

**Notice to Employees of Wells Fargo & Company of  
Application for Authorization Under Prohibited Transaction  
Exemption 96-62, as Amended**

**Purpose of This Document**

You are hereby notified that Wells Fargo & Company (including its subsidiaries) (collectively, "Wells Fargo") and Superior Guaranty Insurance Company ("SGIC"), a captive insurance company wholly owned by an affiliate of Wells Fargo, have applied to the U.S. Department of Labor ("DOL") for authorization of a reinsurance transaction. This notice informs you of the application to the DOL and certain changes to the disability insurance benefits offered under the LTD Plan. Your right to comment to the DOL about the proposed transaction is explained at the end of this document.

The purpose of the authorization is to exempt the transaction from certain of the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The authorization is necessary because SGIC is an affiliate of Wells Fargo. Because of the relationship between SGIC and Wells Fargo, such reinsurance might otherwise constitute a prohibited transaction under ERISA.

The transaction involves the reinsurance of risks and the receipt of premiums by SGIC from insurance contracts currently funding long term disability ("LTD") insurance benefits offered under the Wells Fargo & Company Long Term Disability Plan (the "LTD Plan").

**Overview**

The LTD Plan, which covers active employees, will remain insured with the Metropolitan Life Insurance Company ("Met Life"). Met Life will reinsure 90% of the risks with SGIC. The Plan Administrator of the LTD Plan has determined that the transaction is in the interest of the participants and beneficiaries of the LTD Plan because of benefit improvements that will be provided to them if the transaction is authorized by the DOL. The authorization by the DOL will be subject to the conditions described below and set forth in more detail in Exhibit A.

The reinsurance arrangement is simply an internal arrangement between SGIC and Met Life. Met Life will continue to insure the benefits provided to you under the LTD Plan.

## Parties to the Proposed Reinsurance Transaction

### Wells Fargo

Wells Fargo is a diversified financial services company providing banking, insurance, investments, mortgage, and consumer finance services for more than 23 million customers throughout North America, with over \$482 billion in assets. Headquartered in San Francisco, Wells Fargo provides consumer and commercial banking services in 23 states and provides mortgage, credit card, and other financial services throughout the United States. Among U.S. financial services companies, Wells Fargo is ranked fifth in assets and fourth in market value of its stock. Wells Fargo provides its services through more than 6,200 stores, including 3,120 banking stores, and it was the first and is still the leading provider of internet banking services. Wells Fargo Bank, N.A. is the only U.S. bank rated "Aaa" by Moody's Investor Services. Wells Fargo has over 153,000 employees, including approximately 148,000 in the United States. In 2005, Wells Fargo's net income was \$7.7 billion on revenue of \$33 billion.

### SGIC

SGIC is a captive insurance company wholly-owned by an affiliate of Wells Fargo. SGIC was established in Vermont on March 22, 1990, to provide coverage to Wells Fargo and affiliates for various exposures. SGIC was issued a Certificate of Authority permitting it to transact the business of a captive insurance company by the Vermont Department of Banking and Insurance on March 30, 1990. The Certificate of Authority permits SGIC to provide reinsurance of the type that is the subject of the request for authorization of the DOL.

SGIC provides the following coverage to Wells Fargo and its subsidiaries: workers' compensation, general liability, automobile liability, excess liability, contingent auto and automobile repossessed liability, property, financial institutions bond, bankers professional liability, mortgage E&O, electronic and computer crime, directors and officers liability, fiduciary liability, employment practices liability, mortgage impairment, and mortgage protection insurance. As of December 31, 2005, total capital and surplus of SGIC was approximately \$84 million and 2005 gross written premium was approximately \$57 million.

### The LTD Plan

Wells Fargo maintains the LTD Plan for the benefit of its eligible employees. Under the Wells Fargo & Company Long Term Disability Plan (the "LTD Plan"), Wells Fargo provides optional LTD insurance for eligible employees with a benefit of 65% of covered pay. For most employees, covered pay is defined as base salary plus qualified incentive compensation, with a cap of \$500,000. For certain employees paid on a commission basis, maximum covered pay is \$220,000. For certain home mortgage consultants

(and equivalent positions), covered pay is set at a flat \$50,000. Wells Fargo pays 50% of the premium for this coverage; each employee who opts to receive the coverage pays the remaining 50% of the premium. Employees whose covered pay is capped at \$220,000 are eligible to purchase additional coverage (up to \$500,000 of covered pay). Employees who make such an election pay 100% of the additional premium. As of December 31, 2005, the LTD Plan had approximately 75,600 participants. The LTD Plan has the plan number 505. The official name of the LTD Plan is: Wells Fargo & Company Long Term Disability Plan. The federal employer identification number of Wells Fargo & Company, the plan sponsor, is 41-0449260.

### Changes to the LTD Plan

Wells Fargo would like to utilize SGIC for the reinsurance of benefits and will make improvements, described below, to the LTD Plan if the DOL authorization is granted. Met Life will insure the LTD Plan with the new enhanced benefits. However, Met Life will reinsure 90% of the risks of the LTD Plan with SGIC. The changes will be effective within thirty days after the transaction has been approved by DOL.

The benefit improvements Wells Fargo will institute are as follows: The LTD Plan currently provides a Survivor Benefit equal to three times the participant's monthly benefit if a participant dies while receiving LTD benefits. The amount of the lump sum Survivor Benefit will be increased to five times the participant's monthly LTD benefit. Second, the LTD Plan currently includes a Family Care Expense Benefit. During the first 24 months that a participant is receiving LTD benefits, he or she is eligible to receive up to \$250 per month per eligible family member in order to pay the costs of providing care for such family member while the participant works or participates in an approved Rehabilitation Program. (An "eligible family member" is a person living with the participant as part of his or her household and who is chiefly dependent on the participant for support.) The amount of the Family Care Expense Benefit will be increased to \$325 per month per eligible family member. Neither of these benefit enhancements will result in increases to any premiums paid by participants in the LTD Plan.

As stated above, the reinsurance arrangement is simply an internal arrangement between SGIC and Met Life. Met Life will continue to insure the benefits provided under the LTD Plan, including the improved benefits.

### Independent Fiduciary

In connection with the application to the DOL, Wells Fargo has retained, at its sole expense, Milliman, Inc. ("Milliman"), which provides specialized fiduciary services on behalf of employee benefit plans. Milliman, as the Independent Fiduciary for the LTD Plan, has analyzed the transaction and rendered an opinion that the requirements of subsections (a) through (f) of the draft requested authorization, attached as Exhibit A,

have been complied with. In addition, Milliman will represent the interests of the LTD Plan as the Independent Fiduciary at all times with respect to the proposed transaction. Milliman will monitor compliance by the parties with the terms and conditions of the proposed transaction, and will take whatever action is necessary and appropriate to safeguard the interests of the LTD Plan and its participants and beneficiaries with respect thereto, and to insure that the proposed transaction remains in the interest of the LTD Plan and its participants and beneficiaries.

#### Overview of Exemption Conditions

The following is a summary of the principal conditions that would be imposed by the DOL authorization (a full version of which is attached as Exhibit A):

- The LTD Plan will pay no more than adequate consideration for the insurance contracts.
- No commissions will be paid by the LTD Plan with respect to the direct sale of such contracts or the reinsurance thereof.
- In the initial year of any such contract involving SGIC, there will be an immediate and objectively determined benefit to the participants and beneficiaries of the LTD Plan in form of increased benefits.
- Wells Fargo has retained an independent fiduciary, at its sole expense, to analyze the transaction and render an opinion that the requirements of subsections (a) through (f) of Exhibit A have been complied with.

#### Tentative Authorization of Proposed Transaction

Authorization of the DOL was requested under a procedure, Prohibited Transaction Exemption ("PTE") 96-62, which requires that at least two prior exemptions that are substantially similar to the proposed transaction have been granted by the DOL. A description of these transactions and the DOL's comments relating thereto may be found in the Federal Register as Prohibited Transaction Exemptions 2004-12 (Svenska Cellulosa Akiebolaget) ("SCA"), 69 Fed. Reg. 40978 (July 7, 2004) and 2003-07 (Archer Daniel Midlands Company) ("ADM"), 68 Fed. Reg. 23764 (May 5, 2003). Like the proposed transaction, the exemptions granted to SCA and ADM involved the reinsurance of insurance with a captive reinsurer. Each of the exemptions involved an improvement to benefits, and in each case an independent fiduciary was appointed to review the transaction on behalf of the plan and its participants.

The proposed transaction described in this notice has met the requirements for tentative authorization from the DOL under PTE 96-62. Unless the DOL otherwise notifies Wells Fargo, a final authorization would be effective January 14, 2007.

Your Right to Comment on Tentative Authorization

As an interested party, you have the right to submit comments to the DOL on the tentative authorization. If you decide to do so, you should submit your comments to the following address:

Employee Benefits Security Administration  
Office of Exemption Determinations, Division of Individual Exemptions  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Room N-5700  
Washington, D.C. 20210

Attn: Gary Lefkowitz – Re: E-00532

Be sure to refer to the submission number, which is E-00532. Comments must be received by the DOL no later than January 9, 2007.

Comments may be faxed or e-mailed to the DOL. The fax number is (202) 219-0204 and the e-mail address is [lefkowitz.gary@dol.gov](mailto:lefkowitz.gary@dol.gov). If you have questions regarding your right to comment on this tentative authorization, you may call Gary Lefkowitz at (202) 693-8546.

We expect to implement the benefit improvements and the reinsurance program within 30 days of the date of final authorization.

If you have any questions about your benefits under the plans maintained by Wells Fargo, please contact the Wells Fargo HR Service via e-mail at [HRSC@wellsfargo.com](mailto:HRSC@wellsfargo.com) Center or via telephone at 1-877-479-3557, or via TDD/TTY at 1-800-988-0161.

## Exhibit A

### Pending Authorization

#### [Wells Fargo & Company]

The restrictions of sections 406(a) and 406(b) of the Employee Retirement Income Security Act of 1974, as amended (the "Act") shall not apply to the reinsurance of risks and the receipt of premiums therefrom by Superior Guaranty Insurance Company ("SGIC") in connection with an insurance contract sold by the Metropolitan Life Insurance Company ("Met Life"), or any successor insurance company to Met Life which is unrelated to Wells Fargo & Company and its subsidiaries (collectively, "Wells Fargo"), to provide life insurance benefits to participants in the Wells Fargo & Company Long Term Disability Plan (the "LTD Plan"), provided that the following conditions are met:

- (a) SGIC –
  - (1) Is a party in interest with respect to the LTD Plan by reason of a stock or partnership affiliation with Wells Fargo 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 that has neither been revoked nor suspended;
  - (4)(A) Has undergone 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) by the Insurance Commissioner of the State 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; and
- (b) The LTD Plan pays no more than adequate consideration for the insurance contracts;

(c) No commissions are paid by the LTD Plan with respect to the direct sale of such contracts or the reinsurance thereof;

(d) In the initial year of any contract involving SGIC, there will be an immediate and objectively determined benefit to the LTD Plan's participants and beneficiaries in the form of increased benefits and decreased premium cost;

(e) In subsequent years, the formula used to calculate premiums by Met Life or any successor insurer will be similar to formulae used by other insurers providing comparable life 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;

(f) The LTD Plan only contracts with insurers with a rating of A or better from A.M. Best Company (Best's). The reinsurance arrangement between the insurers and SGIC will be indemnity only, *i.e.*, the insurer will not be relieved of liability to the LTD Plan should SGIC be unable or unwilling to cover any liability arising from the reinsurance arrangement;

(g) SGIC retains an independent fiduciary (the "Independent Fiduciary") at Wells Fargo's expense, to analyze the transactions and render an opinion that the requirements of sections (a) through (f) have been complied with. For purposes of this exemption, the Independent Fiduciary is a person who:

(1) Is not directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with Wells Fargo or SGIC (this relationship hereinafter referred to as an "Affiliate");

(2) Is not an officer, director, employee of, or partner in Wells Fargo or SGIC (or any Affiliate of either);

(3) Is not a corporation or partnership in which Wells Fargo or SGIC has an ownership interest or is a partner;

(4) Does not have an ownership interest in Wells Fargo, SGIC, or any of either's Affiliates;

(5) Is not a fiduciary with respect to the LTD Plan prior to the appointment;  
and

(6) Has acknowledged in writing acceptance of fiduciary responsibility and has agreed not to participate in any decision with respect to any transaction in which the Independent Fiduciary has an interest that might affect its best judgment as a fiduciary.

For purposes of this definition of an “Independent Fiduciary”, no organization or individual may serve as an Independent Fiduciary for any fiscal year if the gross income received by such organization or individual (or partnership or corporation of which such individual is an officer, director, or 10 percent or more partner or shareholder) from Wells Fargo, SGIC, or their Affiliates (including amounts received for services as Independent Fiduciary under any prohibited transaction exemption granted by the Department) for the fiscal year exceeds 5 percent of that organization or individual’s annual gross income from all sources for such fiscal year.

In addition, no organization or individual who is an Independent Fiduciary, and no partnership or corporation of which such organization or individual is an officer, director, or 10 percent or more partner or shareholder, may acquire any property from, sell any property to, or borrow funds from Wells Fargo, SGIC, or their Affiliates during the period that such organization or individual serves as Independent Fiduciary, and continuing for a period of six months after such organization or individual ceases to be an Independent Fiduciary, or negotiates any such transaction during the period that such organization or individual serves as Independent Fiduciary.