

information between the federal and state partners to enhance the ability of the program to reflect the joint commitment to performance excellence and client-centered services. As part of UI Performs, a comprehensive performance management system implemented in 1995 for the UI program, the SQSP is the principal vehicle that state UI agencies use to plan, record and manage program improvement efforts as they strive for excellence in service. The SQSP, which serves as the State Plan for the UI program, also serves as the grant document through which states receive federal UI administrative funding. The statutory basis for the SQSP is Title III, Section 302 of the Social Security Act, which authorizes the Secretary of Labor to provide funds to administer the UI programs, and Sections 303 (a) (8) and (9) which govern the expenditures of those funds. The SQSP represents an approach to tie program performance with the budget and planning process.

## II. Review Focus

The Department of Labor is particularly interested in comments which:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhance the quality, utility, and clarity of the information to be collected; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submissions of responses.

ETA proposes to extend this information collection. The Department's information collection authority for SQSP is under Office of Management and Budget (OMB) number 1205-0132. Currently, the Employment and Training Administration is soliciting comments concerning the extension of and modification to the ET Handbook No. 336.

States will continue to use the State Plan Narrative to provide a general summary of the UI program in the state. Additionally, states are to include in the Narrative: (1) Performance in

comparison to the Government Performance and Results Act (GPRA) goals; (2) results of customer satisfaction surveys (optional); and (3) actions planned to correct deficiencies regarding UI programs and reporting requirements. Actions planned to correct deficiencies for Secretary Standards, Core Measures, and the Data Validation (DV) program are expected to be addressed in corrective action plans.

On April 13, 2011, OMB approved a non-substantive change to 1205-0132, requiring that all states include in their SQSP submissions a corrective action plan to reduce and recover improper payments. Comment is encouraged on this recent change as well as on the 1205-0132 data requirements in general.

The Department will provide each state workforce agency with its state-specific root causes for its improper payments, based on BAM survey results. The SQSP Handbook No. 336 includes an action plan for each state to complete. The state action plan will include the following items:

- Strategies to reduce root causes, including recovery of these improper payments;
- Timeline, expected targets and measures; and
- Type and source of resources dedicated to accomplish the action plan.

## III. Current Actions

*Type of Review:* extension of current collection.

*Title:* Unemployment Insurance State Quality Service Plan (SQSP).

*OMB Number:* 1205-0132.

*Affected Public:* State Workforce Agencies.

*Total Annual Respondents:* 53.

*Reporting Frequency:* 13 annual reports and 4 quarterly reports per year per respondent.

*Total Annual Responses:* 901.

*Average Time per Response:* 3.37 hours.

*Estimated Total Annual Burden Hours:* 3036 hours.

*Total Annual Burden Cost for Respondents:* \$0.

Comments submitted in response to this comment request will be summarized and/or included in the request for Office of Management and Budget approval of the information collection request; they will also become a matter of public record.

Signed at Washington, DC, this 29th day of April 2011.

**Jane Oates,**

*Assistant Secretary, Employment and Training Administration.*

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**BILLING CODE 4510-FW-P**

## DEPARTMENT OF LABOR

### Employee Benefits Security Administration

#### Proposed Exemptions from Certain Prohibited Transaction Restrictions

**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 (ERISA or the Act) and/or the Internal Revenue Code of 1986 (the Code). This notice includes the following proposed exemptions: D-11513, North Trust Corporation; D-11634, The United Brotherhood of Carpenters Pension Fund (the Fund); D-11639, Wolverine Bronze Profit Sharing Plan and Trust (the Plan); and L-11651 and L-11652, Verizon Communications, Inc. (Verizon and Celco Partnership, doing business as Verizon Wireless (Verizon Wireless; collectively, the Applicants) *et al.*)

**DATES:** 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.

**ADDRESSES:** 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.

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-5700, 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.

**Warning:** If you submit written comments or hearing requests, do not include any personally-identifiable or confidential business information that you do not want to be publicly-disclosed. All comments and hearing requests are posted on the Internet exactly as they are received, and they can be retrieved by most Internet search engines. The Department will make no deletions, modifications or redactions to the comments or hearing requests received, as they are public records.

**SUPPLEMENTARY INFORMATION:**

**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).

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.

Northern Trust Corporation  
Located in Chicago, IL  
[Application No. D-11513]

**Proposed Exemption**

The Department is considering granting an exemption under the authority of section 408(a) of ERISA 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, 32847, August 10, 1990).

*Section I. Transactions*

If the proposed exemption is granted, the restrictions of section 406(a)(1)(A) and (D) and section 406(b)(1) and (2) of ERISA and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A), (D), and (E) of the Code, shall not apply, effective October 31, 2008, to the sale (the Sale) by a Plan (as defined in Section III(e)) of an Auction Rate Security (ARS, as defined in Section III(c)) to Northern Trust Corporation or an affiliate thereof (Northern), if the conditions of Section II are met.<sup>1</sup>

*Section II. Conditions*

(a) The Plan acquired the ARS in connection with brokerage or advisory services provided by Northern to the Plan;

(b) The last auction for the ARS was unsuccessful;

(c) The Sale is made pursuant to a written offer by Northern (the Offer) containing all of the material terms of the Sale, in which the Plan would have the opportunity to sell the ARS but would be under no obligation to do so, and would include but is not limited to the following:

(i) Northern will distribute each Offer to its eligible customers, marked, or otherwise prepared in a manner reasonably designed to prominently indicate to the recipient the subject matter, importance, and time-sensitivity of the information provided;

(ii) Acceptance of an Offer would cause Northern to purchase the eligible ARS at the next applicable coupon interest payment date as described therein. Purchase dates may vary depending on when an Offer is accepted and when the next coupon interest payment date for such eligible ARS occurs;

(iii) Acceptance of the Offer could be withdrawn at any time until three business days prior to the payment date; and

(iv) The Offer will comply with "plain English" standards and will include: A reference to a Web site containing a description of the eligibility criteria used by Northern; a reference to where the Plan fiduciary can find a list of eligible ARS held in the account (including the amount and other identifying information); the background of the Offer; the methods

<sup>1</sup> For purposes of this proposed exemption, references to section 406 of ERISA should be read to refer also to the corresponding provisions of section 4975 of the Code.

and timing by which eligible customers may accept the Offer; the manner of determining the purchase dates for eligible ARS pursuant to the Offer; the timing of payment for eligible ARS purchased pursuant to the Offer; the methods and timing by which a customer may elect to withdraw its acceptance of the Offer; the expiration date of the Offer; a suggestion that eligible customers consult their tax advisors to determine the tax consequences, if any, of accepting the Offer and to ensure that accounting and financial reporting complies with applicable accounting guidance; and how to obtain additional information concerning the Offer;

(d) The Sale is a one-time transaction for no consideration other than cash payment against prompt delivery of the ARS;

(e) The sales price for the ARS is equal to the par value of the ARS, plus any accrued but unpaid interest or dividends as applicable, as of the date of the Sale;

(f) The Plan does not waive any rights or claims in connection with the Sale;

(g) The decision to accept the Offer or retain the ARS is made by an Independent Fiduciary (as defined in Section III(d)).<sup>2</sup> Notwithstanding the foregoing, in the case of an individual retirement account (IRA) which is beneficially owned by an employee, officer, director or partner of Northern, the decision to accept the Offer or retain the ARS may be made by such employee, officer, director, or partner;

(h) Neither Northern nor an affiliate thereof exercises investment discretion or renders investment advice, within the meaning of 29 CFR 2510.3-21(c), in connection with the decision to sell or retain the ARS;

(i) The Plan does not pay any commissions or any other transaction costs with respect to the Sale;

(j) The Sale is not part of an arrangement, agreement, or understanding designed to benefit a party in interest or disqualified person to the Plan;

<sup>2</sup> The Department notes that ERISA's general standards of fiduciary conduct would apply to the transactions described herein. In this regard, section 404 requires, among other things, that a fiduciary discharge his duties respecting a plan solely in the interest of the plan's participants and beneficiaries and in a prudent manner. Accordingly, a plan fiduciary must act prudently with respect to, among other things, the decision to sell the ARS to Northern for the par value of the ARS. The Department further emphasizes that it expects plan fiduciaries, prior to entering into any of the transactions, to fully understand the risks associated with this type of transaction, following disclosure by Northern of all the relevant information.

(k) Northern maintains, or causes to be maintained, for a period of six (6) years from the date of the Sale such records as are necessary to enable the persons described below in paragraph (l)(i), to determine whether the conditions of this proposed exemption, if granted, have been met, except that—

(i) No party in interest or disqualified person with respect to a Plan which engages in a Sale, other than Northern and its affiliates, as applicable, shall be subject to a civil penalty under section 502(i) of ERISA or the taxes imposed by section 4975(a) and (b) of the Code, if such records are not maintained, or not available for examination, as required, below by paragraph (l)(i); and

(ii) A separate prohibited transaction shall not be considered to have occurred solely because, due to circumstances beyond the control of Northern or its affiliates, as applicable, such records are lost or destroyed prior to the end of the six-year period; and

(l)(i) Except as provided below in paragraph (l)(ii), and notwithstanding any provisions of subsections (a)(2) and (b) of section 504 of ERISA, the records referred to above in paragraph (k) are unconditionally available at their customary location for examination during normal business hours by—

(A) Any duly authorized employee or representative of the Department, the Internal Revenue Service, or the U.S. Securities and Exchange Commission; or

(B) Any fiduciary of any Plan, including an IRA owner, that engages in a Sale, or any duly authorized employee or representative of such fiduciary; or

(C) Any employer of participants and beneficiaries and any employee organization whose members are covered by a Plan that engages in the Sale, or any authorized employee or representative of these entities;

(ii) None of the persons described above in paragraph (l)(i)(B)–(C) shall be authorized to examine trade secrets of Northern, or commercial or financial information which is privileged or confidential; and

(iii) Should Northern refuse to disclose information on the basis that such information is exempt from disclosure, Northern shall, by the close of the thirtieth (30th) day following the request, provide a written notice advising that person of the reasons for the refusal and that the Department may request such information.

### III. Definitions

For purposes of this exemption:

(a) The term “affiliate” of another person means: (1) Any person directly or indirectly, through one or more

intermediaries, controlling, controlled by, or under common control with such person; (2) any officer, director, partner, employee, or relative (as defined in section 3(15) of ERISA) of such other person; and (3) any corporation or partnership of which such other person is an officer, director, partner, or employee;

(b) The term “control” means the power to exercise a controlling influence over the management or policies of a person other than an individual;

(c) The term “Auction Rate Security” or “ARS” means a debt obligation of a corporation, business entity, municipality or other governmental agency with a nominal long-term maturity for which the interest rate is reset through a Dutch Auction typically held every 7, 14, 28, 35 or 49 days, with interest paid at the end of each auction period. The term also means preferred stock issued by a corporation or other business entity for which the dividend is reset and paid through the same process;

(d) The term “Independent Fiduciary” shall mean the fiduciary of the Plan making the decision to engage the Plan in the covered transactions, provided that such fiduciary may not be Northern or an affiliate thereof; and

(e) The term “Plan” means an individual retirement account (an IRA) or similar account described in section 4975(e)(1)(B) through (F) of the Code; or an employee benefit plan as defined in section 3(3) of ERISA.

**EFFECTIVE DATE:** If granted, this proposed exemption will be effective as of October 31, 2008.

### Summary of Facts and Representations

1. Northern Trust Corporation (hereinafter, either “Northern” or the “applicant”) is a financial holding company that is a leading provider of investment management, asset and fund administration, fiduciary, and banking solutions for corporations, institutions, and affluent individuals. Northern conducts business through various U.S. and non-U.S. subsidiaries, including The Northern Trust Company (the “Bank”), an Illinois bank headquartered in Chicago, Illinois.

The Bank is a member of the Federal Reserve System, its deposits are insured by the FDIC, and it is subject to regulation by both of those entities, as well as by the Division of Banking of the Illinois Department of Financial and Professional Regulation. Northern’s national bank subsidiaries are members of the Federal Reserve System and are subject to regulation by the Office of the Comptroller of the Currency, with

deposits insured by the FDIC to the extent provided by the Federal Deposit Insurance Act. Northern Trust Bank, FSB is a federal savings bank that is not a member of the Federal Reserve System and is subject to regulation by the Office of Thrift Supervision and the FDIC.

Northern also has a number of direct and indirect subsidiary registered investment advisers that are subject to the Investment Advisers Act of 1940, and a subsidiary broker-dealer, Northern Trust Securities, Inc. (NTSI), an SEC registered broker-dealer that is subject to the supervision of various governmental and self-regulatory bodies.

Northern has a network of 79 offices in 18 states and has international offices in 16 locations in North America, Europe, and the Asia-Pacific region. As of December 31, 2009, Northern had consolidated total assets of \$74.3 trillion and stockholders’ equity of \$6.3 trillion. The Bank, founded in 1889, conducts its business through its U.S. operations, its Toronto, London, and Singapore branches, and various U.S. and non-U.S. subsidiaries. As of December 31, 2009, the Bank had assets under management of \$627.2 billion and assets under custody of \$3.7 trillion.

2. In connection with the liquidity problems in the Auction Rate Securities (ARS) market, Northern offered to purchase certain ARS from certain client accounts, including certain Plan (as defined in Section III(e)) accounts.<sup>3</sup> The ARS typically trade through Dutch Auctions.<sup>4</sup> While many of these

<sup>3</sup> ARS may be issued as either debt or preferred stock. In the case of debt, they generally have a long-term nominal maturity and an interest rate that is reset through a Dutch Auction process. In the case of preferred stock, they generally have no maturity and a dividend that is reset through a Dutch Auction process. A Dutch Auction is a competitive process used to determine rates on each auction date. Bids are submitted to the auction agent by the broker-dealer on behalf of the investors interested in selling their securities. The auction agent matches bids with securities offered by the bondholders and the winning bid is the highest price (lowest interest rate or dividend) at which the auction clears. That means the lowest interest rate at which the total number of securities demanded equals the total number auctioned. If the market does not clear, then there is a failed auction, and the securities may not be sold in their entirety.

<sup>4</sup> In a Dutch Auction, prospective investors may submit a bid that specifies the par amount of the securities they wish to acquire and the minimum interest rate or dividend they are willing to accept. Existing holders may submit (i) a hold order, which means they want to hold their position at whatever rate is set via the auction, (ii) a hold at rate order, which means they want to hold their position but only if the rate is set at or above their specified level, or (iii) a sell order, which means they wish to exit their position, regardless of the rate set via the auction. The auctions generally take place periodically (*i.e.*, daily or 7, 28, 35 or 49 day periods are typical). The securities trade at par and are bought or sold on designated auction dates.

securities continue to be rated by independent credit rating agencies as investment grade credit, many ARS continue to experience failed auctions.

Because Northern is a party in interest or disqualified person with respect to the ERISA or the Code Plan accounts, Northern requests an administrative exemption granting both retroactive and prospective relief for the sale (the Sale) by a Plan of an ARS to Northern where the auctions for those securities have failed. The applicant opines that, in instances where Northern is not a fiduciary, section 408(b)(17) of ERISA should provide the necessary exemptive relief.<sup>5</sup> In some cases, Northern has discretionary authority with respect to the Plan accounts. In other cases, Northern may have provided advice such that IRA owners or other Plan fiduciaries could claim that Northern is a fiduciary. Where Northern is or could be a fiduciary with respect to a Plan, exemptive relief is necessary to cover Northern's purchases of eligible ARS from specified Plan accounts, including (i) individual retirement accounts or similar accounts (which may be beneficially owned by an employee, officer, director or partner of Northern); and (ii) employee benefit plans.

3. Northern made one or more written offers (an "Offer") to all of its eligible customers to purchase all eligible ARS held by such customers for cash at par value, plus accrued but unpaid interest, pursuant to the relevant Offer, described further in Item 4, below. Each Offer was open for a minimum of 30 days from the date it was first distributed by Northern to its eligible customers, or for such longer period as determined by Northern from time to time.

Acceptance of an Offer would cause Northern to purchase the eligible ARS on the next applicable coupon interest payment date as described in the relevant Offer Document. Purchase dates may vary depending on when an Offer is accepted and when the next coupon interest payment date for such eligible ARS occurs.

Acceptance of the Offer could be withdrawn at any time until three business days prior to the payment date. If an eligible customer has not accepted

presuming a successful auction. These securities also may be redeemed by issuers (through announced full or partial redemptions). Although they nominally are long term instruments, because of the interest rate and dividend reset features, they historically have been priced and traded as short term instruments due to the auction process. They generally are issued in minimum denominations ranging from \$25,000 to \$100,000.

<sup>5</sup> The Department expresses no opinion herein as to whether the conditions of section 408(b)(17) of ERISA were or are satisfied by any purchase of ARS from a Plan by Northern.

the Offer and the eligible customer holds an account with respect to which Northern has discretionary control, Northern documents the customer's direction to retain the eligible ARS and clarifies that Northern has no investment responsibility with respect to those securities.

4. The Offer that Northern distributed to its eligible customers was marked, or otherwise prepared in a manner reasonably designed to prominently indicate to the recipient the subject matter, importance, and time-sensitivity of the information provided.

The Offer complies with "plain English" standards and included disclosure of, or a fair and adequate summary of, all material aspects of:

- The terms and conditions of the Offer, including reference to a Web site containing a description of the eligibility criteria used by Northern;
- A list of eligible ARS held in the account (including the amount, identifying information, and CUSIP);
- The background of the Offer;
- The methods and timing by which eligible customers may accept the Offer;
- The manner of determining the purchase dates for eligible ARS pursuant to the Offer;
- The timing of payment for eligible ARS purchased pursuant to the Offer;
- The methods and timing by which a customer may elect to withdraw its acceptance of the Offer;
- The expiration date of the Offer;
- A suggestion that eligible customers consult their tax advisors to determine the tax consequences, if any, of accepting the Offer and to ensure that accounting and financial reporting complies with applicable accounting guidance;
- For advisory clients, disclosure that (a) acceptance of the Offer by an eligible customer will constitute such customer's direction to Northern to purchase the eligible ARS, and (b) rejection of the Offer by an eligible customer will constitute such customer's direction to Northern to retain the eligible ARS in the account; and

- How to obtain additional information concerning the Offer.

All client accounts which accepted the Offer were paid on a date that coincided with the interest payment date so that there would be no accrued but unpaid interest, or were paid accrued interest. No brokerage commissions or other fees were charged.

5. In summary, the applicant represents that the transactions described herein satisfy the statutory criteria of section 408(a) of ERISA because, among other things:

(a) Each covered Sale shall be made pursuant to a written Offer;

(b) Each covered Sale shall be a one-time transaction for no consideration other than cash payment against prompt delivery of the ARS;

(c) The sales price in each covered Sale shall equal the par value of the ARS, plus any accrued but unpaid interest or dividends as applicable, as of the date of the Sale;

(d) Plans would not waive any rights or claims in connection with any covered Sale as a condition for engaging in such transaction;

(e)(1) the decision to accept an Offer or retain the ARS shall be made by an Independent Fiduciary; and (2) neither Northern nor an affiliate thereof shall exercise investment discretion or render investment advice, within the meaning of 29 CFR 2510.3-21(c), in connection with the decision to accept the Offer or retain the ARS;

(f) Plans shall not pay any commissions or transaction costs with respect to any covered Sale;

(g) A covered Sale shall not be part of an arrangement, agreement, or understanding designed to benefit a party in interest or disqualified person to the affected Plan.

#### Notice to Interested Persons

The applicant represents that all the potentially interested persons cannot be identified and that, therefore, the only practicable means of notifying interested persons of this proposed exemption is by the publication of this notice in the **Federal Register**. Comments and requests for a hearing are due within 45 days from the date of publication of this notice of proposed exemption in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Ms. Karin Weng of the Department, telephone (202) 693-8557. (This is not a toll-free number.)

The United Brotherhood of Carpenters Pension Fund (the Plan or the Applicant) Located in Las Vegas, Nevada [Application No. D-11634]

#### 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, 32847, August 10, 1990).<sup>6</sup> If the exemption is granted, the restrictions of sections 406(a)(1)(A), (D)

<sup>6</sup> For purposes of this proposed exemption, references to the provisions of Title I of the Act, unless otherwise specified, refer also to the corresponding provisions of the Code.

and 406(b)(2) of the Act and the sanctions resulting from the application of section 4975(c)(1)(A) and (D) of the Code, shall not apply to the proposed sale (Sale) of a 10.89 acre parcel of real property (the Parcel), which is part of larger parcel of real property (the Nevada Property), from the Plan-owned Bermuda Hidden Well, LLC (Bermuda LLC) to the Southwest Regional Council of Carpenters (the Council), a party in interest with respect to the Plan; provided that the following conditions are satisfied:

(a) The terms and conditions of the Sale are at least as favorable to the Plan as those obtainable in an arm's length transaction with an unrelated party;

(b) The Sale is a one-time transaction for cash;

(c) As consideration, the Plan receives the greater of \$5,383,577, or the fair market value of the Parcel as determined by a qualified, independent appraiser (the Appraiser) in an appraisal (the Appraisal) of the Nevada Property, which is updated on the date of Sale (Sale Date);

(d) The Plan pays no commissions, costs or fees with respect to the Sale, except for customary closing costs (the Seller Closing Costs) and 50% of certain rental credits (the Rental Credits) that are paid to unrelated parties; and

(e) The Plan fiduciaries review and approve the methodology used by the Appraiser, ensure that such methodology is properly applied in determining the fair market value of the Parcel, and also determine whether it is prudent to go forward with the proposed transaction.

## Summary of Facts and Representations

### *The Parties*

1. United Brotherhood of Carpenters and Joiners of America (UBC), the Plan sponsor, is an international labor organization with 725 local unions and 37 councils, including the Council. UBC's General President has the authority to appoint members to the Plan's Board of Trustees (the Board), with approval of UBC's General Executive Board. UBC is a fiduciary with respect to the Plan.

2. The Council, which is based in Los Angeles, California, is a contributing employer to the Plan and some of its employees are covered by the Plan. The Council is an intermediate labor organization that is aligned with 35 local unions. In this regard, the Council represents over 65,000 carpenters in Southern California, Nevada, Arizona, Utah, New Mexico and West Texas. It has its own by-laws, elected officers, representatives and employers.

Although the Council is aligned with the UBC, as mentioned above, it is a separate and autonomous entity from UBC. As a contributing employer to the Plan, the Council is a party in interest. However, it is not a fiduciary with respect to the Plan because the Board is not comprised of any Council members or local union members within the jurisdiction of the Council. Further, the Council has no discretion over the management or disposition of the Plan's assets.

3. The Plan is a defined benefit, multiemployer plan, located in Las Vegas, Nevada. As of December 31, 2009, the Plan had 4,615 participants and beneficiaries. Also, as of December 31, 2009, the Plan had total assets of \$588,857,770.

The Board consists of eight trustees (the Trustees), who include representatives from UBC, the Chicago Regional Council of Carpenters, the St. Louis Missouri District Council, the Alberta and Northwest Territories Regional Council and Local Union 745 (which is not in the territory of the Council). Of the Trustees, four are general officers of UBC. The four remaining Trustees are officers of councils or local unions that are not aligned with the Council.

The Board has appointed a subcommittee to make decisions regarding the Parcel and the Sale described herein. Michael Draper, the District Vice President of UBC for the Western District of UBC and Frank Libby, the Executive Secretary-Treasurer of the Chicago Regional Council of Carpenters are the sole members of the subcommittee.

### *The Nevada Property—History and the Plan's Acquisition*

4. The Nevada Property is located at 6855 Bermuda Road Las Vegas, Nevada, south of the McCarran International Airport. UBC owns a building to the west of the Nevada Property, located at 6801 Placid Street, Las Vegas, Nevada. The Nevada Property is zoned as M-1, Light Industrial district by the City of Las Vegas. The permitted uses for this district include office, light industrial, general commercial and auto related uses.

The Nevada Property can be subdivided into two parcels. The Parcel, itself, a 10.89 acre tract of land, consists solely of asphalt-paved parking areas with curbs, light poles and some chain link fencing around the perimeter. The Parcel represents approximately 36.1% of the Nevada Property. The remaining 19.25 acre tract of land, which is not subject to the proposed Sale, represents 63.9% of the Nevada Property. Situated

on the 19.25 acre tract are a car rental facility, which has a passenger terminal, a car wash, a car repair facility with a service bay, steel canopies, and other site improvements, such as covered parking spaces, yard lighting, fencing curbing and several booths.

5. On April 19, 2001, the Plan incorporated Bermuda LLC, a limited liability company, in the State of Delaware, with the Plan serving as both sole member and owner. Bermuda LLC was formed to hold real property on behalf of the Plan and specifically to acquire the Nevada Property.

On June 11, 2001, Bermuda LLC acquired the Nevada Property from LV-Airport Investors, LLC, an unrelated party, for a total cash price of \$10,464,126. At the time of the acquisition, the Nevada Property was encumbered by a lease (the Lease) between LV-Airport Investors, LLC, as lessor and Alamo Rent-A-Car, LLC (Alamo), an unrelated party, as lessee. Alamo, which provided car rental services from the Nevada Property, used the Nevada Property as its office and as a car pick-up and return facility.

LV-Airport Investors, LLC had originally entered into the Lease with Alamo on April 12, 2001. The Lease was subject to separate guaranty by ANC Rental Corporation, an unrelated party and an affiliate of Alamo, that would guarantee the rental payments and other obligations under the Lease on behalf of Alamo.

6. Bermuda LLC assumed the Lease in June 2001 and remains the lessor under the Lease. Although the Nevada Property has been continuously leased, the lessee has repeatedly changed from 2001 to the present. In 2003, Vanguard Car Rental USA, Inc. (Vanguard), an unrelated party, assumed the Lease from Alamo pursuant to an assignment during bankruptcy proceedings involving ANC Rental Corporation, Alamo and related entities. In addition, as part of the bankruptcy proceedings, ANC Rental Corporation's guaranty was eliminated. Currently, the Lease payments are no longer subject to a guaranty.

7. In April 2007, McCarran International Airport opened a centralized car return facility. As a result, the Nevada Property would no longer be used for vehicle pick-ups and returns. Instead, the Nevada Property would be used henceforth for car cleaning and maintenance. On April 5, 2007, Vanguard entered into a sublease with the Clark County Aviation Authority (the Authority) for the Parcel and an additional 7.8 acres of the Nevada Property. Thus, the Authority subleased approximately 18.69 acres

from the Plan for \$105,883 per month or \$.13 per month per square foot. The sublease expired on April 14, 2009 and it was not renewed. Currently, the Parcel is not being subleased.

8. By letter dated June 13, 2007, Vanguard advised Bermuda LLC that all of Vanguard's issued and outstanding stock had been purchased by an affiliate of Enterprise Rent-A-Car (Enterprise). The Applicant represents that this purchase would not result in a change in the Vanguard corporate legal entity, and that Vanguard and/or its subsidiaries would continue to be responsible for all of its respective obligations following the purchase with respect to the Plan.

9. Effective August 1, 2009, in accordance with Alamo's bankruptcy proceedings, Alamo officially assigned the Lease to Enterprise Lease Company—West, LLC (Enterprise Leasing), an unrelated party, who is the current lessee of the Nevada Property. The Lease expires on April 30, 2021. There are two 5 year renewal options at

market rent that could possibly extend the Lease until 2031.

10. The Lease is a triple net lease requiring the lessee to pay for real estate taxes, insurance and maintenance costs. Under the Lease, the annual basic rent for the Nevada Property was \$908,500 for the first year. Thereafter, the annual rent has been subject to an increase based upon the lesser of (a) the product obtained by multiplying the basic rent for the prior rental period by 2%, or (b) the product obtained by multiplying the basic rent for the prior year by three times the percentage change in the Department's Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers—U.S. City Average (CPI) during such prior rental period. The current rent cannot be reduced below the rent floor set in the prior rental period. For the rental year ending April 30, 2011, the monthly rent for the Nevada Property is \$88,704.36 per month or \$1,064,452.32 per rental year.

*The Management and Holding of the Nevada Property*

11. Although Bermuda LLC holds the Nevada Property for the Plan, the Plan and any officers, that it may select, make all management decisions for Bermuda LLC. From September 1, 2002 through June 30, 2004, the Plan had retained Strategic Property Advisors (SPA) to serve as the qualified professional asset manager (QPAM) for the Nevada Property. From July 1, 2004 through the present, the Plan has retained Strategic Capital Advisers (SCA) to serve as the Plan's QPAM. SPA has entered into a subadvisory role with SCA and SPA remains a fiduciary with respect to the Plan. Currently, Commerce TNP, Inc. (Commerce TNP) serves as the property manager for the Nevada Property.

12. The Nevada Property has annually generated income in excess of expenses for the Plan since the time of acquisition. For the period between 2001 through 2005, the Plan income and expenses for the Nevada Property are presented as follows in Table 1:

TABLE 1

	2001	2002	2003	2004	2005	Totals
Total Rental Income .....	454,250	920,613	939,026	957,806	976,962	4,248,657
<b>Property Expenses</b>						
Property Management Fee .....	0	0	0	0	0	.....
Administration Fee .....	97	0	195	0	0	.....
Engineering Expense .....	0	0	0	0	0	.....
Statement of Business Publication Fee .....	25	25	25	25	30	.....
Legal Fee .....	1,100	0	0	0	0	.....
Appraisal Fee .....	0	0	0	6,498	0	.....
Delaware State Franchise Tax .....	0	200	100	305	200	.....
Nevada Annual List of Managers Fee .....	0	85	105	155	155	.....
Nevada/Delaware CSC Reg. Agent Fee .....	0	350	448	468	488	.....
Asset Management Fee .....	0	0	5,000	7,000	13,000	.....
Total Property Expenses .....	1,222	660	5,873	14,451	13,873	36,079
Net Income .....	453,028	919,953	933,153	943,355	963,089	4,212,578

It should be noted that the 2001 income reflects the period from April 1, 2001 to December 31, 2001.

Additionally, the 2001 and 2002 expenses are estimates.

13. For the period 2006–2010, the Plan income and expenses for the

Nevada Property are presented as follows in Table 2:

TABLE 2

	2006	2007	2008	2009	2010	Totals
Rental Income .....	996,501	1,016,431	1,036,760	1,043,581	1,146,200	5,239,473
<b>Property Expenses</b>						
Property Management Fee .....	0	0	12,000	14,400	14,400	.....
Administration Fee .....	0	0	25	0	0	.....
Engineering Expense <sup>7</sup> .....	0	0	0	2,500	16,974	.....
Statement of Business Publication Fee .....	30	30	30	30	30	.....
Legal Fee .....	0	0	0	0	480	.....

TABLE 2—Continued

	2006	2007	2008	2009	2010	Totals
Appraisal Fee .....	0	6,000	2,900	6,000	6,000	.....
Delaware State Franchise Tax .....	200	200	200	250	250	.....
Nevada Annual List of Managers Fee .....	155	155	125	125	125	.....
Nevada Sec of State-Business License Fee .....	0	0	0	0	200	.....
Nevada/Delaware CSC Reg. Agent Fee .....	508	528	552	582	612	.....
Asset Management Fee .....	13,000	13,000	13,000	13,000	13,000	.....
<b>Total Property Expenses .....</b>	<b>13,893</b>	<b>19,913</b>	<b>28,832</b>	<b>36,887</b>	<b>52,071</b>	<b>151,596</b>
<b>Net Income .....</b>	<b>982,608</b>	<b>996,518</b>	<b>1,007,928</b>	<b>1,006,694</b>	<b>1,094,369</b>	<b>5,088,117</b>

14. After combining the expenses in Tables 1 and 2, the Plan has incurred total expenses of \$187,675 excluding acquisition costs for the Nevada Property. The acquisition cost to the Plan was \$10,464,126 for the Nevada Property. Therefore, the total acquisition and holding costs for the Nevada Property are \$10,651,801 (*i.e.*, \$10,464,126 acquisition costs + \$187,675 in holding costs). After combining the rental income in Tables 1 and 2, the Plan's total rental income for the years 2001–2010 is \$9,488,130. After factoring in total rental income, the Plan's net acquisition and holding costs for the Nevada Property are \$1,163,671 (*i.e.*, total acquisition and holding costs of \$10,651,801—total rental income of \$9,488,130).

#### *Lease Modification and Rental Credit*

15. On April 23, 2010, SPA, a sub-adviser to SCA, the Plan's QPAM, negotiated a modification to the Lease on behalf of the Plan. This modification would permit the potential termination of Enterprise Leasing's leasehold interest in the 10.89 Parcel in return for a termination fee of \$100,000 paid to Enterprise Leasing (Lease Modification Fee). The 19.25 acre tract of land would remain subject to the Lease. Additionally, the Lease Modification would result in a pro rata reduction in Enterprise Leasing's rental payments to 63.9% of the original monthly rent since it would no longer be leasing the Parcel from the Plan.

In order to free the Parcel for sale, the Lease Modification requires that Enterprise Leasing agree not to sublease the Parcel until the proposed Sale is finalized. Therefore, SPA negotiated the Rental Credit that went into effect beginning in mid-October 2010 through mid-January 2011. The Applicant represents that the Rental Credit is

necessary because Enterprise Leasing is restricted from subleasing the Parcel while the Applicant awaits an administrative exemption from the Department. In accordance with the Lease Modification, the Plan has been required to provide Enterprise Leasing a \$15,000 per month rental credit since October 2010. The Rental Credit is to be applied in calendar year 2011. The Rental Credit was renewed in mid-January 2011 through mid-July 2011. To assist the Plan, SPA and the Council later agreed that the Council would pay \$7,500 per month or 50% of the total Rental Credit.

#### *The Appraisal*

16. SPA retained Cushman & Wakefield of Nevada, Inc., located in Las Vegas, the Plan's current appraiser, to appraise a leased fee interest in the Nevada Property (*i.e.*, the 10.89 acre Parcel and the 19.25 acre tract) effective March 1, 2010 in an appraisal report dated June 11, 2010. Associate Director Stephen E. Wilson and Senior Director Kaye A. Cuba, who are employed by the Appraiser, conducted the Appraisal. Mr. Wilson entered the real estate business in 1998. He is a Certified General Appraiser in both Nevada and Arizona and is an associate member of the Appraisal Institute (MAI). Mr. Wilson is experienced in appraising multi-family, office, retail, industrial/warehouse, residential subdivisions and vacant land. He has also completed professional courses and seminars with various appraisal organizations including the MAI.

Ms. Cuba has 25 years of experience in the appraisal field primarily in the banking industry and fee appraisal business. She is an MAI Appraiser and a Certified General Appraiser in Nevada, California and Arizona. Ms. Cuba also serves on the Appraisal Institute's Education Committee and is the 2010 President of its Las Vegas chapter. She has served as a panelist addressing appraisal review issues at local chapter seminars and a regional conference.

Furthermore, Ms. Cuba has extensive experience and knowledge in the preparation of appraisals for commercial properties, including retail properties, restaurants, residential properties, light industrial properties, health care facilities, residential subdivisions and vacant land. She joined the Appraiser in February 2007 as Senior Director of Valuation & Advisory Services in the Las Vegas office. Her responsibilities include real estate valuation and consulting services for clients with properties located in Southern Nevada and Northwest Arizona.

The Appraiser represents that the fees it received from the Council and its affiliates in 2009 were less than 1% of the Appraiser's annual gross income within that year. The Appraiser also acknowledges it is aware that the Appraisal is being used for the purposes of obtaining an individual exemption from the Department.

17. According to the Appraisal, the Appraiser determined that the Nevada Property, subject to the Lease had an "As-Is" fair market value of \$14,900,000.00 as of March 1, 2010. The Appraiser used the Cost Approach and the Income Capitalization Approach to valuation. The Appraiser explains it did not use the Sales Comparison Approach because the Nevada Property has a specialized land use and public information regarding similar sale transactions was generally insufficient.

Under the Cost Approach, the Appraiser approximated the cost to replace the Nevada Property with an equivalent facility. In order to do so, the Appraiser used sale comparisons to determine that the value of the underlying land was \$11,820,000. After considering such factors as the replacement cost of the Nevada Property, indirect costs, entrepreneurial profit, the structures, depreciation and a rent deficit, the Appraiser concluded that, under the Cost Approach, the Nevada Property was worth \$15,700,000.00 as of March 1, 2010.

Under the Income Capitalization Approach, the Appraiser approximated

<sup>7</sup> The Plan paid \$2,500 in 2009 and \$16,974 in 2010 for engineering fees (Engineering Fees). The Engineering Fees included the surveying of the Nevada Property and the creation of a new, separate legal description for the 10.89 acre Parcel.

the anticipated income and expenses (*i.e.*, anticipated economic benefits) to determine the fair market value of the Nevada Property. The Appraiser determined that this approach resulted in a fair market value of \$14,900,000 for the Nevada Property as March 1, 2010.

The Appraiser then reconciled the various valuation methods and determined that the fair market value of the leased fee interest in the Nevada Property was \$14,900,000 as of March 1, 2010. The Appraiser weighed the Income Capitalization Approach more heavily in the Appraisal because this methodology mirrored the methodology used by purchasers of this type of property. Thus, on the basis of the Appraisal, the fair market value of the Parcel was \$5,383,577 as of March 1, 2010 ( $\$14,900,000 \times 10.89 \text{ acres}/30.14 \text{ acres}$ ).

It should be noted that the Appraiser, also surveyed local real estate brokers for the Appraisal. These brokers indicated that upon the completion of renovations at the adjacent McCarran International Airport, the Nevada Property could increase in value. The Nevada Property appraised valued peaked in 2007 when it was appraised at \$21,740,000 by the Appraiser. In an August 4, 2010 letter, the Appraiser represented that at the date of the Appraisal, the Appraiser did not anticipate that the completion of the McCarran Airport renovations would have any significant short-term effect on industrial land values within the subject's submarket. Moreover, the Appraiser represented that it did not anticipate that the Nevada Property would return to its 2007 peak value within the next few years. Instead, any recovery with the industrial market would require a significant improvement in the Las Vegas unemployment rate and an improvement in the local, state and national manufacturing sectors.

The Nevada Property is also located within the vicinity of real property owned by UBC. In a separate December 15, 2010 letter, Mr. Wilson stated that the Appraiser did not believe the Nevada Property had any assemblage value due to its close proximity to UBC's building.

Finally, the Appraiser provided an updated summary appraisal report (the Summary Appraisal), dated March 3, 2011, which valued a leased fee interest of the 10.89 acre Parcel and the 19.25 acre tract of land comprising the Nevada Property (in an "as is" condition) at \$11,000,000 as of March 1, 2011. The Summary Appraisal utilized both the Cost Approach and the Income Capitalization Approach to valuation,

but gave the most weight to the Income Capitalization Approach because it mirrored the methodology used by purchasers of this property type. Thus, on the basis of the Summary Appraisal, the fair market value of the Parcel was \$3,960,000 as of March 1, 2011 ( $\$11,000,000 * 10.89 \text{ acres}/30.14 \text{ acres}$ ).

#### *Terms of the Sale*

18. The Council had been trying to obtain property for the construction of a training facility over the past five years. The Council had made offers on several tracts of land and such offers have either been refused or encountered problems. The Council selected the Parcel because it is suitable for a training facility and is visible to freeways. The Council may lease a future facility to the Southwest Carpenters Training Fund, the Applicant represents that the Council has not voted whether to enter into such future lease.<sup>8</sup>

Although the Plan has not any made efforts to sell the Parcel to unrelated parties nor has it received any unsolicited purchase offers from unrelated parties, the Council's purchase of the Parcel would allow the Plan to receive a profit. In this regard, the proposed Sale price for the Parcel that will be paid by the Council will be (excluding certain Seller Costs and Rental Credits) the higher of \$5,383,577 ( $\$14,900,000 * 10.89 \text{ acres}/30.14 \text{ acres}$ ) or the fair market value of the Parcel on the Sale Date as determined by the Appraiser in an updated Appraisal on the Sale Date. The pro rata purchase price for the Parcel was approximately \$3,780,834 ( $\$10,464,126 \text{ original purchase price} * 10.89 \text{ acres}/30.14 \text{ acres}$ ). Therefore, the pro rata gain for the Parcel is \$1,602,743 ( $\$5,383,577 \text{ purchase price} - \$3,780,834 \text{ original purchase price}$ ) or an approximately 42% gain ( $\$1,602,743 \text{ gain}/\$3,780,847$

<sup>8</sup>The Department wishes to point out that any future leasing of the Parcel by the Council to the Southwest Carpenters Training Fund for training purposes must be compliant with the terms and conditions of PTE 78-6, 43 FR 23024 (May 30, 1978). PTE 78-6 exempts, among other transactions, the leasing of real property other than office space by an apprenticeship plan from a contributing employer, a wholly-owned subsidiary of such employer, or an employee organization any of whose members' work results in contributions being made to the apprenticeship plan. The Department also notes that PTE 78-6 provides exemptive relief from section 406(a)(1)(A), (C) and (D) of the Act, but no relief from the fiduciary self-dealing or conflict of interest provisions under section 406(b)(1) and (2) of the Act.

<sup>9</sup>The Council proposes to base the purchase price for the Parcel on the \$14.9 million fair market value of the Nevada Property as determined as of March 1, 2010 in the Appraisal rather than the \$11 million fair market value for such property as determined as of March 1, 2011 in the Summary Appraisal.

cost basis) for the Parcel, without taking into account certain Seller Closing Costs and Rental Credits.

19. The Plan will pay certain Seller Closing Costs in connection with the Sale. These Seller Closing Costs include owner's title insurance of \$4,263.79, escrow fees of \$1,265, recording fees of approximately \$100 and the Clark County real estate transfer tax which is estimated to be approximately \$27,458.40, or total Seller Closing Costs of \$33,087.19.<sup>10</sup> The Seller Closing Costs amount to less than 1 percent of the proposed Sale price.

In addition to the Seller Closing Costs, the Plan will pay Enterprise Leasing 50% of all Rental Credits, as described above in Representation 15. These Rental Credits will cost the Plan a total of \$67,500. Accordingly, the Plan's aggregate costs are estimated at \$100,587.19.

The Applicant represents that a hypothetical sale to an unrelated third party would require the Plan to pay a sales commission. The Applicant states that such commissions typically amount to 4% of the value of the Sale or, in this case, \$215,343. In a hypothetical sale to an unrelated third party, the Plan would pay \$248,432 (*i.e.*, a \$215,343 commission plus \$33,087 in Seller Closing Costs). Thus, according to the Applicant, the Plan would pay less in closing and transaction costs in the proposed Sale when compared to a hypothetical sale to an unrelated third party. (The Department notes, however, that it is unlikely that a hypothetical buyer would also pay a Lease Modification Fee and 50% of the Rental Credits like the Council).

#### *Rationale for the Sale*

20. The Applicant represents that the following reasons support the Sale:

- The Lease is no longer subject to the ANC Rental Corporations's guaranty and is appraised at below market value.
- Enterprise no longer uses the Nevada Property as its car pick-up and return site and the Parcel is vacant.
- Annual rental increases are subject to the lesser of 2% or a CPI-linked formula. Accordingly, annual rental increases may not keep pace with periods of high inflation.
- The Lease is subject to two extensions that could lock the Plan into the Lease until 2031.

<sup>10</sup>Susan Borst, director of the Commerce Real Estate Solutions, an alliance member of the Appraiser, and a certified Commercial Investment Member, with over 15 years of real estate industry experience, represented that it is the customary and normal practice in Clark County, Nevada for the seller to pay real estate transfer taxes. Ms. Borst also states that less than 1% of her 2010 annual income was derived from the Council and its affiliates.



- SCA has advised that it would be advantageous to the Plan to enter into the proposed Sale.

- The Council would pay a portion of the costs associated with the Sale. Aside from purchase price, the Council would pay: (a) \$16,734 to the Plan for its 2010 Engineering Fees; (b) 50% of all Rental Credits from October 2010 through mid-July 2011 or \$67,500; (c) the Lease Modification Fee of \$100,000 to Enterprise Leasing; (d) an ALTA title insurance upgrade which is approximately \$2,842.53; and (e) escrow charges of approximately \$1,265.00. Therefore, the total transaction costs paid by the Council would be \$188,341.53 (which is more than the Seller Closing Costs and Rental Credits paid by the Plan).

- The Plan would not have to pay a sales commission in connection with the Sale.

- Because the value of the Nevada Property peaked in 2007 and has declined up to the time of the Summary Appraisal, selling the Parcel would allow the Plan to recognize some profit it has gained since the purchase of the Nevada Property.

- Because the Nevada Property had a 12 month rate of return of negative 13.39%, the Sale would reduce risks to the Plan from holding the Parcel and allow the Plan to receive a profit from a portion of such property.

#### *Exemptive Relief Requested*

21. According to the Applicant, the Sale represents a sale and transfer of plan assets between the Plan and the Council, a party in interest, that would violate section 406(a)(1)(A) and (D) of the Act. The Applicant also requests exemptive relief from the fiduciary conflict of interest provision of section 406(b)(2) of the Act. The Applicant represents that although none of the Trustees are employees or officers of the Council, it is possible a potential conflict of interest exists since two of the Trustees (Mr. Draper and Mr. Libby), who are members of the Board subcommittee, are UBC officers or officers of other intermediate labor councils aligned with UBC. Because the Council is, itself, aligned with UBC, the Applicant contends that these two Trustees may have interests which are adverse to the interests of the Plan or the interests of the Plan's participants or beneficiaries. Therefore, the Applicant asserts that exemptive relief from section 406(b)(2) of the Act is required.

#### *Appropriateness of the Sale*

22. The Applicant represents that the proposed Sale by the Plan of the Parcel to the Council would be

administratively feasible because the Sale would be a one-time transaction for cash. Furthermore, the Plan would pay no commissions, costs or fees in connection with the Sale, except for 50% of the Rental Credits and the Seller Closing Costs which are customarily paid to unrelated parties. Finally, Mr. Draper and Mr. Libby would review and approve the methodology used by the Appraiser, ensure that such methodology is properly applied in determining the fair market value of the Parcel, and also determine whether it is prudent to go forward with the proposed transaction.

The Applicant states that the proposed Sale would also be in the interests of the Plan and its participants and beneficiaries because the Plan would realize a gain of nearly 42% stemming from its acquisition and holding of the Parcel and further diversify its assets, and become more liquid. Further, the Applicant states that the proposed Sale would be protective of the rights of the Plan's participants and beneficiaries because the Plan would receive the greater of \$5,383,577 or the fair market value of the Parcel as determined by the Appraiser in an Appraisal of the Nevada Property, which is updated on the Sale Date. Furthermore, the terms of the Sale would be no less favorable to the Plan than the terms negotiated under similar circumstances at arm's length with unrelated parties. Accordingly, the Applicant requests an exemption from the Department.

#### *Summary*

23. In summary, the Applicant represents that the Sale will satisfy the statutory requirements for an exemption under section 408(a) of the Act because:

(a) The terms and conditions of the Sale will be at least as favorable to the Plan as those obtainable in an arm's length transaction with an unrelated party;

(b) The Sale will be a one-time transaction for cash;

(c) As consideration, the Plan will receive the greater of \$5,383,577, or the fair market value of the Parcel as determined by the Appraiser in an Appraisal of the Nevada Property, which is updated on the Sale Date;

(d) The Plan will pay no commissions, costs or fees, with respect to the Sale, except for the Seller Closing Costs and 50% of the Rental Credits that are paid to unrelated parties; and

(e) The Plan fiduciaries will review and approve the methodology used by the Appraiser, ensure that such methodology will be properly applied in determining the fair market value of the

Parcel, and also will determine whether it is prudent to go forward with the proposed transaction.

#### **Notice to Interested Parties**

Notice of the proposed exemption will be given to interested persons within 20 days of the publication of the notice of proposed exemption in the **Federal Register**. The notice will be given to interested persons by first class mail or personal delivery. Such notice will contain a copy of the notice of proposed exemption, as published in the **Federal Register**, and a supplemental statement, as required pursuant to 29 CFR 2570.43(b)(2). The supplemental statement will inform interested persons of their right to comment on and/or to request a hearing with respect to the pending exemption. Written comments and hearing requests are due within 50 days of the publication of the notice of proposed exemption in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Mr. Anh-Viet Ly of the Department at (202) 693-8648. (This is not a toll-free number.)

Wolverine Bronze Profit Sharing Plan and Trust (the Plan) and BDR Oil, LLC Located in Roseville, Michigan Exemption Application Number D-11639

#### **Proposed Exemption**

The Department is considering granting an exemption under the authority of section 408(a) of the Employee Retirement Income Security Act of 1974 (ERISA or the Act) and section 4975(c)(2) of the Internal Revenue Code of 1986, as amended (the Code), and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990).<sup>11</sup>

If the proposed exemption is granted, the restrictions of section 406(a)(1)(A) and (D), 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), (D) and (E) of the Code, shall not apply, to the cash sale (the Sale) by the Plan of a note receivable (the Note) and royalty interests (ORRIs), collectively known as the Alternative Investments, to BDR Oil, LLC, which is owned by Richard A. Smith, William Smith and Douglas Smith (also known as the Alternative Investment Group or the AIG), provided that the following conditions are met:

(a) The Sale is a one-time transaction for cash;

<sup>11</sup> For purposes of this proposed exemption, references to section 406 of ERISA should be read to refer to the corresponding provisions of section 4975 of the Code as well.

(b) The terms and conditions of the Sale are at least as favorable as those obtainable in an arm's length transaction with an unrelated third party;

(c) The Plan will receive no less than the fair market value of the Alternative Investments at the closing of the proposed transaction;

(d) The fair market value of the Alternative Investments will be determined by a qualified independent appraiser;

(e) All valuations will be updated by a qualified independent appraiser on the date that the Sale is consummated;

(f) The Plan pays no commissions, fees or other expenses in connection with the Sale;

(g) The Sale was not part of an arrangement, agreement, or understanding designed to benefit a party in interest to the Plan and is a result of the Plan's conversion from a "traditional" profit sharing plan to a 401(k) plan;

(h) The Plan will reallocate \$1,450.17 to the account balances of its participants and beneficiaries, excluding the AIG, to reflect the difference between the value assigned to the Note by the Plan trustee on the date of the Plan conversion, and the value of the Note on that same date as determined by the qualified independent appraiser;

(i) An independent fiduciary, who is not a party to the proposed transaction,

(1) Determines, among other things, whether it is in the best interest of the Plan to proceed with the sale of the Alternative Investments;

(2) Reviews and approves the methodology used in the appraisal that is being relied upon; and

(3) Ensures that such methodology is applied by the qualified independent appraiser in determining the fair market value of the Alternative Investments, as updated, on the day of the Sale; and

(j) The Plan has not waived or released and does not waive or release any claims, demands, and/or causes of action which such Plan may have in connection with the Sale.

### Summary of Facts and Representations

1. Wolverine Bronze Company (Wolverine), a privately held non-ferrous jobbing foundry, located in Roseville, Michigan, is the sponsor of Wolverine Bronze Profit Sharing Plan and Trust (the Plan). The Shareholders of Wolverine are: Richard A. Smith, Christopher S. Smith, Robert J. Smith, William P. Smith, Jr., and Nicolas L. Smith. The Plan was a "traditional" profit sharing plan maintained by Wolverine before its conversion to a

401(k) plan effective January 1, 2010. Prior to the conversion, the Plan's assets were invested in, among other things, stocks, bonds, and mutual funds which were selected by the discretionary trustees. The discretionary trustees also invested the Plan's assets into a note receivable (the Note) for Robert O. Keller, Jr., an unrelated third party, and royalty interests (ORRIs)<sup>12</sup>, collectively known as the Alternative Investments. As of December 31, 2009 the Plan had approximately 104 participants and total assets of approximately \$6,282,474.95. The trustees of the Plan are Richard A. Smith and Charles Arent.

The conversion to a 401(k) plan was a result of the Plan sponsor's determination that it would be in the best interest of the participants to make elective deferrals and self direct investments. Participants were given the option to select from a group of mutual funds representing a broad range of investment alternatives, and also were given the opportunity to have all or a portion of their account invested in the Alternative Investments.

2. Following the Plan's conversion to a 401(k) plan, only 3 participants selected to invest in the Alternative Investments, which were offered.<sup>13</sup> The group of individuals who selected these investments are Richard A. Smith (fiduciary and Chief Executive Officer), William Smith (V.P. of Operations, prior to his termination of employment on January 1, 2011) and Douglas Smith (V.P. of Manufacturing, prior to his termination of employment on January 1, 2011)—these 3 individuals are brothers, and are collectively known as the Alternative Investment Group (the AIG). The AIG determined that they were not able to diversify their investments in the Plan so as to

<sup>12</sup> According to the valuation completed by Andrew M. Malec, Ph.D. of Gordon Advisors, an ORRI is an investment in which an investor receives cash flow from oil sales resulting from production in the oil well according to the ownership percentage, net of oil well production tax, but does not pay for drilling or monthly operating expenses of the well. In addition, the life of an ORRI investment is perpetual (subject to the terms of the lease), changes in the working interest holder will not affect the standing of the interest holder of the royalties, and the owner of the royalty interest benefits from future oil sales on any additional wells drilled on the lease.

<sup>13</sup> Prior to such conversion, the Department's Cincinnati Regional Office conducted an investigation of the Plan and focused on, among other things, the valuation of the ORRIs. As a result of the investigation, the Plan modified its valuation of the ORRIs that was used for purposes of valuing the individual account balances. The applicant represents that this modification satisfied the Regional Office's requirements, and that the Plan will use the same modified valuation for the proposed transaction as was used for other purposes including the conversion of the Plan from a "traditional" profit sharing plan to a 401(k) plan.

minimize risk. The discretionary trustees then concluded that in order for the AIG to fully participate in the new Plan design and minimize fiduciary risk, the Alternative Investments should be liquidated so that the proceeds may be reinvested in the investment offerings provided under the Plan. As a result, the AIG proposes to purchase the Alternative Investments from the Plan.

3. The principal amount of the Note, dated June 1, 2007, was \$65,000.00. The Note bears interest on the unpaid principal balance at the fixed rate of 10 percent per annum and is payable in equal monthly installments of \$1,381.06 which includes both principal and interest. Payments under the Note commenced on July 1, 2007 and will continue until a final installment equal to the total unpaid principal balance is due on June 1, 2012. To date, all required payments on the Note have been paid as due.

The Note was executed by the Plan and Mr. Robert O. Keller, Jr., an unrelated third party, and secured by a lien interest on a 1980 Diesel Truck owned by Mr. Keller. According to the applicant, the Plan has incurred no costs in connection with the administration of the Note.

4. At the time of the conversion, a fair market value of \$36,254.83 was assigned to the Note by the Plan trustee. The Note was recently valued by Andrew Malec with Gordon Advisors, P.C., (Gordon Advisors) located in Troy, Michigan, who has a PhD in economics. Mr. Malec used a different methodology than originally used by the Plan trustees, and determined at that time that a fair market value of \$37,950.00 was appropriate. Mr. Malec's calculation, which uses the present value of the expected cash flows from the Note, results in an amount of \$1,450.17 more than the opening balances actually credited to the participants and beneficiaries. The applicant represents that the methodology used by Gordon Advisors for purposes of establishing the value of the Note will be used for the proposed transaction. The applicant further represents that the resulting \$1,450.17 difference between the value originally assigned to the Note by the trustee, as compared to the value determined by Gordon Advisors, will be reallocated to the participant and beneficiary account balances to reflect the change in calculation for the opening balances.

The applicant represents Mr. Malec to be a qualified independent appraiser with an expertise in valuing privately-held securities, spanning across a broad range of industries. Mr. Malec's experience has involved performing for

numerous purposes including acquisitions, fairness opinions, financial reporting, gift and estate taxation, litigation, marital dissolution, purchase price allocation, shareholder disputes, other tax and corporate related matters, and shareholder planning. The previously referenced cash flow methodology used by Mr. Malec takes into account that the rate of return on a debt security is composed of a nominal risk-free rate of interest<sup>14</sup> plus several factors that reflect inflation, the risk of the security, and the security's marketability. As a result, Mr. Malec concluded that a 6.98% rate of return should apply to the cash flow stream of the Note as of the valuation date. As of December 22, 2010, the estimated fair market value of the Note is \$23,628.00. There were 18 remaining payments on the Note as of December 27, 2010.

5. The ORRIs also were valued by Andrew Malec. Based on the valuation of the ORRIs completed on February 9, 2010, the Plan maintains investments in 23 ORRIs. These ORRIs represent interests in various oil wells located within the state of Texas. The Plan originally acquired the ORRIs on March 12, 1990 from Peter Nunez, an unrelated third party, for the purchase price of \$141,205.12. As of December 31, 2009, the estimated fair market value of the ORRIs is \$555,000.00.

In determining the required rate of return for the ORRIs, the Dividend Discount Model (DDM), an Income Approach, was used. The DDM is a procedure for valuing the price of a stock by using predicted dividends and discounting them back to present value. It is essentially a method for valuing stocks based on the net present value of the future dividends. Mr. Malec stressed the importance of an appropriate rate of return commensurate with achieving the expected cash flow based on the fact that investors typically place a great deal of weight upon the expected future cash flow earned on the various ORRI investments. Therefore, the appraiser represents that the DDM is an appropriate methodology for valuing the ORRIs because it estimates the annual cash flow to be received by the royalty interest (*i.e.* the "stream of payments" to the investor) by taking into account the rate of return proportionate with realizing this estimated cash flow.

6. The applicant proposes the sale of the Alternative Investments from the Plan to the AIG through BDR Oil, LLC (BDR), a Michigan limited liability company and entity owned by the AIG, at fair market value at the time of the

closing of the Sale. The Alternative Investments constitute approximately 9% of the total Plan assets (as of December 31, 2009). The applicant represents that the Sale of the Alternative Investments to BDR is in the best interests of the Plan because the administrative burden of separately accounting for and valuing the Alternative Investments would no longer be necessary, thereby reducing the costs to the Plan. Further, the participants comprising the AIG would be able to diversify their investments in the Plan, which will, in turn, ensure that the Plan will have sufficient liquidity to pay the benefits when due.

7. The applicant represents that the Sale will be a one-time transaction for cash and that the Plan will incur no fees, commissions, or other expenses in connection with the Sale. BDR will bear the costs of the exemption application and of notifying interested persons. The applicant further represents that to-date the valuations performed by Mr. Malec were paid by Wolverine on behalf of the Plan for yearly valuation purposes, but that the update of the valuation for the Sale will be paid by BDR. The applicant also represents that the fees that will be paid to Gordon Advisors by BDR represent less than 1% of the firm's annual income.

8. It is also represented that a Plan fiduciary, Charles Arent, who is neither a party to the proposed subject transaction nor a relation to the AIG members, both has and will continue to review and approve the methodology used by the qualified independent appraiser, thereby ensuring that such methodology is properly applied, and that it is prudent to go forward with the proposed transaction. With respect to the Sale, the applicant represents that Richard A. Smith has recused himself from his fiduciary responsibilities to the Plan.

9. The Plan has not waived or released and does not waive or release any claims, demands, and/or causes of action which such Plan may have against BDR and/or the AIG in connection with the sale of assets to BDR.

10. In summary, the applicant represents that the proposed transaction satisfies the criteria for an exemption under section 408(a) for the following reasons: (a) The Sale is a one-time transaction for cash; (b) the terms and conditions of the Sale are at least as favorable as those obtainable in an arm's length transaction with an unrelated third party; (c) the Plan will receive no less than the fair market value of the Alternative Investments at the closing of the proposed transaction; (d) the fair

market value of the Alternative Investments are to be determined by a qualified independent appraiser; (e) all valuations will be updated on the date that the Sale is consummated; (f) the Plan pays no commissions, fees or other expenses in connection with the Sale; (g) the Sale was not part of an arrangement, agreement, or understanding designed to benefit a party in interest to the Plan and is a result of the Plan's conversion from a "traditional" profit sharing plan to a 401(k) plan; (h) the Plan will reallocate \$1,450.17 to the account balances of its participants and beneficiaries, excluding the AIG, to reflect the difference between the value assigned to the Note by the Plan trustee on the date of the Plan conversion, and the value of the Note on that same date by the qualified independent appraiser; (i) the Plan fiduciary who is not an interested party to the proposed transaction, Charles Arent, (1) determines, among other things, whether it is in the best interest of the Plan to proceed with the sale of the Alternative Investments; (2) reviews and approves the methodology used in the appraisal that is being relied upon; and (3) ensures that such methodology is applied by the qualified independent appraiser in determining the fair market value of the Alternative Investments, as updated, on the day of the Sale; and (j) the Plan has not waived or released and does not waive or release any claims, demands, and/or causes of action which such Plan may have in connection with the Sale.

**FOR FURTHER INFORMATION CONTACT:** Breyana A. Penn of the Department, telephone (202) 693-8546. (This is not a toll-free number.) Verizon Communications, Inc. (Verizon) and Cellco Partnership, doing business as Verizon Wireless (Verizon Wireless; collectively, the Applicants) Located in Basking Ridge, New Jersey [Application Nos. L-11651 and L-11652]

#### Proposed Exemption

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, 32847, August 10, 1990). If the exemption is granted, the restrictions of sections 406(a) and (b) of the Act shall not apply to the reinsurance of risks and the receipt of premiums therefrom by Exchange Indemnity Company (EIC), a wholly-owned subsidiary of Verizon, in connection with an insurance contract sold by Prudential Life Insurance Company (Prudential) or any successor

<sup>14</sup> Mr. Malec selected this component of the rate of return based on 1-Year U.S. Treasury Notes.

insurance company to Prudential which is unrelated to Verizon, to provide group-term life insurance to certain employees and retirees of Verizon and Verizon Wireless under The Plan for Group Insurance maintained by Verizon and the Verizon Wireless Health and Welfare Benefits Plan maintained by Verizon Wireless (collectively, the Plans), provided the following conditions are met:

(a) EIC—

(1) Is a party in interest with respect to the Plan by reason of a stock or partnership affiliation with Verizon that is described in section 3(14)(E) or (G) of the Act,

(2) Is licensed to sell insurance or conduct reinsurance operations in at least one State as defined in section 3(10) of the Act,

(3) Has obtained a Certificate of Authority from the Insurance Commissioner of its domiciliary state which has neither been revoked nor suspended,

(4)(A) Has undergone and shall continue to undergo an examination by an independent certified public accountant for its last completed taxable year immediately prior to the taxable year of the reinsurance transaction; or

(B) Has undergone a financial examination (within the meaning of the law of its domiciliary State, Vermont) by the Insurance Commissioner of Vermont within 5 years prior to the end of the year preceding the year in which the reinsurance transaction occurred, and

(5) Is licensed to conduct reinsurance transactions by a State whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries and reported to the appropriate regulatory authority;

(b) The Plans pay no more than adequate consideration for the insurance contracts;

(c) In subsequent years, the formula used to calculate premiums by Prudential or any successor insurer will be similar to formulae used by other insurers providing comparable coverage under similar programs. Furthermore, the premium charge calculated in accordance with the formula will be reasonable and will be comparable to the premium charged by the insurer and its competitors with the same or a better rating providing the same coverage under comparable programs;

(d) The Plans only contract with insurers with a rating of A or better from A.M. Best Company. The reinsurance arrangement between the insurer and EIC will be indemnity insurance only, i.e., the insurer will not be relieved of liability to the Plans should EIC be

unable or unwilling to cover any liability arising from the reinsurance arrangement;

(e) No commissions, costs or other expenses are paid with respect to the reinsurance of such contracts; and

(f) For each taxable year of EIC, the gross premiums and annuity considerations received in that taxable year by EIC for life and health insurance or annuity contracts for all employee benefit plans (and their employers) with respect to which EIC is a party in interest by reason of a relationship to such employer described in section 3(14)(E) or (G) of the Act does not exceed 50% of the gross premiums and annuity considerations received for all lines of insurance (whether direct insurance or reinsurance) in that taxable year by EIC. For purposes of this condition (f):

(1) The term “gross premiums and annuity considerations received” means as to the numerator the total of premiums and annuity considerations received, both for the subject reinsurance transactions as well as for any direct sale or other reinsurance of life insurance, health insurance or annuity contracts to such plans (and their employers) by EIC. This total is to be reduced (in both the numerator and the denominator of the fraction) by experience refunds paid or credited in that taxable year by EIC.

(2) all premium and annuity considerations written by EIC for plans which it alone maintains are to be excluded from both the numerator and the denominator of the fraction.

#### Summary of Facts and Representations

1. Verizon Communications, Inc. (Verizon) is a world-wide telecommunications company. Verizon maintains The Plan for Group Insurance, a welfare plan within the meaning of section 3(1) of the Act, for the benefit of its employees. The Plan for Group Insurance provides various types of welfare benefits and includes a group-term life insurance component (basic, supplemental and dependent coverage), which is fully insured.

2. (2) Verizon Wireless is a Delaware Partnership and is a worldwide cellular telephone company. Verizon Wireless is a majority owned subsidiary of Verizon. Verizon Wireless maintains the Verizon Wireless Health and Welfare Benefits Plan, a welfare plan within the meaning of section 3(1) of the Act, for the benefit of its employees. The Verizon Wireless Health and Welfare Benefits Plan provides various types of welfare benefits and includes a group-term life insurance component (basic,

supplemental and dependent coverage), which is fully insured.

3. EIC is a 100% owned subsidiary of Verizon (EIC is 53% owned by NYNEX and 47% owned by GTE, each of which are wholly owned subsidiaries of Verizon). EIC is domiciled in the State of Vermont. As of September 30, 2010, EIC reported approximately \$918 million in 2010 gross annual premiums and \$1,713 million in total assets. The Applicants represent that for each taxable year of EIC, the total amount of premiums, both for the subject reinsurance transactions as well as for any direct sale or other reinsurance of life insurance and health insurance for all employee benefit plans for which EIC is a party in interest by reason of a relationship to the sponsoring employer described in section 3(14)(E) or (G) of the Act have not exceeded and will not exceed 50% of the gross premiums received by EIC from all lines of insurance in that taxable year.

4. The group-term life insurance component of The Plan for Group Insurance has approximately 74,774 participants and beneficiaries and the group-term life insurance component of the Verizon Wireless Health and Welfare Benefits Plan has approximately 66,522 participants and beneficiaries. The proposed reinsurance shall only apply with respect to certain participants (the Affected Participants) in the Plans. Affected Participants shall include: (a) Non-union represented employees and their dependents; (b) retirees who were non-union represented employees while employed, and their dependents; and (c) union represented employees and retirees of Verizon Wireless.

5. The life insurance is currently underwritten by Prudential Life Insurance Company (Prudential), an unaffiliated insurance carrier. Verizon and Verizon Wireless have entered into a policy with Prudential for 100% of this coverage. Verizon proposes to use its subsidiary, EIC, to reinsure 100% of the risk through a reinsurance contract between EIC and Prudential in which Prudential would pay 100% of the premiums to EIC. The Applicants represent that there is no additional cost to the Plan as a result of the reinsurance arrangement. From the Affected Participants' perspective, they have a binding contract with Prudential, which is legally responsible for the group-term life insurance risk associated under the Plan. Prudential is liable to provide the promised coverage regardless of the proposed reinsurance arrangement.

6. The Applicants represent that the proposed transaction will not in any way affect the cost to the insureds of the

group-term life insurance contracts, and the Plans will pay no more than adequate consideration for the insurance. Verizon, Verizon Wireless and/or EIC will not profit from the reinsurance arrangement at the expense of the Plans or the Affected Participants. Also, the Affected Participants are afforded insurance protection from Prudential at competitive rates arrived at through arm's-length negotiations. Prudential is rated "A+" by the A. M. Best Company, whose insurance ratings are widely used in financial and regulatory circles. Prudential has assets in excess of \$667 billion. Prudential will continue to have the ultimate responsibility in the event of loss to pay insurance benefits to the employee's beneficiary. The Applicants represent that EIC is a sound, viable company which is dependent upon insurance customers that are unrelated to itself and its affiliates for premium revenue.

7. The Applicants represent that the proposed reinsurance transaction will meet all of the conditions of PTE 79-41 covering direct insurance transactions: (a) EIC is a party in interest with respect to the Plans (within the meaning of section 3(14)(G) of the Act) by reason of stock affiliation with Verizon and Verizon Wireless, which maintain the Plans.

(b) EIC is licensed to do business in the State of Vermont.

(c) EIC has undergone an examination by an independent certified public accountant for its fiscal year ending December 31, 2009.

(d) EIC has received a Certificate of Authority from its domiciliary State (as defined in Act section 3(10)), the State of Vermont, which has neither been revoked nor suspended.

(e) The Plans will pay no more than adequate consideration for the insurance. The proposed transaction will not in any way affect the cost to the insureds of the group-term life insurance transaction.

(f) No commissions, costs or other expenses will be paid with respect to the acquisition of reinsurance by Prudential from EIC.

(g) For each taxable year of EIC, the "gross premiums and annuity considerations received" in that taxable year for group life and health insurance (both direct insurance and reinsurance) for all employee benefit plans (and their employers) with respect to which EIC is a party in interest by reason of a relationship to such employer described in section 3(14)(E) or (G) of the Act will not exceed 50% of the "gross premiums and annuity considerations received" by EIC from all lines of insurance in that taxable year. All of the premium income

of EIC comes from reinsurance. EIC has received no premiums for the group-term life insurance in the past.

8. In summary, the Applicants represent that the proposed transaction will meet the criteria of section 408(a) of the Act because: (a) Plan participants and beneficiaries are afforded insurance protection by Prudential, an "A+" rated group insurer, at competitive market rates arrived at through arm's-length negotiations; (b) EIC is a sound, viable insurance company which does a substantial amount of public business outside its affiliated group of companies; and (c) each of the protections provided to the Plans and the Affected Participants and their beneficiaries by PTE 79-41 will be met under the proposed reinsurance transaction.

**FOR FURTHER INFORMATION CONTACT:** 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 2nd day of May, 2011.

**Ivan Strasfeld,**

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

[FR Doc. 2011-10999 Filed 5-4-11; 8:45 am]

**BILLING CODE 4510-29-P**

## DEPARTMENT OF LABOR

### Employment and Training Administration

#### Proposed Information Collection for Growing America Through Entrepreneurship (GATE) II Evaluation; Comment Request

**AGENCY:** Employment and Training Administration, Labor.

**ACTION:** Notice.

**SUMMARY:** The Department of Labor (Department), as part of its continuing effort to reduce paperwork and respondent burden, conducts a pre-clearance consultation program to provide the general public and federal agencies with an opportunity to comment on proposed and or continuing collections of information in accordance with the Paperwork Reduction Act of 1995 (PRA95) [44 U.S.C. 3506(c)(2)(A)]. This program helps to ensure that requested data can be provided in the desired format, reporting burden (time and financial resources) is minimized, collection instruments are clearly understood, and the impact of collection requirements on respondents can be properly assessed.

Currently, the Employment and Training Administration (ETA) is soliciting comments on a new data collection for the GATE II Evaluation. A copy of the proposed information collection request (ICR) can be obtained by contacting the office listed below in the addressee section of this notice.

**DATES:** Written comments must be submitted to the office listed in the addressee section below on or before July 5, 2011.