insurance companies that issue variable annuities, but is the result of congressional action. No insurance company issuing variable annuities has ever charged anything for the income tax deferral provided by variable annuities. If purchasing a variable annuity for a qualified plan results in duplicating the benefit of tax deferral and such duplication

⁵ It would be essential to clearly articulate what topics need to be covered to guard against litigation or regulatory action focused solely on what must be included or may be excluded with respect to the proposal. This is the format the SEC follows with regard to prospectuses to avoid similar issues. The NASD should provide detailed guidance in this area.

⁶ See note #3.

⁷ See note #3.

costs nothing, it defies logic to claim that the buyer of a variable annuity has somehow been harmed if the annuity provides some benefit to the buyer other than tax deferral. The Proposal seems to imply that annuities do not provide additional benefits to the buyer in this context. Where a variable annuity provides some benefit sought by a qualified plan owner other than tax deferral, the duplicity argument becomes irrelevant. Stated another way, the fees and costs associated with variable annuities are only relevant in the absence of value. Given the current universal presence of minimum death benefits and available death benefit and living benefit riders, it is illogical to argue that variable annuities do not offer value.

As a member firm, we understand our obligation in making recommendations to ensure that these other features address the needs and objectives of any client making a purchase of a variable annuity for a tax qualified retirement account. This oversight is no greater than our responsibility to review any other recommended transaction. To the extent that the Proposal attempts to create such an obligation (or any suitability obligation) in the absence of a recommendation, we must register our difference of opinion with that notion. Such an obligation should not be placed upon a firm in the context of an unsolicited, non-recommended purchase transaction.

Required Customer Information

This proposal requires certain information that is not required by the SEC Books and Records Rule (applicable to all accounts), NASD Conduct Rule 3110 (applicable to all accounts) or NASD Conduct Rule 2310 (applicable only to recommended transactions). Specifically, that information is **liquid net worth, marital status, number of dependents, age of dependents, savings and liquidity needs**. 1st Global believes that uniform standards for all products should apply. For this reason, 1st Global believes that the NASD should propose modifications to either Conduct Rule 3110 or 2310 if there is a desire to require member firms to obtain additional customer information. Additionally, several of the proposed required elements of information seem to be duplicative. For example, liquid net worth and savings. What is the difference between these terms?

One Business Day turn-around

1st Global is not sure how a proposal requiring a one-business day principal review advances consumer protection. In fact, this requirement seems antithetical to the goal of ensuring a meaningful review process. Principals may be located in an OSJ that is some distance from a branch or non-branch location which means that the application may spend the bulk of the one business day period in the mail. Additionally, principals reviewing transactions may need to request additional information before granting approval, and the information cannot be compiled in one day. SEC Rule 22c-1(c) under the Investment Company Act of 1940 allows insurance company issuers of variable annuities to price not later than two business days after receipt of a complete application. Additionally, it allows the insurance company issuers to make incomplete applications complete within five business days of receipt before notice of the delay must be provided to the purchaser. If the SEC is willing to provide insurance companies up to five days to

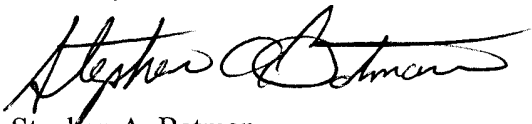
capture additional information with regard to the undeniably administrative task of data capture and data entry, 1st Global believes that any NASD rule governing the suitability analysis of a variable annuity transaction should provide similarly reasonable timelines for the more time-intensive suitability analysis. Additionally, the timeline for the review should commence only when a completed application is received by the applicable OSJ, i.e., the application is not complete until the Registered Principal has all the information necessary to fulfill his/her obligation.

Given the context of how variable annuity business is conducted, a more acceptable approach to this issue would be to provide more specific guidance to both the registered representative and the firm. For example, the registered representative should promptly forward the variable annuity application to his/her respective OSJ. Upon receipt, the OSJ should ensure the application is complete (taking no longer than five business days to do so). Once the application is complete, the OSJ should have one business day to forward the variable annuity application to the insurance company.

In summary, we do not support the Proposal in its current form. We have outlined the many concerns that we have with the Proposal. We feel that substantial modifications are necessary prior to any implementation.

Thank you again for providing the opportunity for the industry to participate in the rule making process.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen A. Batman". The signature is fluid and cursive, with a large initial "S" and "A".

Stephen A. Batman
CEO

July 22, 2004

Adam Schaub
1st Global Capital Corporation
8150 North Central Expressway
Suite No. M-1000
Dallas TX 75206



Reference: **FR2004-0622-0079/H**

Org Id :00030349

REVIEW LETTER

1. Mutual Fund Disclosure Form
Rule: 2210
2 pages

Fee: \$0

Total Fee: \$0

Attention: Adam Schaub

We are unable to review the above-referenced material, as this document constitutes an agreement or acknowledgement form requesting an individual investor's signature to confirm understanding of the included mutual fund disclosures. Since we are not in a position to comment on such documents, this material has not been reviewed.

If you have any questions, please contact me at (240) 386-4500.

Sincerely,

A handwritten signature in black ink, appearing to read "Derek Ashworth". The signature is fluid and cursive.

Derek A. Ashworth
Supervising Analyst

jd

On January 8, 2004, NASD issued a Member Alert titled "SEC Amends Investment Company Advertising Rules" (see http://www.nasdr.com/mem_alert2004_01.htm). The Alert reminds members that they must re-file with the Advertising Regulation Department advertisements and sales literature that they will continue to use and that have been materially changed in order to comply with recent amendments to SEC Rules 134, 482 and 34b-1. These amendments establish new disclosure requirements for communications regarding mutual funds, variable annuities, variable life insurance and other investment company products (see SEC Release No. 33-8294 available at <http://www.sec.gov/rules/final/33-8294.htm>).

Variable Products Disclosure Letter

Client Name: _____

Product: _____

___ Prospectus Receipt

I/we have received a prospectus on this variable annuity and have had the opportunity to review this investment. In addition, we had the opportunity to ask questions of our Financial Advisor, and are satisfied with the information received.

___ Risks of Investing

I/we have been advised of the risks involved in this investment, and realize that our investment is not guaranteed and may be worth more or less at redemption than the amount we originally paid. A variable annuity is not guaranteed by any entity, including any government agency.

___ Characteristics of a Variable Annuity

I/We understand that the insurance benefits and other factors of an annuity may cause **higher internal costs** (such as mortality expense and annual fees) than other investment alternatives. These have been taken into account when making our decision, and I/we realize it may take longer to recoup these costs than with other non-insurance investments.

I/we also understand that the original investment and investment earnings will not be available for withdrawal without a tax penalty until after age 59 1/2. There may be exceptions to this through either IRS code or as outlined in the prospectus.

Please answer each of the following:

- Was another investment sold to purchase this variable product? ___ Yes ___ No Product Sold: _____
- Is the money used to purchase this variable product being paid out of an employer-sponsored retirement plan due to separation of service? ___ Yes ___ No
- I/We understand that this investment is tax-deferred and that by using either IRA money or qualified money (already considered "tax deferred") **no additional tax benefits apply** from the purchase of the variable annuity. I am comfortable with this planning technique as explained by my Financial Advisor. ___ Yes ___ No
- Are you currently contributing to an IRA? ___ Yes ___ No. The maximum per year? ___ Yes ___ No
- Are you currently contributing to a 401(k)? ___ Yes ___ No. The maximum per year? ___ Yes ___ No

___ Insurance and Tax Features of a Variable Annuity

- Investment earnings are not subject to income tax until the money is withdrawn.
- Unlike IRAs or employer-sponsored retirement plans, there are no limits on how much may be invested in an annuity - or how much may be withdrawn from it in a single year (after age 59 1/2).
- Annuities provide a "death benefit" that guarantees your beneficiary at least the amount that you invest or the contract value, whichever is greater.
- Assets in an annuity pass directly to your beneficiary, thereby avoiding the costs and inconvenience of probate.
- Some annuities may enable you to defer receiving distributions until age 90.
- Switching (as my objectives change) between investment sub-accounts will not trigger tax liabilities.
- Non-premature distributions (after age 59 1/2) will be taxed as ordinary income.
- Premature distributions (prior to age 59 1/2) will be subject to an IRS penalty of 10% in addition to ordinary income taxes unless specific IRS requirements are met.

____ Sales Charges

The surrender charges for this annuity go from ____ % to 0% over ____ years beginning with the contract date and may apply if money is removed from the contract within that time period. With certain restrictions and as outlined in the prospectus, a certain percentage of our contract value may be withdrawn without surrender charges on an annual basis.

____ I/we understand that we will pay a mortality and expense risk charge of ____ % each year.

____ I/we understand that there will be an administrative fee of ____ % or ____ \$ deducted annually.

____ Fees and Charges for Optional Features

My/our Financial Advisor has discussed the fees for optional features such as:

____ Stepped-up death benefit ____ Guaranteed minimum income benefit ____ Long-term care insurance

____ Replacement of a Previously Owned Insurance Product

My/our Financial Advisor has outlined the differences between my previous insurance product (fixed or variable annuity) and we are comfortable with the decision to change. I/We feel that the investment has been explained in terms we understand. There will be a surrender charge of ____ % (\$ _____) to transfer out of our current product which was purchased ____ years ago. A new surrender period of ____ years will begin upon purchase of the new product.

I/We have chosen this product for the following reason(s). Please initial each response that applies:

____ Additional investment options and flexibility	____ Improved death benefit features
____ Tax-deferred status	____ Wider Selection of Investment Choices
____ Better Death Benefit Guarantee Provisions	____ Different Annuity Payout Options

____ I/We understand that our Financial Advisor will receive compensation (commission) on the purchase of our new product

____ Bonus Credits

I/We have discussed the bonus credit with our Financial Advisor and he/she has explained that this bonus credit includes any/all of the following:

____ Higher surrender charges ____ Higher mortality and expense risk charges
____ Longer surrender period

____ I/We understand these higher fees and still want to purchase this contract because it best suits our investment needs.

By signing below, I/we acknowledge that I/we have read and understand the information presented and hereby attest to its accuracy. This serves as my consent to the transactions

_____ Client Signature	_____ Client's Name	_____ Date
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_____ Client Signature (if joint account)	_____ Client's Name	_____ Date
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_____ Financial Advisor Signature	_____ Financial Advisor Name	_____ Date
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_____ Principal Signature	_____ Date
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If either the client or Financial Advisor would like to add additional comments, please do so on an attachment.

Variable Annuity Disclosure

Client Name: _____

Product: _____

It is important that you understand the risks, costs and potential benefits of any securities products that you purchase.

Prospectus Receipt

1

I/we have received a prospectus on this variable annuity and have had the opportunity to review this investment. In addition, we had the opportunity to ask questions of our Financial Advisor, and are satisfied with the information received.

Risks of Investing

2

I/we have been advised of the risks involved in this investment, and realize that our investment is not guaranteed and may be worth more or less at redemption than the amount we originally paid. A variable annuity is not guaranteed by any government agency. Guarantees are subject to the claims paying ability of the issuing insurance company. Certain variable annuities offer principal protection features via rider. Significant conditions and limitations may be present. Refer to rider language for specific details.

Characteristics of a Variable Annuity

3

I/we understand that the insurance benefits and other factors of this product may cause **higher internal costs** (such as mortality expense and annual fees) than other investment alternatives. These have been taken into account when making our decision, and I/we realize it may take longer to recoup these costs than with other non-insurance investments.

Insurance and Tax Features of a Variable Annuity

4

- Investment earnings are not subject to income tax until the money is withdrawn.
- Unlike IRAs or employer-sponsored retirement plans, there are no limits on how much may be invested in an annuity - or how much may be withdrawn from it in a single year (after age 59 1/2).
- Assets in an annuity pass directly to your beneficiary, thereby avoiding the costs and inconvenience of probate.
- Some annuities may enable you to defer receiving distributions until age 90.
- Switching (as objectives change) between investment sub-accounts will not trigger tax liabilities.
- Non-premature distributions (after age 59 1/2) will be taxed as ordinary income.
- Premature distributions (prior to age 59 1/2) will be subject to a 10% IRS penalty in addition to ordinary income taxes unless specific IRS requirements are met.
- This investment is tax-deferred and if using either IRA money or qualified money (already considered "tax deferred") please note that **no additional tax benefits apply** from the purchase of the variable annuity.

Investment Time Horizon

5

I/We understand that my/our advisor makes recommendations based on his/her understanding of my/our investment horizon. I/We realize that even the most conservative investment requires a minimum commitment of time to remain invested since fluctuating values during a down market and the inability to delay a sale may result in a loss or larger losses. Accordingly, the more aggressive my investments the longer my investment time horizon needs to be.

I/we understand that my/our investment in a variable annuity will entail the payment of fees and expenses for the features and benefits provided. While most variable annuities do not impose a front-end sales charge they do impose the following asset based insurance charges: (a) an **annual mortality and expense risk charge** which usually ranges from .95% to 1.35% (in 2003 the average was 1.014%) and (b) an **annual administrative fee** which usually ranges from .1%-.25% (in 2003 the average was .148%). There may also be an **annual contract fee** which ranges between \$30 and \$40 per year.

My/our investment in a variable annuity may be subject to a surrender charge when I take distributions from the annuity. **The surrender charge is typically set at 7% for the first year after an investment.** Thereafter it decreases in units of 1 percentage point, reaching 0% in the seventh or eighth year of the investment. With certain restrictions and as outlined in the prospectus, a certain percentage of my/our contract value may often be withdrawn without surrender charge on an annual basis.

In addition to the insurance based fees and charges, there will be **expenses associated with the underlying fund management.**

I/we understand that detailed information concerning the specific fees and charges attributable to my/our purchase is contained in the variable annuity prospectus. I/we understand I/we should review that information before authorizing any purchase.

Living Benefits**7**

I understand that my/our contract will specify which if any of these benefits apply to my/our purchase.

A guaranteed minimum income benefit (GMIB) guarantees that if the owner annuitizes the contract, income payments on the annuity starting date will be based on the greater of the actual contract value or a minimum payout base. This payout base generally equals premiums credited with some interest rate or the maximum anniversary value of the account prior to annuitization. **This type of benefit is typically offered as a rider for an additional charge ranging from .30%-.75% per year.**

A guaranteed minimum accumulation benefit (GMAB) guarantees that a policy owner's contract value will be at least equal to a certain minimum amount after a specified number of years, regardless of the actual performance. Many GMABs guarantee a return of premium after a ten-year period. **This type of benefit is typically offered as a rider for an additional charge ranging from .25%-.75%.**

A guaranteed minimum withdrawal benefit (GMWB) guarantees the systematic withdrawal of a certain percentage (usually 5-7%) of paid premiums annually until premiums paid are completely recovered, regardless of market performance. **This type of benefit is typically offered as a rider for an additional charge ranging from .30-.75% per year.**

Death Benefits**8**

I understand that my/our contract will specify which if any of these benefits apply to my/our purchase.

Traditionally, variable annuities offer a guaranteed death benefit that is generally equal to the greater of (a) the contract value or (b) premiums paid less withdrawals. The cost of this benefit is usually included within the base mortality and expense risk charge. There are often enhanced death benefit guarantees available (often at additional expense) which include the following:

A "Ratchet" death benefit offers a guaranteed death benefit that is equal to the greater of (a) the contract value, (b) premiums paid less withdrawals or (c) the contract value on a specified prior date. The specified date is usually tied to the anniversary date, i.e., every seven year period, every anniversary date, etc. The ratchet locks in any contract gains present on the specified date. **This type of benefit may be offered a part of the base contract or may be offered as a rider for an additional charge.**

A "Rising Floor" death benefit offers a guaranteed death benefit that is generally equal to the greater of (a) the contract value or (b) premiums paid less withdrawals, increased annually at a specified interest rate. **This type of benefit is typically offered as a rider for an additional charge.**

An "Enhanced Earnings" death benefit offers a separate death benefit which can be used to offset the federal income taxes on any gains in the contract. This benefit is usually equal to a percentage of the contract's earnings at death (e.g., 40%). **This type of benefit is typically offered as a rider for an additional charge.**

Was another investment product sold to purchase this variable annuity? ☐ Yes ☐ No

My/our Financial Advisor has outlined the differences between my/our previous insurance product (fixed or variable annuity) and I/we are comfortable with the decision to change. I/We feel that the investment has been explained in terms I/we understand. There will be a surrender charge of _____% (\$_____) to transfer out of our current product which was purchased approximately _____ years ago. A new surrender period as disclosed in section 6 will begin upon purchase of the new product.

I/we have chosen this new product over our current product for the following reason(s): Please initial each response that applies:

_____ Additional investment options and flexibility	_____ Improved death benefit features	_____ other
_____ Tax-deferred status	_____ Wider selection of Investment Choices	please explain: _____
_____ Improved living benefit features	_____ Different Annuity Payout Options	_____

The sale or liquidation of any stock, bond, IRA, certificate of deposit, mutual fund, annuity or other asset to fund the purchase of this product may have tax consequences, early withdrawal penalties or other costs or penalties as a result of the sale or liquidation. You may wish to consult independent legal or financial advice before selling or liquidating any assets and prior to the purchase of any life or annuity product being solicited, offering for sale or sold.

Bonus Credits

10

☐ N/A This is not a bonus annuity

I/we have discussed the bonus credit with our Financial Advisor and he/she has explained that this bonus credit includes any/all of the following:

- ☐ Higher surrender charges
- ☐ Longer surrender period
- ☐ Higher mortality and expense risk charges
- ☐ I/we understand these higher fees and still want to purchase this contract because it best suits our investment needs.

Signatures

11

I/we understand the features and risks of this product and after reading the offering memorandum/prospectus and discussing the potential risks and rewards with my/our Financial Advisor, I/we feel that this product meets our investment objectives and risk tolerance.

Client Signature Date

Client Signature (if joint account) Date

Financial Advisor Name Date

Financial Advisor Signature

PRINCIPAL'S SIGNATURE OR STAMP

As Financial Advisor, I attest to the following:

- 1. I have informed the client of the unique features of the variable annuity they have purchased.**
- 2. The client has a long-term investment objective as evidenced on the new account form.**
- 3. I have made a determination that this variable annuity as a whole and the underlying sub-accounts are suitable for this client.**

The source of all statistics is the NAVA 2004 Annuity Fact Book.