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March 4, 1977

Dear :

This is in response to your letter of December 16, 1975, which requests an interpretation of section 407(e)(2)(B) of the Employee Retirement Income Security Act of 1974 (the Act) in connection with the (named} Company (the Company) offer to redeem its shares either for cash or for the Company's eight per cent debentures.

Your letter indicates that prior to the exchange offer, Mr. and Mrs. (name), Sr., held approximately 45 per cent of the outstanding shares of the Company. The remaining shares were held by the Company's Retirement Benefit Trust (the Trust), members of the (name) family and employees or former employees of the Company. All of the Company's shareholders except Mr. (name), Jr., his daughter, one outside employee and the Trust have accepted the exchange offer and have elected to receive debentures, except for two shareholders holding 58 shares, who elected to receive cash. The Trust is considering the exchange offer, but if the Trust exchanges its common stock for debentures, more than 50 per cent of the Company's debentures will be held by Mr. and Mrs. (name), Sr

It is your position that, if at least 50 per cent of the debentures were held by persons "independent of the issuer" within the meaning of section 407(e)(2)(8) of the Act, all the conditions of section 407(e) would be met and such debentures would be "marketable obligations" as defined in that section. The debentures would then constitute "qualifying employer securities" under section 407(d)(5) of the Act, and an exchange by the Trust with the Company of common stock for debentures would be exempt from the prohibitions of section 406 of the Act by reason of section 408(e) thereof.

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According to your letter, Mr. (name), Sr., formerly was president and chief executive officer of the Company and its major stockholder, but he has resigned as an officer and director of the Company. His son, (name), Jr., presently is the chief executive officer of the Company and a major stockholder. In your opinion, Mr. (name), Sr., and his wife are now independent of the Company as a result of Mr. (name)'s resignation, the lack of any interest by Mr. (name), Sr., and his wife in the Company except as creditors, and the compliance by Mr. and Mrs. (name), Sr., with section 302(c)(2) of the Internal Revenue Code.

It is our opinion, however, that on the basis of the information provided, because Mr. (name) Sr., is a relative, as defined in section 3(15) of the Act, of the chief executive officer of the issuer, he would not be deemed to be "independent of the issuer" for purposes of section 407(e)(2)(B) of the Act.

In reaching this conclusion, we have not made any determination as to whether the debentures are marketable obligations as defined in section 407(e) of the Act, or whether the other conditions of section 408(e) would be met.

I should point out that section 408(a) gives the Secretary authority to grant exemptions from all or part of the restrictions imposed by sections 406 and 407(a). You may wish to consider applying for an exemption for the particular transaction you have discussed. In this regard, I am enclosing a copy of ERISA Procedure 75-1, the procedure for submitting applications for exemption under section 408(a) of the ERISA.

I hope this information will be of assistance to you.

Sincerely,