

all of the equity components of SAR are liquidated.

The applicant represents that the sale of the Building was in the best interests of the plans that were contractholders of SAR at the time of the transaction. In addition, the sale of the Building by SAR ended the prohibited transaction that resulted from Travelers leasing the subject office space in the Building. Therefore, the applicant requests that the proposed exemption be effective from December 22, 1993, the date that Travelers signed the original Lease documents, until June 24, 1994, the date the Building was sold.

7. LaSalle served as an independent fiduciary for SAR in connection with the Lease during the time that the Building was part of SAR's portfolio. LaSalle is a real estate investment manager, located in Pine Brook, New Jersey, which has extensive experience in advising various clients, including benefit plan investors, regarding the sale, leasing and management of office space. During the 1992 calendar year, LaSalle received less than one percent of its total client fees from Travelers. LaSalle acknowledges that it understood its duties, responsibilities and liabilities in acting as a fiduciary under the Act for SAR.

LaSalle possessed full authority as the independent fiduciary to act on behalf of SAR with respect to the Lease. In this role, LaSalle completed an extensive analysis of the Lease prior to the execution of the transaction. Specifically, LaSalle compared the proposed terms of the Lease to leases of other similar office space to unrelated parties in Northern New Jersey at the time of the transaction. This market research was conducted through real estate brokers, landlords and attorneys. LaSalle also reviewed the latest appraisals of the Building.

8. LaSalle states that it required a number of changes to the terms for the Lease in order to protect the interests of SAR. These changes were necessary mainly because Travelers had suggested using a standard lease document for a newly-constructed building, whereas the Lease actually involves office space in an existing facility. LaSalle reviewed the terms of the Lease to assure that the required modifications were incorporated into the relevant documents. Based on Traveler's agreement to include the modifications in the Lease, LaSalle concluded that the terms of the Lease would be at least as favorable to SAR as the terms which would exist in an arm's-length transaction and that entering into the transaction would be in the best interests of SAR. LaSalle states that an

important factor in its conclusion was the fact that the Lease's average gross rents and equivalent net rents were well within the acceptable ranges for comparable market transactions in the Northern New Jersey area.

With respect to the \$27.00 per square foot tenant improvement allowance granted to Travelers under the Lease, LaSalle states that this provision involved a one-time cost, amortized over the entire term of the Lease, which was designed to assure the suitability of the leased space to the tenant's needs. LaSalle represents that similar tenant improvement allowances and other concessions were typical of arm's-length leases in the Northern New Jersey area at the time of the transaction and are a common practice in highly competitive markets. LaSalle states that the rents which would have been payable to SAR under the Lease, and the costs associated with the Lease, would have yielded a total net rate of return to SAR for the entire term of the Lease that would have been above other arm's-length leases in the Northern New Jersey area. With respect to the sale of the Building to Koll for \$4,000,000, LaSalle states that the improvements made to the office space under the Lease increased the marketability of the Building and helped SAR to obtain a better sale price for the Building on June 24, 1994.

9. LaSalle represents that it monitored compliance by the parties with the terms of the Lease during the period that the Building was part of SAR's portfolio. In this regard, LaSalle was responsible for periodically auditing the parties performance under the Lease to assure compliance with such terms. This audit would include a review of the financial statements relating to the property and a physical inspection of the premises occupied by Travelers. The audit would examine whether rent payments were paid in an accurate and timely fashion as specified by the Lease and whether tenant improvements were made in accordance with the terms of the Lease. In addition, LaSalle states that it took whatever action was necessary to safeguard the interests of SAR in connection with the Lease. Finally, LaSalle acknowledges that: (i) The effectiveness of any exemption for the Lease will be dependent on compliance by the parties with the terms as set forth in the Lease during the period covered by the proposed exemption, including any limitations, restrictions or other conditions imposed at that time; (ii) if any circumstances resulted in a violation of the terms and conditions of the Lease or the proposed exemption during such period, the relief provided

by the exemption will not be available; and (iii) LaSalle, as the independent fiduciary for SAR, was responsible at all times for monitoring compliance by the parties with the terms and conditions of the Lease during the period covered by the proposed exemption.

10. In summary, the applicant represents that the Lease met the statutory criteria of section 408(a) of the Act and section 4975(c)(2) of the Code because: (a) LaSalle, a qualified, independent fiduciary for SAR, determined that the Lease was in the best interests of SAR prior to the transaction; (b) LaSalle determined that the terms and conditions of the Lease were at least as favorable to SAR as those which could have been obtained from an unrelated party at the time of the transaction; (c) LaSalle monitored the Lease and enforced the obligations of Travelers on behalf of SAR while the Building was part of SAR's portfolio; and (d) Travelers will pay SAR's contractholders, as part of any other payments due to SAR under the terms of the Settlement Agreement, an amount necessary to reimburse SAR for expenses incurred in connection with the tenant improvements made to the office space leased to Travelers prior to the sale of the Building.

Notice to Interested Persons

The applicant states that because of the large number of potentially interested parties, it is not possible to provide a separate copy of the notice of the proposed exemption to each participant of all plans that were invested in SAR during the period covered by the requested exemption. Therefore, the only practical form of notice for such interested persons is publication of the proposed exemption in the **Federal Register**. However, the applicant states that it will provide notice to each of the plans that were contractholders in SAR during the period covered by the requested exemption. Such notice shall be made by first class mail within fifteen (15) days following the publication of the proposed exemption in the **Federal Register**. This notice shall include a copy of the notice of proposed exemption as published in the **Federal Register** and a supplemental statement (see 29 CFR 2570.43(b)(2)) which informs interested persons of their right to comment on and/or request a hearing with respect to the proposed exemption. Comments and requests for a public hearing are due within forty-five (45) days following the publication of the proposed exemption in the **Federal Register**.