

all response costs incurred or to be incurred by the United States in connection with the Site.

The Department of Justice will receive, for a period of thirty (30) days from the date of this publication, comments relating to the Consent Decree. Comments should be addressed to the Assistant Attorney General, Environment and Natural Resources Division, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611, and should refer to *United States v. Waste Management of Wisconsin, Inc.*, DOJ Ref. #90-11-2-07850.

The Consent Decree (including all its Appendices A through G) may be examined at the Office of the United States Attorney for the Western District of Wisconsin, Madison, Wisconsin, and at the Region 5 Office of the Environmental Protection Agency, 77 W. Jackson Blvd., Chicago, Illinois 60604. During the public comment period, the Consent Decree and all Appendices may also be examined on the following Department of Justice Web site: [www.usdoj.gov/enrd.open.html](http://www.usdoj.gov/enrd.open.html). A copy of the Consent Decree may also be obtained by mail from the Consent Decree Library, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611, or by faxing or e-mailing a request to Tonia Fleetwood, [tonia.fleetwood@usdoj.gov](mailto:tonia.fleetwood@usdoj.gov), Fax No. (202) 514-0097, phone confirmation number (202) 514-1547. Please enclose a check for \$20.25 for the Consent Decree text only, or for \$146.75 for the Consent Decree including all attachments (25 cents per page reproduction costs), payable to the U.S. Treasury.

**W. Benjamin Fisherow,**

*Deputy Section Chief, Environmental Enforcement Section, Environment and Natural Resources Division.*

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**DEPARTMENT OF LABOR**

**Employee Benefits Security Administration**

[Application No. D-10993, et al.]

**Proposed Exemptions; PAMCAH-UA Local 675 Pension Plan (Pension Plan) (Collectively the Plans)**

**AGENCY:** Employee Benefits Security Administration, Labor.

**ACTION:** Notice of proposed exemptions.

**SUMMARY:** This document contains notices of pendency before the

Department of Labor (the Department) of proposed exemptions from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (the Act) and/or the Internal Revenue Code of 1986 (the Code).

**Written Comments and Hearing Requests**

All interested persons are invited to submit written comments or requests for a hearing on the pending exemptions, unless otherwise stated in the Notice of Proposed Exemption, within 45 days from the date of publication of this **Federal Register** Notice. Comments and requests for a hearing should state: (1) The name, address, and telephone number of the person making the comment or request, and (2) the nature of the person's interest in the exemption and the manner in which the person would be adversely affected by the exemption. A request for a hearing must also state the issues to be addressed and include a general description of the evidence to be presented at the hearing.

**ADDRESSES:** All written comments and requests for a hearing (at least three copies) should be sent to the Employee Benefits Security Administration (EBSA), Office of Exemption Determinations, Room N-5649, U.S. Department of Labor, 200 Constitution Avenue, NW., Washington, DC 20210. Attention: Application No. \_\_\_\_, stated in each Notice of Proposed Exemption. Interested persons are also invited to submit comments and/or hearing requests to EBSA via e-mail or FAX. Any such comments or requests should be sent either by e-mail to: "[moffitt.betty@dol.gov](mailto:moffitt.betty@dol.gov)", or by FAX to (202) 219-0204 by the end of the scheduled comment period. The applications for exemption and the comments received will be available for public inspection in the Public Documents Room of the Employee Benefits Security Administration, U.S. Department of Labor, Room N-1513, 200 Constitution Avenue, NW., Washington, DC 20210.

**Notice to Interested Persons**

Notice of the proposed exemptions will be provided to all interested persons in the manner agreed upon by the applicant and the Department within 15 days of the date of publication in the **Federal Register**. Such notice shall include a copy of the notice of proposed exemption as published in the **Federal Register** and shall inform interested persons of their right to comment and to request a hearing (where appropriate).

**SUPPLEMENTARY INFORMATION:** The proposed exemptions were requested in applications filed pursuant to section 408(a) of the Act and/or section 4975(c)(2) of the Code, and in accordance with procedures set forth in 29 CFR part 2570, subpart B (55 FR 32836, 32847, August 10, 1990). Effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. App. 1 (1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested to the Secretary of Labor. Therefore, these notices of proposed exemption are issued solely by the Department.

The applications contain representations with regard to the proposed exemptions which are summarized below. Interested persons are referred to the applications on file with the Department for a complete statement of the facts and representations. PAMCAH-UA Local 675 Pension Plan (Pension Plan); PAMCAH-UA Local 675 Training Fund (Training Fund) (Collectively the Plans) Located in Honolulu, Hawaii [Exemption Application Nos. D-10993 & L-10994].

**Proposed Exemption**

The Department is considering granting an exemption under the authority of section 408(a) of the Act and section 4975(c)(2) of the Code and in accordance with the procedures set forth in 29 CFR part 2570, subpart B (55 FR 32836, August 10, 1990). If the exemption is granted, the restrictions of sections 406(a), 406(b)(1) and (b)(2) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (E) of the Code, shall not apply to: (1) The Training Fund's purchase (the Purchase) of an improved parcel of real property (the Property) located at 731 Kamehameha Highway, Pearl City, Hawaii from the Pension Plan; and (2) a loan (the Loan) from the Pension Plan to the Training Fund to finance the Purchase. This proposed exemption is subject to the following conditions:

(a) The fair market value of the Property is established by an independent, qualified, real estate appraiser that is unrelated to the Plans or any party in interest;

(b) The Training Fund pays no more, and the Pension Plan receives no less than the fair market value of the Property as determined at the time of the transaction;

(c) The Pension Plan will, on irreversible default of the Training Fund, reassume the ownership of the Property automatically without

requirement of a foreclosure and cancel the promissory note;

(d) Under the terms of the Loan, the Pension Plan in the event of default by the Training Fund has recourse only against the Property and not the against the general assets of the Training Fund;

(e) The terms and conditions of the Loan are not less favorable to the Plans than those obtained in arm's-length transactions with unrelated parties;

(f) The Plans will not pay any commissions or other expenses with respect to the transaction;

(g) The Bank of Hawaii (BOH), acting as an independent, qualified fiduciary for the Training Fund, has determined that the transactions are in the best interest of the Training Fund and its participants and beneficiaries;

(h) The First Hawaiian Bank (FHB), acting as an independent, qualified fiduciary for the Pension Plan, has determined that the transactions are in the best interest of the Pension Plan and its participants and beneficiaries; and

(i) FHB will monitor the terms and conditions of the Loan throughout the duration of the Loan and take whatever actions are necessary to protect the rights of the Pension Plan.

#### Summary of Facts and Representations

1. The Plans are jointly trustee Taft-Hartley style plans formed and maintained pursuant to section 302(c)(5) of the Labor Management Relations Act, as amended. The Plans are operated pursuant to a collective bargaining agreement by and between Local Union 675 of the United Association of Journeymen and Apprentice Plumbers and Pipefitters of the United States and Canada AFL-CIO (the Union) and various employers.

As of July 30, 2004, the Pension Plan had approximately 2,000 participants and total assets of \$346,501,758 and the Training Fund had approximately 1,030 participants and total assets of \$1,858,697. The participants of the Plans are engaged as plumbers, pipefitters, steam fitters, welders, air condition, refrigeration and fire sprinklers mechanics. The Union is headquartered in Honolulu, Hawaii, and collectively bargains on behalf of the employees it represents in the state of Hawaii.

2. The Plans are administered by an administrative office (Ad Office) located in Honolulu, Hawaii. The geographical jurisdiction of both Plans includes the state of Hawaii. The Ad Office is under the control of a committee comprised of an employer trustee and a union trustee (Ad Committee). The Ad Committee allocates the operating expenses of the Ad Office by a reasonable charge to the

various funds and programs utilizing its services, subject to the approval of the respective Plan for which administrative services are performed.

3. The Property consists of a 36,791 square foot land area with a metal frame warehouse building with four individual bay units that are adjacent to each other. Since September 1, 1991, the Training Fund has leased a 15,840 square foot unit of the warehouse owned by the Pension Plan. The Training Fund pays fair market value rent for the leased premises. However, because the trustees of the Plans are the same, the trustees were concerned about the leasing arrangement being a potential prohibited transaction under 406(b)(2) of the Act. The Training Fund applied for and received a prohibited transaction exemption from the Department (Prohibited Transaction Exemption (PTE)) 93-80 (58 FR 60216, November 15, 1993) for the leasing arrangement.

4. The Training Fund now seeks to purchase a fee simple interest in the Property that includes the portion currently being leased from the Pension Plan at fair market value.<sup>1</sup> The Pension Plan owns the Property in fee simple.

5. The Property was appraised by the real estate appraisal firm of Yamaguchi & Yamaguchi, Inc. (the Appraiser). In an appraisal report dated April 18, 2002, the Appraiser utilized the income approach to place the fair market value of the Property at \$2,500,000. On July 1, 2004, the Appraiser updated the appraisal report to reflect the Property as valued at \$2,590,000.

6. The Training Fund seeks to purchase the Property to have a rent-free training facility; while the Pension Plan wishes to sell the Property at fair market value and reinvest the proceeds in a potentially higher yielding investment. The Training Fund currently pays the Pension Plan \$16,292.83 per month in rent and monthly common area maintenance (CAM) for space it occupies on the Property. The Pension

<sup>1</sup> The Department notes that the Purchase of the Property involves a substantial percentage of Training Fund assets. The Department expresses no opinion herein concerning the application of section 404 of the Act to the amount of expenditure of Training Fund assets for the Purchase of the Property. In this regard, the Department notes that the fact that a transaction is the subject of an exemption under section 408(a) of the Act does not relieve fiduciaries or other parties in interest from the general fiduciary responsibility provisions of section 404 of the Act. Section 404(a)(1)(A) and (B) of the Act requires, among other things, that a fiduciary discharge his duties with respect to a plan solely in the interest of the plan's participants and beneficiaries and in a prudent fashion. Accordingly, it is the responsibility of the fiduciaries to ensure that the purchase of the Property is prudent, taking into account the costs and benefits associated with the ownership of the Property.

Fund rents a 4,200 sq. ft. unit to an unrelated third party for \$4,578 per month in rent (including CAM). Additional potential revenue may be realized from a 3,200 sq. ft. vacant unit located on the Property.

7. BOH, acting as independent fiduciary for the Training Fund, represents that under the terms of the Purchase, the Training Fund will make a 10% down payment of the purchase price to the Pension Plan and the balance will be financed by the Pension Plan pursuant to a purchase money mortgage at 7% simple interest, for a term of 30 years, with monthly payments estimated at \$14,969.31 or \$179,631.72 per annum. The mortgage payment will be approximately \$15,872.28 less per annum than the current rent paid by the Training Fund.

As the landlord, the Training Fund will be responsible for CAM on the vacant space, currently projected at \$384 per month or \$4,608 per annum. Therefore, it is projected that the Training Fund will save \$11,264.28 per annum from the current rent payments. In addition, the Training Fund will avoid increased rental rate increases. BOH, represents; (a) That an independent appraisal has determined a market value of the Property; (b) the Training Fund will secure a permanent home for training the plumbers and pipefitters; (c) the mortgage payments are estimated to be less than current rent payments resulting in lower out of pocket expense for the Training Fund and (d) there is a potential for increased income for the Training Fund when the vacant space is leased. Based upon the review of the information submitted to BOH, BOH represents that the Purchase of the Property and the Loan is in the best interest of the Training Fund.

The applicant represents that if the Property had no other tenants, the Training Fund would still be able to pay the debt service on its own, since it is paying less for the debt service than it is paying in rent. In addition, the common area maintenance expenses for the building are paid by the tenant under the requirements of the tenant lease, so there is an insignificant risk of repair and maintenance costs reducing the cash flow to an extent which would prevent the Training Fund from meeting its debt service requirements.

The Training Fund has been and is financially stable. The Labor Agreement (the Agreement) covers a 5 year period beginning January 5, 2003 and ending January 5, 2008. The Agreement has been in existence for approximately 40 years. The rate paid to the Training Fund has been relatively stable for many years and is scheduled to increase

incrementally over the 5-year term of the Agreement from \$1.20 to \$1.60 per hour, an average increase of 7% per year. The Agreement resulted in strengthening the Training Fund's ability to generate sufficient cash flow for debt service purposes. Net assets available for benefits have been increasing since the year 2000. As a practical matter, since the leaders of the plumbing and pipefitting industry are the trustees of the Plans in addition to being the employer's collective bargaining representatives, it is anticipated that the Training Fund has sufficient funding to meet its obligations by adjusting the contribution rate as needed.

8. FHB will serve as the independent fiduciary for the Pension Plan. FHB has determined the proposed interest rate for the Loan is at market. Additionally, the current cash flow and liquidity of the Training Fund are adequate to service a 30-year loan at a 7% interest rate. The loan documents supporting the Loan adequately secure the Pension Plan's lien position. Assuming the purchase price will be fair market value at the time of the transaction, FHB is of the opinion that the sale is prudent and beneficial to the Pension Plan. FHB will monitor the terms and conditions of the Loan throughout the duration of the Loan and take whatever actions are necessary to protect the rights of the Pension Plan.

9. If the Training Fund becomes unable to pay the debt service, the Pension Plan would either foreclose on the mortgage or negotiate a work out agreement with the Training Fund to pay the delinquency. FHB represents that the Pension Plan will, on irreversible delinquency of the Training Fund, reassume the ownership of the Property automatically without requirement of a foreclosure and cancel the promissory note. Notwithstanding the foregoing, the Pension Fund is entitled to all moneys owed up to the date of default.

10. In summary, the applicant states that the transactions have satisfied the statutory criteria of section 408(a) of the Act because: (a) The fair market value of the Property is established by an independent, qualified, real estate appraiser that is unrelated to the Plans or any party in interest; (b) the Training Fund pays no more, and the Pension Plan receives no less than the fair market value of the Property as determined at the time of the transaction; (c) the Pension Plan will, on irreversible default of the Training Fund, reassume the ownership of the Property automatically without requirement of a foreclosure and cancel

the promissory note; (d) under the terms of the Loan, the Pension Plan in the event of default by the Training Fund has recourse only against the Property and not against the general assets of the Training Fund; (e) the terms and conditions of the Loan are not less favorable to the Plans than those obtained in arm's-length transactions with unrelated parties; (f) the Plans will not pay any commissions or other expenses with respect to the transaction; (g) BOH, acting as an independent, qualified fiduciary for the Training Fund, has determined that the transactions are in the best interest of the Training Fund and its participants and beneficiaries; (h) FHB, acting as an independent, qualified fiduciary for the Pension Plan, has determined that the transactions are in the best interest of the Pension Plan and its participants and beneficiaries; and (i) FHB will monitor the terms and conditions of the Loan throughout the duration of the Loan and take whatever actions that are necessary to protect the rights of the Pension Plan.

**Notice to Interested Persons:** Notice of the proposed exemption shall be given to all interested persons in the manner agreed upon by the applicant and Department within 15 days of the date of publication in the **Federal Register**. Comments and requests for a hearing are due forty-five (45) days after publication of the notice in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Mr. Khalif I. Ford of the Department, telephone (202) 693-8540. (This is not a toll-free number.) R.G. Dailey Company, Inc. Defined Benefit Plan (the Plan) Located in Ann Arbor, Michigan [Application No. D-11212].

#### Proposed Exemption

The Department is considering granting an exemption under the authority of section 4975(c)(2) of the Code and in accordance with the procedures set forth in 29 CFR part 2570, subpart B (55 FR 32836, August 10, 1990). If the exemption is granted, the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (E) of the Code<sup>2</sup>, shall not apply to the in kind contributions made to the Plan on August 12, 1999, June 12, 2000, May 17, 2001, and March 21, 2002 by the Employer, a disqualified person with respect to the Plan, of certain

<sup>2</sup> Because Mr. Robert M. Dailey was the sole sponsor of R.G. Dailey Company, Inc. (the Employer) and the only participant in the Plan, there is no jurisdiction under Title I of the Employee Retirement Income Security Act of 1974 (the Act). However, there is jurisdiction under Title II of the Act pursuant to section 4975 of the Code.

publicly-traded securities (the Securities), provided: (a) Each contribution was a one-time transaction; (b) the Securities were valued at their fair market value as of the date of the contribution, as listed on a national securities exchange; (c) no commissions were paid in connection with the transactions; (d) the terms of the transactions between the Plan and the Employer were no less favorable to the Plan than terms negotiated at arm's length under similar circumstances between unrelated parties; and (e) Mr. Dailey, who was the only person affected by the transactions, believes that the transactions were in the best interest of the Plan.

**Effective Date:** If granted, this proposed exemption will be effective as of August 12, 1999, June 12, 2000, May 17, 2001, and March 21, 2002 for in kind contributions of Securities to the Plan occurring on these dates.

#### Summary of Facts and Representations

1. The Employer, which is no longer in existence, was a Michigan corporation located at 1523 Edinborough Road, Ann Arbor, Michigan. The Employer was a manufacturer's representative company. The firm represented companies which molded plastics and were engaged in metal stamping (primarily, but not exclusively) of automotive parts.

2. The Plan, which is also no longer in existence, was a defined benefit plan established by the Employer effective April 1, 1995. The Plan was always a sole participant plan. Mr. Robert M. Dailey, the President and sole shareholder of the Employer, was the trustee of the Plan as well as its only participant. On May 31, 2002, the Plan was terminated, after Mr. Dailey decided to dissolve the Employer. Also as of that date, the Plan had \$572,730 in aggregate assets.

3. In order to satisfy the Employer's contribution requirements to the Plan, Mr. Dailey, on behalf of the Employer, transferred certain publicly-traded securities to the Plan's trust account between August 12, 1999 and March 21, 2002. The Securities were issued by unrelated companies and held in the Employer's corporate account with Morgan Stanley. Specifically,

a. On August 12, 1999, the Employer contributed to the Plan 2,300 shares of stock issued by America Service Group, Inc. (ASGR) and 4,500 shares of Matria Healthcare, Inc. (MATR) stock. The ASGR stock is listed on the National Association of Securities Dealers Automatic Quotation System (NASDAQ). The MATR stock is also listed on the NASDAQ.

On the date of contribution, the ASGR stock had a fair market value of \$14 per share (or an aggregate fair market value of \$32,200)<sup>3</sup> and the MATR stock had a fair market value of \$5.94 per share (or a total fair market value of \$26,730). (Thus, the total amount of the contribution was \$58,930). At the time of the contribution, the Plan had total assets of \$201,065.

b. On June 12, 2000, the Employer contributed to the Plan 4,000 shares of stock issued by Input/Output, Inc. (IO), an additional 2,000 shares of ASGR stock, and 500 shares of Countrywide Credit Industries, Inc. (CFC) stock. The IO is listed on the New York Stock Exchange (NYSE). As noted above, the ASGR stock is listed on the NASDAQ. The CFC stock is listed on the NYSE.

On the date of contribution, the IO stock had a fair market value of \$7.25 per share (or an aggregate fair market value of \$29,000), the ASGR stock had a fair market value of \$16.00 per share (or an aggregate fair market value of \$32,000),<sup>4</sup> and the CFC stock had a fair market value of \$33.75 per share (or a total fair market value of \$16,875). (Thus, the total amount of the contribution was \$77,875). At the time of the contribution, the Plan had total assets of \$260,495, excluding the aforementioned contributed Securities.

c. On May 17, 2001, the Employer contributed to the Plan 2,000 shares of stock issued by Navigant Consulting, Inc. (NCI), an additional 1,000 shares of IO stock, and 8,000 shares of stock issued by Champion Enterprises, Inc. (CHB). The NCI is listed on the NYSE. As noted above, the IO stock is listed on the NYSE. The CHB stock is listed on the NYSE.

On the date of contribution, the NCI stock had a fair market value of \$7.00 per share (or an aggregate fair market value of \$14,000), the IO stock had a fair market value of \$12.55 per share (or an aggregate fair market value of \$12,550), and the CHB stock had a fair market value of \$10.96 per share (or a total fair market value of \$87,680). (Thus, the total amount of the contribution was \$114,230). At the time of the contribution, the Plan had total assets of \$316,432, excluding the aforementioned contributed Securities.

d. On March 21, 2002, the Employer contributed to the Plan 3,000 shares of stock issued by Fleetwood Enterprises, Inc. (FLE) and 800 shares of stock issued by Patterson UTI Energy, Inc. (PTEN). The FLE stock is listed on the NYSE.

The PTEN stock is listed on the NASDAQ.

On the date of contribution, the FLE stock had a fair market value of \$9.72 per share (or an aggregate fair market value of \$29,160) and the PTEN stock had a fair market value of \$27.30 per share (or a total fair market value of \$21,840). (Thus, the total amount of the contribution was \$51,000). At the time of the contribution, the Plan had total assets of \$337,669, excluding the aforementioned contributed Securities.

4. The Plan paid no fees or commissions in connection with the in kind contribution transactions, each of which was a one-time transaction. The Securities were valued at their closing prices, as listed on the applicable exchanges, on the date of each transaction. Accordingly, an administrative exemption is requested from the Department. If granted, the exemption would be effective on August 12, 1999, June 12, 2000, May 17, 2001 and March 21, 2002, which are the dates the Employer contributed the Securities to the Plan.

5. Mr. Dailey represents that he made the in kind contributions of the Securities in error. However, he indicates that he first consulted with his accountant, Mr. Philip R. Heller of Heller & Wetzler of Ypsilanti, Michigan, regarding the form of the contribution. Mr. Dailey states that he was advised by Mr. Heller that care would need to be taken to ensure that the Securities were appropriately valued and the Employer could recognize the capital gains accrued as of the date of the transfer. In the years thereafter, Mr. Dailey says he again caused the Employer to make in kind contributions of Securities to the Plan after consulting with Mr. Heller. Mr. Dailey asserts that at no time was he ever informed by Mr. Heller that the transactions were prohibited. Upon learning from his attorney that the in kind contributions were prohibited transactions, Mr. Dailey explains that he instructed his legal counsel to request an administrative exemption from the Department.

6. Mr. Heller explains that he first became aware of the in kind contribution transactions while performing year-end accounting services for the Employer. At that time, he states that he was not aware that such transactions were prohibited because his only concerns were that the transfers were properly treated as sales on the Employer's books, that gains or losses were properly recognized, and that the Employer's pension expense was properly valued. Mr. Heller indicates that he discussed these matters with Mr. Dailey.

Mr. Heller also states that while he was generally aware of the prohibited transaction rules of the Act and the Code, he never conceived that the transfers were prohibited because Mr. Dailey was the only employee of the Employer, the sole participant in the Plan, and the Plan Administrator. As Plan Administrator, Mr. Heller states that Mr. Dailey was highly-qualified to evaluate and select investments for the Plan. Mr. Heller further states that the only benefit derived by either the Employer or the Plan from the in kind contributions was the avoidance of transaction costs.

7. In summary, it is represented that the transactions have satisfied or will satisfy the statutory requirements for an exemption under section 4975(c)(2) of the Code because:

(a) Each contribution was a one-time transaction.

(b) The Securities were valued at their fair market value as of the date of the contribution as listed on a national securities exchange.

(c) No commissions were paid in connection with the transactions.

(d) The terms of the transactions between the Plan and the Employer were no less favorable to the Plan than terms negotiated at arm's length under similar circumstances between unrelated parties.

(e) Mr. Dailey, who was the only person affected by the transactions, believes that the transactions were in the best interest of the Plan.

#### Notice to Interested Persons

Because Mr. Dailey was the only participant in the Plan who was affected by the transactions, it has been determined that there is no need to distribute the notice of proposed exemption to interested persons. Therefore, comments and requests for a hearing are due 30 days after publication of the notice of pendency in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Mr. Arjumand A. Ansari of the Department at (202) 693-8566. (This is not a toll-free number.)

**Mutual Service Life Insurance Company (MSL), Located in Arden Hills, MN**

[Application No. D-11267]

#### Proposed Exemption

Based on the facts and representations set forth in the application, the Department is considering granting an exemption under the authority of section 408(a) of the Act (or ERISA) and section 4975(c)(2) of the Code and in accordance with the procedures set

<sup>3</sup> On the date of contribution, ASGR stock had a trading volume of 10,800 shares.

<sup>4</sup> On the date of contribution, ASGR stock had a trading volume of 21,00 shares.

forth in 29 CFR part 2570, subpart B (55 FR 32836, August 10, 1990).<sup>5</sup>

#### Section I. Covered Transaction

If the exemption is granted, the restrictions of section 406(a) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply, effective January 1, 2005, to the receipt of cash (Cash) or policy credits (Policy Credits) by any eligible member (Eligible Member), including an Eligible Member which is an employee benefit plan (within the meaning of section 3(3) of Act), an individual retirement annuity (within meaning of section 408(b) or 408(A) of the Code), or a tax sheltered annuity (within the meaning of section 403(b) of the Code)(each a Plan), including Plans sponsored by MSL for its employees (the MSL Plans), in exchange for the termination of such Eligible Member's membership interest in MSL, in accordance with the terms of a plan of conversion (the Plan of Conversion) adopted by MSL and implemented pursuant to Minnesota Statutes Section 60A.075 (2003).

#### Section II. General Conditions

This proposed exemption is subject to the following conditions:

(a) The Plan of Conversion was subject to approval, review and supervision by the Minnesota Commissioner of Commerce (the Commissioner) and was implemented in accordance with procedural and substantive safeguards that are imposed under the laws of the State of Minnesota.

(b) The Commissioner reviewed the terms of the options that were provided to Eligible Members of MSL as part of such Commissioner's review of the Plan of Conversion, and approved the Plan of Conversion following a determination that such Plan of Conversion was fair and equitable to all Eligible Members.

(c) Each Eligible Member had an opportunity to vote at a special meeting to approve the Plan of Conversion after full written disclosure was given to the Eligible Member by MSL.

(d) Any determination to receive Cash or Policy Credits by an Eligible Member, which was a Plan, pursuant to the terms of the Plan of Conversion, was made by one or more Plan fiduciaries that were independent of MSL and its affiliates, and neither MSL nor any of its affiliates exercised any discretion or provided investment advice, within the meaning

of 29 CFR 2510.3-21(c), with respect to such decisions.

(e) After each Eligible Member was allocated a fixed amount of consideration (Fixed Consideration) equivalent to approximately \$400, such Eligible Member also received a variable amount of consideration (Variable Consideration) for each policy owned by the Eligible Member on September 30, 2003 (the Record Date) (Variable Component Policy) to reflect the Eligible Member's estimated past and future contributions to surplus as determined by an actuarial formula (approved by the Commissioner) based on specific features of the policies owned by the Eligible Member on September 30, 2003 (the Actuarial Calculation Date).

(f) In the case of a MSL Plan, the independent Plan fiduciary (the Independent Fiduciary):

(1) Voted on whether to approve or not to approve the demutualization;

(2) Elected between consideration in the form of Cash or Policy Credits on behalf of such MSL Plans;

(3) Reviewed and approved MSL's allocation of Cash or Policy Credits received for the benefit of the participants and beneficiaries of the MSL Plans;

(4) Would provide the Department with a complete and detailed final report as it related to the MSL Plans prior to the granting of the exemption; and

(5) Would take all actions that were necessary and appropriate to safeguard the interests of the MSL Plans and their participants and beneficiaries.

(g) All Eligible Members that were Plans participated in the transaction on the same basis as all Eligible Members that were not Plans.

(h) No Eligible Member paid any brokerage commissions or fees in connection with the receipt of Policy Credits.

(i) All of MSL's policyholder obligations remained in force and were not affected by the Plan of Conversion.

(j) The terms of the transactions were at least as favorable to the Plans as an arm's length transaction with an unrelated party.

*Effective Date:* If granted, this proposed exemption will be effective as of January 1, 2005.

#### Section III. Definitions

For the purposes of this proposed exemption,

(a) The term "MSL" means Mutual Service Life Insurance Company and any affiliate of MSL, as defined below in Section III(b).

(b) An "affiliate" of a person includes:

(1) Any person directly or indirectly through one or more intermediaries,

controlling, controlled by, or under common control with MSL; and

(2) Any officer, director, or partner in any such person.

(c) The term "control" means the power to exercise a controlling influence over the management or policies of a person other than an individual.

(d) The term "Independent Fiduciary" means a fiduciary who is: (1) Independent of and unrelated to MSL and its affiliates, and (2) appointed to act on behalf of the MSL Plans with respect to the demutualization of MSL. For purposes of this proposed exemption, a fiduciary will not be deemed to be independent of and unrelated to MSL if: (1) Such fiduciary directly or indirectly controls, is controlled by or is under common control with MSL; (2) such fiduciary directly or indirectly receives any compensation or other consideration in connection with any transaction described in this proposed exemption, except that an Independent Fiduciary may receive compensation for acting as an Independent Fiduciary from MSL in connection with the transactions contemplated herein if the amount of payment of such compensation is not contingent upon or in any way affected by the Independent Fiduciary's ultimate decision; and (3) the annual gross revenue received by such fiduciary from MSL and its affiliates during any year of its engagement, does not exceed 5 percent (5%) of the Independent Fiduciary's annual gross revenue from all sources for its prior tax year.

(e) An "Eligible Member" means a person (an individual, corporation, joint venture, limited liability company, association, trust, trustee, unincorporated entity, organization or government or any department or agency thereof) who is an owner of a policy that is in force on the Record Date, *i.e.*, September 30, 2003.

(f) "Policy Credit" means consideration to be paid in the form of an increase in cash value, account value, dividend accumulations, face amount, extended term period or benefit payment, as appropriate, depending on the policy.

(g) "Effective Date" means the date of the demutualization, which occurred on January 1, 2005.

(h) "The Plan of Conversion" means the process by which MSL will convert from a mutual life insurance company to a stock life insurance company, and following consummation of the Stock Purchase Agreement, will thereafter continue its corporate existence without interruption as a wholly owned subsidiary of Country Life Insurance

<sup>5</sup> For purposes of this proposed exemption, references to provisions of Title I of the Act, unless otherwise specified, refer also to corresponding provisions of the Code.

Company (CLIC). MSL's conversion to a stock insurance company occurred on the Effective Date (*i.e.*, January 1, 2005) and was subject to the conditions contained in the Plan of Conversion.

### Summary of Facts and Representations

#### *MSL and Affiliated Entities*

1. MSL was formerly a mutual life insurance company organized under Chapter 300 and 60A of the Minnesota Statutes. It has been part of an affiliated group of companies (herein, the MSI Group)<sup>7</sup> since inception. MSL was incorporated in Minnesota in 1934, and since its incorporation, MSL has been closely affiliated with Mutual Service Casualty Insurance Company (MSCIC), a mutual insurance company formed in Minnesota in 1919. Later, MSL became affiliated with Mutual Service Cooperative (MSC), a service cooperative formed in Minnesota in 1941. The MSI Group arose during the farmer cooperative movement of the early twentieth century and both MSL and MSCIC were originally created to provide insurance for agricultural associations, cooperatives and individual farmers. The MSI Group was operated independently until it entered into certain alliances with the companies that comprise COUNTRY Insurance & Financial Services (herein, the Country Group).

As a mutual insurance company, MSL did not have capital stock but instead had members (Members) who were the owners of policies and contracts issued by MSL. A policyholder's membership interest in MSL included the right to vote in membership meetings and the right to participate in the distribution of MSL's surplus in the event of MSL's voluntary dissolution or liquidation.

2. MSL's core function in the MSI Group was to sell life insurance and annuity products, while the purpose of MSCIC was to sell property and casualty insurance. The two companies maintained a separate existence because life insurance companies may not lawfully sell property casualty insurance, and property and casualty insurance companies may not sell life insurance. MSC served as the link between the two companies. Through MSC, MSL and MSCIC shared common management, common board members,

and distributed products through the same captive agency system. Certain policyholder members of each of the mutual insurance companies became members of the MSC cooperative. Together, MSL, MSCIC, and MSC<sup>8</sup> (collectively, the MSI Group), developed strategic business plans and implemented such plans as an integrated organization. Many policyholders of MSL are also policyholders of MSCIC.

3. Between 1999 and later in 2002, the MSI Group entered into a series of agreements and relationships with CLIC, a stock life insurance company organized under the laws of Illinois, and CLIC's affiliates. These became known as the First and Second Alliances. Under these agreements, CLIC agreed to provide MSL with various administrative services, reinsurance, and surplus contributions in exchange for notes. Among other things, the agreements required MSL to issue a Surplus Note and Guaranty Fund Certificate to CLIC in the aggregate amount of \$5,000,000. Under the terms of the Guaranty Fund Certificate and as required by Minnesota Law, CLIC was given control of a majority of the Board of Directors of MSL.

#### *Background Leading to the First Alliance*

4. During the late 1990s, property and casualty losses for MSCIC exceeded projections, leading to a decrease in available surplus at MSCIC. Given the decrease in available surplus at MSCIC, the MSI Group considered its options to strengthen MSCIC's financial position, and led ultimately to the negotiations of an alliance with the Country Group.

5. The Country Group consists of a number of companies engaged in financial and insurance services. The ultimate controlling entity of the Country Group is the Illinois Agricultural Association, located in Bloomington, Illinois, a not-for-profit agricultural membership organization,

<sup>8</sup> MSC historically served as fiscal agent for both mutual companies, MSCIC and MSL, such that neither company had any employees of its own. All MSI Group employees were employees of MSC and MSC employees conducted the day-to-day operations of the insurance companies pursuant to a management contract. MSC also controlled governance of the companies through its appointment as attorney in fact for policyholders. Applicants for policies with MSL and MSCIC were asked, as part of their application, to name the board of directors of MSC as attorney in fact for the purpose of appointing proxies to vote at annual meetings of both companies. Each year the MSC board of directors would designate a representative to vote proxies at the annual meetings of MSL and MSCIC and would thereby create a unified board of directors for the two insurance companies. MSC has also served as general agency for both, MSL and MSCIC.

more commonly known as the "Illinois Farm Bureau." One of the companies within the Country Group is CLIC. More than 98% of CLIC's voting securities are indirectly owned (through a subsidiary) by the Illinois Agricultural Association. The MSI Group and the Country Group had similar histories, philosophies and agribusiness market focus and were well known to each other. On November 30, 1999, the MSI Group and the Country Group signed the First Alliance Agreements. The Country Group agreed to infuse cash of \$5 million into MSL and \$17 million into MSCIC in the form of surplus notes, and the MSI Group agreed to make its captive agency distribution system available to the Country Group. There were no changes in the governance structure or management team of the MSI Group. The First Alliance became effective in June 2000.

Because CLIC was perceived by the MSI Group sales force as having life insurance and annuity products superior to those offered by MSL, and because it would have been extremely expensive for MSL to develop comparable products, the MSL Board of Directors concluded, as a part of the First Alliance, that it would no longer sell MSL insurance products in any state in which CLIC products could be offered. At the same time, CLIC agreed to reinsure to MSL 40% of the risks arising from the sale of CLIC products through the MSI Group distribution system. This reinsurance arrangement allowed MSL to share in 40% of the profits and losses for those products.

Also as part of the First Alliance, a new entity, MSI Preferred Services, Inc. (MSI Preferred), was formed. MSI Preferred is owned 60% by the Country Group's primary property casualty insurer, Country Mutual Insurance Company, and 40% by MSCIC. MSI Preferred serves as general agent for the MSI Group to conduct captive agency sales, including sales on behalf of MSL. In accordance with the First Alliance, MSC assigned all agency contracts and appointments to MSI Preferred.

#### *Background Leading to the Second Alliance*

6. The MSI Group continued to incur financial losses after the First Alliance became effective. In January 2001, the A.M. Best Company advised the MSI Group management that MSCIC's rating was in danger of being reduced from "B++" to "B+" based upon year-end surplus projections. The boards of directors of the MSI Group companies concluded that this rating downgrade might force the MSI Group to exit the property and casualty insurance

<sup>7</sup> The MSI Group, as of 1999, prior to entering into the alliances described herein, formerly consisted of two mutual insurance companies (Mutual Service Life Insurance Company and MSCIC), two stock insurance companies (MSI Insurance Company and Modern Service Insurance Company), MSC, Cornwall and Stevens (a specialty agribusiness insurance broker), Pension Solutions, Inc. (PSI) (an organization that administered pension plans); and the MSI Insurance Foundation.

marketplace. The Country Group expressed willingness to infuse additional surplus into the MSI Group, but only on the condition that the Country Group obtain management and board control of all MSI Group companies, including MSL.

After careful consideration of its strategic alternatives, including the possible sale of MSL, the boards of directors of each of the MSI Group companies agreed to the Country Group's control-related conditions. A restructuring of the First Alliance was signed on July 26, 2001. The restructuring and change of control of MSL was approved by the policyholder members of MSL in a special meeting of the members held on October 23, 2001, and was approved by the Minnesota Department of Commerce on November 2, 2001. This series of inter-related agreements became known as the Second Alliance, which became effective November 15, 2001.

7. Under the Second Alliance, the \$5 million surplus note that CLIC received from MSL under the First Alliance Agreement was restructured into a \$4.5 million surplus note and guaranty fund certificate of \$500,000. As permitted by Minnesota law, the guaranty fund certificates permitted CLIC to elect a majority of the MSL Board of Directors. (CLIC currently appoints four of MSL's directors and MSC appoints the remaining three.)<sup>9</sup>

As part of the Second Alliance, the Country Group was also given the future right to acquire the employees and certain assets of MSC. The Country Group exercised these rights on September 1, 2002 pursuant to an Assignment and Assumption Agreement and Bill of Sale. Under this agreement, MSC transferred all rights and interests in its relationships with MSI Group employees, including sponsorship of all employee benefit plans, to MSI Preferred.<sup>10</sup>

Also as part of the Second Alliance, MSL entered into a series of new service and expense allocation agreements with CLIC and the Country Group affiliates. MSL entered into management and expense agreements with MSI Preferred under which MSL and MSCIC continued to share services of MSI Group employees. MSL also entered into agreements with CLIC and Country Trust Bank through which those entities

provide various financial, investment advisory, marketing, information, trustee, and operational services.<sup>11</sup>

#### *Background to the Sponsored Demutualization*

8. After reviewing MSL's strategic alternatives<sup>12</sup> throughout 2003, the MSL Board of Directors (the MSL Board) ultimately concluded that a sponsored demutualization<sup>13</sup> represented the best course of action for MSL's Members. There were two primary considerations in the MSL Board's analysis. First, because MSL was not writing any significant number of new policies, no new Members were being added. Since the number new MSL Members would only decrease over time as policies were paid or lapsed, the MSL Board concluded that a demutualization would potentially benefit a larger number of Members than would be the case in the future. Second, CLIC expressed an interest in purchasing, which action was thought to be a logical extension of the prior affiliation, with the benefit to CLIC being a simplified structure and governance.

Therefore, the MSL Board believed a sponsored demutualization would be an extension of the First Alliance and the Second Alliance between the MSI Group and the Country Group. Given that the MSI Group entities were already controlled by the Country Group, and given the increased integration between the two groups, the MSL Board believed it would be a logical progression for CLIC to consider the purchase and ownership of MSL.

<sup>11</sup> MSL experienced three significant developments related to its business operations after the Second Alliance became effective. First, the pension business conducted by a subsidiary of MSL, PSL, was discontinued due to a lack of profitability and its assets were sold to an unrelated party on June 2, 2003. Second, the number of states in which the MSI Group agency force sold MSL products dwindled as CLIC received approval to sell insurance in an increasing number of states. Third, effective January 1, 2003, MSL and CLIC entered into a reinsurance agreement whereby the MSL transferred 90% of its risk on both in force and new business to CLIC on a modified coinsurance basis.

<sup>12</sup> MSL represents that the strategic alternatives considered by the MSL Board included: (a) The sale of MSL to an unrelated entity, (b) the merger or consolidation of MSL with other mutual insurance companies, (c) a possible liquidation under the provisions of Minnesota law, (d) a sponsored demutualization (with Country purchasing the stock of MSL at fair value), or (e) maintaining the status quo.

<sup>13</sup> A sponsored demutualization occurs when a mutual insurance company is converted to a stock company and then the stock is immediately sold to a third party. The conversion of MSL is considered a sponsored demutualization with the sponsor being CLIC. Under the Plan of Conversion, which was approved by the Commissioner on December 21, 2004, CLIC purchased all of the voting stock MSL and became its sole shareholder as of January 1, 2005.

9. On August 28, 2003, the MSL Board decided to pursue the possibility of a sponsored demutualization with CLIC. Because the MSL Board was controlled by CLIC pursuant to the Second Alliance, the MSL Board appointed a Special Committee of Independent Members of the Board of Directors (the Special Committee) to represent the interests of MSL policyholders. The Special Committee was comprised of the three MSL directors who previously had been appointed by policyholder action and who had not been appointed by CLIC. Prior to CLIC obtaining control of the MSL Board, none of these three individuals had any prior relationship with the Country Group.

10. The Special Committee was asked to review, consider, and negotiate a possible transaction with CLIC. Because the Minnesota Conversion Act (the Conversion Act) requires the full board of directors of a converting mutual insurance company to adopt a plan of conversion, the Special Committee was required to recommend (either favorably or unfavorably) such a transaction to the MSL Board following completion of the Special Committee's work. Once established, the Special Committee retained its own expert actuarial, financial and legal advisors to assist it in its review of the proposed sponsored demutualization.

The Special Committee concluded that it was appropriate for MSL to undertake a sponsored demutualization whereby MSL would convert from a mutual life insurance company into a stock life insurance company (the Conversion), and immediately following the Conversion, would issue its entire capital stock to the sponsor of the demutualization, CLIC, in accordance with the provisions of a Plan of Conversion and Section 60A.075<sup>14</sup> of the Minnesota Statutes.

11. As an insurance company, MSL provides a variety of insurance products to ERISA-covered employee benefit plans and to other plans described under the Code. MSL has marketed its products to employee benefit plans, and had, as of December 31, 2003, 430 in force policies and contracts held on behalf of employee pension and profit sharing plans (including Code Section 401(k) plans) and 10 contracts providing welfare benefit plan coverage such as group life, short and long term disability, accidental death and dismemberment, and group health coverage.

<sup>14</sup> Section 60A.075 of the Conversion Act sets forth procedural and substantive requirements to ensure that the Conversion will be fair and equitable to MSL Members.

<sup>9</sup> MSC has assigned its power of attorney to elect board members on behalf of policyholders to the respective boards of the insurance companies.

<sup>10</sup> The assignment and assumption agreement was actually between MSC and "MSI Subsidiary"; MSI Subsidiary, in turn, was merged into MSI Preferred in a simultaneous transaction dated September 1, 2002.

Although a wholly owned subsidiary of MSL, PSI, formerly provided certain administrative services and record-keeping services to many of these pension and profit sharing plans. On April 15, 2003 the assets of PSI, including all customer contracts, were

sold to Alerus Financial, National Association, an unrelated party. Thus, neither MSL nor any affiliated company currently remains in the business of ERISA plan administration.

12. In its capacity as a business, MSL does not have any employees. Instead,

all employees of the MSI Group are employees of MSI Preferred. As of September 30, 2003, MSI Preferred sponsored the following MSL Plans that will qualify as Eligible Members under the Plan of Conversion:

Plan name	Plan type	Participant totals	Asset totals	Expected consideration
MSI Employees Capital Accumulation Plan and Trust.	Defined Contribution with CODA .....	542 (7/4/04)	\$33,368,551 (7/4/04)	\$400
MSI Employees Defined Contribution Retirement Plan.	Defined Contribution .....	526 (7/4/04)	29,004,089 (7/4/04)	400
MSI Employees' Life Insurance Plan .....	Life Insurance Welfare Benefit Plan .....	364 (7/4/04)	0	326,979.53
Mutual Service Agent's Group Insurance Plan (Terminated 12/31/03).	Life Insurance Welfare Benefit Plan .....	73 (12/31/03)	0	275,880.67

13. MSL believes that it has never directly provided plan administration services to Plan policyholders and that none of its affiliates currently provides such services to Plan policyholders. However, MSL cannot rule out the possibility that it has provided some services to one or more Plan policyholders. Accordingly, while MSL believes that it is not a party in interest with respect to any such Plans under section 3(14)(A) and (B) of the Act or the related "derivative" provisions of section 3(14) of the Act, it cannot rule out the possibility that such a party in interest relationship may be found to exist. MSL notes that on the Record Date, PSI sponsored four employee benefit plans that utilized, at least in part, MSL policies. Therefore, MSL is seeking an exemption in order to avoid the occurrence of inadvertent prohibited transactions in connection with the implementation of the Plan of Conversion. If granted, the proposed exemption would cover the receipt of Cash or Policy Credits by all Eligible Members that are Plans, in exchange for such Plan's existing membership interests and rights in MSL's surplus.

The proposed exemption has been made retroactive to January 1, 2005, the Effective Date of the demutualization. It includes a requirement that distributions to Plans pursuant to the exemption were on terms no less favorable to the Plans than an arm's length transaction between unrelated parties. In this regard, Eligible Members that are Plans to which MSL is a party in interest were not treated differently from any other Eligible Member, except that some Eligible Members which were Plans, were entitled to receive Policy Credits rather than Cash.

#### *The MSL Demutualization*

14. Pursuant to Chapters 300 and 60A of the Minnesota Statutes, MSL converted to a stock company. In the event of such a demutualization, Eligible Members were entitled to receive consideration in the form of stock, cash, or such other consideration permitted under Minnesota Statutes and approved by the Commissioner.

Also, in accordance with the Plan of Conversion, MSL converted from a mutual life insurance company to a stock life insurance company and thereafter is continuing its corporate existence without interruption as a wholly owned subsidiary of CLIC. The corporate existence of MSL is a continuation of MSL's corporate existence without interruption from its original date of incorporation, and all of MSL's rights, privileges, powers, permits and licenses and all of its duties, liabilities and obligations will remain as they were immediately prior to the Conversion and continue unaffected by the Conversion, except that all membership interests have been extinguished.

15. In addition, all MSL policies in force on the Effective Date of the Conversion will remain in force under the terms of those policies, except that any voting rights of the members provided for under the terms of those policies were extinguished on such Effective Date. All other instruments in force at Conversion and not considered policies such as certificates of coverage will likewise continue in full force and effect and all contract rights under those instruments will remain as they existed prior to Conversion.

Because all membership interests by Eligible Members of MSL have been extinguished, as soon as reasonably practicable following Conversion (but in any event no more than 75 days

following the Effective Date unless an extension of time is approved by the Commissioner), MSL is required to (a) issue Policy Credits to Eligible Members that are entitled to receive Policy Credits and deliver a policy statement to each of those Eligible Members confirming the effect of the Policy Credits on the policy's value or benefits; and (b) distribute Cash, by check, net of any applicable withholding tax, to Eligible Members that are to receive Cash consideration pursuant to the proposed Plan of Conversion.<sup>15</sup>

16. Immediately following the Conversion, in consideration of CLIC's payment of the purchase price, MSL issued and delivered two million shares of its Class A Common Stock to CLIC, representing all of MSL's voting stock then issued and outstanding, all in accordance with the terms and subject to the conditions contained in the Stock Purchase Agreement between MSL and

<sup>15</sup> "The proceeds of the demutualization will belong to the Plan if they would be deemed to be owned by the Plan under ordinary notions of property rights. See ERISA Advisory Opinion 92-02A, January 17, 1992 (assets of plan generally are to be identified on the basis of ordinary notions of property rights under non-ERISA law). It is the view of the Department that, in the case of an employee welfare benefit plan with respect to which participants pay a portion of the premiums, the appropriate plan fiduciary must treat as plan assets the portion of the demutualization proceeds attributable to participant contributions. In determining what portion of the proceeds are attributable to participant contributions, the plan fiduciary should give appropriate consideration to those facts and circumstances that the fiduciary knows or should know are relevant to the determination, including the documents and instruments governing the plan and the proportion of total participant contributions to the total premiums paid over an appropriate time period. In the case of an employee pension benefit plan, or where any type of plan or trust is the policyholder, or where the policy is paid for out of trust assets, it is the view of the Department that all of the proceeds received by the policyholder in connection with a demutualization would constitute plan assets." See ERISA Advisory Opinion 2001-02A, February 15, 2001.



CLIC. The closing date, as described in the Stock Purchase Agreement, was the Effective Date of the Conversion as agreed upon by MSL and CLIC subject to the Commissioner's approval.

17. The MSL Board believed the Conversion would serve the best interests of MSL and its policyholders by (a) making MSL a member of the Country Group; (b) enabling MSL to benefit from efficiencies derived from direct ownership by CLIC and being a member of the Country Group; (c) allowing for distribution of the embedded value of MSL to policyholders in the form of Cash or Policy Credits, as described in the proposed Plan of Conversion; and (d) distributing MSL's value to policyholders in an equitable manner and at an appropriate time prior to significant runoff of policies following discontinuation of the sale of new business.

#### *Procedural Requirements Under Minnesota Law for Demutualization*

18. Section 60A.075 of the Conversion Act sets forth procedural and substantive requirements to ensure that the Conversion would be fair and equitable to MSL policyholders. The Conversion Act generally provides that a mutual life insurance company may become a stock life insurance company under a Plan of Conversion established and approved in the manner provided by the Conversion Act. The Commissioner is required to approve the fairness and equity of a Plan of Conversion with respect to policy-owners of a company undergoing demutualization. More specifically, Section 4(e) of the Conversion Act requires that the Commissioner review the Plan of Conversion to determine whether it complies with all provisions of law and is fair and equitable to the mutual company and its policy owners. Additionally, the Commissioner may order a hearing on the fairness and equity of the terms of the Plan of Conversion. Eligible Members and other interested persons would have a right to appear at the hearing.

Section 5(d)(1) of the Conversion Act requires that the Plan of Conversion be approved by majority of the Eligible Members of the mutual company who vote on it. The statute requires that notice be given to the Eligible Members and permits voting by ballot, in person, or by proxy. The notice of meeting and election must contain a copy of the Plan of Conversion or a summary of such Plan.<sup>16</sup>

<sup>16</sup> The Conversion Act defines the class of policyholders entitled to receive notice and to vote

Section 13 of the Conversion Act provides that, after the Plan of Conversion has been approved by the Commissioner and the policyholders, the reorganized company will be a continuation of the mutual company and that the conversion will not annul or modify any of the mutual company's existing suits, contracts, or liabilities except as provided in the Plan of Conversion. Furthermore, all rights, franchises, and interests of the mutual company in and to property, assets, and other interests will be transferred to and vest in the reorganized company, and the reorganized company will assume all obligations and liabilities of the mutual company. However, the policyholder membership rights will be extinguished.

Consistent with these requirements, the Plan of Conversion generally provided for MSL to file an application with the Commissioner to reorganize as a stock company. MSL also requested that the Commissioner hold a public hearing on the fairness and equity of the terms of the Plan of Conversion.

The Plan of Conversion provided for Eligible Members to be able to comment on such Plan at the hearing, for the Eligible Members to vote on the Plan of Conversion at a Members' meeting and for MSL to provide notice to its Eligible Members of both the public hearing and the Members' meeting. A final order by the Commissioner to approve an application pursuant to the Conversion Act was subject to the administrative appeal procedures, as described in Minnesota Statute sections 14.63 to 14.68.

As far as the timing of MSL's Conversion was concerned, on September 13, 2004, the MSL Board adopted the Plan of Conversion and submitted it to the Commissioner. On November 23, 2004, the Commissioner scheduled a public hearing. On November 24, 2004, a special meeting of Eligible Members entitled to vote on the Plan of Conversion occurred. On December 21, 2004, the Commissioner approved the Plan of Conversion, and the effective date of the demutualization was January 1, 2005.<sup>17</sup>

on the Plan of Conversion, Eligible Members, as generally including policyholders whose policies or contracts are in force on the Record Date, which is the date of adoption of the Plan of Conversion or another date as approved by the Commissioner. (MSL had requested and received approval from the Commissioner for a Record Date of September 30, 2003.)

<sup>17</sup> Presently, the proceeds from the demutualization are being held in an interest-bearing escrow account with Wells Fargo, an unrelated party with respect to MSL, for the benefit of Plans that are Eligible Members. The proceeds will be distributed to such Plans once the

#### *Distributions to Eligible Members*

19. As noted above, the consideration given to Eligible Members in exchange for extinguishing their Membership Interests was MSL's Distributable Net Worth, such consideration was paid in the form of Cash or Policy Credits. For this purpose, an Eligible Member generally was the owner of one or more policies in force on the Record Date. The amount of consideration received by each Eligible Member, whether in the form of Cash or Policy Credits, was comprised of a fixed component and, under some circumstances, a variable component.

Each Eligible Member received Fixed Consideration. In addition, an Eligible Member could also receive Variable Consideration for each policy owned by such Eligible Member on the Record Date (*i.e.*, the Variable Component Policy) to reflect the Eligible Member's estimated past and future contributions to surplus, as determined by an actuarial formula based on specific features of the policies owned by the Eligible Member on the Actuarial Calculation Date (which under the Plan of Conversion was set at September 30, 2003). The total amount of Cash or Policy Credits distributed as Variable Consideration (the Aggregate Variable Component) was allocated to Eligible Members with respect to their Variable Component Policies as follows: (a) The Aggregate Variable Component allocation was made by multiplying each Eligible Member's Actuarial Contribution by the ratio of the Aggregate Variable Component to the sum of all Actuarial Contributions of all policies; (b) then, MSL made reasonable determinations of the dollar amount of Actuarial Contribution, which was zero or a positive number, for each Variable Component Policy, according to the principles and methodologies set forth in detail in the Actuarial Contribution Memorandum attachment to the proposed Plan of Conversion; and (c) each Actuarial Contribution was determined on the basis of MSL's records as of the Actuarial Calculation Date without regard to any changes in the status of, or premiums in excess of those required on the policies that occur subsequent to the Actuarial Calculation Date.

20. Eligible Members received consideration in the form of Cash, except that certain Eligible Members received consideration in the form of Policy Credits, and not Cash, to the extent consideration was allocable to the Eligible Member based on

Department grants MSL's pending exemption request.

ownership of a policy of the following types: (a) A policy that was an individual retirement annuity contract within the meaning of section 408(b) or 408A of the Code or a tax sheltered annuity contract within the meaning of section 403(b) of the Code; (b) a policy that was an individual annuity contract issued directly to the Plan participant pursuant to a Plan qualified under section 401(a) or 403(a) of the Code; or (c) a policy that was an individual life insurance policy issued directly to the Plan participant pursuant to a plan qualified under section 401(a) or 403(a) of the Code.

All Eligible Members that owned the types of policies described in (a), (b), or (c) above, and all Eligible Members that were Plans that held group policies issued by MSL participated in the demutualization transaction on the same basis and within their class groupings as other Eligible Members that were not Plans.

21. If any policy had matured by death or otherwise been surrendered or terminated prior to the date on which the Policy Credits would have been credited, Cash in the amount of the Policy Credits was paid in lieu of the Policy Credits to the person to whom the surrender value or other payment at termination was made under the policy or to the estate of the person if the policy matured by death.

In the event that more than one person constituted a single owner of a policy, consideration was distributed jointly to such persons. If an Eligible Member who was an owner of more than one policy was entitled to receive consideration both in the form of Policy Credits and in the form of Cash, the Fixed Consideration was payable only with respect to one of the policies for which such Eligible Member was entitled to receive cash. In the event an Eligible Member was the owner of two or more policies, all of which would be credited Policy Credits, then the Fixed Consideration was payable only with respect to the policy with the earliest issue date.

Payment of Cash was made by check, net of any applicable withholding tax. If the Policy Credit was applicable to a policy in the course of annuity payments, the Policy Credit was added to the next practicable benefit payment. If the Policy Credit was in the form of additional insurance or dividends with interest, as appropriate, under a policy that was a life insurance policy, the amount of the Policy Credit was determined by applying the amount of consideration in a manner that was consistent with the application of dividends towards additional insurance

or dividends with interest, as appropriate.

22. Decisions on voting whether to approve the Plan of Conversion and on making an election as to the form of consideration received or as to any matter in connection with such Plan was made by one or more Plan fiduciaries which were independent of MSL. In this regard, the Chairman of the Board of Directors of MSI Preferred appointed a fiduciary committee for the MSI Employees, Life Insurance Plan and the Mutual Service Agent's Group Insurance Plan (together, the MSL Welfare Plans) to exercise such Plans' rights in connection with the Conversion.<sup>18</sup> The committees for the MSL Welfare Plans and the Administrative Committees for the MSL Pension Plans have each retained Consulting Fiduciaries, Inc. (CFI) to act as Independent Fiduciary for all four of the MSL Plans in connection with the implementation of the Plan of Conversion. CFI exercised full and exclusive discretionary authority on behalf of each of the MSL Plans to vote for or against the implementation of the Plan of Conversion. Neither MSL nor its affiliates exercised discretion or provided "investment advice," within the meaning of 29 CFR 2510.3-21(c), with respect to any determination by the Independent Fiduciary to vote for or against the Plan of Conversion.

CFI represents that it was qualified to act as an independent fiduciary in connection with the transaction. CFI states that it is an Illinois corporation which has been providing independent fiduciary services exclusively for over ten years. CFI explains that it has previously served as an independent fiduciary to plans with respect to an earlier demutualization process for an unrelated insurance company. CFI explains that it is independent of MSL and MSI and has no business, ownership or control relationship, nor is it otherwise affiliated with either MSI or MSL. CFI also states that it derives less than 3% of its annual income from MSI and that it receives no income from MSL.

CFI explains that it was retained to consider, on behalf of the MSL Plans, whether to approve the transaction and how the Plans should vote their interest at the Special Meeting of Members of MSL which occurred on November 24, 2004. Additionally, CFI states that it

<sup>18</sup> The members of the committee for the MSI Welfare Plans were the same three individuals who comprised the membership of the Administrative Committees for the MSI Employees Capital Accumulation Plan and the MSI Employees Defined Contribution Retirement Plan (together, the MSL Pension Plans).

reviewed with MSI the various issues related to the allocation among eligible participants of any Cash proceeds received by the MSL Plans. In a letter to the Department dated October 29, 2004, CFI describes the process it had undertaken to determine whether the demutualization was fair and in the interests of the MSL Plans and their participants and beneficiaries.

CFI represents that the transaction would provide that the consideration to be paid to Eligible Members would be in the form of Cash, except for certain Eligible Members whose policies had a tax-favored status that could be jeopardized by the receipt of Cash, in which case, they would receive Policy Credits. CFI notes that Eligible Members would not be given a choice of whether to receive Cash or Policy Credits, and in no event, would Eligible Members receive shares of MSL stock. CFI further notes that the consideration that would be paid to Eligible Members would consist of a fixed component and a variable component. According to CFI, the fixed component would be determined by the Board of Directors of MSL and would be paid to Eligible Members for giving up their membership interest and their voting rights. The variable component would be paid to certain Eligible Members based on a formula taking into account the estimated past and future contributions by such Eligible Members, to MSL's surplus.

23. CFI states that Willamette Management Associates of Arlington, VA (Willamette) was retained on behalf of the MSL Plans to review the financial consideration being offered to Eligible Members by MSL and to render a financial fairness opinion with respect to the effect of the transaction on the Plans. CFI explains that Willamette reviewed and issued an opinion prior to CFI's submitting the vote on behalf of the Plans. Pending Willamette's review and opinion, CFI states that it preliminarily reviewed various documents related to the transaction including, but not limited to, the following: (a) The Plan of Conversion; (b) the Notice of Special Meeting of Members; (c) the Notice of Public Hearing Before the Commissioner; (d) a Summary of the MSL Conversion; (e) financial information of MSL; (f) the exemption request; and (g) legal, actuarial and financial opinions regarding MSL's Conversion.

24. In addition to the documents reviewed, CFI states that it had discussions with various officers of MSI and with certain of the advisers to MSI and MSL regarding the history of the companies, the current situation, the

prospects for the future and the events leading to the consideration and structuring of the transaction. CFI represents that it preliminarily concluded that the transaction was structured in a manner similar to other prior demutualizations. In this regard, CFI explains that the transaction was also subject to the approval of the Commissioner.

Furthermore, CFI states that it preliminarily determined that the concept of the transaction was fair and in the interest of the Plans and their participants and beneficiaries. Based on Willamette's favorable financial fairness opinion, CFI stated that it voted in favor of the transaction on November 24, 2004. Following the completion of the vote, CFI engaged in discussions with MSI regarding the issues related to the allocation of consideration among the eligible participants in the MSL Plans.

CFI states that as an Independent Fiduciary it (a) voted on whether to approve or not to approve the demutualization; (b) elected between consideration in the form of Cash or Policy Credits on behalf of such Plans; (c) reviewed and approved MSL's allocation of Cash or Policy Credits received for the benefit of the participants and beneficiaries of the MSL Plans; (d) would provide the Department with a complete and detailed final report as it relates to the MSL Plans prior to the granting of the exemption; and (e) would take all actions that were necessary and appropriate to safeguard the interests of the MSL Plans and their participants and beneficiaries.

25. In summary, it is represented that the transaction satisfied or will satisfy the statutory criteria for an exemption under section 408(a) of the Act because:

(a) The Plan of Conversion was subject to approval, review and supervision by the Commissioner and was implemented in accordance with procedural and substantive safeguards that are imposed under the laws of the State of Minnesota.

(b) The Commissioner reviewed the terms of the options that were provided to Eligible Members of MSL as part of such Commissioner's review of the Plan of Conversion, and approved the Plan of Conversion following a determination that such Plan of Conversion was fair and equitable to all Eligible Members (including Eligible Members that were Plans).

(c) Each Eligible Member had an opportunity to vote at a special meeting to approve the Plan of Conversion after full written disclosure was given to the Eligible Member by MSL.

(d) Any determination to receive Cash or Policy Credits by an Eligible Member which was a Plan, pursuant to the terms of the Plan of Conversion, was made by one or more Plan fiduciaries that were independent of MSL; and neither MSL nor its affiliates exercises any discretion or provides investment advice, with the meaning of 29 CFR 2510.3-21(c), with respect to such decisions.

(e) After each Eligible Member was allocated an amount of Fixed Consideration equivalent to approximately \$400, such Eligible Member was considered to receive an amount of Variable Consideration for each policy owned by the Eligible Member on the Record Date to reflect the Eligible Member's estimated past and future contributions to surplus, as determined by an actuarial formula (approved by the Commissioner) based on specific features of the policies owned by the Eligible Member on the Actuarial Calculation Date.

(f) In the case of a MSL Plan, the Independent Fiduciary:

(1) Voted on whether to approve or not to approve the demutualization;

(2) Elected between consideration in the form of Cash or Policy Credits on behalf of such MSL Plans;

(3) Reviewed and approved MSL's allocation of Cash or Policy Credits received for the benefit of the participants and beneficiaries of the MSL Plans;

(4) Will provide the Department with a complete and detailed final report as it related to the MSL Plans prior to the granting of the exemption; and

(5) Took or will take all actions that were necessary and appropriate to safeguard the interests of the MSL Plans and their participants and beneficiaries.

(g) All Eligible Members that were Plans participated in the transaction on the same basis as all Eligible Members that were not Plans.

(h) No Eligible Member paid any brokerage commissions or fees in connection with the receipt of Policy Credits.

(i) All of MSL's policyholder obligations remained in force and were not affected by the Plan of Conversion.

(j) The terms of the transactions were at least as favorable to the Plans as an arm's length transaction with an unrelated party.

#### Notice to Interested Persons

Notice of the proposed exemption will be given to interested persons within 14 days of the publication of the notice of pendency in the **Federal Register**. The notice will include a copy of the notice of proposed exemption, as published in the **Federal Register**, as

well as a supplemental statement, as required pursuant to 29 CFR 2570.43(b)(2), which shall inform interested persons of their right to comment. Comments with respect to the proposed exemption are due 44 days after the date of publication of the proposed exemption in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Mr. Arjumand A. Ansari of the Department at (202) 693-8566. (This is not a toll-free number.) Liberty Media International, Inc. (LMI) Located in Englewood, CO, [Application No. D-11277].

#### Proposed Exemption

Based on the facts and representations set forth in the application, the Department is considering granting an exemption under the authority of section 408(a) of the Act and in accordance with the procedures set forth in 29 CFR part 2570, subpart B (55 FR 32836, August 10, 1990). If the exemption is granted, the restrictions of sections 406(a), 406(b)(1) and (b)(2), and 407(a) of the Act shall not apply,<sup>19</sup> effective July 26, 2004, to (1) the acquisition by the Liberty Cablevision of Puerto Rico 401(k) Savings Plan (the Plan) of certain stock rights (the Rights) pursuant to a stock rights offering (the Offering) by LMI, the Plan sponsor and a party in interest with respect to the Plan; (2) the holding of the Rights by the Plan during the subscription period of the Offering; and (3) the disposition or exercise of the Rights by the Plan.

This proposed exemption is conditioned upon the following requirements:

(a) The Rights were acquired by the Plan pursuant to Plan provisions for individually-directed investment of participant accounts;

(b) The Plan's receipt of the Rights occurred in connection with the Rights Offering made available to all shareholders of LMI common stock;

(c) All decisions regarding the holding and disposition of the Rights by the Plan were made in accordance with Plan provisions for individually-directed investment of participant accounts by the individual participants whose accounts in the Plan received Rights in the Offering, and if no instructions were received, the Rights were sold;

<sup>19</sup> It is represented that because the fiduciaries for the Plan have not made an election under section 1022(i)(2) of the Act, whereby the Plan would be treated as a trust created and organized in the United States for purposes of tax qualification under section 401(a) of the Code, jurisdiction under Title II of the Act does not apply. Therefore, LMI is not requesting, nor is the Department providing, exemptive relief under the provisions of Title II of the Act. The Department is, however, providing exemptive relief under Title I of the Act.

(d) The Plan's acquisition of the Rights resulted from an independent act of LMI as a corporate entity, and all holders of the Rights, including the Plan, were treated in the same manner with respect to the acquisition; and

(e) The Plan received the same proportionate number of the Rights as other owners of LMI Series A common stock (the Series A Stock).

**EFFECTIVE DATE:** If granted, this proposed exemption will be effective as of July 26, 2004.

### Summary of Facts and Representations

1. LMI, located in Englewood, Colorado, is a publicly-traded company with majority and minority interests in international distribution and programming companies. LMI's stock is traded on the Nasdaq National Market under the symbol "LBTYA." Among LMI's principal assets is Liberty Media International Holdings, LLC (LMIH), a wholly owned subsidiary, which, in turn, wholly owns Liberty Cablevision of Puerto Rico, Ltd. (LCPR). LCPR is located in Luquillo, Puerto Rico. LCPR provides cable television, long distance telephone, and Internet access services to customers.

2. LMI maintains the Plan for the benefit of LCPR employees. The Plan is a defined contribution plan that complies with the requirements of sections 1165(a) and (e) of the Puerto Rico Internal Revenue Code of 1994, as amended.<sup>20</sup> As of July 26, 2004, the Plan had approximately 241 participants and total assets of \$2,315,009. Also as of July 26, 2004, the Plan held approximately 9,428 shares of LMI-issued Series A Stock valued at \$298,671 on such date. The Series A Stock comprised approximately thirteen percent (13%) of the total Plan assets and it represented less than 1/10th of 1% of the total outstanding issue of Series A Stock, which consisted of 139,915,585 shares.

Eurobank, a banking corporation organized under the laws of the Commonwealth of Puerto Rico, is the Plan's trustee (Trustee). The Trustee holds legal title to the Plan's assets. Fidelity Investments Institutional Operations Company, Inc. (Fidelity) of Boston, Massachusetts, is the Plan's administrator. The Plan administrative committee (the Plan Administrative

Committee) is the fiduciary responsible for Plan matters. The Plan Administrative Committee is comprised of Messrs. David Leonard, Bernard Dvorak, and Jose Alegria. Messrs. Leonard and Dvorak are LMI officers. Mr. Alegria is LCPR's general manager. At the time of the Offering, none of these individuals were on LMI's Board of Directors.

3. The Plan permits participants to contribute a portion of their respective annual compensation to the Plan as pre-tax salary reduction contributions and as after-tax contributions. LMI then makes a matching contribution to the Plan. Participant salary reduction contributions are immediately 100% vested, while LMI's matching contributions vest according to a three-year vesting schedule, which is based on the years of service each participant has completed.<sup>21</sup>

The Plan provides for participants to direct investments of their own contributions into one of 18 investment categories, including the Liberty Media International Stock Fund (the LMI Stock Fund). LMI matching contributions are always invested in the LMI Stock Fund if the account is not 100% vested. If the participant's LMI matching contributions account is 100% vested, the participant may direct the investment of the entire account into any of the investment options available under the Plan.

4. On July 26, 2004, LMI announced a special rights offering (*i.e.*, the Offering) which expired on August 23, 2004 (the Expiration Date). The Rights Offering period was determined solely by LMI. Holders of record of Series A Stock as of July 26, 2004 (the Record Date), each received 0.20 of a transferable subscription Right for each share of Series A Stock held. Such Rights were traded on NASDAQ. Each whole Right entitled the holder to purchase one share of Series A Stock at a subscription price of \$25 per share (the Subscription Price). LMI's Board of Directors determined the Subscription Price. The Offering also gave LMI shareholders the right to purchase additional shares of Series A Stock up to the number of shares that were not

<sup>21</sup> Series A Stock acquired by a Plan participant through the exercise of the Rights was vested based on the vested status of the Series A Stock on which the Right was granted. For example, Series A Stock acquired through the exercise of the Rights and held in a participant's employee contributions account became 100% vested. Series A Stock acquired through the exercise of the Rights and held in a participant's employer matching contributions account (which could be 33%, 66%, or 100% vested, depending on the participant's years of service) was vested in the same percentage as the employer matching contribution account.

purchased by the other shareholders (the Over Subscription Privilege).

5. Because the Plan was the holder of record of Series A Stock, LMI represents that the granting of a Right to the Plan by LMI was the grant of an "employer security" under section 407(d)(1) of the Act.<sup>22</sup> However, LMI explains that the Rights were not "qualifying employer securities" under section 407(d)(5) of the Act.<sup>23</sup> Therefore, LMI indicates that its granting of the Rights to the Plan and the subsequent exercise of the Rights by the Plan participants, would violate sections 406(a), 406(b)(1), and 406(b)(2) of the Act. Therefore, LMI requests an administrative exemption from the Department for such transactions. If granted, the exemption would be effective as of July 26, 2004.<sup>24</sup>

6. As part of the Rights Offering process, the Plan established two temporary funds to administer the Rights, the "Rights Holding Fund" and the "Liberty Media Receivable Fund." The Rights Holding Fund was established to hold the Rights when they were issued. Rights were then credited to participants' accounts based on their respective balances in the LMI Stock Fund on July 26, 2004. The Liberty Media Receivable Fund, following the exercise of Rights as directed by the Plan participants, reflected the approximate value of the LMI Stock due from the subscription agent.

7. Under the terms of the Plan, the Trustee had the option of either "passing-through" its right to vote to the Plan participants or taking action on the Series A Stock on behalf of such participants. However, the Plan Administrative Committee elected to have each participant determine whether to exercise or sell the Rights attributable to the shares of the Series A Stock allocated to the participant's Plan account. The elections applied to both the Series A Stock held in the participant's account that were attributable to the participant's own pre-

<sup>22</sup> An "employer security" is defined under section 407(d)(1) of the Act as a security issued by an employer of employees covered by the Plan, or by an affiliate of such employer.

<sup>23</sup> Section 407(d)(5) of the Act defines the term "qualifying employer security" as an employer security which is (a) stock, (b) a marketable obligation, or (c) an interest in a publicly traded partnership, but only if such partnership is an existing partnership as defined in the Code.

<sup>24</sup> To avoid engaging in a prohibited transaction, the Plan Administrative Committee considered refusing to accept the Rights. However, since participation in the Offering was structured to allow participants to purchase shares of Series A Stock at a discount from market price, the Plan Administrative Committee concluded that a refusal to accept the Rights could constitute a breach of fiduciary duty under the Act.

<sup>20</sup> It is represented that the Puerto Rico Tax Code provides "qualification" rules for retirement plans that cover employees who reside in Puerto Rico. The qualification rules are similar, but not identical to, the requirements of section 401(a) of the Code. In order to permit pre-tax contributions by employees, and to allow deductions of contributions by the employer, Puerto Rico law also requires that the Plan qualify under the applicable sections of the Puerto Rico Tax Code.

tax and after-tax contributions and to matching employer contributions (including vested and nonvested matching contributions).

The passing-through of the election to exercise or sell the Rights was determined by the Plan Administrative Committee to be in the best interests of the Plan participants. This was because in order for a participant to exercise the Rights to acquire additional shares of Series A Stock, other assets in the Plan and in the participant's account, had to be liquidated. Therefore, by passing through this exercise election to each Plan participant, the participant could make an independent decision on whether to liquidate the assets in his or her Plan account to purchase additional shares of Series A Stock at a discount.

8. To facilitate the pass through of the election, the Plan prepared and provided to participants detailed explanations of the participant's alternatives with respect to the Rights. In this regard, the Plan prepared and furnished Questions & Answers to Plan participants. Among other things, the Questions & Answers explained the Rights Offering and the participant's option to exercise or sell the Rights attributable to the Series A Stock allocated to such participant's Plan account. In addition, participants received the Rights Offering Instructions, which explained the steps a participant would take to exercise or sell the Rights. Further, participants were provided a prospectus describing the Rights issued by LMI.

9. Fidelity required a considerable amount of administrative time to receive the Rights from LMI, to determine the Rights allocable to each participant based on the quantity of Series A Stock held in the participant's account, and then to allocate the Rights to the participant in the Rights Holding Fund. Fidelity was eventually able to commence taking exercise or sell directions from the participants on August 2, 2004.

10. All LMI shareholders, including the Trustee, could exercise or sell the Rights through the close of business on the Expiration Date, which was implemented solely by LMI. To meet this deadline, Fidelity was required to collect all of the participants' elections, liquidate sufficient account assets of the participants who elected to exercise their Rights, and then provide the exercise instructions along with the exercise funds to the subscription agent, EquiServe Trust Company, N.A. (EquiServe), of Canton, Massachusetts, for LMI by the Expiration Date. Plan participants were also required to have their exercise or sell elections to

Fidelity by the close of business on August 17, 2004 (the Election Close-Out Date) to give Fidelity sufficient time to liquidate other assets so that cash would be available for participants to exercise their Rights.

11. Under the Oversubscription Privilege, LMI shareholders could subscribe to purchase additional shares of Series A Stock up to the number of shares that were not purchased by the other shareholders. However, the Plan Administrative Committee determined that the Oversubscription Privilege would result in a number of prohibited transactions and fiduciary breaches for which retroactive exemptive relief from the Department might not be obtainable. This was because in order to subscribe for the Oversubscription Privilege, the Trustee would have been required to liquidate Plan assets in order to remit cash to LMI in anticipation of the possibility of purchasing additional Series A Stock. Then, the liquidated Plan assets would have been held in an interest-bearing account and commingled with LMI's general assets. In addition, the interest would have been paid to LMI.

Furthermore, it is represented that the liquidated assets might not have been used to purchase additional Series A Stock because the Oversubscription Privilege was conditioned on the Plan exercising all the issued subscription Rights. Thus, in the instance where the Plan did not exercise all its issued subscription Rights, the Oversubscription Privilege could not be exercised.<sup>25</sup>

12. Each Plan participant had the option to exercise any percentage of the Rights granted on such participant's Series A Stock allocated to the participant's Plan account. By speaking to a Fidelity representative at any time prior to 4 p.m. Eastern Daylight Time, a Plan participant could elect to exercise a Right on the Election Close-Out Date. Participants had the opportunity prior to the Election Close-Out Date to revoke or change instructions to exercise by (a) electing a new percentage; (b) placing an order to sell; or (c) a combination of both.

The dollar amount required to exercise the Rights was exchanged from

<sup>25</sup> It is represented that LMI stated in the Prospectus for the Rights Offering that the Oversubscription Privilege could be exercised only if the shareholder exercised basic subscription Rights in full. Because the Trustee is the shareholder of the Plan's shares of Series A Shares, the Trustee would have had to exercise every Right issued on every share of Series A Stock held by the Plan in order to take advantage of the Oversubscription Privilege. Because this did not occur, the Oversubscription Privilege was not available to the Plan.

other investments in the participant's account into the Receivable Fund. The required dollar amount equaled the percentage of Rights exercised (as elected by the participant) multiplied by the number of Rights credited to the participant's account and multiplied by the exercise price for the Rights Offering. The dollar amount was exchanged from the other investment categories in which the account was invested on a proportional basis by source. The Liberty Media Stock Fund and the LMI Stock Fund were not included unless sufficient funds did not exist in the other investment categories under the participant's account. For those individuals with insufficient funds to permit exercise of the entire elected amount, Fidelity exercised as many rights as the account balance permitted.

13. On or about August 20, 2004, the Rights to be exercised and the necessary funds were submitted to EquiServe for the purchase of Series A Stock. The participants' balances in the Rights Holding Fund were reduced by the number of Rights exercised on a participant's behalf. Fidelity then sold all remaining Rights on the open market between August 18, 2004 and August 23, 2004, at which time the Rights expired. Upon receipt of the new Series A Stock, the Liberty Media Receivable Fund was closed and the newly-received shares were transferred into the LMI Stock Fund and allocated to the participants' Plan accounts.

For any Rights sold by the Plan, a commission of 2.9 cents per Right was charged to the Plan account from which the Right was sold. The commission was disclosed to participants, in the materials provided explaining the Rights Offering. The commission was not paid to LMI but to the broker-dealer, National Financial Services (NFS) of New York City, New York, for the sale transaction. NFS is an affiliate of Fidelity and is wholly owned by Fidelity Global Brokerage Group, Inc. The Plan Administrative Committee determined, after reasonable consideration of the alternatives, that the use of NFS was in the best interests of the Plan for the following reasons:<sup>26</sup> (a) Brokerage services required to effect the sales transaction were considered necessary services for the operation of the Plan; (b) the reputation of NFS as a reputable broker; (c) the already established procedures between Fidelity and NFS for the prompt execution of the sale transactions; (d) the ability of NFS

<sup>26</sup> The Department expresses no opinion herein on whether the selection of NFS meets the statutory conditions contained in section 408(b)(2) of the Act.

to accept the engagement upon very short notice (the short notice provided by the issuer of the Rights); (e) the reasonable price charged for the brokerage services when compared with other unrelated brokers; and (f) the short-term nature of the arrangement. Although Fidelity is affiliated with NFS, it is represented that Fidelity did not use any discretion to select NFS as broker for the Rights. Moreover, it is represented that the participants paid commissions in the sale of their Rights in the same manner as any other shareholder paid commissions in the sale of their rights.

14. Those participants who elected to exercise only a portion of their Rights later could elect to exercise additional Rights if sufficient time existed prior to the Election Close-Out Date. The Election Close-Out Date was established to permit sufficient time to liquidate the other assets in an orderly manner so that the necessary cash would be available to exercise the Rights before the Rights offering Expiration Date (August 23, 2004). Unexercised Rights as of 4 p.m. Eastern Time, August 17, 2004, were offered for sale on the open market by Fidelity from August 18, 2004, through August 23, 2004. Rights that remained unsold at the close of the market on August 23, 2004, expired.

A participant who elected to sell, rather than exercise the Rights allocated to his or her Plan account, was required to (a) contact a Fidelity representative; and (b) specify the percentage (in whole amounts) of the Rights he or she desired to sell.

15. It is represented that the Rights Offering and the resulting transactions were protective, in the best interests of, and beneficial to the Plan and its participants and beneficiaries because participants in the Plan were treated in a similar manner as other LMI shareholders who received the Rights, with the sole exception that the Plan participants were not entitled to participate in the Oversubscription Privilege. Additionally, no expenses were incurred by the Plan from the Rights Offering, and full disclosure of the Rights Offering was made in the public documents filed with the Securities and Exchange Commission. With respect to the Plan participants, it is represented that all participants were notified in advance of the procedures for instructing Fidelity of the participant's desires for exercise or sale under the Rights offering, and all instructions given by the involved participants to Fidelity were properly executed. Further, all actions by Fidelity and the Trustee with respect to the Rights Offering were made pursuant to

express instructions, except when the involved participant failed to act or acted in violation of the published procedures. Under such circumstances, the Rights were placed on the open market for sale and any unsold rights were allowed to expire unexercised. It is represented that the instructions for the disposition of the Rights upon the failure of the involved participant to act or to give valid instructions were fully disclosed in the procedural instructions given to the involved participants. Furthermore, it is represented that the instructions were consistent with the nature of participant-directed investments under a plan.

16. In summary, it is represented that the transactions have satisfied the statutory criteria for an exemption under section 408(a) of the Act because:

(a) The Rights were acquired by the Plan pursuant to Plan provisions for individually-directed investment of participant accounts;

(b) The Plan's receipt of the Rights occurred in connection with the Rights Offering made available to all shareholders of Series A Stock;

(c) All decisions regarding the holding and disposition of the Rights by the Plan were made in accordance with Plan provisions for individually-directed investment of participant accounts by the individual participant whose account in the Plan received Rights in the Offering, and if no instructions were received the Rights were sold;

(d) The Plan's acquisition of the Rights resulted from an independent act of LMI as a corporate entity, and all holders of the Rights, including the Plan, were treated in the same manner with respect to the acquisition; and

(e) The Plan received the same proportionate number of the Rights as other owners of Series A Stock.

#### Notice to Interested Persons

Notice of proposed exemption will be provided to all interested persons by first class mail within 4 days of publication of the notice of pendency in the **Federal Register**. Such notice shall include a copy of the notice of pendency of the exemption, as published in the **Federal Register**, and a supplemental statement, as required pursuant to 29 CFR 2570.43(b)(2), which will inform interested persons of their right to comment on the proposed exemption and/or to request a hearing. Comments and hearing requests are due within 34 days of the date of publication of the proposed exemption in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Ms. Silvia M. Quezada of the Department, telephone number (202) 693-8553. (This

is not a toll-free number.) Riggs Bank N.A., Washington, DC; and the PNC Financial Services Group, Inc. (PNC), Pittsburgh, Pennsylvania (together, the Applicants), [Application No. D-11310].

#### Proposed Exemption

The Department is considering granting an exemption under the authority of section 408(a) of the Act and section 4975(c)(2) of the Code and in accordance with the procedures set forth in 29 CFR 2570, subpart B (55 FR 32836, 32847, August 10, 1990).

#### Section I. Riggs Bank N.A.

If the exemption is granted, Riggs Bank N.A. ("Riggs Bank") shall not be precluded from functioning as a "qualified professional asset manager" pursuant to Prohibited Transaction Exemption 84-14 (49 FR 9494, March 13, 1984) ("PTE 84-14") beginning on the date of the acquisition of Riggs National Corporation, the parent of Riggs Bank, by PNC, solely because of a failure to satisfy section I(g) of PTE 84-14 as a result of the conviction of Riggs Bank for the felony described in the January 27, 2005 felony information (the "Information") entered in the U.S. District Court for the District of Columbia, provided that:

(a) This exemption is not applicable if Riggs becomes affiliated with any person or entity convicted of any of the crimes described in section I(g) of PTE 84-14, unless such person or entity already has been granted an exemption to continue functioning as a QPAM pursuant to PTE 84-14;

(b) This exemption is not applicable if Riggs is convicted of any of the crimes described in section I(g) of PTE 84-14, other than the specific felony charged in the Information;

(c) An independent auditor, who has appropriate technical training or experience and proficiency with Title I of ERISA's fiduciary responsibility provisions, shall conduct an audit of Riggs Bank's ERISA custody and fiduciary asset management functions. This audit will be commenced not later than June, 2005. It will be completed and a report setting forth the procedures conducted and the results obtained will be sent to the Department as soon as possible, but in no event later than September 30, 2005;

(d) The audit described above will cover the following areas for the period commencing in March, 1999 and ending with the date of the closing of the Riggs-PNC transaction (the Time Period): reconciliations (to determine that reconciliations and settlements are performed accurately and timely, and outstanding items are monitored and

cleared in a timely manner); unitizations (to determine that daily processes, including trade requests, valuation and reconciliation of unitized assets are authorized and properly performed, are consistent with liquidity requirements and to ensure that unitized assets evaluations are valid); conversions (to determine that adequate controls are in place and working effectively to ensure that conversions are completed accurately, in a timely manner, and in accordance with the client's contract); fees (to determine that controls over the fee assessment and collection process are adequately designed and operating accurately and effectively); annual and monthly statements (to determine that statements are prepared accurately and distributed to clients independently and within the required frequency and time frame); training (to determine that account administrators and administrative assistants are adequately trained, including with respect to the requirements of ERISA); system authorization (to determine whether there are controls in place to ensure access to systems is authorized, approved and limited based on employees' particular duties and responsibilities); new accounts (to determine controls in place to ensure new accounts receive appropriate approvals and are accurately set up for future required reviews and other account activities); the adequacy of the written policies and procedures adopted by Riggs to ensure compliance with the terms of the QPAM exemption (other than paragraph 1(g) of PTE 84-14), and the requirements of Title I of ERISA (including ERISA's prohibited transaction provisions and applicable statutory and administrative exemptions); and compliance (through a test of a representative sample of transactions of client plans during the Time Period) with: (i) The written policies and procedures that it has adopted and (ii) the objective requirements of Title I of ERISA and PTE 84-14 (other than paragraph 1(g) of PTE 84-14);

(e) Any irregularities identified as a result of the audit will be promptly corrected; and

(f) On the closing of the acquisition transaction, PNC will apply the same internal control and audit policies and procedures applied and enforced with respect to its pre-existing ERISA fiduciary asset management functions to the ERISA custody and fiduciary asset management functions formerly associated with Riggs Bank.

### Section II. PNC

If the exemption is granted, PNC and its affiliates shall not be precluded from functioning as a "qualified professional asset manager" pursuant to PTE 84-14 beginning on the date of the acquisition of Riggs National Corporation, the parent of Riggs Bank, by PNC, solely because of a failure to satisfy section I(g) of PTE 84-14 as a result of the conviction of Riggs Bank for the felony described in the Information entered in the U.S. District Court for the District of Columbia, provided that:

(a) This exemption is not applicable if PNC or any affiliate becomes affiliated with any person or entity convicted of any of the crimes described in section I(g) of PTE 84-14, unless such person or entity already has been granted an exemption under PTE 84-14; and

(b) This exemption is not applicable if PNC or any affiliate is convicted of any of the crimes described in section I(g) of PTE 84-14, other than the conviction of Riggs Bank for the specific felony charged in the Information.

### Section III. Definitions

(a) For purposes of this exemption, the term "Riggs" means and includes Riggs Bank and any entity that was affiliated with Riggs Bank, including but not limited to its corporate parent Riggs National Corporation, prior to the date of acquisition of Riggs National Corporation by PNC.

(b) For purposes of this exemption, the term "PNC" includes PNC Financial Services Group, Inc. and any entity that was affiliated with PNC Financial Services Group, Inc. prior to the date of acquisition of Riggs National Corporation by PNC, and any future affiliates, other than Riggs Bank, as defined in subsection (a).

(c) The term "affiliate" of a person means—

(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with the person,

(2) Any director of, relative of, or partner in, any such person,

(3) Any corporation, partnership, trust or unincorporated enterprise of which such person is an officer, director, or a 5 percent or more partner or owner, and,

(4) Any employee or officer of the person who—

(A) is a highly compensated employee (as defined in section 4975(e)(2)(H) of the Code) or officer (earning 10 percent or more of the wages of such person) or,

(B) has direct or indirect authority, responsibility or control regarding the custody, management or disposition of plan assets.

(d) The term "control" means the power to exercise a controlling influence over the management or policies of a person other than an individual.

(e) The term "Corporate Probation Period" means the five-year period of corporate probation provided for in the plea agreement entered into between Riggs Bank, the United States Attorney for the District of Columbia and the United States Department of Justice and filed with the United States District Court for the District of Columbia on January 27, 2005; provided that if Riggs Bank or its corporate parent Riggs National Corporation is sold to a party unaffiliated with it as of the date of the plea agreement, whether by sale of stock, merger, consolidation, sale of a significant portion of its assets, or other form of business combination, or otherwise undergoes a direct or indirect change of control within the five-year corporate probation period, the corporate probation period shall terminate upon the closing of any such transaction or the occurrence of any such change of control.

### Summary of Facts and Representations

1. Riggs Bank is a national bank located in Washington, DC. The Applicants represent that the clientele served by Riggs Bank includes employee benefit plans subject to the Act. Riggs Bank maintains that, given the size and number of the plans which Riggs Bank represents, the number of financial service providers engaged by such plans, the breadth of the definition of "party in interest" under the Act, and the array of services offered by Riggs Bank, it would not be uncommon for Riggs Bank to propose a transaction involving a party in interest with respect to a plan for which Riggs Bank is acting in a fiduciary capacity. Riggs Bank represents that such transactions are necessary to offer plan clients adequate investment diversification opportunities, and that such opportunities will be missed if Riggs is not permitted to function as a QPAM pursuant to PTE 84-14.

2. The Applicants represent that Riggs National Corporation, the corporate parent of Riggs Bank, currently has an agreement with Pittsburgh-based PNC that provides for Riggs National Corporation and Riggs Bank to be acquired by PNC. PNC is more than ten times larger than Riggs Bank, and is one of the largest financial services holding companies in the United States. As of June 30, 2004, PNC had total assets of approximately \$73.1 billion and had 775 branches in six states, with a total deposit base of more than \$50 billion.

As further discussed below, Riggs Bank represents that, absent an individual exemption, any acquiring entity would be barred from functioning as a QPAM pursuant to PTE 84-14, and that, accordingly, the provision of a QPAM exemption would facilitate the consummation of a change of control transaction.

3. On January 27, 2005, the United States Attorney for the District of Columbia filed the felony information (the Information) in the United States District Court for the District of Columbia describing violations of 31 U.S.C. 5322(b) & 5318(g) ("the Title 31 Felony"). The Information charges Riggs Bank with failing to report suspicious banking transactions. That same day, Riggs Bank entered a plea of guilty to the charge in the Information pursuant to a written plea agreement with the United States Attorney for the District of Columbia and the Department of Justice (the "Plea Agreement"). In the Plea Agreement, Riggs Bank agreed to pay a fine of \$16 million and agreed to the Corporate Probation Period.

4. The conduct that is the subject of the Information and the Plea Agreement involved compliance with Title 31 Bank Secrecy Act reporting requirements. Specifically, the Plea Agreement sets forth that Riggs Bank failed to file required reports with government authorities when certain of its customers, including foreign government officials such as Augusto Pinochet of Chile and senior officials in the government of the Republic of Equatorial Guinea, engaged in suspicious banking transactions involving the movement of funds between and among various accounts and banks.

5. Riggs Bank represents that the Title 31 Felony did not relate in any way to the conduct of any investment adviser or fiduciary of an employee benefit plan. Riggs Bank maintains, however, that although none of the unlawful conduct involved investment management activities of Riggs Bank or its subsidiaries, or any plans covered by the Act, the Title 31 Felony could preclude Riggs from serving as a "qualified professional asset manager" ("QPAM"), due to the provisions of sections I(g) and V(d) of PTE 84-14. Section I(g) of PTE 84-14 precludes a person who otherwise qualifies as a QPAM from serving as a QPAM if such person or an affiliate thereof has within the ten years immediately preceding the transaction been either convicted or released from imprisonment, whichever is later, as a result of certain specified criminal activity. Because the Title 31 Felony involved a crime described in

PTE 84-14, the Applicants represent that Riggs may be barred from qualifying as a QPAM.

6. Accordingly, the Applicants request an exemption to enable Riggs and its affiliates to function as QPAMs despite Riggs Bank's failure to satisfy section I(g) of PTE 84-14 as a result of the judgment of conviction to be entered against Riggs Bank on the charges set forth in the Information. The proposed exemption is also requested on behalf of such entities that may become affiliated with Riggs Bank, including, but not limited to, PNC and its affiliates. The transactions covered by the proposed exemption would include the full range of transactions that can be executed by investment managers who qualify as QPAMs pursuant to PTE 84-14 and satisfy the conditions contained therein. If granted, the exemption will enable Riggs to qualify as a QPAM by satisfying all of the conditions of PTE 84-14, except the condition stated in section I(g) of PTE 84-14.

7. Riggs Bank represents that the Title 31 Felony does not create any concern that it will endanger employee benefit plans for which Riggs Bank or its subsidiaries propose to serve as a QPAM. Riggs Bank represents that none of the conduct that is set forth in the Plea Agreement involved any aspect of the investment management or investment advisory functions of Riggs Bank or its subsidiaries. Moreover, the individuals known to have been directly involved in the transactions set forth in the Plea Agreement, the managers of the divisions and subsidiaries where these individuals worked, and the managers of Riggs Bank's compliance staff during the relevant period, are no longer employed by Riggs Bank. Riggs Bank further represents that the Embassy Banking and International Private Banking divisions of Riggs Bank, the London Branch of Riggs Bank, and Riggs Bank's Edge Act subsidiary, Riggs International Banking Corporation, where the conduct that is set forth in the Plea Agreement transpired, have been closed or are in the process of being sold or closed, and that these operations were both operationally and physically separate from the investment management and advisory functions of Riggs Bank and its subsidiaries. Furthermore, Riggs Bank represents that it is committed to a strong legal compliance program. To address the Bank Secrecy Act compliance issues highlighted by the Information and prior regulatory enforcement actions, Riggs Bank has invested more than 50 million dollars in technological and system upgrades as well as the wholesale replacement and upgrade of its

compliance personnel and systems. As the Plea Agreement reflects, these investments by Riggs Bank bore directly on the discovery of certain conduct set forth in the Plea Agreement, and certain conduct set forth in the Plea Agreement was first uncovered by internal investigations undertaken by Riggs Bank.

8. Riggs Bank has agreed that an independent auditor, who has appropriate technical training or experience and proficiency with ERISA's fiduciary responsibility provisions, shall conduct an audit of Riggs Bank's ERISA fiduciary asset management functions. This audit will be commenced not later than June 2005. It will be completed and a report setting forth the procedures conducted and the results obtained will be sent to the Department as soon as possible, but in no event later than September 30, 2005.

9. The audit described above will cover the following areas for the Time Period: reconciliations (to determine that reconciliations and settlements are performed accurate and timely, and outstanding items are monitored and cleared in a timely manner); unitizations (to determine that daily processes, including trade requests, valuation and reconciliation of unitized assets are authorized and properly performed, are consistent with liquidity requirements and to ensure that unitized assets evaluations are valid); conversions (to determine that adequate controls are in place and working effectively to ensure that conversions are completed accurately, in a timely manner, and in accordance with the client's contract); fees (to determine that controls over the fee assessment and collection process are adequately designed and operating accurately and effectively); annual & monthly Statements (to determine that statements are prepared accurately and distributed to clients independently and within the required frequency and time frame); training (to determine that account administrators and administrative assistants are adequately trained, including with respect to the requirements of ERISA); system authorization (to determine whether there are controls in place to ensure access to systems is authorized, approved and limited based on employees' particular duties and responsibilities); new accounts (to determine controls in place to ensure new accounts receive appropriate approvals and are accurately set up for future required reviews and other account activities); the adequacy of the written policies and procedures adopted by Riggs to ensure compliance with the



terms of the QPAM exemption (other than paragraph 1(g) of PTE 84-14), and the requirements of Title I of ERISA (including ERISA's prohibited transaction provisions and applicable statutory and administrative exemptions), and compliance (through a test of a representative sample of transactions of client plans during the Time Period) with: (i) the written policies and procedures that it has adopted and (ii) the objective requirements of Title I of ERISA and PTE 84-14 (other than paragraph 1(g) of PTE 84-14). Any irregularities will be promptly corrected.

10. On the closing of the acquisition transaction PNC will apply the same internal control and audit policies and procedures applied and enforced with respect to its pre-existing ERISA fiduciary asset management functions to the ERISA fiduciary asset management functions formerly associated with Riggs Bank.

11. In summary, the Applicants represent that the criteria of section 408(a) of the Act are satisfied for the following reasons: (a) The Title 31 Felony involved areas of business unrelated to employee benefit plans; (b) Riggs Bank has committed to a legal compliance program featuring written policies and procedures to prevent future illegal activity; (c) an independent audit requirement will further protect plans and their plan participants; (d) Riggs Bank's substantial investment in technological and system upgrades, as well as the wholesale replacement and upgrade of its compliance personnel and systems; and (e) the exemption will permit the bank(s) to engage in a broader variety of investments and services on behalf of client employee benefit plans which demand diverse investment opportunities.

#### Notice to Interested Persons

With respect to notification of interested persons, Riggs Bank will distribute this notice of proposed exemption by first class mail to an independent plan fiduciary for all ERISA pension plans for which Riggs Bank and its subsidiaries provide fiduciary services, including trustee services and/or the provision of investment advice. All notifications will be mailed within three business days after publication of the proposed exemption in the **Federal Register**. Comments and requests for a hearing must be received by the Department within 28 days of the date of publication of this proposed exemption in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Mr. Gary H. Lefkowitz of the Department, telephone (202) 693-8546. (This is not a toll-free number.)

#### General Information

The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under section 408(a) of the Act and/or section 4975(c)(2) of the Code does not relieve a fiduciary or other party in interest or disqualified person from certain other provisions of the Act and/or the Code, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of section 404 of the Act, which, among other things, require a fiduciary to discharge his duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with section 404(a)(1)(b) of the Act; nor does it affect the requirement of section 401(a) of the Code that the plan must operate for the exclusive benefit of the employees of the employer maintaining the plan and their beneficiaries;

(2) Before an exemption may be granted under section 408(a) of the Act and/or section 4975(c)(2) of the Code, the Department must find that the exemption is administratively feasible, in the interests of the plan and of its participants and beneficiaries, and protective of the rights of participants and beneficiaries of the plan;

(3) The proposed exemptions, if granted, will be supplemental to, and not in derogation of, any other provisions of the Act and/or the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of whether the transaction is in fact a prohibited transaction; and

(4) The proposed exemptions, if granted, will be subject to the express condition that the material facts and representations contained in each application are true and complete, and that each application accurately describes all material terms of the transaction which is the subject of the exemption.

Signed at Washington, DC, this 18th day of March, 2005.

**Ivan Strasfeld,**

*Director of Exemption Determinations,  
Employee Benefits Security Administration,  
U.S. Department of Labor.*

[FR Doc. 05-5744 Filed 3-22-05; 8:45 am]

**BILLING CODE 4510-29-P**

#### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice 05-059]

#### The Aeronautics Research Advisory Committee, Council of Deans Subcommittee; Meeting

**AGENCY:** National Aeronautics and Space Administration.

**ACTION:** Notice of meeting.

**SUMMARY:** The National Aeronautics and Space Administration, Aeronautics Research Advisory Committee, announces a forthcoming meeting of the Council of Deans Subcommittee.

**DATES:** Wednesday, April 13, 2005, 12:30 p.m. to 5:15 p.m.; and Thursday, April 14, 2005, 8:30 a.m. to 12 Noon.

**ADDRESSES:** Westward Look Resort, 245 E. Ina Road, Tucson, Arizona 85704.

**FOR FURTHER INFORMATION CONTACT:** Mrs. Mary-Ellen McGrath, Office of Aeronautics Research, National Aeronautics and Space Administration, Washington, DC 20546, (202) 358-4729.

**SUPPLEMENTARY INFORMATION:** The meeting will be open to the public up to the seating capacity of the room. The agenda for the meeting is as follows:

- Opening Remarks
- Aeronautics Mission Directorate Budget Update
- Task Force Reports
- Safety and Security Program Overview

- NASA Office of Education Overview
- Assessment of the Current Aeronautics Mission University Program
- Closing Comments

It is imperative that the meeting be held on these dates to accommodate the scheduling priorities of the key participants.

Dated: March 17, 2005.

**P. Diane Rausch,**  
*Advisory Committee Management Officer,  
National Aeronautics and Space Administration.*

[FR Doc. 05-5771 Filed 3-22-05; 8:45 am]

**BILLING CODE 7510-13-P**

#### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice 05-056]

#### Notice of Prospective Patent License

**AGENCY:** National Aeronautics and Space Administration.

**ACTION:** Notice of prospective patent license.

**SUMMARY:** NASA hereby gives notice that the Modine Manufacturing