

management responsibilities are exercised in accordance with investment guidelines contained in the Holding Entity's governing agreements. HNRG may have full investment discretion with respect to the management of the Holding Entity's farmland, or it may be required to seek Customer approval for acquisition and disposition decisions.

5. The General Accounts of both JHLIC and JHVLIC also invest in farmland. Assets held in the General Accounts are used to support various lines of insurance business. JHLIC and JHVLIC each have the right to control, manage, and administer their respective General Accounts, including the sole discretion to select and dispose of investments held by the General Accounts. As of September 30, 2000, the General Accounts held over 60,000 acres of U.S. Farmland Assets, with a value of over \$185 million. In addition, the General Accounts' holdings in Australian farmland investment entities had a value of approximately \$1.9 million. Although the applicant initially requested relief for the participation of the General Account in the subject transactions, in a letter, dated, May 16, 2003, the applicant amended the requested exemption to eliminate the General Account from the Accounts that are eligible to participate in the transactions covered by the proposed exemption.

6. The types of farmland held by the Farmland Separate Accounts and the Holding Entities are diversified by geography and by crop type. Farmland Assets include direct or indirect:³ (a) Interests in real property that produces row crops or permanent crops including, but not limited to, orchards, vineyards, and citrus groves, and (b) other interests, such as interests in equipment related to the production or harvesting of crops, farmland leases, farm improvements, contractual agreements with respect to the production and harvesting of farm products (such as crop quotas, crop receivables, or delivery contracts), and stock in farm cooperatives. It is represented that with respect to any farmland lease, the underlying fee simple will be owned by a person other than JHLIC, its Affiliates, any Farmland Separate Accounts, General Accounts, or Holding Entities at the time of any covered transaction, and the entire lease will be sold in any covered transaction. As a practical matter, the Farmland

Assets are generally illiquid investments, considered by JHLIC, HNRG, and their Customers to be long-term investments.

7. It is represented that from time to time, it may be appropriate to liquidate a Farmland Asset held in a Farmland Separate Account, even though the Farmland Asset remains an attractive investment. For example, a Farmland Separate Account's investments may have so increased in value that the farmland-related portion of such Account's aggregate portfolio exceeds the Customer's current asset allocation guidelines for that investment class. In addition, a Customer may request that JHLIC liquidate a portion of its Farmland Assets in order to recognize some of the portfolio's gains, to raise cash, or for other reasons unrelated to investment performance, even though the particular Farmland Asset remains an attractive investment. Also, JHLIC or HNRG may conclude that a particular Farmland Asset, though individually an attractive investment, is no longer appropriate, in light of the composition of the Account, its liquidity needs, and other available investment opportunities. In these and other situations in which a Farmland Asset might be sold, the Farmland Asset chosen for liquidation could be an appropriate investment for another Farmland Separate Account.

The applicant represents that it does not expect a Farmland Asset to be broken into separate parcels for investment by more than one Customer in most cases. It is represented that the Hancock Agricultural Investment Group, Inc. (HAIG),⁴ will evaluate Farmland Assets to determine whether they could be broken into smaller parcels to satisfy a particular Farmland Account's portfolio needs but as noted above, the applicant expects that such a separation would be suitable rarely, if ever.

In some situations, a Farmland Separate Account may decide to sell a group of Farmland Assets and would sell those assets to a single purchaser, if possible. Where a group of Farmland Assets is sold by a Farmland Separate Account to another Farmland Separate Account, the sale will be treated as a single transaction.

On occasion, an Entire Farmland Account might be sold to a Farmland Separate Account. In that case, Farmland Assets and other assets of the Account, such as short term investments, would be transferred to the buyer, as well as the liabilities

associated with the Entire Farmland Account. These other assets might include short-term investments or accounts receivable from prior period crop sales or leases. Liabilities might include investment or property management fees payable or property taxes payable. In the event that an Entire Farmland Account could not be sold to a single buyer, it is represented that JHLIC will separate the Farmland Assets held in such Entire Farmland Account and sell these Farmland Assets individually or in groups of multiple Farmland Assets.

8. When more than one Farmland Separate Account is interested in purchasing a particular Farmland Asset or Farmland Assets, investments are allocated by HAIG, based on its Investment Selection and Allocation Policy (the Allocation Policy). Pursuant to the Allocation Policy, HAIG reviews the investment policies and guidelines for each potential Farmland Separate Account investor to determine whether the available Farmland Asset or Farmland Assets is/are suitable for allocation to that Farmland Separate Account. Suitability is determined based on the anticipated effect on the Farmland Separate Account's crop type and geographic diversification, cash flow and capital appreciation goals, current income targets, and the Farmland Separate Account's property size limitations. In addition to the suitability analysis, HAIG will perform financial analyses that project and measure future portfolio performance both with and without the proposed Farmland Asset(s) as part of a Farmland Account's portfolio. In most situations, the characteristics of Farmland Assets and Farmland Separate Accounts will be sufficiently varied, such that a Farmland Asset will not be suitable for multiple Farmland Separate Accounts seeking investment when such asset is available.

In the event that two or more Farmland Separate Accounts have objectives and constraints that are sufficiently similar, HAIG implements its investment queue procedures. The investment queue is based on the length of time that funds of a Farmland Separate Account have been waiting for investment in a Farmland Asset or Farmland Assets. Funds that have been committed to a farmland investment program, but are not yet allocated, receive priority in the chronological order each Farmland Separate Account committed to the farmland investment program. It is represented that when an Entire Farmland Account is to be sold and more than one investor holds assets awaiting investment in Farmland

³ Occasionally, a Farmland Separate Account may own farmland real property or other Farmland Assets indirectly through an interest in an entity, such as a corporation, that owns the property or assets.

⁴ HAIG is the agricultural investment subdivision of HNRG.