PLAINTIFF'S EXHIBIT

MET-693

Metropolitan
Life Insurance Company

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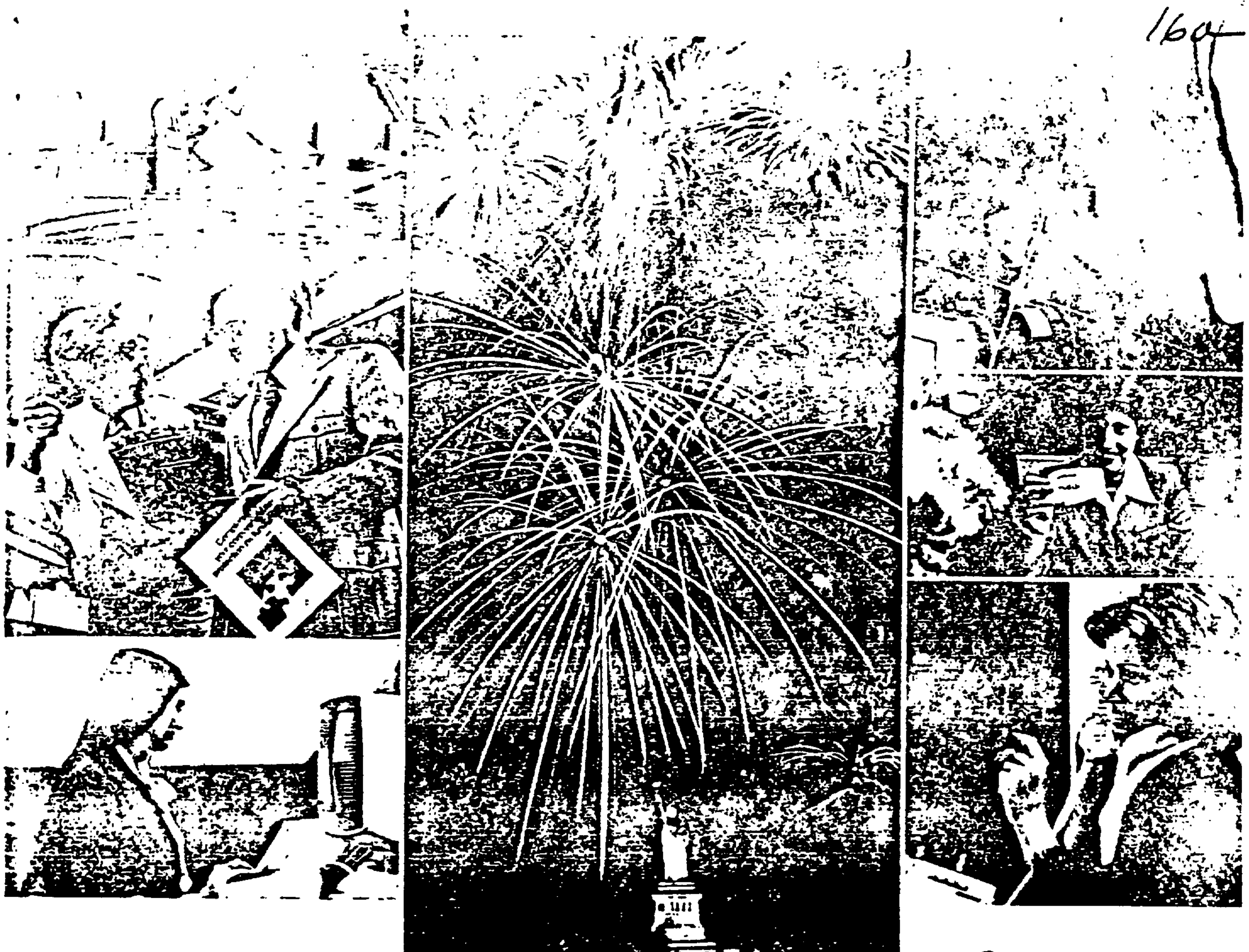

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1976 Annual Report

Metropolitan
Life Insurance Company

Cover: One of Metropolitan's most important resources is its people. The cover of this report combines photos of our people with one of the highlights of America's Bicentennial celebration, the spectacular fireworks display in New York Harbor on July 4, 1976. The photographs of people on the cover and throughout this report were taken by Karl Nemecek. The photograph of the Statue of Liberty was taken by Peter Cerf. Both men are Metropolitan employees.

Contents

Richard R. Shinn, President and Chief Executive Officer of Metropolitan, joined the Company in 1939. He was named President in 1969 and Chief Executive Officer in 1973.

I believe there is no business that's quite like the life insurance business. Life insurance protects individuals and families more surely and more satisfactorily than any other financial vehicle. We are proud of our leadership position in this important industry and pleased to be a major source of investment funds for the United States and Canada.

George P. Jenkins, Chairman of the Board, joined Metropolitan in 1938. In addition to his duties as Chairman of the Finance Committee, he directs the Business Economics, Corporate Investments, Equity Investments, Farm and Ranch Mortgages, Real Estate Financing and Treasurer's Departments.

In a democratic society keeping the economy sound and free is a difficult and complex business. But the rewards in terms of the quality of our lives and our children's lives are worth all of our efforts

To Metropolitan Policyholders

Nineteen seventy-six was a year of significant events and progress for Metropolitan. Here are some of the achievements.

• Payments to policyholders and beneficiaries totaled more than $4.35 billion, a Company record, with more than two-thirds of these payments distributed to living policyholders as annuity benefits, cash values, endowments, dividends and medical expense and disability income payments.

• Dividends to policyholders in 1976 amounted to over $888 million, a Company record and $96 million more than in 1975.

• New life insurance sales totaled $23.68 billion—$13.56 billion in individual sales and $10.12 billion in group sales.

• Life insurance in-force reached a Company record of $243.01 billion, a gain of $16.72 billion over 1975.

• Personal insurance in-force totaled $103.6 billion, a Company high.

• Group life insurance in-force rose to $139.4 billion, an industry record.

• Total group pension income exceeded the billion dollar mark for the second consecutive year.

• Life premium issue reached a Company high of $311 million, up $14 million. This included personal life premium of $244 million, and group life premium of $67 million.

• Income from premiums and annuity considerations and net investment income totaled $7.78 billion, an all-time record for Metropolitan.

• Company assets rose to $37.50 billion, a gain of $2.36 billion over 1975.

• Rate of return on investments before federal income taxes reached 6.65 percent, the highest in the Company's history.

Also in 1976:

• Metropolitan's subsidiary, Metropolitan Property and Liability Insurance Company, showed significant progress. At year's end, it was doing business in 15 states. M.P.L. will be operational in most states by 1981.

• By year's end, head offices were functioning in Johnstown, Pa., Tulsa, Okla., Tampa, Fla., Dayton, Ohio, Warwick, R.I., Aurora, Ill., and two offices in New York City.

These head offices join the San Francisco, Calif., and Ottawa, Canada, head offices, which have been operational for more than 50 years.

• One of the leaders in group dental insurance, Metropolitan protected 3.4 million people with this coverage in 1976.

• Group vision care coverage received intense study and planning in 1976, and in 1977 will have major implementation in a group program covering 600,000 employees and 1.2 million dependents.

Other news of interest in 1976:

• Metropolitan disbursed more than $1.7 million in charitable contributions and educational and other awards in 1976.

• Nearly 47 million pieces of the Company's health education materials were distributed to individuals, organizations and schools.

• Over five million people viewed Metropolitan health and safety education films.

• Some 130 Metropolitan people successfully completed one or more of the Society of Actuaries' examinations.

• Nearly 1,700 employees were enrolled in Chartered Life Underwriter study programs.

• In all, over 9,000 of Metropolitan's employees were enrolled in formal educational programs designed to enhance management or professional knowledge and standing.

• An equal opportunity employer, 14 percent of the Company's work force in 1976 was made up of minority-group members.

• Women continued to move into management positions. From 1971 to 1976, the number of women in management nearly tripled.

• Metropolitan's advertising program included network exposure on the Winter Olympics, election night coverage and two entertainment specials.

These developments will be discussed in the body of the report.

Beyond the accomplishments and events noted above, Metropolitan's progress in 1976 was impacted by external matters of profound influence on our business and on society as a whole—matters which require our thoughtful attention.

Foremost among these is inflation. In 1976 the nation's inflation rate had moderated somewhat to around the 5 to 6 percent level, down from the 10 percent area of recent years, but still far too high. By no means should this moderation suggest that the inflation battle is being won. Persistent inflation, which hinders the economy's growth and employment opportunities, remains one of the most serious problems facing our country today.

For the economy to grow, there must be the consumer, investor and business confidence that is created by a degree of price stability and that results in increased purchases, savings and investments. When this confidence has been established, as a result of our individual and collective efforts, we can expect to see positive improvements in the unemployment statistics.

Another concern for Metropolitan—and indeed for all businesses and industries—is the continuing proliferation of government regulation in practically every phase of operation. So profuse is this growth in regulations that instead of "regulating," often these directives cause costly bottlenecks and inefficiencies. We feel that the private sector should have pertinent, understandable and orderly regulations, but that the cost of such regulations must be commensurate with the protection they afford. We believe, therefore, that we have a duty to recommend to the various governmental agencies that, before adopting new regulations, they should carefully weigh the ultimate cost to the public against the benefits to be derived.

Metropolitan incurred over $389 million in taxes in 1976. Of that amount, over $247 million went for federal income taxes, while state and provincial premium taxes amounted to $72 million. As a mutual insurance company operated solely for the benefit of our policyholders, we are well aware of the magnitude of this tax burden on the people we serve.

In reviewing our accomplishments in 1976, we are deeply grateful to our almost 53,000 Metropolitan men and women for their unstintingly hard work. We know that the story of the Company's achievements for the year could not have been written without the contributions of many individuals.

All our people, whether they be newcomers or veterans, in administration or sales, have made our plans work through their interest, their skills and their perseverance. They have performed well, and we thank them.

As the United States begins its third century, we are convinced more than ever that our country's special quality is its people. We at Metropolitan see this at work every day in the thousands of communities in which we do business. We see more and more people becoming involved in the many federal, state and local governmental activities that affect our lives. We sense that Americans everywhere recognize that it is no longer enough to be merely spectators in our society, but rather that we must play an active part in the pursuit of the common good. With this kind of involvement we are confident that we will meet today's challenge and fulfill tomorrow's promise.

On behalf of all of us at Metropolitan in the United States and Canada, we thank you for your continued support and hope you will find this annual report of interest.

Richard R. Shinn

Richard R. Shinn, President and Chief Executive Officer

George P. Jenkins

George P. Jenkins, Chairman of the Board

[illegible] Lancaster, Executive Vice-President

John J. Creedon, Executive Vice-President

William S. Thomas, Executive Vice-President

Darrell D. Eichhoff, Executive Vice-President

Metropolitan's response to the changing needs of its policyholders brought major organizational realignments to the Company in August, 1976. Important changes were made in the structure of the Corporate Executive Office to strengthen the Company's ability to implement present and future plans.

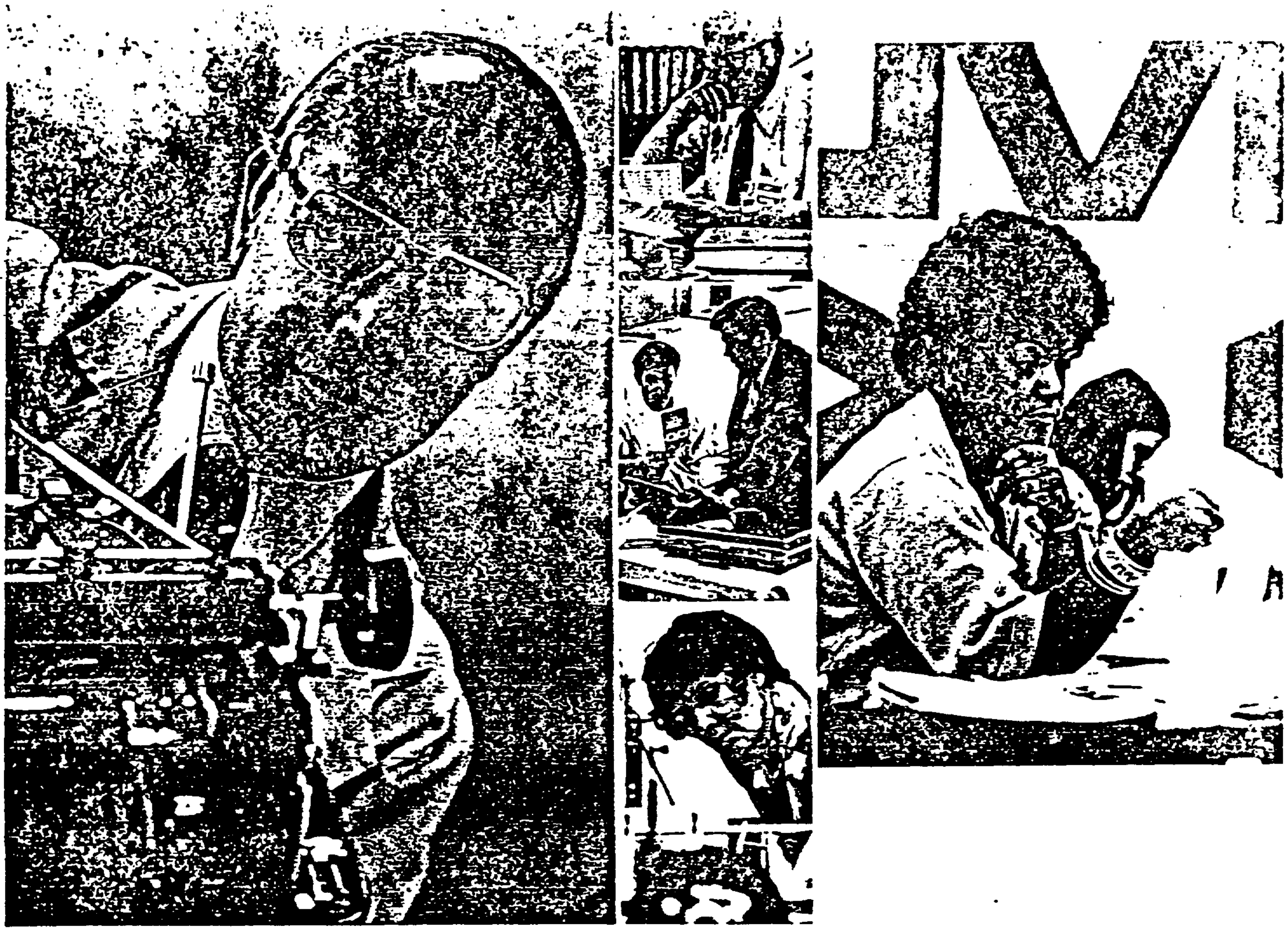
The Corporate Executive Office is composed of the President and Chief Executive Officer, the Chairman of the Board and the Company's Executive Vice-Presidents. During 1976 it consisted of Messrs. Shinn and Jenkins and Executive Vice-Presidents John J. Creedon, Darrell D. Eichhoff, Edwin B. Lancaster and William S. Thomas.

Mr. Creedon headed Metropolitan's Legal and Corporate Services area of operation, which includes the Law, Personnel, Secretary's Office, Corporate Planning, Company Property Management and Company Services Departments.

Mr. Eichhoff was responsible for the Personal Insurance Department, Head Office Operations, and the Metropolitan Property and Liability Insurance Company.

Mr. Lancaster headed Metropolitan's Actuarial, Electronic Installations, Accounting and Auditing and Medical Departments.

Mr. Thomas was responsible for Metropolitan's Group Insurance and Pensions and Government and Industry Relations Departments. Mr. Thomas announced his retirement, effective February, 1977, after a long and distinguished career of outstanding service to the Metropolitan and to the life insurance business.



The photographs in this report help tell the Metropolitan story, for they represent the "faces of Metropolitan"—the people who made possible our achievements in 1976. While only a few could be pictured, they typify the many in both the United States and Canada.

Personal Insurance

For Metropolitan's personal insurance operation, the year 1976 was marked by important developments and fine advances in sales and service to policyholders. Evidence of constructive change was everywhere:

• Personal insurance sales in 1976 moved the insurance in-force figure to \$103.6 billion, a record high.

• Life insurance premium issued, a most important criterion in measuring sales achievement, reached \$244 million, also an all-time record.

• Annuity sales, still strongly influenced by opportunities arising from provisions of the Employee Retirement Income Security Act of 1974, continued on a high level in 1976, with considerations of \$69 million.

• Homeowner's and automobile insurance was made available in seven more states during 1976.

• More sophisticated training procedures were adopted, advancing the knowledge and the service methods of the personal insurance sales force.

• New and more convenient methods of premium payment and processing were provided to policyholders.

• With their proximity to policyholders and the Field Force, the head offices were able to enhance the quality of Metropolitan service.

Personal Insurance Products

To meet the individual needs of its policyholders, Metropolitan has a large selection of insurance products.

Personal insurance policies offer protection for limited periods or for the whole of an individual's life, with or without a cash value accumulation feature.

Individual and family health coverage is available to meet a wide range

of medical expenses. Disability income coverage is also available.

Metropolitan also offers many annuity plans, and, in some states, homeowner's and automobile insurance.

To help its sales representatives identify an individual's insurance needs, Metropolitan provides them with three computer-assisted services —*You and Your Family*, *You and Your Future* and *You and Your Business*.

You and Your Family is designed to determine the insurance requirements of a person who wants to provide funds for continuing income to dependents, as well as funds for final expenses, emergencies, education, mortgage retirement or disability income.

You and Your Future identifies retirement income needs and selects the most appropriate insurance products for accumulating funds to provide a guaranteed income for life.

You and Your Business evaluates the risks facing business owners and determines what insurance coverage best answers those needs—coverage such as group life and health insurance, key personnel and disability income contracts, retirement programs and business interest disposition plans.

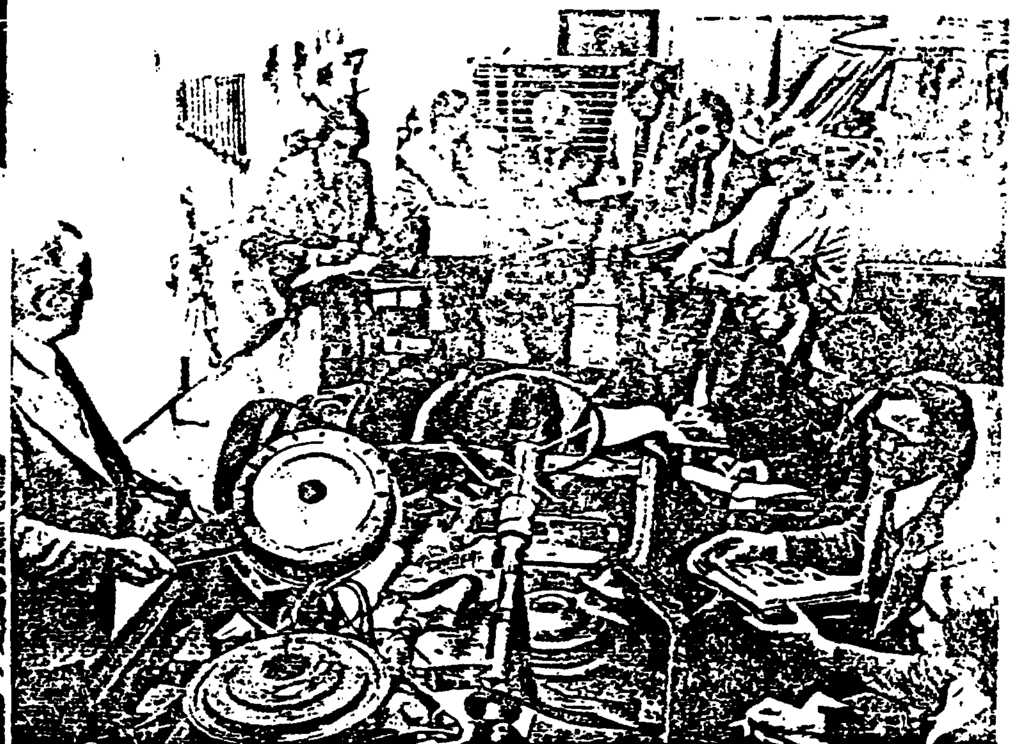
Professionalism in the Sales Force

A wide range of life, health and annuity products, as well as property and liability coverages, sold and serviced by a professional sales force is at the heart of Metropolitan's personal insurance marketing effort. Approximately 24,000 sales representatives and sales managers are involved full time in providing our products and services to the public.

In 1976 all members of the sales force participated in the Company's new Selling Skills Program, which reinforces, through continuing study and instruction, the knowledge required to fit products to an individual's needs. This program is perhaps the largest endeavor of its kind in the insurance industry, and reflects Metropolitan's total commitment to professionalism among its Field Force.

During 1976 many members of Metropolitan's sales force broadened their professionalism further by becoming members of industry organizations and by participating in advanced study programs:

• More than half are members of the National Association of Life Underwriters, an organization which is dedicated to the advancement of public understanding of the life insurance



business and which provides opportunities for continuing professional education.

• All of the Company's District and Regional Sales Managers in the United States held membership in the General Agents and Managers Conference, the industry organization dedicated to high-quality agency management and life insurance selling through its educational and research programs and its code of ethical practices.

• Metropolitan enthusiastically endorses the principles underlying the sales leadership program of the Million Dollar Round Table, the industry's most prestigious sales organization, and 680 Metropolitan sales representatives are included in this organization.

• Almost 2,900 Metropolitan people participated in Life Underwriter Training Council study. The council's curriculum, dealing primarily with the marketing and servicing concepts of life insurance, disability income and equity coverages, is designed to produce genuinely informed life underwriters in these increasingly complex areas.

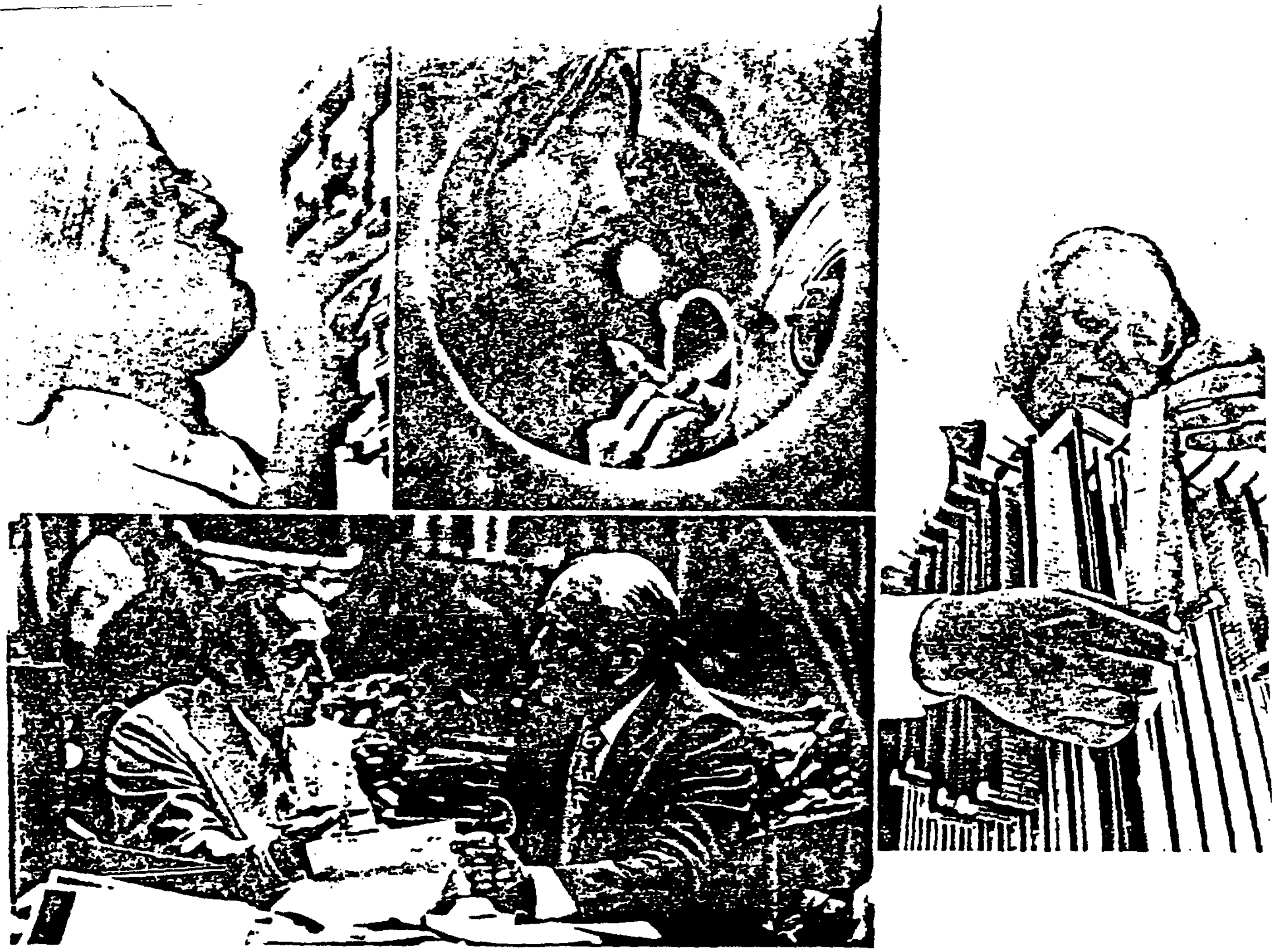
• Some 2,000 members of the marketing organization have earned the Chartered Life Underwriter designation, a universally recognized measure of high professional knowledge in the industry. An individual becomes a C.L.U. only after successful completion by examination of 10 highly technical courses involving years of study. The Company also has some 1,700 individuals studying various parts of the program to earn the designation.

Personal Insurance Service

Timely, quality service, and the efficient administration of the Company's millions of contracts, is made possible through the efforts of Metropolitan's professional sales force working with the network of computer centers and regional head offices across the United States and Canada.

Our administrative and sales personnel are now closer than ever before to policyholders, providing personalized service more quickly. Being closer to our policyholders is important to us, for it helps us provide them with the quality service they expect and deserve.

When Metropolitan became a multiline organization by establishing M.P.L. and by adding property and liability insurance coverage to its



portfolio, the objective was to further broaden service to policyholders. The inclusion of these new insurance products allows sales representatives to provide an individual or family policyholder with the major coverages required in today's society.

With the temporary exception of automobile insurance in Massachusetts, Metropolitan property and liability insurance is presently available in all the New England States as well as in Arizona, California, Colorado, Delaware, Ohio, Oregon, Utah, Washington and part of New York. By 1981, M.P.L. will be operational in most states.

Looking Ahead

Several years ago, Metropolitan elected to convert its operation from the home collection of insurance premiums to direct payment by mail and to concentrate on selling new, improved insurance products.

Metropolitan's change in direction was largely set by policyholders' and the general public's desire to handle their business matters in the most modern and convenient ways possible.

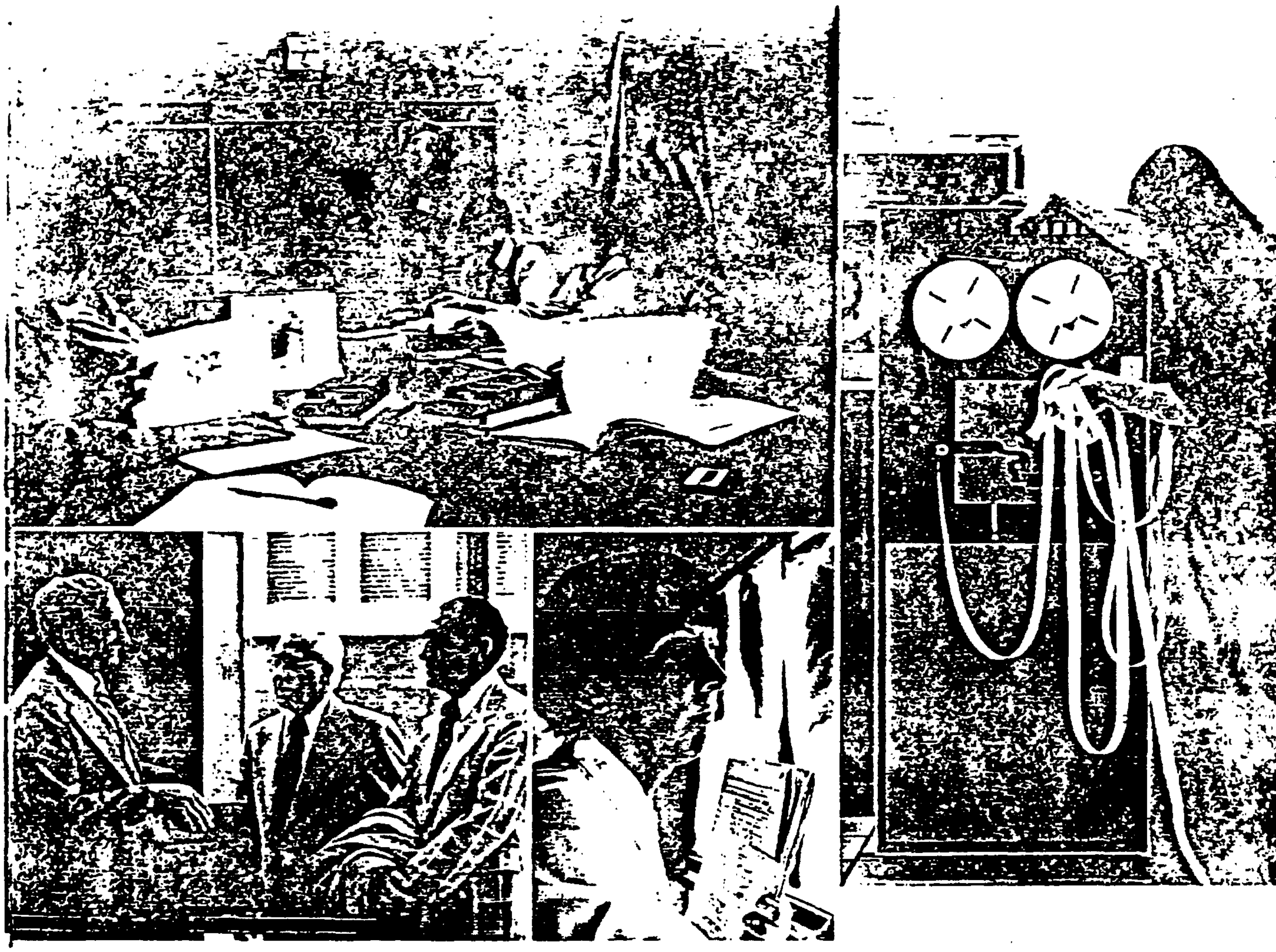
Metropolitan's personal insurance operation will continue to create products to meet the changing needs of its customers and will add to its service capacities by developing highly qualified administrative and marketing people.

Metropolitan's group insurance and pensions operation recorded both sales and service improvements in 1976. The following are the year's highlights:

- Group life insurance sales were up 6.5 percent, with the in-force figure rising 10.8 percent to $139.4 billion, continuing the Company's industry leadership in this important form of coverage.
- Noteworthy advances were made in dental insurance sales, with 3.4 million people covered under Metropolitan group dental plans in 1976.
- Pension sales continued on a high level, totaling $402.9 million, and group pension income went over $1 billion for the second consecutive year.

Group Products

Metropolitan was a pioneer in providing group insurance coverage having



placed its first group life policy on its own 17,500 workers in 1914.

Group coverage now is offered in three broad areas: group life insurance; group health insurance; and group pensions.

An extensive choice of benefits is available within each major category. Group life, for instance, offers income benefits for survivors and benefits for dependents as well as the customary death benefits.

The wide spectrum of benefits available under Metropolitan's group health protection includes coverage for loss of pay, hospitalization, surgery, major medical expense, dental care, prescription drug charges and vision care.

Under Metropolitan's group pension portfolio are the many forms of pension contracts needed to service policyholders as well as profit-sharing plans and savings and investment plans with varied benefits. Pension funds are invested in the Company's general account or in special accounts such as common stock, marketable bond, special situations or real estate accounts.

Metropolitan's group coverage includes employer-employee plans for firms with 50 or more employees; plans for firms with 2 to 49 employees; plans to provide independent dealers handling the marketing operation of a business with the same kind of protection enjoyed by the firm's employees; creditor plans to help pay off loans in the event of the borrower's death or total disability; and mortgage redemption plans to pay off the mortgage in the event of the insured's death or to help meet monthly payments during total disability.

Group Insurance Customers

Metropolitan insures more than 5,000 businesses, with more than 11 million covered employees. A significant number of Metropolitan's prominent group accounts have been customers for half a century or more, since the period when group insurance was in its infancy. Many of the businesses are household names.

Group Insurance Service

One of the major factors contributing to Metropolitan's long-term association with group policyholders is its continuing high level of service

The efficient settlement of claims is a particularly important element of group service. As a result of the reorganization and relocation of facilities and the adoption of modern computerized systems, the Group Department in 1976 was able to process 20.8 million claims with greater dispatch than ever before.

Group claims servicing has been

realigned on a zonal basis, with group claims-paying and administrative facilities installed throughout the country, bringing service much closer to those we serve. This system now has more than 20 locations, and the much more localized service has been welcomed by group customers.

The system is further strengthened by the use of the latest technological advances in computer processing of claims, allowing quicker service and helping to eliminate errors. Computers also have helped contain or reduce overall costs to customers by improving our capability to determine customary and reasonable medical charges in given geographical areas, and by helping us to evaluate medical expenses and to verify the appropriateness of treatment under accepted standards of medical practice.

Metropolitan's group representatives, professional specialists in their field, also play a major role in the service operation and are constantly on call to give technical advice, expedite claims and assist customers in whatever manner requested.

Looking Ahead

The Group Department's planning process includes periodic updating of its products and service operations to meet the current and future needs of customers. It was this planning which put Metropolitan in the forefront in the development of pension plans and in providing dental and vision care coverage.

The Company expects the high level of pension plan activity to continue. Requirements of the Employee Retirement Income Security Act of 1974 have necessitated the modification of many pension plans and Metropolitan has provided full assistance to its contractholders, including a comprehensive manual called "A Guide to ERISA," to help them follow the law and make required changes.

The Company's excellent investment record, together with its advanced administrative and servicing procedures, makes it particularly appealing to pension plan trustees and administrators.

The Company anticipates growth in sales of all group products currently in its portfolio and foresees particularly rapid growth in the sale of dental coverage.

Metropolitan will also be providing more and more vision care protection in the future as a result of a recent contract settlement providing this benefit to autoworkers. Metropolitan has been selected as the carrier for one large vision care plan covering 600,000 employees and an estimated 1.2 million dependents effective July 1, 1977.

Head Offices, Computer Centers and [illegible]

Metropolitan's regionally oriented head office system became fully operational in 1976, one year after the Company's network of computer centers was completed.

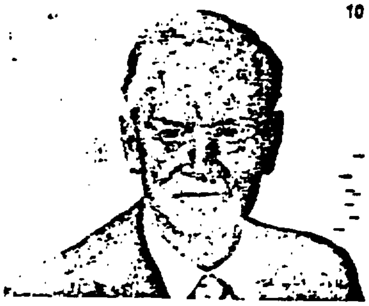
By 1976 head office facilities were located in Tampa, Fla., Tulsa, Okla., Johnstown, Pa., Dayton, Ohio, Aurora, Ill., Warwick, R.I., New York City (there are two head office operations in New York), San Francisco, Calif., and Ottawa, Canada.

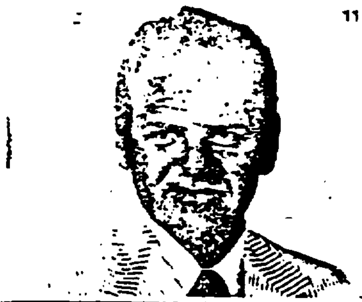
The head office concept had its origin in San Francisco and Ottawa over 50 years ago when offices were established in those two cities to supplement the activities of the home office in New York City. Each head office is designed to provide faster service to policyholders as well as to sales representatives in its geographic area.

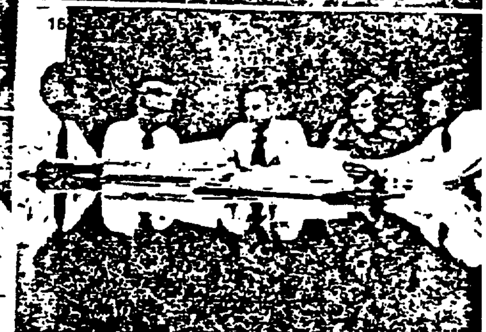
In 1976 Metropolitan had computer centers in Greenville, S.C., Ottawa, Canada, Scranton, Pa., and Wichita, Kans., as well as in New York City.

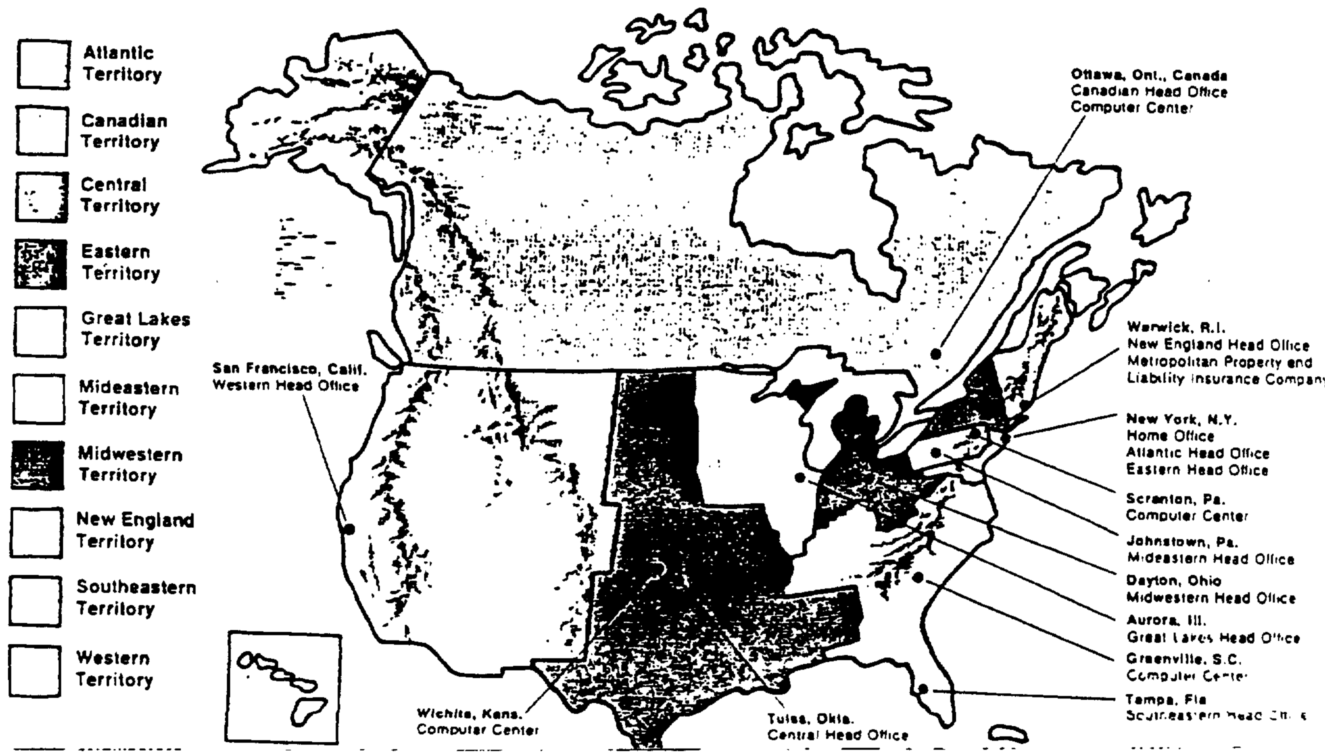
Electronic evolution at Metropolitan has been rapid, particularly since 1970 when installation of the Company's present vast and dispersed computer network began. These computer centers now form a complex of people, hardware, and programs that ensures quick and accurate service to policyholders and customers.

1. Donald A. Odell, Senior Vice-President
2. Jean-Pierre Maurer, President—
   Canadian Operations
   Canadian Head Office
3. Joseph J. Guiffre, Vice-President
   Mideastern Head Office
4. Matthew W. Galbraith, Vice-President
   New England Head Office
5. Stephen T. Bow, Vice-President
   Midwestern Head Office
6. Paul J. Pittenger, Vice-President
   Eastern Head Office
7. James B. Ross, Senior Vice-President
8. Rudolph Michaud, Vice-President
   Southeastern Head Office
9. Charles N. Armstrong, Vice-President
   Atlantic Head Office
10. James R. Flynn, Vice-President
    Great Lakes Head Office
11. Francis P. Lynch, Vice-President
    Central Head Office
12. Marvin T. Benson,
    Senior Vice-President
    Western Head Office
13. Richard J. Conlan,
    Senior Vice-President
    and members of the computer
    center management teams in:
14. Ottawa, Ont., Canada
15. Scranton, Pa.
16. Greenville, S.C.
17. Wichita, Kans.
18. J. Albert Burgoyne,
    Chairman of the Board
    and Chief Executive Officer
    Metropolitan Property and
    Liability Insurance Company








Atlantic Territory
Canadian Territory
Central Territory
Eastern Territory
Great Lakes Territory
Mideastern Territory
Midwestern Territory
New England Territory
Southeastern Territory
Western Territory
Ottawa, Ont., Canada
Canadian Head Office
Computer Center
San Francisco, Calif.
Western Head Office
Warwick, R.I.
New England Head Office
Metropolitan Property and Liability Insurance Company
New York, N.Y.
Home Office
Atlantic Head Office
Eastern Head Office
Scranton, Pa.
Computer Center
Johnstown, Pa.
Mideastern Head Office
Dayton, Ohio
Midwestern Head Office
Aurora, Ill.
Great Lakes Head Office
Greenville, S.C.
Computer Center
Tampa, Fla
Southeastern Head Office
Wichita, Kans.
Computer Center
Tulsa, Okla.
Central Head Office

Investments

In 1976, Metropolitan's new long-term investments totaled $3.9 billion, an increase of $1.15 billion over the prior year. Net income from investments (other than separate account holdings) was $2.23 billion, a new high for the Company. The rate of return on new investments—only slightly less than the record 1975 result—was a satisfactory achievement in light of the generally lower long-term interest rates which prevailed during the year. The rate earned on all invested assets before federal income taxes advanced to 6.65 percent, an improvement over 1975 of 24 basis points.

The aggregate amount of new long-term investments included $2.55 billion of bonds (debt securities) and preferred stocks, and $756 million of real estate and mortgages. The volume of new bond purchases exceeded any prior year's effort by a very substantial amount, whereas the real estate and mortgage component was, as the Company has pointed out for some time, at a low level because of continuing conditions of real estate over-capacity in most areas of the country.

Debt Securities Investments

Generally, the need for business to obtain long-term capital for plant expansion and working funds influences the volume of the corporate lending program. While the year witnessed an extension of the economic recovery that began in 1975, the improvement was relatively slow after the first quarter, and capital demand for growth purposes seemed to be constrained by the economic climate and an attitude of caution on the part of the business community.

Accordingly, Metropolitan looked to a wider range of outlets for quality long-term bond investments. Continuing emphasis was placed on financing selected resource and energy projects in the United States and Canada and on refundings of outstanding borrowings. A greater spectrum of longer and shorter term bond maturities was purchased for the portfolio and a larger than normal amount of new bond investments included securities to be acquired at some definite date in the future. Further, a number of corporate names were added to the investment portfolio for the first time.

Long-term interest rates exhibited a declining trend during 1976, particularly in the final weeks of the year. An active bond investment program during the earlier months of 1976 provided attractive portfolio opportunities not only for 1976, but also, through the technique of forward commitment, for subsequent years. Most of Metropolitan's bond investments represent direct placements (purchases) as compared with open-market purchases. This method involves direct negotiation of the principal terms and provisions of debt securities and affords a relatively high degree of flexibility in meeting the needs of the borrower and the investor.

Mortgage and Real Estate Investments

Mortgage and real estate investments made in 1976 reflected for the most part commitments entered into some years earlier. New loans underwritten during the year were relatively few. The low point in the Company's mortgage and real estate investment activity may well have been reached in 1976-1977, and it now appears there will be a resumption in building, particularly housing, that leads to an increase in mortgage loan demand. For the time being, however, the outlook for mortgage lending on commercial properties, which typically make up the bulk of new investment activity, is one of continued modest dimensions.

Metropolitan also makes farm and ranch mortgage loans, primarily in the central and western United States and new loans of this kind totaled

$163 million in 1976, a record amount for any one year.

Other Investment Opportunities

Additional long-term investments were made in Metropolitan Property and Liability Insurance Company, and an initial capital investment was made in the newly-formed Metropolitan Insurance and Annuity Company.

Common stocks held in general and separate accounts performed well in 1976, although the rate of appreciation was not as strong as in 1975, which was a recovery year from severely depressed levels.

New Canadian currency investments amounted to $140 million, including $121 million in bonds and $19 million in mortgages and real estate.

Investment Portfolio

The table below shows the principal elements of our investment portfolio as at the end of 1976

	Amount (Billions)	% Total Assets
Debt Securities	$19.0	50.7
Real Estate and Mortgage Investments*	12.6	33.4
Common Stocks	0.9	2.5

*Real estate and mortgage investments include $833 million of farm and ranch mortgages.

Metropolitan's separate account business, consisting primarily of common stock investments, is not reflected in the above table.

The experience of the past year confirmed our belief that it is necessary to be active in various major investment markets. During a time when real estate and mortgage markets were, and remain, slack, Metropolitan was able to fulfill its investment objectives largely through bond purchases. There have been times when the reverse situation has existed, and the majority of new investments were in mortgages. Metropolitan is not limited to any one investment market, or to a limited range of them, but is equipped to make and manage numerous different classes of investments. As a result, policyholders gain through realization of good returns on a diversified portfolio.

Managing the Portfolio

While it is important to discuss the responsibilities of the individual investment divisions in making new investments for the benefit of policyholders, mention should also be made of the equally important effort expended in the administration of the investment portfolio. A quality approach to investments does not cease with the placing of a particular investment on the books. Examples of this effort can be seen in all the categories of investments.

For the bond portfolio, this effort can involve an ongoing review of the financial results of the more than 900 corporations making up this portfolio, and keeping in contact with their managements in order to better understand their business and respond to their future needs.

For real estate and mortgage investments, this effort means having the Company's regional offices working within a loan correspondent system. These local offices are able to monitor the progress of loans and properties in a highly efficient manner.

For the farm and ranch mortgage portfolio, the capacity to have knowledgeable Metropolitan people in the field is the key element in effective management.

For common stock investments, proper direction entails having a closely knit team of portfolio managers and analysts engaged in a daily review of holdings within an overall framework of longer range investment objectives.

Close attention to the administration of all existing portfolios is essential to maintaining the sound condition of Metropolitan investment assets.

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(Summarized from the Annual Statement filed with the Insurance Department of the State of New York)

Assets	December 31 1976	1975
	(In Thousands)	
Bonds:		
United States, Canadian, and other government	$ 1,527,183	$ 1,339.509
Provincial, municipal, and public agencies	541,929	298.081
Industrial and commercial	13,030,110	11,739.703
Public utility	3,400.505	3,333.933
Railroad	533,535	492.586
	19,033,262	17,203,812
Stocks:		
Preferred or guaranteed	556,124	549,081
Common:		
Subsidiaries	422,300	184,799
Other	928,399	789,303
	1,906,823	1,523,183
Mortgage Loans on Real Estate:		
Residential, commercial, and industrial	10,996,674	11,228,517
Farm and ranch	832,724	774,358
	11,829,398	12,002,875
Real Estate:		
Housing projects and other real estate acquired for investment	405,061	422,470
Properties for Company use	163,536	128,235
Other properties	155,184	109,364
	723,781	660,069
Policy Loans	1,589,161	1,568,399
Cash and Bank Deposits	69,799	90,296
Premiums Due and Deferred	681,889	693,752
Investment Income Due and Accrued	515,410	456,815
Other Assets	158,722	154,359
Separate Account Business	993,271	784,272
Total Assets	**$37,501,516**	**$35,137,832**

Assets included above amounting to $1,668,194,000 and $1,586,652,000 at December 31, 1976 and 1975, respectively, are deposited with various public officials and trustees under the requirements of law or regulatory authorities.

See accompanying Notes to Financial Statements.

Liabilities and Contingency Reserves	December 31 1976	1975
	(in Thousands)	
Statutory Policy Reserves:		
Life insurance and annuity reserves	$29,414,865	$27,878,449
Accident and health and aviation reinsurance reserves	222,414	353,502
	29,637,279	28,231,951
Policy Proceeds and Dividends Left With Company	1,253,509	1,196,124
Set Aside for Dividends to Policyholders	721,520	669,657
Policy Claims Currently Outstanding	337,034	434,997
Policy Premiums Deposited or Received in Advance	922,520	659,039
Other Policy Liabilities	1,747,407	1,476,180
Taxes Accrued	83,843	87,752
Mandatory Securities Valuation Reserve	282,222	168,055
Mortgage Loan and Real Estate Valuation Reserve	61,914	69,612
All Other Liabilities	191,464	157,179
Separate Account Business	992,794	783,840
Total Liabilities	**36,231,506**	**33,934,386**
Special Contingency Reserves	416,750	400,750
General Contingency Reserve	853,260	802,696
Total Contingency Reserves	**1,270,010**	**1,203,446**
Total Liabilities and Contingency Reserves	**$37,501,516**	**$35,137,832**

See accompanying Notes to Financial Statements.

Statement of Operations and Contingency Reserves

	Year Ended December 31 1976	1975
	(in Thousands)	
Income:		
Premiums and annuity considerations	$ 5,450,389	$ 5,037,616
Net investment income	2,256,794	2,043,470
Net unrealized and realized capital gains on investments in separate accounts	77,801	96,580
Total Income	$ 7,784,984	$ 7,177,666
Application of Income:		
Benefit payments (other than dividends) to policyholders and beneficiaries	$ 3,466,388	$ 3,460,182
Additions to reserve liabilities for future payments	1,929,855	1,673,611
Insurance expenses	997,117	924,871
Taxes (other than investment taxes):		
Federal income taxes	247,582	239,263
Other taxes	113,671	109,189
Total application before dividends to policyholders and additions to contingency reserves	6,754,613	6,407,116
Dividends to policyholders as approved annually by the Board of Directors	888,076	791,601
Additions to (deductions from) contingency reserves	142,295	(21,051)
	1,030,371	770,550
Total Application of Income	$ 7,784,984	$ 7,177,666
Changes in Contingency Reserves:		
Contingency reserves at beginning of year	$ 1,203,446	$ 1,187,389
Additions (deductions) from application of income	142,295	(21,051)
Net unrealized and realized capital gains on general account investments of $152,256,000 in 1976 and $131,673,000 in 1975 less increase in investment reserves of $106,469,000 in 1976 and $42,110,000 in 1975	45,787	89,563
Change in reserve for minimum annuity valuation standards of certain states	(158,387)	(38,723)
Other adjustments—net	36,869	(13,732)
Contingency reserves at end of year	$ 1,270,010	$ 1,203,446

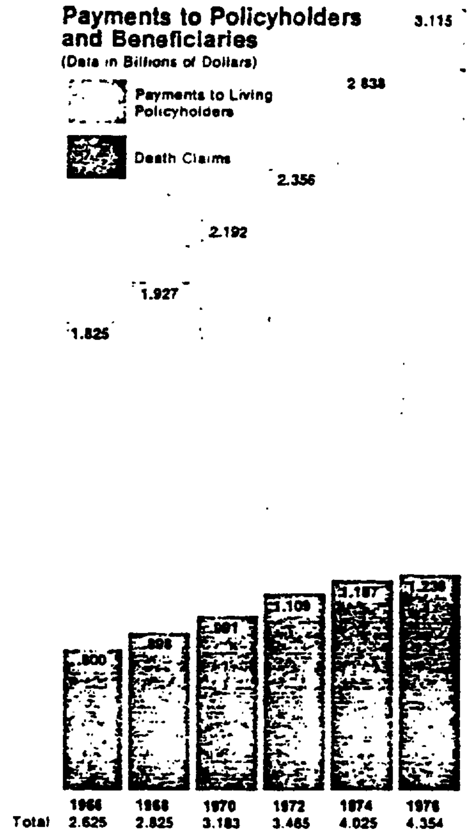
This statement includes Separate Account transactions.

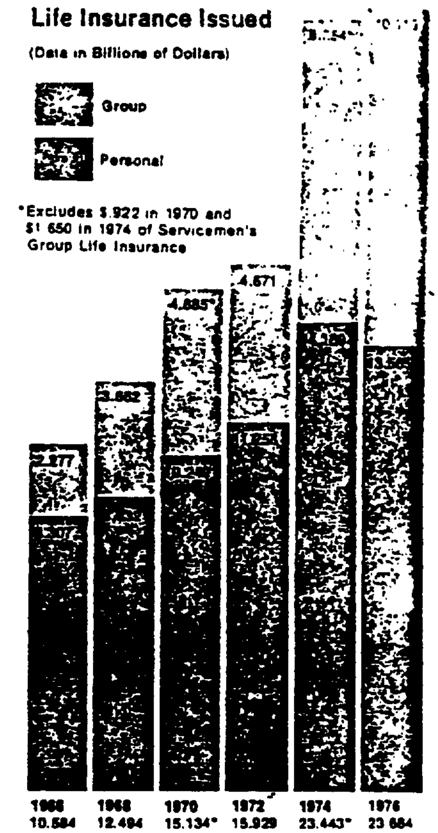
See accompanying Notes to Financial Statements.

Statement of Source and Application of Funds

	Year Ended December 31	
	1976	1975
	(in Thousands)	
Source of Funds:		
Additions to reserve liabilities for future payments, deducted from income but not expended	$ 1,929,855	$ 1,673,611
Excess of income over application of income before dividends to policyholders and additions to contingency reserves	1,030,371	770,550
From dispositions and adjustments in value of general account invested assets:		
Bonds and stocks	11,658,093	7,044,079
Mortgage loans and real estate	989,030	967,041
Other—net (principally changes in various asset and liability accounts not requiring or providing funds and net realized capital gains on general account investments)	291,534	757,513
Total	**$15,898,883**	**$11,212,794**
Application of Funds:		
Dividends to policyholders as approved annually by the Board of Directors	$ 888,076	$ 791,601
By acquisition of general account invested assets:		
Bonds and stocks	13,871,183	8,919,857
Mortgage loans and real estate	879,265	1,147,770
Net increase in general account cash and other assets	51,360	162,943
Net increase in separate account assets	208,999	190,623
Total	**$15,898,883**	**$11,212,794**

See accompanying Notes to Financial Statements.





For the Years Ended December 31, 1976 and 1975

Accounting Policies

The Company's financial statements are prepared on the basis of accounting practices prescribed or permitted by insurance regulatory authorities. Since the primary interest of such authorities is the ability of the Company to fulfill its obligations to policyholders, the financial statements are oriented to the insuring public. Significant aspects of the accounting practices followed in the financial statements are as follows:

Invested Assets and Related Valuation Reserves—Bonds subject to amortization are stated at their amortized value, income bonds in good standing at cost, preferred or guaranteed stocks at cost (in certain instances as adjusted), common stocks, other than those of subsidiaries, and all other bonds at market value, mortgages at amortized indebtedness, all in accordance with the valuation procedures of the National Association of Insurance Commissioners. Common stocks of subsidiaries are valued at equity of net assets. Investment real estate is stated at market value; other real estate is stated at the lower of depreciated cost or market value. Other assets are valued in conformity with the New York Insurance Law. A mandatory securities valuation reserve (required by the National Association of Insurance Commissioners) and a mortgage loan and real estate valuation reserve (established by the Company) have been included among the liabilities.

Policy Reserves—Policy reserves are computed generally on the net level premium method and are based on mortality, morbidity and interest bases permitted under the insurance laws. Such reserves are sufficient to provide for contractual surrender values which is essential for participating business conducted on a mutual basis.

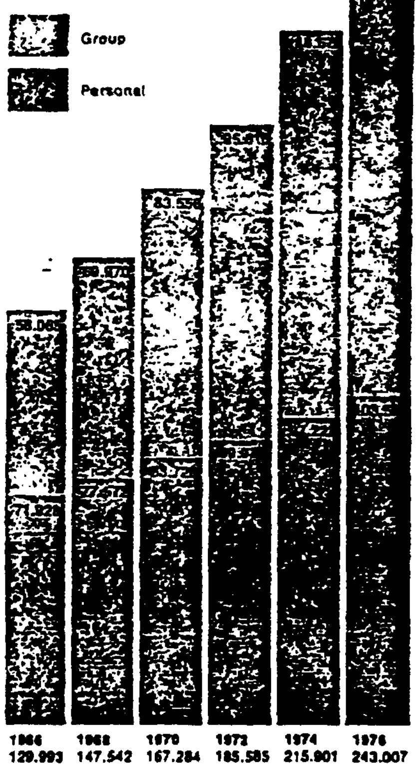
Contingency Reserves—Since Metropolitan is a mutual company, its contingency reserves, whether reported as special or general contingency reserves, represent reserves held for the benefit of policyholders. The special reserves relate to Group Life insurance, aviation reinsurance, and separate account business.

Revenues and Expenses—Premium revenues are reported over the premium-paying period. Investment income is reported as earned. Expenses, including acquisition costs, are charged to operations as incurred; there are no incurred expenses which are deferred for charges to future reporting periods.

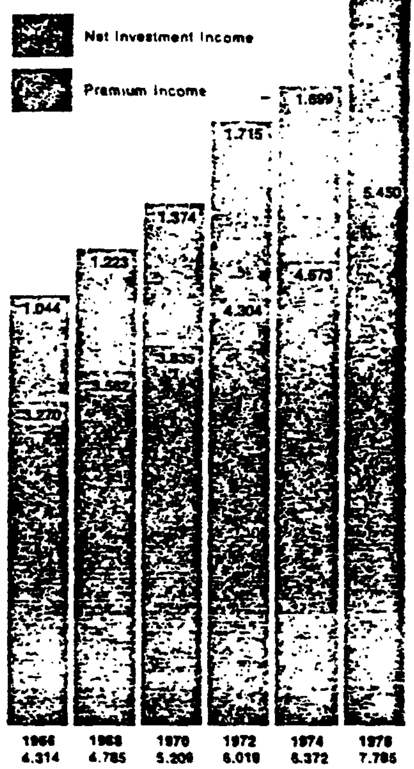
Pensions

The Company has pension plans covering all of its eligible employees and agents and follows a policy of funding pension costs as they accrue. The total cost of the Company's plans for the years ended December 31

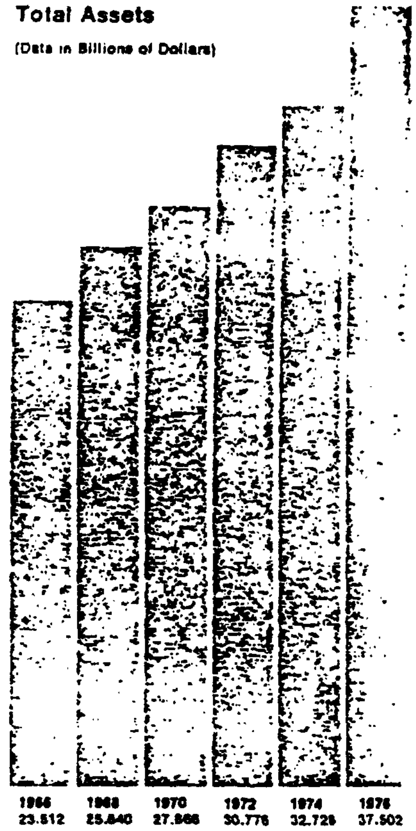
Life Insurance In-Force
(Data in Billions of Dollars)



Total Income
(Data in Billions of Dollars)



Total Assets
(Data in Billions of Dollars)



1976 and 1975 were approximately $48,300,000 and $56,400,000, respectively.

Mortgage Loans

Some of the Company's investments in real estate are directly owned and operated, some are owned jointly with venture partners and operated by the partners, some are owned jointly by Metropolitan's real estate subsidiaries with venture partners and operated by the partners, and some are owned directly by Metropolitan's real estate subsidiaries. Many joint ventures have mortgage loans from the Company. As of December 31, 1976, the amortized value of such mortgages was approximately $872,400,000; for 1975, the amount was $896,200,000.

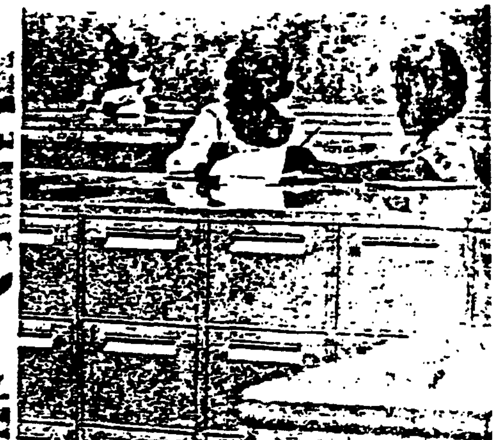
Metropolitan Life Insurance Company:

We have examined the balance sheet of Metropolitan Life Insurance Company as of December 31, 1976 and 1975 and the related statements of operations and contingency reserves and of source and application of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Metropolitan Life Insurance Company at December 31, 1976 and 1975 and the results of its operations and the source and application of its funds for the years then ended, in conformity with accounting practices prescribed or permitted by insurance regulatory authorities and generally accepted accounting principles applied on a consistent basis.

New York, New York 10004
February 14, 1977

Haskins & Sells



Metropolitan Notes, 1976

The following are brief reports on other activities at Metropolitan during 1976.

Corporate Contributions

In 1976 Metropolitan disbursed over $1.7 million in contributions and awards throughout the United States and Canada. These funds were in the form of educational grants to individuals and universities and colleges, contributions to a variety of civic, business and cultural organizations, and donations to United Fund organizations in hundreds of communities where Metropolitan is located.

Medical Department

Noting that health care costs the American public alone some $100 billion each year, Metropolitan's Medical Department pursued its studies on various aspects of preventive care in 1976. Reports on such subjects as high blood pressure, alcoholism, heart disease, cancer and accidents were passed along to the general public, which was also advised of preventive measures that can be taken.

The Medical Department also produced some timely medical papers for professional and public use. In 1976, for example, a paper entitled "Occupationally Related Emotional Problems at Age 40 and Beyond" was presented before the New York State Medical Society. This presentation was widely reported by the news media. Another report defended the importance of periodic physical examinations and also received extensive press coverage.

Since 1909, when Metropolitan proclaimed that "insurance, not merely as a business proposition, but as a social program, will be the future policy of the Company," we have, as part of that policy, fostered what is perhaps the largest corporate-sponsored health education program in the United States.

In 1976, Metropolitan distributed almost 47 million pieces of health education material to individuals, organizations and schools. In addition, more than five million people viewed Metropolitan health and safety education films.

The Company also produced 366 public service radio spot announcements containing suggestions on such

subjects as stress, the use of prescription drugs, nutrition and weight control, and alcoholism.

Community Emergency Information

By the end of 1976, thousands of communities in the United States had access to Metropolitan's Medical Emergency Care Information Program implemented through approximately 250 of the Company's field offices. Central to the program is a special packet tailored to each community with listings of local emergency and health resources, including location and telephone numbers as well as other relevant information. The program is now in its 12th year.

Advertising

Nineteen seventy-six marked the start of the Company's fourth year of use of the corporate theme, "Metropolitan . . . Where the future is now." Television and radio commercials as well as print advertising projected the message that the future is upon us much too quickly and that Metropolitan people are ready to help individuals and families prepare for their present and future financial security.

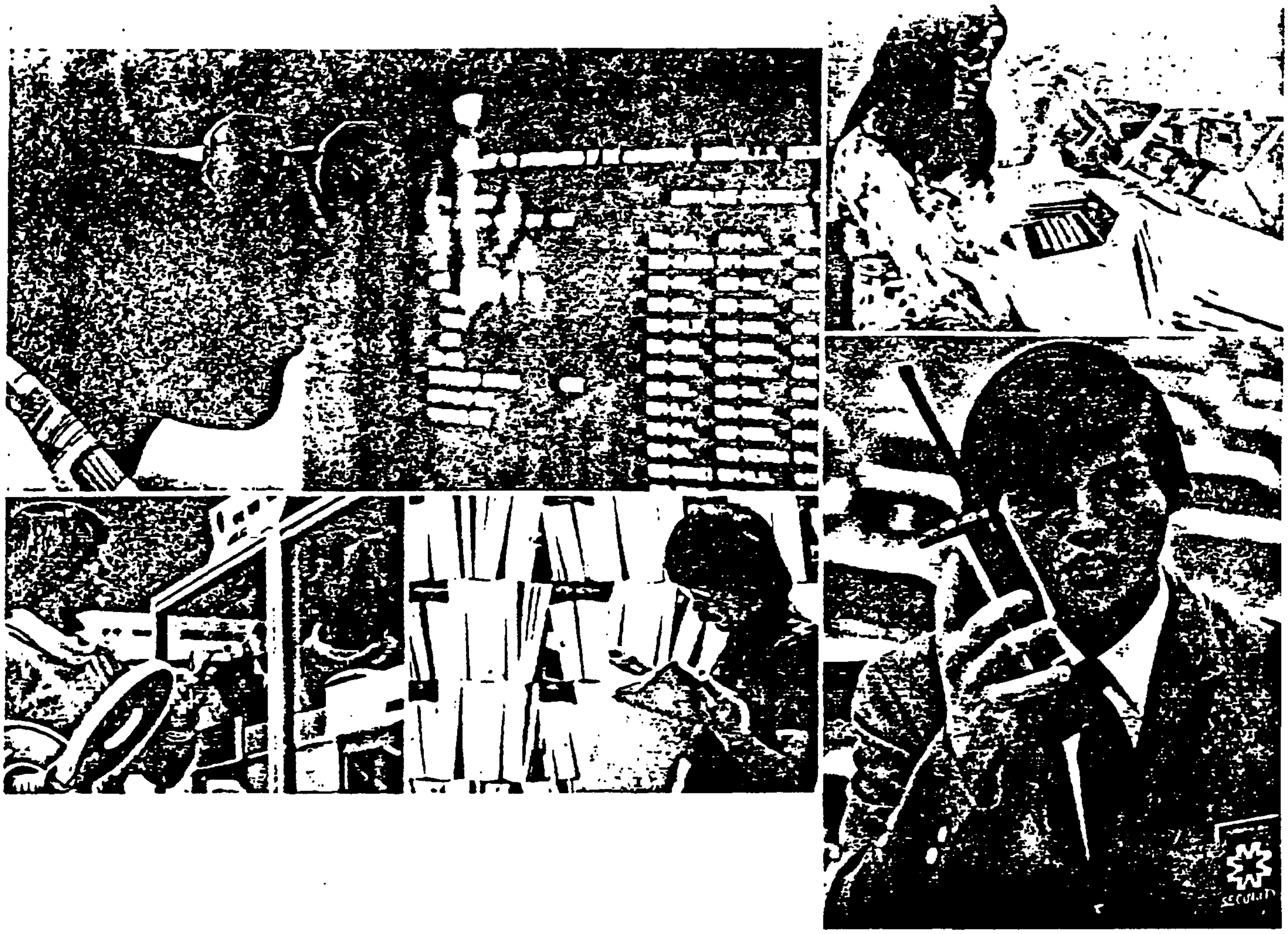
A second message emphasizes that life insurance products can and do benefit policyholders themselves—not just beneficiaries—as evidenced by the fact that over two-thirds of all benefit payments made each year by Metropolitan go to living policyholders ($3.11 billion in 1976).

The Winter Olympics, election night coverage and two entertainment specials featuring Olympic skating star Dorothy Hamill and singer Neil Sedaka, respectively, were among the nationally televised programs cosponsored by Metropolitan.

Two public service print advertisements were developed in 1976. The topics: early warning signs of heart attacks, and the importance of childhood immunization. The heart attack advertisement had the distinction of generating the largest response of any such ad in the history of Reader's Digest.

Equal Employment

Another of Metropolitan's chief concerns is its continuing program of providing full job and promotion opportunities to qualified members of minority groups and to women. In 1976



14 percent of the Company's total work force was made up of minority-group members. And 20 percent of the total number of college graduates hired at the Company's home office last year were minority-group members. The number of women in management positions almost tripled in the five-year period between 1971 and 1976.

Corporate Citizenship

Metropolitan's Urban and Environmental Affairs Department, one of the first such corporate divisions established in the United States, completed its eighth year of operation in 1976.

Serving as the coordinating and reporting unit for social and environmental activities, the department has various concerns, among them the Company's involvement with minority groups. In this regard, Urban and Environmental Affairs encourages Company purchases of goods and services from minority-group firms. In 1976, those purchases amounted to over $500,000.

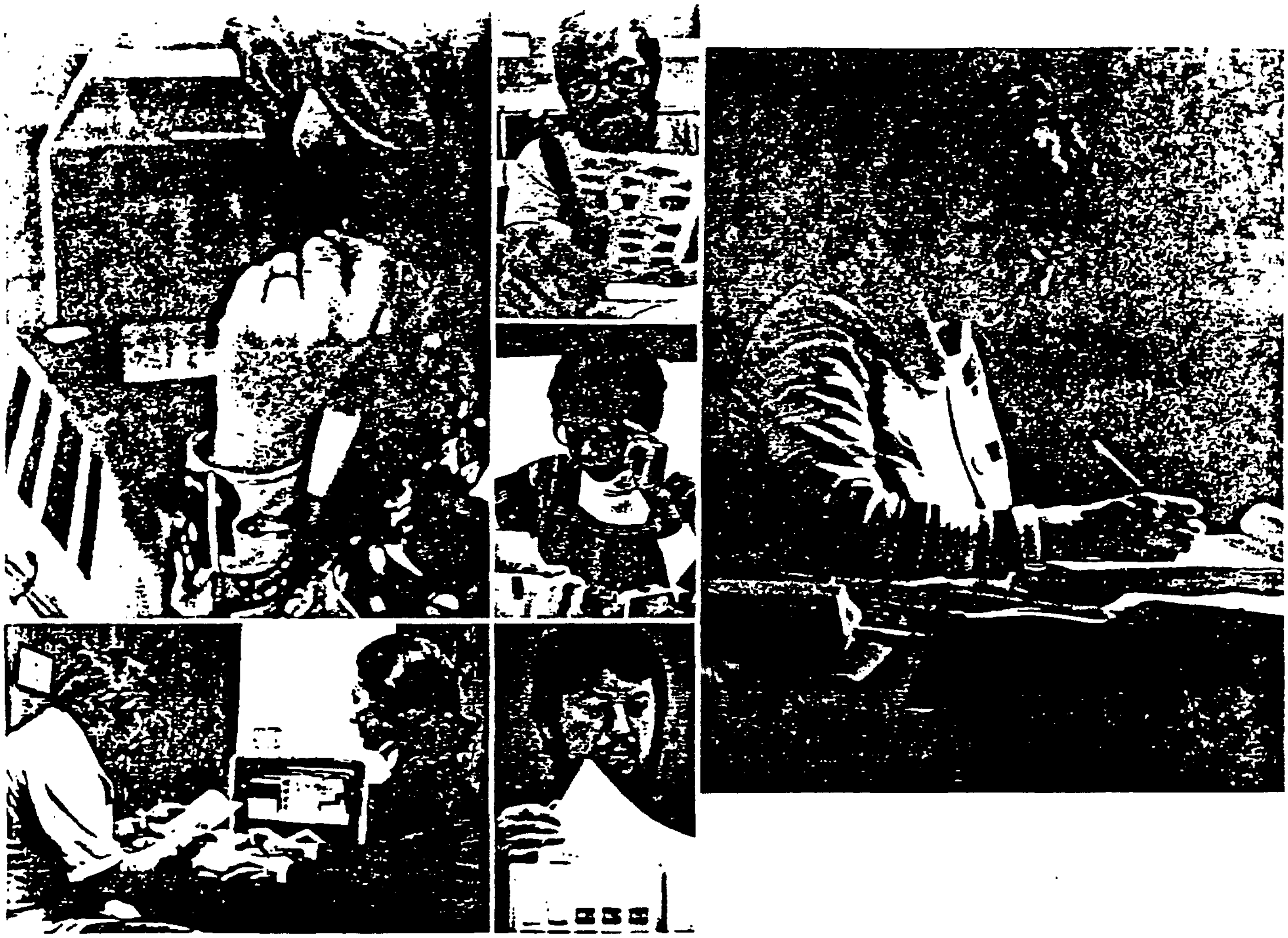
The department also helped to locate qualified minority-group vendors and encouraged deposits in minority-owned banks around the country (Metropolitan has money deposited in 35 such institutions currently).

Community Service

One very important aspect of corporate social responsibility is to be found in the activities of the many Metropolitan people who volunteer their time and talents in the communities in which they live. Often working quietly and without seeking recognition, they become an important part of the total effort to help make this a little better world in which to live.

To honor these many employees and to encourage others to become involved, Metropolitan established the Community Service Awards Program, now going into its fourth year. Under the program four employees are selected for recognition of their community activities.

In 1976 Victor DiMaio, sales representative in the Palma Ceia District Office, Tampa, Fla., was the recipient of the top award. Active in his home town for 25 years, Mr. DiMaio was cited for his substantial contributions



to a number of civic, religious and charitable organizations.

Employee Professionalism

One reason why Metropolitan people can give such fine service to policyholders and the public is because of their professional training.

Of Metropolitan's almost 53,000 people, more than 9,000 were engaged in Company-designed or industry-sponsored professional training programs in 1976. This figure includes the 4,600 sales personnel involved in Life Underwriter Training Council and Chartered Life Underwriter study, the 130 employees who passed one or more of the examinations leading to designation as fellows in the Society of Actuaries, and the 3,400 taking courses in the Life Office Management Association's education program.

"So much is changing, so many forces are at work in your country, in the world, in your own life that you're not what you were yesterday, nor what you'll be tomorrow."

These words of Metropolitan's President Richard R. Shinn are from the film "Horizons." Produced in 1976, the film was designed to help career-minded employees broaden their perspectives of the Company and thus their understanding of their respective administrative or marketing tasks.

"A lot of planning has gone on at Metropolitan," Mr. Shinn stated in the film. "We are going to be an aggressive company. We have an important role in the financial world and in the country in general. . . .

"We are determined," he said, "to become more professional managers. We are working to have more people involved in the decision-making process earlier in their careers. It is a matter of personalizing the Company so that each person understands he or she is important. People must understand their role and feel they are participating in the Company's success or failure."

as of December 31, 1976

Gilbert W. Fitzhugh, Rancho Santa Fe, Calif.
G. Keith Funston, Greenwich, Conn.
John D. Harper, Pittsburgh, Pa., Chairman of the Executive Committee, Aluminum Company of America
Herbert S. Hazeltine, Los Angeles, Calif., Senior Partner, Adams, Duque & Hazeltine
James R. Houghton, Corning, N.Y., Vice-Chairman of the Board, Corning Glass Works
George P. Jenkins, New York, N.Y., Chairman of the Board, Metropolitan Life Insurance Company
Lewellyn A. Jennings, Washington, D.C.
George E. Johnson, Chicago, Ill., President, Johnson Products Co., Inc.
Donald P. Kircher, New York, N.Y.
Melvin R. Laird, Washington, D.C., Senior Counsellor for National and International Affairs, Reader's Digest
Charles F. Luce, New York, N.Y., Chairman of the Board, Consolidated Edison Company of New York, Inc.
Birny Mason, Jr., New York, N.Y.
W. Earle McLaughlin, Montreal, Que., Canada, Chairman and President, The Royal Bank of Canada
Albert L. Nickerson, New York, N.Y.
Martha E. Peterson, Beloit, Wis., President, Beloit College
John B. M. Place, New York, N.Y., Chairman of the Board, President and Chief Executive Officer, The Anaconda Company
L. Edmund Rast, Atlanta, Ga., President, Southern Bell Telephone and Telegraph Company
John P. Robarts, Toronto, Ont., Canada, Stikeman, Elliott, Robarts & Bowman
Richard R. Shinn, New York, N.Y., President and Chief Executive Officer, Metropolitan Life Insurance Company
Gerald A. Sivage, Chicago, Ill.
Donald B. Smiley, New York, N.Y., Chairman of the Board, R.H. Macy & Co., Inc.
William S. Sneath, New York, N.Y., President, Union Carbide Corporation
Emmett G. Solomon, San Francisco, Calif., Chairman of the Executive Committee, Crocker National Bank
W. Allen Wallis, Rochester, N.Y., Chancellor, The University of Rochester
Robert C. Weaver, New York, N.Y., Distinguished Professor of Urban Affairs, Hunter College
Walter R. Williams, Jr., Short Hills, N.J.

In addition to meeting regularly as a group to review Company business, the members of the Board of Directors also contribute to Metropolitan by devoting their time and considerable talents to the Board's five standing committees.

The Auditing Committee, established in 1868, supervises accounting and auditing controls over cash, securities, receipts, disbursements and other financial transactions. Walter R. Williams, Jr., is the current chairman.

The Compensation and Administration Committee, headed by John B. M. Place, is responsible for overseeing compensation and personnel administration and the activities of the Company in the interest of the health, welfare and safety of its employees.

The Executive Committee, chaired by Richard R. Shinn, handles matters not specifically assigned to any other committee and considers and makes recommendations on any Company-related matters.

The Finance Committee, presided over by George P. Jenkins, supervises the financial affairs and accounts of the Company and manages corporate assets including the purchase and sale of securities, real estate, real estate bonds, notes and mortgages and other investments, both original and extensions or modifications of investments.

The Marketing Committee, headed by Gerald A. Sivage, oversees the marketing operations of the Company.

Election of Directors

Metropolitan policyholders and contractholders are entitled to participate in the election of Directors held on the second Tuesday in April each year at the home office in New York City.

Policyholders and contractholders with a policy or contract in force for at least one year are eligible to vote either in person or by mail. Each policyholder and contractholder is entitled to one vote only, regardless of the number or amount of policies or contracts held.

For a ballot or further information, please contact your local Metropolitan office or write to the Secretary of the Company at One Madison Avenue New York, N.Y. 10010.

Metropolitan Life's Principal Offices

Home Office
One Madison Avenue
New York, N.Y. 10010

Atlantic Head Office
340 Park Avenue South
P.O. Box 499
Madison Square Station
New York, N.Y. 10010*

Canadian Head Office
99 Bank Street
Ottawa, Ont. K1P 5A3, Canada

Central Head Office
12902 East 51st Street
P.O. Box 500
Tulsa, Okla. 74102

Eastern Head Office
25 Madison Avenue
P.O. Box 833
Madison Square Station
New York, N.Y. 10010*

Great Lakes Head Office
177 South Commons Drive
Aurora, Ill. 60505

Mideastern Head Office
90 Lulay Street
Johnstown, Pa. 15915*

Midwestern Head Office
9797 Springboro Pike
Dayton, Ohio 45448

New England Head Office
700 Quaker Lane
P.O. Box 300
Warwick, R.I. 02887

Southeastern Head Office
One Metropolitan Plaza
Tampa, Fla. 33607

Western Head Office
One Metropolitan Plaza
425 Market Street
San Francisco, Calif. 94105

Metropolitan Property and Liability Insurance Company†
700 Quaker Lane
Warwick, R.I. 02886

*Temporary quarters
†A subsidiary of Metropolitan Life

For additional copies of this report, please write to
Corporate Communications
Metropolitan Life Insurance Company
One Madison Avenue
New York, N.Y. 10010