

management. Within these pre-determined parameters, its real estate acquisitions and underwriting professionals seek quality real estate investments for its various accounts. These potential equity investments are evaluated through a team approach. An acquisition specialist heads the team, which includes an asset manager, an attorney, an accountant, an engineer, an economic researcher, and a risk management specialist. Each member of the team must sign off on the investment before it is presented for approval to UBS Realty's Investment Committee. The Investment Committee, which consists of the senior management of UBS Realty, including the chief executive officer, all portfolio managers, the head of acquisitions, asset management, valuation, legal, and the chief financial officer, as well as the asset management region head, must approve all acquisitions in excess of \$2,000,000 and sales in excess of \$5,000,000. Approval of the investment transaction requires a concurrence of a majority of the members of the Investment Committee voting, and the portfolio manager for the account. In any event, either the chief executive officer or the head of U.S. operations must approve each transaction. Aetna maintains its own committee process to review investment actions taken by the UBS Realty Investment Committee.

7. The Accounts, including the ERISA-Covered Accounts and the General Account, continue to participate in the sharing of certain real estate investments pursuant to PTE 91-10. As of the Transition Effective Date, those shared real estate investments involving the General Account (which were entered into before the Transition Effective date) will continue to be held by both the ERISA-Covered Accounts and the General Account. Accordingly, exemptive relief is requested with respect to those continuing shared investments. After the Transition Effective Date, the General Account will not share in any new real estate investments made by UBS Realty on behalf of the Client Accounts.

8. UBS Realty represents that it has procedures in place that provide a system of fair and equitable allocation of investments to the Accounts. Aetna and UBS Realty do not share investment opportunities with each other. Each Account has written predetermined investment guidelines (such as product mix and geographic diversification standards) which are generally in place over extended periods. However, they may be modified by the Account's portfolio manager if appropriate, in conjunction with the contractholder, if

applicable. An investment whose size or other characteristics qualify it for only one Account will be allocated to that Account. An investment whose size and other characteristics qualify it for allocation to more than one Account will be allocated based on a "rotation" system. Under this procedure, investments are allocated to the account that has not received an allocation for the longest period of time. Investments of a size exceeding eligible Account capacities may be shared.

9. UBS Realty will seek to make investments in real estate on a shared basis for those Client Accounts that it manages, in the same manner that Aetna made such shared investments pursuant to PTE 91-10. UBS Realty will continue to manage the shared investments in real estate for Client Accounts in the same manner that Aetna managed such investments pursuant to PTE 91-10. UBS Realty represents that an inherent advantage of shared investments in real estate is the opportunity to enhance the diversity of investments available to the Client Accounts and their participating plans. By investing on a shared basis, the Client Accounts can obtain the advantage of interests in a larger number of high quality properties, regardless of cost. Further, shared investments frequently result in substantial savings associated with administrative and start-up costs.

10. The Applicant frequently structures investments as partnerships, in which a third party (usually a real estate developer) participates in a partnership. It may then allocate the interest in such partnership to more than one Account. The Applicant states that partnership investments typically involve several particular features (by virtue of the terms and conditions of their partnership agreements) that may, in the case of shared investments, result in possible violations of section 406(a) or (b) of the Act. Therefore, an exemption for such partnerships is necessary.

11. During the course of holding a real estate investment, certain situations may arise that require a decision to be made with regard to the management or disposition of the investment. For example, there may be a need for additional contributions of operating capital, or there may be an offer to purchase the investment by a third party or a joint venture partner. When these investments are shared among more than one of the Accounts, a potential for conflict arises since the same decision may not be in the best interest of each Account. Therefore, the Applicant has submitted a framework of proposed safeguards to protect the interests of any

participating ERISA-Covered Account in the resolution of potential or actual conflicts.

12. Each plan contractholder participating in an ERISA-Covered Account that shares or proposes to share real estate investments has been or will be furnished with a written description of the transactions that may occur involving such investments that might raise questions under the conflict of interest prohibitions of the Act with respect to the Applicant's involvement in such transactions and that are the subject of PTE 91-10 or this proposed exemption. This description will discuss the reasons why such conflicts of interest may be present (*i.e.*, because the General Account has been participating in the investment and may benefit from the transaction³ or because the interests of the various Accounts participating in the investment may be adverse to each other at certain times with respect to the transaction). The description will also disclose the principles and procedures to be used to resolve anticipated impasses, as will be outlined below. In addition, each contractholder in an ERISA-Covered Account that currently shares investments has received a copy of PTE 91-10, and will receive a copy of this exemption, if granted.

13. With respect to new contractholders in an ERISA-Covered Account that currently participates in the sharing of investments, each such new contractholder will be provided with the above mentioned written description, a copy of the notice of pendency and a copy of the exemption, if granted, before the contractholder begins to participate in the ERISA-Covered Account. With respect to contractholders who are already in an ERISA-Covered Account that does not currently share investments but that proposes to participate in the sharing of investments in the future, each such contractholder will be provided with the description outlined above, a copy of the notice of pendency and a copy of the exemption, if granted, before the ERISA-Covered Account begins to participate in the sharing of investments.

14. Withdrawals from pooled, open-end Accounts are made, at the written request of the contractholder, at market value, subject to the availability of cash. The Applicant is not obligated to liquidate investments to meet withdrawal requests. If cash available

³ As noted in Paragraph 7 above, the General Account will not share in any new real estate investments made by UBS Realty on behalf of the Client Accounts after the Transition Effective Date.