Retirement Plan Committee which may invest Plan assets or may appoint an investment manager or managers. In any event, the Retirement Plan Committee is charged with the responsibility to monitor the investment performance of Plan assets.

2. The Employer is organized under the laws of the state of Delaware with its principal offices located in Los Angeles, California. It is publicly owned, and its shares are traded on the New York Stock Exchange. The Employer's primary business activities are newspaper publishing and the publication of professional information.

3. Among the assets of the Income Fund are the three GICs issued by Confederation. The GICs were purchased in April 1990, June 1990 and April 1991. Each of the GICs has a length of five years, and have interest rates of 9.43%, 9.21%, and 8.38% respectively. The GICs purchased in June 1990 and April 1991 permit benefit responsive withdrawals to fund benefit payments, investment fund transfers and hardship and other in-service withdrawals. The GIC purchased in April 1990 does not permit withdrawals without penalty. The terms of each GIC provide that a payment is to be made to the Plan each year consisting of the interest earned for the year less any withdrawals during the year. All interest payments due from Confederation through 1994 have been paid to the Plan. A final payment of principal and interest is due on the maturity date of each GIC. The final payment on the GIC purchased in April of 1990 was due on April 12, 1995, and the final payment on the GIC purchased in June of 1990 was due on July 1, 1995. Such payments have not been made by Confederation, nor has Confederation paid the April 1995 interest payment due on the GIC purchased in April 1991. As of August 12, 1994 the three GICs had a total book value (principal payments plus accrued interest) of \$7.14 million.

4. On August 11, 1994, Canadian insurance company regulators seized the assets of Confederation. On the following day, the State of Michigan Insurance Commissioner seized the U.S. assets of Confederation and commenced legal action to place the U.S. operations of Confederation in a rehabilitation proceeding.<sup>4</sup> As a result of these actions, withdrawals and interest payments have

been suspended, except to the extent the Plan holds a benefit-responsive contract. In the latter case, the Plan may withdraw up to 1.5% of the contract value each year for the purpose of making participant-requested withdrawals. A Special Deputy Rehabilitator (the Rehabilitator) has been appointed by the State of Michigan to oversee the rehabilitation of Confederation. The Rehabilitator will set the interest rate to be paid on Confederation contracts following the seizure by the Michigan authorities. The applicant represents that it is not possible to determine the extent to which earnings under the Rehabilitation Plan will fall short of the interest rates stated in each GIC, when interest and maturity payments will resume, and the extent to which the Plan will suffer a loss of principal. In order to relieve the uncertainty with respect to the GICs, and to prevent losses that may result from the Rehabilitation of Confederation, the Employer proposes to enter into the transactions described below.

5. The Employer proposes to make Loans to the Plan pursuant to a written agreement (the Agreement) under which the Loans will be non-interest bearing and non-recourse against the Plan and its participants and beneficiaries, except for the GIC Proceeds. In addition, the Plan will incur no expenses related to the Loans. The Loans will be made over at least the remaining terms of the GICs to fund any withdrawals, including investment fund transfers, and hardship and other in-service withdrawals, (offset by amounts paid for withdrawals by Confederation, see 4 above). In addition, the Employer will make Loans to enable the Income Fund to receive the interest payments due under the GICs. Interest through October 31, 1994, will be calculated at the rate specified in each GIC. Interest from November 1, 1994 until the date the Rehabilitator announces an interest rate for the GICs will be a Market Rate of interest described below. Interest for the period following the Rehabilitator's announcement will be at the rate set by the Rehabilitator. The Market Rate of interest for each month will be the rate reported for one year GICs in the Wall Street Journal on the last business day of the prior month. If the interest rate announced by the Rehabilitator exceeds the Market Rate, the Employer will advance the difference for the period the Market Rate was used. Further, the Employer may, at any time, lend the Plan the entire amount of principal and interest, as computed above, due under the GICs to allow the Plan to reinvest

the proceeds and increase the return to Plan participants.

The Agreement also provides that repayment may only be made from the GIC Proceeds. To the extent the GIC proceeds are insufficient to repay the Loans, repayment will be waived by the Employer.

6. In addition to the Loans, the Agreement provides that Employer may purchase the GICs from the Plan. Upon the maturity date of each GIC, the Employer has the option of continuing to make the Loans to fund withdrawals and interest payments or to purchase the GICs as described herein. Within 60 days of the latest of: (a) The maturity date of the GIC; (b) the announcement of the Rehabilitation interest rate, or (c) the date of grant of this proposed exemption; the Employer may purchase each GIC from the Plan for the principal amount of each GIC plus interest at the contract rate through October 31, 1994, and the higher of the Market Rate or the Rehabilitation Rate from November 1, 1994 through the date of sale, less previous withdrawals and outstanding Loans (exclusive of Loans made to fund withdrawals) with respect to that GIC. In no event will the sales price for each GIC be less than the fair market value of the GIC less amounts previously received by the Plan with respect to the GIC.

7. The Trustee has determined that the proposed transactions are in the best interests of the Plan and its participants and beneficiaries. Further, should the Employer decide to purchase the GICs, such purchase price will be the higher of (a) the fair market value of the GICs (less amounts previously received by the Plan), or (b) the value as computed in 6. above, as determined by the Trustee.

8. In summary, the Employer represents that the proposed transactions satisfy the criteria of section 408(a) of the Act for the following reasons: (a) The transactions will enable the Plan to recover all amounts due with respect to the GICs; (b) the Loans will able the Plan to resume the ability to fund benefit payments, participant loans, hardship withdrawals and investment fund transfers within the Plan; (c) repayment of the Loans will be restricted to the GIC proceeds; (d) repayment will be waived to the extent the Loans exceed the GIC proceeds; (e) no interest or expenses will be incurred by the Plan with respect to the transactions; and (f) the Trustee has determined that the proposed transactions are in the best interests of the Plan and its participants and beneficiaries, and in the event of a

<sup>&</sup>lt;sup>4</sup>The Department notes that the decisions to acquire and hold the GICs are governed by the fiduciary responsibility provisions of Part 4 of Title I of the Act. In this proposed exemption, the Department is not proposing relief for any violations of Part 4 which may have arisen as a result of the acquisition and holding of the GICs.