

(d) Investments in the deposits of a subsidiary of Deutsche Bank will be backed by the full faith and credit of Deutsche Bank; and

(e) Short-term debt issued by Deutsche Bank is rated in one of the three highest categories by an independent rating agency such as Standard & Poors, Moody's or a similar institution.

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Metropolitan Life Insurance Company (MetLife)

Located in New York, NY

[Application No. D-11042]

Proposed Exemption

Based on the facts and representations set forth in the application, the Department is considering granting an exemption under the authority of section 408(a) of the Act (or ERISA) and section 4975(c)(2) of the Code and in accordance with the procedures set forth in 29 CFR part 2570, subpart B (55 FR 32836, 32847, August 10, 1990).¹⁷ If the exemption is granted, the restrictions of sections 406(a), 406(b)(1) and 406(b)(2) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (E) of the Code, shall not apply, effective April 6, 2001, to the cash sale (the Sale) to MetLife of a note (the Note), issued by the Pacific Gas & Electric Company (PG&E), by MetLife's Liquidity Plus Account (the Account) for which MetLife acts as investment manager and is a party in interest with respect to employee benefit plans (the Plans) invested in such Account, provided that the following conditions were met:

(a) The Sale was a one-time transaction for cash.

(b) The sales price for the Note was based upon an amount representing the greater of the Note's outstanding principal balance, plus accrued interest, or the Note's fair market value as determined by independent broker-dealers.

(c) The Account did not pay any fees, commissions or other expenses in connection with the Sale.

(d) As manager of the Account, MetLife determined, at the time of the transaction, that the Sale was appropriate for, and in the best interests of, the Account, the Plans investing therein, and their participants and beneficiaries.

(e) MetLife took all appropriate actions necessary to safeguard the interests of the Account and the Plans in connection with the Sale.

(f) If the exercise of any of MetLife's rights, claims or causes of action in connection with its ownership of the Note results in MetLife recovering from PG&E an aggregate amount that is greater than the sales price for such Note, MetLife will refund such excess amount to the Account.

Effective Date: If granted, this proposed exemption will be effective as of April 6, 2001.

Summary of Facts and Representations

1. MetLife is a life insurance company organized under the laws of New York and is subject to supervision and examination of the New York Superintendent of Insurance (the Superintendent). MetLife is a wholly owned subsidiary of MetLife, Inc., a publicly held Delaware corporation. In terms of assets, MetLife is the second largest life insurance company in the United States. As of September 30, 2002, MetLife, including its insurance company subsidiaries, had total assets under management of approximately \$290.1 billion¹⁸ and, as of December 31, 2001, approximately \$1.9 trillion of life insurance in force. Among the insurance products and services it offers, MetLife and certain of its affiliates provide funding, asset management and other services for thousands of employee benefit plans subject to the provisions of Title I of the Act. MetLife maintains pooled and single plan separate accounts in which Title I pension, profit-sharing, welfare benefit, and thrift plans invest, and MetLife and/or its affiliates manage all or a portion of the assets of such separate accounts. Additionally, MetLife has a number of subsidiaries and affiliates that provide certain financial services, including investment management and brokerage services.

2. MetLife is the investment manager or adviser (or an affiliate of such investment manager or adviser) of various portfolios that are subject to the Act. Among the separate accounts managed by MetLife is the Account, which is a short term liquidity plus separate account that invests in short-term debt obligations. The Account is managed by MetLife on behalf of ERISA and non-ERISA regulated Plans, including the Metropolitan Life Retirement Plan for United States Employees (the MetLife Plan), the surviving entity following the merger of

the Metropolitan Life Retirement Plan for United States Salaried Employees and the Metropolitan Life Retirement Plan for the United States Commissioned Employees. MetLife believes that the MetLife Plan became a participant in the Account at or near the time of its inception. The investing Plans hold units in the Account on a pro rata basis. MetLife represents that the purchase by the MetLife Plan of units in the Account is covered under section 408(b)(8) of ERISA.¹⁹

On February 2, 1971, the Account was initially approved by New York State Insurance Department (the NYSID), an independent state agency that regulates MetLife. The purpose of the Account is to achieve the highest possible current income consistent with the preservation of capital and maintenance of liquidity. The Account is permitted to invest in money market instruments with maturities of 13 months or less. Generally, the average maturity is less than 60 days. The Account is valued daily and is managed to maintain a stable one dollar value, similar to a money market fund. As of April 6, 2001, which is the date of the Sale transaction described herein, the Account had a market value of \$119,000,000. Also as of such date, participating investors in the Account included a number of ERISA Plan²⁰ and the MetLife Plan, which had invested approximately \$66,746,000 in the Account.

3. On December 15, 2000, the Account purchased, in book-entry form, certain commercial paper (the Commercial Paper) (CUSIP 69430JPC1) from Merrill Lynch, an unrelated third party, at a discount from face value for \$15,856,284.27. The Commercial Paper, which was also issued on December 15, 2000 by PG&E, California's largest public utility and an unrelated party, had a maturity date of February 12, 2001. The par value²¹ of the Commercial Paper was \$16,031,000, which was payable at maturity. The Commercial Paper's yield was 6.723274 percent and it represented approximately 13 percent of the Account's assets.²²

4. The decision to invest assets in the Commercial Paper was made by MetLife

¹⁹ The Department, is expressing no opinion herein on whether the purchase by the MetLife Plan of units in the Account is statutorily exempt under section 408(b)(8) of the Act.

²⁰ Primarily, defined benefit pension plans.

²¹ Defined as the value of the Commercial Paper at maturity.

²² As of December 15, 2000, the MetLife Pension Plan had total assets of \$4,047,574,285.00. Of the total assets, the MetLife Pension Plan invested \$11,494,583.03 in the Commercial Paper, which represented approximately 0.3 percent of such Plan's assets.

¹⁷ For purposes of this proposed exemption, references to provisions of Title I of the Act, unless otherwise specified, refer also to corresponding provisions of the Code.

¹⁸ This figure does not include the fourth quarter, which has not yet been published.