

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **2005-05-02**
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([HTML Version](#) on secdatabase.com)

FILER

FS VARIABLE ANNUITY ACCOUNT TWO

CIK: **926961** | IRS No.: **000000000** | State of Incorporation: **NY** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **40** | File No.: **811-08624** | Film No.: **05787884**

Mailing Address
733 THIRD AVENUE
NEW YORK NY 10017

Business Address
733 THIRD AVENUE
NY NY 10017
2125515440

FS VARIABLE ANNUITY ACCOUNT TWO

CIK: **926961** | IRS No.: **000000000** | State of Incorporation: **NY** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **33** | File No.: **033-81470** | Film No.: **05787885**

Mailing Address
733 THIRD AVENUE
NEW YORK NY 10017

Business Address
733 THIRD AVENUE
NY NY 10017
2125515440

File Nos. 033-81470
811-08624

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-4
REGISTRATION STATEMENT UNDER THE SECURITIES
ACT OF 1933

Pre-Effective Amendment No. ____ []

Post-Effective Amendment No. 19 [X]

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT
COMPANY ACT OF 1940

Amendment No. 20 [X]

(Check Appropriate Box Or Boxes)

FS VARIABLE ANNUITY ACCOUNT TWO
(Exact Name of Registrant)

FIRST SUNAMERICA LIFE INSURANCE COMPANY
("FIRST SUNAMERICA LIFE")
(Name of Depositor)

733 THIRD AVENUE, 4TH FLOOR
NEW YORK, NEW YORK 10017
(Address of Depositor's Principal Offices) (Zip Code)

Depositor's Telephone Number, including Area Code: (800) 996-9786

CHRISTINE A. NIXON, ESQ.
FIRST SUNAMERICA LIFE INSURANCE COMPANY
C/O AIG RETIREMENT SERVICES, INC.
1 SUNAMERICA CENTER
LOS ANGELES, CALIFORNIA 90067-6022
(Name and Address of Agent for Service)

IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE:

- [] immediately upon filing pursuant to paragraph (b) of Rule 485
- [X] on May 2, 2005 pursuant to paragraph (b) of Rule 485
- [] 60 days after filing pursuant to paragraph (a)(1) of Rule 485
- [] on [INSERT DATE if applicable] pursuant to paragraph (a) of Rule 485

Title of Securities Being Registered: Flexible Payment Deferred Annuity
Contracts

[FS VARIABLE SEPARATE ACCOUNT]

Cross Reference Sheet

PART A - PROSPECTUS

<TABLE>
<CAPTION>

| Item Number in Form N-4 ----- | Caption ----- |
|--|--|
| <S> | <C> |
| 1. Cover Page | Cover Page |
| 2. Definitions | Definitions |
| 3. Synopsis | Highlights; Fee Tables; Portfolio Expenses; Examples |
| 4. Condensed Financial Information | Appendix - Condensed Financial Information |
| 5. General Description of Registrant, Depositor and Portfolio Companies | The Variable Annuity; Other Information |
| 6. Deductions | Expenses |
| 7. General Description of Variable Annuity Contracts ... | The Variable Annuity; Purchasing the Variable Annuity Contract; Investment Options |
| 8. Annuity Period | Income Options |
| 9. Death Benefit | Death Benefits |
| 10. Purchases and Contract Value | Purchasing the Variable Annuity Contract |
| 11. Redemptions | Access To Your Money |
| 12. Taxes | Taxes |
| 13. Legal Proceedings | Legal Proceedings |
| 14. Table of Contents of Statement of Additional Information | Table of Contents of Statement of Additional Information |

</TABLE>

PART B - STATEMENT OF ADDITIONAL INFORMATION

Certain information required in Part B of the Registration Statement has been included within the Prospectus forming part of this Registration Statement; the following cross-references suffixed with a "P" are made by reference to the captions in the Prospectus.

| Item Number in Form N-4 ----- | Caption ----- |
|--|---|
| <S> | <C> |
| 15. Cover Page | Cover Page |
| 16. Table of Contents | Table of Contents |
| 17. General Information and History | The Variable Annuity (P); Separate Account; General Account (P); Investment Options (P); Other Information (P) |
| 18. Services | Other Information (P) |
| 19. Purchase of Securities Being Offered | Purchasing the Variable Annuity (P) |
| 20. Underwriters | Distribution of Contracts |
| 21. Calculation of Performance Data | Performance Data |
| 22. Annuity Payments | Income Options (P); Income Payments; Annuity Unit Values |
| 23. Financial Statements | Depositor: Other Information (P); Financial Statements; Registrant: Financial Statements |

</TABLE>

PART C

Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C of this Registration Statement.

FS VARIABLE ANNUITY ACCOUNT TWO
SUPPLEMENT TO THE VISTA CAPITAL ADVANTAGE PROSPECTUS (F-3394-PRO)
DATED DECEMBER 28, 2004
=====

THE DATE OF THE PROSPECTUS IS HEREBY CHANGED TO MAY 2, 2005.

ALL REFERENCES IN THE PROSPECTUS TO THE DATE OF THE STATEMENT OF ADDITIONAL INFORMATION ARE HEREBY CHANGED TO MAY 2, 2005.

THE FOLLOWING REPLACES THE INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE SECTION ON PAGE 3 OF THE PROSPECTUS:

First SunAmerica Life Insurance Company's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2004, File No. 033-47472, and its quarterly reports on Form 10-Q are incorporated herein by reference. The Company files its Exchange Act documents and reports, including its annual and quarterly reports on Form 10K and Form 10-Q, electronically pursuant to EDGAR under CIK No. 0000926897.

All documents or reports filed by the Company under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the effective date of this prospectus are also incorporated by reference. Statements contained in this prospectus and subsequently filed documents which are incorporated by reference or deemed to be incorporate by reference are deemed to modify or supersede documents incorporated here by reference.

The Company is subject to the informational requirements of the Exchange Act. We file reports and other information with the SEC to meet those requirements. You can inspect and copy this information at SEC public facilities at the following locations:

WASHINGTON, DISTRICT OF COLUMBIA
450 Fifth Street, N.W., Room 1024
Washington, DC 20549

CHICAGO, ILLINOIS
500 West Madison Street
Chicago, IL 60661

NEW YORK, NEW YORK
233 Broadway
New York, NY 10029

To obtain copies by mail contact the Washington, D.C. location. After you pay the fees as prescribed by the rules and regulations of the SEC, the required documents are mailed.

The Company will provide without charge to each person to whom this prospectus is delivered, upon written or oral request, a copy of the above documents incorporated by reference. Requests for these documents should be directed to the Company's Annuity Service Center, as follows:

First SunAmerica Life Insurance Company
Annuity Service Center
P.O. Box 54299
Los Angeles, California 90054-9299
Telephone Number: (800) 99NY-SUN2

THE FOLLOWING IS ADDED TO THE GLOSSARY ON PAGE 6 OF THE PROSPECTUS:

Fixed Account-An account, if available, that we may offer in which you may invest money and earn a fixed rate of return.

Page 1 of 6

Market Close - The close of the New York Stock Exchange, usually 1:00 p.m. Pacific Time.

NYSE - New York Stock Exchange.

Owner - The person or entity (if a non-natural owner) with an interest or title to this contract. The term "you" or "your" are also used to identify the Owner.

Separate Account - A segregated asset account maintained separately from the Company's regular portfolio of investments and general accounts. The Separate Account is established by the Company to purchase and hold the Variable Portfolios.

Trust - Collectively refers to the Anchor Series Trust and SunAmerica Series Trust.

Underlying Funds - The underlying investment portfolios of the Trusts in which the Variable Portfolios invest.

THE FOLLOWING REPLACES THE PORTFOLIO EXPENSES IN THE FEE TABLES ON PAGE 8 OF THE PROSPECTUS:

PORTFOLIO EXPENSES

| | | | |
|---|--|---------|---------|
| <Table> | | | |
| <Caption> | | | |
| TOTAL ANNUAL TRUST OPERATING EXPENSES | | MINIMUM | MAXIMUM |
| <S> | | <C> | <C> |
| (expenses that are deducted from the underlying portfolios of the Trusts, including management fees, other expenses and service (12b-1) fees, if applicable)..... | | | |
| | | 0.56% | 1.24% |
| </Table> | | | |

THE FOLLOWING REPLACES THE EXPENSE EXAMPLES ON PAGE 9 OF THE PROSPECTUS:

MAXIMUM AND MINIMUM EXPENSE EXAMPLES

MAXIMUM EXPENSE EXAMPLES

(assuming maximum separate account annual expenses of 1.40% and investment in an underlying portfolio with total expenses of 1.24%.)

(1) If you surrender your contract at the end of the applicable time period:

| | | | | |
|-----------|---------|---------|----------|--|
| <TABLE> | | | | |
| <CAPTION> | | | | |
| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | |
| ----- | ----- | ----- | ----- | |
| <C> | <C> | <C> | <C> | |
| \$872 | \$1,334 | \$1,723 | \$3,018 | |
| </TABLE> | | | | |

(2) If you annuitize your contract at the end of the applicable time period:

| | | | | |
|-----------|---------|---------|----------|--|
| <TABLE> | | | | |
| <CAPTION> | | | | |
| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | |
| ----- | ----- | ----- | ----- | |
| <C> | <C> | <C> | <C> | |
| \$267 | \$820 | \$1,400 | \$2,973 | |
| </TABLE> | | | | |

(3) If you do not surrender your contract:

| | | | | |
|-----------|---------|---------|----------|--|
| <TABLE> | | | | |
| <CAPTION> | | | | |
| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | |
| ----- | ----- | ----- | ----- | |
| <C> | <C> | <C> | <C> | |
| \$272 | \$834 | \$1,423 | \$3,018 | |
| </TABLE> | | | | |

MINIMUM EXPENSE EXAMPLES

(assuming minimum separate account annual expenses of 1.40% and investment in an underlying portfolio with total expenses of 0.56%.)

(1) If you surrender your contract at the end of the applicable time period and you do not elect any optional features:

| | | | | |
|-----------|---------|---------|----------|--|
| <TABLE> | | | | |
| <CAPTION> | | | | |
| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | |
| ----- | ----- | ----- | ----- | |
| <C> | <C> | <C> | <C> | |
| \$804 | \$1,129 | \$1,381 | \$2,334 | |
| </TABLE> | | | | |

(2) If you annuitize your contract at the end of the applicable time period:

| | | | | |
|-----------|---------|---------|----------|--|
| <TABLE> | | | | |
| <CAPTION> | | | | |
| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | |
| ----- | ----- | ----- | ----- | |
| <C> | <C> | <C> | <C> | |
| \$199 | \$615 | \$1,057 | \$2,285 | |
| </TABLE> | | | | |

(3) If you do not surrender your contract and you do not elect any optional features:

<TABLE>
<CAPTION>

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| ----- | ----- | ----- | ----- |
| <C> | <C> | <C> | <C> |
| \$204 | \$629 | \$1,081 | \$2,334 |

</TABLE>

THE FOURTH PARAGRAPH IN THE FIXED ACCOUNT OPTIONS SECTION OF THE PROSPECTUS IS DELETED.

THE FOLLOWING REPLACES THE SECTION ENTITLED TRANSFERS DURING THE ACCUMULATION PHASE ON PAGE 19 OF THE PROSPECTUS:

TRANSFERS DURING THE ACCUMULATION PHASE

Subject to our rules, restrictions and policies, during the Accumulation Phase you may transfer funds between the Variable Portfolios and/or any Fixed Accounts by telephone or through the Company's website (<http://www.aigsunamerica.com>) or in writing by mail or facsimile. All transfer instructions submitted via facsimile must be sent to (818) 615-1543, otherwise they will not be considered received by us. We may accept transfers by telephone or the Internet if you complete and send the Telephone Transfer Agreement form to our Annuity Service Center. When receiving instructions over the telephone or the Internet, we follow procedures we have adopted to provide reasonable assurance that the transactions executed are genuine. Thus, we are not responsible for any claim, loss or expense from any error resulting from instructions received over the telephone or the Internet. If we fail to follow our procedures, we may be liable for any losses due to unauthorized or fraudulent instructions.

Any transfer request will be priced as of the day it is confirmed in good order by us if the request is processed before Market Close. If the transfer request is processed after Market Close, the request will be priced as of the next business day.

Funds already in your contract cannot be transferred into the DCA Fixed Accounts. You must transfer at least \$100 per transfer. If less than \$100 remains in any Variable Portfolio after a transfer, that amount must be transferred as well.

TRANSFER POLICIES

We do not want to issue this variable annuity contract to contract owners engaged in trading strategies that seek to benefit from short-term price fluctuations or price inefficiencies in the Variable Portfolios of this product ("Short-Term Trading") and we discourage Short-Term Trading as more fully described below. However, we cannot always anticipate if a potential contract owner intends to engage in Short-Term Trading. Short-Term Trading may create risks that may result in adverse effects on investment return of an Underlying Fund. Such risks may include, but are not limited to: (1) interference with the management and planned investment strategies of an Underlying Fund and/or (2) increased brokerage and administrative costs due to forced and unplanned fund turnover; both of which may dilute the value of the shares in the Underlying Fund and reduce value for all investors in the Variable Portfolio. In addition to negatively impacting the contract owner, a reduction in contract value may also be harmful to annuitants and/or beneficiaries.

We have adopted the following administrative procedures to discourage Short-Term Trading.

We charge for transfers in excess of 15 in any contract year. Currently, the fee is \$25 for each transfer exceeding this limit. Transfers resulting from your participation in the DCA or Asset Rebalancing programs are not counted towards the number of free transfers per contract year.

In addition to charging a fee when you exceed 15 transfers as described in the preceding paragraph, all transfer requests in excess of 15 transfers per contract year must be submitted in writing by United States Postal Service first-class mail ("U.S. Mail") until your next contract anniversary ("Standard U. S. Mail Policy"). We will not accept transfer requests sent by any other medium except U.S. Mail until your next contract anniversary. Transfer requests required to be submitted by U.S. Mail can only be cancelled by a written request sent by U.S. Mail with the appropriate paperwork received prior to the execution of the transfer. All transfers made on the same day prior to Market Close are considered one transfer request. Transfers resulting from your participation in the DCA or Asset Rebalancing programs are not included for the purposes of determining the number of transfers before applying the

Standard U.S. Mail Policy. We apply the Standard U.S. Mail Policy uniformly and consistently to all contract owners except for omnibus group contracts and contracts utilizing third party asset allocation services as described below.

We believe that the Standard U. S. Mail Policy is a sufficient deterrent to Short-Term Trading and we do not conduct any additional routine monitoring. However, we may become aware of transfer patterns among the Variable Portfolios and/or Fixed Accounts which reflect what we consider to be Short-Term Trading or otherwise detrimental to the Variable Portfolios but have not yet triggered the limitations of the Standard U.S. Mail Policy described above. If such transfer activity cannot be controlled by the Standard U.S. Mail Policy, we may require you to adhere to our Standard U.S. Mail Policy prior to reaching the specified number of transfers ("Accelerated U.S. Mail Policy"). To the extent we become aware of Short-Term Trading activities which cannot be reasonably controlled by the Standard U.S. Mail Policy or the Accelerated U.S. Mail Policy, we also reserve the right to evaluate, in our sole discretion, whether to impose further limits on the number and frequency of transfers you can make, impose minimum holding periods and/or reject any transfer request or terminate your transfer privileges. We will notify you in writing if your transfer privileges are terminated. In addition, we reserve the right to not accept transfers from a third party acting for you and not to accept preauthorized transfer forms. Some of the factors we may consider when determining whether to accelerate the Standard U.S. Mail Policy, reject or impose other conditions on transfer privileges include:

- (1) the number of transfers made in a defined period;
- (2) the dollar amount of the transfer;
- (3) the total assets of the Variable Portfolio involved in the transfer and/or transfer requests that represent a significant portion of the total assets of the Variable Portfolio;
- (4) the investment objectives and/or asset classes of the particular Variable Portfolio involved in your transfers;
- (5) whether the transfer appears to be part of a pattern of transfers to take advantage of short-term market fluctuations or market inefficiencies; and/or
- (6) other activity, as determined by us, that creates an appearance, real or perceived, of Short-Term Trading.

Notwithstanding the administrative procedures above, there are limitations on the effectiveness of these procedures. Our ability to detect and/or deter Short-Term Trading is limited by operational systems and technological limitations. We cannot guarantee that we will detect and/or deter all Short-Term Trading. To the extent that we are unable to detect and/or deter Short-Term Trading, the Variable Portfolios may be negatively impacted as described above. Additionally, the Variable Portfolios may be harmed by transfer activity related to other insurance companies and/or retirement plans or other investors that invest in shares of the Underlying Fund. You should be aware that the design of our administrative procedures involves inherently subjective decisions, which we attempt to make in a fair and reasonable manner consistent with the interests of all owners of this contract. We do not enter into agreements with contract owners whereby we permit or intentionally disregard Short-Term Trading.

The Standard and Accelerated U.S. Mail Policies are applied uniformly and consistently to contract owners utilizing third party trading services performing asset allocation services/strategies for a number of contract owners at the same time except for purposes of calculating the number of transfers for the Standard U.S. Mail Policy. A calendar year will be used (instead of a contract year) for these contracts. You should be aware that such third party trading services may engage in transfer activities that can also be detrimental to the Variable Portfolios. These transfer activities may not be intended to take advantage of short-term price fluctuations or price inefficiencies. However, such activities can create the same or similar risks to Short-Term Trading and negatively impact the Variable Portfolios as described above.

Omnibus group contracts may invest in the same Underlying Funds available in your contract but on an aggregate, not individual basis. Thus, we have limited ability to detect Short-Term Trading in omnibus group contracts and the

Standard U.S. Mail Policy does not apply to these contracts. Our inability to detect Short-Term Trading may negatively impact the Variable Portfolios as described above.

WE RESERVE THE RIGHT TO MODIFY THE POLICIES AND PROCEDURES DESCRIBED IN THIS SECTION AT ANY TIME. To the extent that we exercise this reservation of rights,

we will do so uniformly and consistently unless we disclose otherwise.

For information regarding transfers during the Income Phase, SEE INCOME OPTIONS BELOW.

THE FOLLOWING IS ADDED AS THE LAST PARAGRAPH OF THE GENERAL ACCOUNT SECTION ON PAGE 11 OF THE PROSPECTUS:

The Company has a support agreement in effect between the Company and its ultimate parent company, American International Group, Inc. ("AIG"), and the Company's insurance policy obligations are guaranteed by American Home Assurance Company, a subsidiary of AIG. See the Statement of Additional Information for more information regarding these arrangements.

THE FOLLOWING REPLACES THE SECTION ENTITLED DISTRIBUTION OF CONTRACTS ON PAGE 29 OF THE PROSPECTUS:

PAYMENTS IN CONNECTION WITH DISTRIBUTION OF THE CONTRACT

PAYMENTS TO BROKER-DEALERS

Registered representatives of broker-dealers sell the contract. We pay commissions to the broker-dealers for the sale of your contract ("Contract Commissions"). There are different structures by which a broker-dealer can choose to have their Contract Commissions paid. For example, as one option, we may pay upfront Contract Commission only, that may be up to a maximum 6.5% of each Purchase Payment you invest (which may include promotional amounts). Another option may be a lower upfront Contract Commission on each Purchase Payment, with a trail commission of up to a maximum percentage of contract value annually. Generally, the higher the upfront commissions, the lower the trail and vice versa. We pay Contract Commissions directly to the broker-dealer with whom your registered representative is affiliated. Registered representatives may receive a portion of these amounts we pay in accordance with any agreement in place between the registered representative and his/her broker-dealer firm.

We may pay broker-dealers support fees in the form of additional cash or non-cash compensation. These payments may be intended to reimburse for specific expenses incurred or may be based on sales, certain assets under management, longevity of assets invested with us or a flat fee. These payments may be consideration for, among other things, product placement/preference, greater access to train and educate the firm's registered representatives about our products, our participation in sales conferences and educational seminars and allowing broker-dealers to perform due diligence on our products. The amount of these fees may be tied to the anticipated level of our access in that firm. We enter into such arrangements in our discretion and we may negotiate customized arrangements with firms, including affiliated and non-affiliated broker-dealers based on various factors. We do not deduct these amounts directly from your Purchase Payments. We anticipate recovering these amounts from the fees and charges collected under the contract.

Contract commissions and other support fees may influence the way that a broker-dealer and its registered representatives market the contracts and service customers who purchase the contracts and may influence the broker-dealer and its registered representatives to present this contract over others available in the market place. You should discuss with your broker-dealer and/or registered representative how they are compensated for sales of a contract and/or any resulting real or perceived conflicts of interest.

AIG SunAmerica Capital Services, Inc., Harborside Financial Center, 3200 Plaza 5, Jersey City, NJ 07311-4992, distributes the contracts. AIG SunAmerica Capital Services, an affiliate of First SunAmerica Life, is a registered broker-dealer under the Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. No underwriting fees are paid in connection with the distribution of the contracts.

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PAYMENTS WE RECEIVE

In addition to amounts received pursuant to established 12b-1 Plans from the Underlying Funds, we receive compensation of up to 0.50% annually based on assets under management from certain Trusts' investment advisers or their affiliates for services related to the availability of the Underlying Funds in the contract. We receive such payments in connection with each of the Trusts available in this Contract. Furthermore, certain investment advisers and/or subadvisers may help offset the costs we incur for training to support sales of the Underlying Funds in the contract.

THE FOLLOWING REPLACES THE LEGAL PROCEEDINGS SECTION IN ITS ENTIRETY ON PAGE 30 OF THE PROSPECTUS:

There are no pending legal proceedings affecting the Separate Account. From time to time, the Company is party to various kinds of litigation incidental to its

business operations. In management's opinion, these matters are not material in relation to the financial position of the Company with the exception of the matter disclosed below.

AIG has announced that it has delayed filing its Annual Report on Form 10-K for the year ended December 31, 2004 to allow AIG's Board of Directors and new management adequate time to complete an extensive review of AIG's books and records. The review includes issues arising from pending investigations into non-traditional insurance products and certain assumed reinsurance transactions by the Office of the Attorney General for the State of New York and the Securities and Exchange Commission and from AIG's decision to review the accounting treatment of certain additional items. Circumstances affecting AIG can have an impact on the Company. For example, the recent downgrades and ratings actions taken by the major rating agencies with respect to AIG resulted in corresponding downgrades and ratings actions being taken with respect to the Company's ratings. Accordingly, we can give no assurance that any further changes in circumstances for AIG will not impact us.

THE FOLLOWING IS ADDED AS THE FIRST TWO PARAGRAPHS TO THE APPENDIX A - MARKET VALUE ADJUSTMENT ("MVA") SECTION OF THE PROSPECTUS:

If at the time you purchase your contract, we are offering Fixed Accounts with a longer duration than one year, a market value adjustment ("MVA") may apply if you withdraw your money prior to the end of the Fixed Account. THE MARKET VALUE ADJUSTMENT APPENDIX SHOWS HOW WE CALCULATE AND APPLY THE MVA.

If you take money out of any available multi-year Fixed Account, before the end of the guarantee period, we make an adjustment to your contract. We refer to this adjustment as a MVA. The MVA does not apply to any available one year fixed account. The MVA reflects any difference in the interest rate environment between the time you place your money in the Fixed Account and the time when you withdraw or transfer that money. This adjustment can increase or decrease your contract value. However, the MVA will never result in your earning less than the minimum annual guaranteed interest rate as specified in your contract, on Purchase Payments minus withdrawals, made prior to May 2, 2005, in to a particular multi-year Fixed Account and/or Purchase Payments less withdrawals made into any available multi-year fixed account on or after May 2, 2005. Thus, application of the MVA will not result in a loss of principal. Generally, if interest rates drop between the time you put your money into a Fixed Account and the time you take it out, we credit a positive adjustment to your contract. Conversely, if interest rates increase during the same period, we post a negative adjustment to your contract. You have 30 days after the end of each guarantee period to reallocate your funds without incurring any MVA. The MVA is applicable to both partial and full withdrawals of contract value.

Date: May 2, 2005

Please keep this Supplement with your Prospectus.

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VISTA CAPITAL ADVANTAGE

PROSPECTUS
DECEMBER 28, 2004
FLEXIBLE PAYMENT DEFERRED ANNUITY CONTRACTS
ISSUED BY
FIRST SUNAMERICA LIFE INSURANCE COMPANY
IN CONNECTION WITH
FS VARIABLE ANNUITY ACCOUNT TWO

The annuity has several investment choices - Variable Portfolios listed below and available fixed account options. The Variable Portfolios are part of the Anchor Series Trust ("AST") and the SunAmerica Series Trust ("SAST"):

STOCKS:

| | |
|---|------|
| MANAGED BY DAVIS ADVISORS | |
| - DAVIS VENTURE VALUE PORTFOLIO | SAST |
| MANAGED BY MARSICO CAPITAL MANAGEMENT, LLC | |
| - MARSICO GROWTH PORTFOLIO | SAST |
| MANAGED BY MASSACHUSETTS FINANCIAL SERVICES COMPANY | |
| - MFS TOTAL RETURN PORTFOLIO | SAST |
| MANAGED BY PUTNAM INVESTMENT MANAGEMENT, LLC | |
| - INTERNATIONAL GROWTH AND INCOME PORTFOLIO | SAST |

BONDS:

CASH:
MANAGED BY BANC OF AMERICA CAPITAL MANAGEMENT, LLC
- CASH MANAGEMENT PORTFOLIO

SAST

Please read this prospectus carefully before investing and keep it for future reference. It contains important information about the Vista Capital Advantage Variable Annuity.

To learn more about the annuity offered by this prospectus, you can obtain a copy of the Statement of Additional Information ("SAI") dated December 28, 2004. The SAI has been filed with the Securities and Exchange Commission ("SEC") and is incorporated by reference into this prospectus. The Table of Contents of the SAI appears in this prospectus. For a free copy of the SAI, call us at (800) 99NY-SUN or write to us at our Annuity Service Center, P.O. Box 54299, Los Angeles, California 90054-0299. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains the SAI, materials incorporated by reference and other information filed electronically with the SEC by First SunAmerica.

ANNUITIES INVOLVE RISKS, INCLUDING POSSIBLE LOSS OF PRINCIPAL, AND ARE NOT A DEPOSIT OR OBLIGATION OF, OR GUARANTEED OR ENDORSED BY, ANY BANK. THEY ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER AGENCY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

First SunAmerica's Annual Report on Form 10-K for the year ended December 31, 2003 and its quarterly report on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004 are incorporated herein by reference.

All documents or reports filed by First SunAmerica under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the effective date of this prospectus shall also be incorporated by reference. Statements contained in this prospectus and subsequently filed documents which are incorporated by reference or deemed to be incorporated by reference are deemed to modify or supersede documents incorporated herein by reference.

First SunAmerica files its Exchange Act documents and reports, including its annual and quarterly reports on Form 10-K and Form 10-Q, electronically pursuant to EDGAR under CIK No. 0000926897.

First SunAmerica is subject to the informational requirements of the Securities and Exchange Act of 1934 (as amended). We file reports and other information with the SEC to meet those requirements. You can inspect and copy this information at SEC public facilities at the following locations:

WASHINGTON, DISTRICT OF COLUMBIA
450 Fifth Street, N.W., Room 1024
Washington, D.C. 20549

CHICAGO, ILLINOIS
500 West Madison Street
Chicago, IL 60661

NEW YORK, NEW YORK
233 Broadway
New York, NY 10048

To obtain copies by mail contact the Washington, D.C. location. After you pay the fees as prescribed by the rules and regulations of the SEC, the required documents are mailed.

Registration statements under the Securities Act of 1933, as amended, related to the contracts offered by this prospectus are on file with the SEC. This prospectus does not contain all of the information contained in the registration statements and its exhibits. For further information regarding the separate account, First SunAmerica and its general account, the Variable Portfolios and the contract, please refer to the registration statement and its exhibits.

The SEC also maintains a website (<http://www.sec.gov>) that contains the

SAI, materials incorporated by reference and other information filed electronically with the SEC by First SunAmerica.

First SunAmerica will provide without charge to each person to whom this prospectus is delivered, upon written or oral request, a copy of the above documents incorporated herein by reference. Requests for these documents should be directed to First SunAmerica's Annuity Service Center, as follows:

First SunAmerica Life Insurance Company
Annuity Service Center
P.O. Box 54299
Los Angeles, California 90054-0299
Telephone Number: (800) 99NY-SUN

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SECURITIES AND EXCHANGE COMMISSION POSITION ON INDEMNIFICATION

If indemnification for liabilities arising under the Securities Act of 1933 (the "Act") is provided First SunAmerica's officers, directors and controlling persons, the SEC has advised First SunAmerica that it believes such indemnification is against public policy under the Act and unenforceable. If a claim for indemnification against such liabilities (other than for First SunAmerica's payment of expenses incurred or paid by its directors, officers or controlling persons in the successful defense of any legal action) is asserted by a director, officer or controlling person of First SunAmerica in connection with the securities registered under this prospectus, First SunAmerica will submit to a court with jurisdiction to determine whether the indemnification is against public policy under the Act. First SunAmerica will be governed by final judgment of the issue. However, if in the opinion of First SunAmerica's counsel, this issue has been determined by controlling precedent, First SunAmerica need not submit the issue to a court for determination.

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All financial representatives or agents that sell the contracts offered by this prospectus are required to deliver a prospectus.

GLOSSARY

The following terms, as used in this prospectus, have the indicated meanings:

- ACCUMULATION PHASE -- The period during which you invest money in your contract.
- ACCUMULATION UNIT -- A unit of measurement which we use to calculate the value of the variable portion of your contract during the Accumulation Phase.
- ANNUITANT(S) -- The person(s) on whose life (lives) we base income payments.
- ANNUITY DATE -- The date on which income payments begin, as selected by you.
- ANNUITY UNIT(S) -- A measurement we use to calculate the amount of income payments you receive from the variable portion of your contract during the Income Phase.
- BENEFICIARY -- The person designated to receive any benefits under the contract if you or the Annuitant dies.
- INCOME PHASE -- The period during which we make income payments to you.
- IRS -- The Internal Revenue Service.
- LATEST ANNUITY DATE -- Your 90th birthday or 10th contract anniversary, whichever is later.
- NON-QUALIFIED (CONTRACT) -- A contract purchased with after-tax dollars. In

general, these contracts are not under any pension plan, specially sponsored program or individual retirement account ("IRA").

PURCHASE PAYMENTS -- The money you give us to buy the contract, as well as any additional money you give us to invest in the contract after you own it.

QUALIFIED (CONTRACT) -- A contract purchased with pre-tax dollars. These contracts are generally purchased under a pension plan, specially sponsored program or IRA.

TRUSTS -- Refers to the Anchor Series Trust and the SunAmerica Series Trust collectively.

UNDERLYING FUND(S) -- The underlying series of the Trusts in which the Variable Portfolios invest.

VARIABLE PORTFOLIO(S) -- The variable investment options available under the contract. Each Variable Portfolio has its own investment objective and is invested in the underlying investments of the Trust.

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HIGHLIGHTS

The Vista Capital Advantage Variable Annuity is a contract between you and First SunAmerica Life Insurance Company ('First SunAmerica'). It is designed to help you invest on a tax-deferred basis and meet long-term financial goals. There are minimum Purchase Payment amounts required to purchase a contract. Purchase Payments may be invested in a variety of variable and fixed account options. Like all deferred annuities, the contract has an Accumulation Phase and an Income Phase. During the Accumulation Phase, you invest money in your contract. The Income Phase begins when you start receiving income payments from your annuity to provide for your retirement.

FREE LOOK: You may cancel your contract within 10 days after receiving it (or whatever period is required in your state). You will receive whatever your contract is worth on the day that we receive your request. The amount refunded may be more or less than your original Purchase Payment. We will return your original Purchase Payment if required by law. Please see PURCHASING A VISTA CAPITAL ADVANTAGE VARIABLE ANNUITY in the prospectus.

EXPENSES: There are fees and charges associated with the contract. Each year, we deduct a \$30 contract maintenance fee from your contract. We also deduct Separate Account charges which equal 1.40% annually of the average daily value of your contract allocated to the Variable Portfolios. There are investment charges on amounts invested in the Variable Portfolios. If you elect optional features available under the contract we may charge additional fees for those features. A separate withdrawal charge schedule applies to each Purchase Payment. The amount of the withdrawal charge declines over time. After a Purchase Payment has been in the contract for seven complete years, withdrawal charges no longer apply to that portion of the Purchase Payment. Please see the FEE TABLE, PURCHASING A VISTA CAPITAL ADVANTAGE VARIABLE ANNUITY and EXPENSES IN THE PROSPECTUS.

ACCESS TO YOUR MONEY: You may withdraw money from your contract during the Accumulation Phase. If you do so, earnings are deemed to be withdrawn first. You will pay income taxes on earnings and untaxed contributions when you withdraw them. Payments received during the Income Phase are considered partly a return of your original investment. A federal tax penalty may apply if you make withdrawals before age 59 1/2. As noted above, a withdrawal charge may apply. Please see ACCESS TO YOUR MONEY and TAXES in the prospectus.

DEATH BENEFIT: A death benefit feature is available under the contract to protect your Beneficiaries in the event of your death during the Accumulation Phase. Please see DEATH BENEFITS in the prospectus.

INCOME OPTIONS: When you are ready to begin taking income, you can choose to receive income payments on a variable basis, fixed basis or a combination of both. You may also chose from five different income options, including an option for income that you cannot outlive. Please see INCOME OPTIONS in the prospectus.

INQUIRIES: If you have questions about your contract call your financial advisor or contact us at First SunAmerica Life Insurance Company Annuity Service Center P.O. Box 54299 Los Angeles, California 90054-0299. Telephone Number: (800) 99NY-SUN.

FIRST SUNAMERICA OFFERS SEVERAL DIFFERENT VARIABLE ANNUITY PRODUCTS TO MEET THE DIVERSE NEEDS OF OUR INVESTORS. EACH PRODUCT MAY PROVIDE DIFFERENT FEATURES AND BENEFITS OFFERED AT DIFFERENT FEES CHARGES AND EXPENSES. WHEN WORKING WITH YOUR FINANCIAL ADVISOR TO DETERMINE THE BEST PRODUCT TO MEET YOUR NEEDS YOU SHOULD CONSIDER, AMONG OTHER THINGS, WHETHER THE FEATURES OF THIS CONTRACT AND THE RELATED FEES PROVIDE THE MOST APPROPRIATE PACKAGE TO HELP YOU MEET YOUR LONG-TERM RETIREMENT SAVINGS GOALS.

PLEASE READ THE PROSPECTUS CAREFULLY FOR MORE DETAILED INFORMATION REGARDING THESE AND OTHER FEATURES AND BENEFITS OF THE CONTRACT, AS WELL AS THE RISKS OF INVESTING.

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 FEE TABLES

THE FOLLOWING DESCRIBES THE FEES AND EXPENSES THAT YOU WILL PAY AT THE TIME THAT YOU TRANSFER CASH VALUE BETWEEN INVESTMENT OPTIONS OR SURRENDER THE CONTRACT. IF APPLICABLE, YOU MAY ALSO BE SUBJECT TO STATE PREMIUM TAXES.

MAXIMUM OWNER TRANSACTION EXPENSES

MAXIMUM WITHDRAWAL CHARGES (AS A PERCENTAGE OF EACH PURCHASE PAYMENT) (1)6%

<Table>
 <S> <C>
 TRANSFER FEE..... No charge for the first 15 transfers each contract year; thereafter, the fee is \$25 per transfer
 </Table>

FOOTNOTE TO THE FEE TABLES:

(1) Withdrawal Charge Schedule (as a percentage of each Purchase Payment) declines over 7 years as follows

<Table>
 <S> <C> <C> <C> <C> <C> <C> <C> <C>
 YEARS:..... 1 2 3 4 5 6 7 8
 6% 6% 5% 4% 3% 2% 1% 0%
 </Table>

THE FOLLOWING DESCRIBES THE FEES AND EXPENSES THAT YOU MAY PAY PERIODICALLY DURING THE TIME THAT YOU OWN THE CONTRACT, NOT INCLUDING UNDERLYING PORTFOLIO FEES AND EXPENSES WHICH ARE OUTLINED IN THE NEXT SECTION.

CONTRACT MAINTENANCE FEE
 \$30

SEPARATE ACCOUNT ANNUAL EXPENSES
 (DEDUCTED DAILY AS A PERCENTAGE OF YOUR AVERAGE DAILY NET ASSET VALUE)

<Table>
 <S> <C>
 Mortality and Expense Risk Fees..... 1.25%
 Distribution Expense Fee..... 0.15%

 TOTAL SEPARATE ACCOUNT ANNUAL EXPENSES..... 1.40%
 =====
 </Table>

THE FOLLOWING SHOWS THE MINIMUM AND MAXIMUM TOTAL OPERATING EXPENSES CHARGED BY THE UNDERLYING PORTFOLIOS OF THE TRUSTS BEFORE ANY WAIVERS OR REIMBURSEMENTS. MORE DETAIL CONCERNING THE TRUSTS' FEES AND EXPENSES IS CONTAINED IN THE PROSPECTUS FOR THE TRUSTS. PLEASE READ IT CAREFULLY BEFORE INVESTING.

PORTFOLIO EXPENSES

<Table>
 <Caption>
 TOTAL ANNUAL UNDERLYING PORTFOLIO EXPENSES MINIMUM MAXIMUM

 <S> <C> <C>
 (expenses that are deducted from underlying portfolios of the Trusts, including management fees, other expenses and 12b-1 fees, if applicable)..... 0.54% 1.25%
 </Table>

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 MAXIMUM AND MINIMUM EXPENSE EXAMPLES

These Examples are intended to help you compare the cost of investing in the contract with the cost of investing in other variable annuity contracts. These costs include owner transaction expenses, contract maintenance fee, separate account annual expenses and fees and expenses of the underlying portfolios of the Trusts.

The Examples assume that you invest \$10,000 in the contract for the time periods indicated; that your investment has a 5% return each year; and that the maximum and minimum fees and expenses of the underlying variable portfolios of the Trusts are reflected. Although your actual costs may be higher or lower, based on these assumptions, your costs at the end of the stated period would be:

MAXIMUM EXPENSE EXAMPLES

(ASSUMING MAXIMUM SEPARATE ACCOUNT ANNUAL EXPENSES OF 1.40% AND INVESTMENT IN AN UNDERLYING VARIABLE PORTFOLIO WITH TOTAL EXPENSES OF 1.25%)

(1) If you surrender your contract at the end of the applicable time period:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$873 | \$1,337 | \$1,728 | \$3,028 |

(2) If you annuitize your contract at the end of the applicable time period:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$268 | \$ 823 | \$1,405 | \$2,983 |

(3) If you do not surrender your contract:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$273 | \$ 837 | \$1,428 | \$3,028 |

MINIMUM EXPENSE EXAMPLES

(ASSUMING MINIMUM SEPARATE ACCOUNT ANNUAL CHARGES OF 1.40% AND INVESTMENT IN AN UNDERLYING VARIABLE PORTFOLIO WITH TOTAL EXPENSES OF 0.54%)

(1) If you surrender your contract at the end of the applicable time period and you do not elect the optional feature:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$802 | \$1,123 | \$1,371 | \$2,313 |

(2) If you annuitize your contract at the end of the applicable time period:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$197 | \$ 609 | \$1,047 | \$2,264 |

(3) If you do not surrender:

| 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|--------|---------|---------|----------|
| \$202 | \$ 623 | \$1,071 | \$2,313 |

EXPLANATION OF FEE TABLES AND EXAMPLES

1. The purpose of the Fee Tables is to show you the various expenses you would incur directly and indirectly by investing in the contract. The

tables represent both fees at the separate account (contract level) as well as total annual underlying variable account operating expenses. We converted the contract maintenance fee to a percentage (0.05%). The actual impact of the contract maintenance fee may differ from this percentage. Additional information on the portfolio company fees can be found in the accompanying Trust prospectuses.

2. In addition to the stated assumptions, the Examples also assume Separate Account charges as indicated and that no transfer fees were imposed.
3. THESE EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

THE HISTORICAL ACCUMULATION UNIT VALUES ARE CONTAINED IN APPENDIX C -- CONDENSED FINANCIAL INFORMATION

PERFORMANCE DATA

We advertise the Cash Management Portfolio's yield and effective yield. In addition, the other Variable Portfolios advertise total return, gross yield and yield-to-maturity. These figures represent past performance of the Variable Portfolios. These performance numbers do not indicate future results.

When we advertise performance for periods prior to the date the contracts were first issued, we derive the figures from the performance of the corresponding portfolios for the Trusts, if available. We modify these numbers to reflect charges and expenses as if the Variable Portfolio was in existence during the period stated in the advertisement. Figures calculated in this manner do not represent actual historic performance of the particular Variable Portfolio.

Consult the Statement of Additional Information for more detailed information regarding the calculation of performance data. The performance of each Variable Portfolio may also be measured against unmanaged market indices. The indices we use include but are not limited to the Dow Jones Industrial Average, the Standard & Poor's 500, the Russell 1000 Growth Index, the Morgan Stanley Capital International Europe, Australasia and Far East Index ("EAFE") and the Morgan Stanley Capital International World Index. We may compare the Variable Portfolios' performance to that of other variable annuities with similar objectives and policies as reported by independent ranking agencies such as Morningstar, Inc., Lipper Analytical Services, Inc. or Variable Annuity Research & Data Service ("VARDS").

First SunAmerica may also advertise the rating and other information assigned to it by independent industry ratings organizations. Some of those organizations are A.M. Best Company ("A.M. Best"), Moody's Investor's Service ("Moody's"), Standard & Poor's Insurance Rating Services ("S&P"), and Fitch Ratings ("Fitch's"). Best's and Moody's ratings reflect their current opinion of our financial strength and performance in comparison to others in the life and health insurance industry. S&P's and Fitch's ratings measure the ability of an insurance company to meet its obligations under insurance policies it issues. These two ratings do not measure the insurer's ability to meet non-policy obligations. Ratings in general do not relate to the performance of the Variable Portfolios.

DESCRIPTION OF FIRST SUNAMERICA, THE SEPARATE ACCOUNT
AND THE GENERAL ACCOUNT

FIRST SUNAMERICA LIFE INSURANCE COMPANY

First SunAmerica issues the Vista Capital Advantage Variable Annuity. When you purchase a Vista Capital Advantage Variable Annuity, a contract exists between you and First SunAmerica. First SunAmerica is a stock life insurance company organized under the laws of the state of New York on December 5, 1978. Its principal place of business is 733 Third Avenue, New York, New York 10017. First SunAmerica is an indirect wholly-owned subsidiary of American International Group, Inc. ("AIG"), a Delaware corporation.

First SunAmerica and its affiliates, SunAmerica Life Insurance Company, AIG SunAmerica Life Assurance Company, AIG SunAmerica Asset Management Corp., and the AIG Advisors Group, Inc. (comprising six wholly owned broker-dealers and two investment advisors), specialize in retirement savings and investment products and services. Business focuses include variable annuities, mutual funds and, broker-dealer services.

SEPARATE ACCOUNT

First SunAmerica originally established FS Variable Annuity Account Two (the "separate account") on May 24, 1994. The separate account is registered with the SEC as a unit investment trust under the Investment Company Act of 1940, as amended. First SunAmerica owns the assets of the separate account. However, the assets in the separate account are not chargeable with liabilities arising out of any other business conducted by First SunAmerica. Income gains and losses (realized and unrealized), resulting from assets in the separate account are credited to or charged against the separate account without regard to other income, gains, or losses of First SunAmerica. Assets in the separate account are not guaranteed by First SunAmerica.

GENERAL ACCOUNT

Money allocated to the fixed account options goes into First SunAmerica's general account. The general account consists of all of First SunAmerica's assets other than assets attributable to a separate account. All of the assets in the general account are chargeable with the claims of any First SunAmerica contract holders as well as all of its creditors. The general account funds are invested as permitted under state insurance laws.

VARIABLE PORTFOLIO OPTIONS

VARIABLE PORTFOLIOS

The Variable Portfolios invest in shares of the Trusts listed below. The Variable Portfolios are only available through the purchase of certain insurance contracts.

The Trusts serve as the underlying investment vehicles for other variable annuity contracts issued by First SunAmerica, and other affiliated/unaffiliated insurance companies. Neither First SunAmerica nor the Trusts believe that offering shares of the Trusts in this manner disadvantages you. Each Trust's advisers monitor for potential conflicts.

The Variable Portfolios along with their respective subadvisers are listed below:

ANCHOR SERIES TRUST -- CLASS 1

Wellington Management Company, LLP serves as subadviser to the Anchor Series Trust Portfolios. Anchor Series Trust ("AST") contains investment portfolios in addition to those listed here which are not available for investment under this contract.

SUNAMERICA SERIES TRUST -- CLASS 1

Various subadvisers provide investment advice for the SunAmerica Series Trust Portfolios. SunAmerica Series Trust ("SAST") contains investment portfolios in addition to those listed here which are not available for investment under this contract.

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| <Table> | | <C> |
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| STOCKS: | | |
| MANAGED BY DAVIS ADVISORS | | |
| - Davis Venture Value Portfolio | | SAST |
| MANAGED BY MARSICO CAPITAL MANAGEMENT, LLC | | |
| - Marsico Growth Portfolio | | SAST |
| MANAGED BY MASSACHUSETTS FINANCIAL SERVICES COMPANY | | |
| - MFS Total Return Portfolio | | SAST |
| MANAGED BY PUTNAM INVESTMENT MANAGEMENT, LLC | | |
| - International Growth and Income Portfolio | | SAST |
| BONDS: | | |
| MANAGED BY WELLINGTON MANAGEMENT COMPANY, LLC | | |
| - Government & Quality Bond Portfolio | | AST |
| CASH: | | |
| MANAGED BY BANC OF AMERICA CAPITAL MANAGEMENT, LLC | | |
| - Cash Management Portfolio | | SAST |

</Table>

You should read the accompanying prospectus for the Trusts carefully. These

prospectuses contain dated information about the Variable Portfolios, including each Variable Portfolio's investment objective and risk factors.

VOTING RIGHTS

First SunAmerica is the legal owner of the Trusts' shares. However, when a Variable Annuity solicits proxies in conjunction with a vote of shareholders, we must obtain your instructions on how to vote those shares. We vote all of the shares we own in proportion to your instructions. Should we determine that we are no longer required to comply with these rules, we will vote the shares in our own right.

SUBSTITUTION

We may amend your contract due to changes to the Variable Portfolios offered under your contract. For example, we may offer new Variable Portfolios, delete Variable Portfolios, or stop accepting allocations and/or investments in a particular Variable Portfolio. We may move assets and re-direct future premium allocations from one Variable Portfolio to another if we receive investor approval through a proxy vote or SEC approval for a fund substitution. This would occur if a Variable Portfolio is no longer an appropriate investment for the contract, for reasons such as continuing substandard performance, or for changes to the portfolio manager, investment objectives, risks and strategies, or federal or state laws. The new Variable Portfolio offered may have different fees and expenses. You will be notified of any upcoming proxies or substitutions that affect your Variable Portfolio choices.

FIXED ACCOUNT OPTIONS

FIXED ACCOUNTS

Your contract may offer Fixed Account Guarantee Periods ("FAGP") to which you may allocate certain Purchase Payments or contract value. Available guarantee periods may be for different lengths of time (such as 1, 3 or 5 years) and may have different guaranteed interest rates, as noted below. We guarantee the interest rate credited to amounts allocated to any available FAGP and that the rate will never be less than the minimum guaranteed interest rate as specified in your contract. Once established, the rates for specified payments do not change during the guarantee period. We determine the FAGPs offered at any time in Our sole discretion and We reserve the right to change the FAGPs that We make available at any

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time, unless state law requires Us to do otherwise. Please check with your financial representative to learn if any FAGPs are currently offered.

There are three interest rate scenarios for money allocated to the FAGPs. Each of these rates may differ from one another. Once declared, the applicable rate is guaranteed until the corresponding guarantee period expires. Under each scenario your money may be credited a different rate of interest as follows:

- Initial Rate: The rate credited to any portion of the initial Purchase Payment allocated to a FAGP.
- Current Rate: The rate credited to any portion of the subsequent Purchase Payments allocated to a FAGP.
- Renewal Rate: The rate credited to money transferred from a FAGP or a Variable Portfolio into a FAGP and to money remaining in a FAGP after expiration of a guarantee period.

When a FAGP ends, you may leave your money in the same FAGP or you may reallocate your money to another FAGP or to the Variable Portfolios. If you want to reallocate your money, you must contact Us within 30 days after the end of the current interest guarantee period and instruct Us as to where you would like the money invested. We do not contact you. If We do not hear from you, your money will remain in the same FAGP where it will earn interest at the renewal rate then in effect for that FAGP.

If you take money out of any available multi-year FAGP, before the end of the guarantee period, We make an adjustment to your contract. We refer to the adjustment as a market value adjustment ("MVA"). The MVA reflects any difference in the interest rate environment between the time you place your money in the FAGP and the time when you withdraw or transfer that money. This adjustment can increase or decrease your contract value. Generally, if interest rates drop between the time you put your money into a FAGP and the time you take it out, We credit a positive adjustment to your contract. Conversely, if interest rates increase during the same period, We post a negative adjustment to your contract. You have 30 days after the end of each guarantee period to reallocate your funds without incurring any MVA. APPENDIX A SHOWS HOW WE CALCULATE AND APPLY THE MVA.

All FAGPs may not be available in all states. We reserve the right to refuse any Purchase Payment to available FAGPs if we are crediting a rate equal to the minimum guaranteed interest rate specified in your contract. We may also offer the specific Dollar Cost Averaging Fixed Accounts ("DCAFA"). The rules, restrictions and operation of the DCAFAs may differ from the standard FAGPs described above, please see DOLLAR COST AVERAGING PROGRAM below for more details.

DOLLAR COST AVERAGING FIXED ACCOUNTS

You may invest initial and/or subsequent Purchase Payments in the DCA fixed accounts ("DCAFA"), if available. DCAFAs also credit a fixed rate of interest but are specifically designed to facilitate a dollar cost averaging program. Interest is credited to amounts allocated to the DCAFAs while your investment is transferred to the Variable Portfolios over certain specified time frames. The interest rates applicable to the DCAFA may differ from those applicable to any available FAGPs but will never be less than the minimum annual guaranteed interest rate as specified in your contract. However, when using a DCAFA the annual interest rate is paid on a declining balance as you systematically transfer your investment to the Variable Portfolios. Therefore, the actual effective yield will be less than the annual crediting rate. We determine the DCAFAs offered at any time in Our sole discretion and We reserve the right to change to DCAFAs that we make available at any time, unless state law requires us to do otherwise. See DOLLAR COST AVERAGING PROGRAM below for more information.

 EXPENSES

There are charges and expenses associated with your contract. These charges and expenses reduce your investment return. We will not increase the contract maintenance fee or the insurance and withdrawal charges under your contract. However, the investment charges under your contract may increase or decrease.

SEPARATE ACCOUNT CHARGES

The Company deducts a mortality and expense risk charge in the amount of 1.40%, annually of the value of your contract invested in the Variable Portfolios. We deduct the charge daily. This charge compensates the Company for the mortality and expense risk and the costs of contract distribution assumed by the Company.

Generally, the mortality risks assumed by the Company arise from its contractual obligations to make income payments after the Annuity Date and to provide a death benefit. The expense risk assumed by the Company is that the costs of administering the contracts and the Separate Account will exceed the amount received from the administrative fees and charges assessed under the contract.

If these charges do not cover all of our expenses, we will pay the difference. Likewise, if these charges exceed our expenses, we will keep the difference. The insurance charge is expected to result in a profit. Profit may be used for any legitimate cost/expense including distribution, depending upon market conditions.

WITHDRAWAL CHARGES

The contract provides a free withdrawal amount every year. (SEE CONTRACT CHARGES, FREE WITHDRAWAL AMOUNT, BELOW.) Additionally, earnings in your contract may be withdrawn free of withdrawal charges. If you take money out in excess of the free withdrawal amount, you may incur a withdrawal charge.

We apply a withdrawal charge against each Purchase Payment you put into the contract. After a Purchase Payment has been in the contract for seven complete years, no withdrawal charge applies to that Purchase Payment. The withdrawal charge equals a percentage of the Purchase Payment you take out of the contract. The withdrawal charge percentage declines each year a Purchase Payment is in the contract, as follows:

<Table>
 <Caption>

| YEAR | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| WITHDRAWAL CHARGE | 6% | 6% | 5% | 4% | 3% | 2% | 1% | 0% |

</Table>

When calculating the withdrawal charge, we treat withdrawals as coming first from the Purchase Payments that have been in your contract the longest. However, for tax purposes, your withdrawals are considered earnings first, then Purchase Payments.

Whenever possible, we deduct the withdrawal charge from the money remaining in your contract. If you withdraw all of your contract value, applicable withdrawal charges are deducted from the amount withdrawn.

We do not assess a withdrawal charge for money withdrawn to pay a death benefit or to begin the Income Phase of your contract. Withdrawals made prior to age 59 1/2 may result in a 10% IRS penalty tax. SEE TAXES, BELOW.

APPENDIX B provides more information on withdrawals and the withdrawal charge.

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INVESTMENT CHARGES

Charges are deducted from your Variable Portfolios for the advisory and other expenses of the Underlying Funds. THE FEE TABLES, ABOVE illustrate these charges and expenses. For more detailed information on these investment charges, refer to the attached prospectuses for the Trusts.

CONTRACT MAINTENANCE FEE

During the Accumulation Phase, we subtract a contract maintenance fee from your account once per contract year. This charge compensates us for the cost of contract administration. We deduct the \$30 contract maintenance fee on a pro-rata basis from your account value on your contract anniversary. If you withdraw your entire contract value, the fee is deducted from that withdrawal.

TRANSFER FEE

Generally, We currently permit 15 free transfers between investment options each contract year. After that, a charge of \$25 applies to each additional transfer in any one contract year. SEE TRANSFERS DURING THE ACCUMULATION PHASE, BELOW.

INCOME TAXES

We do not currently deduct income taxes from your contract. We reserve the right to do so in the future.

REDUCTION OR ELIMINATION OF CHARGES AND EXPENSES, AND ADDITIONAL AMOUNTS CREDITED

Sometimes sales of the contracts to groups of similarly situated individuals may lower our administrative and/or sales expenses. We reserve the right to reduce or waive certain charges and expenses when this type of sale occurs. In addition, we may also credit additional interest to policies sold to such groups. We determine which groups are eligible for such treatment. Some of the criteria used to make a determination are: size of the group; amount of expected Purchase Payments; relationship existing between us and prospective purchaser; nature of the purchase; length of time a group of contracts is expected to remain active; purpose of the purchase and whether that purpose increases the likelihood that our expenses will be reduced; and/or any other factors that we believe indicate that administrative and/or sales expenses may be reduced.

We may make such a determination regarding sales to our employees, our affiliates' employees and employees of currently contracted broker-dealers, our registered representatives and immediate family members of all of those described.

We reserve the right to change or modify any such determination or the treatment applied to a particular group, at any time.

FREE WITHDRAWAL AMOUNT

Your contract provides for a free withdrawal amount each year. Purchase Payments that are no longer subject to a withdrawal charge and not previously withdrawn, plus earnings, may be withdrawn without penalty.

After the first full contract year, the contract provides for a free withdrawal amount on your first withdrawal of the contract year. The free withdrawal amount is the greater of (1) 10% of your total Purchase Payments invested for at least one year and not yet withdrawn; only available for first withdrawal of contract year or (2) earnings in your contract. Total Purchase Payments are equal to your total Purchase Payments invested in the contract less any Purchase Payments withdrawn upon which a surrender charge was paid and the amount of the surrender charge. Additionally, once a Purchase Payment is no

longer subject to withdrawal charges, it is no longer included when determining total Purchase Payments.

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Upon a full surrender of your contract, to the extent you previously withdraw Purchase Payments free of a withdrawal charge under the free withdrawal provision, we will recoup the full withdrawal charge on such amounts, as if that money was still invested in the contract on the date of surrender.

We will waive the withdrawal charge upon payment of a death benefit. Where legally permitted, the withdrawal charge may be eliminated when a contract is issued to an officer, director or employee of the Company or its affiliates.

DESCRIPTION OF THE CONTRACTS

SUMMARY

This contract works in two stages, the Accumulation Phase and the Income Phase. Your contract is in the Accumulation Phase while you make payments into the contract. The Income Phase begins when you request that we begin making payments to you out of the money accumulated in your contract.

OWNERSHIP

The Vista Capital Advantage Variable Annuity is a Flexible Payment Deferred Annuity Contract. The contract holder is the person entitled to exercise all rights of ownership under the contract.

ANNUITANT

The annuitant is the person on whose life we base income payments. You may change the Annuitant at any time before the Annuity Date. You may also designate a second person on whose life, together with the annuitant, income payments depend. If the annuitant dies before the Annuity Date, you must notify us and select a new annuitant.

MODIFICATION OF THE CONTRACT

Only the Company's President, a Vice President or Secretary may approve a change or waive a provision of the contract. Any change or waiver must be in writing. We reserve the right to modify the terms of the contract as necessary to comply with changes in applicable law.

ASSIGNMENT

Contracts issued pursuant to Non-qualified plans that are not subject to Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA") may be assigned by the owner at any time during the lifetime of the Annuitant prior to the Annuity Date. We will not be bound by any assignment until written notice is received by us at our Annuity Service Center. We are not responsible for the validity, tax or other legal consequences of any assignment. An assignment will not affect any payments we may make or actions we may take before we receive notice of the assignment.

If the contract is issued pursuant to a Qualified plan (or a Non-qualified plan that is subject to Title 1 of ERISA), it may not be assigned, pledged or otherwise transferred except under such conditions as may be allowed under applicable law.

BECAUSE AN ASSIGNMENT MAY BE A TAXABLE EVENT, YOU SHOULD CONSULT A COMPETENT TAX ADVISER SHOULD YOU WISH TO ASSIGN YOUR CONTRACT.

DEATH BENEFIT

If you die during the Accumulation Phase of your contract, we pay a death benefit to your Beneficiary.

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If you were less than age 70 when your contract was issued, the death benefit is equal to the greater of:

1. the value of your contract at the time we receive satisfactory proof of death; or
2. total Purchase Payments less any withdrawals (and any fees or charges applicable to such withdrawals); or
3. the maximum anniversary value on any contract anniversary preceding your

death. The anniversary value equals the value of your contract on a contract anniversary plus any Purchase Payments and less any withdrawals (and any fees or charges applicable to such withdrawals) since that contract anniversary.

If you were age 70 or older when your contract was issued, the death benefit will equal the value of your contract at the time we receive satisfactory proof of death.

We do not pay the death benefit if you die after you switch to the Income Phase. However, if you die during the Income Phase, your Beneficiary receives any remaining guaranteed income payments in accordance with the income option you selected. (SEE INCOME PHASE, INCOME OPTIONS, BELOW.)

You name your Beneficiary. You may change the Beneficiary at any time, unless you previously made an irrevocable Beneficiary designation.

We pay the death benefit when we receive satisfactory proof of death. We consider the following satisfactory proof of death:

1. a certified copy of the death certificate; or
2. a certified copy of a decree of a court of competent jurisdiction as to the finding of death; or
3. a written statement by a medical doctor who attended the deceased at the time of death; or
4. any other proof satisfactory to us.

We may require additional proof before we pay the death benefit.

In any event, the death benefit must be paid within 5 years of the date of death unless the Beneficiary elects to have it payable in the form of an income option. If the Beneficiary elects an income option, it must be paid over the Beneficiary's lifetime or for a period not extending beyond the Beneficiary's life expectancy. Payments must begin within one year of the date of your death. If a Beneficiary does not elect a specific form of pay out within 60 days of our receipt of proof of death, we pay a lump sum death benefit to the Beneficiary.

If the Beneficiary is the spouse of a deceased owner, he or she can elect to continue the contract at the then current value. If the spouse continues the contract, we do not pay a death benefit to him or her.

PURCHASES, WITHDRAWALS AND CONTRACT VALUE

PURCHASE PAYMENTS

A Purchase Payment is the money you give us to buy a contract. Any additional money you give us to invest in the contract after purchase is a subsequent Purchase Payment.

First SunAmerica Life discontinued new sales of the contract as of the close of business on October 11, 2000. The Company will continue to accept subsequent payments on existing contracts.

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This chart shows the minimum initial and subsequent Purchase Payments permitted under your contract. These amounts depend upon whether your contract is Qualified or Non-qualified for tax purposes. SEE TAXES, BELOW.

<Table>
<Caption>

| | MINIMUM INITIAL PURCHASE PAYMENT | MINIMUM SUBSEQUENT PURCHASE PAYMENT |
|---------------|-------------------------------------|---|
| <S> Qualified | \$2,000 | \$250 |
| Non-Qualified | \$5,000 | \$250 |

</Table>

Prior Company approval is required to accept Purchase Payments greater than \$1,000,000. The Company reserves the right to refuse any Purchase Payment including one which would cause Total Purchase Payments to exceed \$1,000,000 at the time of the Purchase Payment. Further, we reserve the right to aggregate all contracts having the same owners' and/or annuitants' social security or federal

tax identification number for purposes of determining which contracts and/or purchase payments require Company pre-approval. Also, the optional automatic payment plan allows you to make subsequent Purchase Payments of as little as \$100.

We may refuse any Purchase Payment. In general, First SunAmerica will not issue a Qualified contract to anyone who is age 70 1/2 or older, unless it is shown that the minimum distribution required by the IRS is being made. In addition, we may not issue a contract to anyone over age 85.

ALLOCATION OF PURCHASE PAYMENTS

We invest your Purchase Payments in the fixed and variable investment options according to your instructions. If we receive a Purchase Payment without allocation instructions, we invest the money according to your last allocation instructions. SEE VARIABLE PORTFOLIO OPTIONS, AND FIXED ACCOUNT OPTIONS, ABOVE.

In order to issue your contract, we must receive your completed application, Purchase Payment allocation instructions and any other required paperwork at our principal place of business. We allocate your initial purchase payment within two days of receiving it. If we do not have complete information necessary to issue your contract, we will contact you. If we do not have the information necessary to issue your contract within 5 business days we will:

- Send your money back to you, or;
- Ask your permission to keep your money until we get the information necessary to issue the contract.

ACCUMULATION UNITS

When you allocate a Purchase Payment to the Variable Portfolios, we credit your contract with Accumulation Units of the separate account. We base the number of Accumulation Units you receive on the unit value of the Variable Portfolio as of the day we receive your money if we receive it before 1 p.m. Pacific Standard Time, or on the next business day's unit value if we receive your money after 1 p.m. Pacific Standard Time. The value of an Accumulation Unit will go up and down based on the performance of the Variable Portfolios.

We calculate the value of an Accumulation Unit each day that the New York Stock Exchange ("NYSE") is open as follows:

1. We determine the total value of money invested in a particular Variable Portfolio;
2. We subtract from that amount all applicable contract charges; and
3. We divide this amount by the number of outstanding Accumulation Units.

We determine the number of Accumulation Units credited to your contract by dividing the Purchase Payment by the Accumulation Unit value for the specific Variable Portfolio.

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EXAMPLE:

We receive a \$25,000 Purchase Payment from you on Wednesday. You allocate the money to the MFS Total Return Portfolio. The value of an Accumulation Unit for the MFS Total Return Portfolio is \$11.10 when the NYSE closes on Wednesday. Your Purchase Payment of \$25,000 is then divided by \$11.10 and we credit your contract on Wednesday night with 2252.52 Accumulation Units of the MFS Total Return Portfolio.

Performance of the Variable Portfolios and the charges and expenses under your contract affect Accumulation Unit values. These factors cause the value of your contract to go up and down.

FREE LOOK

You may cancel your contract within thirty days after receiving it and we will refund the greater of Premium Payments or contract value. First SunAmerica calls this a "free look." To cancel, you must mail the contract along with your free look request to the Annuity Service Center at P.O. Box 54299, Los Angeles, California 90054-0299. We will refund the value of your contract on the day we receive your request.

Additionally, all contracts issued as an IRA require the full return of Purchase Payments upon a free look request.

TRANSFERS DURING THE ACCUMULATION PHASE

Subject to our rules, restrictions and policies, during the Accumulation Phase you may transfer funds between the Variable Portfolios and/or any

available fixed account options by telephone or through the Company's website (<http://www.aigsunamerica.com>) or in writing by mail or facsimile. All transfer instructions submitted via facsimile must be sent to (818) 615-1543, otherwise they will not be considered received by us. We may accept transfers by telephone or the Internet unless you tell us not to on your contract application. When receiving instructions over the telephone or the Internet, we follow procedures we have adopted to provide reasonable assurance that the transactions executed are genuine. Thus, we are not responsible for any claim, loss or expense from any error resulting from instructions received over the telephone or the Internet. If we fail to follow our procedures, we may be liable for any losses due to unauthorized or fraudulent instructions.

Any transfer request will be priced as of the day it is received in good order by us if the request is processed before the close of the New York Stock Exchange ("NYSE"), usually at 1:00 p.m. Pacific Time. If the transfer request is processed after the NYSE closes, the request will be priced as of the next business day.

Funds already in your contract cannot be transferred into the DCA fixed accounts. You must transfer at least \$100 per transfer. If less than \$100 remains in any Variable Portfolio after a transfer, that amount must be transferred as well.

TRANSFER POLICIES

This product is not designed for contract owners engaged in trading strategies that seek to benefit from short-term price fluctuations or price inefficiencies in the Variable Portfolios of this product ("Short-Term Trading"). Such Short-Term Trading may create risks that may result in adverse effects on investment return of an underlying fund. Such risks may include, but are not limited to: (1) interference with the management and planned investment strategies of an underlying fund and/or (2) increased brokerage and administrative costs due to forced and unplanned fund turnover; both of which may dilute the value of the shares in the underlying fund and reduce value for all investors in the Variable Portfolio. In addition to negatively impacting the contract owner, a reduction in contract value may also be harmful to annuitants and/or beneficiaries. We have adopted administrative procedures to discourage Short-Term Trading.

We charge for transfers in excess of 15 in any contract year. Currently, the fee is \$25 (\$10 in Pennsylvania and Texas) for each transfer exceeding this limit. Transfers resulting from your

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participation in the DCA or Asset Rebalancing programs are not counted towards the number of free transfers per contract year.

In addition to charging a fee when you exceed 15 transfers as described in the preceding paragraph, all transfer requests in excess of 15 transfers per contract year must be submitted in writing by United States Postal Service first-class mail ("U.S. Mail") until your next contract anniversary. We will not accept transfer requests sent by any other medium except U.S. Mail until your next contract anniversary. For purposes of determining the number of transfers for the U.S. Mail requirement, contracts subject to certain asset allocation services will be calculated on a calendar year instead of a contract year. Transfer requests required to be submitted by U.S. Mail can only be cancelled by a written request sent by U.S. Mail. Transfers resulting from your participation in the DCA or Asset Rebalancing programs are not included for the purposes of determining the number of transfers for the U.S. Mail requirement. We try to ensure that the U.S. Mail Policy is uniformly and consistently applied to all contract owners. However, as discussed below, our ability to detect and deter Short-Term Trading may be limited. Therefore, Short-Term Trading may occur and the Variable Portfolios may be negatively impacted.

In connection with our efforts to deter Short-Term Trading, we may become aware of trading activity that appears detrimental to the Variable Portfolios. If we determine that your transfer patterns among the Variable Portfolios and/or available fixed accounts reflect what we consider to be Short-Term Trading, we may require you to adhere to our U.S. Mail policy described above prior to reaching the specified number of transfers within the defined period for a period that we determine. To the extent we become aware of Short-Term Trading activities which cannot be reasonably controlled by the U.S. Mail Policy, we also reserve the right to impose further limits on the number and frequency of transfers you can make, impose minimum holding periods, pass through to you redemption fees imposed by the underlying funds and/or reject any transfer request or terminate your transfer privileges. We will notify you in writing if your transfer privileges are terminated. In addition, we reserve the right to not accept transfers from a financial representative acting for you and not to accept preauthorized transfer forms. We try to ensure that the restrictions and policies applicable to Short-Term Trading are uniformly and consistently applied to all contract owners. However, as discussed below, our ability to detect and deter Short-Term Trading may be limited. Therefore, Short-Term Trading may occur and the Variable Portfolios may be negatively impacted.

Some of the factors we may consider when determining whether to accelerate the U.S. Mail policy, reject or impose other conditions on transfer privileges include:

- (1) the number of transfers made in a defined period;
- (2) the dollar amount of the transfer;
- (3) the total assets of the Variable Portfolio involved in the transfer and/or transfer requests that represent a significant portion of the total assets of the Variable Portfolio;
- (4) the investment objectives and/or asset classes of the particular Variable Portfolio involved in your transfers;
- (5) whether the transfer appears to be part of a pattern of transfers to take advantage of short-term market fluctuations or market inefficiencies; and/or
- (6) other activity, as determined by us, that creates an appearance, real or perceived, of Short-Term Trading.

Notwithstanding the administrative procedures above, there may be limitations on the effectiveness of these procedures. Our ability to detect and deter Short-Term Trading may be limited by operational systems and technological limitations. Despite our efforts, we cannot guarantee that we will detect all Short-Term Trading. To the extent that we are unable to detect and deter Short-Term Trading, the Variable Portfolios may be negatively impacted as described above. Additionally, the Variable Portfolios may be harmed by transfer activity related to other insurance companies and/or retirement plans or other investors that invest in shares of the underlying fund. You should be aware

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that the design of our administrative procedures involves inherently subjective decisions, which we attempt to make in a fair and reasonable manner consistent with the interests of all owners of this contract. We try to ensure that the restrictions and policies applicable to Short-Term Trading are uniformly and consistently applied to all contract owners. However, as discussed above, our ability to detect and deter Short-Term Trading may be limited. Therefore, Short-Term Trading may occur and the Variable Portfolios may be negatively impacted. We do not enter into agreements with contract owners whereby we permit Short-Term Trading in exchange for other investments in our products.

As stated above, we try to ensure that the Short-Term Trading restrictions and policies apply uniformly and consistently to all contract owners with the exception of transfers that occur through omnibus group contracts. The Short-Term Trading policies and procedures, which include the U.S. Mail policy are not applied to such contracts. Omnibus group contracts may invest in the same underlying funds available in your contract but on an aggregate, not individual basis. Thus, we have limited ability to detect Short-Term Trading in omnibus group contracts and our inability to detect Short-Term Trading may negatively impact the Variable Portfolios as described above.

WE RESERVE THE RIGHT TO MODIFY THE POLICIES AND PROCEDURES DESCRIBED IN THIS SECTION AT ANY TIME. To the extent that we exercise this reservation of rights, we will do so uniformly and consistently unless we disclose otherwise.

For information regarding transfers during the Income Phase, see INCOME OPTIONS below.

DOLLAR COST AVERAGING PROGRAM

The Dollar Cost Averaging ("DCA") program allows you to invest gradually in the Variable Portfolios. Under the program you systematically transfer a set dollar amount or percentage of portfolio value from one Variable Portfolio or DCAFAs (source account) to any other Variable Portfolio (target account). Transfers may occur on certain periodic schedules such as monthly or weekly and do not count against your 15 free transfers per contract year. You may change the frequency to other available options at any time by notifying us in writing. The minimum transfer amount under the DCA program is \$100 per transaction, regardless of the source account. Currently, there is no fee for participating in the DCA program.

We may offer DCAFAs exclusively to facilitate the DCA program for a specified time period. The DCAFAs only accept new Purchase Payments. You cannot transfer money already in your contract into the DCAFAs. If you allocate new Purchase Payments into a DCAFA, we transfer all your money into the Variable Portfolios over the selected time period. You cannot change the option once selected.

You may terminate the DCA program at any time. If money remains in the DCAFAs, we transfer the remaining money according to your instructions or to

your current allocation on file. Upon termination of the DCA program, if money remains in the DCA fixed accounts, we transfer the remaining money to the same target account(s) as previously designated, unless we receive different instructions from you. Transfers resulting from a termination of this program do not count towards your 15 free transfers.

The DCA program is designed to lessen the impact of market fluctuations on your investment. However, we cannot ensure that you will make a profit. When you elect the DCA program, you are continuously investing in securities regardless of fluctuating price levels. You should consider your tolerance for investing through periods of fluctuating price levels.

We reserve the right to modify, suspend or terminate this program at any time.

EXAMPLE:

Assume that you want to gradually move \$750 each quarter from the Cash Management Portfolio to the Marsico Growth Portfolio over six months. You set up dollar cost averaging and purchase Accumulation Units at the following values:

<Table>
<Caption>

| MONTH | ACCUMULATION UNIT | UNITS PURCHASED |
|-------|-------------------|-----------------|
| <S> | <C> | <C> |
| 1 | \$ 7.50 | 100 |
| 2 | \$ 5.00 | 150 |
| 3 | \$10.00 | 75 |
| 4 | \$ 7.50 | 100 |
| 5 | \$ 5.00 | 150 |
| 6 | \$ 7.50 | 100 |

</Table>

You paid an average price of only \$6.67 per Accumulation Unit over six months, while the average market price actually was \$7.08. By investing an equal amount of money each month, you automatically buy more Accumulation Units when the market price is low and fewer Accumulation Units when the market price is high. This example is for illustrative purposes only.

AUTOMATIC ASSET ALLOCATION REBALANCING PROGRAM

Earnings in your contract may cause the percentage of your investment in each investment option to differ from your original allocations. The Automatic Asset Rebalancing Program addresses this situation. At your election, we periodically rebalance your investments to return your allocations to their original percentages.

Asset rebalancing typically involves shifting a portion of your money out of an investment option with a higher return into an investment option with a lower return. At your request, rebalancing occurs on a quarterly, semiannual or annual basis. Transfers made as a result of rebalancing do not count against your 15 free transfers for the contract year.

We reserve the right to modify, suspend or terminate this program at any time.

EXAMPLE:

Assume that you want your initial Purchase Payment split between two Variable Portfolios. You want 50% in the Government & Quality Bond Income Portfolio and 50% in the Marsico Growth Portfolio. Over the next calendar quarter, the Government & Quality Bond Portfolio outperforms the Marsico Growth Portfolio. At the end of the calendar quarter, the Government & Quality Bond Portfolio now represents 60% of your holdings because it has increased in value and the Marsico Growth Portfolio represents 40% of your holdings. If you had chosen quarterly rebalancing, on the last day of that quarter, First SunAmerica would sell some of your units in the Government & Quality Bond Portfolio to bring its holdings back to 50% and use the money to buy more units in the Marsico Growth Portfolio to increase those holdings to 50%.

RETURN PLUS PROGRAM

The Return Plus Program allows you to invest in one or more Variable Portfolios without putting your principal at direct risk. The program accomplishes this by allocating your investment strategically between the fixed investment options and Variable Portfolios. You decide how much you want to

invest and approximately when you want a return of principal. First SunAmerica calculates how much of your Purchase Payment to be allocate to the particular fixed account option to ensure that it grows to an amount equal to your total principal invested under this program. The remaining principal is invested in the Variable Portfolio(s) of your choice.

First SunAmerica reserves the right to modify, suspend or terminate this program at any time.

EXAMPLE:

Assume that you want to allocate a portion of your initial Purchase Payment of \$100,000 to the fixed investment option. You want the amount allocated to the fixed investment option to grow to \$100,000 in 7 years. If the 7-year fixed investment option is offering a 5% interest rate, First SunAmerica allocates \$71,069 to the 7-year fixed investment option to ensure that this amount will grow to \$100,000 at the end of the 7-year period. The remaining \$28,931 may be allocated among the Variable Portfolios, as determined by you, to provide opportunity for greater growth.

WITHDRAWALS

You can access money in your contract in two ways:

- by making a partial or total withdrawal, and/or;
- by receiving income payments during the Income Phase. (SEE INCOME PHASE, BELOW.)

Generally, we deduct a withdrawal charge applicable to any total or partial withdrawal and a MVA against withdrawals from the 3, 5, 7 or 10 year fixed account options. If you withdraw your entire contract value, a deduction for the contract maintenance fee also occurs. (SEE CONTRACT CHARGES, WITHDRAWAL CHARGES, ABOVE.)

Under most circumstances, the partial withdrawal minimum is \$1,000. We require that the value left in any investment option be at least \$100 after the withdrawal. You must send a written withdrawal request. Unless you provide different instructions, partial withdrawals will be made pro rata from each Variable Portfolio and the fixed account option in which your contract is invested.

Under certain Qualified plans, access to the money in your contract may be restricted. Additionally, withdrawals made prior to age 59 1/2 may result in a 10% IRS penalty tax. (SEE TAXES ON BELOW.)

We may be required to suspend or postpone the payment of a withdrawal for any period of time when: (1) the NYSE is closed (other than customary weekend and holiday closings); (2) trading with the NYSE is restricted; (3) an emergency exists such that disposal of or determination of the value of shares of the Variable Portfolios is not reasonably practicable; (4) the SEC, by order, so permits for the protection of contract owners.

Additionally, we reserve the right to defer payments for a withdrawal from a fixed account option. Such deferrals are limited to no longer than six months.

SYSTEMATIC WITHDRAWAL PROGRAM

During the Accumulation Phase, you may elect to receive periodic income payments under the systematic withdrawal program. Under the program, you may choose to take monthly, quarterly, semiannual or annual payments from your contract. Electronic transfer of these funds to your bank account is available. The minimum amount of each withdrawal is \$250. There must be at least \$100 remaining in each Variable Portfolio after a withdrawal from your contract at all times. Withdrawals may be subject to a withdrawal charge, a MVA and taxation, and a 10% IRS penalty tax may apply if you are under age 59 1/2. There is no additional charge for participating in this program.

The program is not available to everyone. Please check with our Annuity Service Center, which can provide the necessary enrollment forms. First SunAmerica reserves the right to modify, suspend or terminate this program at any time.

MINIMUM CONTRACT VALUE

Where permitted by state law, we may terminate your contract if both of the following occur: (1) your contract is less than \$500 as a result of withdrawals; and (2) you have not made any Purchase Payments during the past three years. We will provide you with sixty days written notice. At the end of the notice period, we will distribute the contract value to you.

INCOME PHASE

ANNUITY DATE

During the Income Phase, we use the money accumulated in your contract to make regular income payments to you. You may switch to the Income Phase any time after your 2nd contract anniversary. You select the month and year in which you want income payments to begin. The first day of that month is the Annuity Date. You may change your Annuity Date, so long as you do so at least seven days before the income payments are scheduled to begin. Once you begin receiving income payments, you cannot change your income option. Except as indicated under Option 5 below, once you begin receiving income payments, you cannot otherwise access your money through a withdrawal or surrender.

Income payments must begin on or before your 90th birthday or on your tenth contract anniversary, whichever occurs later. If you do not choose an Annuity Date, your income payments will automatically begin on this date. Certain states may require your income payments to start earlier.

If the Annuity Date is past your 85th birthday, your contract could lose its status as an annuity under Federal tax laws. This may cause you to incur adverse tax consequences.

In addition, most Qualified contracts require you to take minimum distributions after you reach age 70 1/2. (SEE TAXES, BELOW.)

INCOME OPTIONS

Currently, this contract offers five income options. If you elect to receive income payments but do not select an option, your income payments will be made in accordance with option 4 for a period of 10 years. For income payments based on joint lives, we pay according to option 3.

We base our calculation of income payments on the life of the Annuitant and the annuity rates set forth in your contract. As the contract owner, you may change the Annuitant at any time prior to the Annuity Date. You must notify us if the Annuitant dies before the Annuity Date and designate a new Annuitant.

OPTION 1 -- LIFE INCOME ANNUITY

This option provides income payments for the life of the Annuitant. Income payments stop when the Annuitant dies.

OPTION 2 -- JOINT AND SURVIVOR LIFE ANNUITY

This option provides income payments for the life of the Annuitant and for the life of another designated person. Upon the death of either person, we will continue to make income payments during the lifetime of the survivor. Income payments stop whenever the survivor dies.

OPTION 3 -- JOINT AND SURVIVOR LIFE ANNUITY WITH 10 YEARS GUARANTEED

This option is similar to option 2 above, with an additional guarantee of payments for at least 10 years. If the Annuitant and the survivor die before all of the guaranteed income payments have been made, the remaining payments are made to the Beneficiary under your contract.

OPTION 4 -- LIFE ANNUITY WITH 10 OR 20 YEARS GUARANTEED

This option is similar to option 1 above. In addition, this option provides a guarantee that income payments will be made for at least 10 or 20 years. You select the number of years. If the Annuitant dies before all guaranteed income payments are made, the remaining income payments go to the Beneficiary under your contract.

OPTION 5 -- INCOME FOR A SPECIFIED PERIOD

This option provides income payments for a guaranteed period ranging from 3 to 30 years. If the Annuitant dies before all of the guaranteed income payments are made, the remaining income payments will be made to the Beneficiary under your contract. Additionally, if variable payments are elected under this option, you (or the Beneficiary under the contract if the Annuitant dies prior to all the guaranteed payments being made) may redeem the contract value after the Annuity Date. The amount available upon such redemption would be the discounted present value of any remaining guaranteed payments.

Please read the SAI for a more detailed discussion of the income options.

You can choose income payments that are fixed, variable or both. If at the date when income payments begin you are invested in the Variable Portfolios only, your income payments will be variable. If your money is only in fixed accounts at that time, your income payments will be fixed in amount. Further, if you are invested in both the fixed and variable investment options when payments begin your payments will be fixed and variable. If income payments are fixed, First SunAmerica guarantees the amount of each payment. If the income payments are variable, the amount is not guaranteed.

We make income payments on a monthly, quarterly, semiannual or annual basis. You instruct us to send you a check or to have the payments directly deposited into your bank account. If state law allows, we distribute annuities with a contract value of \$5,000 or less in a lump sum. Also, if the selected income option results in income payments of less than \$50 per payment, the frequency of your payments may be decreased, state law allowing.

If you are invested in the Variable Portfolios after the Annuity Date your income payments vary depending on four things:

- for life options, your age when payments begin, and;
- the value of your contract in the Variable Portfolios on the Annuity Date, and;
- the 3.5% assumed investment rate used in the annuity table for the contract, and;
- the performance of the Variable Portfolios in which you are invested during the time you receive income payments.

If you are invested in both the fixed account options and the Variable Portfolios after the Annuity Date, the allocation of funds between the fixed and variable options also impacts the amount of your income payments.

TRANSFERS DURING THE INCOME PHASE

During the Income Phase, one transfer per month is permitted from the Variable Portfolios to another Variable Portfolio or fixed account option. No other transfers are allowed during the Income Phase.

DEFERMENT OF PAYMENTS

We may defer making fixed income payments for up to six months, or less if required by law. Interest is credited to you during the deferral period.

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TAXES

NOTE: WE PREPARED THE FOLLOWING INFORMATION ON TAXES AS A GENERAL DISCUSSION OF THE SUBJECT. THE BASIC SUMMARY BELOW ADDRESSES BROAD FEDERAL TAXATION MATTERS, AND GENERALLY DOES NOT ADDRESS STATE TAXATION ISSUES OR QUESTIONS. IT IS NOT TAX ADVICE. WE CAUTION YOU TO SEEK COMPETENT TAX ADVICE ABOUT YOUR OWN CIRCUMSTANCES. WE DO NOT GUARANTEE THE TAX STATUS OF YOUR ANNUITY. TAX LAWS CONSTANTLY CHANGE, THEREFORE, WE CANNOT GUARANTEE THAT THE INFORMATION CONTAINED HEREIN IS COMPLETE AND/OR ACCURATE. WE HAVE INCLUDED AN ADDITIONAL DISCUSSION REGARDING TAXES IN THE SAI.

ANNUITY CONTRACTS IN GENERAL

The Internal Revenue Code ("IRC") provides for special rules regarding the tax treatment of annuity contracts. Generally, taxes on the earnings in your annuity contract are deferred until you take the money out. Qualified retirement investments that satisfy specific tax and ERISA requirements automatically provide tax deferral regardless of whether the underlying contract is an annuity, a trust, or a custodial account. Different rules apply depending on how you take the money out and whether your contract is Qualified or Non-Qualified.

If you do not purchase your contract under a pension plan, a specially sponsored employer program or an individual retirement account, your contract is referred to as a Non-Qualified contract. A Non-Qualified contract receives different tax treatment than a Qualified contract. In general, your cost basis in a Non-Qualified contract is equal to the Purchase Payments you put into the contract. You have already been taxed on the cost basis in your contract.

If you purchase your contract under a pension plan, a specially sponsored employer program or as an individual retirement account, your contract is referred to as a Qualified contract. Examples of qualified plans are: Individual

Retirement Accounts ("IRAs"), Roth IRAs, Tax-Sheltered Annuities (referred to as 403(b) contracts), plans of self-employed individuals (often referred to as H.R. 10 Plans or Keogh Plans) and pension and profit sharing plans, including 401(k) plans. Typically you have not paid any tax on the Purchase Payments used to buy your contract and therefore, you have no cost basis in your contract. However, you normally will have cost basis in a Roth IRA, and you may have cost basis in a traditional IRA or in another Qualified Contract.

TAX TREATMENT OF DISTRIBUTIONS -- NON-QUALIFIED CONTRACTS

If you make a partial or total withdrawal from a Non-Qualified contract, the IRC treats such a withdrawal as first coming from the earnings and then as coming from your Purchase Payments. Purchase payments made prior to August 14, 1982, however, are an important exception to this general rule, and for tax purposes are treated as being distributed before the earnings on those contributions. If you annuitize your contract, a portion of each income payment will be considered, for tax purposes, to be a return of a portion of your Purchase Payment(s). Any portion of each income payment that is considered a return of your Purchase Payment will not be taxed. Withdrawn earnings are treated as income to you and are taxable. The IRC provides for a 10% penalty tax on any earnings that are withdrawn other than in conjunction with the following circumstances: (1) after reaching age 59 1/2; (2) when paid to your Beneficiary after you die; (3) after you become disabled (as defined in the IRC); (4) when paid in a series of substantially equal installments made for your life or for the joint lives of you and your Beneficiary; (5) under an immediate annuity; or (6) which are attributable to Purchase Payments made prior to August 14, 1982.

TAX TREATMENT OF DISTRIBUTIONS - QUALIFIED CONTRACTS INCLUDING GOVERNMENTAL 457(B) ELIGIBLE DEFERRED COMPENSATION PLANS

Generally, you have not paid any taxes on the Purchase Payments used to buy a Qualified contract. As a result, with certain limited exceptions, any amount of money you take out as a

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withdrawal or as income payments is taxable income. In the case of certain Qualified contracts, the IRC further provides for a 10% penalty tax on any taxable withdrawal or income payment paid to you other than in conjunction with the following circumstances: (1) after reaching age 59 1/2; (2) when paid to your Beneficiary after you die; (3) after you become disabled (as defined in the IRC); (4) in a series of substantially equal installments, made for your life or for the joint lives of you and your Beneficiary, that begins after separation from service with the employer sponsoring the plan; (5) to the extent such withdrawals do not exceed limitations set by the IRC for deductible amounts paid during the taxable year for medical care; (6) to fund higher education expenses (as defined in IRC; only from an IRA); (7) to fund certain first-time home purchase expenses (only from an IRA); and, except in the case of an IRA; (8) when you separate from service after attaining age 55; (9) when paid for health insurance if you are unemployed and meet certain requirements; and (10) when paid to an alternate payee pursuant to a qualified domestic relations order. This 10% penalty tax does not apply to withdrawals or income payments from governmental 457(b) eligible deferred compensation plans, except to the extent that such withdrawals or income payments are attributable to a prior rollover to the plan (or earnings thereon) from another plan or arrangement that was subject to the 10% penalty tax.

The IRC limits the withdrawal of an employee's voluntary Purchase Payments to a Tax-Sheltered Annuity (TSA). Withdrawals can only be made when an owner: (1) reaches age 59 1/2; (2) severs employment with the employer; (3) dies; (4) becomes disabled (as defined in the IRC); or (5) experiences a hardship (as defined in the IRC). In the case of hardship, the owner can only withdraw Purchase Payments. Additional plan limitations may also apply. Amounts held in a TSA annuity contract as of December 31, 1988 are not subject to these restrictions. Qualifying transfers of amounts from one TSA contract to another TSA contract under section 403(b) or to a custodial account under section 403(b)(7), and qualifying transfers to a state defined benefit plan to purchase service credits, are not considered distributions, and thus are not subject to these withdrawal limitations. If amounts are transferred from a custodial account described in Code section 403(b)(7) to this contract the transferred amount will retain the custodial account withdrawal restrictions.

Withdrawals from other Qualified Contracts are often limited by the IRC and by the employer's plan.

MINIMUM DISTRIBUTIONS

Generally, the IRS requires that you begin taking annual distributions from qualified annuity contracts by April 1 of the calendar year following the later of (1) the calendar year in which you attain age 70 1/2 or (2) the calendar year in which you retire. If you own an IRA, you must begin taking distributions when you attain age 70 1/2, regardless of when you retire. If you own more than one TSA, you may be permitted to take your annual distributions in any combination from your TSAs. A similar rule applies if you own more than one IRA. However,

you cannot satisfy this distribution requirement for your TSA contract by taking a distribution from an IRA, and you cannot satisfy the requirement for your IRA by taking a distribution from a TSA.

You may be subject to a surrender charge on withdrawals taken to meet minimum distribution requirements, if the withdrawals exceed the contract's maximum penalty free amount.

Failure to satisfy the minimum distribution requirements may result in a tax penalty. You should consult your tax advisor for more information.

You may elect to have the required minimum distribution amount on your contract calculated and withdrawn each year under the automatic withdrawal option. You may select either monthly, quarterly, semiannual or annual withdrawals for this purpose. This service is provided as a courtesy and we do not guarantee the accuracy of our calculations. Accordingly, we recommend you consult your tax advisor concerning your required minimum distribution. You may terminate your election for automated minimum distribution at any time by sending a written request to our Annuity Service Center. We reserve the right to change or discontinue this service at any time.

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The IRS issued new regulations, effective January 1, 2003, regarding required minimum distributions from qualified annuity contracts. One of the regulations requires that the annuity contract value used to determine required minimum distributions include the actuarial value of other benefits under the contract, such as optional death benefits. This regulation does not apply to required minimum distributions made under an irrevocable annuity income option. We are currently awaiting further clarification from the IRS on this regulation, including how the value of such benefits is determined. You should discuss the effect of these new regulations with your tax advisor.

TAX TREATMENT OF DEATH BENEFITS

Any death benefits paid under the contract are taxable to the Beneficiary. The rules governing the taxation of payments from an annuity contract, as discussed above, generally apply whether the death benefits are paid as lump sum or annuity payments. Estate taxes may also apply.

Certain enhanced death benefits may be purchased under your contract. Although these types of benefits are used as investment protection and should not give rise to any adverse tax effects, the IRS could take the position that some or all of the charges for these death benefits should be treated as a partial withdrawal from the contract. In such case, the amount of the partial withdrawal may be includible in taxable income and subject to the 10% penalty if the owner is under 59 1/2.

If you own a Qualified contract and purchase these enhanced death benefits, the IRS may consider these benefits "incidental death benefits." The IRC imposes limits on the amount of the incidental death benefits allowable for Qualified contracts. If the death benefit(s) selected by you are considered to exceed these limits, the benefit(s) could result in taxable income to the owner of the Qualified contract. Furthermore, the IRC provides that the assets of an IRA (including a Roth IRA) may not be invested in life insurance, but may provide, in the case of death during the Accumulation Phase, for a death benefit payment equal to the greater of Purchase Payments or Contract Value. This Contract offers death benefits, which may exceed the greater of Purchase Payments or Contract Value. If the IRS determines that these benefits are providing life insurance, the contract may not qualify as an IRA (including Roth IRAs). You should consult your tax adviser regarding these features and benefits prior to purchasing a contract.

CONTRACTS OWNED BY A TRUST OR CORPORATION

A Trust or Corporation ("Non-Natural Owner") that is considering purchasing this contract should consult a tax advisor. Generally, the IRC does not treat a Non-Qualified contract owned by a non-natural owner as an annuity contract for Federal income tax purposes. The non-natural owner pays tax currently on the contract's value in excess of the owner's cost basis. However, this treatment is not applied to a Contract held by a trust or other entity as an agent for a natural person nor to Contracts held by Qualified Plans. See the SAI for a more detailed discussion of the potential adverse tax consequences associated with non-natural ownership of a non-qualified annuity contract.

GIFTS, PLEDGES AND/OR ASSIGNMENTS OF A NON-QUALIFIED CONTRACT

If you transfer ownership of your Non-Qualified contract to a person other than your spouse (or former spouse incident to divorce) as a gift you will pay federal income tax on the contract's cash value to the extent it exceeds your cost basis. The recipient's cost basis will be increased by the amount on which you will pay federal taxes. In addition, the IRC treats any assignment or pledge (or agreement to assign or pledge) of any portion of a Non-Qualified contract as a withdrawal. See the SAI for a more detailed discussion regarding potential tax

consequences of gifting, assigning or pledging a non-qualified contract.

The IRC prohibits Qualified annuity contracts including IRAs from being transferred, assigned or pledged as security for a loan. This prohibition, however, generally does not apply to loans under an employer-sponsored plan (including loans from the annuity contract) that satisfy certain require-

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ments, provided that: (a) the plan is not an unfunded deferred compensation plan; and (b) the plan funding vehicle is not an IRA.

DIVERSIFICATION AND INVESTOR CONTROL

The IRC imposes certain diversification requirements on the underlying investments for a variable annuity. We believe that the management of the underlying Variable Portfolios' monitors the Variable Portfolios so as to comply with these requirements. To be treated as a variable annuity for tax purposes, the underlying investments must meet these requirements.

The diversification regulations do not provide guidance as to the circumstances under which you, and not First SunAmerica, would be considered the owner of the shares of the Variable Portfolios under your Nonqualified Contract, because of the degree of control you exercise over the underlying investments. This diversification requirement is sometimes referred to as "investor control." It is unknown to what extent owners are permitted to select investments, to make transfers among Variable Portfolios or the number and type of Variable Portfolios owners may select from. If any guidance is provided which is considered a new position, then the guidance would generally be applied prospectively. However, if such guidance is considered not to be a new position, it may be applied retroactively. This would mean you, as the owner of the Nonqualified Contract, could be treated as the owner of the underlying Variable Portfolios. Due to the uncertainty in this area, we reserve the right to modify the contract in an attempt to maintain favorable tax treatment.

These investor control limitations generally do not apply to Qualified Contracts, which are referred to as "Pension Plan Contracts" for purposes of this rule, although the limitations could be applied to Qualified Contracts in the future.

ADMINISTRATION

We are responsible for the administrative servicing of your contract. Please contact our Annuity Service Center at 1-800-99NY-SUN, if you have any comment, question or service request.

We send out transaction confirmations and quarterly statements. During the accumulation phase, you will receive confirmation of transactions within your contract. Transactions made pursuant to contractual or systematic agreements, such as deduction of the annual maintenance fee and dollar cost averaging, may be confirmed quarterly. Purchase payments received through the automatic payment plan or a salary reduction arrangement, may also be confirmed quarterly. For all other transactions, we send confirmations immediately.

During the accumulation and income phases, you will receive a statement of your transactions over the past quarter and a summary of your account values.

It is your responsibility to review these documents carefully and notify us of any inaccuracies immediately. We investigate all inquiries. To the extent that we believe we made an error, we retroactively adjust your contract, provided you notify us within 30 days of receiving the transaction confirmation or quarterly statement. Any other adjustments we deem warranted are made as of the time we receive notice of the error.

DISTRIBUTION OF CONTRACTS

Registered representatives of broker-dealers sell the contract. First SunAmerica pays commissions to these representatives for the sale of the contracts. We do not expect the total commissions to exceed 6.5% of your Purchase Payments. We may also pay a bonus to representatives for contracts which stay active for a particular period of time, in addition to standard commissions. We do not deduct commissions paid to registered representatives directly from your Purchase Payments.

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From time to time, we may pay or allow additional promotional incentives in the form of cash or other compensation. We reserve the right to offer these additional incentives only to certain broker-dealers that sell or are expected to sell, certain minimum amounts of the contract, or other contracts offered by

us. Promotional incentives may change at any time.

AIG SunAmerica Capital Services, Inc., Harborside Financial Center, 3200 Plaza 5, Jersey City, NJ 07311-4992, distributes the contracts. AIG SunAmerica Capital Services, an affiliate of First SunAmerica, is registered as a broker-dealer under the Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. No underwriting fees are paid in connection with the distribution of the contracts.

LEGAL PROCEEDINGS

The Company engages in various kinds of routine litigation. In management's opinion, these matters are not of material importance to the Company's total assets nor are they material with respect to the Separate Account, with the exception of the matter discussed below.

On November 23, 2004, American International Group, Inc. (AIG), the parent company and affiliated person of the Company ("Depositor") and AIG SunAmerica Capital Services, Inc. ("Distributor"), consented to the settlement of an injunctive action instituted by the SEC. In its complaint, the Securities and Exchange Commission (SEC) alleged that AIG violated Section 10(b) of the Securities Exchange Act of 1934, as amended (Exchange Act) and Rule 10b-5 promulgated thereunder and Section 17(a) of the Securities Act of 1933 (Securities Act) and aided and abetted violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 promulgated thereunder, in connection with certain structured transactions between subsidiaries of The PNC Financial Services Group, Inc. and certain subsidiaries of AIG, and similar transactions marketed by certain subsidiaries of AIG to other publicly traded companies. The conduct described in the complaint did not involve any conduct of AIG or its affiliates related to their investment advisory, depository or distribution activities. Pursuant to a final judgment entered on December 7, 2004, AIG, without admitting or denying the allegations in the complaint (except as to jurisdiction), was ordered to pay approximately \$46 million in disgorgement, penalties and prejudgment interest.

In addition, the final judgment enjoins AIG from future violation of the above-referenced provisions of the federal securities laws. Absent exemptive relief granted by the SEC, the entry of the injunction would prohibit AIG and, its affiliated persons, from, among other things, serving as an investment advisor or depositor of any registered investment management company or principal underwriter for any registered open-end investment company pursuant to Section 9(a) of the Investment Company Act of 1940, as amended (the "1940 Act"). Certain affiliated persons of AIG, including the Depositor and Distributor, received a temporary exemptive order from the SEC pursuant to Section 9(c) of the 1940 Act on December 8, 2004 with respect to the entry of the injunction, granting exemptive relief from the provisions of Section 9(a) of the 1940 Act. The temporary order permits AIG and its affiliated persons to serve as investment adviser, subadviser, depositor, principal underwriter or sponsor of the separate accounts through which your variable annuity is funded ("Separate Accounts"). The Depositor and Distributor expect that a permanent exemptive order will be granted, although there is no assurance the SEC will issue the permanent order.

Additionally, AIG and AIG Financial Products Corp. (AIG-FP), a subsidiary of AIG, reached a similar settlement with the Fraud Section of the United States Department of Justice (DOJ). The settlement with the DOJ consists of an agreement with respect to AIG and AIG-FP and a complaint and deferred prosecution agreement with AIG-FP PAGIC Equity Holding Corp. (a special purpose entity) that will foreclose future prosecutions, provided that the companies comply with the agreements. As part of the settlement, AIG-FP will pay a penalty of \$80 million to the DOJ.

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The Depositor believes that the disgorgement and penalties are not likely to have a material adverse effect on the Separate Accounts. Nor does the Distributor believe that the disgorgement and penalties will materially affect its ability to perform distribution services relating to the Separate Accounts.

REGISTRATION STATEMENT

A registration statement has been filed with the SEC under the Securities Act of 1933 relating to the contract. This prospectus does not contain all the information in the registration statement as permitted by SEC regulations. The omitted information can be obtained from the SEC's principal office in Washington, D.C., upon payment of a prescribed fee.

The audited financial statements of First SunAmerica Life Insurance Company at December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003, and the financial statements of FS Variable Annuity Account Two at August 31, 2004 and for each of the two years in the period ended August 31, 2004, are incorporated by reference in this prospectus in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION

Additional information concerning the operations of the separate account is contained in a Statement of Additional Information ("SAI"), which is available without charge upon written request addressed to us at our Annuity Service Center, P.O. Box 54299, Los Angeles, California 90054-0299 or by calling (800)99NY-SUN. The contents of the SAI are tabulated below.

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APPENDIX A - MARKET VALUE ADJUSTMENT ("MVA")

The information in this Appendix applies only if you take money out of a FAGP (with a duration longer than 1 year) before the end of the guarantee period.

We calculate the MVA by doing a comparison between current rates and the rate being credited to you in the FAGP. For the current rate We use a rate being offered by Us for a guarantee period that is equal to the time remaining in the FAGP from which you seek withdrawal (rounded up to a full number of years). If we are not currently offering a guarantee period for that period of time, We determine an applicable rate by using a formula to arrive at a number based on the interest rates currently offered for the two closest periods available.

Where the MVA is negative, We first deduct the adjustment from any money remaining in the FAGP. If there is not enough money in the FAGP to meet the negative deduction, We deduct the remainder from your withdrawal. Where the MVA is positive, We add the adjustment to your withdrawal amount. If a withdrawal charge applies, it is deducted before the MVA calculation. The MVA is assessed on the amount withdrawn less any withdrawal charges.

The MVA is computed by multiplying the amount withdrawn, transferred or taken under an income option by the following factor:

$$[(1+I/(1+J+L)]N/12 - 1$$

where:

I is the interest rate you are earning on the money invested in the FAGP;

J is the interest rate then currently available for the period of time equal to the number of years remaining in the term you initially agreed to leave your money in the FAGP;

N is the number of full months remaining in the term you initially agreed to leave your money in the FAGP; and

L is 0.005 (some states require a different value. Please see your contract.)

We do not assess an MVA against withdrawals from an FAGP under the following circumstances:

- If a withdrawal is made within 30 days after the end of a guarantee period;
- If a withdrawal is made to pay contract fees and charges;
- To pay a death benefit; and
- Upon beginning an income option, if occurring on the Latest Annuity Date.

EXAMPLES OF THE MVA

The purpose of the examples below is to show how the MVA adjustments are calculated and may not reflect the Guarantee periods available or Surrender Charges applicable under your contract.

The examples below assume the following:

- (1) You made an initial Purchase Payment of \$10,000 and allocated it to a FAGP at a rate of 5%;
- (2) You make a partial withdrawal of \$4,000 when 1 1/2 years (18 months) remain in the term you initially agreed to leave your money in the FAGP (N=18);
- (3) You have not made any other transfers, additional Purchase Payments, or withdrawals; and
- (4) Your contract was issued in a state where L=0.005.

POSITIVE ADJUSTMENT, NO WITHDRAWAL CHARGE APPLIES

Assume that on the date of withdrawal, the interest rate in effect for a new Purchase Payments in the 1-year FAGP is 3.5% and the 3-year FAGP is 4.5%. By linear interpolation, the interest rate for

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the remaining 2 years (1 1/2 years rounded up to the next full year) in the contract is calculated to be 4%. No withdrawal charge is reflected in this example, assuming that the Purchase Payment withdrawn falls within the free look amount.

$$\begin{aligned} \text{The MVA factor is} &= [(1+I)/(1+J+0.005)]^{N/12} - 1 \\ &= [(1.05)/(1.04+0.005)]^{(18/12)} - 1 \\ &= (1.004785)^{1.5} - 1 \\ &= 1.007186 - 1 \\ &= + 0.007186 \end{aligned}$$

The requested withdrawal amount is multiplied by the MVA factor to determine the MVA:

$$\$4,000 \times (+0.007186) = +\$28.74$$

\$28.74 represents the positive MVA that would be added to the withdrawal.

NEGATIVE ADJUSTMENT, NO WITHDRAWAL CHARGE APPLIES

Assume that on the date of withdrawal, the interest rate in effect for new Purchase Payments in the 1-year FAGP is 5.5% and the 3-year FAGP is 6.5%. By linear interpolation, the interest rate for the remaining 2 years (1 1/2 years rounded up to the next full year) in the contract is calculated to be 6%. No withdrawal charge is reflected in this example, assuming that the Purchase Payment withdrawn falls with the free withdrawal amount.

$$\begin{aligned} \text{The MVA factor is} &= [(1+I)/(1+J+0.005)]^{(N/12)} - 1 \\ &= [(1.05)/(1.06+0.005)]^{(18/12)} - 1 \\ &= (0.985915)^{(1.5)} - 1 \\ &= 0.978948 - 1 \\ &= - 0.021052 \end{aligned}$$

The requested withdrawal amount is multiplied by the MVA factor to determine the MVA:

$$\$4,000 \times (-0.021052) = -\$84.21$$

\$84.21 represents the negative MVA that will be deducted from the money remaining in the 3-year FAGP.

POSITIVE ADJUSTMENT, WITHDRAWAL CHARGE APPLIES

Assume that on the date of withdrawal, the interest rate in effect for new Purchase Payments in the 1-year FAGP is 3.5% and the 3-year FAGP is 4.5%. By linear interpolation, the interest rate for the remaining 2 years (1 1/2 years

rounded up to the next full year) in the contract is calculated to be 4%. A withdrawal charge of 6% is reflected in this example, assuming that the Purchase Payment withdrawn exceeds the free withdrawal amount.

$$\begin{aligned} \text{The MVA factor is} &= [(1+I)/(I+J+0.005)](N/12) - 1 \\ &= [(1.05)/(1.04+0.005)](18/12) - 1 \\ &= (1.004785)(1.5) - 1 \\ &= 1.007186 - 1 \\ &= + 0.007186 \end{aligned}$$

The requested withdrawal amount, less the withdrawal charge (\$4,000 - 6% = \$3,760) is multiplied by the MVA factor to determine the MVA:
 $\$3,760 \times (+0.007186) = +\27.02

\$27.02 represents the positive MVA that would be added to the withdrawal.

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NEGATIVE ADJUSTMENT, WITHDRAWAL CHARGE APPLIES

Assume that on the date of withdrawal, the interest rate in effect for new Purchase Payments in the 1-year FAGP is 5.5% and the 3-year FAGP is 6.5%. By linear interpolation, the interest rate for the remaining 2 years (1 1/2 years rounded up to the next full year) in the contract is calculated to be 6%. A withdrawal charge of 6% is reflected in this example, assuming that the Purchase Payment withdrawn exceeds the free withdrawal amount.

$$\begin{aligned} \text{The MVA factor is} &= [(1+I)/(I+J+0.005)](N/12) - 1 \\ &= [(1.05)/(1.06+0.005)](18/12) - 1 \\ &= (0.985915)(1.5) - 1 \\ &= 0.978948 - 1 \\ &= - 0.021052 \end{aligned}$$

The requested withdrawal amount, less the withdrawal charge (\$4,000 - 6% = \$3,760) is multiplied by the MVA factor to determine the MVA:
 $\$3,760 \times (-0.021052) = -\79.16

\$79.16 represents the negative MVA that would be deducted from the withdrawal.

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APPENDIX B WITHDRAWALS AND WITHDRAWAL CHARGES

PART 1 -- SEPARATE ACCOUNT (THE MVA DOES NOT APPLY TO THE SEPARATE ACCOUNT)

These examples assume the following:

- (1) The initial Purchase Payment was \$10,000, allocated solely to one Variable Portfolio;
- (2) The date of full surrender or partial withdrawal occurs during the 3rd contribution year;
- (3) The contract value at the time of surrender or withdrawal is \$12,000; and
- (4) No other Purchase Payments or previous partial withdrawals have been made.

EXAMPLE A -- FULL SURRENDER:

- (1) Earnings in the Variable Portfolio (\$12,000 - \$10,000 = \$2,000) are not subject to the withdrawal charge.
- (2) The balance of the full surrender (\$12,000 - \$2,000 = \$10,000) is subject to a 5% withdrawal charge applicable during the 3rd contribution year.
- (3) The amount of the withdrawal charge is $.05 \times \$10,000 = \500 .
- (4) The contract administration charge is deducted from the full surrender amount. The amount of the full surrender is $\$12,000 - \$500 - \$30 = \$11,470$.

EXAMPLE B -- PARTIAL WITHDRAWAL (IN THE AMOUNT OF \$3,000):

- (1) For the same reasons as given in Steps 1 and 2 of Example A, above, \$2,000 can be withdrawn free of the withdrawal charge.
- (2) Although 10% of the Purchase Payment is available without imposition of a withdrawal charge ($.10 \times \$10,000 = \$1,000$), this free

withdrawal amount is, like the withdrawal charge, applied first to earnings. Since the earnings exceed the free withdrawal amount, only the earnings can be withdrawn free of the scheduled withdrawal charge.

(3) The balance of the requested partial withdrawal (\$3,000 - \$2,000 = \$1,000) is subject to the withdrawal charge applicable during the 3rd contribution year (5%).

(4) The amount of the withdrawal charge is equal to the amount required to complete the partial withdrawal (\$3,000 - \$2,000 = \$1,000) divided by (1 - .05) = 0.95, less the amount required to complete the partial withdrawal.

$$\begin{aligned} \text{withdrawal charge} &= (\$1,000/0.95) - \$1,000 \\ &= \$52.63 \end{aligned}$$

In this example, in order for the owner to receive the amount requested (\$3,000), a gross withdrawal of \$3,052.63 must be processed with \$52.63 representing the withdrawal charge calculated above.

Examples C and D assume the following:

(1) The initial Purchase Payment was \$20,000, allocated solely to one Variable Portfolio;

(2) The full surrender or partial withdrawal occurs during the 3rd contribution year;

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(3) The owner's contract value at the time of surrender or withdrawal is \$21,500; and

(4) No other Purchase Payments or partial withdrawals have been made.

EXAMPLE C -- PARTIAL WITHDRAWAL (IN THE MAXIMUM AMOUNT AVAILABLE WITHOUT WITHDRAWAL CHARGE):

(1) Earnings in the Variable Portfolio (\$21,500 - \$20,000 = \$1,500) are not subject to the withdrawal charge.

(2) An additional free withdrawal of 10% of the Purchase Payments less earnings (.10 X \$20,000 - \$1,500 = \$500) is also available free of the withdrawal charge, so that

(3) The maximum partial withdrawal without withdrawal charge is the sum of the earnings and the additional free withdrawal (\$1,500 + \$500 = \$2,000).

EXAMPLE D -- FULL SURRENDER IMMEDIATELY FOLLOWING THE PARTIAL WITHDRAWAL IN EXAMPLE C:

(1) The owner's contract value after the partial withdrawal in Example C is \$21,500 - \$2,000 = \$19,500.

(2) The Purchase Payment amount for calculating the withdrawal charge is the original \$20,000 (additional free withdrawal amounts do not reduce the Purchase Payment amount for purposes of calculating the withdrawal charge).

(3) The amount of the withdrawal charge is .05 X \$20,000 = \$1,000.

(4) The contract administration charge is deducted from the full surrender amount. The amount of the full surrender is \$19,500 - \$1,000 - \$30 = \$18,470.

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APPENDIX C

 CONDENSED FINANCIAL INFORMATION
 ACCUMULATION UNIT VALUES

<Table>
 <Caption>

| PORTFOLIOS | FISCAL YEAR ENDED 08/31/99 | FISCAL YEAR ENDED 08/31/00 | FISCAL YEAR ENDED 08/31/01 | FISCAL YEAR ENDED 08/31/02 | FISCAL YEAR ENDED 08/31/03 | FISCAL YEAR ENDED 08/31/04* |
|------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

| International Growth and Income | | | | | | | |
|---------------------------------|----------|----------|----------|----------|----------|----------|--|
| Beginning AUV..... | \$ 9.06 | \$ 11.17 | \$ 13.29 | \$ 9.86 | \$ 9.00 | \$ 9.52 | |
| Ending AUV..... | \$ 11.17 | \$ 13.29 | \$ 9.86 | \$ 9.00 | \$ 9.52 | \$ 11.56 | |
| Ending Number of AUs..... | 188,537 | 176,347 | 151,332 | 122,536 | 103,160 | 82,491 | |
| Marsico Growth | | | | | | | |
| Beginning AUV..... | \$ 6.51 | \$ 8.38 | \$ 10.58 | \$ 9.32 | \$ 7.20 | \$ 8.77 | |
| Ending AUV..... | \$ 8.38 | \$ 10.58 | \$ 9.32 | \$ 7.20 | \$ 8.77 | \$ 9.03 | |
| Ending Number of AUs..... | 700,041 | 602,663 | 522,019 | 424,212 | 334,570 | 257,977 | |
| Davis Venture Value | | | | | | | |
| Beginning AUV..... | \$ 26.42 | \$ 31.58 | \$ 34.37 | \$ 28.01 | \$ 23.28 | \$ 25.55 | |
| Ending AUV..... | \$ 31.58 | \$ 34.37 | \$ 28.01 | \$ 23.28 | \$ 25.55 | 28.59 | |
| Ending Number of AUs..... | 386,103 | 304,458 | 258,000 | 204,560 | 163,752 | 130,319 | |
| MFS Total Return | | | | | | | |
| Beginning AUV..... | \$ 22.28 | \$ 24.56 | \$ 26.48 | \$ 22.13 | \$ 19.88 | \$ 21.16 | |
| Ending AUV..... | \$ 24.56 | \$ 26.48 | \$ 22.13 | \$ 19.88 | \$ 21.16 | \$ 23.40 | |
| Ending Number of AUs..... | 157,898 | 131,605 | 117,679 | 98,329 | 73,937 | 65,984 | |
| Government and Quality Bond | | | | | | | |
| Beginning AUV..... | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | |
| Ending AUV..... | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 16.89 | |
| Ending Number of AUs..... | -- | -- | -- | -- | -- | 2,119 | |
| Cash Management | | | | | | | |
| Beginning AUV..... | \$ 10.87 | \$ 10.62 | \$ 11.19 | \$ 12.05 | \$ 12.83 | \$ 12.86 | |
| Ending AUV..... | \$ 10.62 | \$ 11.19 | \$ 12.05 | \$ 12.83 | \$ 12.86 | \$ 12.85 | |
| Ending Number of AUs..... | 329,300 | 240,459 | 202,945 | 143,307 | 128,848 | 105,614 | |

AUV -- Accumulation Unit Value
AU -- Accumulation Units

* On December 5, 2003, the six portfolios of the Mutual Fund Variable Annuity Trust (the "old trust") were merged into five portfolios of the SunAmerica Series Trust (the "new trusts"). In addition to the mergers, a new portfolio was added to the Anchor Series Trust. As a result of this merger, the units outstanding and unit values for all prior years have been retroactively restated.

C-1

Please forward a copy (without charge) of the Statement of Additional Information concerning the Vista Capital Advantage issued by First SunAmerica Life Insurance Company to:

(Please print or type and fill in all information.)

Name

Address

City/State/Zip

<Table>

<S> <C> <C> <C>

Date: ----- Signed: -----

</Table>

Return to: First SunAmerica Life Insurance Company, Annuity Service Center,
P.O. Box 52499, Los Angeles, California 90054-0299

STATEMENT OF ADDITIONAL INFORMATION
FLEXIBLE PAYMENT DEFERRED ANNUITY CONTRACTS
ISSUED BY
FIRST SUNAMERICA LIFE INSURANCE COMPANY
IN CONNECTION WITH

FS VARIABLE ANNUITY ACCOUNT TWO
(Vista Capital Advantage Variable Annuity)

This Statement of Additional Information is not a prospectus; it should be read with the prospectus dated May 2, 2005, relating to the annuity contracts described above. A copy of the prospectus may be obtained without charge by calling (800) 445-SUN2 or writing us at:

FIRST SUNAMERICA LIFE INSURANCE COMPANY
ANNUITY SERVICE CENTER
P.O. BOX 54299
LOS ANGELES, CALIFORNIA 90054-0299
May 2, 2005

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SEPARATE ACCOUNT

FS Variable Annuity Account Two (the "Separate Account") was originally established by First SunAmerica Life Insurance Company (the "Company") on May 24, 1994 pursuant to the provisions of New York law, as a segregated asset account of the Company. The Separate Account meets the definition of a "Separate Account" under the federal securities laws and its registered with the Securities and Exchange Commission (the "SEC") as a unit investment trust under the Investment Company Act of 1940. This registration does not involve supervision of the management of the Separate Account or the Company by the SEC.

The assets of the Separate Account are the property of the Company. However, the assets of the Separate Account, equal to its reserves and other contract liabilities, are not chargeable with liabilities arising out of any other business the Company may conduct. Income, gains, and losses, whether or not realized, from assets allocated to the Separate Account are credited to or charged against the Separate Account without regard to other income, gains, or losses of the Company.

The Separate Account is divided into Variable Portfolios, with the assets of each Variable Portfolio invested in the shares of one of the underlying funds. The Company does not guarantee the investment performance of the Separate Account, its Variable Portfolios or the underlying funds. Values allocated to the Separate Account and the amount of variable income payments will vary with the values of shares of the underlying funds, and are also reduced by contract charges.

The basic objective of a variable annuity contract is to provide variable income payments which will be to some degree responsive to changes in the economic environment, including inflationary forces and changes in rates of return available from various types of investments. The contract is designed to seek to accomplish this objective by providing that variable income payments will reflect the investment performance of the Separate Account with respect to amounts allocated to it both before and after the Annuity Date. Since the Separate Account is always fully invested in shares of the underlying funds, its investment performance reflects the investment performance of those entities. The values of such shares held by the Separate Account fluctuate and are subject to the risks of changing economic conditions as well as the risk inherent in the ability of the underlying funds' managements to make necessary changes in their Variable Portfolios to anticipate changes in economic conditions. Therefore, the owner bears the entire investment risk that the basic objectives of the contract may not be realized, and that the adverse effects of inflation may not be lessened. There can be no assurance that the aggregate amount of variable income payments will equal or exceed the Purchase Payments made with respect to a particular account for the reasons described above, or because of the premature death of an Annuitant.

Another important feature of the contract related to its basic objective is the Company's promise that the dollar amount of variable income payments made during the lifetime of the Annuitant will not be adversely affected by the actual mortality experience of the Company or by the actual expenses incurred by the Company in excess of expense deductions provided for in the contract (although the Company does not guarantee the amounts of the variable income payments).

GENERAL ACCOUNT

The general account is made up of all of the general assets of the Company other than those allocated to the Separate Account or any other segregated asset account of the Company. A Purchase Payment may be allocated to fixed and/or DCA (non-MVA) fixed account options available in connection with the general account, as elected by the owner at the time of purchasing a contract or when making a subsequent Purchase Payment. Assets supporting amounts allocated to fixed account options become part of the Company's general account assets and are available to fund the claims of all classes of customers of the Company, as well as of its creditors. Accordingly, all of the Company's assets held in the general account will be available to fund the Company's obligations under the contracts as well as such other claims.

The Company will invest the assets of the general account in the manner chosen by the Company and allowed by applicable state laws regarding the nature and quality of investments that may be made by life insurance companies and the percentage of their assets that may be committed to any particular type of investment. In general, these laws permit investments, within specified limits and subject to certain qualifications, in federal, state and municipal obligations, corporate bonds, preferred and common stocks, real estate mortgages, real estate and certain other investments.

SUPPORT AGREEMENT BETWEEN THE COMPANY AND AIG

The Company has a support agreement in effect between the Company and AIG (the "Support Agreement"), pursuant to which AIG has agreed that AIG will cause the Company to maintain a policyholder's surplus of not less than \$1,000,000 or such greater amount as shall be sufficient to enable the Company to perform its obligations under any policy issued by it. The Support Agreement also provides that if the Company needs funds not otherwise available to it to make timely payment of its obligations under policies issued by it, AIG will provide such funds at the request of the Company. The Support Agreement is not a direct or indirect guarantee by AIG to any person of any obligations of the Company. AIG may terminate the Support Agreement with respect to outstanding obligations of the Company only under circumstances where the Company attains, without the benefit of the Support Agreement, a financial strength rating equivalent to that held by the Company with the benefit of the Support Agreement. Policyholders have the right to cause the Company to enforce its rights against AIG and, if the Company fails or refuses to take timely action to enforce the Support Agreement or if the Company defaults in any claim or payment owed to such policyholder when due, have the right to enforce the Support Agreement directly against AIG. The Company's insurance policy obligations are guaranteed by American Home Assurance Company ("American Home"), a subsidiary of AIG, and a

member of an AIG intercompany pool. This guarantee is unconditional and irrevocable, and the Company's policyholders have the right to enforce the guarantee directly against American Home.

PERFORMANCE DATA

Performance data for the various Variable Portfolios are computed in the manner described below.

CASH MANAGEMENT PORTFOLIO

Current yield is computed by first determining the Base Period Return attributable to a hypothetical contract having a balance of one Accumulation Unit at the beginning of a 7 day period using the formula:

$$\text{Base Period Return} = (\text{EV} - \text{SV} - \text{CMF}) / (\text{SV})$$

where:

- SV = value of one Accumulation Unit at the start of a 7 day period
- EV = value of one Accumulation Unit at the end of the 7 day period
- CMF = an allocated portion of the \$30 annual contract maintenance fee, prorated for 7 days

The change in value of an Accumulation Unit during the 7 day period reflects the income received, minus any expenses accrued, during such 7 day period. The contract maintenance fee is first allocated among the Variable Portfolios and the General Account so that each Variable Portfolio's allocated portion of the charge is proportional to the percentage of the number of Owners' accounts that have money allocated to that Variable Portfolio. The portion of the charge allocable to the Cash Management Portfolio is further reduced, for purposes of the yield computation, by multiplying it by the ratio that the value of the hypothetical contract bears to the value of an account of average size for contracts funded by the Cash Management Portfolio. Finally, the result is multiplied by the fraction 365/7 to arrive at the portion attributable to the 7 day period.

The current yield is then obtained by annualizing the Base Period Return:

$$\text{Current Yield} = (\text{Base Period Return}) \times (365/7)$$

The Cash Management Portfolio also quotes an "effective yield" that differs from the current yield given above in that it takes into account the effect of dividend reinvestment in the Underlying Fund. The effective yield, like the current yield, is derived from the Base Period Return over a 7 day period. However, the effective yield accounts for dividend reinvestment by compounding the current yield according to the formula:

$$\text{Effective Yield} = [(\text{Base Period Return} + 1)(365/7) - 1]$$

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The yield quotations also do not reflect any impact of premium taxes, transfer fees, or Withdrawal Charges.

The yield quoted should not be considered a representation of the yield of the Cash Management Portfolio in the future since the yield is not fixed. Actual yields will depend not only on the type, quality and maturities of the investments held by the Underlying Fund and changes in interest rates on such investments, but also on factors such as a Owner's account size (since the impact of fixed dollar charges will be greater for small accounts than for larger accounts).

Yield information may be useful in reviewing the performance of the Cash Management Portfolio and for providing a basis for comparison with other investment alternatives. However, the Cash Management Portfolio's yield fluctuates, unlike bank deposits or other investments that typically pay a fixed yield for a stated period of time.

OTHER VARIABLE PORTFOLIOS

The Variable Portfolios of the Separate Account including the Cash Management Portfolio compute their performance data as "total return".

The total returns of the various Variable Portfolios for periods of 1, 3 and 5 years, and since each Variable Portfolio's inception date can be found on the Company's website, www.aigsunamerica.com or by calling 800-445-7862.

Total return for a Variable Portfolio represents a single computed annual rate of return that, when compounded annually over a specified time period (one, five, and ten years, or since inception) and applied to a hypothetical initial investment in a contract funded by that Variable Portfolio made at the beginning of the period, will produce the same value at the end of the period that the hypothetical investment would have produced over the same period. The total rate of return (T) is computed so that it satisfies the formula:

$$P(1+T)^n = ERV$$

where:

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P = a hypothetical initial payment of \$1,000
T = average annual total return
n = number of years

ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5, or 10 year period as of the end of the period (or fractional portion thereof).

The total return figures reflect the effect of both nonrecurring and recurring charges, as discussed herein. Recurring charges are taken into account in a manner similar to that used for the yield computations for the Cash Management Portfolio, described above. The applicable Withdrawal Charge (if any) is deducted as of the end of the period, to reflect the effect of the assumed complete redemption. Because the impact of the Contract Maintenance Fee on a particular Owner's account will generally differ from that assumed in the computation, due to differences between most actual allocations and the assumed one, as well as differences due to varying account sizes, the total return experienced by an actual Variable Portfolio over the same time periods would generally have been different from those produced by the computation. As with the Money Market Portfolio yield figures, total return figures are derived from historical data and are not intended to be a projection of future performance.

INCOME PAYMENTS

INITIAL MONTHLY INCOME PAYMENTS

The initial income payment is determined by applying separately that portion of the contract value allocated to the fixed account option and the Variable Portfolio(s), less any premium tax, to the annuity table specified in the contract for fixed and variable income payments. Those tables are based on a set amount per \$1,000 of proceeds applied. The appropriate rate must be determined by the sex (except where, as in the case of certain Qualified contracts and other employer-sponsored retirement plans, such classification is not permitted) and age of the annuitant and designated second person, if any.

The dollars applied are then divided by 1,000 and the result multiplied by the appropriate annuity factor appearing in the table to compute the amount of the first monthly income payment. In the case of a variable annuity, that amount is divided by the value of an Annuity Unit as of the Annuity Date to establish the number of Annuity Units representing each variable income payment. The number of Annuity Units determined for the first variable income payment remains constant for the second and subsequent monthly variable income payments, assuming that no reallocation of contract values is made.

SUBSEQUENT MONTHLY INCOME PAYMENTS

For fixed income payments, the amount of the second and each subsequent monthly income payment is the same as that determined above for the first monthly payment.

For variable income payments, the amount of the second and each subsequent monthly income payment is determined by multiplying the number of Annuity Units, as determined in connection with the calculation of the initial monthly payment, above, by the Annuity Unit value as of the day preceding the date on which each income payment is due.

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ANNUITY UNIT VALUES

The value of an Annuity Unit is determined independently for each Variable Portfolio.

The annuity tables contained in the contract are based on a 3.5% per

annum assumed investment rate. If the actual net investment rate experienced by a Variable Portfolio exceeds 3.5%, variable income payments derived from allocations to that Variable Portfolio will increase over time. Conversely, if the actual rate is less than 3.5%, variable income payments will decrease over time. If the net investment rate equals 3.5%, the variable income payments will remain constant. If a higher assumed investment rate had been used, the initial monthly payment would be higher, but the actual net investment rate would also have to be higher in order for income payments to increase (or not to decrease).

The payee receives the value of a fixed number of Annuity Units each month. The value of a fixed number of Annuity Units will reflect the investment performance of the Variable Portfolios elected, and the amount of each income payment will vary accordingly.

For each Variable Portfolio, the value of an Annuity Unit is determined by multiplying the Annuity Unit value for the preceding month by the net investment factor for the month for which the Annuity Unit value is being calculated. The result is then multiplied by a second factor which offsets the effect of the assumed net investment rate of 3.5% per annum that is assumed in the annuity tables contained in the contract.

NET INVESTMENT FACTOR

The net investment factor ("NIF") is an index applied to measure the net investment performance of a Variable Portfolio from one month to the next. The NIF may be greater or less than or equal to one; therefore, the value of an Annuity Unit may increase, decrease or remain the same.

The NIF for any Variable Portfolio for a certain month is determined by dividing (a) by (b) where:

- (a) is the Accumulation Unit value of the Variable Portfolio determined as of the end of that month, and
- (b) is the Accumulation Unit value of the Variable Portfolio determined as of the end of the preceding month.

The NIF for a Variable Portfolio for a given month is a measure of the net investment performance of the Variable Portfolio from the end of the prior month to the end of the given month. A NIF of 1.000 results in no change; a NIF greater than 1.000 results in an increase; and a NIF less than 1.000 results in a decrease. The NIF is increased (or decreased) in accordance with the increases (or decreases, respectively) in the value of a share of the underlying fund in which the Variable Portfolio invests; it is also reduced by separate account asset charges that are included in the Accumulation Unit Value.

ILLUSTRATIVE EXAMPLE

Assume that one share of a given Variable Portfolio had an Accumulation Unit value of \$11.46 as of the close of the New York Stock Exchange ("NYSE") on the last business day in

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September and that its Accumulation Unit value had been \$11.44 at the close of the NYSE on the last business day of the previous month. The NIF for the month of September is:

$$\begin{aligned} \text{NIF} &= (\$11.46/\$11.44) \\ &= 1.00174825 \end{aligned}$$

ILLUSTRATIVE EXAMPLE

The change in Annuity Unit value for a Variable Portfolio from one month to the next is determined in part by multiplying the Annuity Unit value at the prior month end by the NIF for that Variable Portfolio for the new month. In addition, however, the result of that computation must also be multiplied by an additional factor that takes into account, and neutralizes, the assumed investment rate of 3.5 percent per annum upon which the income payment tables are based. For example, if the net investment rate for a Variable Portfolio (reflected in the NIF) were equal to the assumed investment rate, the variable income payments should remain constant (i.e., the Annuity Unit value should not change). The monthly factor that neutralizes the assumed investment rate of 3.5 percent per annum is:

$$1/[(1.035) (1/12)] = 0.99713732$$

In the example given above, if the Annuity Unit value for the Portfolio was \$10.103523 on the last business day in August, the Annuity Unit value on the last business day in September would have been:

$$\$10.103523 \times 1.00174825 \times 0.99713732 = \$10.092213$$

To determine the initial payment, the initial annuity payment for variable annuitization is calculated based on our mortality expectations and an assumed interest rate (AIR) of 3.5%. Thus the initial variable annuity payment is the same as the initial payment for a fixed interest payout annuity calculated at an effective rate of 3.5%.

The Net Investment Factor (NIF) measures the performance of the funds that are the basis for the amount of future annuity payments. This performance is compared to the AIR, and if the growth in the NIF is the same as the AIR rate the payment remains the same as the prior month. If the rate of growth of the NIF is different than the AIR, then the payment is changed proportionately to the ratio $(1+NIF) / (1+AIR)$, calculated on a monthly basis. If the NIF is greater than the AIR, then this proportion is greater than one and payments are decreased. If the NIF is less than the AIR, then this proportion is less than one and payments are decreased.

VARIABLE INCOME PAYMENTS

ILLUSTRATIVE EXAMPLE

Assume that a male owner, P, owns a contract in connection with which P has allocated all of his contract value to a single Variable Portfolio. P is also the sole annuitant and, at age 60, has elected to begin the income phase of his contract under Option 4, with 12 years of guaranteed payments. As of the last valuation preceding the Annuity Date, P's Account was credited with 7543.2456 Accumulation Units, each having a value of \$15.432655, (i.e., P's account value is equal to $7543.2456 \times \$15.432655 = \$116,412.31$). Assume also that the Annuity Unit value for the Portfolio on that same date is

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\$13.256932, and that the Annuity Unit value on the day immediately prior to the second income payment date is \$13.327695.

P's first variable income payment is determined from the annuity rate tables in P's contract, using the information assumed above. From the tables, which supply monthly income payments for each \$1,000 of applied contract value, P's first variable income payment is determined by multiplying the monthly installment of \$5.42 (Option 4 tables, male Annuitant age 60 at the Annuity Date) by the result of dividing P's account value by \$1,000:

$$\text{First Payment} = \$5.42 \times (\$116,412.31 / \$1,000) = \$630.95$$

The number of P's Annuity Units (which will be fixed; i.e., it will not change unless he transfers his Account to another Account) is also determined at this time and is equal to the amount of the first variable income payment divided by the value of an Annuity Unit on the day immediately prior to annuitization:

$$\text{Annuity Units} = \$630.95 / \$13.256932 = 47.593968$$

P's second variable income payment is determined by multiplying the number of Annuity Units by the Annuity Unit value as of the day immediately prior to the second payment due date:

$$\text{Second Payment} = 47.593968 \times \$13.327695 = \$634.32$$

The third and subsequent variable income payments are computed in a manner similar to the second variable income payment.

Note that the amount of the first variable income payment depends on the contract value in the relevant Variable Portfolio on the Annuity Date and thus reflects the investment performance of the Variable Portfolio net of fees and charges during the income phase. The amount of that payment determines the number of Annuity Units, which will remain constant during the Annuity Phase (assuming no transfers from the Variable Portfolio). The net investment performance of the Variable Portfolio during the Annuity Phase is reflected in continuing changes during this phase in the Annuity Unit value, which determines the amounts of the second and subsequent variable income payments.

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TAXES

General

Note: We have prepared the following information on taxes as a general discussion of the subject. It is not intended as tax advice to any individual. You should consult your own tax adviser about your own circumstances.

Section 72 of the Internal Revenue Code of 1986, as amended (the "Code" or "IRC") governs taxation of annuities in general. An owner is not taxed on increases in the value of a contract until distribution occurs, either in the form of a non-annuity distribution or as income payments under the annuity option elected. For a lump sum payment received as a total surrender (total redemption), the recipient is taxed on the portion of the payment that exceeds the cost basis of the contract. For a payment received as a withdrawal (partial redemption), federal tax liability is determined on a last-in, first-out basis, meaning taxable income is withdrawn before the cost basis of the contract is withdrawn. A different rule applies to Purchase Payments made (including, if applicable, in the case of a contract issued in exchange for a prior contract) prior to August 14, 1982. Those Purchase Payments are considered withdrawn first for federal income tax purposes, followed by earnings on those Purchase Payments. For contracts issued in connection with Nonqualified plans, the cost basis is generally the Purchase Payments, while for contracts issued in connection with Qualified plans there may be no cost basis. The taxable portion of the lump sum payment is taxed at ordinary income tax rates. Tax penalties may also apply.

For annuity payments, the portion of each payment that is in excess of the exclusion amount is includible in taxable income. The exclusion amount for payments based on a fixed annuity option is determined by multiplying the payment by the ratio that the cost basis of the Contract (if any, and adjusted for any period or refund feature) bears to the expected return under the Contract. The exclusion amount for payments based on a variable annuity option is determined by dividing the cost basis of the Contract (adjusted for any period certain or refund guarantee) by the number of years over which the annuity is expected to be paid. Payments received after the investment in the Contract has been recovered (i.e. when the total of the excludable amount equals the investment in the Contract) are fully taxable. The taxable portion is taxed at ordinary income tax rates. For certain types of Qualified Plans there may be no cost basis in the Contract within the meaning of Section 72 of the Code. Owners, annuitants and beneficiaries under the Contracts should seek competent financial advice about the tax consequences of any distributions.

The Company is taxed as a life insurance company under the Code. For federal income tax purposes, the Separate Account is not a separate entity from the Company and its operations form a part of the Company.

Withholding Tax on Distributions

The Code generally requires the Company (or, in some cases, a plan administrator) to withhold tax on the taxable portion of any distribution or withdrawal from a contract. For "eligible rollover distributions" from contracts issued under certain types of Qualified plans, not including IRAs, 20% of the distribution must be withheld, unless the payee elects to have the distribution "rolled over" or transferred to another eligible plan in a direct "trustee to trustee" transfer. This requirement is mandatory and cannot be waived by the owner. Withholding on other types of distributions, including distributions from IRAs can be waived.

An "eligible rollover distribution" is the taxable portion of any amount received by a covered employee from a traditional IRA or retirement plan qualified under Sections 401(a) or 403(a) or, if from a plan of a governmental employer, under Section 457(b) of the Code, or from a tax-sheltered annuity qualified under Section 403(b) of the Code other than (1) substantially equal periodic payments calculated using the life (or life expectancy) of the employee, or joint lives (or joint life expectancies) of the employee and his or her designated Beneficiary, or for a specified period of ten years or more; (2) financial hardship withdrawals; and (3) minimum distributions required to be made under the Code. Failure to "roll over" the entire amount of an eligible rollover distribution (including an amount equal to the 20% portion of the distribution that was withheld) could have adverse tax consequences, including the imposition of a penalty tax on premature withdrawals, described later in this section.

Withdrawals or distributions from a contract other than eligible rollover distributions are also subject to withholding on the taxable portion of the distribution, but the owner may elect in such cases to waive the withholding

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requirement. If not waived, withholding is imposed (1) for periodic payments, at the rate that would be imposed if the payments were wages, or (2) for other distributions, at the rate of 10%. If no withholding exemption certificate is in effect for the payee, the rate under (1) above is computed by treating the payee as a married individual claiming 3 withholding exemptions.

Diversification -- Separate Account Investments

Section 817(h) of the Code imposes certain diversification standards on the underlying assets of Nonqualified variable annuity contracts. These requirements generally do not apply to Qualified Contracts, which are considered "Pension Plan Contracts" for purposes of these Code requirements. The Code provides that a variable annuity contract will not be treated as an annuity contract for any period (and any subsequent period) for which the investments are not adequately diversified, in accordance with regulations prescribed by the United States Treasury Department ("Treasury Department"). Disqualification of the contract as an annuity contract would result in imposition of federal income tax to the owner with respect to earnings allocable to the contract prior to the receipt of any payments under the contract. The Code contains a safe harbor provision which provides that annuity contracts, such as your contract, meet the diversification requirements if, as of the close of each calendar quarter, the underlying assets meet the diversification standards for a regulated investment company, and no more than 55% of the total assets consist of cash, cash items, U.S. government securities and securities of other regulated investment companies.

The Treasury Department has issued regulations which establish diversification requirements for the investment portfolios underlying variable contracts such as the contracts. The regulations amplify the diversification requirements for variable contracts set forth in the Code and provide an alternative to the safe harbor provision described above. Under the regulations an investment portfolio will be deemed adequately diversified if (1) no more than 55% of the value of the total assets of the portfolio is represented by any one investment; (2) no more than 70% of the value of the total assets of the portfolio is represented by any two investments; (3) no more than 80% of the value of the total assets of the portfolio is represented by any three investments; and (4) no more than 90% of the value of the total assets of the portfolio is represented by any four investments. For purposes of determining whether or not the diversification standards imposed on the underlying assets of variable contracts by Section 817(h) of the Code have been met, "each United States government agency or instrumentality shall be treated as a separate issuer."

Non-Natural Owners

Under Section 72(u) of the Code, the investment earnings on premiums for the Contracts will be taxed currently to the Owner if the Owner is a non-natural person, e.g., a corporation or certain other entities. Such Contracts generally will not be treated as annuities for federal income tax purposes. However, this treatment is not applied to a Contract held by a trust or other entity as an agent for a natural person nor to Contracts held by Qualified Plans. Purchasers should consult their own tax counsel or other tax adviser before purchasing a Contract to be owned by a non-natural person.

Multiple Contracts

The Code provides that multiple Nonqualified annuity contracts which are issued within a calendar year to the same contract owner by one company or its affiliates are treated as one annuity contract for purposes of determining the tax consequences of any distribution. Such treatment may result in adverse tax consequences including more rapid taxation of the distributed amounts from such combination of contracts. For purposes of this rule, contracts received in a

Section 1035 exchange will be considered issued in the year of the exchange. (However, they may be treated as issued on the issue date of the contract being exchanged, for certain purposes, including for determining whether the contract is an immediate annuity contract.) Owners should consult a tax adviser prior to purchasing more than one Nonqualified annuity contract from the same issuer in any calendar year.

Tax Treatment of Assignments of Qualified Contracts

Generally, a Qualified contract, including an IRA, may not be assigned or pledged. One exception to this rule is if the assignment is part of a permitted loan program under an employer-sponsored plan or pursuant to a qualified

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domestic relations order meeting the requirements of the plan or arrangement under which the contract is issued (or, in the case of an IRA, pursuant to a domestic relations order.)

Tax Treatment of Gifting, Assigning, or Transferring Ownership of a Nonqualified Contract

If you transfer ownership of your Nonqualified Contract to a person other than your spouse (or former spouse if incident to divorce) you will be taxed on the earnings above the purchase payments at the time of transfer. If you transfer ownership of your Nonqualified Contract and receive payment less than the Contract's value, you will also be liable for the tax on the Contract's value above your purchase payments not previously withdrawn. The new Contract owner's purchase payments (basis) in the Contract will be increased to reflect the amount included in your taxable income.

Trustee to Trustee Transfers of Qualified Contracts

The IRC limits the withdrawal of Purchase Payments from certain Tax-Sheltered Annuities (TSAs) and certain other Qualified contracts. Withdrawals can only be made when an owner: (1) reaches age 59 1/2; (2) separates from employment from the employer sponsoring the plan; (3) dies; (4) becomes disabled (as defined in the IRC); or (5) experiences a financial hardship (as defined in the IRC). In the case of hardship, the owner can only withdraw Purchase Payments. Transfers of amounts from one Qualified contract to another Qualified contract of the same plan type or to a state defined benefit plan to purchase service credits are not considered distributions, and thus are not subject to these withdrawal limitations. Such transfers may, however, be subject to limitations under the annuity contract.

Partial 1035 Exchanges

Section 1035 of the Code provides that an annuity contract may be exchanged in a tax-free transaction for another annuity contract. Historically, it was generally understood that only the exchange of an entire annuity contract, as opposed to a partial exchange, would be respected by the IRS as a tax-free exchange. In 1998, the U.S. Tax Court ruled that the direct transfer of a portion of an annuity contract into another annuity contract qualified as a tax-free exchange. In 1999, the IRS acquiesced in that Tax Court decision, but stated that it would nonetheless continue to challenge partial exchange transactions under certain circumstances. In Notice 2003-51, published on July 9, 2003, the IRS announced that, pending the publication of final regulations, it will consider all the facts and circumstances to determine whether a partial exchange and subsequent withdrawal from, or surrender of, either the surviving annuity contract or the new annuity contract within 24 months of the partial exchange should be treated as an integrated transaction, and thus whether the two contracts should be treated as a single contract to determine the tax treatment of the surrender or withdrawal under Section 72 of the Code. Although Notice 2003-51 and the IRS's acquiescence in the Tax Court decision indicate that the IRS will respect partial exchanges of annuity contracts under certain circumstances, uncertainty remains, and owners should seek their own tax advice

regarding such transactions and the tax risks associated with subsequent surrenders or withdrawals.

Qualified Plans

The contracts offered by this prospectus are designed to be suitable for use under various types of Qualified plans. Taxation of owners in each Qualified plan varies with the type of plan and terms and conditions of each specific plan. Owners and Beneficiaries are cautioned that benefits under a Qualified plan may be subject to limitations under the employer-sponsored plan, in addition to the terms and conditions of the contracts issued pursuant to the plan.

Following are general descriptions of the types of Qualified plans with which the contracts may be used. Such descriptions are not exhaustive and are for general information purposes only. The tax rules regarding Qualified plans are very complex and will have differing applications depending on individual facts and circumstances. Each purchaser should obtain competent tax advice prior to purchasing a contract issued under a Qualified plan.

Contracts issued pursuant to Qualified plans include special provisions restricting contract provisions that may otherwise be available and described in this prospectus. Generally, contracts issued pursuant to Qualified plans are not transferable except upon surrender or annuitization. Various penalty and excise taxes may apply to contributions

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or distributions made in violation of applicable limitations. Furthermore, certain contractual withdrawal penalties and restrictions may apply to surrenders from Qualified contracts.

(a) Plans of Self-Employed Individuals: "H.R. 10 Plans"

Section 401 of the Code permits self-employed individuals to establish Qualified plans for themselves and their employees, commonly referred to as "H.R. 10" or "Keogh" Plans. Contributions made to the plan for the benefit of the employees will not be included in the gross income of the employees until distributed from the plan. The tax consequences to owners may vary depending upon the particular plan design. However, the Code places limitations and restrictions on these plans, such as: amounts of allowable contributions; form, manner and timing of distributions; vesting and non-forfeitability of interests; nondiscrimination in eligibility and participation; and the tax treatment of distributions, withdrawals and surrenders. Purchasers of contracts for use with an H.R. 10 Plan should obtain competent tax advice as to the tax treatment and suitability of such an investment.

(b) Tax-Sheltered Annuities

Section 403(b) of the Code permits the purchase of "tax-sheltered annuities" by public schools and certain charitable, education and scientific organizations described in Section 501(c)(3) of the Code. These qualifying employers may make contributions to the contracts for the benefit of their employees. Such contributions are not includible in the gross income of the employee until the employee receives distributions from the contract. The amount of contributions to the tax-sheltered annuity is limited to certain maximums imposed by the Code.

One of these limits, on the amount that the employee may contribute on a voluntary basis, is imposed by the annuity contract as well as by the Code. That limit for 2005 is \$14,000. The limit may be increased by up to \$3,000 for certain employees with at least fifteen years of full-time equivalent service with an eligible employer, and by an additional \$4,000 in 2005 for employees age 50 or older, provided that other applicable requirements are satisfied. Total combined employer and employee contributions for 2005 may not exceed the lesser

of \$42,000 or 100% of compensation. Furthermore, the Code sets forth additional restrictions governing such items as transferability, distributions, nondiscrimination and withdrawals. Any employee should obtain competent tax advice as to the tax treatment and suitability of such an Investment.

(c) Individual Retirement Annuities

Section 408(b) of the Code permits eligible individuals to contribute to an individual retirement program known as a traditional "Individual Retirement Annuity" ("IRA"). Under applicable limitations, certain amounts may be contributed to an IRA which will be deductible from the individual's gross income. The ability to deduct an IRA contribution to a traditional IRA is subject to limits based upon income levels, retirement plan participation status, and other factors. The maximum IRA (traditional and/or Roth) contribution for 2005 is the lesser of \$4,000 or 100% of compensation. Individuals age 50 or older may be able to contribute an additional \$500 in 2005. IRAs are subject to limitations on eligibility, contributions, transferability and distributions. Sales of contracts for use with IRAs are subject to special requirements imposed by the Code, including the requirement that certain informational disclosure be given to persons desiring to establish an IRA. Purchasers of contracts to be qualified as IRAs should obtain competent tax advice as to the tax treatment and suitability of such an investment.

(d) Roth IRAs

Section 408(A) of the Code permits an individual to contribute to an individual retirement program called a Roth IRA. Contributions to a Roth IRA are not deductible but distributions are tax-free if certain requirements are satisfied. The maximum IRA (traditional and/or Roth) contribution for 2005 is the lesser of \$4,000 or 100% of compensation. Individuals age 50 or older may be able to contribute an additional \$500 in 2005. Unlike traditional IRAs, to which everyone can contribute even if they cannot deduct the full contribution, income limits for Roth IRAs are limitations on who can establish such a contract. Generally, you can contribute to a Roth IRA if you have taxable compensation and your modified adjusted gross income is less than: \$160,000 for married filing jointly or qualifying widow(er), \$10,000 for married filing separately and you lived with your spouse at any time during the year, and \$110,000 for single, head of household, or married filing separately and you did not live with your spouse at any time during the year. Certain persons may be eligible to convert a traditional IRA into a Roth IRA.

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Conversion into Roth IRAs normally require taxes to be paid on any previously untaxed amounts included in the amount converted. If the Contracts are made available for use with Roth IRAs, they may be subject to special requirements imposed by the Internal Revenue Service ("IRS"). Purchasers of the Contracts for this purpose will be provided with such supplementary information as may be required by the IRS or other appropriate agency.

(e) Pension and Profit-Sharing Plans

Sections 401(a) of the Code permits certain employers to establish various types of retirement plans, including 401(k) plans, for employees. However, public employers may not establish new 401(k) plans. These retirement plans may permit the purchase of the contracts to provide benefits under the plan. Contributions to the plan for the benefit of employees will not be includible in the gross income of the employee until distributed from the plan. The tax consequences to owners may vary depending upon the particular plan design. However, the Code places limitations on all plans on such items as amount of allowable contributions; form, manner and timing of distributions; vesting and non-forfeiture of interests; nondiscrimination in eligibility and participation; and the tax treatment of distributions, withdrawals and surrenders. Purchasers of contracts for use with pension or profit sharing plans should obtain competent tax advice as to the tax treatment and suitability of such an investment.

(f) Deferred Compensation Plans - Section 457(b)

Under Section 457(b) of the Code, governmental and certain other tax-exempt employers may establish, for the benefit of their employees, deferred compensation plans, which may invest in annuity contracts. The Code, as in the case of Qualified plans, establishes limitations and restrictions on eligibility, contributions and distributions. Under these plans, contributions made for the benefit of the employees will not be includible in the employees' gross income until distributed from the plan. Funds in a non-governmental 457(b) plan remain assets of the employer and are subject to claims by the creditors of the employer. As of January 1, 1999, all 457(b) plans of state and local governments must hold assets and income in a qualifying trust, custodial account, or annuity contract for the exclusive benefit of participants and their Beneficiaries.

Economic Growth and Tax Relief Reconciliation Act of 2001

For tax years beginning in 2002, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) expands the range of eligible tax-free rollover distributions that may be made among qualified contracts. The changes made to the IRC by EGTRRA are scheduled to expire on December 31, 2010. Congress may, however, decide to promulgate legislation making the changes permanent or delaying their expiration.

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DISTRIBUTION OF CONTRACTS

The contracts are offered on a continuous basis through AIG SunAmerica Capital Services, Inc., located at Harborside Financial Center, 3200 Plaza 5, Jersey City, NJ 07311-4992. AIG SunAmerica Capital Services, Inc. is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, and is a member of the National Association of Securities Dealers, Inc. The Company and AIG SunAmerica Capital Services, Inc. are each an indirect wholly owned subsidiary of AIG Retirement Services, Inc. No underwriting fees are paid in connection with the distribution of the contracts.

FINANCIAL STATEMENTS

The financial statements of First SunAmerica Life Insurance Company at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, are included in this Statement of Additional Information. The financial statements of the Company should be considered only as a bearing on the ability of the Company to meet its obligation under the contracts for amounts allocated to the fixed account options and the DCA fixed account options. The financial statements of FS Variable Annuity Account Two at August 31, 2004, are incorporated by reference in this Statement of Additional Information to Form N-4, Post-Effective Amendment No. 18 under the Securities Act of 1933 and No. 19 under the Investment Company Act of 1940, File Nos. 033-81470 and 811-08624, filed on December 28, 2004, Accession No. 0000950129-04-010142.

PricewaterhouseCoopers LLP, 350 South Grand Avenue, Los Angeles, California 90071, serves as the independent registered public accounting firm for the Separate Account and the Company. The financial statements of the Company and the Separate Account have been so included or incorporated by reference in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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To the Board of Directors and Shareholder of
First SunAmerica Life Insurance Company:

In our opinion, the accompanying balance sheet and the related statements of income and comprehensive income and of cash flows, in all material respects, the financial position of First SunAmerica Life Insurance Company (the "Company"), an indirect wholly owned subsidiary of American International Group, Inc., at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting and reporting for certain nontraditional long-duration contracts in 2004.

PricewaterhouseCoopers LLP
Los Angeles, California
April 15, 2005

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
BALANCE SHEET

| <TABLE> <CAPTION> | December 31, 2004 | December 31, 2003 |
|---|----------------------|----------------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> ASSETS | <C> | <C> |
| Investments and cash: | | |
| Cash and short-term investments | \$ 24,858 | \$ 104,011 |
| Bonds, notes and redeemable preferred stocks available for sale, at fair value (amortized cost: December 31, 2004, \$2,919,279; December 31, 2003, \$2,617,647) | 2,971,425 | 2,657,812 |
| Mortgage loans | 276,859 | 215,521 |
| Policy loans | 32,899 | 35,251 |
| Common stocks available for sale, at fair value (cost: December 31, 2004, \$700; December 31, 2003, \$291) | 705 | 295 |
| Securities lending collateral | 517,644 | 154,756 |
| | ----- | ----- |
| Total investments and cash | 3,824,390 | 3,167,646 |
| Variable annuity assets held in separate accounts | 488,046 | 438,224 |
| Accrued investment income | 32,486 | 27,577 |
| Deferred acquisition costs | 157,729 | 161,828 |
| Other deferred expenses | 19,139 | 16,098 |
| Income taxes currently receivable from Parent | -- | 1,360 |
| Other assets | 9,033 | 1,749 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 4,530,823 | \$ 3,814,482 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| Reserves, payables and accrued liabilities: | | |
| Reserves for fixed annuity contracts | \$ 2,863,048 | \$ 2,490,145 |
| Reserves for universal life insurance contracts | 226,133 | 232,271 |
| Income taxes currently payable to Parent | 2,540 | -- |
| Securities lending payable | 517,644 | 154,756 |
| Payable to brokers | -- | 40,852 |
| Other liabilities | 31,807 | 66,814 |

| | | |
|---|--------------|--------------|
| Total reserves, payables and accrued liabilities | 3,641,172 | 2,984,838 |
| Variable annuity liabilities related to separate accounts | 488,046 | 438,224 |
| Deferred income taxes | 25,092 | 41,895 |
| Total liabilities | 4,154,310 | 3,464,957 |
| Shareholder's equity: | | |
| Common stock | 3,000 | 3,000 |
| Additional paid-in capital | 259,428 | 259,428 |
| Retained earnings | 92,082 | 68,657 |
| Accumulated other comprehensive income | 22,003 | 18,440 |
| Total shareholder's equity | 376,513 | 349,525 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | \$ 4,530,823 | \$ 3,814,482 |

</TABLE>

See accompanying notes to financial statements.

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
STATEMENT OF INCOME AND COMPREHENSIVE INCOME

<TABLE>

<CAPTION>

| | Years Ended December 31, | | |
|--|--------------------------|----------|----------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| REVENUES | | | |
| Fee income: | | | |
| Variable annuity policy fees | \$ 8,903 | \$ 8,077 | \$ 9,003 |
| Universal life insurance policy fees, net of reinsurance | 5,354 | 5,289 | 6,276 |
| Premiums on reinsurance contract | 6,586 | -- | -- |
| Surrender charges | 2,999 | 1,744 | 1,854 |
| Total fee income | 23,842 | 15,110 | 17,133 |
| Investment income | 167,371 | 119,730 | 97,327 |
| Net realized investment gains (losses) | (2,655) | 2,417 | (10,025) |
| Total revenues | 188,558 | 137,257 | 104,435 |
| BENEFITS AND EXPENSES | | | |
| Interest expense: | | | |
| Fixed annuity contracts | 90,167 | 65,631 | 47,186 |
| Universal life insurance contracts | 10,858 | 11,076 | 11,489 |
| Total interest expense | 101,025 | 76,707 | 58,675 |
| Amortization of bonus interest | 2,411 | 1,038 | 248 |
| General and administrative expenses | 7,711 | 6,036 | 8,112 |
| Amortization of deferred acquisition costs | 31,772 | 19,526 | 16,119 |
| Annual commissions | 1,554 | 1,038 | 771 |
| Commissions on reinsurance contract | 3,034 | -- | -- |
| Claims on universal life insurance contracts, net of reinsurance recoveries | 3,905 | 3,098 | 2,985 |
| Claims on reinsurance contract | 2,616 | -- | -- |
| Guaranteed benefits | 1,193 | 816 | 1,735 |
| Total benefits and expenses | 155,221 | 108,259 | 88,645 |
| PRETAX INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 33,337 | 28,998 | 15,790 |

| | | | |
|---|-----------|-----------|----------|
| Income tax expense | 7,899 | 12,081 | 9,032 |
| | ----- | ----- | ----- |
| INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 25,438 | 16,917 | 6,758 |
| | ----- | ----- | ----- |
| Cumulative effect of accounting change, net of tax | (2,013) | -- | -- |
| | ----- | ----- | ----- |
| NET INCOME | \$ 23,425 | \$ 16,917 | \$ 6,758 |
| | ----- | ----- | ----- |

</TABLE>

See accompanying notes to financial statements

F-3

FIRST SUNAMERICA LIFE INSURANCE COMPANY
STATEMENT OF INCOME AND COMPREHENSIVE INCOME (Continued)

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|--|--------------------------|-----------|-----------|
| | 2004 | 2003 | 2002 |
| | ----- | ----- | ----- |
| | (in thousands) | | |
| | <C> | <C> | <C> |
| OTHER COMPREHENSIVE INCOME, NET OF TAX: | | | |
| Net unrealized gains on debt and equity securities available for sale identified in the current period less related amortization of deferred acquisition costs and other deferred expenses | \$ 4,118 | \$ 8,750 | \$ 16,123 |
| Less reclassification adjustment for net realized (gains) losses included in net income | 1,364 | (1,719) | 3,417 |
| Income tax expense | (1,919) | (2,461) | (6,839) |
| | ----- | ----- | ----- |
| OTHER COMPREHENSIVE INCOME | 3,563 | 4,570 | 12,701 |
| | ----- | ----- | ----- |
| COMPREHENSIVE INCOME | \$ 26,988 | \$ 21,487 | \$ 19,459 |
| | ===== | ===== | ===== |

</TABLE>

See accompanying notes to financial statement

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|--|--------------------------|-----------|----------|
| | 2004 | 2003 | 2002 |
| | ----- | ----- | ----- |
| | (in thousands) | | |
| | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 23,425 | \$ 16,917 | \$ 6,758 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Cumulative effect of accounting change, net of tax | 2,013 | -- | -- |
| Interest credited to: | | | |
| Fixed annuity contracts | 90,167 | 65,631 | 47,186 |
| Universal life insurance contracts | 10,858 | 11,076 | 11,489 |
| Net realized investment (gains) losses | 2,655 | (2,417) | 10,025 |
| Amortization of net premiums/(accretion of net discounts) on investments | 5,730 | (2,493) | (1,241) |
| Amortization of deferred acquisition costs and other deferred expenses | 34,183 | 20,564 | 16,367 |
| Acquisition costs deferred | (35,395) | (79,439) | (26,952) |
| Other expenses deferred | (6,037) | (13,192) | (3,393) |
| Provision for deferred income taxes | (17,639) | 9,040 | 25,503 |

| | | | |
|--|--------------|----------------|--------------|
| Change in: | | | |
| Accrued investment income | (4,909) | (11,728) | (3,537) |
| Income taxes currently receivable from / payable to Parent | 3,900 | 8,471 | (13,550) |
| Other assets | (7,284) | (348) | 860 |
| Other liabilities | (8,200) | 16,035 | 3,788 |
| Other, net | 3,754 | 3,922 | (350) |
| | ----- | ----- | ----- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 97,221 | 42,039 | 72,953 |
| | ----- | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of: | | | |
| Bonds, notes and redeemable preferred stocks | (952,300) | (1,883,889) | (604,280) |
| Mortgage loans | (82,533) | (53,070) | (45,944) |
| Common stock | -- | -- | (845) |
| Other investments, excluding short-term investments | -- | (771) | (417) |
| Sales of: | | | |
| Bonds, notes and redeemable preferred stocks | 388,143 | 399,240 | 219,856 |
| Other investments, excluding short-term investments | 112 | 1,522 | 49 |
| Redemptions and maturities of: | | | |
| Bonds, notes and redeemable preferred stocks | 217,009 | 284,025 | 121,967 |
| Mortgage loans | 21,413 | 30,846 | 25,833 |
| Other investments, excluding short-term investments | 1,513 | 1,572 | 1,709 |
| | ----- | ----- | ----- |
| NET CASH USED IN INVESTING ACTIVITIES | \$ (406,643) | \$ (1,220,525) | \$ (282,072) |
| | ----- | ----- | ----- |

</TABLE>

See accompanying notes to financial statements

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
STATEMENT OF CASH FLOWS (Continued)

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|--|--------------------------|-------------|------------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Deposits received on: | | | |
| Fixed annuity contracts | \$ 444,942 | \$1,278,022 | \$ 390,423 |
| Universal life insurance contracts | 9,419 | 9,436 | 9,712 |
| Net exchanges to (from) the fixed accounts of variable annuity contracts | (15,532) | 427 | 23,546 |
| Withdrawal payments on: | | | |
| Fixed annuity contracts | (151,329) | (114,000) | (137,007) |
| Universal life insurance contracts | (8,261) | (7,522) | (10,740) |
| Claims and annuity payments, net of reinsurance, on: | | | |
| Fixed annuity contracts | (31,615) | (24,551) | (37,837) |
| Universal life insurance contracts | (17,355) | (12,270) | (20,005) |
| Capital contributions | -- | 115,000 | -- |
| | ----- | ----- | ----- |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 230,269 | 1,244,542 | 218,092 |
| | ----- | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS | (79,153) | 66,056 | 8,973 |
| CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF PERIOD | 104,011 | 37,955 | 28,982 |
| | ----- | ----- | ----- |
| CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD | \$ 24,858 | \$ 104,011 | \$ 37,955 |
| | ===== | ===== | ===== |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Income taxes paid to Parent | \$ (21,639) | \$ (5,430) | \$ (2,922) |
| | ===== | ===== | ===== |

</TABLE>

See accompanying notes to financial statements

F-6

1. BASIS OF PRESENTATION

First SunAmerica Life Insurance Company (the "Company") is a direct wholly owned subsidiary of SunAmerica Life Insurance Company (the "Parent"), which is a wholly owned subsidiary of AIG Retirement Services, Inc. ("AIGRS") (formerly AIG SunAmerica Inc.), a wholly owned subsidiary of American International Group, Inc. ("AIG"). AIG is a holding company, which through its subsidiaries is engaged in a broad range of insurance and insurance-related activities, financial services, and retirement services and asset management. The Company is a New York-domiciled life insurance company principally engaged in the business of writing fixed and variable annuity contracts for retirement savings in the State of New York.

Substantially all of the Company's revenues are derived from the State of New York. Products are marketed through affiliated and independent broker-dealers, full-service securities firms and financial institutions. Two financial institutions represented approximately 13% and 11% of deposits in the year ended December 31, 2004. One financial institution represented approximately 16% and one independent broker-dealer represented approximately 15% of deposits in the year ended December 31, 2003. One financial institution represented approximately 19% of deposits in the year ended December 31, 2002. No other independent selling organization was responsible for more than 10% of deposits for any such periods.

The operations of the Company are influenced by many factors, including general economic conditions, monetary and fiscal policies of the federal government, and policies of state and other regulatory authorities. The level of sales of the Company's financial products is influenced by many factors, including general market rates of interest, the strength, weakness and volatility of equity markets, and terms and conditions of competing financial products. The Company is exposed to the typical risks normally associated with a portfolio of fixed-income securities, namely interest rate, option, liquidity and credit risk. The Company controls its exposure to these risks by, among other things, closely monitoring and matching the duration of its assets and liabilities, monitoring and limiting prepayment and extension risk in its portfolio, maintaining a large percentage of its portfolio in highly liquid securities, and engaging in a disciplined process of underwriting, reviewing and monitoring credit risk. The Company also is exposed to market risk, as market volatility may result in reduced fee income in the case of assets held in separate accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The accompanying financial statements have been prepared on the basis of generally accepted accounting principles in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. Certain prior period amounts have been reclassified to conform to the current period's presentation.

INVESTMENTS: Cash and short-term investments primarily include cash, commercial paper, money market investments and short-term bank participations. All such investments are carried at cost plus accrued interest, which approximates fair value, have maturities of three months or less and are considered cash equivalents for purposes of reporting cash flows.

Bonds, notes and redeemable preferred stocks available for sale and common stocks are carried at aggregate fair value and changes in unrealized gains or losses, net of deferred acquisition costs, deferred other expenses and income tax, are credited or charged directly to the accumulated other comprehensive income or loss component of shareholder's equity. Bonds, notes and redeemable preferred stocks and common stocks are reduced to estimated net fair value when declines in value are considered to be other than temporary. Estimates of net fair value are subjective and actual realization will be dependent upon future events.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage loans are carried at amortized unpaid balances, net of provisions for estimated losses. Policy loans are carried at unpaid balances.

The Company has entered into a securities lending agreement with an affiliated lending agent, which authorizes the agent to lend securities held in the Company's portfolio to a list of authorized borrowers. The fair value of securities pledged under the securities lending agreement were \$507,000,000 and \$151,000,000 as of December 31, 2004 and 2003, respectively and represents securities included in bonds, notes and redeemable preferred stocks available for sale caption in the balance sheet as of December 31, 2004 and 2003, respectively. The affiliated lending agent receives primarily cash collateral in an amount in excess of the market value of the securities loaned. The Company monitors the daily market value of securities loaned with respect to the collateral value and obtains additional collateral when necessary to ensure that collateral is maintained at a minimum of 102% of the value of the loaned securities. Such collateral is not available for the general use of the Company. Income earned on the collateral, net of interest paid on the securities lending agreements and the related management fees paid to administer the program, is recorded as investment income in the statement of income and comprehensive income.

Realized gains and losses on the sale of investments are recognized in income at the date of sale and are determined by using the specific cost identification method. Premiums and discounts on investments are amortized to investment income by using the interest method over the contractual lives of the investments.

The Company regularly reviews its investments for possible impairment based on criteria including economic conditions, market prices, past experience and other issuer-specific developments among other factors. If there is a decline in a security's net realizable value, a determination is made as to whether that decline is temporary or "other than temporary". If it is believed that a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in accumulated other comprehensive income. If it is believed that the decline is "other than temporary", the Company writes down the carrying value of the investment and records a realized loss in the statement of income and comprehensive income. Impairment writedowns totaled \$759,000, \$3,139,000 and \$9,515,000 in the years ending December 31, 2004, 2003 and 2002.

DEFERRED ACQUISITION COSTS ("DAC"): Policy acquisition costs are deferred and amortized over the estimated lives of the annuity and universal life insurance contracts. Policy acquisition costs include commissions and other costs that vary with, and are primarily related to, the production or acquisition of new business.

DAC is amortized based on a percentage of expected gross profits ("EGPs") over the life of the underlying policies. EGPs are computed based on assumptions related to the underlying contracts, including their anticipated duration, the growth rate of the separate account assets (with respect to variable options of the variable annuity contracts) or general account assets (with respect to fixed annuity contracts, fixed options of variable annuity contracts ("Fixed Options") and universal life insurance contracts) supporting the annuity obligations, costs of providing for contract guarantees and the level of expenses necessary to maintain the contracts. The Company adjusts amortization of DAC and other deferred expenses (a "DAC unlocking") when estimates of future gross profits to be realized from its annuity contracts are revised.

The assumption for the long-term annual net growth of the separate account assets used by the Company in the determination of DAC amortization with respect to its variable annuity contracts is 10% (the "long-term growth rate assumption"). The Company uses a "reversion to the mean" methodology that allows the Company to maintain this 10% long-term growth rate assumption, while also giving consideration to the effect of short-term swings in the equity markets. For example, if performance were 15% during the first year following the introduction of a product, the DAC model would assume that market returns for the following five years (the "short-term growth rate assumption") would approximate 9%, resulting in an average annual growth rate of 10% during the life of the product. Similarly, following periods of below 10% performance, the model will assume a short-term growth rate higher than 10%. A DAC unlocking will occur if management deems the short-term growth rate (i.e., the growth rate required to revert to the mean 10% growth rate over a five-year period) to be unreasonable. The use of a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reversion to the mean assumption is common within the industry; however, the parameters used in the methodology are subject to judgment and vary within the industry.

As debt and equity securities available for sale are carried at aggregate fair value, an adjustment is made to DAC equal to the change in amortization that would have been recorded if such securities had been sold at their stated aggregate fair value and the proceeds reinvested at current yields. The change in this adjustment, net of tax, is included with the change in net unrealized gains or losses on debt and equity securities available for sale which is a component of accumulated other comprehensive income and is credited or charged directly to shareholder's equity.

The Company reviews the carrying value of DAC on at least an annual basis. Management considers estimated future gross profit margins as well as expected mortality, interest earned and credited rates, persistency and expenses in determining whether the carrying amount is recoverable. Any amounts deemed unrecoverable are charged to expense.

OTHER DEFERRED EXPENSES: The annuity operations currently offer enhanced crediting rates or bonus payments to contract holders on certain of its products. Such amounts are deferred and amortized over the life of the policy using the same methodology and assumptions used to amortize DAC. The Company previously deferred these expenses as part of DAC and reported the amortization of such amounts as part of DAC amortization. Upon implementation of Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1"), the Company reclassified \$16,098,000 of these expenses from DAC to other deferred expenses, which is reported on the balance sheet. The prior period balance sheet and statements of income and comprehensive income presentation has been reclassified to conform to the new presentation. See Recently Issued Accounting Standards below.

The Company reviews the carrying value of other deferred expenses on at least an annual basis. Management considers estimated future gross profit margins as well as expected mortality, interest earned, credited rates, persistency, withdrawal rates, rates of market return and expenses in determining whether the carrying amount is recoverable. Any amounts deemed unrecoverable are charged to expense.

VARIABLE ANNUITY ASSETS AND LIABILITIES RELATED TO SEPARATE ACCOUNTS: The assets and liabilities resulting from the receipt of variable annuity deposits are segregated in separate accounts. The Company receives administrative fees for managing the funds and other fees for assuming mortality and certain expense risks. Such fees are included in variable annuity policy fees in the statement of income and comprehensive income.

RESERVES FOR FIXED ANNUITY AND UNIVERSAL LIFE INSURANCE CONTRACTS: Reserves for fixed annuity and universal life insurance contracts are accounted for in accordance with Statement of Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments," and are recorded at accumulated value (deposits received, plus accrued interest, less withdrawals and assessed fees). Under GAAP, deposits collected on non-traditional life and annuity insurance products, such as those sold by the Company, are not reflected as revenues in the Company's statement of income and comprehensive income, as they are recorded directly to contract holder liabilities upon receipt.

RESERVE FOR GUARANTEED BENEFITS: Reserve for guaranteed minimum death benefits ("GMDB") is accounted for in accordance with SOP 03-1 and is included in other liabilities on the balance sheet. See Note 7.

FEE INCOME: Fee income includes variable annuity policy fees, universal life insurance fees and surrender charges. Variable annuity policy fees are generally based on the market value of assets in the separate accounts

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

supporting the variable annuity contracts. Universal life insurance policy fees consist of mortality charges, up-front fees earned on deposits received and administrative fees, net of reinsurance premiums. Surrender

charges are assessed on withdrawals occurring during the surrender charge period. All fee income is recorded as income is earned.

INCOME TAXES: Prior to 2004, the Company was included in a consolidated federal income tax return with its Parent. Beginning in 2004, the Company is included in the consolidated federal income tax return of its ultimate parent, AIG. Income taxes have been calculated as if the Company filed a separate return. Deferred income tax assets and liabilities are recognized based on the difference between financial statement carrying amounts and income tax basis of assets and liabilities using enacted income tax rates and laws.

RECENTLY ISSUED ACCOUNTING STANDARDS: In July 2003, the American Institute of Certified Public Accountants issued SOP 03-1. This statement was effective as of January 1, 2004, and requires the Company to recognize a liability for GMDB and certain living benefits related to its variable annuity contracts, account for enhanced crediting rates or bonus payments to contract holders and modifies certain disclosures and financial statement presentations for these products. In addition, SOP 03-1 addresses the presentation and reporting of separate accounts and the capitalization and amortization of certain other expenses. The Company reported for the first quarter of 2004 a one-time cumulative accounting charge upon adoption of \$2,013,000 (\$3,098,000 pre-tax) to reflect the liability and the related impact of DAC as of January 1, 2004.

3. INVESTMENTS

The amortized cost and estimated fair value of bonds, notes and redeemable preferred stocks by major category follow:

<TABLE>
<CAPTION>

| | Amortized Cost | Estimated Fair Value |
|--------------------------------|----------------|----------------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| AT DECEMBER 31, 2004: | | |
| U.S. government securities | \$ 18,743 | \$ 19,358 |
| Mortgage-backed securities | 753,378 | 771,642 |
| Securities of public utilities | 120,769 | 125,369 |
| Corporate bonds and notes | 1,599,497 | 1,624,383 |
| Other debt securities | 426,892 | 430,673 |
| | ----- | ----- |
| Total | \$ 2,919,279 | \$ 2,971,425 |
| | ===== | ===== |

</TABLE>

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued):

<TABLE>
<CAPTION>

| | Amortized Cost | Estimated Fair Value |
|--------------------------------|----------------|----------------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| AT DECEMBER 31, 2003: | | |
| U.S. government securities | \$ 17,671 | \$ 18,054 |
| Mortgage-backed securities | 619,800 | 634,640 |
| Securities of public utilities | 126,229 | 131,158 |
| Corporate bonds and notes | 1,226,035 | 1,248,590 |
| Other debt securities | 627,912 | 625,370 |
| | ----- | ----- |
| Total | \$ 2,617,647 | \$ 2,657,812 |
| | ===== | ===== |

</TABLE>

At December 31, 2004, bonds and notes included \$107,951,000 not rated investment grade. These non-investment-grade securities are comprised of bonds spanning 10 industries with 31%, 19%, 13% and 12% concentrated in telecommunications, cyclical consumer products, transportation and financial services industries, respectively. No other industry concentration constituted more than 10% of these assets.

At December 31, 2004, mortgage loans were collateralized by properties located in 27 states, with loans totaling approximately 25% and 12% of the aggregate carrying value of the portfolio secured by properties located in California and New York, respectively. No more than 10% of the portfolio was secured by properties located in any other single state.

At December 31, 2004, the carrying value, which approximates its estimated fair value, of all investments in default as to the payment of principal or interest totaled \$1,700,000.

At December 31, 2004, \$613,000 of bonds, at amortized cost, was on deposit with regulatory authorities in accordance with statutory requirements.

The Company had no investments in any one entity or its affiliates exceeding 10% of the Company's shareholder's equity at December 31, 2004.

The amortized cost and estimated fair value of bonds, notes and redeemable preferred stocks by contractual maturity, as of December 31, 2004, follow:

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued):

<TABLE>
<CAPTION>

| | Amortized Cost | Estimated Fair Value |
|--|----------------|----------------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| Due in one year or less | \$ 53,983 | \$ 54,926 |
| Due after one year through five years | 849,786 | 864,360 |
| Due after five years through ten years | 916,487 | 925,955 |
| Due after ten years | 345,645 | 354,542 |
| Mortgage-backed securities | 753,378 | 771,642 |
| | ----- | ----- |
| Total | \$ 2,919,279 | \$ 2,971,425 |
| | ===== | ===== |

</TABLE>

Actual maturities of bonds, notes and redeemable preferred stocks may differ from those shown above due to prepayments and redemptions.

Gross unrealized gains and losses on bonds, notes and redeemable preferred stocks by major category follow:

<TABLE>
<CAPTION>

| | Gross Unrealized Gains | Gross Unrealized Losses |
|--------------------------------|------------------------|-------------------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| AT DECEMBER 31, 2004: | | |
| U.S. government securities | \$ 634 | \$ (19) |
| Mortgage-backed securities | 20,512 | (2,248) |
| Securities of public utilities | 4,873 | (273) |
| Corporate bonds and notes | 33,360 | (8,474) |
| Other debt securities | 6,263 | (2,482) |
| | ----- | ----- |
| Total | \$ 65,642 | \$ (13,496) |
| | ===== | ===== |

AT DECEMBER 31, 2003:

| | | |
|--------------------------------|-----------|-------------|
| U.S. government securities | \$ 383 | \$ -- |
| Mortgage-backed securities | 20,483 | (5,643) |
| Securities of public utilities | 5,258 | (329) |
| Corporate bonds and notes | 30,773 | (8,217) |
| Other debt securities | 7,294 | (9,837) |
| | ----- | ----- |
| Total | \$ 64,191 | \$ (24,026) |
| | ===== | ===== |

</TABLE>

Gross unrealized gains on equity securities aggregated \$5,000 and \$9,000

at December 31, 2004 and 2003, respectively. Gross unrealized losses on equity securities aggregated \$0 and \$5,000 at December 31, 2004 and 2003, respectively.

The following tables summarize the Company's gross unrealized losses and estimated fair values on investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2004 and 2003 (dollars in thousands):

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued):

<TABLE>
<CAPTION>

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|--------------------------------|---------------------|-----------------|-------|-------------------|-----------------|-------|------------|-----------------|-------|
| | Fair Value | Unrealized Loss | Items | Fair Value | Unrealized Loss | Items | Fair Value | Unrealized Loss | Items |
| December 31, 2004 | | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| U.S. government securities | \$ 2,001 | \$ (19) | 1 | \$ -- | \$ -- | -- | \$ 2,001 | \$ (19) | 1 |
| Mortgage-backed securities | 152,192 | (1,887) | 31 | 13,802 | (362) | 7 | 165,994 | (2,249) | 38 |
| Securities of public utilities | 22,303 | (273) | 6 | -- | -- | -- | 22,303 | (273) | 6 |
| Corporate bonds and notes | 385,522 | (4,043) | 85 | 72,370 | (4,430) | 12 | 457,892 | (8,473) | 97 |
| Other debt securities | 97,774 | (1,926) | 17 | 26,848 | (556) | 7 | 124,622 | (2,482) | 24 |
| Total | \$ 659,792 | \$ (8,148) | 140 | \$ 113,020 | \$ (5,348) | 26 | \$ 772,812 | \$ (13,496) | 166 |

</TABLE>

<TABLE>
<CAPTION>

| | Less than 12 Months | | | 12 Months or More | | | Total | | |
|--------------------------------|---------------------|-----------------|-------|-------------------|-----------------|-------|------------|-----------------|-------|
| | Fair Value | Unrealized Loss | Items | Fair Value | Unrealized Loss | Items | Fair Value | Unrealized Loss | Items |
| December 31, 2003 | | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Mortgage-backed securities | \$ 183,577 | \$ (5,643) | 37 | \$ -- | \$ -- | -- | \$ 183,577 | \$ (5,643) | 37 |
| Securities of public utilities | 15,013 | (329) | 6 | -- | -- | -- | 15,013 | (329) | 6 |
| Corporate bonds and notes | 388,358 | (8,204) | 69 | 56 | (13) | 1 | 388,414 | (8,217) | 70 |
| Other debt securities | 219,407 | (8,357) | 44 | 3,521 | (1,480) | 1 | 222,928 | (9,837) | 45 |
| Total | \$ 806,355 | \$ (22,533) | 156 | \$ 3,577 | \$ (1,493) | 2 | \$ 809,932 | \$ (24,026) | 158 |

</TABLE>

Realized investment gains and losses on the sales of investments are as follows:

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|---|--------------------------|----------|----------|
| | 2004 | 2003 | 2002 |
| <S> | <C> | <C> | <C> |
| BONDS, NOTES AND REDEEMABLE PREFERRED STOCKS: | | | |
| Realized gains | \$ 2,903 | \$ 9,001 | \$ 8,522 |
| Realized losses | (4,245) | (3,315) | (8,623) |
| COMMON STOCKS: | | | |
| Realized gains | 1 | 202 | -- |
| Realized losses | (180) | (20) | (38) |

</TABLE>

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued):

The sources and related amounts of investment income are as follows:

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|---|--------------------------|------------|-----------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| Short-term investments | \$ 428 | \$ 848 | \$ 1,441 |
| Bonds and notes and redeemable preferred stocks | 149,869 | 103,197 | 80,518 |
| Mortgage loans | 15,161 | 13,552 | 13,000 |
| Policy loans | 2,682 | 2,819 | 2,160 |
| Securities lending | 689 | 55 | 788 |
| Gross investment income | 168,829 | 120,471 | 97,907 |
| Less: investment expenses | (1,458) | (741) | (580) |
| Total investment income | \$ 167,371 | \$ 119,730 | \$ 97,327 |

</TABLE>

Investment income was attributable to the following products:

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|------------------------------------|--------------------------|------------|-----------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| Fixed annuity contracts | \$ 137,906 | \$ 91,169 | \$ 65,606 |
| Variable annuity contracts | 17,055 | 14,564 | 14,062 |
| Universal life insurance contracts | 12,410 | 13,997 | 17,659 |
| Total | \$ 167,371 | \$ 119,730 | \$ 97,327 |

</TABLE>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following estimated fair value disclosures are limited to reasonable estimates of the fair value of only the Company's financial instruments. The disclosures do not address the value of the Company's recognized and unrecognized non-financial assets and liabilities or the value of anticipated future business. The Company does not plan to sell most of its assets or settle most of its liabilities at these estimated fair values.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Selling expenses and potential taxes are not included. The estimated fair value amounts were determined using available market information, current pricing information and various valuation methodologies. If quoted market prices were not readily available for a financial instrument, management determined an estimated fair value. Accordingly, the estimates may not be indicative of the amounts the financial instruments could be exchanged for in a current or future market transaction.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

CASH AND SHORT-TERM INVESTMENTS: Carrying value is considered to be a reasonable estimate of fair value.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

BONDS, NOTES AND REDEEMABLE PREFERRED STOCKS: Fair value is based principally on independent pricing services, broker quotes and other independent information. For securities that do not have readily determinable market prices, the fair value is estimated with internally

prepared valuations (including those based on estimates of future profitability). Otherwise, the most recent purchases and sales of similar unquoted securities, independent broker quotes or comparison to similar securities with quoted prices when possible is used to estimate the fair value of those securities.

MORTGAGE LOANS: Fair values are primarily determined by discounting future cash flows to the present at current market rates, using expected prepayment rates.

POLICY LOANS: Carrying value is considered a reasonable estimate of fair value.

COMMON STOCKS: Fair value is based principally on independent pricing services, broker quotes and other independent information.

VARIABLE ANNUITY ASSETS HELD IN SEPARATE ACCOUNTS: Variable annuity assets are carried at the market value of the underlying securities.

RESERVES FOR FIXED ANNUITY CONTRACTS: Deferred annuity contracts are assigned a fair value equal to current net surrender value. Annuitized contracts are valued based on the present value of future cash flows at current pricing rates.

VARIABLE ANNUITY LIABILITIES RELATED TO SEPARATE ACCOUNTS: Variable annuity liabilities are carried at the market value of the underlying securities of the variable annuity assets held in separate accounts.

SECURITIES LENDING COLLATERAL/PAYABLE: Carrying value is considered to be a reasonable estimate of fair value.

The estimated fair values of the Company's financial instruments at December 31, 2004 and 2003 compared with their respective carrying values are as follows:

| <TABLE> <CAPTION> | Carrying Value | Fair Value |
|---|----------------|-------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| AT DECEMBER 31, 2004: | | |
| ASSETS: | | |
| Cash and short-term investments | \$ 24,858 | \$ 24,858 |
| Bonds, notes and redeemable preferred stocks | 2,971,425 | 2,971,425 |
| Mortgage loans | 276,859 | 284,054 |
| Policy loans | 32,899 | 32,899 |
| Common stock | 705 | 705 |
| Securities lending collateral | 517,644 | 517,644 |
| Variable annuity assets held in separate accounts | 488,046 | 488,046 |
| LIABILITIES: | | |
| Reserves for fixed annuity contracts | \$2,863,048 | \$2,827,611 |
| Securities lending payable | 517,644 | 517,644 |
| Variable annuity liabilities related to separate accounts | 488,046 | 488,046 |

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

| <TABLE> <CAPTION> | Carrying Value | Fair Value |
|---|----------------|------------|
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| AT DECEMBER 31, 2003: | | |
| ASSETS: | | |
| Cash and short-term investments | \$ 104,011 | \$ 104,011 |
| Bonds, notes and redeemable preferred stocks | 2,657,812 | 2,657,812 |
| Mortgage loans | 215,521 | 230,022 |
| Policy loans | 35,251 | 35,251 |
| Common stock | 295 | 295 |
| Securities lending collateral | 154,756 | 154,756 |
| Variable annuity assets held in separate accounts | 438,224 | 438,224 |

LIABILITIES:

| | | |
|---|-------------|-------------|
| Reserves for fixed annuity contracts | \$2,490,145 | \$2,419,705 |
| Securities lending payable | 154,756 | 154,756 |
| Variable annuity liabilities related to separate accounts | 438,224 | 438,224 |

</TABLE>

5. DEFERRED ACQUISITION COSTS

The following table summarizes the activity in deferred acquisition costs:

<TABLE>

<CAPTION>

| | Years Ended December 31, | |
|---|--------------------------|------------|
| | 2004 | 2003 |
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| Balance at beginning of year | \$ 161,828 | \$ 100,571 |
| Acquisition costs deferred | 35,395 | 79,439 |
| Effect of net unrealized (gains) losses on securities | (5,915) | 1,344 |
| Amortization charged to income | (31,772) | (19,526) |
| Cumulative effect of SOP 03-1 | (1,807) | -- |
| | ----- | ----- |
| Balance at end of year | \$ 157,729 | \$ 161,828 |
| | ===== | ===== |

</TABLE>

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

6. OTHER DEFERRED EXPENSES

The following table summarizes the activity in other deferred expenses:

<TABLE>

<CAPTION>

| | Years Ended December 31, | |
|---|--------------------------|-----------|
| | 2004 | 2003 |
| | ----- | ----- |
| | (in thousands) | |
| <S> | <C> | <C> |
| Balance at beginning of year | \$ 16,098 | \$ 3,888 |
| Expenses deferred | 6,037 | 13,192 |
| Effect of net unrealized (gains) losses on securities | (585) | 56 |
| Amortization charged to income | (2,411) | (1,038) |
| | ----- | ----- |
| Balance at end of year | \$ 19,139 | \$ 16,098 |
| | ===== | ===== |

</TABLE>

7. GUARANTEED BENEFITS

The Company issues variable annuity contracts for which the investment risk is generally borne by the contract holder, except with respect to amounts invested in the fixed-rate account options. For many of the Company's variable annuity contracts, the Company offers contractual guarantees in the event of death or at specified dates during the accumulation period. Such benefits are referred to as GMDB and guaranteed minimum account value ("GMAV"), respectively.

The assets supporting the variable portion of variable annuity contracts are carried at fair value and reported as summary total "variable annuity assets held in separate accounts" with an equivalent summary total reported for liabilities. Amounts assessed against the contract holders for mortality, administrative, other services and certain features are included in variable annuity policy fees in the statement of income and comprehensive income. Changes in liabilities for minimum guarantees are included in guaranteed benefits in the statement of income and comprehensive income. Separate account net investment income, net investment gains and losses and the related liability charges are offset within the same line item in the statement of income and comprehensive income.

The Company offers GMDB options that guarantee for virtually all contract holders, that upon death, the contract holder's beneficiary will receive the greater of (1) the contract holder's account value, or (2) a guaranteed

minimum death benefit that varies by product and election by policy owner. The GMDB liability is determined each period end by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to guaranteed benefits, if actual experience or other evidence suggests that earlier assumptions should be revised.

GMAV is a feature offered on certain variable annuity products. If available and elected by the contract holder at the time of contract issuance, GMAV guarantees that the account value under the contract will at least equal the amount of deposits invested during the first ninety days, adjusted for subsequent withdrawals, at the end of a ten-year waiting period. GMAVs are considered to be derivatives under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", and are recognized at fair value in the balance sheet and through investment income in the statement of income and comprehensive income. The Company began offering the GMAV option in 2004.

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

7. GUARANTEED BENEFITS (Continued)

Details concerning the Company's guaranteed benefit exposures as of December 31, 2004 are as follows:

| | Return of Net Deposits | Highest Specified Anniversary Account Value Minus Withdrawals Post Anniversary |
|---|---------------------------|--|
| | ----- | ----- |
| | (dollars in thousands) | |
| | <C> | <C> |
| In the event of death (GMDB): | | |
| Account value | \$148,283 | \$649,952 |
| Net amount at risk (a) | \$ 348 | 57,713 |
| Average attained age of contract holders | 65 | 62 |
| Range of guaranteed minimum return rates | 0% | 0% |
| Accumulation at specified date (GMAV): | | |
| Account value | \$ 16,314 | \$ -- |
| Net amount at risk (b) | -- | -- |
| Weighted average period remaining until guaranteed payment | 9.8 Years | -- |

</TABLE>

(a) Net amount at risk represents the guaranteed benefit exposure in excess of the current account value, if all contract holders died at the same balance sheet date.

(b) Net amount at risk represents the guaranteed benefit exposure in excess of the current account value, if all contract holders reached the specified date at the same balance sheet date.

The following summarizes the reserves for guaranteed benefits on variable contracts reflected in the general account:

| | (in thousands) |
|--------------------------------|----------------|
| | <C> |
| Balance at January 1, 2004 (c) | \$ 1,640 |
| Guaranteed benefits incurred | 1,193 |
| Guaranteed benefits paid | (934) |
| | ----- |
| Balance at December 31, 2004 | \$ 1,899 |
| | ===== |

</TABLE>

(c) Includes amounts from the one-time cumulative accounting change resulting from the adoption of SOP 03-1

FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

7. GUARANTEED BENEFITS (Continued)

The following assumptions and methodology were used to determine the reserve for guaranteed benefits at December 31, 2004:

- Data used was 5,000 stochastically generated investment performance scenarios.
- Mean investment performance assumption was 10%.
- Volatility assumption was 16%.
- Mortality was assumed to be 64% of the 75-80 ALB table.
- Lapse rates vary by contract type and duration and range from 0% to 40%.
- The discount rate was approximately 8%.

8. REINSURANCE

Reinsurance contracts do not relieve the Company from its obligations to contract holders. The Company could become liable for all obligations of the reinsured policies if the reinsurers were to become unable to meet the obligations assumed under the respective reinsurance agreements. The Company monitors its credit exposure with respect to these agreements. However, due to the high credit ratings of the reinsurers, such risks are considered to be minimal. The Company has no reinsurance recoverable or related concentration of credit risk greater than 10% of shareholder's equity.

The Company has a reinsurance treaty under which the Company retains no more than \$100,000 of risk on any one insured life in order to limit the exposure to loss on any single insured. Universal life insurance fees are presented net of reinsurance premiums of \$7,275,000, \$7,132,000 and \$6,078,000 in 2004, 2003 and 2002, respectively. Reinsurance recoveries recognized as a reduction of claims on universal life insurance contracts amounted to \$8,855,000, \$3,645,000 and \$4,247,000 in 2004, 2003 and 2002, respectively.

In 2004, the Company entered a contract to reinsure credit life and credit accident and health insurance policies. The Company receives a share of premium for the reinsured policies and will indemnify the reinsured for a proportionate share of these liabilities while the reinsured retains the assets and corresponding reserve liabilities. The treaty is for one year with the option to renew annually and may be terminated by either party with 180 days advance notice.

9. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2004, the Company has commitments to purchase approximately \$5,000,000 of asset backed securities in the ordinary course of business. These commitments expire in total in 2007.

Various lawsuits against the Company have arisen in the ordinary course of business. Contingent liabilities arising from litigation, income taxes and regulatory and other matters are not considered material in relation to the financial position, results of operations or cash flows of the Company.

10. SHAREHOLDER'S EQUITY

The Company is authorized to issue 300 shares of its \$10,000 par value Common Stock. At December 31, 2004 and December 31, 2003, 300 shares were outstanding.

FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

10. SHAREHOLDER'S EQUITY (Continued)

Changes in shareholder's equity are as follows:

<TABLE>
<CAPTION>

| | Years ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| ADDITIONAL PAID-IN CAPITAL: | | | |
| Beginning balances | \$ 259,428 | \$ 144,428 | \$ 144,428 |
| Capital contributions by Parent | -- | 115,000 | -- |
| Ending balances | \$ 259,428 | \$ 259,428 | \$ 144,428 |
| RETAINED EARNINGS: | | | |
| Beginning balances | \$ 68,657 | \$ 51,740 | \$ 44,982 |
| Net income | 23,425 | 16,917 | 6,758 |
| Ending balances | \$ 92,082 | \$ 68,657 | \$ 51,740 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME: | | | |
| Beginning balances | \$ 18,440 | \$ 13,870 | \$ 1,169 |
| Change in net unrealized gains on debt securities available for sale | 11,981 | 5,138 | 29,401 |
| Change in net unrealized gains (losses) on equity securities available for sale | 1 | 493 | (161) |
| Change in adjustment to deferred acquisition costs and other deferred expenses | (6,500) | 1,400 | (9,700) |
| Tax effects of net changes | (1,919) | (2,461) | (6,839) |
| Ending balances | \$ 22,003 | \$ 18,440 | \$ 13,870 |

</TABLE>

Gross unrealized gains (losses) on fixed maturity and equity securities included in accumulated other comprehensive income are as follows:

<TABLE>
<CAPTION>

| | December 31, | December 31, |
|---|----------------|--------------|
| | 2004 | 2003 |
| | (in thousands) | |
| <S> | <C> | <C> |
| Gross unrealized gains | \$ 65,647 | \$ 64,200 |
| Gross unrealized losses | (13,496) | (24,031) |
| Adjustment to DAC and other deferred expenses | (18,300) | (11,800) |
| Deferred income taxes | (11,848) | (9,929) |
| Accumulated other comprehensive income | \$ 22,003 | \$ 18,440 |

</TABLE>

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

10. SHAREHOLDER'S EQUITY (Continued)

On September 30, 2003 and December 31, 2003, the Company received cash capital contributions from the Parent of \$40,000,000 and \$75,000,000, respectively.

Dividends that the Company may pay to its shareholder in any year without prior approval of the New York Department of Insurance are limited by statute. The maximum amount of dividends which can be paid to stockholders by a life insurance company domiciled in the State of New York without obtaining the prior approval of the Superintendent of Insurance is limited to the lesser of the Company's net gain from operations of the preceding year's statutory annual statement or 10% of preceding year's statutory surplus. Dividends of \$25,870,000 can be paid to the shareholder during

2005 without prior approval of the New York Superintendent of Insurance.

Under statutory accounting principles utilized in filings with insurance regulatory authorities, the Company's net income for the year ended December 31, 2004 was approximately \$41,524,000 and net loss for years ended December 31, 2003 and 2002 were \$28,065,000, and \$1,416,000, respectively. The Company's statutory capital and surplus totaled approximately \$261,706,000 at December 31, 2004, \$213,084,000 at December 31, 2003 and \$123,141,000 at December 31, 2002.

11. INCOME TAXES

The components of the provisions for income taxes on pretax income consist of the following:

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|--------------------------|--------------------------|-----------|-------------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| Current | \$ 25,539 | \$ 3,041 | \$ (16,471) |
| Deferred | (17,640) | 9,040 | 25,503 |
| | ----- | ----- | ----- |
| Total income tax expense | \$ 7,899 | \$ 12,081 | \$ 9,032 |
| | ===== | ===== | ===== |

</TABLE>

Income taxes computed at the United States federal income tax rate of 35% and income tax expenses reflected in the statement of income and comprehensive income differ as follows:

<TABLE>
<CAPTION>

| | Years Ended December 31, | | |
|--|--------------------------|-----------|----------|
| | 2004 | 2003 | 2002 |
| | (in thousands) | | |
| <S> | <C> | <C> | <C> |
| Amount computed at statutory rate | \$ 11,668 | \$ 10,149 | \$ 5,527 |
| Increases (decreases) resulting from: | | | |
| State income taxes, net of federal tax benefit | 3,250 | 1,447 | 2,103 |
| Dividends received deduction | (386) | (315) | (144) |
| Adjustment to prior year tax liability (a) | (6,633) | -- | -- |
| Other, net | -- | 800 | 1,546 |
| | ----- | ----- | ----- |
| Total income tax expense | \$ 7,899 | \$ 12,081 | \$ 9,032 |
| | ===== | ===== | ===== |

</TABLE>

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

11. INCOME TAXES (Continued)

- (a) In 2004, the Company revised its estimate of tax contingency amount for prior year based on additional information that became available.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. The significant components of the liability for deferred income taxes are as follows:

<TABLE>
<CAPTION>

| | Years Ended December 31, | |
|----------------------|--------------------------|------|
| | 2004 | 2003 |
| | (in thousands) | |
| <S> | <C> | <C> |
| DEFERRED TAX ASSETS: | | |

| | | |
|---|-------------|-------------|
| Investments | \$ 959 | \$ -- |
| Contract holder reserves | 27,931 | 14,994 |
| Other assets | 7,477 | 11,510 |
| | ----- | ----- |
| Total deferred tax assets | 36,367 | 26,504 |
| | ----- | ----- |
| DEFERRED TAX LIABILITIES: | | |
| Investments | \$ -- | \$ (2,637) |
| Deferred acquisition costs and other deferred expenses | (49,383) | (52,448) |
| Other liabilities | (228) | (3,385) |
| Net unrealized gains on debt and equity securities available for sale | (11,848) | (9,929) |
| | ----- | ----- |
| Total deferred tax liabilities | (61,459) | (68,399) |
| | ----- | ----- |
| Deferred income taxes | \$ (25,092) | \$ (41,895) |
| | ===== | ===== |

</TABLE>

The Company has concluded that the deferred tax asset will be fully realized and no valuation allowance is necessary.

12. RELATED-PARTY MATTERS

On October 31, 2003, the Company became a party to an existing credit agreement under which the Company agreed to make loans to AIG in an aggregate amount of up to \$5,000,000. This commitment expires on October 28, 2005. There was no outstanding balance under this agreement at December 31, 2004.

On January 20, 2004, the Company entered into a short-term financing arrangement with the Parent whereby the Company has the right to borrow up to \$15,000,000 from the Parent and vice versa. Any advances made under this agreement must be repaid within 30 days. There was no outstanding balance under this agreement at December 31, 2004.

On February 15, 2004, the Company entered into a short-term financing arrangement with an affiliate, AIG SunAmerica Life Assurance Company ("AIG SALAC") whereby the Company has the right to borrow up to \$15,000,000 from AIG SALAC and vice versa. Any advances made under this arrangement must be repaid within 30 days. There was no outstanding balance under this agreement at December 31, 2004.

On February 15, 2004, the Company entered into a short-term financing arrangement with SunAmerica Investments, Inc. ("SAII") whereby the Company has the right to borrow up to \$15,000,000 from SAII and vice versa. Any

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FIRST SUNAMERICA LIFE INSURANCE COMPANY NOTES TO FINANCIAL STATEMENTS (Continued)

12. RELATED-PARTY MATTERS (Continued)

advances made under this arrangement must be repaid within 30 days. There was no outstanding balance under this agreement at December 31, 2004.

The Company's products may be sold by nine affiliated companies: SunAmerica Securities, Inc.; Advantage Capital Corporation; Financial Service Corporation; Sentra Securities Corporation; Spelman & Co. Inc.; Royal Alliance Associates, Inc.; VALIC Financial Advisors Inc.; American General Equity Services Corporation; and American General Securities Incorporated. Commissions paid to these broker-dealers totaled \$996,000, \$1,063,000 and \$1,143,000 in the years ended December 31, 2004, 2003 and 2002, respectively. These affiliated broker-dealers represent 3%, 1% and 5% of annuity deposits in the years ended December 31, 2004, 2003 and 2002, respectively.

Pursuant to a cost allocation agreement, the Company purchases administrative, investment management, accounting, legal, marketing and data processing services from its Parent and from certain AIG affiliates. Amounts paid for such services totaled \$7,925,000 for the year ended December 31, 2004, \$5,250,000 for the year ended December 31, 2003 and \$8,399,000 for the year ended December 31, 2002. The component of such costs that relate to the production or acquisition of new business during these periods amounted to \$2,138,000, \$3,855,000 and \$3,305,000, in 2004, 2003 and 2002 respectively, and is deferred and amortized as part of DAC. The other components of these costs are included in general and

administrative expenses in the statement of income and comprehensive income.

AIG Annuity Insurance Company, an affiliate, is responsible for the administration of the Company's fixed annuity contracts and is reimbursed for the cost of administration. Costs charged to the Company to administer these policies were approximately \$1,138,000 in 2004, \$841,000 in 2003 and \$107,000 in 2002. Additionally, costs charged to the Company for marketing such policies amounted to \$1,605,000 in 2004, \$4,010,000 in 2003 and \$1,021,000 in 2002 and are deferred and amortized as part of DAC. The Company believes these costs are less than the Company would have incurred to administer these policies internally.

The majority of the Company's invested assets are managed by an affiliate of the Company. The investment management fees incurred were \$2,223,000, \$1,232,000 and \$793,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

The Company incurred \$629,000, \$106,000 and \$7,000 of management fees to an affiliate of the Company to administer its securities lending program (see Note 2) for the year ended December 31, 2004, 2003 and 2002, respectively.

On February 1, 2004, the Company entered into an administrative services agreement with its affiliate AIG SunAmerica Asset Management Corp. ("SAAMCo"), whereby SAAMCo will pay to the Company a fee based on a percentage on all assets invested through the Company's variable annuity products in exchange for services performed. SAAMCo is the investment advisor for certain trusts that serve as investment options for the Company's variable annuity products. Amounts earned by the Company under this agreement totaled \$1,537,000 in 2004 and are included in variable annuity policy fees in the statement of income and comprehensive income. A fee of \$150,000, \$1,620,000 and \$1,777,000 was paid under a different agreement in 2004, 2003 and 2002, respectively.

The Company has a support agreement in effect between the Company and AIG (the "Support Agreement"), pursuant to which AIG has agreed that AIG will cause the Company to maintain a contract holders' surplus of not less than \$1,000,000 or such greater amount as shall be sufficient to enable the Company to perform its obligations under any policy issued by it. The Support Agreement also provides that if the Company needs funds not otherwise available to it to make timely payment of its obligations under policies issued by it, AIG will provide such funds at the request of the Company. The Support Agreement is not a direct or indirect guarantee by AIG to any person of any obligations of the Company. AIG may terminate the Support Agreement with respect to outstanding obligations of the Company only under circumstances where the Company attains, without the benefit of the Support Agreement, a financial strength rating equivalent to that held by the Company with the benefit of the Support

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FIRST SUNAMERICA LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

12. RELATED-PARTY MATTERS (Continued)

Agreement. Contract holders have the right to cause the Company to enforce its rights against AIG and, if the Company fails or refuses to take timely action to enforce the Support Agreement or if the Company defaults in any claim or payment owed to such contract holder when due, have the right to enforce the Support Agreement directly against AIG.

The Company's insurance policy obligations are guaranteed by American Home Assurance Company ("American Home"), a subsidiary of AIG, and a member of an AIG intercompany pool. This guarantee is unconditional and irrevocable, and the Company's contract holders' have the right to enforce the guarantee directly against American Home. While American Home does not publish financial statements, it does file statutory annual and quarterly reports with the New York State Insurance Department, where such reports are available to the public. AIG is a reporting company under the Securities Exchange Act of 1934, and publishes annual reports on Form 10-K and quarterly reports on Form 10-Q, which are available from the Securities and Exchange Commission.

The Company's ultimate parent, AIG, has announced that it has delayed filing its Annual Report on Form 10-K for the year ended December 31, 2004 to allow AIG's Board of Directors and new management adequate time to complete an extensive review of AIG's books and records. The review includes issues arising from pending investigations into non-traditional insurance products and certain assumed reinsurance transactions by the Office of the Attorney General for the State of New York and the SEC and from AIG's decision to review the accounting treatment of certain

additional items. Circumstances affecting AIG can have an impact on the Company. For example, the recent downgrades and ratings actions taken by the major rating agencies with respect to AIG, resulted in corresponding downgrades and ratings actions being taken with respect to the Company's ratings. Accordingly, we can give no assurance that any further changes in circumstances for AIG will not impact us. While the outcome of this investigation is not determinable at this time, management believes that the ultimate outcome will not have a material adverse effect on Company operating results, cash flows or financial position.

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PART C -- OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) Financial Statements

The following financial statements are included and incorporated by reference in Part B of the Registration Statement:

Financial statements of First SunAmerica Life Insurance Company at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004.

Financial statements of FS Variable Annuity Account Two at August 31, 2004, and for each of the two years in the period ended August 31, 2004 are incorporated by reference to Form N-4, Post-Effective Amendment No. 18 under the Securities Act of 1933 and No. 19 under the Investment Company Act of 1940, File Nos. 033-81470 and 811-08624, filed on December 28, 2004, Accession No. 0000950129-04-010142.

(b) Exhibits

| <TABLE> | | |
|---------|--|----------------|
| <S> | <C> | <C> |
| (1) | Resolutions Establishing Separate Account----- | * |
| (2) | Custody Agreements----- | N/A |
| (3) | (a) Form of Distribution Contract----- | +++ |
| | (b) Form of Selling Agreement----- | * |
| (4) | (a) Variable Annuity Contract----- | * |
| (5) | Application for Contract----- | * |
| (6) | Depositor -- Corporate Documents | |
| | (a) Certificate of Incorporation dated October 27, 1997----- | * |
| | (b) Amended and Restated Charter dated May 30, 2003----- | ++++ |
| | (c) By-Laws----- | * |
| | (d) Amended By-Laws dated May 9, 2003----- | ++++ |
| (7) | Reinsurance Contract----- | N/A |
| (8) | Form of Fund Participation Agreement | |
| | (a) Form of Addendum to Fund Participation Agreement----- | +++ |
| (9) | Opinion of Counsel----- | * |
| | Consent of Counsel----- | N/A |
| (10) | Consent of Independent Registered Public Accounting Firm----- | Filed Herewith |
| (11) | Financial Statements Omitted from Item 23----- | N/A |
| (12) | Initial Capitalization Agreement----- | N/A |
| (13) | Performance Computations----- | N/A |
| (14) | Diagram and Listing of All Persons Directly or Indirectly Controlled By or Under Common Control with First SunAmerica, the Depositor of | |

| | | |
|------|------------------------|-----|
| (15) | Power of Attorney | |
| | (a) December 2000----- | + |
| | (b) December 2002----- | ++ |
| | (c) December 2003----- | +++ |

</TABLE>

- * Incorporated by reference to Post-Effective Amendment Nos. 4 and 6 to File Nos. 033-81470 and 811-08624, filed December 24, 1997, Accession No. 0000950148-97-003105.
- ** Incorporated by reference to Post-Effective Amendment Nos. 1 and 3 to File Nos. 033-81470 and 811-08624, filed November 14, 1995, Accession No. 0000950148-95-000805.
- + Incorporated by reference to Post-Effective Amendment Nos. 10 and 11 to File Nos. 033-81470 and 811-08624, filed December 19, 2000, Accession No. 0000950148-00-002511.
- ++ Incorporated by reference to Post-Effective Amendment Nos. 14 and 15 to File Nos. 033-81470 and 811-08624, filed December 20, 2002, Accession No. 0000950148-02-002988.
- +++ Incorporated by reference to Form N-14AE, Registration File No. 333-108115 filed on August 21, 2003, Accession No. 0001206774-03-000644.
- ++++ Incorporated by reference to Post-Effective Amendment Nos. 16 and 17 to File Nos. 033-81470 and 811-08624, filed December 8, 2003, Accession No. 0000950148-03-002855.
- +++++ Incorporated by reference to Post-Effective Nos. 17 and 18 to File Nos. 033-81470 and 811-08624, filed May 3, 2004, Accession No. 0000950148-04-000785.
- VI Incorporated by reference to Post-Effective Amendment Nos. 18 and 19 to File Nos. 033-81470 and 811-08624 filed December 28, 2004, Accession No. 0000950129-04-010142.

Item 25. Directors and Officers of the Depositor

The officers and directors of First SunAmerica Life Insurance Company are listed below. Their principal business address is 1 SunAmerica Center, Los Angeles, California 90067-6022, unless otherwise noted.

<TABLE>

<CAPTION>

| NAME | POSITION |
|-----------------------|---|
| ---- | ----- |
| <S> | <C> |
| Jay S. Wintrob | Director, Chief Executive Officer & President |
| James R. Belardi | Director and Senior Vice President |
| Marc H. Gamsin | Director and Senior Vice President |
| N. Scott Gillis*** | Director, Senior Vice President and Chief Financial Officer |
| Jana W. Greer*** | Director and Senior Vice President |
| Bruce R. Abrams** | Director, Senior Vice President |
| Christine A. Nixon | Director, Senior Vice President and Secretary |
| M. Bernard Aidinoff* | Director |
| Marion E. Fagen* | Director |
| Patrick J. Foley* | Director |
| Cecil C. Gamwell III* | Director |
| Jack R. Harnes* | Director |
| David L. Herzog* | Director |
| John I. Howell* | Director |
| Ernest T. Patrikis* | Director |
| Michael J. Akers** | Senior Vice President |
| Gregory M. Outcalt | Senior Vice President |
| Stewart R. Polakov*** | Senior Vice President and Controller |
| Edwin R. Raquel*** | Senior Vice President and Chief Actuary |
| Kurt W. Bernlohr** | Vice President |
| Michelle H. Powers** | Vice President |
| Mallary L. Reznik | Vice President |
| Stephen Stone*** | Vice President |
| Edward T. Texeria*** | Vice President |
| Virginia N. Puzon | Assistant Secretary |

</TABLE>

- * Principal business address 70 Pine Street, New York, NY 10270
- ** Principal business address is 2727 Allen Parkway, Houston, TX 77019
- *** Principal business address is 21650 Oxnard Street, Woodland Hills, CA 91367

Item 26. Persons Controlled By or Under Common Control With Depositor or Registrant

An organization chart can be found in the Company's Form 10-K, SEC file number 033-81474, accession number 0000950148-05-000048, filed April 15, 2005. An organization chart for AIG can be found in Form 10-K, SEC file number 001-08787, accession number 0000950123-04-00330, filed March 15, 2004. That organization chart is current as of December 2003. As of the date of this filing, AIG has not yet filed its 2004 Form 10-K.

Item 27. Number of Contract Owners

As of March 1, 2005, the number of Vista Capital Advantage Variable Annuity contracts funded by FS Variable Annuity Account Two was 458 of which 178 were qualified contracts and 280 were non-qualified contracts.

Item 28. Indemnification

Section 719 of the Business Corporation Law of the State of New York permits the indemnification of directors, officers, employees and agents of New York corporations. Section 10 of the Company's By-Laws ("By-Laws") authorize the indemnification of directors and officers to the full extent required or permitted by the Laws of the State of New York, now or hereafter in force, whether such persons are serving the Company, or, at its request, any other entity, which indemnification shall include the advance of expenses under the procedures and to the full extent permitted by law. In addition, the Company's officers and directors are covered by certain directors' and officers' liability insurance policies maintained by the Company's parent.

Additionally, pursuant to the Distribution Agreement filed as Exhibit 3(a) to this Registration Statement, Depositor has agreed to indemnify and hold harmless AIG SUNAMERICA CAPITAL SERVICES, INC. ("Distributor") for damages and expenses arising out of (1) any untrue statement or alleged untrue statement of a material fact contained in materials prepared by Depositor in conjunction with the offer and sale of the contracts, or Depositor's failure to comply with applicable law or other material breach of the Distribution Agreement. Likewise, the Distributor has agreed to indemnify and hold harmless Depositor and its affiliates, including its officers, directors and the separate account, for damages and expenses arising out of any untrue statement or alleged untrue statement of a material fact contained in materials prepared by Distributor in conjunction with the offer and sale of the contracts, or Distributor's failure to comply with applicable law or other material breach of the Distribution Agreement.

Pursuant to the Selling Agreement, a form of which is filed as Exhibit 3(b) to this Registration Statement, Depositor and Distributor are generally indemnified by selling broker/dealers firms from wrongful conduct or omissions in conjunction with the sale of the contracts.

Item 29 Principal Underwriter

(a) AIG SunAmerica Capital Services, Inc. acts as distributor for the following investment companies:

- AIG SunAmerica Life Assurance Company - Variable Separate Account
- AIG SunAmerica Life Assurance Company - Variable Annuity Account One
- AIG SunAmerica Life Assurance Company - Variable Annuity Account Two
- AIG SunAmerica Life Assurance Company - Variable Annuity Account Four
- AIG SunAmerica Life Assurance Company - Variable Annuity Account Five
- AIG SunAmerica Life Assurance Company - Variable Annuity Account Seven
- AIG SunAmerica Life Assurance Company - Variable Annuity Account Nine
- First SunAmerica Life Insurance Company - FS Variable Separate Account
- First SunAmerica Life Insurance Company - FS Variable Annuity Account One
- First SunAmerica Life Insurance Company - FS Variable Annuity Account Two
- First SunAmerica Life Insurance Company - FS Variable Annuity Account Five
- First SunAmerica Life Insurance Company - FS Variable Annuity Account Nine
- Presidential Life Insurance Company - Variable Account One
- Anchor Series Trust

Seasons Series Trust
 SunAmerica Series Trust
 SunAmerica Style Select Series, Inc. issued by AIG SunAmerica Asset Management Corp. (AIG SAAMCo)
 SunAmerica Equity Funds issued by AIG SAAMCo
 SunAmerica Income Funds issued by AIG SAAMCo
 SunAmerica Money Market Funds, Inc. issued by AIG SAAMCo
 SunAmerica Strategic Investment Series, Inc. issued by AIG SAAMCo
 SunAmerica Senior Floating Rate Fund, issued by AIG SAAMCo
 VALIC Company I and
 VALIC Company II

(b) Directors, Officers and principal place of business:

<TABLE>

<CAPTION>

| Officer/Directors* | Position |
|----------------------|---|
| <S> | <C> |
| Peter A. Harbeck | Director |
| J. Steven Neamtz | Director, President & Chief Executive Officer |
| Debbie Potash-Turner | Senior Vice President, Chief Financial Officer & Controller |
| John T. Genoy | Vice President |
| James Nichols | Vice President |
| Thomas Lynch | Chief Compliance Officer |
| Christine A. Nixon** | Secretary |
| \Virginia N. Puzon** | Assistant Secretary |

</TABLE>

* Unless otherwise indicated, the principal business address of AIG SunAmerica Capital Services, Inc. and of each of the above individuals is Harborside Financial Center, 3200 Plaza 5, Jersey City, New Jersey 07311.

** Principal business address is 1 SunAmerica Center, Los Angeles, California 90067.

(c) AIG SunAmerica Capital Services, Inc. retains no compensation or commissions from the Registrant.

Item 30. Location of Accounts and Records

All of the accounts, books, records or other documents required to be kept by Section 31(a) of the Investment Company Act of 1940 and its rules are maintained by Depositor at 21650 Oxnard Ave., Woodland Hills, California 91367.

First SunAmerica Life, the Depositor for the Registrant, is located at 733 Third Avenue, New York, New York 10017. First SunAmerica Life maintains those accounts and records required to be maintained by it pursuant to Section 31(a) of the Investment Company Act and the rules promulgated thereunder.

Item 31. Management Services

Not Applicable.

Item 32. Undertakings

Registrant undertakes to: (a) file post-effective amendments to this Registration Statement as frequently as is necessary to ensure that the audited financial statements in the Registration Statement are never more than 16 months old for so long as payments under the variable annuity Contracts may be accepted; (b) include either (1) as part of any application to purchase a Contract offered by the prospectus forming a part of the Registration Statement, a space that an applicant can check to request a Statement of Additional Information, or (2) a postcard or similar written communication affixed to or included in the Prospectus that the Applicant can remove to send for a Statement of Additional Information; and (c) deliver any Statement of Additional Information and any financial statements required to be made available under this Form N-4 promptly upon written or oral request.

The Registrant hereby represents that it is relying upon a No-Action Letter issued to the American Council of Life Insurance dated November 28, 1988 (Commission ref. IP-6-88). The Registrant has complied with conditions one through four on the no-action letter.

Insofar as indemnification for liability arising under the Securities Act of 1933 ("Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Depositor represents that the fees and charges to be deducted under the variable annuity contract described in the prospectus contained in this registration statement are, in the aggregate, reasonable in relation to the services rendered, the expenses expected to be incurred, and the risks assumed in connection with the contract.

SIGNATURES

As required by the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets the requirements of Securities Act Rule 485(b) for effectiveness of this Registration Statement and has caused this Post-Effective Amendment Nos. 19 and 20 to its Registration Statement on Form N-4, File Nos. 033-81470 and 811-08624 to be signed on its behalf, in the City of Los Angeles, and the State of California, on this 29th day of April 2005.

FS VARIABLE ANNUITY ACCOUNT TWO
(Registrant)

By: FIRST SUNAMERICA LIFE INSURANCE COMPANY

By: /s/ JAY S. WINTROB

Jay S. Wintrob, Chief Executive Officer

FIRST SUNAMERICA LIFE INSURANCE COMPANY
(Depositor)

By: /s/ JAY S. WINTROB

Jay S. Wintrob, Chief Executive Officer

As required by the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| <TABLE> <CAPTION> | SIGNATURE ----- | TITLE ----- | DATE ---- |
|----------------------|--|---|-----------------------|
| <S> | JAY S. WINTROB* ----- Jay S. Wintrob | <C> Chief Executive Officer, President & Director (Principal Executive Officer) | <C> April 29, 2005 |
| | BRUCE R. ABRAMS* ----- Bruce R. Abrams | Director | April 29, 2005 |
| | M. BERNARD AIDINOFF* ----- M. Bernard Aidinoff | Director | April 29, 2005 |
| | JAMES R. BELARDI* ----- James R. Belardi | Director | April 29, 2005 |

| | | |
|-------------------------------------|--|----------------|
| MARION E. FAJEN* | Director | April 29, 2005 |
| ----- Marion E. Fajen | | |
| PATRICK J. FOLEY* | Director | April 29, 2005 |
| ----- Patrick J. Foley | | |
| MARC H. GAMSIN* | Director | April 29, 2005 |
| ----- Marc H. Gamsin | | |
| CECIL C. GAMWELL III* | Director | April 29, 2005 |
| ----- Cecil C. Gamwell III | | |
| N. SCOTT GILLIS* | Senior Vice President, Chief Financial Officer & Director (Principal Financial Officer) | April 29, 2005 |
| ----- N. Scott Gillis | | |
| JANA W. GREER* | Director | April 29, 2005 |
| ----- Jana W. Greer | | |
| JACK R. HARNES* | Director | April 29, 2005 |
| ----- Jack R. Harnes </TABLE> | | |

| | | |
|--|---|----------------|
| <TABLE> <S> | <C> | <C> |
| DAVID L. HERZOG* | Director | April 29, 2005 |
| ----- David L. Herzog | | |
| JOHN I. HOWELL* | Director | April 29, 2005 |
| ----- John I. Howell | | |
| CHRISTINE A. NIXON* | Director | April 29, 2005 |
| ----- Christine A. Nixon | | |
| ERNEST T. PATRIKIS* | Director | April 29, 2005 |
| ----- Ernest T. Patrikis | | |
| STEWART R. POLAKOV* | Senior Vice President and Controller (Principal Accounting Officer) | April 29, 2005 |
| ----- Stewart R. Polakov | | |
| */s/ MALLARY L. REZNIK | | April 29, 2005 |
| ----- Mallary L. Reznik Attorney-in-fact </TABLE> | | |

EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION |
|-------------|---|
| ----- | ----- |
| <S> | <C> |
| (10) | Consent of Independent Registered Public Accounting Firm |
| (14) | Diagram and Listing of All Person Directly or Indirectly Controlled by or Under Common Owner Control with First SunAmerica Life Insurance Company, the Depositor of Registrant |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in the Statement of Additional Information of the Vista Capital Advantage Variable Annuity, which constitutes part of this Registration Statement on Form N-4 for FS Variable Annuity Account Two of First SunAmerica Life Insurance Company, of our report dated April 15, 2005, relating to the financial statements of First SunAmerica Life Insurance Company at December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, and the incorporation by reference of our report dated December 17, 2004, relating to the financial statements of FS Variable Annuity Account Two at August 31, 2004, and for each of the two years in the period ended August 31, 2004. We also consent to the incorporation by reference of these reports into the Vista Capital Advantage Variable Annuity Prospectus, which is included in this Registration Statement. We also consent to the reference to us under the heading "Independent Registered Public Accounting Firm" in such Prospectus and to the reference to us under the heading "Financial Statements" in such Statement of Additional Information.

PricewaterhouseCoopers LLP
Los Angeles, California
April 29, 2005

DIAGRAM AND LISTING OF ALL PERSONS DIRECTLY
OR INDIRECTLY CONTROLLED BY OR UNDER COMMON
CONTROL WITH
FIRST SUNAMERICA LIFE INSURANCE COMPANY
THE DEPOSITOR OF REGISTRANT

American International Group, Inc. (a Delaware corporation) owns 100% of AIG Retirement Services, Inc. (f/k/a "AIG SunAmerica Inc.") (a Delaware corporation), which owns 100% of Resources Consolidated Inc. (a Colorado corporation); SA Investment Group, Inc. (a California corporation); SunAmerica Life Insurance Company (an Arizona corporation); SunAmerica Affordable Housing Finance Corp. (a Delaware corporation); Arrowhead SAHP Corp. (a New Mexico corporation); Tierra Vista SAHP Corp. (a Florida corporation); Westwood SAHP Corp. (a New Mexico corporation); Charlestonian/Chesterfield SAHP Corp. (a Delaware corporation); Crossing SAHP Corp. (a Delaware corporation); Forest SAHP Corp. (a Delaware corporation); Grand Savannah SAHP Corp. (a Delaware corporation); Willow SAHP Corp. (a Delaware corporation); Prairie SAHP Corp. (a Delaware corporation); DIL/SAHP Corp. (a Delaware corporation), which is the sole member of River Oaks Apartments, LLC (a Delaware limited liability company); Charleston Bay SAHP Corp. (a Delaware corporation); SubGen NT Corp. (a Delaware corporation); and SCSP Corp. (a Delaware corporation). In addition, AIG Retirement Services, Inc. owns 33% of New California Life Holdings, Inc. (a Delaware corporation), which owns 100% of Aurora National Life Assurance Company (a California corporation); 30% of SunAmerica Investments, Inc., a Georgia corporation; 85% of AMSUN Realty Holdings (a California general partnership); 50% of SunAmerica New Markets Tax Credit Fund LLC (a Nevada limited liability company); and is sole member of MM Enhancement , LLC, a Maryland limited liability company.

SunAmerica Investments, Inc. owns 100% of SunAmerica Retirement Markets, Inc. (a Maryland corporation); SunAmerica Real Estate and Office Administration, Inc. (a Delaware corporation); SunAmerica Affordable Housing Partners, Inc. (a California corporation), which is sole member to SLP Housing VI, LLC and SLP Housing VII, LLC, (each a Delaware limited liability company), and owns 100% of Civic SAAHP Corp. (a Delaware corporation), which is sole member of SAAHP Civic, LLC (a Delaware corporation); Sunport Holdings, Inc. (a California corporation), which owns 100% of Sunport Property Holdings, Inc. (a Florida corporation); SunAmerica Mortgages, Inc. (a Delaware corporation); Houston Warehouse Corp. (a California corporation); SunAmerica (Cayman) Insurance Company, Ltd. (a Cayman Islands company); AIG Advisor Group, Inc. (a Maryland corporation); SunMexico Holdings, Inc. (a Delaware corporation), which owns 100% of each of the following Delaware corporations: Sun Cancun I, Inc., Sun Cancun II, Inc., Sun Ixtapa I, Inc. and Sun Ixtapa II, Inc.; Sun Hechs, Inc. (a California corporation); Sun GP Corp. (a California corporation); Sun CRC, Inc. (a California corporation); Sun-Dollar, Inc. (a California corporation); SunAmerica Investments (Cayman) (a Cayman Islands corporation); and Metrocorp, Inc. (a

California corporation). SunAmerica Investments, Inc. is general partner to SunAmerica Venture Fund 2000, L.P. (a California limited partnership); sole member of the following Delaware limited liability companies: SAHP Bluebonnet Ridge GP, L.C, SAHP Lakes GP, LLC, SAHP Lakes II GP, LLC, SAHP Siegen Lane GP, LLC, SAHP St. Jean GP I, LLC, SAHP St. Jean GP II, LLC, SAHP St. Jean GP III, LLC and SAHP Summerchase GP, LLC; and sole member of the following Nevada limited liability companies: SLP Housing I LLC, SLP Housing II LLC, SLP Housing III LLC, SLP Housing IV LLC, SLP Housing V LLC, which owns 100% of the following Nevada limited liability companies: SAHP-Yarco LLC; SAHP-MBA LLC and SAHP McSha; AM Six Investors, Inc. (a Delaware corporation); Bowie Investors, Inc. (a Delaware corporation); Hazelton Investors, Inc. (a Delaware corporation); Saucon Investors, Inc. (a Delaware corporation); and 50% of SunAmerica New Markets Tax Credit Fund LLC (a Nevada limited liability company).

AIG Advisor Group, Inc. owns 100% of Royal Alliance Associates, Inc. (a Delaware corporation), which owns 50% of Anchor Insurance Services, Inc. (a Hawaii corporation); SunAmerica Securities, Inc. (a Delaware corporation), which owns 50% of Anchor Insurance Services, Inc., (a Hawaii corporation); Financial Service Corporation (a Georgia corporation), which owns 100% of FSC Securities Corporation (a Delaware corporation) and FSC Agency, Inc. (a Georgia corporation); The Financial Group, Inc. (a Georgia corporation); Advantage Capital Corporation (a New York corporation); Spelman & Co., Inc. (a California corporation), which owns 100% of Century Investments Group Incorporation (an Oklahoma

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corporation); Sentra Securities Corporation (a California corporation), and AIG Financial Advisors, Inc. (a Delaware corporation).

SunAmerica Life Insurance Company owns 100% of First SunAmerica Life Insurance Company (a New York corporation); AIG SunAmerica Life Assurance Company (an Arizona corporation); UG Corporation, (a Georgia corporation); Export Leasing FSC, Inc. (a Virgin Islands company); SunAmerica Virginia Properties, Inc. (a California corporation); SAL Investment Group, Inc. (a California corporation); Five Long Island Properties, LLC (a Delaware limited liability company); Saamsun Holdings Corp. (a Delaware corporation); SA Affordable Housing, LLC, (a Delaware limited liability company); SunAmerica Housing Fund West 41st , LLC (a Delaware limited liability corporation), which owns 50% of 501 West 41st Street Partners, LLC (a New York limited liability company); SunAmerica Housing Fund 233, LLC (a Delaware limited liability corporation), which owns 50% of 400 West 59th Street Partners, LLC (a New York

limited liability company); SunAmerica Housing Fund West 42nd, LLC (a Delaware limited liability company), which owns 50% of 520 West 43rd Street Partners, LLC (a New York limited liability company); and SunAmerica Housing Fund First & 94th, LLC (a Delaware limited liability company), which owns 50% of 345 East 94th Street Partners, LLC, (a New York limited liability company). In addition, SunAmerica Life Insurance Company owns 85% of SunAmerica Realty Partners (a California limited partnership); 70% of SunAmerica Investments, Inc; and sole member of Sun Quorum, LLC (a Delaware limited liability company).

AIG SunAmerica Life Assurance Company owns 100% of AIG SunAmerica Asset Management Corp. (a Delaware corporation), which owns 100% of AIG SunAmerica Capital Services, Inc. (a Delaware corporation) and 100% of AIG SunAmerica Fund Services, Inc.; Anchor-Forum Portales I, LLC and Anchor-Forum Portales II, LLC (both are Delaware limited liability companies); and the following Massachusetts business trusts: Anchor Pathway Fund, Anchor Series Trust, SunAmerica Series Trust and Seasons Series Trust.