at (202) 219–8883. (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 to which the exemptions 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) These exemptions are supplemental to and not in derogation of, any other provisions of the Act and/or the Code, including statutory or administrative exemptions and transactional 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

(3) The availability of these exemptions is subject to the express condition that the material facts and representations contained in each application accurately describes all material terms of the transaction which is the subject of the exemption.

Signed at Washington, D.C., this 1st day of May, 2000.

Ivan Strasfeld,
Director of Exemption Determinations,
Pension and Welfare Benefits Administration, U.S. Department of Labor.

[FR Doc. 00–11128 Filed 5–3–00; 8:45 am]

**DEPARTMENT OF LABOR**

**Pension and Welfare Benefits Administration**


**Proposed Exemptions: Fortis, Inc. Employees’ Uniform Profit Sharing Plan (the Fortis Plan)**

AGENCY: Pension and Welfare Benefits Administration, Labor.

ACTION: Notice of Proposed Exemptions.

**SUMMARY:** This document contains notices of pendency before the Department of Labor (the Department) of proposed exemptions from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (the Act) and/or the Internal Revenue Code of 1986 (the Code).

**Written Comments and Hearing Requests**

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

**ADDRESSES:** All written comments and request for a hearing (at least three copies) should be sent to the Pension and Welfare Benefits Administration, Office of Exemption Determinations, Room N–5649, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. Attention: Application No., stated in each Notice of Proposed Exemption. The applications for exemption and the comments received will be available for public inspection in the Public Documents Room of the Pension and Welfare Benefits Administration, U.S. Department of Labor, Room N–5638, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

**Notice to Interested Persons**

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

**SUPPLEMENTARY INFORMATION:** The proposed exemptions were requested in applications filed pursuant to section 408(a) of the Act and/or section 4975(c)(2) of the Code, and in accordance with procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32826, 32847, August 10, 1990).

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 32826, 32847, August 10, 1990).

If the exemption is granted, the restrictions of sections 406(a), 406(b)(1) and (2) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (E) of the Code, shall not apply to: (1) The restoration payment (the Restoration Payment) by Fortis, a party in interest with respect to the Fortis Plan to the Fortis Plan with respect to a certain counterfeit certificate of deposit (the Plan CD); and (2) the potential future payment to Fortis of recapture payments (the Recapture Payments) made to the Fortis Plan pursuant to a proceeding involving the issuer of the counterfeit CD.

This exemption is subject to the following conditions:

(A) The Restoration Payment consists of:

(i) $501,125, an amount equal to the Plan CD’s full face value at the time of the Plan CD’s maturity; and

(ii) An amount in cash which is equal to:

(a) A 5.5% annual rate of return on the Plan CD’s maturity value of $501,125 for the period beginning October 30, 1997 and ending on December 31, 1998; and

(b) A rate of return on the amount described in (A)(ii)(a) above, which is equal to the average annual rate of return of the Fortis Money Market Fund from January 1, 1999 until the date of
the Restoration Payment (i.e., the Interest Payment);  
(B) The Restoration Payment is a one-time transaction for cash;  
(C) The Fortis Plan pays no expenses with respect to the Restoration Payment;  
(D) The Fortis Plan retains any amount in excess of the Restoration Payment that it collects in its attempts to recover monies due under the Plan CD; and  
(E) Any Recapture Payments paid by the Fortis Plan to Fortis are limited to the amount of the Restoration Payment and are restricted solely to the amounts, if any recovered, by the Fortis Plan with respect to the counterfeit CD in litigation or otherwise.

Summary of Facts and Representations

1. Fortis, a diversified financial services company providing insurance and investment products, is a Nevada corporation, with its principal office located in New York, New York. Fortis is the sponsor of the Plan which is a profit sharing plan having approximately 12,000 participants and approximately $366 million in assets as of May 11, 1999.

2. Interfinancial, Inc. (Interfinancial), a Georgia Corporation whose function is merely to hold the stock of subsidiary operating companies, is a subsidiary of Fortis. On August 31, 1998, Interfinancial acquired the John Alden Life Insurance Company (John Alden), the sponsor of the John Alden Employee Savings Incentive Plan (the Alden Plan), a defined contribution plan. Under the Alden Plan, participants could direct the investment of their accounts among various investment options selected by the John Alden Asset Management Company (JAAMCO), a subsidiary of John Alden. JAAMCO managed the investment of the Alden Plan assets. According to the Alden Plan’s “Policy and Procedures,” the Money Market Fund was to consist of money market instruments such as bank certificates of deposits, commercial paper, and bonds. Portfolio managers were permitted to purchase CDs issued by pre-approved entities, which included Deutsche Bank.

The Plan CD was a certificate of deposit offered to the Alden Plan by Charles Bradley McCoskey, a securities broker with Tri-Star Financial, a securities firm located in Houston, Texas. The Plan CD was represented as an obligation of the Deutsche Bank Argentina, S.A. to “Robert W. Hallock/ Himmel & Grund LLC.” Annexed to the Plan CD was an “Irrevocable Stock/ Bond Power of Attorney” signed by Robert W. Hallock/Himmel & Grund LLC.” The Plan CD had a 5.5% coupon and a maturity date of October 30, 1997. JAAMCO purchased, on behalf of the John Alden Money Market Fund, the Plan CD on January 10, 1997 for $475,403.75 and anticipated the receipt of $501,125 on October 30, 1997, the Plan CD’s maturity date. At the time of the purchase, the Plan CD comprised approximately 0.61% percent of the Alden Plan’s assets.

3. On May 5, 1997, the Securities Exchange Commission (SEC) issued a subpoena which demanded the production of the Plan CD. Subsequently, the SEC informed the Alden Plan that the Plan CD was counterfeit. The applicant represents that John Alden, on behalf of the Alden Plan, conducted an investigation and retained counsel to recoup the value of the Plan CD from the culpable parties. The applicant further represents that John Alden subsequently obtained a settlement judgment (the Settlement Judgment) against Robert W. Hallock for the recovery of monies due the Alden Plan under the Plan CD. The applicant represents that, despite the Settlement Judgment, the Alden Plan did not recover any of the monies due the Alden Plan under the Plan CD.

The Alden Plan and the Fortis Plan merged on December 31, 1998. As a result, the Plan CD was transferred from the Alden Plan to the Fortis Plan and the portion of each Alden Plan participant’s account allocated to the Plan CD was frozen. The applicant represents that Fortis, on behalf of the Fortis Plan, endeavored to recover the monies due the Fortis Plan. In this regard, the applicant represents that currently the Fortis Plan has not been successful in recovering any of the monies due the Fortis Plan as a result of the Fortis Plan’s ownership of the Plan CD. The applicant represents, however, that in the event that the Fortis Plan recovers monies on the Plan CD which are in excess of the Plan CD’s maturity value, the Fortis Plan will retain that excess amount. Accordingly, Fortis and the Fortis Plan have signed an agreement to this effect.

4. The applicant proposes the Restoration Payment by Fortis to the Fortis Plan with respect to the Plan CD. The applicant proposes that the Restoration Payment include both a payment of the Plan CD’s maturity value (the Maturity Value Payment) and a payment of interest (the Interest Payment). In this regard, the applicant states that the Plan CD had a face value of $501,125 as of its October 30, 1997 maturity date. The applicant proposes that the Maturity Value Payment equal $501,125.

The applicant proposes that the Interest Payment consist of two components. First, the Interest Payment equals a 5.5% annual rate of return on the maturity value amount for the period beginning October 30, 1997 and ending on December 31, 1998. Thereafter, from January 1, 1999 until the date of the Restoration Payment, the Interest Payment will equal the rate of return on the Fortis Money Market Fund.

5. In addition, the Recapture Payment shall consist of any monies recovered due on the Plan CD up to the Restoration Payment amount, of which the Fortis Plan will be required to refund these monies to Fortis. Specifically, the Recapture Payment would include any amount recovered up to the $501,125 plus the Interest Payment.

6. The applicant represents that, in connection with Fortis’ acquisition of John Alden, Fortis has discontinued John Alden’s asset management operations. The applicant further notes that the portfolio manager responsible for the purchase of the Plan CD, his supervisor, and most John Alden employees, who might have knowledge about the Plan CD purchase, are no longer employed by any Fortis company.

7. The applicant represents that the proposed transaction is feasible since it involves a one-time transaction for cash. Furthermore, the applicant represents that the proposed transaction is protective of the rights of participants and beneficiaries since the Restoration Payment would ensure that the Fortis Plan recovers the Plan CD’s full maturity value despite the uncertainty of any recovery from the Settlement Judgment. Finally, the applicant represents that the proposed transaction is in the best interests of the Plan and its participants and beneficiaries since the Interest Payment enables the Fortis Plan to receive a rate of return on the Plan CD which is comparable to that which it would have received if the Plan CD had not been a counterfeit and the rate of return the money market funds (John Alden, 5.5% and the average annual return on Fortis) earned during the applicable time frames.

*The applicant represents that the 5.5% annual rate is derived from the following: (1) The average rate of return on the John Alden Money Market Fund for 1998 was 5.483%; and (2) the average rate of return on the short-term funds within the John Alden Money Management Fund for 1998 was 5.46%.

In this regard, the applicant states that when the Alden Plan merged into the Fortis Plan as of the end of December 31, 1998, the John Alden Money Market Fund (other than the Plan CD) was liquidated. Accordingly, the money market fund under the Fortis Plan became available.
8. The applicant represents that once the proposed transaction is consummated, the cash proceeds from the transaction will be allocated to the accounts of the affected participants, in accordance with their direction. The applicant further represents that the proposed transaction does not violate the requirements set forth in section 415 of the Code.

9. In summary, the applicant represents that the proposed transaction satisfies the statutory criteria for an exemption under section 408(a) and section 4975(c)(2) of the Code because:

(A) The Restoration Payment consists of:

(i) $501,125, an amount equal to the Plan CD’s full face value at the time of the Plan CD’s maturity; and

(ii) An amount in cash which is equal to:

(a) A 5.5% annual rate of return on the Plan CD’s maturity value of $501,125 for the period beginning October 30, 1997 and ending on December 31, 1998; and

(b) A rate of return on the amount described in (A)(ii)[a] above which is equal to the average annual rate of return of the Fortis Money Market Fund from January 1, 1999 until the date of the Restoration Payment (i.e., the Interest Payment);

(B) The Restoration Payment is a one-time transaction for cash;

(C) The Fortis Plan pays no expenses with respect to the Restoration Payment;

(D) The Fortis Plan retains any amount in excess of the Restoration Payment that it collects in its attempts to recover monies due under the Plan CD; and

(E) Any Recapture Payments paid by the Fortis Plan to Fortis are limited to the amount of the Restoration Payment and are restricted solely to the amounts, if any recovered, by the Fortis Plan with respect to the counterfeit CD in litigation or otherwise.

FOR FURTHER INFORMATION CONTACT: Mr. J. Martin Jara, telephone (202) 219–8881. (This is not a toll-free number).

Canada Life Assurance Company (Canada Life) Located in Toronto, Ontario, Canada

[Application No. D–10790]

Proposed Exemption

Based on the facts and representations set forth in the application, the Department is considering granting an exemption under the authority of section 408(a) of the Act and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990).3

Section I. Covered Transactions

If the exemption is granted, the restrictions of section 406(a) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply, effective November 4, 1999, to the (1) receipt of common shares (the Common Shares) of Canada Life Financial Corporation, the holding company for Canada Life (the Holding Company), or (2) the receipt of cash (the Cash) or policy credits (the Policy Credits), by or on behalf of any eligible policyholder (the Eligible Policyholder) of Canada Life which is an employee benefit plan (the Plan), subject to applicable provisions of the Act and/or the Code, other than a Plan established by Canada Life or an affiliate for its own employees (the Canada Life Plan), in exchange for such Eligible Policyholder’s membership interest in Canada Life, in accordance with the terms of a conversion proposal (the Conversion Proposal) adopted by Canada Life and implemented under the insurance laws of Canada and the State of Michigan. This proposed exemption is subject to the conditions set forth below in Section II.

Section II. General Conditions

(a) The Conversion Proposal was implemented in accordance with procedural and substantive safeguards that were imposed under the insurance laws of Canada and the State of Michigan and was subject to review and/or approval in Canada by the Office of the Superintendent of Financial Institutions (OSFI) and the Minister of Finance (the Canadian Minister of Finance) and, in the State of Michigan, by the Commissioner of Insurance (the Michigan Insurance Commissioner).

(b) OSFI, the Canadian Finance Minister and the Michigan Insurance Commissioner reviewed the terms of the options that were provided to Eligible Policyholders of Canada Life as part of their separate reviews of the Conversion Proposal. In this regard, (1) OSFI (i) authorized the release of the Conversion Proposal and all information to be sent to Eligible Policyholders; (ii) oversaw each step of the conversion process (the Conversion); and (iii) made a final recommendation to the Canadian Finance Minister on the Conversion Proposal.

(2) The Canadian Finance Minister, in his sole discretion, could consider such factors as (i) whether the Conversion Proposal was fair and equitable to Eligible Policyholders; (ii) whether the Conversion Proposal was in the best interests of the financial system in Canada; and (iii) if sufficient steps had been taken to inform Eligible Policyholders of the Conversion Proposal and of the special meeting on Conversion.

(3) The Michigan Insurance Commissioner made a determination that the Conversion Proposal was (i) fair and equitable to all Eligible Policyholders and (ii) consistent with the requirements of Michigan law.

(4) Both the Canadian Finance Minister and the Michigan Insurance Commissioner concurred on the terms of the Conversion Proposal.

(c) Each Eligible Policyholder had an opportunity to vote to approve the Conversion Proposal after full written disclosure was given to the Eligible Policyholder by Canada Life.

(d) One or more independent fiduciaries of a Plan that was an Eligible Policyholder received Common Shares, Cash or Policy Credits pursuant to the terms of the Conversion Proposal and neither Canada Life nor any of its affiliates exercised any discretion or provided “investment advice,” as that term is defined in 29 CFR 2510.3–21(c), with respect to such acquisition.

(e) After each Eligible Policyholder was allocated 100 Common Shares, additional consideration was allocated to such Eligible Policyholder who owned an eligible policy based on an actuarial formula that took into account such factors as the total cash value, the basic annual premium and the duration of such eligible policy. The actuarial formula was reviewed by the Canadian Finance Minister and the Michigan Insurance Commissioner.

(f) All Eligible Policyholders that were Plans participated in the transactions on the same basis within their class groupings as other Eligible Policyholders that were not Plans.

(g) No Eligible Policyholder paid or will pay any brokerage commissions or fees to Canada Life or its affiliates in connection with their receipt of Common Shares, in connection with the implementation of the secondary offering (the Share Sale Service) or the assisted sales program (the Assisted Sales Program).

(h) All of Canada Life’s policyholder obligations will remain in force and will not be affected by the Conversion Proposal.

3 For purposes of this proposed exemption, reference to provisions of Title I of the Act, unless otherwise specified refer also to the corresponding provisions of the Code.
Section III. Definitions
For purposes of this proposed exemption:
(a) The term “Canada Life” means The Canada Life Assurance Company and any affiliate of Canada Life as defined in paragraph (b) of this Section III.
(b) An “affiliate” of Canada Life includes —
(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with Canada Life; (For purposes of this paragraph, the term “control” means the power to exercise a controlling influence over the management or policies of a person other than an individual,) or
(2) Any officer, director or partner in such person.
(c) The term “Eligible Policyholder” means a policyholder who —
(i) Was the owner of a voting policy at any time on April 2, 1998 (the Eligibility Day);
(ii) Became the owner of a voting policy, if the voting policy was applied for by that person before the Eligibility Day, and the application was received by Canada Life on or before the close of business on June 30, 1998; or
(iii) Was the owner of a voting policy that lapsed before June 2, 1998 and, where the policy terms provided that, as of June 2, 1998, the owner was entitled to request that the policy be reinstated, the policy was reinstated by the person who was the owner at the time the policy lapsed in accordance with its terms (without regard to when the right to reinstate expired) during the period which began on April 2, 1998 and ended 90 days before the special meeting.
(d) The term “Policy Credit” means —
(1) For an individual life insurance policy with respect to which dividends may be paid, dividend deposits when the dividend deposit option has been selected under the policy and, in all other cases, dividend additions;
(2) For in individual life insurance policy other than a policy with respect to which dividends may be paid, an increase in the fund value (to which no sales or surrender or similar charges will be applied);
(3) For an individual deferred annuity policy with respect to which dividends may be paid, dividend additions;
(4) For an individual deferred annuity policy other than a policy with respect to which dividends may be paid, an increase in accumulation value (to which no sales or surrender or similar charges will be applied); and
(5) For a supplementary contract, settlement option or annuity in annuitization status, an increase in the periodic annuity payment amount. If the periodic annuity payment is on a life basis, the increase will be on a life annuity with cash refund basis.

Effective Date: If granted, this proposed exemption will be effective as of November 4, 1999.

Summary of Facts and Representations
1. Canada Life, Canada’s oldest domestic life insurer, was established in 1847 and incorporated in 1849 by a Special Act of the Canadian Parliament. In 1962, Canada Life became a mutual life insurance company and it remained that way until November 4, 1999, which is the effective date (the Effective Date) of the Conversion transaction described herein. Canada Life is currently headquartered at 330 University Avenue, Toronto, Ontario, Canada. It is subject to the Insurance Companies Act of Canada (ICA) as well as the regulatory authority of OSFI. Currently, Canada Life is rated by national ratings firms as follows: Duff & Phelps, AA+; Moody’s Investor Service, A13; Standard & Poor’s, AA; and A.M. Best Company, AA+. During 1998, Canada Life had total assets under administration of $47.4 billion and $2.7 billion in policyholders’ equity.

Although Canada Life’s principal place of business in the United States is 6201 Powers Ferry Road, N.W., Atlanta, Georgia, it uses the State of Michigan as its port of entry for its operations in the United States. Therefore, Canada Life is also subject to the insurance laws of the State of Michigan. In addition within the United States, by the Michigan Department of Insurance (the Michigan Insurance Bureau).

2. Canada Life carries on its insurance business in Canada and internationally through branch operations in the United States, the United Kingdom and Ireland. In addition, Canada Life serves over 8 million people under individual and group contracts in these areas.

Moreover, Canada Life provides life insurance, health insurance, property and automobile insurance, investment management and related services through various subsidiaries located in Canada and worldwide. The insurance business that Canada Life carries on directly in Canada and through its international branch operations includes the sale of individual and group life, disability, health and dental insurance, annuities and pension products.

3. As a mutual life insurance company, Canada Life had issued or outstanding. Instead, Canada Life’s “products” included policies entitling holders to participate in its profits (the Participating Policies) as well as other policies that did not generally so entitle the holders (the Non-Participating Policies). Aside from the contractual right to receive policy benefits (i.e., payment under the terms of the policy), the holders of Participating Policies (the Participating Policyholders) possessed certain other rights with respect to, and interests in, Canada Life as a mutual company, including the right to vote at Canada Life meetings. In addition, Participating Policyholders had the right to receive bonuses or policyholder dividends when declared by Canada Life’s Board of Directors and an inchoate right to participate in Conversion benefits (the Conversion Benefits). Further, if Canada Life was liquidated, the Participating Policyholders would be entitled to share in the insurer’s residual assets after all claims assessed against the insurer had been satisfied in full.

4. Canada Life’s Participating Policies included, without limitation, policies that qualified for tax-favored status in the United States, such as policies issued as tax-deferred annuities under section 403(b) of the Code and individual retirement annuities under section 408(b) of the Code. In addition, the Participating Policies covered, without limitation, certain tax-exempt entities in the United States such as tax-qualified retirement plans within the meaning of section 401(a) of the Code. Participating Policyholders included individuals, corporations, trusts and other persons who were residents for tax purposes in Canada, the United States, the United Kingdom, Ireland and elsewhere.

The Decision To Demutualize
5. On April 2, 1998, Canada Life issued a press release stating that its Board of Directors had requested the insurer’s management to develop a plan to convert Canada Life from a mutual life insurance company to a publicly-traded stock company, whose Common Shares are listed on the Toronto Stock Exchange and the Montreal Stock Exchange, through a process known as “demutualization.” Canada Life believed that as a result of the flexibility offered by the stock company structure and the access to capital markets, it would be in a position to enhance its market leadership, financial strength and strategic position. Moreover, the
insurer could aggressively pursue opportunities for growth, thereby providing greater protection to policyholders.

In November 1998, a bill was introduced in the Canadian Parliament to amend the ICA to set forth the statutory rules allowing the demutualization of Canadian mutual life insurance companies with assets in Canada of CDN $7.5 billion or more. When the bill was introduced, the Canadian Department of Finance reported that each of Canada’s four large mutual life insurance companies had already announced its intention to develop demutualization plans in order to improve the efficiency and competitiveness of their companies through increased flexibility to access capital, to gain greater market scrutiny and to achieve a better understood corporate structure. Therefore, on March 13, 1999, the Canadian Government enacted the ICA amendments permitting the demutualization of large Canadian mutual life insurance companies. The Canadian Department of Finance subsequently released “Mutual Company (Life Insurance) Conversion Regulations” (the Conversion Regulations) which became effective on March 12, 1999 and implemented the new legislation.

On November 4, 1999, Canada Life demutualized. As a result of the Conversion, Canada Life became a stock insurer and a subsidiary of Canada Life Financial Corporation, a newly-formed holding company. The reorganization provided economic value to Eligible Policyholders in the form of shares of stock of the Holding Company (i.e., the Common Shares), Cash or Policy Credits, in exchange for their respective ownership rights (the Ownership Rights) in Canada Life.

6 Therefore, Canada Life requests an administrative exemption from the Department that would cover the receipt of Common Shares, Policy Credits or Cash by Eligible Policyholders which are trustee and non-trusteed Plans, other than Canada Life Plans, in exchange for their mutual membership interests in Canada Life. If granted, the proposed exemption would be effective as of November 4, 1999, the Effective Date of the Conversion.

Canada Life represents that it is not a party in interest with respect to a Plan policyholder merely because it has issued an insurance policy to such Plan. However, Canada Life represents that both it and its affiliates have provided a variety of fiduciary and other services to Plans which are also Canada Life policyholders. Canada Life further represents that the provision of such services to Plan policyholders causes it to be a party in interest with respect to such Plans under section 3(14)(A) and (B) of the Act or the related “derivative” provisions of this section.

The proposed exemption includes a requirement that all Eligible Policyholders that were Plans participated in the transactions on the same basis within their class groupings as other Eligible Policyholders that were not Plans. Thus, Canada Life did not treat Plan policyholders any differently from non-Plan policyholders within their respective class groupings.

Regulatory Supervision

7. The various steps of the Conversion were subject to the approval of Canada Life’s Board of Directors, the OSFI, the Canadian Finance Minister, the Michigan Insurance Commissioner, and other regulatory authorities in the United Kingdom and Ireland. In pertinent part, the Conversion Regulations required that the conversion of a mutual life insurance company be implemented in accordance with a detailed proposal that sets forth the terms and means of effecting the demutualization. In accordance with this requirement, on July 8, 1999, Canada Life’s Board of Directors formally adopted the Conversion Proposal which permitted Canada Life to demutualize and convert into a stock life insurance company pursuant to section 237 et seq. of the ICA, the Conversion Regulations and the terms of such Proposal.

8. Because Canada Life operates in the United States through its U.S. branch under the Michigan State of Entry Statute, the laws of Michigan regarding demutualization (the Michigan Demutualization Law) were also applicable to Canada Life’s demutualization. The requirements of Michigan Demutualization Law are similar to those of the ICA and the Conversion Regulations. Among other things, the Statute provides that the Conversion Proposal be submitted to the Michigan Insurance Commissioner prior to a vote by Canada’s Eligible Policyholders. In addition, the Michigan Demutualization Law states that the Conversion Proposal cannot become effective without the approval of the Michigan Insurance Commissioner following a public hearing and it cannot be amended without the prior approval of such Commissioner.

The Michigan Insurance Commissioner was authorized to retain, and did retain, independent legal and actuarial advisers to assist in reviewing the Conversion Proposal. Under the Michigan Demutualization Law, the Michigan Insurance Commissioner could approve or disapprove the Conversion Proposal within 90 days after its submission, and could not approve it unless he found the Conversion Proposal was fair and equitable to policyholders; and whether the Conversion Proposal was in the best interest of the financial system in Canada; and (c) whether sufficient steps had been taken to inform policyholders of the Conversion Proposal and of the special meeting on the Conversion.

Because Canada Life operates in the United States through its U.S. branch under the Michigan State of Entry Statute, the laws of Michigan regarding demutualization (the Michigan Demutualization Law) were also applicable to Canada Life’s demutualization. The requirements of Michigan Demutualization Law are similar to those of the ICA and the Conversion Regulations. Among other things, the Statute provides that the Conversion Proposal be submitted to the Michigan Insurance Commissioner prior to a vote by Canada’s Eligible Policyholders. In addition, the Michigan Demutualization Law states that the Conversion Proposal cannot become effective without the approval of the Michigan Insurance Commissioner following a public hearing and it cannot be amended without the prior approval of such Commissioner.

The Michigan Insurance Commissioner was authorized to retain, and did retain, independent legal and actuarial advisers to assist in reviewing the Conversion Proposal. Under the Michigan Demutualization Law, the Michigan Insurance Commissioner could approve or disapprove the Conversion Proposal within 90 days after its submission, and could not approve it unless he found the Conversion Proposal was fair and equitable to policyholders; and whether the Conversion Proposal was in the best interest of the financial system in Canada; and (c) whether sufficient steps had been taken to inform policyholders of the Conversion Proposal and of the special meeting on the Conversion.
approved, the Conversion would take effect as of the Effective Date specified in the Conversion Proposal.

In accordance with Michigan law, on or about July 26, 1999, Canada Life mailed notice of the public hearing to all U.S. resident Eligible Policyholders. The Michigan Insurance Bureau also published notice of the hearing in the Wall Street Journal on August 5, 1999 as well as in three newspapers that are published in different areas of the State of Michigan on August 7, 1999. Then, on August 23, 1999, the Michigan Insurance Bureau conducted a public hearing with respect to the Conversion Proposal. Finally, on September 3, 1999, the Michigan Insurance Commissioner approved the Conversion Proposal.

The Transaction

9. As noted above, the Conversion Proposal provided for Canada Life to demutualize and convert to a stock life insurance company under section 237 et seq. of the ICA, the Conversion Regulations and the terms of the Conversion Proposal. To this end, in advance of the Conversion, Canada Life incorporated the Holding Company in Canada under the ICA as a new stock holding company. Thus, in accordance with section 5.03 of the Conversion Proposal, the following transactions, among others, occurred on November 4, 1999, the Effective Date of the Conversion:

- **Change in Business Structure.** Canada Life ceased to be a mutual life insurance company and became a life insurance company with Common Shares under the ICA. The policyholders of Canada Life ceased to have any rights with respect to or any interest in Canada Life as a mutual life insurance company and the Eligible Policyholders were entitled to receive Conversion Benefits.

- **Insurance of Common Shares to the Holding Company.** Canada Life issued 160 million Common Shares to the Holding Company.

- **Insurance of Consideration to Eligible Policyholders.** The Holding Company issued Common Shares to Eligible Policyholders and made Cash payments to other Eligible Policyholders. In addition, Canada Life issued Policy Credits to Eligible Policyholders in accordance with the allocation and distribution rules set forth in the Conversion Proposal.

- **Sale and Cancellation of Common Share and Preferred Share (the Preferred Share) by the Holding Company.** At the time the Holding Company was initially capitalized, it issued the Preferred Share and one Common Share to Canada Life in exchange for CDN$10 million and CDN$1, respectively. However at the time of the Conversion, the amount of capital was repaid to Canada Life by the Holding Company and the Preferred Share and the Common Share were canceled.

- **Conversion Benefits.** Under Canada law, Canada Life was required to capitalize the Holding Company with at least CDN$10 million. Therefore, Canada Life received the Preferred Share in exchange for the CDN$10 million capital contribution to help ensure that the repayment of the capital to Canada Life at the time of the demutualization would not be a taxable event in Canada.

10. Following the Conversion, all policies generally remained in force as policies of Canada Life, and all policy premiums, benefits, values, guarantees, or other policy obligations remained unchanged, except that policies credited with Policy Credits were enhanced by such Credits. Dividends would continue to be declared with respect to the Participating Policies at the discretion of Canada Life’s Board of Directors.

Accordingly, the Conversion would not adversely affect the contractual rights of any Participating Policyholder whose former ownership rights in the mutual insurer were extinguished.

11. Most Eligible Policyholders, including Eligible Policyholders that were Plans covered under the provisions of the Act, initially received Conversion Benefits in the form of Common Shares issued by the Holding Company. Fewer than 10 percent of the Eligible Policyholders received Conversion Benefits in the form of Cash or Policy Credits.

Section 8.02(a) of the Conversion Proposal provides that Eligible Policyholders which are not residents of the United States, the United Kingdom, Canada or Ireland, as well as governments or agents thereof, would be entitled to receive Cash distributions from Canada Life as a result of its Conversion. In addition, under section 8.02(b) of the Conversion Proposal, certain individuals which are Eligible Policyholders in the United States with certain tax-qualified retirement contracts would be credited with Policy Credits. Specifically, Policy Credits would be posted to each Eligible Policyholder in the United States whose Participating Policy was—

- **An individual retirement annuity policy within the meaning of section 408(b) of the Code or a tax sheltered annuity policy within the meaning of section 403(b) of the Code;**

- **An individual retirement annuity policy that had been issued directly to the Plan participant pursuant to a plan qualified under section 401(a) of the Code or pursuant to a Plan described in section 403(a) of the Code;**

- **An individual life insurance policy that had been issued directly to the plan qualified under section 401(a) of the Code; or**

Also, included within the category entitled to receive Policy Credits were custodial accounts under section 403(b)(7) of the Code and retirement accounts under section 403(b)(9) of the Code.

Further, Policy Credits were posted to each Eligible Policyholder with respect to whom Canada Life’s Board of Directors determined that the receipt of Conversion Benefits in the form of Cash or Common Shares would be disadvantageous for such Eligible Policyholder, provided that such Eligible Policyholder received notification of such determination.

Eligible Policyholders holding certain tax-qualified retirement contracts ending after April 2, 1998 and before the Conversion, received Common Shares and could elect to sell those shares in the IPO.8

12. The aggregate amount of Conversion Benefits provided to Eligible Policyholders in the Conversion and the allocation of such Benefits among Eligible Policyholders was determined by an actuary employed by Canada Life. The total amount of Conversion Benefits received by each Eligible Policyholder varied and took into account such factors as the basic annual premium, the duration and the total cash value of the relevant Participating Policy, but included a fixed component equal to the value of 100 Common Shares.

Pursuant to the ICA, the Conversion Proposal was accompanied by an 8Consistent with sections 1 and 41(e)(i) of the Conversion Regulations, the Conversion Proposal generally provides that the policyholder eligible to participate in the distribution of Conversion Benefits, Cash or Policy Credits resulting from the Conversion Proposal is the “owner” of any policy shall generally be determined on the basis of the records of Canada Life. Canada Life further represents that it was required under the foregoing provisions of Canadian Law and the Conversion Proposal to make distributions resulting from such Plans to the employer or trustee as owner of the policy. Under these circumstances, the appropriate distribution of Conversion benefits must take all necessary steps to safeguard the assets of the plan in order to avoid engaging in a violation of the fiduciary responsibility provisions of the Act.
opinion prepared by the actuary for Canada Life and an opinion prepared by an independent actuary to the effect that the allocation of benefits to Eligible Policyholders in the Conversion was fair and equitable to Eligible Policyholders. The Common Shares, Cash or Policy Credits distributed in the Conversion had a fair market value equal to the fair market value of the Ownership Rights that ceased in connection with the Conversion.

13. Approximately 57 percent of Canada Life’s Eligible Policyholders were Canadian residents, 9 percent were United States residents, 20 percent were residents of the United Kingdom and 14 percent were residents of Ireland. While United States residents constituted roughly 9 percent of the total number of Eligible Policyholders, Canada Life projected that United States citizens would receive roughly 18 percent of the total Common Shares and other Conversion Benefits that were distributed by Canada Life.

14. In connection with the Conversion, the Holding Company held an IPO of Common Shares to Canadian investors and a private placement of Common Shares to large institutional investors located in the United States and elsewhere. The Common Shares were offered at an initial share price of CDN$17.50 per share.

The private placement involved the sale by certain underwriters (the Underwriters), which were unrelated to Canada Life and its affiliates, to the investors (the Investors) of Common Shares the Underwriters had purchased previously from Eligible Policyholders who resided outside of Canada and who had elected to sell their Common Shares for Cash. Such purchases occurred at the initial share price of CDN$17.50 per share. In addition, the private placement involved the sale by the Underwriters to the Investors of newly-issued Common Shares (the Primary Shares) the Underwriters had purchased from the Holding Company in a primary offering (the Primary Offering).

The proceeds of the IPO were initially paid to Eligible Policyholders who were eligible to receive a cash payment pursuant to section 8.03(b) of the Conversion Proposal and contributed by the Holding Company to Canada Life in an amount sufficient to enable Canada Life to credit Policy Credits; (b) then retained by the Holding Company in an amount sufficient to recoup the costs incurred by the Holding Company in purchasing Common Shares from Canadian Eligible Policyholders who elected to sell their Common Shares; and (c) finally retained by the Holding Company to Canada Life to help defray the costs of conversion or to provide additional working capital.

The Primary Offering enabled the Holding Company to ensure that a proper market and price for the trading of Common Shares would develop and create an active trading profile for those shares. As soon as practicable after the IPO, the Holding Company paid cash and Canada Life posted Policy Credits to Eligible Policyholders who were entitled to receive Cash or Policy Credits in accordance with the Conversion Proposal.

15. As stated in Representation 14, Eligible Policyholders residing outside Canada with Common Shares in the Conversion could elect, prior to the demutualization, to sell all of their Common Shares for cash to the Underwriters immediately upon issuance through the Share Sale Service which was established by Canada Life and run concurrently with the IPO. The Share Sale Service ended shortly after the closing date of the demutualization and the IPO. Such Eligible Policyholders were referred to as “Electing Policyholders,” and the Common Shares they elected to sell were referred to as “Electing Shares.” Electing Policyholders residing outside Canada had their Electing Shares (the Resale Shares) sold for cash to the Underwriters who, in turn, sold them to the Investors through the IPO procedure described above. The Holding Company paid all of the Underwriters’ fees associated with the Underwriters’ purchase of the Common Shares from Eligible Policyholders through the Share Sales Service Program or the sale of such Common Shares to the Investors in the Primary Offering.

16. As stated above, the Common Shares that were sold in the IPO consisted of both the Resale Shares and the Primary Shares. For this purpose, the Holding Company determined the maximum number of Common Shares to be sold to the Underwriters and in the IPO (the IPO Shares). In the event that the number of Electing Shares exceeded the number of IPO shares, the shares of Electing Policyholders were to be repurchased by the Holding Company (in the case of Canadian Electing Policyholders) and sold to Underwriters (in the case of non-Canadian Electing Policyholders) in ascending order, from those Common Shares held by Electing Policyholders holding the smallest number of Common Shares to those holding the greatest number of Common Shares until the total number of IPO Shares is reached. Any Electing Shares not sold in connection with the Conversion and IPO were retained by the Electing Policyholders and confirmation of Common Share ownership was sent to those Electing Policyholders.

17. Canada Life represents that in addition to the Share Sale Service, it currently is offering the Assisted Sales Program to Eligible Policyholders who received Common Shares in the demutualization and who do not have pre-existing brokerage accounts to which such Common Shares can be transferred. The Assisted Sales Program commenced on December 6, 1999 for Canadian Eligible Policyholders and was implemented in the United States on January 4, 2000 for United States Eligible Policyholders. Canada Life anticipates that the Assisted Sales Program will continue for up to two years from the Effective Date although it may be discontinued at any time.

The Assisted Sales Program is designed to provide an Eligible Policyholder, who has received Common Shares in book entry or certificated form, an opportunity to sell such Common Shares after the demutualization so that the policyholder will not have to find a stockbroker. Under the Assisted Sales Program, sales will take place in Canada through Montreal Trust Company of Canada (Montreal Trust), the Holding Company’s transfer agent, and in the United States, through Equi-Serve Trust Company, N.A. of Jersey City, New Jersey (Equi-Serve Trust), an agent of Montreal Trust. Both Montreal Trust and Equi-Serve Trust are not related to Canada Life or its affiliates.

For United States Eligible Policyholders, Equi-Serve Trust will collect all required shareholder request forms and provide them to Montreal Trust on a daily basis. A bulk order will be placed each day by a
Canadian broker, as per Montreal Trust’s instructions, to sell the Common Shares on the Toronto Stock Exchange. The Common Shares will be sold at the average price paid for such shares on the date of the sale.12 Although the United States Eligible Policyholder will be required to pay a one-time administration fee of $25 to Equi-Serve Trust, such Eligible Policyholder will not be charged any brokerage commissions or other fees.

18. Under the ICA, Canada Life is required to maintain two separate accounts—a Participating Policyholder Account and a Shareholder Account. The Participating Policyholder Account must have sufficient capital to provide reasonable assurance that the contractual obligations and the reasonable expectations of the Participating Policyholders will be satisfied and to provide capital for ongoing sales of Participating Policies. The Shareholder Account entitles Canada Life’s shareholders to receive dividends. The ICA also limits the transfer of funds from the Shareholder Account to the Participating Policyholder Account.

For individual Participating Policies that pay experience-based policy dividends, Canada Life has established a Closed Block, as defined in the Conversion Proposal, for the purpose of giving reasonable assurances to the holders of such Participating Policies that, after the Effective Date, assets will be available to meet contractual obligations with respect to such Participating Policies and to meet the reasonable expectations of the holders of such Participating Policies regarding future dividends, as experience justifies. The establishment of the Closed Block will not alter, diminish, reduce or in any way modify or amend the terms or provisions of the Participating Policies included therein.

For policyholder dividend purposes only, Canada Life is operating the Closed Block as a closed block of participating business for the benefit of Participating Policies included therein. A block of assets in Canada Life’s Participating Account has been allocated to the Closed Block sub-account. Assets allocated to the Closed Block will continue to be assets owned by Canada Life in its general account, subject to the same liabilities (in the same priority) to which other assets in its general account are subject.

As of the Effective Date, Canada Life is required to maintain a separate account in the United States Eligible Policyholder’s name, from which coal will be received to pay the dividends and dividends on the Closed Block are being maintained. Although under certain circumstances, the Closed Block may be terminated, Canada Life must ensure that assets that are allocated to the Closed Block be used to provide for guaranteed benefits, policyholders’ reasonable dividend expectations, and expenses and taxes relating to Participating Policies for which such account is being maintained.

Under the ICA, Participating Policyholders have rights upon completion of the Conversion that are accorded to participating policyholders of a stock life insurance company in Canada. Such rights include the right to elect to receive dividends, in any event, to which such account is being maintained.

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

(a) The Conversion Proposal was implemented pursuant to stringent procedural and substantive safeguards imposed under Canadian and Michigan law, will not require any ongoing supervision by the Department.

(b) One or more independent Plan fiduciaries had an opportunity to determine whether to vote to approve the Conversion Proposal and will be responsible for all such decisions that were permitted under the Conversion regarding the form of consideration to be received in return for Ownership Rights.

(c) Eligible Policyholders that were not paying in advance of any anticipated distribution to them.

(d) Neither Canada Life nor its affiliates exercised discretion with respect to the plan or with respect to any election to be made by any Eligible Policyholder which was a Plan, nor did they provide “investment advice” as that term is defined in 29 CFR 2510.3-21(c) with respect to any election made by such Plan Policyholder.

(e) The Conversion Proposal will not change premiums or reduce policy benefits, values, guarantees or other policy obligations of Canada Life to its policyholders.

FOR FURTHER INFORMATION CONTACT: Ms. Jan D. Broady of the Department, telephone (202) 219-8881. (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 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.

Further, 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;

(4) The proposed exceptions, 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 1st day of May, 2000.

Ivan Strasfeld,
Director of Exemption Determinations, Pension and Welfare Benefits Administration, Department of Labor.

[FR Doc. 00–11127 Filed 5–3–00; 8:45 am]
BILLING CODE 4510–29–P

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

Sunshine Act Meeting


PLACE: Room 6005, 6th Floor, 1730 K Street, NW., Washington, DC.

STATUS: Open.

MATTERS TO BE CONSIDERED: The Commission will consider and act upon the following:

1. Local 2232, UMWA v. Island Creek Coal Co., Docket No. VA 99–79–C (Issues include whether miners were idled by MSHA’s section 107 withdrawal order, thereby qualifying them for compensation under section 111 of the Mine Act).

Any person attending an open meeting who requires special accessibility features and/or auxiliary aids, such as sign language interpreters, must inform the Commission in advance of those needs. Subject to 29 CFR §§ 2706.150(a)(3) and 2706.160(d).


Jean H. Ellen,
Chief Docket Clerk.

[FR Doc. 00–11185 Filed 5–1–00; 4:32 pm]
BILLING CODE 3695–01–M

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice 00–044]

NASA Advisory Council, Life and Microgravity Sciences and Applications Advisory Committee Commercial Advisory Subcommittee; Meeting

AGENCY: National Aeronautics and Space Administration.

ACTION: Notice of meeting.

SUMMARY: In accordance with the Federal Advisory Committee Act, Pub. L. 92–463, as amended, the National Aeronautics and Space Administration announces a meeting of the NASA Advisory Council, Life and Microgravity Sciences and Applications Advisory Committee, Commercial Advisory Subcommittee.

DATES: Thursday, May 11, 2000, 9 a.m. to 12 noon.

ADDRESSES: National Aeronautics and Space Administration, Room MIC–5, 300 E Street SW, Washington, DC 20546.


SUPPLEMENTARY INFORMATION: The meeting will be closed to the public on Thursday, May 11, 2000, from 12 noon to 4 p.m. in accordance with 5 U.S.C. 552b(c)(4), for a briefing on Commercial Space Center activities which will contain proprietary information. The meeting will be open to the public on Thursday, May 11, 2000, from 9 a.m. to 12 noon. The agenda for the meeting is as follows:

Report on LMSAAC Activities
Report on SSUAS Activities
Status of Current Commercial Program Activities
Organizational Status
Discussion of Commercial Strategy
Briefing on Commercial Space Center Activities
Recommendations and Wrap-Up

It is imperative that the meeting be held on this date to accommodate the scheduling priorities of the key participants. Visitors will be requested to sign a visitors’ register.


Matthew M. Crouch,
Advisory Committee Management Officer, National Aeronautics and Space Administration.

[FR Doc. 00–11130 Filed 5–3–00; 8:45 am]
BILLING CODE 7510–01–P

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice 00–045]

Notice of Prospective Patent License

AGENCY: National Aeronautics and Space Administration.

ACTION: Notice of prospective patent license.

SUMMARY: NASA hereby gives notice that USA Video Interactive, Corp., of Mystic, CT, has applied for an exclusive license to practice the invention disclosed in U.S. Patent No. 5,426,512 entitled “Image Data Compression Having Minimum Perceptual Error (DCTUNE)” and U.S. Patent No. 5,629,780 entitled “Image-Adapted Visually Weighted Quantization Matrices For Digital Image Compression” which is assigned to the United States of America as represented by the Administrator of the National Aeronautics and Space Administration.

Written objections to the prospective grant of a license should be sent to Ames Research Center.

DATES: Responses to this notice must be received by July 3, 2000.


Edward A. Frankle,
General Counsel.

[FR Doc. 00–11132 Filed 5–3–00; 8:45 am]
BILLING CODE 7510–01–P

NATIONAL CREDIT UNION ADMINISTRATION

Notice of Meetings


PLACE: Board Room, 7th Floor, Room 7047, 1775 Duke Street, Alexandria, VA 22314–3428.

STATUS: Open.

MATTER TO BE CONSIDERED:

1. Final Rule: Amendments to Parts 716 and 741, NCUA’s Rules and Regulations, Privacy of Consumer Financial Information; Requirements for Insurance.

RECESS: 10:45 a.m.


PLACE: Board Room, 7th Floor, Room 7047, 1775 Duke Street, Alexandria, VA 22314–3428.

STATUS: Closed.

MATTER TO BE CONSIDERED:

1. One (1) Personnel Matter. Closed pursuant to exemptions (2) and (6).

FOR FURTHER INFORMATION CONTACT: Becky Baker, Secretary of the Board, Telephone (703) 518–6304.

Becky Baker,
Secretary of the Board.

[FR Doc. 00–11245 Filed 5–2–00; 11:11 am]
BILLING CODE 7535–01–M