FORM 497

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FILER

VARIABLE SEPARATE ACCOUNT OF ANCHOR NATIONAL LIFE INSUR CO

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ANCHOR NATIONAL LIFE INSURANCE COMPANY
VARIABLE SEPARATE ACCOUNT

SUPPLEMENT TO POLARIS PROSPECTUS DATED FEBRUARY 28, 1995

As of the date of this Supplement, the Company is not accepting telephone withdrawal requests. A written withdrawal request or Systematic Withdrawal Program enrollment form must be sent to the Company at its Annuity Service Center.

Delete the first paragraph in the section entitled "Distribution of Contracts" on page 29 and replace with the following:

Contracts are sold by registered representatives of broker-dealers who are licensed insurance agents, either individually or through an incorporated insurance agency of the Company. Commissions on initial Purchase Payments paid to registered representatives may vary, but are not anticipated to exceed 7.25% of any Purchase Payment (including any promotional sales incentives). In addition, under certain circumstances and in exchange for lower initial commission, certain sellers of the Contracts may be paid persistency bonuses which will take into account, among other things, the length of time Purchase Payments have been held under a Contract, and Contract Values. A persistency bonus is not anticipated to exceed 1.00%, on an annual basis, of the Contract Values considered in connection with the bonus. All such commissions, incentives and bonuses are paid by the Company.

Date: June 15, 1995

Please keep this Supplement with your Prospectus

- --

FLEXIBLE PAYMENT GROUP DEFERRED
ANNUITY CONTRACTS

- --

ISSUED BY
ANCHOR NATIONAL LIFE INSURANCE COMPANY
IN CONNECTION WITH
VARIABLE SEPARATE ACCOUNT

CORRESPONDENCE ACCOMPANIED BY PAYMENTS P.O. BOX 100330 PASADENA, CALIFORNIA 91189-0001	ALL OTHER CORRESPONDENCE, ANNUITY SERVICE CENTER: P.O. BOX 54299 LOS ANGELES, CALIFORNIA 90054-0299 TELEPHONE NUMBER: (800) 445-7862

The Contracts offered by this prospectus provide for accumulation of Contract Values and payment of annuity benefits on a fixed and/or variable basis. The Contracts are available for Qualified Plans and Nonqualified Plans (see "Taxes," page 36, for a detailed discussion).

Purchase Payments under the Contracts may be allocated among the Portfolios of the Separate Account, and/or to one or more of the Fixed Account options funded through the Company's General Account. Each of the eighteen Portfolios of the Separate Account described in this prospectus is invested solely in the shares of either (1) one of the four available Underlying Funds of Anchor Trust: Capital Appreciation Portfolio, Growth Portfolio, Natural Resources Portfolio and Government and Quality Bond Portfolio or (2) one of the fourteen available Underlying Funds of the SunAmerica Trust: International Diversified Equities Portfolio, Global Equities Portfolio, Alliance Growth Portfolio, Growth/Phoenix Investment Counsel Portfolio, Provident Growth Portfolio, Venture Value Portfolio, Growth-Income Portfolio, Asset Allocation Portfolio, Balanced/Phoenix Investment Counsel Portfolio, Worldwide High Income Portfolio, High-Yield Bond Portfolio, Global Bond Portfolio, Fixed Income Portfolio and Cash Management Portfolio. Additional Underlying Funds may be made available in the future.

The Fixed Account options pay fixed rates of interest declared by the Company for specified Guarantee Periods of from one to ten years from the dates amounts are allocated to the Fixed Account. As of the date of this prospectus, one, three, five, seven and ten year options were available in most states. Please contact the Company or the financial representative from whom this prospectus was obtained for information as to currently available guarantee options. Such declared rates will vary from time to time but will not be less than 3% per annum, and, once established for a particular allocation, will not change during the course of the Guarantee Period. However, withdrawals, transfers or annuitizations from the Fixed Account prior to the end of the applicable Guarantee Period(s) will generally result in the imposition of a Market Value Adjustment (See page 20).

This prospectus concisely sets forth the information a prospective investor ought to know before investing. PLEASE READ THIS PROSPECTUS CAREFULLY AND RETAIN IT FOR YOUR FUTURE REFERENCE. Participants bear the complete investment risk for all Purchase Payments allocated to the Separate Account. With respect to a Fixed Account, Participants also bear the risk that amounts reallocated to, or prematurely withdrawn, transferred or annuitized from, the General Account prior to the end of their respective Guarantee Periods could result in the Participant receiving less than Purchase Payments so allocated.

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.

THE CONTRACTS OFFERED BY THIS PROSPECTUS INVOLVE RISK, INCLUDING LOSS OF PRINCIPAL, AND ARE NOT A DEPOSIT OR OBLIGATION OF, OR GUARANTEED OR ENDORSED BY, ANY BANK AND ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER AGENCY.

THE CONTRACTS OFFERED BY THIS PROSPECTUS ARE NOT AVAILABLE IN ALL STATES.

This Prospectus is dated January 30, 1995.

ADDITIONAL INFORMATION:

The Company has filed registration statements (the "Registration Statements") with the Securities and Exchange Commission ("Commission") under the Securities Act of 1933, as amended, relating to the Contracts offered by this prospectus. This prospectus has been filed as a part of the Registration Statements and does not contain all of the information set forth in the Registration Statements and exhibits thereto, and reference is hereby made to such Registration Statements and exhibits for further information relating to the Company, the Separate Account, and the Contracts. The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Commission. Such reports and other information filed by the Company can be inspected and copied; and copies can be obtained at the public reference facilities of the Commission at Room 1024, 450 Fifth Street, N.W., -- Washington, D.C. 20549, or at the regional offices in Chicago and New York. The addresses of these regional offices are as follows: 500 West Madison Street, Chicago, Illinois 60661, and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of such material also can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington D.C. 20549, upon payment of the fees prescribed by the rules and regulations of the Commission at prescribed rates.

A Statement of Additional Information about the variable portion of the Contracts has been filed with the Commission, as part of the Registration Statements, and is available without charge upon written or oral request to the Company at its Annuity Service Center at the address and telephone number given on the prior page. The Table of Contents of the Statement of Additional Information dated January 30, 1995, appears on page 53 of this prospectus.

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DEFINITIONS

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

ACCUMULATION PERIOD -- The period between the Certificate Date and the Annuity Date; the build-up phase under the Contract.

ACCUMULATION UNIT -- A unit of measurement which the Company uses to calculate Contract Value under the variable portion of the Contracts during the Accumulation Period.

ANCHOR TRUST -- The Anchor Series Trust, an open-end management investment company.

ANNUITY SERVICE CENTER -- Its address and phone number are: P.O. Box 54299, Los Angeles, California 90054-0299; (800) 445-7862. Correspondence accompanying a payment should be directed to P.O. Box 100330, Pasadena, California 91189-0001. The Company will notify Contractholders and Participants of any change in address or telephone number.

ANNUITANT -- The natural person on whose life the annuity benefits under a Certificate are based.

ANNUITIZATION -- The process by which a Participant converts from the Accumulation Period to the Annuity Period. Upon Annuitization, the Certificate is converted from the build-up phase to the phase during which the Participant or other payee(s) receive periodic annuity payments.

ANNUITY DATE -- The date on which annuity payments are to begin.

ANNUITY PERIOD -- The period starting on the Annuity Date.

ANNUITY UNIT -- A unit of measurement which the Company uses to calculate the amount of Variable Annuity payments.

BENEFICIARY(IES) -- The person(s) designated to receive any benefits under a Certificate upon the death of the Annuitant or the Participant.

CERTIFICATE -- A document that describes and evidences a Participant's rights under a group Contract.

CERTIFICATE DATE -- The date a Certificate is issued.

CODE -- The Internal Revenue Code of 1986, as amended.

COMPANY -- Anchor National Life Insurance Company, a California corporation.

CONTRACT(S) -- The Flexible Payment Group Deferred Annuity Contracts offered by this prospectus.

CONTRACT VALUE -- The value under a Contract of a Participant's account, equal to the sum of the values of the Participant's interest in the Fixed Account and the Separate Account.

CONTRACT YEAR -- A year starting from the Certificate Date in one calendar year and ending on the Certificate Date in the succeeding calendar year.

CONTRACTHOLDER -- The person or entity to whom a group Contract has been issued on behalf of Participants in a particular group.

CONTRIBUTION YEAR -- With respect to a given Purchase Payment, a year starting from the date of the Purchase Payment in one calendar year and ending on the anniversary of such date in the succeeding calendar years. The Contribution Year in which a Purchase Payment is made is "Contribution Year 0," subsequent Contribution Years are successively numbered beginning with Contribution Year 1.

CURRENT INTEREST RATE -- The interest rate as declared from time to time by the Company to be in effect for allocations to the Fixed Account for a specified Guarantee Period. It is equal to the sum of the subsequent guarantee rate and the excess interest rate, if any, declared by the Company for such allocation. The subsequent guarantee rate will not be less than 3% per annum.

DUE PROOF OF DEATH -- (1) A certified copy of a 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 the Company.

FIXED ACCOUNT -- Contract Values allocated to the Company's General Account under one or more of the Fixed Account options under the Contract.

FIXED ANNUITY -- A series of payments that are fixed in amount and made during the Annuity Period to a payee under a Certificate.

GENERAL ACCOUNT -- The Company's general investment account which contains all the assets of the Company, with the exception of the Separate Account and other segregated asset accounts.

GUARANTEE AMOUNT -- The accumulated value of that portion of a Participant's account allocated to the Fixed Account for a Guarantee Period.

GUARANTEE PERIOD -- A period during which an allocation to the Fixed Account will earn interest at the Current Interest Rate that was in effect for that period when the allocation was made.

GUARANTEE RATE -- The interest rate in effect for a particular allocation to the Fixed Account for a specified Guarantee Period.

LATEST ANNUITY DATE -- The first day of the month following the 85th birthday of the Annuitant. In the case of Contracts issued in connection with Qualified Plans, the Code generally requires that a minimum distribution be taken by April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2. Accordingly, the Company may require a Participant in a Qualified Plan to annuitize prior to such date unless the Participant demonstrates the minimum distribution is otherwise being made.

MARKET VALUE ADJUSTMENT -- An adjustment applied, with certain exceptions, to amounts withdrawn, transferred or annuitized from the Fixed Account prior to the end of the applicable Guarantee Period(s).

NONQUALIFIED PLAN -- A retirement plan which does not receive favorable tax treatment under Sections 401, 403(b), 408 or 457 of the Internal Revenue Code.

OWNER -- The person(s) having the privileges of ownership defined in the Contracts. Except to the extent restricted by the retirement plan pursuant to which the Contract is issued, the Participant will be the Owner of the Certificate.

PARTICIPANT -- The person entitled to benefits under a Contract as evidenced by a Certificate issued to the Participant.

PARTICIPANT'S ACCOUNT -- An accounting entity maintained by the Company indicating a Participant's Contract Value under a Certificate.

PORTFOLIO -- A subdivision of the Separate Account invested wholly in shares of one of the investment series of Anchor Trust or SunAmerica Trust.

PURCHASE PAYMENTS -- Amounts paid to the Company for the Contract by or on behalf of a Participant.

QUALIFIED PLAN -- A retirement plan which receives favorable tax treatment under Sections 401, 403(b), 408 or 457 of the Internal Revenue Code.

SEPARATE ACCOUNT -- A segregated investment account of the Company entitled "Variable Separate Account."

SUNAMERICA TRUST -- The SunAmerica Series Trust, an open-end management investment Company.

UNDERLYING FUND(S) -- The underlying series of Anchor Trust or SunAmerica Trust in which the Portfolios invest.

VALUATION DATE -- Each day the New York Stock Exchange is open for business.

VALUATION PERIOD -- The period commencing at the close of normal trading on the New York Stock Exchange ("NYSE") (currently 4:00 p.m. Eastern time) on each Valuation Date and ending at the close of normal trading on the NYSE on the next succeeding Valuation Date.

VARIABLE ANNUITY -- A series of payments made during the Annuity Period to a payee under a Certificate which vary in amount in accordance with the investment experience of the Portfolios to which Contract Values have been allocated.

WITHDRAWAL CHARGE -- The contingent deferred sales charge assessed against certain withdrawals.

WITHDRAWAL VALUE -- Contract Value, minus any Contract Administration Charge, minus any premium tax payable, minus any applicable Withdrawal Charge, and plus or minus any applicable Market Value Adjustment.

SUMMARY

This prospectus describes the uses and objectives of the Contracts, their costs, and the rights and privileges of the Participant and Contractholder, as applicable. It also contains information about the Company, the Fixed Account, the Separate Account and its Portfolios, and the Underlying Funds in which the Portfolios invest. We urge you to read it carefully and retain it and the prospectuses for the Anchor Trust and the SunAmerica Trust for future reference. (The prospectuses for the Anchor Trust and the SunAmerica Trust are attached to and follow this prospectus).

WHAT IS THE CONTRACT?

The Contract offered is a tax deferred annuity which provides fixed benefits, variable benefits or a combination of both. A group Contract is issued to the Contractholder covering all Participants in the group. Each Participant receives a Certificate which evidences his or her participation under the Contract. For the purpose of determining benefits under the Contract, a Participant's account is established for each Participant. The Owner is the person entitled to the rights and privileges of ownership under a Certificate. Except to the extent limited by the retirement plan pursuant to which the Contract was issued, the Participant is the Owner. The Contract described in this prospectus is not available in certain states and a Flexible Payment Individual Modified Guaranteed and Variable Deferred Annuity Contract ("Individual Contract") may be available instead. The Individual Contract is substantially similar to the Contract except that the Individual Contract is issued directly to the Owner, rather than to a Contractholder for the benefit of a Participant. Subject to this difference, the information contained in this prospectus is applicable to the Individual Contract.

Individuals wishing to purchase a Certificate must complete an application and provide an initial Purchase Payment which will be sent to the Company at the

P.O. Box indicated for Purchase Payments on the cover page of this prospectus or in such other manner as deemed acceptable to the Company. The minimum and maximum of Purchase Payments vary depending upon the type of Contract purchased. (See "Minimum Purchase Payment," page 26).

WHAT IS THE DIFFERENCE BETWEEN A VARIABLE ANNUITY AND A FIXED ANNUITY?

The Contract has appropriate provisions relating to variable and fixed accumulation values and variable and fixed annuity payments. A Variable Annuity and a Fixed Annuity have certain similarities. Both provide that Purchase Payments, less certain deductions, will be accumulated prior to the Annuity Date. After the Annuity Date, annuity payments will be made to a designated payee (normally, the Participant), for the life of the Annuitant or a period certain or a combination thereof. The Company assumes mortality and expense risks under the Contracts, for which it receives certain compensation.

The most significant difference between a Variable Annuity and a Fixed Annuity is that under a Variable Annuity, all investment risk before and after the Annuity Date is assumed by the Participant or other payee; the amounts of the annuity payments vary with the investment performance of the Portfolios of the Separate Account selected by the Participant. Under a Fixed Annuity, in contrast, the investment risk after the Annuity Date is assumed by the Company and the amounts of the annuity payments do not vary. In the case of amounts allocated to the Fixed Account prior to the Annuity Date, the Participant bears the risks (1) that the Guarantee Rate to be credited on amounts allocated to the Fixed Account may not exceed the minimum guaranteed rate of 3% for any Guarantee Period, and (2) that amounts withdrawn, transferred or annuitized from the Fixed Account prior to the end of their respective Guarantee Periods, other than withdrawals from the one year Fixed Account option, could result in the Participant's receiving less than the Purchase Payments so allocated (See "Fixed Account Options -- Market Value Adjustment," page 20).

HOW MAY PURCHASE PAYMENTS BE ALLOCATED?

Purchase Payments for the Contracts may be allocated pursuant to instructions in the application to one or more Portfolios of the Separate Account, and/or to the Company's General Account under one or more of the Fixed Account options under the Contracts. The Separate Account invests in shares of the following Underlying Funds (See "Separate Account Investments," page 17):

ANCHOR TRUST

* CAPITAL APPRECIATION PORTFOLIO
* GROWTH PORTFOLIO
* NATURAL RESOURCES PORTFOLIO
* GOVERNMENT AND QUALITY BOND PORTFOLIO

SUNAMERICA TRUST

* INTERNATIONAL DIVERSIFIED EQUITIES PORTFOLIO
* GLOBAL EQUITIES PORTFOLIO
* ALLIANCE GROWTH PORTFOLIO
* GROWTH/PHOENIX INVESTMENT COUNSEL PORTFOLIO
* PROVIDENT GROWTH PORTFOLIO
* VENTURE VALUE PORTFOLIO
* GROWTH-INCOME PORTFOLIO
* ASSET ALLOCATION PORTFOLIO
* BALANCED/PHOENIX INVESTMENT COUNSEL PORTFOLIO
* WORLDWIDE HIGH INCOME PORTFOLIO
* HIGH-YIELD BOND PORTFOLIO
* GLOBAL BOND PORTFOLIO
* FIXED INCOME PORTFOLIO
* CASH MANAGEMENT PORTFOLIO

Purchase Payments allocated to Fixed Account option(s) will earn interest at the then Current Interest Rate(s) for the selected Guarantee Period(s). (See "Fixed Account Options," page 19).

Prior to the Annuity Date, transfers may be made among the Portfolios and/or the Fixed Account options. Fifteen transfers per Contract Year are permitted before a transfer fee will be assessed. A Market Value Adjustment may also apply, in the case of a transfer from a Fixed Account option. (See "Purchases, Withdrawals and Contract Value -- Transfer During Accumulation Period," page 28).

MAY WITHDRAWALS BE MADE BEFORE ANNUITIZATION?

Except as explained below, Contract Value may be withdrawn at any time during the Accumulation Period. In addition to potential losses due to investment risks, withdrawals may be reduced by a Withdrawal Charge, and a penalty tax and income tax may apply. Contracts in connection with Qualified Plans may be subject to additional withdrawal restrictions imposed by the Plan. Earnings under a Certificate may be withdrawn at any time during such period free of Withdrawal Charge (although withdrawals from the Fixed Account other than at the end of the applicable Guarantee Periods are generally subject to a Market Value Adjustment, page 20). Alternatively, there is a free withdrawal amount which applies to the first withdrawal during a Contract Year after the first Contract Year. (See "Contract Charges -- Sales Charges -- Withdrawal Charge," page 22). Certain Owners of Nonqualified Plan Contracts and Contracts issued in connection with Individual Retirement Annuities ("IRAs") may choose to withdraw amounts which in the aggregate add up to 10% of their Purchase Payments annually pursuant to a systematic withdrawal program without charge. (See "Purchases, Withdrawals and Contract Value -- Withdrawals (Redemptions) -- Systematic Withdrawal Program," page 31.) Withdrawals are taxable and a 10% federal tax penalty may apply to withdrawals before age 59 1/2.

Participants should consult their own tax counsel or other tax adviser regarding any withdrawals or distributions.

CAN I EXAMINE THE CONTRACT?

The Contractholder (or Participant) may return the Contract (or Certificate, respectively) to the Company within 10 days (or longer period if required by state law) after it is received by delivering or mailing it to the Company's Annuity Service Center. If the Contract or Certificate is returned to the

Company, it will be terminated and, unless otherwise required by state law, the Company will pay the Contractholder or Participant an amount equal to the Contract Value represented by the Contract (or Certificate, respectively) on the date it is received by the Company. The Contract Value may be more or less than the Purchase Payments made, thus, the investment risk is borne by the Participant. Since state laws differ as to the consequences of returning a Contract or Certificate, purchasers should refer to the Contracts or Certificates which they receive for information about their circumstances.

WHAT ARE THE CHARGES AND DEDUCTIONS UNDER A CONTRACT?

A mortality and expense risk charge is assessed daily against the assets of each Portfolio at an annual rate of 1.37%. A distribution expense charge is assessed daily against the assets of each Portfolio at an annual rate of 0.15%. The Contracts also provide for certain deductions and charges, including a contract administration charge of $35 annually, which is guaranteed not to increase and which under certain circumstances may be waived. The Contract permits up to 15 free transfers each Contract Year, after which point a $25 transfer fee ($10 in Texas and Pennsylvania) is applicable to each subsequent transfer. Additionally, a Withdrawal Charge may be assessed against the Contract Value during the first seven Contribution Years (declining from 7% in Contribution Year 0 to 0% in the seventh such year) when a withdrawal is made. (See "Contract Charges," page 21.)

DOES THE CONTRACT PAY ANY DEATH BENEFITS?

A death benefit is provided in the event of the death of the Owner during the Accumulation Period. The death benefit is equal to the greater of: (1) the total of Purchase Payments made prior to the death of the Owner, minus any partial withdrawals and/or partial annuitizations; or (2) the Contract Value upon receipt of Due Proof of Death. In addition, where permitted by state law, the Company will pay an enhanced death benefit equal to the greater of: (1) the total of Purchase Payments made prior to the death of the Owner, minus any partial withdrawals and/or partial annuitizations, all accumulated annually at 4% (3% if the Owner was age 70 or older on the Certificate Date); or (2) the Contract Value on the seventh Certificate anniversary, plus any Purchase Payments made thereafter, minus any partial withdrawals and/or partial annuitizations, all accumulated annually at 4% (3% if the Owner was age 70 or older on the Certificate Date). (See "Description of the Contracts -- Death Benefit," page 25.)

WHAT ARE THE AVAILABLE ANNUITY OPTIONS UNDER THE CONTRACT?

There are five available annuity options under the Contract. They include an annuity for life, a joint and survivor annuity, a joint and survivor life annuity with 120 monthly payments guaranteed, a life annuity with 120 or 240 monthly payments guaranteed and monthly payments for a specified number of years. The Annuity Date may not be deferred beyond an Owner's 85th birthday. If an Owner does not elect otherwise, monthly annuity payments generally will be made under the fourth option to provide a life annuity with 120 monthly payments certain. (See "Annuity Period -- Annuity Options," page 32.)

DOES THE OWNER HAVE ANY VOTING RIGHTS UNDER THE CONTRACT?

Owners will have the right to vote on matters affecting the Underlying Funds to the extent that proxies are solicited by the Anchor Trust or the

SunAmerica Trust. If the Owner does not vote, the Company will vote such interests in the same proportion as it votes shares for which it has received instructions. (See "Separate Account Investments -- Voting Rights," page 18.)

FEE TABLES

OWNER TRANSACTION EXPENSES

WITHDRAWAL CHARGE (AS A PERCENTAGE OF PURCHASE PAYMENTS):

CONTRIBUTION YEAR	
Zero	7%
One	6%
Two	5%
Three	4%
Four	3%
Five	2%
Six	1%
Seven and later	0%
ANNUAL CONTRACT ADMINISTRATION CHARGE	$35
TRANSFER FEE	$25
(applies solely to transfers in excess of fifteen in a Contract Year)	

The Owner Transaction Expenses apply to the Contract Value allocated to the Fixed Account, as well as the Separate Account.

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

MORTALITY RISK CHARGE	
Standard	0.90%
Enhanced	0.12%
Total	1.02%
EXPENSE RISK CHARGE	0.35%
DISTRIBUTION EXPENSE CHARGE	0.15%
TOTAL EXPENSE CHARGE	1.52%

UNDERLYING FUND EXPENSES

ANCHOR SERIES TRUST

(AS A PERCENTAGE OF AVERAGE NET ASSETS. ESTIMATES BASED ON RESULTS FOR THE SEPARATE ACCOUNT'S FISCAL YEAR ENDED NOVEMBER 30, 1994.)

	MANAGEMENT FEE	OTHER EXPENSES	TOTAL ANNUAL EXPENSES
CAPITAL APPRECIATION	.71%	.11%	.82%
GROWTH	.68%	.17%	.85%

NATURAL RESOURCES	.75%	.24%	.99%
GOVERNMENT & QUALITY BOND	.61%	.11%	.72%

SUNAMERICA SERIES TRUST*

(AS A PERCENTAGE OF AVERAGE NET ASSETS)

	MANAGEMENT FEE	OTHER EXPENSES	TOTAL ANNUAL EXPENSES
INTERNATIONAL DIVERSIFIED EQUITIES	1.00%	.70%	1.70%
GLOBAL EQUITIES	.85%	.43%	1.28%
ALLIANCE GROWTH	.75%	.07%	.82%
GROWTH/PHOENIX INVESTMENT COUNSEL	.68%	.13%	.81%
PROVIDENT GROWTH	.84%	.12%	.96%
VENTURE VALUE	.80%	.30%	1.10%
GROWTH-INCOME	.69%	.12%	.81%
ASSET ALLOCATION	.75%	.19%	.94%
BALANCED/PHOENIX INVESTMENT COUNSEL	.70%	.30%	1.00%
WORLDWIDE HIGH INCOME	1.00%	.60%	1.60%
HIGH-YIELD BOND	.69%	.23%	.92%
GLOBAL BOND	.75%	.31%	1.06%
FIXED INCOME	.70%	.24%	.94%
CASH MANAGEMENT	.55%	.15%	.70%

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* The percentages for the International Diversified Equities, Balanced/Phoenix Investment Counsel, Worldwide High Income and Venture Value Portfolios are based on estimated amounts for the current fiscal year. "Inception Date" for all Portfolios other than the Asset Allocation, Global Bond, Fixed Income, International Diversified Equities, Balanced/Phoenix Investment Counsel, Worldwide High Income and Venture Value portfolios is February 9, 1993. "Inception Date" for the Asset Allocation, Global Bond and Fixed Income portfolios is July 1, 1993. "Inception Date" for the International Diversified Equities, Balanced/Phoenix Investment Counsel, Worldwide High Income and Venture Value portfolios is October 31, 1994.

EXAMPLES

PORTFOLIO	CONDITIONS An Owner would pay the following expenses on a $1,000 investment in each indicated Portfolio assuming 5% annual return on assets:		TIME PERIODS 1 YEAR	3 YEARS	5 YEARS	10 YEARS
CAPITAL APPRECIATION	(a) upon surrender at the end of the stated time period.	(a)	$ 95	$ 126	$ 159	$276
	(b) if the Contract WAS NOT surrendered	(b)	$ 25	$ 76	$ 129	$276
GROWTH	SAME	(a)	$ 95	$ 127	$ 161	$279
		(b)	$ 25	$ 77	$ 131	$279

NATURAL RESOURCES	SAME	(a)	$ 96	$ 131	$ 168	$293
		(b)	$ 26	$ 81	$ 138	$293
GOVERNMENT & QUALITY BOND	SAME	(a)	$ 94	$ 123	$ 154	$266
		(b)	$ 24	$ 73	$ 124	$266
INTERNATIONAL DIVERSIFIED EQUITIES	SAME	(a)	$103	$ 152	$ 202	$360
		(b)	$ 33	$ 102	$ 172	$360
GLOBAL EQUITIES	SAME	(a)	$ 99	$ 139	$ 183	$321
		(b)	$ 29	$ 89	$ 152	$321
ALLIANCE GROWTH	SAME	(a)	$ 96	$ 130	$ 166	$289
		(b)	$ 26	$ 80	$ 136	$289
GROWTH/PHOENIX INVESTMENT COUNSEL	SAME	(a)	$ 95	$ 127	$ 162	$281
		(b)	$ 25	$ 77	$ 132	$281
PROVIDENT GROWTH	SAME	(a)	$ 97	$ 133	$ 171	$299
		(b)	$ 27	$ 83	$ 141	$299
VENTURE VALUE	SAME	(a)	$ 97	$ 134	$ 173	$304
		(b)	$ 27	$ 84	$ 143	$304
GROWTH-INCOME	SAME	(a)	$ 95	$ 128	$ 163	$283
		(b)	$ 25	$ 78	$ 133	$283
ASSET ALLOCATION	SAME	(a)	$ 96	$ 129	$ 165	$288
		(b)	$ 26	$ 79	$ 135	$288
BALANCED/PHOENIX INVESTMENT COUNSEL	SAME	(a)	$ 96	$ 131	$ 168	$294
		(b)	$ 26	$ 81	$ 138	$294
WORLDWIDE HIGH INCOME	SAME	(a)	$102	$ 149	$ 198	$351
		(b)	$ 32	$ 99	$ 168	$351
HIGH-YIELD BOND	SAME	(a)	$ 96	$ 129	$ 165	$287
		(b)	$ 26	$ 79	$ 135	$287
GLOBAL BOND	SAME	(a)	$ 97	$ 133	$ 171	$300
		(b)	$ 27	$ 83	$ 141	$300
FIXED INCOME	SAME	(a)	$ 96	$ 131	$ 168	$294
		(b)	$ 26	$ 81	$ 138	$294
CASH MANAGEMENT	SAME	(a)	$ 94	$ 124	$ 157	$272
		(b)	$ 24	$ 74	$ 127	$272

</TABLE>

EXPLANATION OF FEE TABLES AND EXAMPLES

1. The purpose of the foregoing table and examples is to assist an investor in understanding the various costs and expenses that he or she will bear directly or indirectly by investing in the Separate Account. The Owner Transaction Expenses at the beginning of the table are applicable to Contract Value allocated to the Fixed Account as well as to the Separate Account. However, the balance of the fee tables, and the Examples, apply only to investments in the Separate Account. The table reflects expenses of the Separate Account as well as the Underlying Funds. For additional information see "Contract Charges," beginning on page 21 of this prospectus; see also the sections relating to management of the Underlying Funds in their respective prospectuses. The examples do not illustrate the tax consequences of surrendering a Contract.

2. The examples assume that there were no transactions which would result in the imposition of the transfer fee. The amount of the transfer fee is $25 ($10 in Pennsylvania and Texas), except that the first 15 transfers per Contract Year are not subject to a fee. (See "Administrative Charges -- Transfer Fee," Page 21). Premium taxes are not reflected. (See "Sales Charges -- Premium Taxes," page 23). Transfers from the Fixed Account may be subject to a Market Value Adjustment even if they are not subject to a transfer fee.

3. For purposes of the amounts reported in the Examples, the Contract Administration Charge is reflected by applying a percentage equivalent charge, obtained by dividing the total amount of such charges anticipated to be collected during the year by the total estimated average net assets of the Portfolios and the Fixed Account attributable to the Contracts.

4. NEITHER THE FEE TABLES NOR THE EXAMPLES ARE REPRESENTATIONS OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

CONDENSED FINANCIAL INFORMATION
ACCUMULATION UNIT VALUES

<TABLE>
<CAPTION>

PORTFOLIOS OF THE SEPARATE ACCOUNT	INCEPTION TO 11/30/93	FISCAL YEAR 11/30/94
<S>	<C>	<C>
ANCHOR TRUST		
Capital Appreciation*		
Beginning AUV..	$10.00	$11.14
End AUV..	$11.14	$10.64
End # AUs..	3,606,855	8,462,152
Growth*		
Beginning AUV..	$10.00	$10.78
End AUV..	$10.78	$10.41
End # AUs..	1,719,857	3,950,678
Natural Resources***		
Beginning AUV..	--	$10.00
End AUV..	--	$ 9.27
End # AUs..	--	51,412
Government and Quality Bond*		
Beginning AUV..	$10.00	$10.32
End AUV..	$10.32	$ 9.81
End # AUs..	6,479,985	7,008,717
SUNAMERICA TRUST		
International Diversified Equities***		
Beginning AUV..	--	$10.00
End AUV..	--	$ 9.77
End # AUs..	--	271,316
Global Equities*		
Beginning AUV..	$10.00	$10.86
End AUV..	$10.86	$11.43
End # AUs..	3,964,021	11,705,418
Alliance Growth*		
Beginning AUV..	$10.00	$10.78
End AUV..	$10.78	$10.53
End # AUs..	2,153,075	4,997,778
Growth/Phoenix Investment Counsel*		
Beginning AUV..	$10.00	$10.65
End AUV..	$10.65	$ 9.79
End # AUs..	6,078,952	10,477,818
Provident Growth*		
Beginning AUV..	$10.00	$ 9.92
End AUV..	$ 9.92	$ 9.79
End # AUs..	4,322,769	7,610,104
Venture Value***		
Beginning AUV..	--	$10.00
End AUV..	--	$ 9.77
End # AUs..	--	355,083

</TABLE>

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<CAPTION>

PORTFOLIOS OF THE SEPARATE ACCOUNT	INCEPTION TO 11/30/93	FISCAL YEAR 11/30/94

Growth-Income*		
Beginning AUV	$10.00	$10.47
End AUV	$10.47	$10.09
End # AUs	4,302,869	8,329,322
Asset Allocation**		
Beginning AUV	$10.00	$10.30
End AUV	$10.30	$10.17
End # AUs	3,386,288	10,372,954
Balanced/Phoenix Investment Counsel***		
Beginning AUV	--	$10.01
End AUV	--	$ 9.95
End # AUs	--	51,759
Worldwide High Income***		
Beginning AUV	--	$10.00
End AUV	--	$ 9.95
End # AUs	--	53,315
High-Yield Bond*		
Beginning AUV	$10.00	$10.98
End AUV	$10.98	$10.35
End # AUs	3,812,374	5,370,944
Global Bond**		
Beginning AUV	$10.00	$10.25
End AUV	$10.25	$ 9.78
End # AUs	2,439,405	4,532,386
Fixed Income**		
Beginning AUV	$10.00	$10.12
End AUV	$10.12	$ 9.63
End # AUs	1,152,407	1,643,694
Cash Management*		
Beginning AUV	$10.00	$10.07
End AUV	$10.07	$10.27
End # AUs	2,442,124	8,623,034

</TABLE>

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AUV -- Accumulation Unit Value

AU -- Accumulation Units

* "Inception Date" is February 9, 1993.

** "Inception Date" is July 1, 1993.

*** "Inception Date" is October 31, 1994.

DESCRIPTION OF THE COMPANY, THE SEPARATE ACCOUNT AND THE GENERAL ACCOUNT

COMPANY

The Company is a stock life insurance company organized under the laws of the state of California in April 1965. Its legal domicile and principal business address is 1 SunAmerica Center, Los Angeles, California 90067-6022. The Company is a wholly-owned subsidiary of Sun Life Insurance Company of America, an Arizona corporation which is wholly-owned by SunAmerica Inc.

The Company and its affiliates, Sun Life Insurance Company of America, First SunAmerica Life Insurance Company, SunAmerica Asset Management Corp. and Resources Trust Company, offer a full line of financial services, including fixed and variable annuities, mutual funds and trust administration services. As of September 30, 1994, the Company had approximately $6.6 billion in assets while SunAmerica Inc., the Company's ultimate parent, together with its subsidiaries, held approximately $23.4 billion of assets, consisting of over $14.7 billion of assets owned, approximately $2.2 billion of assets managed in mutual funds and private accounts, and approximately $6.5 billion under custody in retirement trust accounts.

The Company may from time to time publish in advertisements, sales literature and reports to Owners, the ratings and other information assigned to it by one or more independent rating organizations such as A.M. Best Company ("A.M. Best"), Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Insurance Rating Services ("Standard & Poor's"), and Duff & Phelps. A.M. Best's and Moody's ratings reflect their current opinion on the relative financial strength and operating performance of an insurance company in comparison to the norms of the life/health insurance industry. Standard & Poor's and Duff & Phelps provide ratings which measure the claims-paying ability of insurance companies. These ratings are opinions of an operating insurance company's financial capacity to meet the obligations of its insurance policies in accordance with their terms. Claims-paying ability ratings do not refer to an insurer's ability to meet non-policy obligations (i.e., debt/commercial paper). These ratings do not apply to the Separate Account. However, the contractual obligations under the Contracts are the general corporate obligations of the Company.

The Company is admitted to conduct life insurance and annuity business in the District of Columbia and in all states except New York. It intends to market the Contract in most of the jurisdictions in which it is admitted to conduct annuity business. The Contracts offered by this prospectus are issued by the Company and will be funded in the Separate Account as well as the Company's General Account.

For more detailed information about the Company, see "Additional Information About the Company," page 41.

SEPARATE ACCOUNT

Variable Separate Account was originally established by the Company on June 25, 1981, pursuant to the provisions of California 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 is registered with the Securities and Exchange Commission 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 Securities and Exchange Commission.

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 Portfolios, with the assets of each Portfolio invested in the shares of one of the Underlying Funds. The Company does not guarantee the investment performance of the Separate Account, its Portfolios or the Underlying Funds. Values allocated to the Separate Account and the amount of Variable Annuity payments will vary with the values of shares of the Underlying Funds, and are also reduced by Contract charges. The Separate Account also funds other contracts issued by the Company, which are accounted for separately from the Contracts.

The basic objective of a Variable Annuity contract is to provide Variable Annuity 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 Annuity 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 Portfolios to anticipate changes in economic conditions. Therefore, the Participant 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 Annuity payments will equal or exceed the Purchase Payments made with respect to a particular Participant's 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 Annuity 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 Annuity 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 one or more Guarantee Periods available in connection with the General Account, as elected by the Participant at the time of the establishment of a Participant's account. In addition, all or part of the Participant's Contract Value may be transferred to Guarantee Periods available under the Contract as described under "Purchases, Withdrawals and Contract Value -- Transfer During Accumulation Period," page 28, and "Annuity Period -- Transfer During Annuity Period," page 34. Assets supporting amounts allocated to Guarantee Periods 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.

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SEPARATE ACCOUNT INVESTMENTS

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UNDERLYING FUNDS

Each of the Portfolios of the Separate Account invests in the shares of one of the following Underlying Funds of Anchor Trust or SunAmerica Trust, which are investment series of open-end management investment companies registered under the Investment Company Act of 1940:

ANCHOR TRUST

* CAPITAL APPRECIATION PORTFOLIO
* GROWTH PORTFOLIO
* NATURAL RESOURCES PORTFOLIO
* GOVERNMENT AND QUALITY BOND PORTFOLIO

SUNAMERICA TRUST

* INTERNATIONAL DIVERSIFIED EQUITIES PORTFOLIO
* GLOBAL EQUITIES PORTFOLIO
* ALLIANCE GROWTH PORTFOLIO
* GROWTH/PHOENIX INVESTMENT COUNSEL PORTFOLIO
* PROVIDENT GROWTH PORTFOLIO
* VENTURE VALUE PORTFOLIO
* GROWTH-INCOME PORTFOLIO
* ASSET ALLOCATION PORTFOLIO
* BALANCED/PHOENIX INVESTMENT COUNSEL PORTFOLIO
* WORLDWIDE HIGH INCOME PORTFOLIO
* HIGH-YIELD BOND PORTFOLIO
* GLOBAL BOND PORTFOLIO
* FIXED INCOME PORTFOLIO
* CASH MANAGEMENT PORTFOLIO

A summary description of the Underlying Funds in which the Portfolios invest is contained in Appendix A to this prospectus. More detailed information concerning the Underlying Funds appears in their respective accompanying prospectuses. Appendix A also contains a description of how advertised performance data for the Portfolios are computed.

There is no assurance that the investment objective of any of the Underlying Funds will be met. Participants bear the complete investment risk for Purchase Payments allocated to a Portfolio. Contract Values will fluctuate in accordance with the investment performance of the Portfolio(s) to which Purchase Payments are allocated, and in accordance with the imposition of the fees and charges assessed under the Contracts.

DETAILED INFORMATION ABOUT THE UNDERLYING FUNDS IS CONTAINED IN THE ACCOMPANYING CURRENT PROSPECTUSES OF THE ANCHOR TRUST AND THE SUNAMERICA TRUST. AN INVESTOR SHOULD CAREFULLY REVIEW THOSE PROSPECTUSES BEFORE ALLOCATING AMOUNTS TO BE INVESTED IN THE PORTFOLIOS OF THE SEPARATE ACCOUNT.

VOTING RIGHTS

To the extent required by applicable law, the Company will vote the shares of the Underlying Funds held in the Separate Account at meetings of the shareholders of the Anchor Trust or SunAmerica Trust in accordance with instructions received from persons having the voting interest in the corresponding Portfolios. The Company will vote shares for which it has not received instructions in the same proportion as it votes shares for which it has received instructions. Neither Anchor Trust nor SunAmerica Trust hold regular meetings of shareholders.

The number of shares which a person has a right to vote will be determined as of a date to be chosen by the Anchor Trust or the SunAmerica Trust not more than 60 days prior to the meeting of the respective Underlying Fund's shareholders. Voting instructions will be solicited by written communication in advance of such meeting. Except as may be limited by the terms of the retirement plan pursuant to which the Contract was issued, the person having such voting rights will be the Participant before the Annuity Date; thereafter the payee entitled to receive payments under the Certificate.

SUBSTITUTION OF SECURITIES

If the shares of any of the Underlying Funds should no longer be available for investment by the Separate Account or if, in the judgment of the Company's Board of Directors, further investment in the shares of an Underlying Fund is no longer appropriate in view of the purposes of the Contract, the Company may substitute shares of another mutual fund (or series thereof) for Underlying Fund shares already purchased and/or to be purchased in the future by Purchase Payments under the Contract. No such substitution of securities may take place without prior approval of the Securities and Exchange Commission and under such requirements as the Commission may impose.

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FIXED ACCOUNT OPTIONS

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ALLOCATIONS

Purchase Payments may also be allocated, and Contract Values in the Separate Account transferred, to one or more of the fixed accumulation options available through the Company's General Account. Amounts thus applied will earn interest for one or more of the available Guarantee Periods selected by the Owner, at Guarantee Rates based on the Current Interest Rates set by the Company for such Periods in effect at the time the amounts are thus applied. Current Interest Rates may change from time to time due to changes in market conditions or other factors. However, the Guarantee Rate in effect at the time one of these options is selected will not change for the remainder of the Guarantee Period. THE COMPANY'S OBLIGATION TO PAY INTEREST AT THE GUARANTEE RATE IS NOT AFFECTED BY THE PERFORMANCE OF THE COMPANY'S GENERAL ACCOUNT INVESTMENTS.

Guarantee Periods are currently available for periods of one, three, five, seven and ten years; not all options are available in all states. An Owner may elect to allocate Purchase Payments to one or more of those Guarantee Periods. Each such allocation (to the extent not withdrawn, transferred or annuitized prior to the end of the Guarantee Period), will earn interest, compounded annually, at the Guarantee Rate established for the Guarantee Period at the time the allocation is made. The Guarantee Rate is based on the Current Interest Rate in effect at the time the allocation is made. The Current Interest Rate applicable to renewals for new Guarantee Periods of amounts already allocated to the Fixed Account, or to transfers from the Separate Account to the Fixed Account may differ from the Current Interest Rates applicable to Purchase Payments. The Current Interest Rates are set at the sole discretion of the Company. OWNERS BEAR THE RISK THAT CURRENT INTEREST RATES AVAILABLE AT FUTURE TIMES MAY BE MORE OR LESS THAN THOSE CURRENTLY OR INITIALLY AVAILABLE. THEY ALSO BEAR THE RISK THAT SUCH RATES MAY NOT EXCEED THE GUARANTEED MINIMUM RATE OF 3%.

RENEWALS

Within 30 days after the end of a Guarantee Period, amounts accumulated during that period may be reallocated to the Fixed Account for a new Guarantee Period of the same or of a different duration. If the new Guarantee Period is of the same duration, the amounts will receive the Current Interest Rate in effect for that duration as of the last day of the previous Guarantee Period and the new Guarantee Period will begin the next following business day. If the new Guarantee Period is of a different duration and the election is received after the expiration of the Guarantee Period, the amounts will receive the Current Interest Rate described in the previous sentence until such time as the election is received (at which time interest will be credited at the Current Interest Rate then in effect for the new selected Guarantee Period). In that case, the new Guarantee Period will begin on the day that the reallocation is made. Also, during such 30-day period, those amounts may be withdrawn, transferred or annuitized without application of the Market Value Adjustment (See below). However, any such amounts withdrawn may nevertheless be subject to the Withdrawal Charge.

At the end of a Guarantee Period, the Company will, unless the Participant has effectively elected otherwise, assume reallocation for the same period, unless the new period would expire after the Annuity Date (or, if none has been selected, the Latest Annuity Date). In the latter case, the Company will choose the longest available Guarantee Period that will not extend beyond such date. If the renewal occurs within one year prior to that date, interest will be credited to such Annuity Date at the then Current Interest Rate for a one-year Guarantee Period.

MARKET VALUE ADJUSTMENT

Other than as described below, if Contract Value is withdrawn, transferred or, prior to the Annuity Date, annuitized from the Fixed Account under one of the Fixed Account options described above prior to the expiration of the Guarantee Period (other than withdrawals for the purpose of paying the death benefit upon the death of the Participant or withdrawals made to pay Contract fees or charges), the amounts thus withdrawn, transferred or annuitized are subject to a Market Value Adjustment ("MVA"). The MVA reflects the impact that changing interest rates have on the value of money invested at a fixed interest rate, such as a Guarantee Rate. The MVA may be either positive or negative, and is computed by multiplying the amount withdrawn, transferred or annuitized by the following factor:

$$[(1 + I)/(1 + J + 0.005)]^{N/12} - 1$$

where

I is the Guarantee Rate in effect;

J is the Current Interest Rate available for a period equal to the number of years remaining in the Guarantee Period at the time of withdrawal, transfer or annuitization (fractional years are rounded up to the next full year); and

N is the number of full months remaining in the Guarantee Period at the time the withdrawal, transfer or annuitization request is processed.

In general, whether the MVA will operate to increase or decrease the Contract Value upon withdrawal, transfer or annuitization is determined by comparing the Guarantee Rate in effect for that allocation to the Current Interest Rate (as of the date of the transaction) that would apply for a Guarantee Period equal to the number of full or fractional years remaining in the Guarantee Period as of that date. (For purposes of determining the MVA, if the Company does not offer a Guarantee Period of that duration, the applicable Current Interest Rate will be determined by linear interpolation between Current Interest Rates for the nearest two Periods that are available). If the Current Interest Rate thus determined plus one-half of one percent is greater than the Guarantee Rate, the MVA will be negative and Contract Value will be decreased. Similarly, if the Current Interest Rate plus one-half of one percent is less than the Guarantee Rate, Contract Value will be increased. If the Current Interest Rate is exactly one-half of one percent less than the Guarantee Rate, the MVA will be zero and Contract Value will not be affected by the MVA.

The impact of the MVA is more significant the greater is the time remaining in the Guarantee Period at the time of withdrawal, transfer or annuitization. If the MVA is negative, it will be assessed first against any remaining value allocated to the Fixed Account under the affected option; any remaining unsatisfied MVA charge will be applied against the proceeds of the withdrawal, transfer or annuitization. If the MVA is positive, it will be credited to the Fixed Account under the affected option unless a complete withdrawal, transfer or annuitization of amounts allocated under the option has been requested. Some examples of how the MVA is computed and its impact on Contract Value appear in Appendix B.

The Company will waive any negative MVA under any Contract for amounts allocated to the one year Fixed Account option, including any negative MVA for withdrawals under the Automatic Dollar Cost Averaging Program and the Asset Allocation Rebalancing Program.

That portion of the Contracts relating to allocations to the one year Fixed Account option is not registered under the Securities Act of 1933 (the "Act") and is therefore not subject to the restriction of the Act. The Fixed Account options, including the one year Fixed Account, are not subject to the provisions of the Investment Company Act of 1940.

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CONTRACT CHARGES

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As is more fully described below, charges under the Contract offered by this prospectus are assessed in three ways: (1) as deductions for administrative expenses and, if applicable, for premium taxes; (2) as charges against the assets of the Separate Account for the assumption of mortality and expense risks and as distribution expense charges; and (3) as Withdrawal Charges (contingent deferred sales charges). In addition, certain deductions are made from the assets of the Underlying Funds for investment management fees and expenses; those fees and expenses are described in the prospectuses for the Anchor Trust and the SunAmerica Trust.

MORTALITY AND EXPENSE RISK CHARGE

The Company deducts a Mortality and Expense Risk Charge from each Portfolio during each Valuation Period. The aggregate Mortality and Expense Risk Charge is equal, on an annual basis, to 1.37% of the net asset value of each Portfolio (approximately 1.02% is for mortality risks and approximately 0.35% is for expense risks). The Mortality and Expense Risk Charge is assessed during both the Accumulation Period and the Annuity Period; however, it is not applied to Contract Values allocated to the Fixed Account.

The mortality risks assumed by the Company arise from its contractual obligations: (1) to make annuity payments after the Annuity Date for the life of the Annuitant(s); (2) to waive the Withdrawal Charge in the event of the death of the Participant; and (3) to provide both a standard and an enhanced death benefit prior to the Annuity Date. The portion of the total Mortality and Expense Risk Charge attributable to the Company's providing the first two of those three benefits and providing a standard death benefit is 0.90% annually of net assets; the balance of 0.12% is assessed for providing an enhanced death benefit. A detailed explanation of the standard and enhanced death benefits may be found under "Description of the Contracts -- Death Benefit," on page 25.

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 Contract Administration Charge. (See "Administrative Charges" below). The expense risk charge is guaranteed by the Company and cannot be increased.

ADMINISTRATIVE CHARGES

CONTRACT ADMINISTRATION CHARGE

An annual Contract Administration Charge of $35 is charged against each Certificate. The amount of this charge is guaranteed and cannot be increased by the Company. This charge reimburses the Company for expenses incurred in establishing and maintaining records relating to a Contract. The Contract Administration Charge will be assessed on each anniversary of the Certificate Date that occurs on or prior to the Annuity Date. In the event that a total surrender of Contract Value is made, the Charge will be assessed as of the date of surrender without proration. This Charge is not assessed during the Annuity Period.

The total Contract Administration Charge is allocated between the Portfolios and the Fixed Account in proportion to the respective Contract Values similarly allocated. The Contract Administration Charge is at cost with no margin included for profit.

Beginning January 1, 1995, the Company will waive the Contract Administration Charge for any Certificate which has a Contract Value of $50,000 or greater on the anniversary of the Certificate Date.

TRANSFER FEE

In general, a transfer fee of $25 ($10 in Pennsylvania and Texas) is assessed on each transaction effecting transfer(s) from Portfolio(s) to other Portfolio(s), from Portfolio(s) to the Fixed Account,

from the Fixed Account to Portfolio(s), and from one Guarantee Period to another within the Fixed Account prior to the end of a Guarantee Period. However, the first fifteen such transactions effecting transfer(s) in any Contract Year are permitted without the imposition of the transfer fee, which will be assessed on the sixteenth and each subsequent transaction within the Contract Year.

This fee will be deducted from Contract Values which remain in the Portfolio(s) (or, where applicable, the Fixed Account) from which the transfer was made. If such remaining Contract Value is insufficient to pay the transfer fee, then the fee will be deducted from transferred Contract Values. The transfer fee is at cost with no margin included for profit.

SALES CHARGES

WITHDRAWAL CHARGE

Federal tax law places a number of constraints on withdrawals from annuity contracts. Subject to those limitations, the Contract Value may be withdrawn at any time during the Accumulation Period. Owners should consult their own tax counsel or other tax advisers regarding any withdrawals. (See "Taxes -- Tax Treatment of Withdrawals," page 40.)

A contingent deferred sales charge, which is referred to as the Withdrawal Charge, may be imposed upon certain withdrawals. Withdrawal Charges will vary in amount depending upon the Contribution Year of the purchase payment at the time of withdrawal in accordance with the Withdrawal Charge table shown below.

WITHDRAWAL CHARGE TABLE

<TABLE>
<CAPTION>

CONTRIBUTION YEAR	APPLICABLE WITHDRAWAL CHARGE PERCENTAGE
<S>	<C>
Zero	7%
First	6%
Second	5%
Third	4%
Fourth	3%
Fifth	2%
Sixth	1%
Seventh and later	0%

</TABLE>

The Withdrawal Charge is deducted from remaining Contract Value so that the actual reduction in Contract Value as a result of the withdrawal will be greater than the withdrawal amount requested and paid. For purposes of determining the Withdrawal Charge, withdrawals will be allocated first to investment income, if any (which may generally be withdrawn free of Withdrawal Charge), and then to Purchase Payments on a first-in, first-out basis so that all withdrawals are allocated to Purchase Payments to which the lowest (if any) Withdrawal Charge applies.

Purchase Payments that are no longer subject to the Withdrawal Charge (and not previously withdrawn), plus earnings in the Participant's Account may be withdrawn free of Withdrawal Charges at any time.

In addition, for the first withdrawal during a Contract Year after the first Contract Year, no Withdrawal Charge is applied to that part of the withdrawal which does not exceed the greater of (a) earnings in the Participant's account or (b) the Free Corridor. The Free Corridor amount is equal to 10% of Purchase Payments made more than one year prior to the date of withdrawal that remain subject to the Withdrawal Charge and that have not previously been withdrawn. The portion of a withdrawal which exceeds the sum of earnings in a Participant's account and premiums which are both no longer subject to a Withdrawal Charge and not yet withdrawn, is assumed to be a withdrawal against future earnings. Although amounts withdrawn free of a Withdrawal Charge reduce principal in a Participant's account, they do not reduce Purchase Payments for purposes of calculating the Withdrawal Charge. As a result, a Participant will not receive the benefit of a free withdrawal in a full surrender.

If the withdrawal request does not specify from which Portfolio(s) or Guarantee Amount(s) the withdrawal is to be made, the request will be processed by reducing the Contract Values in each category in proportion to their allocations. Therefore, FAILURE TO SPECIFY AN ALLOCATION MAY RESULT IN THE IMPOSITION OF A MARKET VALUE ADJUSTMENT IN CASES WHERE AMOUNTS ARE ALLOCATED TO THE FIXED ACCOUNT.

For examples of how the Withdrawal Charge is applied, see Appendix B.

The Company will waive the Withdrawal Charge on any withdrawal necessary to satisfy the minimum distribution requirements of the Code or upon payment of a death benefit. Where legally permitted, the Withdrawal Charge may be eliminated when a Certificate is issued to an officer, director or employee of the Company or its affiliates or to a trustee of one of the Underlying Funds.

For Certificates issued with an appropriate endorsement, if the Owner is confined to a nursing care facility (as defined in the endorsement) for sixty (60) consecutive days or longer, the Company will waive the Withdrawal Charge on certain withdrawals prior to the Annuity Date. Such confinement must begin after the Certificate Date and the Company must receive satisfactory written evidence of such confinement. The Company will waive the Withdrawal Charge under the endorsement only for withdrawals made during such confinement or within ninety (90) days after the confinement ends. The endorsement will not be available in all states. Participants should contact the Company or the financial representative from which this Prospectus was obtained as to the availability of this endorsement.

The amounts obtained from the Withdrawal Charge will be used to pay sales commissions and other promotional or distribution expenses associated with the marketing of the Contracts. To the extent that the Withdrawal Charge is insufficient to cover all sales commissions and other promotional or distribution expenses, the Company may use any of its corporate assets, including potential profit which may arise from the Mortality and Expense Risk Charge and the Distribution Expense Charge, to make up any difference.

DISTRIBUTION EXPENSE CHARGE

The Company deducts a Distribution Expense Charge from each Portfolio during each Valuation Period which is equal, on an annual basis, to 0.15% of the net asset value of the Portfolio. This charge is designed to compensate the Company for assuming the risk that the cost of distributing the Contracts will exceed the revenues from the Withdrawal Charge (a contingent deferred sales charge). The staff of the Securities and Exchange Commission considers the Distribution Expense Charge to constitute a sales charge for purposes of the Investment Company Act of 1940. In no event will this charge be increased. Moreover, the sum of all Withdrawal Charges described above and the Distribution Expense Charges assessed will at no time exceed 9% of all Purchase Payments previously made. The Distribution Expense Charge is assessed during both the Accumulation Period and the Annuity Period; however, it is not applied to Contract Values allocated to the Fixed Account.

PREMIUM TAXES

Premium taxes or other taxes payable to a state or other governmental entity will be charged against the Contract Values. Some states assess premium taxes at the time Purchase Payments are made; others assess premium taxes at the time of surrender or when annuity payments begin. The Company currently intends to deduct premium taxes at the time of surrender, upon death of the Participant or upon annuitization; however, it reserves the right to deduct any premium taxes when incurred. Premium taxes generally range from 0% to 3.0%.

DEDUCTION FOR SEPARATE ACCOUNT INCOME TAXES

While the Company is not currently maintaining a provision for taxes, the Company has reserved the right to establish such a provision for taxes in the future if it determines, in its sole discretion, that it will incur a tax as a result of the operation of the Separate Account. The Company will deduct for

any taxes incurred by it as a result of the operation of the Separate Account whether or not there was a provision for taxes and whether or not it was sufficient. (See "Taxes," page 36.)

OTHER EXPENSES

The charges and expenses applicable to the various Underlying Funds are borne indirectly by Participants having Contract Values allocated to the Portfolios that invest in the respective Underlying Funds. For a summary of current estimates of those charges and expenses, see "Underlying Fund Expenses," page 12. For more detailed information about those charges and expenses, please refer to the prospectus for either Anchor Trust or SunAmerica Trust, as appropriate.

REDUCTION OF CHARGES FOR SALES TO CERTAIN GROUPS

The Company may reduce the sales and administrative charges on Contracts sold to certain groups of individuals, or to a trustee, employer or other entity representing a group, where it is expected that such sales will result in savings of sales or administrative expenses. The Company determines the eligibility of groups for such reduced charges, and the amount of such reductions for particular groups, by considering the following factors: (1) the size of the group; (2) the total amount of Purchase Payments expected to be received from the group; (3) the nature of the group for which the Contracts are purchased, and the persistency expected in that group; (4) the purpose for which the Contracts are purchased and whether that purpose makes it likely that expenses will be reduced; and (5) any other circumstances which the Company believes to be relevant to determining whether reduced sales or administrative expenses may be expected. None of the reductions in charges for group sales is contractually guaranteed. Such reductions may be withdrawn or modified by the Company on a uniform basis. The Company's reductions in charges for group sales will not be unfairly discriminatory to the interests of any Owners.

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DESCRIPTION OF THE CONTRACTS

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SUMMARY

The Contracts provide for the accumulation of Contract Values during the Accumulation Period. (See "Purchases, Withdrawals and Contract Value," page 26). Upon Annuitization, benefits are payable under the Contracts in the form of an annuity, either for the life of the Annuitant or for a fixed number of years. (See "Annuity Period -- Annuity Options," page 32.)

PARTICIPANT

The Participant is the person normally entitled to exercise all rights of ownership under the Contracts. The Participant is also the person entitled to receive benefits under the Contract, although the Participant may, subject to limitations in the case of Qualified Plans, designate an alternative payee.

ANNUITANT

The Annuitant is the person on whose life annuity payments under a Certificate depend. The Participant may change the designated Annuitant at any time prior to the Annuity Date. In the case of a Certificate issued in connection with a plan qualified under Section 403(b) or 408 of the Code, the Participant is the Annuitant. The Participant may also designate a second person on whose life, together with that of the Annuitant, annuity payments depend. In the case of Qualified Plans, the designated second person is generally required to be the Participant's spouse if the Participant is married. In the event an Annuitant dies prior to the Annuity Date, the Participant must notify the Company and designate a new Annuitant. The Participant must attest to the Annuitant being alive before the Company will annuitize a Contract.

MODIFICATION OF THE CONTRACT

Only the Company's President, a Vice President or Secretary may approve a change or waive any provisions of the Contract. Any change or waiver must be in writing. No agent has the authority to change or waive the provisions of the Contract.

The Company reserves the right to change the terms of the Contract as may be necessary to comply with changes in applicable law.

ASSIGNMENT

Contracts issued pursuant to Nonqualified 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. The Company will not be bound by any assignment until written notice is received by the Company at its Annuity Service Center. The Company is not responsible for the validity, or tax or other legal consequences of any assignment. An assignment will not affect any payments the Company may make or actions it may take before it receives notice of the assignment.

If the Contract is issued pursuant to a Qualified Plan (or a Nonqualified 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, CONTRACT OWNERS SHOULD CONSULT COMPETENT TAX ADVISERS SHOULD THEY WISH TO ASSIGN THEIR CONTRACTS.

DEATH BENEFIT

If the Participant dies during the Accumulation Period, a Death Benefit will be payable to the Beneficiary upon receipt by the Company of Due Proof of Death of the Participant. Provided the Beneficiary provides a written election to the Company within 60 days of the Company's receipt of Due Proof of Death of the Participant, the Beneficiary may alternatively elect to (i) receive the Death Benefit in a lump sum payment, (ii) receive the Death Benefit in the form of one of the Annuity Options (over the life of the Beneficiary or over a period not extending beyond the life expectancy of the Beneficiary), with payments commencing within one year of the Participant's death, (iii) elect to continue the Contract and receive the entire Contract Value (adjusted for any applicable Withdrawal Charge and Market Value Adjustment) within 5 years after the Participant's death, or (iv) if the Participant was the Beneficiary's spouse, elect to continue the Contract in force. If no option is selected within 60 days of the Company's receipt of Due Proof of Death of the Participant, the Company will pay the Death Benefit in a single lump sum to the Beneficiary.

The standard Death Benefit is equal to the greater of:

(1) the Contract Value at the end of the Valuation Period during which Due Proof of Death and an election of the type of payment to the Beneficiary is received by the Company, at its Annuity Service Center; or

(2) the total dollar amount of Purchase Payments made prior to the death of the Participant, minus the sum of:

(a) the total amount of any partial withdrawals and partial annuitizations; and

(b) premium taxes incurred.

In addition, where permitted under state law, the Company will provide an enhanced Death Benefit. The enhanced Death Benefit, which is currently available in all states, is determined by (A) recomputing the standard Death Benefit by accumulating all amounts under (2) above annually at 4% (3% if the Participant was age 70 or older on the Certificate Date) to the date of death, and (B) paying the greater of the amount so determined and the following amount, which is deemed to be $0 if the Participant dies prior to the seventh Contract Anniversary:

The Contract Value at the seventh Certificate anniversary, plus any Purchase Payments made since that anniversary and before the death of the Participant, minus the sum of:

(a) the total amount of partial withdrawals and partial annuitizations since such seventh anniversary; and

(b) premium taxes incurred since the seventh anniversary,

all accumulated annually at 4% (3% if the Participant was age 70 or older on the Certificate Date) to the date of death.

NOTE: The portion of the Mortality and Expense Risk Charge attributable to the enhanced Death Benefit (0.12%) will be assessed against Separate Account allocations pursuant to all Contracts issued, whether or not applicable state law permits the Contract to offer the enhanced Death Benefit. Therefore, purchasers of Contracts in states where the enhanced Death Benefit is not permitted (currently none) and who allocate Contract Value to the Separate Account will be paying for a benefit they will not receive. The standard Death Benefit is available in all states.

For an example of how the enhanced Death Benefit is computed, See Appendix C.

BENEFICIARY

The Participant may designate the Beneficiary(ies) to receive any amount payable on death. The original Beneficiary(ies) will be named in the application. The Participant may change the Beneficiary(ies) prior to the Annuity Date by filing a written request with the Company at its Annuity Service Center, unless an irrevocable Beneficiary(ies) designation was previously filed. Any change will take effect when recorded by the Company. The Company is not liable for any payment made or action taken before it records the change.

PURCHASES, WITHDRAWALS AND CONTRACT VALUE

MINIMUM PURCHASE PAYMENT

The minimum initial Purchase Payment for Contracts issued pursuant to a Nonqualified Plan is $5,000 and the maximum is $500,000. Minimum subsequent Purchase Payments may be made in amounts of $500 or more ($20 or more if made in connection with an Automatic Payment Plan described below). The minimum initial Purchase Payment for a Contract issued pursuant to a Qualified Plan is $2,000 and the maximum is $500,000. Minimum subsequent Purchase Payments may be made in amounts of $250 or more ($20 or more if made in connection with an Automatic Payment Plan, described below). The Company reserves the right to refuse any Purchase Payment at any time. Generally, the Company will not issue a Certificate under a Nonqualified Plan to a Participant who is age 80 or older or under a Qualified Plan to a Participant who is age 70 1/2 or older.

AUTOMATIC PAYMENT PLAN

Participants utilizing automatic bank drafts through the Company's Automatic Payment Plan may make scheduled subsequent Purchase Payments of $20 or more per month. An enrollment form for this program is available through the Company's Annuity Service Center.

AUTOMATIC DOLLAR COST AVERAGING PROGRAM

Owners who wish to purchase units of the Portfolios over a period of time may be able to do so through the Automatic Dollar Cost Averaging ("DCA") Program. Under the DCA Program, the Owner may authorize the automatic transfer of a fixed dollar amount ($100 minimum) of his or her choice at regular intervals from a source account to one or more of the Portfolios (other than the source account) at the unit values determined on the dates of the transfers. Currently, all Portfolios and the one year Fixed Account option are available as source accounts; however, the Owner must

elect to have the transfers made exclusively from one source account. The intervals between transfers may be monthly, quarterly, semi-annually or annually, at the option of the Owner. The theory of dollar cost averaging is that, if purchases are made at fluctuating prices, this will have the effect of reducing the aggregate average cost per unit to less than the average of the unit prices on the same purchase dates. However, participation in the DCA Program does not assure the Owner of a greater profit from his or her purchases under the DCA Program; nor will it prevent or necessarily alleviate losses in a declining market.

Another option under the DCA Program is the periodic transfer of a selected percentage of the value of the source account to one of the Portfolios (other than the source account). A third option is to transfer the entire Contract Value in the source account in a stated number of transfers as selected by the Participant.

An Owner may elect to increase, decrease or change the frequency or amount of Purchase Payments under a DCA Program. The application and any Purchase Payments should be sent to the Company at its P.O. Box for correspondence. The Company reserves the right to modify, suspend or terminate the DCA Program at any time.

ASSET ALLOCATION REBALANCING PROGRAM

Owners may participate in the Asset Allocation Rebalancing ("AAR") Program pursuant to which Owners authorize the Company to automatically transfer their Contract Value on a periodic basis to maintain a particular percentage allocation among the Portfolios or the one year Fixed Account option as selected by the Owner. The Contract Value allocated to each Portfolio will grow or decline at different rates depending on the investment experience of the Portfolio and Asset Allocation Rebalancing automatically reallocates the Contract Value in the Portfolios and the Fixed Account option to the allocation selected by the Owner. As with dollar cost averaging, one theory behind this type of reallocation is that it may help an Owner purchase Accumulation Units low and sell Accumulation Units high. However, participation in AAR does not assure the Owner of a greater profit from his or her purchases under the program; nor will it prevent or necessarily alleviate losses in a declining market.

An Owner may select that rebalancing occur on a quarterly, semiannual or annual basis and currently all Portfolios and the one year Fixed Account option are available investment options under AAR. Contract Value reallocation will occur on the last business day before the selected period ends. If an Owner elects to participate in AAR, the entire Contract Value must be included in the program, except for allocations to the 3, 5, 7 and 10 year Fixed Account options. Amounts transferred under AAR are not counted against the 15 free transfers per Contract Year or subject to any transfer charge or negative Market Value Adjustment. Owners may participate in AAR by completing an Asset Allocation Rebalancing Authorization form or by calling the Company at its Annuity Service Center. On the application or form, as appropriate, the Owner must select the Portfolios or one year Fixed Account option, the percentage of Contract Value to be allocated to each under the program, and the frequency of rebalancing. Owners may modify their allocations or terminate participation in the program by completing an Asset Allocation Rebalancing Form and indicating the appropriate instructions. The Company reserves the right to modify, suspend or terminate AAR at any time.

PRINCIPAL ADVANTAGE PROGRAM

Owners may participate in the Principal Advantage Program. Under the Program, the Owner's Purchase Payment is divided between one or more of the Fixed Account options and one or more of the Portfolios. While the Owner selects the Fixed Account options and the Portfolio(s), the Program determines the portion of Purchase Payments allocated to each. When determined in accordance with the Program, the portion allocated to the Fixed Account option(s) will be guaranteed by the Company to grow to equal the full amount of the Purchase Payment over an established period of time. The remaining portion of Purchase Payment is then invested in the Portfolios, where it has the potential to achieve greater growth. The Company reserves the right to modify, suspend or terminate the Principal Advantage Program at any time.

An Owner may elect to participate in the Principal Advantage Program (1) at the time of initial purchase, by completing the instructions on the application or by requesting it in the "Special Instructions" section of the Contract application or (2) at the time of a subsequent purchase or by reallocating existing Contract Value, by contacting the Company or the financial representative from whom this Prospectus was obtained.

PARTICIPANTS' ACCOUNTS

The Company will establish a Participant's Account for each Participant under a Contract and will maintain the Participant's Account during the Accumulation Period. The Contract Value of a Participant's Account for any Valuation Period is equal to the sum of the variable accumulation value, if any, plus the fixed accumulation value, if any, of the Participant's Account for that Valuation Period.

ALLOCATION OF PURCHASE PAYMENTS

Purchase Payments are allocated to the Fixed Account and/or the Portfolio(s) selected by the Participant. Participants making initial Purchase Payments should specify their allocations on the application for a Contract. If the application is in good order, the Company will apply the initial Purchase Payment to the Fixed Account and/or the Portfolio(s), as selected, and credit the Contract with Accumulation Units within two business days of receipt at the Company's P.O. Box for correspondence accompanied by payments. The number of Accumulation Units in a Portfolio attributable to a Purchase Payment is determined by dividing that portion of the Purchase Payment which is allocated to the Portfolio by that Portfolio's Accumulation Unit value as of the end of the Valuation Period when the allocation occurs.

IF THE APPLICATION DOES NOT SPECIFY AN ALLOCATION, THE APPLICATION IS NOT IN GOOD ORDER. If the application for a Contract or Certificate is not in good order for this or any other reason, the Company will attempt to rectify it within five business days of its receipt at the Company's P.O. Box for correspondence accompanied by payments. The Company will credit the initial Purchase Payment within two business days after the application has been rectified. Unless the prospective Owner consents otherwise, the application and the initial Purchase Payment will be returned if the application cannot be put in good order within five business days of such receipt.

Just like Owners making initial Purchase Payments, Participants making subsequent Purchase Payments should specify how they want their payments allocated. OTHERWISE, THE COMPANY WILL AUTOMATICALLY PROCESS THE PURCHASE PAYMENT BASED ON THE PREVIOUS ALLOCATION.

TRANSFER DURING ACCUMULATION PERIOD

During the Accumulation Period, the Participant, or his or her agent, may transfer Contract Values among Portfolios and/or the Fixed Account, by written request or by telephone authorization, unless the Participant specifies on the Contract application that telephone transfers are not to be accepted. The Company has in place procedures which are designed to provide reasonable assurance that telephone authorizations are genuine, including tape recording of telephone communications and requesting identifying information. Accordingly, the Company and its affiliates disclaim all liability for any claim, loss or expense resulting from any alleged error or mistake in connection with a telephone transfer which was not properly authorized by the Owner. However, if the Company fails to employ reasonable procedures to ensure that all telephone transfers are properly authorized, the Company may be held liable for such losses. The Company reserves the right to modify or discontinue at any time and without notice the use of telephone transfers and acceptance of transfer instructions from someone other than the Owner. Telephone calls authorizing transfers must be completed by 4:00 p.m. Eastern time on a Valuation Date in order to be effected at the price determined on such Date. Transfer authorizations, whether written or telephone, which are received after 4:00 p.m.

Eastern time will be processed as of the next Valuation Date.

A transfer fee may be assessed (See "Contract Charges -- Administrative Charges -- Transfer Fee," page 21).

This transfer privilege may be suspended, modified or terminated at any time without notice.

The minimum partial transfer amount is $100. Also, no partial transfer may be made if the value of the Participant's interest in the Portfolio from which a transfer is being made (or the remaining Guarantee Amount, where applicable) would be less than $100 after the transfer. These dollar amounts are subject to change at the Company's option. The Company may waive the minimum partial transfer amount in connection with preauthorized automatic transfer programs.

Both prior to and after the Annuity Date, Contract Values may be transferred from the Separate Account to the Fixed Account. Any amounts allocated or transferred to the Fixed Account may, however, be transferred from the Fixed Account to the Separate Account only prior to the Annuity Date.

Transfers may be made within the Fixed Account prior to the expiration date of one or more Guarantee Periods, by electing to have the respective Guarantee Amount(s) applied to newly established Guarantee Periods. Such transfers are counted against the 15 transfer allowance on free transfers. In addition, such transfers are generally subject to a Market Value Adjustment.

SEPARATE ACCOUNT ACCUMULATION UNIT VALUE

Accumulation Unit value is determined Monday through Friday on each day that the New York Stock Exchange is open for business.

A separate Accumulation Unit value is determined for each Portfolio. If the Company elects or is required to assess a charge for taxes, a separate Accumulation Unit value may be calculated for Contracts issued in connection with Nonqualified and Qualified Plans, respectively, within each Account.

The Accumulation Unit value for each Portfolio will vary with the price of a share in the Underlying Fund and in accordance with the Mortality and Expense Risk Charge, Distribution Expense Charge, and any provision for taxes. Assessments of Withdrawal Charges, transfer fees and Contract Administration Charges are made separately for each Certificate. They are effected by redemption of Accumulation Units and do not affect Accumulation Unit value.

The Accumulation Unit value of a Portfolio for any Valuation Period is calculated by subtracting (2) from (1) and dividing the result by (3) where:

(1) is the total value at the end of the Period of the assets attributable to the Accumulation Units of the Portfolio minus liabilities;

(2) is the cumulative unpaid charge for the assumption of mortality and expense risks and for the distribution expense; and

(3) is the number of Accumulation Units outstanding at the end of the Period.

FIXED ACCOUNT ACCUMULATION VALUE

The accumulation value of the fixed portion of a Participant's Account, if any, at any Valuation Date is equal to the sum of the values of all Guarantee Amounts credited to the Participant's Account up to and including that Date. Each Guarantee Amount reflects interest accumulated to the Valuation Date at the applicable Guarantee Rate, compounded annually.

DISTRIBUTION OF CONTRACTS

Contracts are sold by registered representatives of broker-dealers who are licensed insurance agents of the Company, either individually or through an incorporated insurance agency. Commissions on initial Purchase Payments paid to registered representatives may vary, but are not anticipated to

exceed 6.25% of any Purchase Payment (including any promotional sales incentives). In addition, under certain circumstances and in exchange for lower initial commission, certain sellers of the Contracts may be paid persistency bonuses which will take into account, among other things, the length of time Purchase Payments have been held under a Contract, and Contract Values. A persistency bonus is not anticipated to exceed 1.00%, on an annual basis, of the

Contract Values considered in connection with the bonus. All such commissions, incentives and bonuses are paid by the Company.

SunAmerica Capital Services, Inc., located at 733 3rd Avenue, 4th Floor, New York, New York, 10017, serves as distributor of the Contract. SunAmerica Capital Services, Inc. is an indirect wholly owned subsidiary of the Company and 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.

WITHDRAWALS (REDEMPTIONS)

Except as explained below, an Owner may redeem a Certificate for all or a portion of its Contract Value during the Accumulation Period. Withdrawal Charges may be applicable, however, which would reduce the Contract Value upon redemption. A Market Value Adjustment may also be applied, in the case of redemptions from the Fixed Account, which would also affect Contract Value. (See "Contract Charges -- Sales Charges -- Withdrawal Charge" and "Fixed Account Options -- Market Value Adjustment" on pages 22 and 20, respectively, for additional information.)

Withdrawals and distributions from Contracts issued in connection with certain Qualified Plans may be subject to a mandatory 20% withholding requirement. (See "Taxes -- Withholding Tax on Distributions," page 37.)

Withdrawals of amounts attributable to contributions made pursuant to a salary reduction agreement (in accordance with Section 403(b)(11) of the Code) are limited to circumstances only: when the Participant attains age 59 1/2, separates from service, dies, becomes disabled (within the meaning of Section 72(m)(7) of the Code), or in the case of hardship. Withdrawals for hardship are restricted to the portion of the Contract Value which represents contributions made by the Participant and does not include any investment results. These limitations on withdrawals apply to: (1) salary reduction contributions made after December 31, 1988; (2) income attributable to such contributions; and (3) income attributable to amounts held as of December 31, 1988. The limitations on withdrawals do not affect rollovers or exchanges between certain Qualified Plans. Tax penalties may also apply. While the foregoing limitations only apply to certain Contracts issued in connection with Section 403(b) Qualified Plans, all Owners should seek competent tax advice regarding any withdrawals or distributions. (See "Taxes," beginning at page 36.)

Except in connection with a Systematic Withdrawal Program, described below, the minimum partial withdrawal amount is $1,000, or, if less, the Participant's entire interest in the Portfolio from which a withdrawal is requested (or the Fixed Account, where applicable). The Participant's interest in the Portfolio from which the withdrawal is requested (or the remaining Guarantee Amount) must be at least $100 after the withdrawal is completed if anything is left in that Portfolio (or Fixed Account allocation).

The Company may also accept telephone requests for certain partial withdrawals from Participants who elect this option either through the Contract application or by completing a Telephone Redemption Authorization Form provided by the Company. The Company has in place procedures which are designed to provide reasonable assurance that telephone authorizations are genuine, including tape recording of telephone communications and requesting identifying information. Accordingly, the Company and its affiliates disclaim all liability for any claim, loss or expense resulting from any alleged error or mistake in connection with a telephone withdrawal which was not properly authorized by the Owner. However, if the Company fails to employ reasonable procedures to ensure that all telephone withdrawals are properly authorized, the Company may be held liable for such losses. The proceeds of a telephone withdrawal will be sent by check to the Participant at the address of record only. Telephone calls authorizing withdrawals must be completed by 4:00 p.m. Eastern time

on a Valuation Date in order to be effected at the price determined on such Date. The Company reserves the right to terminate or modify the telephone withdrawal service at any time.

A written withdrawal request, Telephone Redemption Authorization Form or Systematic Withdrawal Program enrollment form, as the case may be, must be sent to the Company at its Annuity Service Center. The required program form will not be in good order unless it includes the Participant's Tax I.D. Number (e.g., Social Security Number) and provides instructions regarding withholding of income taxes. The Company provides the required forms.

If the request is for total withdrawal, the Certificate (or Contract), or a Lost Certificate (or Contract) Affidavit (which may be obtained by calling the Company at its Annuity Service Center), must be submitted as well. The Withdrawal Value is determined on the basis of the Contract Values next computed following receipt of a request in proper order. The Withdrawal Value will normally be paid within seven days after the day a proper request is received by the Company. However, the Company may suspend the right of withdrawal from the Separate Account or delay payment for such withdrawal more than seven days: (1) during any period when the New York Stock Exchange ("NYSE") is closed (other than customary weekend and holiday closings); (2) when trading on the NYSE is restricted or an emergency exists as determined by the Securities and Exchange Commission so that disposal of the Separate Account's investments or determination of Accumulation Unit value is not reasonably practicable; or (3) for such other periods as the Securities and Exchange Commission, by order, may permit for protection of Owners.

SYSTEMATIC WITHDRAWAL PROGRAM

Certain Participants of Nonqualified Plan Contracts and Contracts issued in connection with IRAs may choose to withdraw amounts which in the aggregate add up to a maximum of 10% of their Purchase Payments annually pursuant to a Systematic Withdrawal Program without charge. Withdrawals are taxable and a 10% federal tax penalty may apply to withdrawals before age 59 1/2. In addition, withdrawals from the Fixed Account prior to the end of their respective Guarantee Periods are generally subject to a Market Value Adjustment. (See "Fixed Account Options -- Market Value Adjustment," page 20). Systematic withdrawals will not be limited to 10% of Purchase Payments once the Withdrawal Charge is no longer applicable. Participants must complete an enrollment form which describes the program and send it to the Company at its Annuity Service Center. Participation in the Systematic Withdrawal Program may be elected at the time the Certificate is issued or on any date prior to the Annuity Date. Depending on fluctuations in the net asset value of the Portfolios, systematic withdrawals may reduce or even exhaust Contract Value. The minimum systematic withdrawal amount is $250 per withdrawal.

ERISA PLANS

Spousal consent may be required when a married Participant seeks a distribution from a Contract that has been issued in connection with a Qualified Plan (or a Nonqualified Plan that is subject to Title 1 of ERISA). Participants should obtain competent advice.

DEFERMENT OF FIXED ACCOUNT WITHDRAWAL PAYMENTS

In the case of withdrawals from the Fixed Account, the Company may defer making payment for a period of up to six months (or the period permitted by applicable state insurance law, if less) from the date the Company receives notice of such withdrawal request. Only under highly unusual circumstances will the Company defer a withdrawal payment from the Fixed Account for more than 7 days, and if the Company defers payment for more than 7 days, it will pay interest of at least 3% per annum on the amount deferred. While all the circumstances under which the Company could defer payment upon withdrawal may not be foreseeable at this time, such circumstances could include, for example, a time of unusually high surrender rate among Participants, accompanied by a radical shift in interest rates. If the Company intends to withhold payment for more than 7 days, it will notify affected Participants in writing.

MINIMUM CONTRACT VALUE

If the Contract Value is less than $500 and no Purchase Payments have been made during the previous three full calendar years, the Company reserves the right, after 60 days' written notice to the Participant, to terminate the Certificate and distribute its Withdrawal Value to the Participant. This privilege will be exercised only if the Contract Value has been reduced to less than $500 as a result of withdrawals, and state law permits. In no instance shall such termination occur if the value has fallen below $500 due to either decline in Accumulation Unit value or the imposition of fees and charges.

ANNUITY PERIOD

ANNUITY DATE

The Participant selects an Annuity Date (the date on which annuity payments are to begin) at the time of application. The Annuity Date must always be the first day of a calendar month and must be at least two years after the Issue Date, but in any event will be no later than the Latest Annuity Date. Annuity payments will begin no later than the Latest Annuity Date. If no Annuity Date is selected, the Annuity Date will be the Latest Annuity Date. The Participant may change the Annuity Date at any time at least seven days prior to the Annuity Date then indicated on the Company's records by written notice to the Company at its Annuity Service Center.

DEFERMENT OF PAYMENTS

The Company may defer making Fixed Annuity payments for a period of up to six months or such lesser time as state law may permit. Interest, subject to state law requirements, will be credited during the deferral period. For a discussion of the circumstances under which the Company could defer these payments, please refer to "Purchases, Withdrawals and Contract Value -- Deferment of Fixed Account Withdrawal Payments," page 31.

PAYMENTS TO PARTICIPANT

The Company will make annuity payments to the Participant, unless the Participant designates an alternate payee. Such designation must be made in writing to the Company's Annuity Service Center and must be received more than 30 days before the Annuity Date.

ALLOCATION OF ANNUITY PAYMENTS

If all of the Contract Value on the Annuity Date is allocated to the Fixed Account, the Annuity will be paid as a Fixed Annuity. If all of the Contract Value on that date is allocated to the Separate Account, the Annuity will be paid as a Variable Annuity. If the Contract Value on that date is allocated to both the Fixed Account and the Separate Account, the Annuity will be paid as a combination of a Fixed Annuity and a Variable Annuity to reflect the allocation between the Portfolios and the Fixed Account. Variable Annuity payments will reflect the investment performance of the Portfolios. The Owner(s) may, by written notice to the Company, convert Variable Annuity payments to Fixed Annuity payments. However, Fixed Annuity payments may not be converted to Variable Annuity payments.

ANNUITY OPTIONS

The Participant, or any Beneficiary who is so entitled, may elect to receive a lump sum at the end of the Accumulation Period. However, a lump sum distribution may be deemed to be a withdrawal, and at least a portion of it may be subject to federal income tax. (See "Taxes -- Tax Treatment of Withdrawals," page 40.) Alternatively, any of the annuity options listed below may be elected. The Participant may elect an annuity option at any time prior to the Annuity Date.

A change of annuity option is permitted if made at least 7 days before the Annuity Date. If no other annuity option is elected, monthly annuity payments will be made in accordance with option 4 below, a life annuity with a 120-month period certain (option 3 in the case where payments are to be made for the joint lives of the Annuitant and a designated second person and for the life of the survivor). Annuity payments will be made in monthly, quarterly, semi-annual or annual installments as selected by the Participant. However, if the amount available to apply under an annuity option is less than $5,000, and state law permits, the Company has the right to pay the annuity in one lump sum. In addition, if the first payment provided would be less than $50, and state law permits, the Company shall have the right to require the frequency of payments be at quarterly, semiannual or annual intervals so as to result in an initial payment of at least $50.

NO WITHDRAWALS OF CONTRACT VALUE ARE PERMITTED DURING THE ANNUITY PERIOD FOR ANY ANNUITY OPTION IN WHICH PAYMENTS ARE BASED ON A PERSON'S LIFE.

The following annuity options are generally available under the Contract. Each is available in the form of either a Fixed Annuity or a Variable Annuity (or a combination of both Fixed and Variable Annuity). However, there may be restrictions in the retirement plan pursuant to which a Contract has been purchased.

OPTION 1 -- LIFE INCOME

An annuity payable monthly during the lifetime of the Annuitant. Under this option, no further payments are payable after the death of the Annuitant and there is no provision for a death benefit payable to the Beneficiary. Therefore, it is possible under option 1 for the payee to receive only one monthly annuity payment under the Contract.

OPTION 2 -- JOINT AND SURVIVOR ANNUITY

An annuity payable monthly while both the Annuitant and a designated second person are living. Upon the death of either person, the monthly income payable will continue during the lifetime of the survivor at either the full amount previously payable or as a percentage (either one-half or two-thirds) of the full amount, as chosen by the Participant at the time of election of this option.

Annuity payments terminate automatically and immediately upon the death of the surviving person without regard to the number or total amount of payments received.

There is no minimum number of guaranteed payments and it is possible to have only one annuity payment if both the Annuitant and the designated second person die before the due date of the second payment.

OPTION 3 -- JOINT AND SURVIVOR LIFE ANNUITY -- 120 MONTHLY PAYMENTS GUARANTEED

This option is similar to option 2, above, but with the additional guarantee that payments will be made for not fewer than 120 monthly periods. If the surviving Annuitant dies before all such payments have been made, the balance of the guaranteed number of payments will be made to the Beneficiary.

OPTION 4 -- LIFE ANNUITY WITH 120 OR 240 MONTHLY PAYMENTS GUARANTEED

An annuity payable monthly during the lifetime of the Annuitant, with the guarantee that if, at the death of the Annuitant, payments have been made for fewer than the guaranteed 120 or 240 monthly periods, as elected by the Owner, the balance of the guaranteed number of payments will be made to the Beneficiary.

OPTION 5 -- INCOME FOR A SPECIFIED PERIOD

Under this option, a payee can elect an annuity payable monthly for any period of years from 3 to 30. This election must be made for full 12 month periods. In the event the payee dies before the specified number of payments has been made, the Beneficiary may elect to continue receiving the scheduled payments or may alternatively elect to receive the discounted present value of any remaining guaranteed payments as a lump sum.

The value of an Annuity Unit, regardless of the option chosen, takes into account the Mortality and Expense Risk Charge. (See "Contract Charges -- Mortality and Expense Risk Charge," Page 21.) Since option 5, Income for a Specified Period, does not contain an element of mortality risk, the payee is not getting the benefit of the Mortality Risk Charge if Option 5 is selected on a variable basis.

OTHER OPTIONS

At the sole discretion of the Company, other annuity options may be made available. However, to the extent that Withdrawal Charges would otherwise apply to a withdrawal or termination, the identical Withdrawal Charge may apply with respect to any additional options.

With respect to Contracts issued under Sections 401, 403(b) or 408 of the Internal Revenue Code, any payments will be made only to the Participant and/or the Participant's spouse.

TRANSFER DURING ANNUITY PERIOD

During the Annuity Period, the Owner may transfer the Contract Value to the Fixed Account and/or among Portfolios. Such transfers are subject to the same limitations and conditions as are prescribed for transfers during the Accumulation Period, page 28, except that, in addition, no transfers may be made from the Fixed Account to the Separate Account during the Annuity Period.

Transfers from the Separate Account to the Fixed Account are effected by crediting the Fixed Account with the actuarial present value of future annuity payments to be made, assuming that all such payments would be equal to a subsequent Variable Annuity payment as computed on the effective date of the transfer, in the manner described below under "Annuity Payments."

DEATH BENEFIT DURING ANNUITY PERIOD

If the Annuitant dies after the Annuity Date while the Contract is in force, the death proceeds, if any, will depend upon the annuity option in effect at the time of the Annuitant's death. If the Annuitant dies after the Annuity Date and before the entire interest in the Contract has been distributed, the remaining interest, if any, as provided for in the option elected, will be distributed at least as rapidly as under the method of distribution in effect at the Annuitant's death.

ANNUITY PAYMENTS

INITIAL MONTHLY ANNUITY PAYMENT

The initial annuity payment is determined by taking the Contract Value, less any premium tax, less any Market Value Adjustment that may apply in the case of a premature annuitization of certain Guarantee Amounts, and then applying it to the annuity table specified in the Contract (or, if more favorable to the payee, the annuity tables in effect as of the Annuity Date for similar immediate annuity contracts issued by the Company). 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 Plans 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 annuity 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 Annuity payment. The number

of Annuity Units determined for the first Variable Annuity payment remains constant for the second and subsequent monthly Variable Annuity payments, assuming that no reallocation of Contract Values is made.

SUBSEQUENT MONTHLY PAYMENTS

For a Fixed Annuity, the amount of the second and each subsequent monthly annuity payment is the same as that determined above for the first monthly payment.

The amount of the second and each subsequent monthly Variable Annuity payment is determined by multiplying the number of Annuity Units, as determined in connection with the determination of the initial monthly payment, above, by the Annuity Unit value as of the Valuation Period next preceding the date on which each annuity payment is due.

ANNUITY UNIT VALUE

The value of an Annuity Unit is determined independently for each Portfolio, but was initially set at $10.00.

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 Portfolio exceeds 3.5%, Variable Annuity payments derived from allocations to that Portfolio will increase over time. Conversely, if the actual rate is less than 3.5%, Variable Annuity payments will decrease over time. If the net investment rate equals 3.5%, the Variable Annuity 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 annuity 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 Portfolios elected, and the amount of each annuity payment will vary accordingly.

For each Portfolio, the value of an Annuity Unit for any Valuation Period is determined by multiplying the Annuity Unit Value for the immediately preceding Valuation Period by the Net Investment Factor for the Valuation Period 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 which is assumed in the annuity tables contained in the Contract. The Net Investment Factor is described below. More detailed information on the computation of Annuity Unit Values is contained in the Statement of Additional Information.

NET INVESTMENT FACTOR

The Net Investment Factor is an index applied to measure the net investment performance of a Portfolio from one Valuation Date to the next. The Net Investment Factor 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 Net Investment Factor for any Portfolio for any Valuation Period is determined by dividing (a) by (b) and then subtracting (c) from the result where:

(a) is the net result of:

(1) the net asset value of an Underlying Fund share held in the Portfolio determined as of the Valuation Date at the end of the Valuation Period, plus

(2) the per share amount of any dividend or other distribution declared by the Fund if the "ex-dividend" date occurs during the Valuation Period, plus or minus

(3) a per share credit or charge with respect to any taxes paid or reserved for by the Company during the Valuation Period which are determined by the Company to be attributable to the operation of the Portfolio (no federal income taxes are applicable under present law);

(b) is the net asset value of the Underlying Fund share held in the Portfolio determined as of the Valuation Date at the end of the preceding Valuation Period; and

(c) is the asset charge factor determined by the Company for the Valuation Period to reflect the charges for assuming the mortality and expense risks and the distribution expenses.

ADMINISTRATION

The Company has primary responsibility for all administration of the Contracts and the Separate Account. The mailing address of the Company's Annuity Service Center is P.O. Box 54299, Los Angeles, California 90054-0299, and its telephone number is (800) 445-7862.

The administrative services provided include, but are not limited to: issuance of the Contracts; maintenance of Participant records; Participant services; calculation of unit values; and preparation of Participant reports.

Contract statements and transaction confirmations are mailed to Participants at least quarterly. Participants should read their statements and confirmations carefully and verify their accuracy. Questions about periodic statements should be communicated to the Company promptly. The Company will investigate all complaints and make any necessary adjustments retroactively, provided that it has received notice of a potential error within 30 days after the date of the questioned statement. If the Company has not received notice of a potential error within this time, any adjustment shall be made as of the date that the Annuity Service Center receives notice of the potential error.

The Company will also provide Participants with such additional periodic and other reports, information and prospectuses as may be required by federal securities laws.

TAXES

NOTE: THE FOLLOWING DESCRIPTION IS BASED UPON THE COMPANY'S UNDERSTANDING OF CURRENT FEDERAL INCOME TAX LAW APPLICABLE TO ANNUITIES IN GENERAL. THE COMPANY CANNOT PREDICT THE PROBABILITY THAT ANY CHANGES IN SUCH LAWS WILL BE MADE. PURCHASERS ARE CAUTIONED TO SEEK COMPETENT TAX ADVICE REGARDING THE POSSIBILITY OF SUCH CHANGES. THE COMPANY DOES NOT GUARANTEE THE TAX STATUS OF THE CONTRACTS. PURCHASERS BEAR THE COMPLETE RISK THAT THE CONTRACTS MAY NOT BE TREATED AS "ANNUITY CONTRACTS" UNDER FEDERAL INCOME TAX LAWS.

GENERAL

Section 72 of the Internal Revenue Code of 1986, as amended (the "Code") governs taxation of annuities in general. A Participant 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 annuity 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. 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 taxable portion is determined by a formula which establishes the ratio that the cost basis of the Contract bears to the total value of annuity payments for the term of the annuity Contract. The taxable portion is taxed at ordinary income tax rates. Participants, Annuitants and Beneficiaries under the Contracts should seek competent financial advice about the tax consequences of distributions under the retirement plan under which the Contracts are purchased.

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, 20% of the distribution must be withheld, unless the payee elects to have the distribution "rolled over" 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 can be waived.

An "eligible rollover distribution" is the estimated taxable portion of any amount received by a covered employee from a plan qualified under Section 401(a) or 403(a) of the Code, or from a tax-sheltered annuity qualified under Section 403(b) of the Code (other than (1) annuity payments for 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; and (2) 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 estimated taxable portion of the distribution, but the Owner may elect in such cases to waive the withholding 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 variable annuity contracts. 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 payments under the Contract. The Code contains a safe harbor provision which provides that annuity contracts such as the Contracts 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."

The Company intends that each of the Underlying Funds will be managed by its respective investment adviser in such a manner as to comply with these diversification requirements.

MULTIPLE CONTRACTS

Multiple 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 multiple contracts. The Company believes that Congress intended to affect the purchase of multiple deferred annuity contracts which may have been purchased to avoid withdrawal income tax treatment. Owners should consult a tax adviser prior to purchasing more than one annuity contract in any calendar year.

TAX TREATMENT OF ASSIGNMENTS

An assignment of a Contract may have tax consequences, and may also be prohibited by ERISA in some circumstances. Owners should therefore consult competent legal advisers should they wish to assign their Contracts.

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 the conditions of each specific plan. Owners, Annuitants and Beneficiaries are cautioned that benefits under a Qualified Plan may be subject to the terms and conditions of the plan, regardless of 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 or Certificate 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 or distributions made in violation of applicable limitations. Furthermore, certain withdrawal penalties and restrictions may apply to surrenders from Qualified Contracts. (See "Tax Treatment of Withdrawals -- Qualified Plans," page 40.)

(A) 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 all Plans on such items as: amounts of allowable contributions; form, manner and timing of distributions; vesting and nonforfeitability of interests; nondiscrimination in eligibility and participation; and the tax treatment of distributions, withdrawals and surrenders. (See "Tax Treatment of Withdrawals -- Qualified Plans," page 40.) Purchasers of Contracts or Certificates

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, educational 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. Furthermore, the Code sets forth additional restrictions governing such items as transferability, distributions, nondiscrimination and withdrawals. (See "Tax Treatment of Withdrawals -- Qualified Plans" page 40.) 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 an "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. These IRAs are subject to limitations on eligibility, contributions, transferability and distributions. (See "Tax Treatment of Withdrawals -- Qualified Plans" page 40.) 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 or Certificates to be qualified as IRAs should obtain competent tax advice as to the tax treatment and suitability of such an investment.

(D) CORPORATE PENSION AND PROFIT-SHARING PLANS

Sections 401(a) and 401(k) of the Code permit corporate employers to establish various types of retirement plans for employees. 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 nonforfeitability of interests; nondiscrimination in eligibility and participation; and the tax treatment of distributions, withdrawals and surrenders. (See "Tax Treatment of Withdrawals -- Qualified Plans" page 40.) Purchasers of Contracts for use with corporate pension or profit sharing plans should obtain competent tax advice as to the tax treatment and suitability of such an investment.

(E) DEFERRED COMPENSATION PLANS -- SECTION 457

Under Section 457 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. However, under a 457 plan all the plan assets shall remain solely the property of the employer, subject only to the claims of the employer's general creditors until such time as made available to an Owner or a Beneficiary.

TAX TREATMENT OF WITHDRAWALS

QUALIFIED PLANS

Section 72(t) of the Code imposes a 10% penalty tax on the taxable portion of any early distribution from qualified retirement plans, including contracts issued and qualified under Code Sections 401 (H.R. 10 and Corporate Pension and Profit Sharing Plans), 403(b) (Tax-Sheltered Annuities) and 408(b) (IRAs).

The tax penalty will not apply to the following distributions: (1) if distribution is made on or after the date on which the Owner or Annuitant (as applicable) reaches age 59 1/2; (2) distributions following the death or disability of the Owner or Annuitant (as applicable) (for this purpose "disability" is defined in Section 72(m)(7) of the Code); (3) distributions that are part of substantially equal periodic payments made not less frequently than annually for the life (or life expectancy) of the Owner or Annuitant (as applicable) or the joint lives (or joint life expectancies) of such Owner or Annuitant (as applicable) and his or her designated Beneficiary; (4) distributions to an Owner or Annuitant (as applicable) who has separated from service after he or she has attained age 55; (5) distributions made to the Owner or Annuitant (as applicable) to the extent such distributions do not exceed the amount allowable as a deduction under Code Section 213 to the Owner or Annuitant (as applicable) for amounts paid during the taxable year for medical care; and (6) distributions made to an alternate payee pursuant to a qualified domestic relations order.

The exceptions stated in items (4), (5) and (6) above do not apply in the case of an IRA.

Limitations imposed by the Code on withdrawals from tax-sheltered annuities are described above under "Purchases, Withdrawals and Contract Value -- Withdrawals (Redemptions)," page 30.

The taxable portion of a withdrawal or distribution from Contracts issued under certain types of plans may, under some circumstances, be "rolled over" into another eligible plan so as to continue to defer income tax on the taxable portion. Effective January 1, 1993, such treatment is available for any "eligible rollover distribution" made by certain types of plans (as described above under "Taxes -- Withholding Tax on Distributions," page 36) that is transferred within 60 days of receipt into a plan qualified under section 401(a) or 403(a) of the Code, a tax-sheltered annuity, an IRA, or an individual retirement account described in section 408(a) of the Code. Plans making such eligible rollover distributions are also required, with some exceptions specified in the Code, to provide for a direct "trustee to trustee" transfer of the distribution to the transferee plan designated by the recipient.

Amounts received from IRAs may also be rolled over into other IRAs, individual retirements accounts or certain other plans, subject to limitations set forth in the Code.

NONQUALIFIED PLANS

Section 72 of the Code governs treatment of distributions from annuity contracts. It provides that if the Contract Value exceeds the aggregate Purchase Payments made, any amount withdrawn not in form of an annuity payment will be treated as coming first from the earnings and then, only after the income portion is exhausted, as coming from the principal. Withdrawn earnings are includible in a taxpayer's gross income. Section 72 further provides that a 10% penalty will apply to the income portion of any premature distribution. The penalty is not imposed on amounts received: (1) after the taxpayer reaches 59 1/2; (2) upon the death of the Owner or Annuitant (as applicable); (3) if the taxpayer is totally disabled; (4) in a series of substantially equal periodic payments made for the life of the taxpayer or for the joint lives of the taxpayer and his or her Beneficiary; (5) under an immediate annuity; or (6) which are allocable to purchase payments made prior to August 14, 1982.

The above information applies to Contracts issued pursuant to Section 457 of the Code, but does not apply to other Qualified Plan Contracts. Separate tax withdrawal penalties and restrictions apply to Qualified Plan Contracts.

ADDITIONAL INFORMATION ABOUT THE COMPANY

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of Anchor National Life Insurance Company and its subsidiaries should be read in conjunction with the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on pages 55 and 42, respectively.

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	YEARS ENDED SEPTEMBER 30,				
	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>
RESULTS OF OPERATIONS					
Net investment income........................	$ 58,996,000	$ 48,912,000	$ 36,499,000	$ 31,882,000	$ 28,710,000
Net realized investment losses...............	(33,713,000)	(22,247,000)	(22,749,000)	(12,744,000)	(14,907,000)
Fee income...................................	129,583,000	116,443,000	95,482,000	74,735,000	59,002,000
General and administrative expenses..........	(52,636,000)	(55,142,000)	(55,615,000)	(58,364,000)	(56,031,000)
Provision for future guaranty fund assessments...............................	--	(4,800,000)	--	--	--
Amortization of deferred acquisition costs...	(43,992,000)	(30,825,000)	(18,224,000)	(19,010,000)	(12,911,000)
Other income and expenses, net...............	9,082,000	11,171,000	10,741,000	14,473,000	11,496,000
Pretax income................................	67,320,000	63,512,000	46,134,000	30,972,000	15,359,000
Income tax expense...........................	(22,705,000)	(21,794,000)	(15,361,000)	(11,847,000)	(6,792,000)
INCOME FROM CONTINUING OPERATIONS............	44,615,000	41,718,000	30,773,000	19,125,000	8,567,000
Net income of subsidiaries sold to affiliates................................	--	--	1,312,000	7,000,000	4,744,000
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES................	44,615,000	41,718,000	32,085,000	26,125,000	13,311,000
Cumulative effect of change in accounting for income taxes.............................	(20,463,000)	--	--	--	--
NET INCOME...................................	$ 24,152,000	$ 41,718,000	$ 32,085,000	$ 26,125,000	$ 13,311,000

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	AT SEPTEMBER 30,				
	1994	1993	1992	1991	1990
FINANCIAL POSITION					
Investments	$1,632,072,000	$2,093,100,000	$2,126,899,000	$1,917,719,000	$2,012,805,000
Variable annuity assets	4,486,703,000	4,170,275,000	3,284,507,000	2,746,685,000	2,145,196,000
Deferred acquisition costs	416,289,000	336,677,000	288,264,000	226,192,000	185,628,000
Other assets	67,062,000	71,337,000	91,588,000	162,855,000	159,330,000
TOTAL ASSETS	$6,602,126,000	$6,671,389,000	$5,791,258,000	$5,053,451,000	$4,502,959,000
Reserves for fixed annuity contracts	$1,437,488,000	$1,562,136,000	$1,735,565,000	$1,957,116,000	$2,100,972,000
Variable annuity liabilities	4,486,703,000	4,170,275,000	3,284,507,000	2,746,685,000	2,145,196,000
Other reserves, payables and accrued liabilities	195,846,000	495,740,000	398,045,000	105,694,000	88,522,000
Senior indebtedness	--	--	--	--	40,174,000
Subordinated notes payable to Parent	34,000,000	34,000,000	15,500,000	--	--
Deferred income taxes	64,567,000	38,145,000	35,163,000	16,536,000	273,000
Shareholder's equity	383,522,000	371,093,000	322,478,000	227,420,000	127,822,000
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$6,602,126,000	$6,671,389,000	$5,791,258,000	$5,053,451,000	$4,502,959,000

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of financial condition and results of operations of Anchor National Life Insurance Company for the three years in the period ended September 30, 1994.

RESULTS OF OPERATIONS

INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES totaled $44.6 million in 1994, compared with $41.7 million in 1993 and $32.1 million in 1992. The cumulative effect of the change in accounting for income taxes resulting from the implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," amounted to a nonrecurring non-cash charge of $20.4 million in 1994. Accordingly, net income amounted to $24.2 million in 1994.

PRETAX INCOME totaled $67.3 million in 1994, $63.5 million in 1993, and $46.1 million in 1992. The $3.8 million improvement in 1994 primarily resulted from increased net investment income and fee income, partially offset by increased net realized investment losses and additional amortization of deferred acquisition costs. In addition, 1993 results include a $4.8 million provision for future guaranty fund assessments. The $17.4 million improvement in 1993 over 1992 primarily resulted from increased net investment income and fee income, partially offset by an increase in amortization of deferred acquisition costs and the provision for future guaranty fund assessments.

Net operating results in 1992 also included the segregated net income of subsidiaries sold to affiliates which amounted to $1.3 million in 1992. During 1992, the Company sold its trust services subsidiary, Resources Trust Company, to an affiliate for cash equal to its book value of $9.4 million. Also during 1992, the Company sold its 70.5% interest in Sun Mortgage Acceptance Corporation to an affiliate for cash equal to its book value of $52.8 million. The consolidated financial statements for prior years have been reclassified to segregate the net assets and operating results of these sold subsidiaries.

NET INVESTMENT INCOME, which is the spread between the income earned on invested assets and the interest paid on fixed annuities and other interest-bearing liabilities, increased to $59.0 million in 1994 from $48.9 million in 1993 and $36.5 million in 1992. These amounts represent net investment spreads of 3.78% on average invested assets (computed on a daily basis) of $1.56 billion in 1994, 2.86% on average invested assets of $1.71 billion in 1993 and 2.00% on average invested assets of $1.83 billion in 1992. These improvements in net investment income primarily resulted from reductions in interest rates paid on fixed annuities.

Total interest expense aggregated $68.8 million in 1994, $88.7 million in 1993 and $120.3 million in 1992. The average rate paid on all interest-bearing liabilities fell to 4.56% (4.50% on fixed annuities) in 1994 from 5.29% (5.28% on fixed annuities) in 1993 and 6.54% (6.54% on fixed annuities) in 1992. These declines in rates were primarily due to a decline in prevailing interest rates that began during the latter half of fiscal 1992 and continued into the first half of fiscal 1994. This was reflected in a corresponding decline in the average crediting rate on annuity contracts, the majority of which reprice annually as interest rate guarantees are renewed. Interest-bearing liabilities averaged $1.51 billion during 1994, compared with $1.68 billion during 1993 and $1.84 billion during 1992.

Investment income totaled $127.8 million in 1994, $137.6 million in 1993 and $156.8 million in 1992. The declines in investment income of $9.8 million in 1994 and $19.2 million in 1993 resulted primarily from lower levels of average invested assets. The yield on average invested assets totaled 8.20% in 1994, 8.05% in 1993 and 8.58% in 1992. The improvement in yield in 1994 primarily resulted from a decrease in the average level of the short-term portfolio, while the decline in yield from 1992 to 1993 was due primarily to lower prevailing interest rates combined with lower relative average levels of

high-yield investments. These yields are computed without subtracting net realized investment losses. If net realized investment losses were included in the computation, the yields would be 6.03% in 1994, 6.75% in 1993 and 7.33% in 1992.

The Company has enhanced investment yield since 1992 through dollar roll transactions ("Dollar Rolls") whereby the proceeds from sales of mortgage-backed securities ("MBSs") are invested in short-term securities pending the contractual repurchase of substantially the same securities at discounted prices in the forward market. The Company has been able to engage in Dollar Rolls due to the market demand for MBSs for formation of collateralized mortgage obligations ("CMOs"), which was particularly high in 1993. The Company recorded $3.7 million of enhanced yield on a weighted average volume of $253.4 million of such transactions during 1994, compared with $5.7 million of enhanced yield on a weighted average volume of $290.1 million during 1993, and $2.2 million of enhanced yield on a weighted average volume of $141.1 million during 1992. The decline in enhanced yield relative to the volume of Dollar Rolls in 1994 is primarily due to a narrowing of market spreads on such transactions.

NET REALIZED INVESTMENT LOSSES totaled $33.7 million in 1994, $22.2 million in 1993 and $22.7 million in 1992, and include impairment writedowns of $14.2 million in 1994, $37.7 million in 1993 and $38.0 million in 1992. Therefore, net losses from sales of investments totaled $19.5 million in 1994, compared with net gains of $15.5 million in 1993 and $15.3 million in 1992.

Net losses in 1994 include $17.3 million of net losses realized on $673.6 million of sales of bonds. These bond sales include approximately $289.3 million of sales of MBSs made primarily to acquire other MBSs that were then used in Dollar Rolls. In addition, bond sales include $118.3 million of sales of high-yield investments and $158.9 million of sales of certain CMOs and asset-backed securities, which were primarily made to maximize total return.

Net gains in 1993 include $17.0 million of gains realized on $1.09 billion of sales of bonds. These bond sales include approximately $735.5 million of sales of MBSs made primarily to acquire other MBSs that were then used in Dollar Rolls and $155.1 million of sales of high-yield investments.

Net gains in 1992 include $12.0 million of net gains realized on $1.32 billion of sales of bonds. These bond sales include approximately $645.9 million of sales of MBSs made primarily to acquire other MBSs for use in Dollar Rolls and $117.5 million of high-yield investments made primarily to improve the overall credit quality of the portfolio.

Impairment writedowns in 1994 of $14.2 million reflect additional provisions applied to bonds, primarily made in response to the adverse impact of declining interest rates on certain MBSs.

Impairment writedowns in 1993 include $5.6 million of provisions applied to mortgage loans that were restructured during 1993 and reduced to the aggregate appraised value of the underlying real estate. Impairment writedowns in 1993 also include $30.3 million of additional provisions applied to bonds, including $28.3 million applied to certain interest-only strips ("IOs"). IOs, a type of MBS used as an asset-liability matching tool to hedge against rising interest rates, are investment grade securities that give the holder the right to receive only the interest payments on a pool of underlying mortgage loans. As would be anticipated in a lower interest rate environment, the amortized cost of these IOs became impaired as a result of increased prepayments of the underlying loans. At September 30, 1994, the amortized cost, which is net of impairment writedowns, of the IOs held by the Company was $9.6 million and their fair value was $7.4 million.

Impairment writedowns in 1992 include $16.5 million of provisions applied to bonds in response to increased defaults. Impairment writedowns in 1992 also include $20.4 million of provisions applied to the Company's investment in a real estate-related separate account which the Company liquidated on December 31, 1992.

VARIABLE ANNUITY FEES are based on the market value of assets supporting variable annuity contracts in separate accounts. Such fees totaled $79.1 million in 1994, $67.2 million in 1993 and $57.1 million in 1992. Variable annuity fees have increased over the last three years principally due to

asset growth from the receipt of variable annuity premiums and, during 1993, from increased market values. Variable annuity assets averaged $4.40 billion during 1994, $3.64 billion during 1993 and $3.05 billion during 1992. Variable annuity premiums, which exclude premiums allocated to the fixed accounts of variable annuity products, totaled $769.6 million in 1994, $782.5 million in 1993 and $581.3 million in 1992. Total variable annuity product sales, which include premiums allocated to the fixed accounts of variable annuities, aggregated $909.7 million in 1994, $845.5 million in 1993 and $666.9 million in 1992. Though total variable annuity product sales rose modestly in 1994, variable annuity premiums declined, principally due to a rising demand for fixed-rate investment options, including the fixed accounts of variable annuities, as prevailing interest rates increased during the latter half of fiscal 1994. The Company has encountered increased competition in the variable annuity marketplace in 1994 and anticipates that the market will remain highly competitive for the foreseeable future.

ASSET MANAGEMENT FEES, which include investment advisory fees and 12b-1 distribution fees, are based on the market value of assets managed in mutual funds and private accounts by SunAmerica Asset Management Corp. Such fees totaled $31.3 million on average assets managed of $2.39 billion in 1994, $32.3 million on average assets managed of $2.46 billion in 1993 and $25.3 million on average assets managed of $2.15 billion in 1992. Asset management fees decreased in 1994 primarily due to a decline in the market value of assets managed and increased redemptions, both a reflection of adverse market conditions for fixed-income and equity securities which can be attributed, in part, to rising interest rates during the latter half of fiscal 1994. Mutual fund sales in 1994 also were affected by these adverse market conditions. Sales of mutual funds, excluding sales of money market funds, totaled $342.6 million in 1994, compared with $532.4 million in 1993 and $827.6 million in 1992. The decline in mutual fund sales during 1993 resulted primarily from the Company's strategic decision to diversify its mutual fund product sales, and to reduce the percentage of sales derived from back-end loaded products.

NET RETAINED COMMISSIONS are primarily derived from commissions on the sales of nonproprietary investment products by the Company's broker-dealer subsidiary, after deducting the substantial portion of such commissions that is passed on to registered representatives. Net retained commissions totaled $19.2 million in 1994, $16.9 million in 1993 and $13.2 million in 1992. Sales of nonproprietary products (mainly mutual funds and general securities) totaled $4.91 billion in 1994, $4.61 billion in 1993 and $3.64 billion in 1992. The increases in net retained commissions are not proportionate to the related changes in sales, primarily due to changes in sales mix.

SURRENDER CHARGES on fixed and variable annuities totaled $5.0 million in 1994, compared with $5.3 million in 1993 and $7.2 million in 1992. Surrender charges generally are assessed on annuity withdrawals at declining rates during the first five to seven years of the contract. Withdrawal payments, which include surrenders and lump-sum annuity benefits, totaled $726.1 million in 1994, $557.3 million in 1993 and $651.6 million in 1992. These payments represent 12.5%, 10.7% and 13.5%, respectively, of average fixed and variable annuity reserves. Withdrawals include variable annuity payments from the separate accounts totaling $459.1 million in 1994, $314.2 million in 1993 and $306.4 million in 1992. Variable annuity surrenders have increased during 1994 primarily due to surrenders on a closed block of business, policies coming off surrender charge restrictions and increased competition in the marketplace. In addition, fixed annuity surrenders have increased in 1994, due to policies coming off surrender charge restrictions. Management anticipates that withdrawal rates will be reasonably stable for the foreseeable future and the Company's investment portfolio has been structured to provide sufficient liquidity for anticipated withdrawals.

PROVISION FOR FUTURE GUARANTY FUND ASSESSMENTS totaled $4.8 million in 1993. No such provision was recorded in 1994 or 1992. Guaranty associations of the states in which the Company sells annuities assess insurance companies to pay policyholder claims relating to insurer insolvencies. This provision represents management's best estimate, based upon available industry data, of the Company's ultimate exposure to future assessments anticipated as a result of certain large insurance company failures that occurred during the past few years. Currently, management estimates that the remaining assessments will be primarily paid over the next four years.

GENERAL AND ADMINISTRATIVE EXPENSES totaled $52.6 million in 1994, compared with $55.1 million in 1993 and $55.6 million in 1992, and represent 0.8%, 0.9% and 1.0% of average total assets for fiscal years 1994, 1993 and 1992, respectively. General and administrative expenses remain closely controlled through a company-wide cost containment program.

AMORTIZATION OF DEFERRED ACQUISITION COSTS increased during the three-year period primarily due to additional variable annuity and mutual fund sales and the subsequent amortization of related deferred commissions and other acquisition costs. Amortization of all deferred acquisition costs totaled $44.0 million in 1994, $30.8 million in 1993 and $18.2 million in 1992.

INCOME TAX EXPENSE totaled $22.7 million in 1994, $21.8 million in 1993 and $15.4 million in 1992, representing effective tax rates of 34% in 1994 and 1993 and 33% in 1992. These tax rates reflect the favorable impact of certain affordable housing tax credits.

FINANCIAL CONDITION AND LIQUIDITY

SHAREHOLDER'S EQUITY increased by $12.4 million to $383.5 million at September 30, 1994 from $371.1 million at September 30, 1993, primarily due to net income of $24.2 million realized during 1994, partially offset by an $11.8 million increase in net unrealized losses on debt and equity securities available for sale.

TOTAL ASSETS decreased by $69.3 million to $6.60 billion at September 30, 1994 from $6.67 billion at September 30, 1993, principally due to a decrease in invested assets, partially offset by increases in variable annuity assets.

INVESTED ASSETS at year-end totaled $1.63 billion in 1994, compared with $2.09 billion in 1993. The Company managed most of these investments internally. Invested assets declined by $461.0 million during 1994, primarily as a result of a reduction in unsettled trades and dollar-roll positions, as indicated by the $303.5 million decline in amounts payable to brokers for purchases of securities. Invested assets also declined as a consequence of the change in net unrealized losses on debt and equity securities available for sale charged directly to shareholder's equity.

The Company's general investment philosophy is to hold fixed maturity assets for long-term investment. Thus, it does not have a trading portfolio. Effective September 30, 1993, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and, accordingly, began to carry the portion of its portfolio of bonds, notes and redeemable preferred stocks that is available for sale (the "Available for Sale Portfolio") at estimated fair value. The remaining portion of its portfolio of bonds, notes and redeemable preferred stocks is held for investment and continues to be carried at amortized cost.

BONDS, NOTES AND REDEEMABLE PREFERRED STOCKS, including those held for investment and the Available for Sale Portfolio (the "Bond Portfolio"), at September 30, 1994, had an aggregate amortized cost that exceeded its fair value by $77.8 million (including net unrealized losses of $82.2 million on the Available for Sale Portfolio). The fair value of the Bond Portfolio was $1.4 million above its amortized cost at September 30, 1993 (including net unrealized losses of $12.7 million on the Available for Sale Portfolio). The unrealized losses on the Bond Portfolio at September 30, 1994 principally resulted from increases in prevailing interest rates since September 30, 1993 and the corresponding effect on the Bond Portfolio.

Approximately $1.28 billion or 99.9% of the Bond Portfolio (at amortized cost) at September 30, 1994 was rated by Standard and Poor's Corporation ("S&P"), Moody's Investors Service ("Moody's") or under comparable statutory rating guidelines established by the National Association of Insurance Commissioners ("NAIC") and implemented by either the NAIC or the Company. At September 30, 1994, approximately $1.14 billion (at amortized cost) was rated investment grade by one or both of these agencies or under the NAIC guidelines, including $857.2 million of U.S. government/agency securities and MBSs.

At September 30, 1994, the Bond Portfolio included $141.8 million (fair value, $136.4 million) of bonds not rated investment grade by S&P, Moody's or the NAIC. Based on their September 30, 1994 amortized cost, these bonds accounted for 2.13% of the Company's total assets and 8.26% of invested assets.

Non-investment grade securities generally provide higher yields and involve greater risks than investment grade securities because their issuers typically are more highly leveraged and more vulnerable to adverse economic conditions than investment grade issuers. In addition, the trading market for these securities is usually more limited than for investment grade securities. The Company intends that its holdings of such securities not exceed current levels, but its policies may change from time to time, including in connection with any possible acquisition. The Company had no material concentrations of non-investment grade securities at September 30, 1994.

The following table summarizes the Company's rated bonds by rating classification as of September 30, 1994 (dollars in thousands):

<TABLE>
<CAPTION>

ISSUES RATED BY S&P (MOODY'S)			ISSUES NOT RATED BY S&P (MOODY'S) BY NAIC CATEGORY			TOTAL		
S&P (MOODY'S) CATEGORY(1)	AMORTIZED COST	ESTIMATED FAIR VALUE	NAIC CATEGORY (2)	AMORTIZED COST	ESTIMATED FAIR VALUE	AMORTIZED COST	PERCENT OF INVESTED ASSETS(3)	ESTIMATED FAIR VALUE
AAA+ to A- (Aaa to A3)....	$683,104	$632,916	1	$248,236	$240,006	$ 931,340	54.29%	$ 872,922
BBB+ to BBB- (Baa1 to Baa3)........	75,086	69,750	2	136,262	125,725	211,348	12.32	195,475
BB+ to BB- (Ba1 to Ba3)...	19,718	18,798	3	23,510	26,099	43,228	2.52	44,897
B+ to B- (B1 to B3).....	49,977	44,922	4	28,602	26,557	78,579	4.58	71,479
CCC+ to C (Caa to C).....	1,906	1,906	5	5,551	5,634	7,457	0.43	7,540
D................	--	--	6	12,508	12,508	12,508	0.73	12,508
TOTAL RATED ISSUES.........	$829,791	$768,292		$454,669	$436,529	$1,284,460		$1,204,821

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(1) S&P rates debt securities in eleven rating categories, from AAA (the highest) to D (in payment default). A plus(+) or minus(-) indicates the debt's relative standing within the rating category. A security rated BBB- or higher is considered investment grade. Moody's rates debt securities in nine rating categories, from Aaa (the highest) to C (extremely poor prospects of attaining real investment standing). The number 1, 2 or 3 (with 1 the highest and 3 the lowest) indicates the debt's relative standing within the rating category. A security rated Baa3 or higher is considered investment grade. Issues are categorized based on the higher of the S&P or Moody's rating if rated by both agencies.

(2) Bonds and short-term promissory instruments are divided into six quality categories for NAIC rating purposes, ranging from 1 (highest) to 5 (lowest) for nondefaulted bonds plus one category, 6, for bonds in or near default. These six categories correspond with the S&P (Moody's) rating groups listed above, with categories 1 and 2 considered investment grade. A substantial portion of the assets in the NAIC categories were rated by the Company based on its implementation of NAIC rating guidelines.

(3) At amortized cost.

SENIOR SECURED LOANS ("Secured Loans") are included in the Bond Portfolio and their amortized cost aggregated $99.0 million at September 30, 1994. Secured Loans are primarily originated by money center or investment banks or are originated directly by the Company. Secured Loans are senior to subordinated debt and equity, and virtually all are secured by assets of the issuer.

At September 30, 1994, Secured Loans consisted of loans to 13 borrowers spanning 10 industries, with no industry concentration constituting more than 19% of these assets.

While the trading market for Secured Loans is more limited than for publicly traded corporate debt issues, management believes that participation in these transactions has enabled the Company to improve its investment yield. The majority of the Company's Secured Loans are not rated by S&P or Moody's. However, 90% of the Secured Loans (at amortized cost) are rated in NAIC categories 1 and 2. Although, as a result of restrictive financial covenants, Secured Loans involve greater risk of technical default than do publicly traded investment grade securities, management believes that generally the risk of loss upon default for its Secured Loans is mitigated by their three-year average lives, financial covenants and senior secured positions.

MORTGAGE LOANS aggregated $108.3 million at September 30, 1994 and consisted of 17 first mortgage loans with an average loan balance of approximately $6.4 million, collateralized by properties located in 8 states. Approximately 43% of the portfolio was office, 23% was retail, 19% was hotel and 15% was multifamily residential. At September 30, 1994, approximately 22% of the portfolio was secured by properties located in California and no more than 22% of the portfolio was secured by properties in any other single state. At September 30, 1994, there were no construction, takeout, farm or land loans and there were 2 loans with outstanding balances of $20 million or more, which loans aggregated approximately 43% of the portfolio. At September 30, 1994, approximately 7% of the mortgage loan portfolio consisted of loans with balloon payments due before October 1, 1997. At September 30, 1994, there were no loans delinquent by more than 90 days. Loans foreclosed upon and transferred to real estate in the balance sheet during fiscal 1994 totaled $2.9 million (2.7% of total mortgages).

Approximately 63% of the mortgage loans in the portfolio at September 30, 1994 were seasoned loans underwritten to the Company's standards and purchased at or near par from another financial institution which was downsizing its portfolio. Such loans generally have higher average interest rates than loans that could be originated today. The balance of the mortgage loan portfolio has been originated by the Company under strict underwriting standards. Commercial mortgage loans on properties such as offices, hotels and shopping centers represent a higher level of risk for the industry than have mortgage loans secured by multifamily residences. This greater risk is due to several factors, including the larger size of such loans, and the effects of general economic conditions on these commercial properties. However, due to the seasoned nature of the Company's mortgage loans and its strict underwriting standards, the Company believes that it has reduced the risk attributable to its mortgage loan portfolio while maintaining attractive yields.

On September 30, 1994, one mortgage loan having an aggregate carrying value of $12.1 million had been restructured. No mortgage loans were restructured during the 1993 or 1994 fiscal years.

REAL ESTATE aggregated $89.5 million at September 30, 1994 and consisted of $5.0 million of income producing properties and $84.5 million of non-income producing land in the Phoenix, Arizona metropolitan area. The Company has undertaken to dispose of the $84.5 million (its statutory carrying value) of Phoenix area land during the next one to three years, either to affiliated or nonaffiliated parties, and SunAmerica Inc., the ultimate parent, has guaranteed that the Company will receive its statutory carrying value of these assets.

OTHER INVESTED ASSETS aggregated $67.2 million at September 30, 1994, including $45.9 million of investments in limited partnerships and an aggregate of $21.3 million of miscellaneous investments, including policy loans, CMO residuals and leveraged leases. The Company's limited partnership interests primarily include partnerships, accounted for by using the cost method of accounting, that invest mainly in equity securities.

ASSET-LIABILITY MATCHING is utilized by the Company to minimize the risks of interest rate fluctuations and disintermediation. The Company believes that its fixed-rate liabilities should be backed by a portfolio principally composed of fixed maturities that generate predictable rates of return. The Company does not have a specific target rate of return. Instead, its rates of return vary

over time depending on the current interest rate environment, the slope of the yield curve, the spread at which fixed maturities are priced over the yield curve and general competitive conditions within the industry. Its portfolio strategy is designed to achieve adequate risk-adjusted returns consistent with its investment objectives of effective asset-liability matching, liquidity and safety.

The Company designs its fixed-rate products and conducts its investment operations in order to closely match the duration of the assets in its investment portfolio to its annuity obligations. The Company seeks to achieve a predictable spread between what it earns on its assets and what it pays on its liabilities by investing principally in fixed maturities. The Company's fixed-rate products incorporate surrender charges or other limitations on when contracts can be surrendered for cash to encourage persistency and discourage withdrawals. Approximately 56% of the Company's fixed annuity reserves had surrender penalties or other restrictions at September 30, 1994.

As part of its asset-liability matching discipline, the Company conducts detailed computer simulations that model its fixed-maturity assets and liabilities under commonly used stress-test interest rate scenarios. Based on the results of these computer simulations, the investment portfolio has been constructed with a view to maintaining a desired investment spread between the yield on portfolio assets and the rate paid on its reserves under a variety of possible future interest rate scenarios. In addition, the Company has designed its portfolio to limit the market discount from book value on the aggregate portfolio that might result from a sharp rise in interest rates. The cash flow obtained from MBSs helps to maintain the anticipated spread, while providing desired liquidity. At September 30, 1994, the weighted average life of the Company's investments was approximately four years and the portfolio had a duration of approximately three-and-one-fourth years.

The Company also seeks to provide liquidity, while enhancing its spread income, by using reverse repurchase agreements ("Reverse Repos"), Dollar Rolls and by investing in MBSs. Reverse Repos involve a sale of securities (generally MBSs) and an agreement to repurchase the same securities at a later date at an agreed upon price and are generally over-collateralized. Dollar Rolls are similar to Reverse Repos except that the repurchase involves securities that are only substantially the same as the securities sold and the arrangement is not collateralized, nor is it governed by a repurchase agreement. MBSs are generally investment grade securities collateralized by large pools of mortgage loans. MBSs generally pay principal and interest monthly. The amount of principal and interest payments may fluctuate as a result of prepayments of the underlying mortgage loans.

There are risks associated with some of the techniques the Company uses to enhance its spread income and match its assets and liabilities. The primary risk associated with Dollar Rolls and Reverse Repos is the risk associated with counterparty nonperformance. The Company believes, however, that the counterparties to its Dollar Rolls and Reverse Repos are financially responsible and that the counterparty risk associated with those transactions is minimal. Counterparty risk associated with Dollar Rolls is further mitigated by the Company's participation in an MBS trading clearinghouse. The sell and buy transactions that are submitted to this clearinghouse are marked to market on a daily basis and each participant is required to over-collateralize its net loss position by 30% with either cash, letters of credit or government securities. The primary risk associated with MBSs is that a changing interest rate environment might cause prepayment of the underlying obligations at speeds slower or faster than anticipated at the time of their purchase.

INVESTED ASSETS EVALUATION routinely includes a review by the Company of its portfolio of debt securities. Management identifies monthly those investments that require additional monitoring and carefully reviews the carrying value of such investments at least quarterly to determine whether specific investments should be placed on a nonaccrual basis and to determine declines in value that may be other than temporary. In making these reviews for bonds, management principally considers the adequacy of collateral (if any), compliance with contractual covenants, the borrower's recent financial performance, news reports and other externally generated information concerning the creditor's affairs. In the case of publicly traded bonds, management also considers market value quotations, if available. For mortgage loans, management generally considers information concerning

the mortgaged property and, among other things, factors impacting the current and expected payment status of the loan and, if available, the current fair value of the underlying collateral.

The carrying values of bonds that are determined to have declines in value that are other than temporary are reduced to net realizable value and no further accruals of interest are made. The valuation allowances on mortgage loans are based on losses expected by management to be realized on transfers of mortgage loans to real estate, on the disposition and settlement of mortgage loans and on mortgage loans that management believes may not be collectible in full. Accrual of interest is suspended when principal and interest payments on mortgage loans are past due more than 90 days.

DEFAULTED INVESTMENTS, comprising all investments (at amortized cost, net of impairment writedowns) that are in default as to the payment of principal or interest, totaled $4.4 million at September 30, 1994, all of which are unsecured non-investment grade bonds. At September 30, 1994, defaulted investments constituted 0.3% of total invested assets at amortized cost and their fair value was equal to their amortized cost. At September 30, 1993, defaulted investments totaled $10.6 million, all of which were unsecured non-investment grade bonds. At September 30, 1993, defaulted investments constituted 0.5% of total invested assets at amortized cost and their fair value totaled $9.3 million.

SOURCES OF LIQUIDITY are readily available to the Company in the form of existing cash and short-term investments, Reverse Repo capacity on invested assets and, if required, proceeds from invested asset sales. At September 30, 1994, approximately $257.4 million of the Company's Bond Portfolio had an aggregate unrealized gain of $8.5 million, while approximately $1.03 billion had an aggregate unrealized loss of $86.3 million. In addition, the Company's investment portfolio also currently provides approximately $16.6 million of monthly cash flow from scheduled principal and interest payments.

Management is aware that prevailing market interest rates may shift significantly and has strategies in place to manage either an increase or decrease in prevailing rates. In a rising interest rate environment, the Company's average cost of funds would increase over time as it prices its new and renewing annuities to maintain a generally competitive market rate. Management would seek to place new funds in investments that were matched in duration to, and higher yielding than, the liabilities assumed. The Company believes that liquidity to fund withdrawals would be available through incoming cash flow, the sale of short-term or floating-rate instruments or Reverse Repos on the Company's substantial MBS segment of the Bond Portfolio, thereby avoiding the sale of fixed-rate assets in an unfavorable bond market.

In a declining rate environment, the Company's cost of funds would decrease over time, reflecting lower interest crediting rates on its fixed annuities. Should increased liquidity be required for withdrawals, the Company believes that a significant portion of its investments could be sold without adverse consequences in light of the general strengthening that would be expected in the bond market.

PROPERTIES

The Company's principal office is in leased premises at 1 SunAmerica Center, Los Angeles, California. The Company, through an affiliate, also leases office space in Atlanta, Georgia which is utilized for certain recordkeeping and data processing functions. The Company's broker-dealer and asset management subsidiaries lease offices in New York, New York.

The Company believes such properties, including the equipment located therein, are suitable and adequate to meet the requirements of its businesses.

THE COMPANY'S DIRECTORS AND EXECUTIVE OFFICERS

The directors and principal officers of the Company as of December 1, 1994 are listed below, together with information as to their ages, dates of election and principal business occupation during the last five years (if other than their present business occupation).

<TABLE>
<CAPTION>

NAME AND POSITION	AGE	PRESENT OTHER POSITION(S)*	YEAR ASSUMED PRESENT POSITION	OTHER POSITIONS AND OTHER BUSINESS EXPERIENCE WITHIN LAST FIVE YEARS*	FROM-TO
<S>	<C>	<C>	<C>	<C>	<C>
Eli Broad, Chairman, Chief Executive Officer and President	61	Chairman, Chief Executive Officer and President	1976 1986	Cofounded SunAmerica Inc. in 1957	
Jay S. Wintrob, Director and Executive Vice President	37	Executive Vice President	1991	Senior Vice President (Joined SunAmerica in 1987)	1989-1991
James R. Belardi, Director, Senior Vice President and Treasurer	37	Senior Vice President and Treasurer	1992	Vice President and Treasurer (Joined SunAmerica Inc. in 1986)	1989-1992
Jana W. Greer, Director and Senior Vice President	42	Senior Vice President	1991	Vice President (Joined SunAmerica Inc. in 1974)	1981-1991
Peter McMillan III, Director	36	Executive Vice President, Chief Investment Officer, SunAmerica Investments, Inc.	1994	Senior Vice President, SunAmerica Investments, Inc.	1989-1994
Gary W. Krat, Director and Senior Vice President	47	Senior Vice President	1992	President, SunAmerica Marketing, Inc., Chairman and Chief Executive Officer, Royal Alliance Associates, Inc.	1992 to Present 1990 to Present

Clark P. Manning, Jr. Director, Senior Vice President and Actuary	36	Senior Vice President	1994	Consulting Actuary, Milliman & Robertson, Inc. Vice President and Actuary, SunAmerica Life Companies	1992-1993 and 1988-1991 1991-1992
Scott L. Robinson, Director, Senior Vice President	48	Senior Vice President and Controller	1991	Vice President and Controller (Joined SunAmerica Inc. in 1978)	1986-1991
Lorin M. Fife, Director, Senior Vice President and General Counsel	41	Vice President and General Counsel -- Regulatory Affairs	1994	Vice President and Associate General Counsel	1989-1994
Susan L. Harris, Director, Senior Vice President and Secretary	37	Vice President, General Counsel -- Corporate Affairs and Secretary	1994	Vice President, Associate General Counsel and Secretary (Joined SunAmerica Inc. in 1985)	1989-1994
N. Scott Gillis, Senior Vice President and Controller	41	Senior Vice President and Controller, SunAmerica Life Companies	1994	Vice President and Controller, SunAmerica Life Companies (Joined SunAmerica Inc. in 1985)	1989-1994

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* Unless otherwise indicated, offices and positions are with SunAmerica Inc.

EXECUTIVE COMPENSATION

All of the executive officers of the Company also serve as employees of SunAmerica Inc. or its affiliates and receive no compensation directly from the Company. Some of the officers also serve as officers of other companies affiliated with the Company. Allocations have been made as to each individual's time devoted to his or her duties as an executive officer of the Company.

The following table shows the cash compensation paid or earned, based on these allocations, to the chief executive officer and top four executive officers of the Company whose allocated compensation exceeds $100,000 and to all executive officers of the Company as a group for services rendered in all capacities in the Company during 1994.

<TABLE>
<CAPTION>

NAME OF INDIVIDUAL OR NUMBER IN GROUP	CAPACITIES IN WHICH SERVED	ALLOCATED CASH COMPENSATION
<S>	<C>	<C>
Eli Broad	Chairman, Chief Executive Officer and President	$ 906,341
Jay S. Wintrob	Executive Vice President	527,357
Gary W. Krat	Senior Vice President	287,192
James R. Belardi	Senior Vice President and Treasurer	199,581
Clark P. Manning, Jr.	Senior Vice President and Actuary	188,946
All Executive Officers as a Group (10)		2,823,262

</TABLE>

Directors of the Company who are also employees of SunAmerica Inc. or its affiliates receive no compensation in addition to their compensation as employees of SunAmerica Inc. or its affiliates.

No shares of the Company are owned by any executive officer or director. The Company is an indirect wholly-owned subsidiary of SunAmerica Inc. Except for Mr. Broad, the percentage of shares of SunAmerica Inc. beneficially owned by any director does not exceed one percent of the class outstanding. At December 1, 1994, Mr. Broad was the beneficial owner of 1,127,504 shares of Common Stock (approximately 3.9% of the class outstanding) and 5,865,106 shares of Class B Common Stock (approximately 85.9% of the class outstanding). Of the Common Stock, 93,084 shares represent restricted shares granted under the Company's employee stock plans as to which Mr. Broad has no investment power; 337,500 shares are held by a trust formed by Mr. Broad of which he is a beneficiary; and 639,900 shares represent employee stock options held by Mr. Broad which are or will become exercisable on or before February 1, 1995 and as to which he has no voting or investment power. Of the Class B Stock, 562,500 shares are held by a trust formed by Mr. Broad of which he is a beneficiary; 21,712 shares are held by a foundation of which Mr. Broad is a director and as to which he has shared voting and investment power; and 1,935,000 shares are registered in the name of a corporation as to which Mr. Broad exercises voting and investment power. At December 1, 1994 all directors and officers as a group beneficially owned 1,730,459 shares of Common Stock (approximately 6.0% of the class outstanding) and 5,865,106 shares of Class B Common Stock (approximately 85.9% of the class outstanding).

STATE REGULATION

The Company is subject to regulation and supervision by the states in which it is authorized to transact business. State insurance laws establish supervisory agencies with broad administrative and supervisory powers related to granting and revoking licenses to transact business, regulating marketing and other trade practices, operating guaranty associations, licensing agents, approving policy forms, regulating certain premium rates, regulating insurance holding company systems, establishing reserve requirements, prescribing the form and content of required financial statements and reports, performing financial and other examinations, determining the reasonableness and adequacy of statutory capital and surplus, regulating the type and amount of investments permitted, limiting the amount of dividends that can be paid without first obtaining regulatory approval and other related matters.

In recent years, the insurance regulatory framework has been placed under increased scrutiny by various states, the federal government and the NAIC. Various states have considered or enacted legislation that changes, and in many cases increases, the states' authority to regulate insurance companies. Legislation has been introduced from time to time in Congress that could result in the federal government assuming some role in the regulation of insurance companies. The NAIC has

recently approved and recommended to the states for adoption and implementation several regulatory initiatives designed to reduce the risk of insurance company insolvencies. These initiatives include new investment reserve requirements, risk-based capital standards and restrictions on an insurance company's ability to pay dividends to its stockholders. A committee is also currently developing model laws to govern insurance company investments for adoption by the NAIC. Current proposals are still being debated and the Company is monitoring developments in this area and the effects any change would have on the Company.

SunAmerica Asset Management is registered with the Securities and Exchange Commission (the "Commission") as a registered investment adviser under the Investment Advisers Act of 1940. The mutual funds that it markets are subject to regulation under the Investment Company Act of 1940. SunAmerica Asset Management and the mutual funds are subject to regulation and examination by the Commission. In addition, variable annuities and the related separate accounts of the Company are subject to regulation by the Commission under the Securities Act of 1933 and the Investment Company Act of 1940.

The Company's broker-dealer subsidiary is subject to regulation and supervision by the states in which it transacts business, as well as by the National Association of Securities Dealers, Inc. (the "NASD"). The NASD has broad administrative and supervisory powers relative to all aspects of business and may examine the subsidiary's business and accounts at any time.

CUSTODIAN

State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110, serves as the custodian of the assets of the Separate Account. The custodian is remunerated by the Company based on a schedule of fees under an agreement between the custodian and the Company.

LEGAL PROCEEDINGS

There are no pending legal proceedings affecting the Separate Account. The Company and its subsidiaries are engaged in various kinds of routine litigation which, in management's judgment, is not of material importance to their respective total assets or material with respect to the Separate Account.

LEGAL MATTERS

Legal matters relating to the federal securities laws in connection with the Contracts described herein are being passed upon by the law firm of Routier, Mackey and Johnson, P.C., 1700 K Street, N.W., Suite 1003, Washington, D.C. 20006.

REGISTRATION STATEMENTS

Registration statements have been filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933 as amended, with respect to the Contracts offered by this prospectus. This prospectus does not contain all the information set forth in the registration statements and the exhibits filed as part of the registration statements, to all of which reference is

hereby made for further information concerning the Separate Account, the General Account, the Company, the Underlying Funds, the Contract and the Certificates. Statements found in this prospectus as to the terms of the Contracts, the Certificates and other legal instruments are summaries, and reference is made to such instruments as filed.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Anchor National Life Insurance Company as of September 30, 1994 and 1993 and for each of the three years in the period ended September 30, 1994 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION ABOUT THE SEPARATE ACCOUNT

Additional information concerning the operations of the Separate Account, including audited financial statements, is contained in a Statement of Additional Information, which is available without charge upon written request addressed to the Company's Annuity Service Center, P.O. Box 54299, Los Angeles, California 90054-0299. The contents of the Statement of Additional Information are tabulated below.

STATEMENT OF ADDITIONAL INFORMATION

TABLE OF CONTENTS

FINANCIAL STATEMENTS

The consolidated financial statements of the Company which are included in this prospectus should be considered only as bearing on the ability of the Company to meet its obligations with respect to amounts allocated to the General Account and with respect to the death benefit and the Company's assumption of the mortality and expense risks and the risk that the Withdrawal Charge will be insufficient to cover the cost of distributing the Contracts. They should not be considered as bearing on the investment performance of the Underlying Fund shares held in the Portfolios of the Separate Account. The value of the interests of Owners, Participants, Annuitants, payees and Beneficiaries under the variable portion of the Contracts is affected primarily by the investment results of the Underlying Funds.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholder of
Anchor National Life Insurance Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated income statement and statement of cash flows present fairly, in all material respects, the financial position of Anchor National Life Insurance Company and its subsidiaries at September 30, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards which 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 the opinion expressed above.

As discussed in Note 8, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," in fiscal 1994.

Price Waterhouse LLP
Los Angeles, California
November 9, 1994

ANCHOR NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

ASSETS	SEPTEMBER 30, 1994	SEPTEMBER 30, 1993
<S>	<C>	<C>
Investments:		
Cash and short-term investments	$ 157,438,000	$ 500,624,000
Bonds, notes and redeemable preferred stocks:		
Available for sale, at fair value (amortized cost: 1994, $1,108,271,000; 1993, $1,098,439,000)	1,026,120,000	1,085,695,000
Held for investment, at amortized cost (fair value: 1994, $180,247,000; 1993, $225,057,000)	175,885,000	210,878,000
Mortgage loans	108,332,000	112,493,000
Common stocks, at fair value (cost: 1994, $8,789,000; 1993, $6,450,000)	7,550,000	5,964,000
Real estate	89,539,000	118,108,000
Other invested assets	67,208,000	59,338,000
Total investments	1,632,072,000	2,093,100,000
Variable annuity assets	4,486,703,000	4,170,275,000
Accrued investment income	17,565,000	16,255,000
Deferred acquisition costs	416,289,000	336,677,000
Other assets	49,497,000	55,082,000
TOTAL ASSETS	$6,602,126,000	$6,671,389,000
LIABILITIES AND SHAREHOLDER'S EQUITY		
Reserves, payables and accrued liabilities:		
Reserves for fixed annuity contracts	$1,437,488,000	$1,562,136,000
Payable to brokers for purchases of securities	124,624,000	428,167,000
Income taxes currently payable	12,331,000	5,772,000
Other liabilities	58,891,000	61,801,000
Total reserves, payables and accrued liabilities	1,633,334,000	2,057,876,000
Variable annuity liabilities	4,486,703,000	4,170,275,000
Subordinated notes payable to Parent	34,000,000	34,000,000

Deferred income taxes	64,567,000	38,145,000
Shareholder's equity:		
Common Stock	3,511,000	3,511,000
Additional paid-in capital	252,876,000	252,876,000
Retained earnings	152,088,000	127,936,000
Net unrealized losses on debt and equity securities available for sale	(24,953,000)	(13,230,000)
Total shareholder's equity	383,522,000	371,093,000
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$6,602,126,000	$6,671,389,000

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

ANCHOR NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED INCOME STATEMENT

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Investment income	$127,758,000	$137,591,000	$ 156,805,000
Interest expense on:			
Fixed annuity contracts	(66,311,000)	(87,479,000)	(119,781,000)
Senior indebtedness	(71,000)	(34,000)	(134,000)
Subordinated notes payable to Parent	(2,380,000)	(1,166,000)	(391,000)
Total interest expense	(68,762,000)	(88,679,000)	(120,306,000)
NET INVESTMENT INCOME	58,996,000	48,912,000	36,499,000
NET REALIZED INVESTMENT LOSSES	(33,713,000)	(22,247,000)	(22,749,000)
Fee income:			
Variable annuity fees	79,101,000	67,222,000	57,050,000
Asset management fees	31,302,000	32,293,000	25,269,000
Net retained commissions	19,180,000	16,928,000	13,163,000
TOTAL FEE INCOME	129,583,000	116,443,000	95,482,000
Other income and expenses:			
Surrender charges	5,034,000	5,306,000	7,201,000
General and administrative expenses	(52,636,000)	(55,142,000)	(55,615,000)
Provision for future guaranty fund assessments	--	(4,800,000)	--
Amortization of deferred acquisition costs	(43,992,000)	(30,825,000)	(18,224,000)
Other, net	4,048,000	5,865,000	3,540,000
TOTAL OTHER INCOME AND EXPENSES	(87,546,000)	(79,596,000)	(63,098,000)
PRETAX INCOME	67,320,000	63,512,000	46,134,000
Income tax expense	(22,705,000)	(21,794,000)	(15,361,000)
INCOME FROM CONTINUING OPERATIONS	44,615,000	41,718,000	30,773,000
Net income of subsidiaries sold to affiliates, net of income taxes of $751,000	--	--	1,312,000
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	44,615,000	41,718,000	32,085,000
Cumulative effect of change in accounting for income taxes	(20,463,000)	--	--
NET INCOME	$ 24,152,000	$ 41,718,000	$ 32,085,000

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

ANCHOR NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 24,152,000	$ 41,718,000	$ 32,085,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Interest credited to fixed annuity contracts	66,311,000	87,479,000	119,781,000
Net realized investment losses	33,713,000	22,247,000	22,749,000
Accretion of net discounts on investments	(2,050,000)	(9,149,000)	(14,090,000)
Amortization of goodwill	1,169,000	1,167,000	1,173,000
Provision for deferred income taxes	19,395,000	2,982,000	18,779,000
Cumulative effect of change in accounting for income taxes	20,463,000	--	--
Change in:			
Deferred acquisition costs	(34,612,000)	(48,413,000)	(62,072,000)
Other assets	5,133,000	3,017,000	384,000
Income taxes receivable/payable	6,559,000	23,479,000	(2,408,000)
Other liabilities	46,000	11,596,000	(6,199,000)
Other, net	(950,000)	466,000	5,553,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	139,329,000	136,589,000	115,735,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of:			
Bonds, notes and redeemable preferred stocks available for sale	(1,197,743,000)	(1,254,755,000)	--
Other bonds, notes and redeemable preferred stocks	(209,000)	(64,167,000)	(1,478,405,000)
Mortgage loans	(10,666,000)	(39,100,000)	(9,530,000)
Investment in real estate separate account	--	--	(10,152,000)
Other investments, excluding short-term investments	(26,108,000)	(31,674,000)	(11,196,000)
Sales of:			
Bonds, notes and redeemable preferred stocks available for sale	877,068,000	874,966,000	--
Other bonds, notes and redeemable preferred stocks	--	106,142,000	1,272,255,000
Real estate	33,443,000	38,333,000	38,729,000
Other investments, excluding short-term investments	2,353,000	21,616,000	41,119,000
Redemptions and maturities of:			
Bonds, notes and redeemable preferred stocks available for sale	139,691,000	160,035,000	--
Other bonds, notes and redeemable preferred stocks	34,072,000	259,860,000	261,710,000
Investment in real estate separate account	--	92,130,000	--
Other investments, excluding short-term investments	23,587,000	24,576,000	18,701,000
Payment of holdback liability for 1990 purchase of annuity business	--	(14,250,000)	--
Net receipts from sales of subsidiaries	--	--	62,165,000
Dividends and returns of capital received from subsidiaries sold to an affiliate	--	--	4,400,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(124,512,000)	173,712,000	189,796,000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Premium receipts on fixed annuity contracts	138,526,000	63,796,000	86,577,000
Withdrawal payments on fixed annuity contracts	(298,698,000)	(290,766,000)	(392,316,000)
Claims and annuity payments on fixed annuity contracts	(31,146,000)	(33,938,000)	(35,593,000)
Net increase in subordinated notes payable to Parent	--	18,500,000	15,500,000
Net receipts from (repayments of) other short-term financings	(166,685,000)	38,857,000	243,589,000
Capital contributions received	--	--	80,000,000
NET CASH USED BY FINANCING ACTIVITIES	(358,003,000)	(203,551,000)	(2,243,000)
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(343,186,000)	106,750,000	303,288,000
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF PERIOD	500,624,000	393,874,000	90,586,000
CASH AND SHORT-TERM INVESTMENTS AT END OF PERIOD	$ 157,438,000	$ 500,624,000	$ 393,874,000
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid on indebtedness	$ 1,175,000	$ 34,000	$ 134,000
Income taxes recovered	$ (3,328,000)	$ (6,736,000)	$ (181,000)

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

ANCHOR NATIONAL LIFE INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL: Anchor National Life Insurance Company (the "Company") is a wholly-owned subsidiary of Sun Life Insurance Company of America ("Sun Life of America"), which in turn is a wholly-owned subsidiary of SunAmerica Inc. (the "Parent").

The consolidated financial statements include the accounts of the Company and all significant subsidiaries, including Anchor Investment Advisor, Inc.; SunAmerica Asset Management Corp.; SunAmerica Capital Services, Inc.; Saamsun Holdings Corp.; SAM Holdings Corporation; SunRoyal Holding Corp.; and Royal Alliance Associates, Inc. All significant intercompany transactions have been eliminated. Certain items have been reclassified to conform to the current year's presentation.

INVESTMENTS: Cash and short-term investments primarily include cash, commercial paper, money market investments, repurchase agreements and short-term bank participations. All such investments are carried at cost plus accrued interest, which approximates fair value, have maturities of twelve 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 net gains or losses, net of tax, are credited or charged directly to shareholder's equity. It is management's intent, and the Company has the ability, to hold the remainder of bonds, notes and redeemable preferred stocks until maturity, and therefore, these investments are carried at amortized cost. Bonds, notes and redeemable preferred stocks, whether available for sale or held for investment, are reduced to estimated net realizable value when necessary for declines in value considered to be other than temporary. Estimates of net realizable value are subjective and actual realization will be dependent upon future events. Mortgage loans are carried at amortized unpaid balances, net of provisions for estimated losses. Real estate is carried at the lower of cost or fair value. Other invested assets include investments in limited partnerships, most of which are accounted for by using the cost method of accounting; separate account investments; leveraged leases; policy loans, which are carried at unpaid balances; and collateralized mortgage obligation residuals. Realized gains and losses on the sale of investments are recognized in operations at the date of sale and are determined using the specific cost identification method. Premiums and discounts on investments are amortized to investment income using the interest method over the contractual lives of the investments.

UNITED STATES TREASURY BILL FUTURES CONTRACTS: Gains and losses on United States Treasury Bill Futures Contracts designated as hedges are deferred and subsequently credited or charged to income over the life of the related hedged assets.

DEFERRED ACQUISITION COSTS: Policy acquisition costs are deferred and amortized, with interest, over the estimated lives of the contracts in relation to the present value of estimated gross profits, which are composed of net interest income, net realized investment gains and losses, surrender charges and direct administrative expenses. Costs incurred to sell mutual funds are also deferred and amortized over the estimated lives of the funds obtained. Deferred acquisition costs consist of commissions and other costs which vary with, and are primarily related to, the production or acquisition of new business.

As debt and equity securities available for sale are carried at aggregate fair value, an adjustment is made to deferred acquisition costs 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 that is credited or charged directly to shareholder's equity. At September 30, 1994, deferred acquisition costs have been increased by $45,000,000 for this adjustment.

VARIABLE ANNUITY ASSETS AND LIABILITIES: The assets and liabilities resulting from the receipt of variable annuity premiums 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 Fees in the income statement.

GOODWILL: Goodwill, amounting to $21,815,000 at September 30, 1994, is amortized by using the straight-line method over a period averaging 25 years and is included in Other Assets in the balance sheet.

CONTRACTHOLDER RESERVES: Contractholder reserves for fixed annuity contracts are accounted for as investment-type contracts 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 (premiums received, plus accrued interest, less withdrawals and assessed fees).

2. ACQUISITIONS AND DIVESTITURES

Effective November 30, 1991, the Company acquired Anchor Investment Advisors, Inc. from an affiliated company, SunAmerica Financial, Inc., for cash equal to its book value of $1,797,000.

Effective November 30, 1991, the Company sold Resources Trust Company to the Parent for cash equal to its book value of $9,415,000.

Effective November 30, 1991, the Company sold its 70.5% interest in Sun Mortgage Acceptance Corporation to Sun Life of America for cash equal to its book value of $52,750,000.

3. INVESTMENTS

The amortized cost and estimated fair value of bonds, notes and redeemable preferred stocks available for sale and held for investment by major category follow:

<TABLE>
<CAPTION>

<S>	AMORTIZED COST <C>	ESTIMATED FAIR VALUE <C>
AT SEPTEMBER 30, 1994:		
AVAILABLE FOR SALE:		
Securities of the United States government.........	$ 16,623,000	$ 16,379,000
Mortgage-backed securities.........................	833,445,000	765,946,000
Securities of public utilities.....................	13,423,000	12,837,000
Corporate bonds and notes..........................	243,405,000	229,411,000
Redeemable preferred stocks........................	1,375,000	1,547,000
Total available for sale.......................	$1,108,271,000	$1,026,120,000
HELD FOR INVESTMENT:		
Securities of the United States government.........	$ 10,370,000	$ 10,320,000
Mortgage-backed securities.........................	8,831,000	8,725,000
Corporate bonds and notes..........................	126,333,000	130,851,000
Other debt securities..............................	30,351,000	30,351,000
Total held for investment......................	$ 175,885,000	$ 180,247,000

</TABLE>

<TABLE>
<CAPTION>

<S>	AMORTIZED COST <C>	ESTIMATED FAIR VALUE <C>
AT SEPTEMBER 30, 1993:		
AVAILABLE FOR SALE:		
Mortgage-backed securities.........................	$ 849,176,000	$ 828,705,000
Corporate bonds and notes..........................	247,888,000	255,357,000
Redeemable preferred stocks........................	1,375,000	1,633,000
Total available for sale.......................	$1,098,439,000	$1,085,695,000
HELD FOR INVESTMENT:		
Securities of the United States Government.........	$ 10,153,000	$ 11,306,000
Mortgage-backed securities.........................	15,317,000	15,435,000
Corporate bonds and notes..........................	156,603,000	169,511,000
Other debt securities..............................	28,805,000	28,805,000

Total held for investment	$ 210,878,000	$ 225,057,000

</TABLE>

The amortized cost and estimated fair value of bonds, notes and redeemable preferred stocks available for sale and held for investment by contractual maturity follow:

<TABLE>
<CAPTION>

<S>	AMORTIZED COST <C>	ESTIMATED FAIR VALUE <C>
AT SEPTEMBER 30, 1994:		
AVAILABLE FOR SALE:		
Due in one year or less	$ 991,000	$ 987,000
Due after one year through five years	90,381,000	88,906,000
Due after five years through ten years	158,098,000	146,017,000
Due after ten years	25,356,000	24,264,000
Mortgage-backed securities	833,445,000	765,946,000
Total available for sale	$1,108,271,000	$1,026,120,000
HELD FOR INVESTMENT:		
Due in one year or less	$ 7,427,000	$ 7,517,000
Due after one year through five years	35,285,000	36,351,000
Due after five years through ten years	77,203,000	80,091,000
Due after ten years	47,139,000	47,563,000
Mortgage-backed securities	8,831,000	8,725,000
Total held for investment	$ 175,885,000	$ 180,247,000

</TABLE>

Gross unrealized gains and losses on bonds, notes and redeemable preferred stocks available for sale and held for investment by major category follow:

<TABLE>
<CAPTION>

<S>	GROSS UNREALIZED GAINS <C>	GROSS UNREALIZED LOSSES <C>
AT SEPTEMBER 30, 1994:		
AVAILABLE FOR SALE:		
Securities of the United States government	$ --	$ (244,000)
Mortgage-backed securities	2,852,000	(70,351,000)
Securities of public utilities	--	(586,000)
Corporate bonds and notes	753,000	(14,747,000)
Redeemable preferred stocks	172,000	--
Total available for sale	$ 3,777,000	$(85,928,000)
HELD FOR INVESTMENT:		
Securities of the United States government	$ 85,000	$ (135,000)
Mortgage-backed securities	7,000	(113,000)
Corporate bonds and notes	4,619,000	(101,000)
Total held for investment	$ 4,711,000	$ (349,000)
AT SEPTEMBER 30, 1993:		
AVAILABLE FOR SALE:		
Mortgage-backed securities	$ 9,789,000	$(30,260,000)
Corporate bonds and notes	8,624,000	(1,155,000)
Redeemable preferred stocks	258,000	--
Total available for sale	$18,671,000	$(31,415,000)

HELD FOR INVESTMENT:		
Securities of the United States government...........	$ 1,153,000	$ --
Mortgage-backed securities...........................	118,000	--
Corporate bonds and notes............................	12,908,000	--
Total held for investment...................	$14,179,000	$ --

</TABLE>

At September 30, 1994, gross unrealized gains on equity securities aggregated $878,000 and gross unrealized losses aggregated $2,117,000. At September 30, 1993, gross unrealized gains on equity securities aggregated $330,000 and gross unrealized losses aggregated $816,000.

ANCHOR NATIONAL LIFE INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Gross realized investment gains and losses on sales of all types of investments are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Bonds, notes and redeemable preferred stocks:			
Available for sale:			
Realized gains.......................	$ 12,760,000	$ 20,193,000	$ --
Realized losses......................	(31,066,000)	(8,132,000)	--
Other:			
Realized gains.......................	890,000	5,194,000	59,422,000
Realized losses......................	(1,913,000)	(257,000)	(47,458,000)
Equities:			
Realized gains.........................	467,000	2,445,000	686,000
Realized losses........................	(303,000)	(2,653,000)	(283,000)
Other investments:			
Realized gains.........................	--	255,000	7,050,000
Realized losses........................	(358,000)	(1,573,000)	(4,178,000)
Impairment writedowns....................	(14,190,000)	(37,719,000)	(37,988,000)
Total net realized investment losses.........................	$(33,713,000)	$(22,247,000)	$(22,749,000)

</TABLE>

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

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Short-term investments...................	$ 4,648,000	$ 7,278,000	$ 10,488,000
Bonds, notes and redeemable preferred stocks................................	98,935,000	106,013,000	128,411,000
Mortgage loans...........................	12,133,000	9,418,000	11,571,000
Common stocks............................	1,000	15,000	5,000
Real estate..............................	1,379,000	302,000	(1,176,000)
Limited partnerships.....................	9,487,000	12,064,000	3,057,000
Other invested assets....................	1,175,000	2,501,000	4,449,000
Total investment income...........	$127,758,000	$137,591,000	$156,805,000

</TABLE>

Expenses incurred to manage the investment portfolio amounted to $1,714,000 for the year ended September 30, 1994; $1,478,000 for the year ended September 30, 1993 and $2,057,000 for the year ended September 30, 1992; and are included in General and Administrative Expenses in the income statement.

At September 30, 1994, no investment exceeded 10% of the Company's consolidated shareholder's equity.

At September 30, 1994, mortgage loans were collateralized by properties located in 8 states, with loans totaling approximately 22% of the aggregate carrying value of the portfolio secured by properties located in California.

At September 30, 1994, bonds, notes and redeemable preferred stocks included $141,772,000 (at amortized cost, with fair value of $136,423,000) of investments not rated investment grade by either Standard & Poor's Corporation, Moody's Investors Service or under National Association of Insur-

ance Commissioners' guidelines. The Company had no material concentrations of non-investment grade assets at September 30, 1994.

At September 30, 1994, the amortized cost (and fair value) of investments in default as to the payment of principal or interest was $4,406,000, all of which are unsecured non-investment grade bonds.

The Company entered into various United States Treasury Bill Futures Contracts with major brokerage firms to shorten the duration of certain investment securities. These futures contracts matured in March 1993.

At September 30, 1994, $5,385,000 of bonds, at amortized cost, were on deposit with regulatory authorities in accordance with statutory requirements.

The Company has undertaken to dispose of certain real estate investments, having an aggregate carrying value of $84,544,000, during the next one to three years, to affiliated or nonaffiliated parties, and the Parent has guaranteed that the Company will receive its current carrying value for these assets.

4. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following estimated fair value disclosures are limited to the 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 nonfinancial assets (including its other invested assets, equity investments and real estate investments) 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.

BONDS, NOTES AND REDEEMABLE PREFERRED STOCKS: Fair value is based principally on independent pricing services, broker quotes and other independent information.

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

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

RESERVES FOR FIXED ANNUITY CONTRACTS: Deferred annuity contracts and single premium life contracts are assigned 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.

ANCHOR NATIONAL LIFE INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PAYABLE TO BROKERS FOR PURCHASES OF SECURITIES: Such obligations represent net transactions of a short-term nature for which the carrying value is considered a reasonable estimate of fair value.

VARIABLE ANNUITY LIABILITIES: Fair values of contracts in the accumulation phase are based on net surrender values. Fair values of contracts in the payout phase are based on the present value of future cash flows at assumed investment rates.

SUBORDINATED NOTES PAYABLE TO PARENT: Fair value is estimated based on the quoted market prices for similar issues.

The estimated fair values of the Company's financial instruments at September 1994 and 1993, compared with their respective carrying values are as follows:

1994:	CARRYING VALUE	FAIR VALUE
Assets:		
Cash and short-term investments	$ 157,438,000	$ 157,438,000
Bonds, notes and redeemable preferred stocks	1,202,005,000	1,206,367,000
Mortgage loans	108,332,000	104,835,000
Variable annuity assets	4,486,703,000	4,486,703,000
Liabilities:		
Reserves for fixed annuity contracts	1,437,488,000	1,411,117,000
Payable to brokers for purchases of securities	124,624,000	124,624,000
Variable annuity liabilities	4,486,703,000	4,335,753,000
Subordinated notes payable to Parent	34,000,000	33,897,000
1993:		
Assets:		
Cash and short-term investments	$ 500,624,000	$ 500,624,000
Bonds, notes and redeemable preferred stocks	1,296,573,000	1,310,752,000
Mortgage loans	112,493,000	114,994,000
Variable annuity assets	4,170,275,000	4,170,275,000
Liabilities:		
Reserves for fixed annuity contracts	1,562,136,000	1,542,355,000
Payable to brokers for purchases of securities	428,167,000	428,167,000
Variable annuity liabilities	4,170,275,000	4,029,570,000
Subordinated notes payable to Parent	34,000,000	35,569,000

5. INDEBTEDNESS

Subordinated notes payable to Parent bear interest at 7% and require future principal payments of $11,500,000 in 1995, $18,500,000 in 1996 and $4,000,000 in 1997.

Short-term borrowings, which include short-term bank notes and reverse repurchase agreements, averaged $1,647,000 at a weighted average interest rate of 4.31% during 1994 and $4,318,000 at a weighted average interest rate of 3.42% during 1993. The highest level of short-term borrowings at any month-end was $9,988,000 at 4.40% during 1994. There were no short-term borrowings outstanding at any month-end, but the highest level of short-term borrowings on any given day was $51,813,000 at 3.38% during 1993. There were no short-term borrowings outstanding at September 30, 1994 or 1993.

ANCHOR NATIONAL LIFE INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. CONTINGENT LIABILITIES

The Company is involved in various kinds of litigation common to its businesses. These cases are in various stages of development and, based on reports of counsel, management believes that provisions made for potential losses are adequate and any further liabilities and costs will not have a material adverse impact upon the Company's financial position or results of operations.

7. SHAREHOLDER'S EQUITY

The Company is authorized to issue 4,000 shares of its $1,000 par value Common Stock. At September 30, 1994, 1993 and 1992, 3,511 shares are outstanding.

Changes in shareholder's equity are as follows:

	YEARS ENDED SEPTEMBER 30,		
	1994	1993	1992
ADDITIONAL PAID-IN CAPITAL:			
Beginning balance	$252,876,000	$252,876,000	$172,876,000
Contributions from Sun Life	--	--	80,000,000
Ending balance	$252,876,000	$252,876,000	$252,876,000
RETAINED EARNINGS:			
Beginning balance	$127,936,000	$ 86,218,000	$ 54,133,000
Net income	24,152,000	41,718,000	32,085,000
Ending balance	$152,088,000	$127,936,000	$ 86,218,000
NET UNREALIZED INVESTMENT GAINS (LOSSES):			
Beginning balance	$(13,230,000)	$(20,127,000)	$ (3,100,000)
Change in net unrealized gains (losses) on debt securities available for sale	(69,407,000)	4,998,000	(17,742,000)
Change in net unrealized gains (losses) on equity securities available for sale	(753,000)	1,899,000	715,000
Adjustment to deferred acquisition costs	45,000,000	--	--
Tax effects of net changes	13,437,000	--	--
Ending balance	$(24,953,000)	$(13,230,000)	$(20,127,000)

Dividends which the Company may pay to its shareholder in any year without prior approval of the California Insurance Commissioner are limited by statute. Under California insurance law, without prior approval of the insurance commissioner, dividends and distributions to shareholders are limited to the greater of (i) 10% of the preceding December 31 balance of statutory surplus as regards policyholders or (ii) the prior calendar year's net statutory gain from operations. In addition, new law requires prior notice of any dividend and grants the commissioner authority to order that a dividend not be paid. No dividends were paid in fiscal years 1994, 1993 or 1992.

Under statutory accounting principles utilized in filings with insurance regulatory authorities, the Company's net income for the nine months ended September 30, 1994 was $30,439,000. The statutory net income for the year ended December 31, 1993 was $51,686,000 and for the year ended December 31, 1992 was $1,031,000. The Company's statutory capital and surplus was $223,379,000 at September 30, 1994, $199,082,000 at December 31, 1993 and $145,147,000 at December 31, 1992.

8. INCOME TAXES

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

	NET REALIZED INVESTMENT GAINS (LOSSES)	OPERATIONS	TOTAL
1994:			

Currently payable	$ (6,825,000)	$10,135,000	$ 3,310,000
Deferred	(1,320,000)	20,715,000	19,395,000
Total income tax expense	$ (8,145,000)	$30,850,000	$22,705,000
1993:			
Currently payable	$ (836,000)	$19,648,000	$18,812,000
Deferred	(6,819,000)	9,801,000	2,982,000
Total income tax expense	$ (7,655,000)	$29,449,000	$21,794,000
1992:			
Currently payable	$ (7,161,000)	$ 3,743,000	$(3,418,000)
Deferred	(4,352,000)	23,131,000	18,779,000
Total income tax expense	$(11,513,000)	$26,874,000	$15,361,000

</TABLE>

Income taxes computed at the United States federal income tax rate of 35% for 1994, 34.75% for 1993 and 34% for 1992 and income taxes provided differ as follows:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Amount computed at statutory rate	$23,562,000	$22,000,000	$15,685,000
Increases (decreases) resulting from:			
Amortization of differences between book and tax bases of net assets acquired	465,000	1,423,000	(2,075,000)
State income taxes, net of federal tax benefit	(662,000)	(223,000)	2,742,000
Tax credits	(612,000)	(1,849,000)	(1,460,000)
Other	(48,000)	443,000	469,000
Total income tax expense	$22,705,000	$21,794,000	$15,361,000

</TABLE>

For United States federal income tax purposes, certain amounts from life insurance operations are accumulated in a memorandum policyholders' surplus account and are taxed only when distributed to shareholders or when such account exceeds prescribed limits. The accumulated policyholders' surplus was $14,300,000 at September 30, 1994. The Company does not anticipate any transactions which would cause any part of this surplus to be taxable.

Effective October 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Accordingly, the cumulative effect of this change in accounting for income taxes was recorded during the quarter ended December 31, 1993 to increase the liability for deferred income taxes by $20,463,000.

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>

	SEPTEMBER 30, 1994	SEPTEMBER 30, 1993
<S>	<C>	<C>
Deferred tax liabilities:		
Investments	$ 17,079,000	$ 3,051,000
Deferred acquisition costs	117,200,000	102,381,000
State income taxes	2,917,000	4,050,000
Total deferred tax liabilities	137,196,000	109,482,000

Deferred tax assets:		
Contractholder reserves..............................	(54,819,000)	(47,601,000)
Guaranty fund assessments............................	(1,197,000)	(1,680,000)
Deferred expenses....................................	(3,177,000)	(1,593,000)
Net unrealized losses on certain debt and equity securities................................	(13,436,000)	--
Total deferred tax assets............................	(72,629,000)	(50,874,000)
Net deferred tax liability (pro forma at September 30, 1993)...	64,567,000	58,608,000
Cumulative effect of change in accounting for income taxes recorded in the first quarter 1994.............	--	(20,463,000)
Deferred income taxes, per balance sheet...............	$ 64,567,000	$ 38,145,000

</TABLE>

9. RELATED PARTY MATTERS

The Company pays commissions to two affiliated companies, SunAmerica Securities, Inc. ("SAS") and Royal Alliance Associates, Inc. ("Royal"), and, in 1992, also paid commissions to another affiliate, Anchor National Financial Services, Inc. ("ANFS"), whose operations were discontinued on September 30, 1992. These broker-dealers represent a significant portion of the Company's business, amounting to approximately 40.0% in 1994, 43.7% in 1993 and 39.8% in 1992. During the year ended September 30, 1994, commissions paid to SAS and Royal totaled $9,725,000 and $9,000,000, respectively, and during the year ended September 30, 1993, such commission payments totaled $9,151,000 and $8,390,000, respectively. During the year ended September 30, 1992, commissions paid to SAS, Royal and ANFS totaled $3,975,000, $6,993,000 and $3,155,000, respectively.

The Company purchases administrative, investment management, accounting, data processing and programming services from SunAmerica Financial, Inc., whose purpose is to provide services to the SunAmerica companies. Amounts paid for such services totaled $36,934,000 for the year ended September 30, 1994, $32,711,000 for the year ended September 30, 1993 and $27,388,000 for the year ended September 30, 1992.

SunAmerica Asset Management Corp. ("SunAmerica Asset Management"), receives investment management fees from Sun Life of America and the Parent. SunAmerica Asset Management received $125,000 from each of these two companies during the year ended September 30, 1994, and received $73,000 during the year ended September 30, 1993.

During the year ended September 30, 1994, the Company sold to the Parent real estate for cash equal to its carrying value of $29,761,000. During the year ended September 30, 1993, the Company sold to the Parent various invested assets for cash equal to their carrying values of $88,488,000 (including real estate of $45,668,000).

During the year ended September 30, 1993, the Company sold to Sun Life of America various invested assets with carrying values of $46,332,000 for cash of $46,334,000 and recorded net gains of $2,000.

10. BUSINESS SEGMENTS

The Company has three business segments: annuity operations, asset management, and broker-dealer operations. Respectively, these include the sale of fixed and variable annuities; the management and marketing of mutual funds; and the sale of securities and financial services products. Summarized data for the years ended September 30, 1994, 1993 and 1992 follow:

<TABLE>
<CAPTION>

	TOTAL REVENUES	TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	PRETAX INCOME	TOTAL ASSETS
<S>	<C>	<C>	<C>	<C>
1994:				
Annuity operations..................	$157,453,000	$ 26,298,000	$41,374,000	$6,472,642,000
Asset management....................	46,781,000	19,330,000	18,795,000	102,615,000

Broker-dealer operations............	19,394,000	408,000	7,151,000	26,869,000
Total..........................	$223,628,000	$ 46,036,000	$67,320,000	$6,602,126,000
1993:				
Annuity operations..................	$166,705,000	$ 23,634,000	$31,676,000	$6,545,005,000
Asset management....................	47,807,000	8,853,000	25,619,000	99,098,000
Broker-dealer operations............	17,275,000	440,000	6,217,000	27,286,000
Total..........................	$231,787,000	$ 32,927,000	$63,512,000	$6,671,389,000
1992:				
Annuity operations..................	$181,690,000	$ 14,769,000	$26,298,000	$5,661,433,000
Asset management....................	33,074,000	5,141,000	14,503,000	106,351,000
Broker-dealer operations............	14,774,000	371,000	5,333,000	23,474,000
Total..........................	$229,538,000	$ 20,281,000	$46,134,000	$5,791,258,000

</TABLE>

APPENDIX A

UNDERLYING FUNDS AND PERFORMANCE DATA

UNDERLYING FUNDS

ANCHOR TRUST

Four Portfolios of the Separate Account invest solely in the shares of one of the four currently available investments series, designated "Underlying Funds," of Anchor Trust. Anchor Trust is an open-end diversified management investment company registered under the Investment Company Act of 1940. While a brief summary of the investment objectives of the four available Underlying Funds is set forth below, more comprehensive information, including a discussion of potential risks, is found in the prospectus for Anchor Trust. SunAmerica Asset Management Corp. ("SAAMCo") is the investment adviser for Anchor Trust. SAAMCo is an indirect wholly-owned subsidiary of SunAmerica Inc. Wellington Management Company ("Wellington") of Boston, Massachusetts, a professional investment counseling firm, serves as Subadviser to SAAMCo. Wellington is not affiliated with the Company.

Shares of Anchor Trust are and will be issued and redeemed only in connection with investments in and payments under variable contracts sold by the Company and its affiliate, First SunAmerica Life Insurance Company, as well as two unaffiliated companies, Presidential Life Insurance Company and Phoenix Mutual Life Insurance Company. No disadvantage to Owners is seen to arise from the fact that Anchor Trust offers its shares in this fashion.

The four available Underlying Funds and their investment objectives are as stated below:

Capital Appreciation Portfolio seeks long-term capital appreciation. This Underlying Fund invests in a widely diversified group of growth equity securities which are widely diversified by industry and company and may engage in transactions involving stock index futures and options thereon as a hedge against changes in market conditions.

Growth Portfolio seeks long-term capital appreciation through investment in growth equity securities. This Underlying Fund may engage in transactions involving stock index futures and options thereon as a hedge against changes in market conditions.

Natural Resources Portfolio seeks a total return in excess of the U.S. rate of inflation as represented by the Consumer Price Index. This Underlying Fund invests primarily in equity securities of U.S. or foreign companies which are expected to provide favorable returns in periods of rising inflation.

Government and Quality Bond Portfolio seeks relatively high current income, liquidity and security of principal. This Underlying Fund invests in obligations issued, guaranteed or insured by the U.S. government, its agencies or instrumentalities and in corporate debt securities rated Aa or better by Moody's Investors Service, Inc. ("Moody's") or AA or better by Standard & Poor's Corporation ("S&P").

ANCHOR TRUST HAS UNDERLYING FUNDS IN ADDITION TO THOSE IDENTIFIED ABOVE. HOWEVER, NONE OF SUCH OTHER UNDERLYING FUNDS IS CURRENTLY AVAILABLE FOR INVESTMENT UNDER THE CONTRACTS DESCRIBED IN THIS PROSPECTUS.

SUNAMERICA TRUST

Fourteen Portfolios of the Separate Account invest solely in the shares of one of the fourteen currently available investment series, designated "Underlying Funds," of SunAmerica Trust. SunAmerica Trust is registered as a diversified, open-end management investment company under the 1940 Act. SAAMCo serves as investment adviser for all the Underlying Funds of SunAmerica Trust. Alliance Capital Management L.P. ("Alliance") serves as Subadviser for the Alliance Growth, Growth-Income and Global Equities Portfolios; Phoenix Investment Counsel, Inc. serves as

Subadviser for the Growth/Phoenix Investment Counsel and Balanced/Phoenix Investment Counsel Portfolios; Provident Investment Counsel (an autonomous wholly owned subsidiary of United Asset Management Corporation, a financial services holding company) serves as Subadviser for the Provident Growth Portfolio; Selected/Venture Advisers, L.P., serves as Subadviser for the Venture Value Portfolio; Goldman Sachs Asset Management, a separate division of Goldman, Sachs & Co., serves as Subadviser for the Asset Allocation and Fixed Income Portfolios; Goldman Sachs Asset Management International, an affiliate of Goldman, Sachs & Co., serves as Subadviser for the Global Bond Portfolio; and Morgan Stanley Asset Management Inc. serves as Subadviser for the International Diversified Equities and Worldwide High Income Portfolios. There is no Subadviser for the High-Yield Bond Portfolio or the Cash Management Portfolio and SAAMCo therefore performs all investment advisory services for these Portfolios.

SunAmerica Trust offers its shares solely to the Separate Account. In the future, however, SunAmerica Trust shares may be used as the underlying investment medium for other variable annuity contracts and for variable life contracts offered by the Company. Neither the Company nor SunAmerica Trust currently foresees any disadvantages to either variable annuity or variable life Contract Owners arising from such usage.

The fourteen available Underlying Funds and their investment objectives are as stated below:

International Diversified Equities Portfolio seeks long-term capital appreciation by investing in common stocks of foreign issuers in accordance with country weightings as determined by the Subadviser which, in the aggregate, replicate broad country indices.

Global Equities Portfolio seeks long-term growth of capital through investment primarily in common stocks or securities of U.S. and foreign issuers with common stock characteristics which demonstrate the potential for appreciation and through transactions in foreign currencies.

Alliance Growth Portfolio
Growth/Phoenix Investment Counsel Portfolio
Provident Growth Portfolio
Venture Value Portfolio

These four Underlying Funds have the same investment objectives, policies and restrictions and differ only as to subadvisers. The investment objective of each Underlying Fund is to provide long-term growth of capital by investing primarily in common stocks or securities with common stock characteristics which demonstrate the potential for appreciation.

Growth-Income Portfolio seeks growth of capital and income by investing primarily in common stocks or securities which demonstrate the potential for appreciation and/or dividends.

Asset Allocation Portfolio seeks high total return (including income and capital gains) consistent with preservation of capital over the long-term through a diversified portfolio that can include common stocks and other securities having common stock characteristics, bonds and other intermediate and long-term fixed-income securities and money market instruments (debt securities maturing in one year or less) in any combination.

Balanced/Phoenix Investment Counsel Portfolio seeks reasonable income, long-term capital growth and conservation of capital by investing primarily in common stocks and fixed income securities, with an emphasis on income-producing securities which appear to have some potential for capital enhancement.

Worldwide High Income Portfolio seeks high current income and, secondarily, capital appreciation, by investing primarily in a portfolio of high-yielding fixed income securities of issuers located throughout the world.

High-Yield Bond Portfolio seeks a high level of current income and secondarily seeks capital appreciation by investing primarily in intermediate and long-term corporate obligations, with emphasis on higher-yielding, higher-risk, lower-rated or unrated securities.

THE WORLDWIDE HIGH INCOME AND HIGH-YIELD BOND PORTFOLIOS INVEST PREDOMINANTLY IN, AND THE BALANCED/PHOENIX INVESTMENT COUNSEL PORTFOLIO MAY INVEST IN, LOWER-RATED AND UNRATED BONDS. BONDS OF THIS TYPE ARE TYPICALLY SUBJECT TO GREATER MARKET FLUCTUATIONS AND RISK OF LOSS OF INCOME AND PRINCIPAL DUE TO DEFAULT BY THE ISSUER THAN ARE INVESTMENTS IN LOWER-YIELDING, HIGHER-RATED BONDS. SEE THE SUNAMERICA TRUST PROSPECTUS FOR MORE INFORMATION.

Global Bond Portfolio seeks a high total return, emphasizing current income and, to a lesser extent, providing opportunities for capital appreciation, through investment in high-quality fixed-income securities of U.S. and foreign issuers and through transactions in foreign currencies.

Fixed Income Portfolio seeks a high total return with only moderate price risk by investing primarily in investment grade, fixed-income securities.

Cash Management Portfolio seeks high current yield while preserving capital by investing in a diversified selection of money market instruments.

PERFORMANCE DATA

From time to time the Separate Account may advertise the Cash Management Portfolio's "yield" and "effective yield." Both yield figures are based on historical earnings and are not intended to indicate future performance. The "yield" of the Cash Management Portfolio refers to the net income generated for a Contract funded by an investment in the Portfolio (which invests in shares of the Cash Management Portfolio of SunAmerica Trust) over a seven-day period (which period will be stated in the advertisement). This income is then "annualized." That is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The "effective yield" is calculated similarly but, when annualized, the income earned by an investment in the Portfolio is assumed to be reinvested at the end of each seven day period. The "effective yield" will be slightly higher than the "yield" because of the compounding effect of this assumed reinvestment. Neither the yield nor the effective yield takes into consideration the effect of any capital changes that might have occurred during the seven day period, nor do they reflect the impact of premium taxes or any Withdrawal Charges. The impact of other recurring charges on both yield figures is, however, reflected in them to the same extent it would affect the yield (or effective yield) for a Certificate of average size.

In addition, the Separate Account may advertise "total return" data for its other Portfolios. Like the yield figures described above, total return figures are based on historical data and are not intended to indicate future performance. The "total return" is a computed rate of return that, when compounded annually over a stated period of time and applied to a hypothetical initial investment in a Portfolio made at the beginning of the period, will produce the same Contract Value at the end of the period that the hypothetical investment would have produced over the same period (assuming a complete redemption of the Contract at the end of the period). Recurring Contract charges are reflected in the total return figures in the same manner as they are reflected in the yield data for Contracts funded through the Cash Management Portfolio. The effect of applicable Withdrawal Charges due to the assumed redemption will be reflected in the return figures, but may be omitted in additional return figures given for comparison.

For periods starting prior to the date the Contracts were first offered to the public, the total return data for the Capital Appreciation, Growth, Natural Resources and the Government and Quality Bond Portfolios of the Separate Account will be derived from the performance of the corresponding Portfolios of Anchor Trust, modified to reflect the charges and expenses as if the Separate Account Portfolio had been in existence since the inception date of each respective Anchor Trust Portfolio. Thus, such performance figures should not be construed to be actual historic performance of the relevant Separate Account Portfolio. Rather, they are intended to indicate the historic performance of the four corresponding Portfolios of Anchor Trust, adjusted to provide direct comparability to the performance of the Portfolios after the date the Contracts were first offered to the public (which will reflect the effect of fees and charges imposed under the Contracts). The Capital Appreciation, Growth,

Natural Resources and Government and Quality Bond Portfolios of Anchor Trust have served since their inception as underlying investment media for separate accounts of other insurance companies in connection with Variable Contracts not having the same fee and charge schedules as those imposed under the Contracts.

For a more complete description of Contract charges, see "Contract Charges," beginning at page 21. More detailed information on the computation of advertised performance data for the Separate Account is contained in the Statement of Additional Information.

APPENDIX B

WITHDRAWALS, WITHDRAWAL CHARGES AND THE MARKET VALUE ADJUSTMENT

PART 1 -- SEPARATE ACCOUNT (THE MARKET VALUE ADJUSTMENT DOES NOT APPLY TO THE SEPARATE ACCOUNT)

These examples assume the following:

(1) The Initial Purchase Payment was $10,000, allocated solely to one Portfolio;

(2) The date of full surrender or partial withdrawal occurs during the 3rd Contribution Year;

(3) The Owner's 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 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 the Withdrawal Charge applicable during the 3rd Contribution Year (4%, from the Withdrawal Charge Table on page 22).

(3) The amount of the Withdrawal Charge is .04 X $10,000 = $400.

(4) The amount of the full surrender is $12,000 - $400 = $11,600.

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

(1) For the same reason as given in Step 1 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 X $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 (4%).

(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 - .04) = 0.96, less the amount required to complete the partial withdrawal.

Withdrawal Charge = ($1,000/0.96) - $1,000
= $41.67

In this example, in order for the Owner to receive the amount requested ($3,000), a gross withdrawal of $3,041.67 must be processed with $41.67 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 Portfolio;

(2) The full surrender or partial withdrawal occurs during the 2nd Contribution Year;

(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 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 amount of the full surrender is $19,500 - $1,000 = $18,500.

PART 2 -- GENERAL ACCOUNT -- EXAMPLES OF THE MARKET VALUE ADJUSTMENT (MVA)

The Market Value Adjustment Factor appearing on page 20 of the prospectus and reproduced here for convenience is:

$$[(1 + I)/(1 + J + 0.005)]N/12 -1$$

where

I   is the Guarantee Rate in effect;

J   is the Current Interest Rate available for a period equal to the number of years remaining in the Guarantee Period at the time of withdrawal, transfer or annuitization (fractional years are rounded up to the next full year); and

N   is the number of full months remaining in the Guarantee Period at the time the withdrawal, transfer or annuitization request is processed.

These examples assume the following:

(1) An initial Purchase Payment of $10,000 was made and allocated to a ten year Guarantee Period with a Guarantee Rate of 7% (.07);

(2) a partial withdrawal of $4,000 is requested 2 1/2 years (30 months) from the expiration date (i.e., N = 30);

(3) the accumulated value attributable to the Purchase Payment (i.e., the Guarantee Amount) on the date of withdrawal is $16,297.02; and

(4) no transfers, additional Purchase Payments, or other withdrawals have been made.

The Guarantee Amount of $16,297.02 reflects deductions for Contract Administration Charges at each anniversary. Since the withdrawal is effected in the Purchase Payment's 7th contribution year, no Withdrawal Charge is applicable (See the table on page 22 of the prospectus).

EXAMPLE OF A NEGATIVE MVA:

Assume that on the date of withdrawal, the Current Interest Rate for a new Guarantee Period of 3 years (2 1/2 years rounded up to the next full year) is 8%:

The MVA factor = $[(1 + I)/(1 + J + .005)]N/12 -1$

$= [(1.07)/(1.08 + .005)](30/12) -1$

$= (0.986175)2.5 -1$

= 0.965795 -1

= -0.034205

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

MVA = $4,000 X (-0.034205) = -$136.82

$136.82 represents the MVA that will be deducted from the remaining accumulated value.

EXAMPLE OF A POSITIVE MVA:

Assume that on the date of withdrawal, the Current Interest Rate for a new Guarantee Period of 3 years is 6%:

The MVA factor = [(1 + I)/(1 + J + .005)]N/12 -1

= [(1.07)/(1.06 +.005)](30/12) -1

= (1.004695)2.5 -1

= 1.011778 -1

= +0.011778

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

$4,000 X 0.011778 = +$47.11

$47.11 represents the MVA that would be added to the remaining accumulated value.

PART 3 -- GENERAL ACCOUNT -- EXAMPLE OF FULL WITHDRAWAL WITH MVA AND WITHDRAWAL CHARGE

Assume the same facts as in Part 2, above, except that under assumption (2) a complete withdrawal is requested with 4 1/2 years (54 months) remaining in the Guarantee Period (i.e., N = 54). The Guarantee Amount on the date of withdrawal is $14,299.91. As was the case with the Examples in Part 1, above, the earnings may be withdrawn free of Withdrawal Charge, leaving the initial Purchase Payment of $10,000 subject to the Charge. The applicable Withdrawal Charge, from the table on page 22 of the prospectus, is 2% or $200.

EXAMPLE OF A NEGATIVE MVA:

Assume that on the date of withdrawal the Current Interest Rate for a new Guarantee Period of 5 years is 8%:

The MVA factor = [(1 + I)/(1 + J + .005)]N/12 -1
= [(1.07)/(1.08 + .005)](54/12) -1
= (0.986175)4.5 -1
= 0.939276 -1
= -0.060724

The Withdrawal Charge of $200 is applied first; the MVA factor is applied against the remaining Guarantee Amount:

MVA = ($14,299.91 - $200) X (-0.060724) = -$856.20

The net amount available upon withdrawal is the Guarantee Amount reduced by the Withdrawal Charge, the MVA, and the Contract Administration Charge:

$14,299.91 - $200 - $856.20 - $35 = $13,208.71.

EXAMPLE OF A POSITIVE MVA:

Assume that on the date of withdrawal the Current Interest Rate for a new Guarantee Period of 5 years is 6%:

The MVA factor = [(1 + I)/(1 + J + .005)]N/12 -1
= [(1.07)/(1.06 + .005)](54/12) -1
= (1.004695)4.5 -1
= 1.021301 -1
= +0.021301

The MVA is:

$(\$14,299.91 - \$200) \times (0.021301) = \$300.34$

And the net amount available upon withdrawal is the Guarantee Amount reduced by the Withdrawal Charge and Contract Administration Charge and increased by the MVA:

$\$14,299.91 - \$200 + \$300.34 - \$35 = \$14,365.25$

APPENDIX C

SAMPLE DEATH BENEFIT COMPUTATIONS

Assume that P, at age 55, purchases a Certificate on September 1, 1992, with an initial Purchase Payment of $10,000. P makes no additional Purchase Payments and effects no withdrawals or annuitizations; ten years later, P dies.

If P's Contract Value had experienced a positive net investment experience over the ten-year period, the standard Death Benefit would be P's Account Value at his death. However, if the overall investment experience had been negative, so that P's Contract Value at his death was less than his $10,000 Purchase Payment, the standard Death Benefit would be the amount of the Purchase Payment ($10,000).

Under the terms of the enhanced Death Benefit provisions, which are currently applicable in all states, the minimum guaranteed benefit at P's death (regardless of the investment experience of his Contract Value in the intervening years) would be his $10,000 Purchase Payment accumulated at 4% annually over the ten-year period until his death, computed as follows:

$$
\begin{aligned}
& \$10,000 \times (1.04)^{10} \\
&= \$10,000 \times 1.480244 \\
&= \$14,802.44 \qquad \text{(A)}
\end{aligned}
$$

Of course, if P's Contract Value had experienced an overall return over the ten-year period greater than the equivalent of 4% compounded annually, P's Contract Value at his death would have been greater than the $14,802.44 as computed above; the enhanced Death Benefit under those circumstances would be at least such greater amount. For example, if P's Contract Value had increased each year by 5% of its value at the beginning of the year, the Contract Value at his death would have been:

$$
\begin{aligned}
& \$10,000 \times (1.05)^{10} \\
&= \$10,000 \times 1.628895 \\
&= \$16,288.95 \qquad \text{(B)}
\end{aligned}
$$

In addition, the enhanced Death Benefit contains a provision alternatively setting the minimum benefit at P's Contract Value on the seventh Certificate anniversary (September 1, 1999), accumulated thereafter at 4% per annum. In the example given immediately above, P's Contract Value at September 1, 1999 would have been:

$$
\begin{aligned}
& \$10,000 \times (1.05)^{7} \\
&= \$10,000 \times 1.40710 \\
&= \$14,071.00
\end{aligned}
$$

That amount, accumulated at 4% per annum for the next 3 years until P's death, is:

$$
\begin{aligned}
& \$14,071.00 \times (1.04)^{3} \\
&= \$14,071.00 \times 1.124864 \\
&= \$15,827.96 \qquad \text{(C)}
\end{aligned}
$$

The greatest of (A), (B) or (C) computed above is (B) (P's Contract Value at his death), i.e., $16,288.95. Accordingly, P's enhanced Death Benefit would be that amount.

In the example above, the provision relating to Contract Value at the seventh Contract Anniversary did not affect the amount of the enhanced Death Benefit. However, if P's Contract Value had declined in value (or increased at a rate less than 4% per annum) since the seventh Certificate anniversary, instead of continuing to appreciate at the rate of 5% per annum as was assumed, the Contract Value at his death would have been less than the Contract Value at the seventh Contract Anniversary as accumulated to P's death. In this last circumstance, the enhanced Death Benefit would have been set at $15,827.96, as computed in (C) above.

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ANCHOR NATIONAL LIFE INSURANCE COMPANY
SERVICE CENTER
P.O. BOX 54299
LOS ANGELES, CA 90054-0299

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Please forward a copy (without charge) of the Statement of Additional Information concerning POLARIS Variable Annuity Contracts to:

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

- --
Name

- --
Address

- --
City/State/Zip

- --
Date Signed