
In the Matter of the	X
Plan of Reorganization	:
	:
of	:
	:
THE METROPOLITAN LIFE	:
INSURANCE COMPANY	:
	:
from a Mutual Life Insurance Company	:
into a	:
Stock Life Insurance Company	:
	X

OPINION AND DECISION

The Metropolitan Life Insurance Company (“MetLife” or the “Company”), a domestic mutual life insurance company, was organized as a stock life insurance company under the laws of New York in 1868 and became a domestic mutual life insurance company in 1915. The Company has been continuously licensed in New York since 1868. MetLife has applied to the New York State Superintendent of Insurance (the “Superintendent”) to convert to a domestic stock life insurance company in accordance with the provisions of Section 7312 of the New York Insurance Law (“Section 7312”).¹

I. Legislative Background and Statutory Requirements

1. Section 7312 was enacted by the New York State Legislature in 1988 to permit domestic mutual life insurance companies to reorganize to stock company form, a process known as demutualization. According to the legislative findings that accompanied the law:

¹ Unless otherwise indicated, references or citations in the text of this Opinion and Decision to “Section ___” or “§ _____” are to sections of the New York Insurance Law.

[I]t is in the interest of the state to maintain a financially sound and competitive life insurance industry in this state and to provide statutory authority for domestic mutual life insurance companies that find it in the best interest of the company and its policyholders to convert to stock form to do so pursuant to this legislation. In doing so, the legislature is cognizant that two separate state-appointed commissions examined, among other things, the issue of conversion from mutual form and both recommended that mutual life insurance companies should be allowed to demutualize. Each recognized that flexibility of corporate form can be an important factor in an environment of rapidly changing economic conditions.

Section 1 of L. 1988, ch. 683; amended L. 1988, ch. 684, § 1 (Sept. 1, 1988), *reprinted in* N.Y. Ins. Law § 7312 note (McKinney Supp. 1999-2000) (legislative findings).

2. To ensure that the new statute was sufficiently flexible, the Legislature authorized several alternate methods of reorganization:

With the proposal of this legislation, the legislature provides for the demutualization of life insurance companies in accordance with provisions specific enough for the insurer to plan sufficiently for a major reorganization of its corporate form, and standards broad enough to assure the state that any such reorganization must be fair and equitable to its policyholders in both substance and detail. In setting forth several detailed methods of conversion, the legislature intends to give guidance to insurers seeking to reorganize by offering three specific conversion methods; by also authorizing any fair and equitable method of reorganization approved by the superintendent of insurance, either completely different from the three specific methods enumerated or any variant thereof, the legislature recognizes the complexity of the process and the need for flexibility.

Id.

3. Regardless of the method of reorganization, the Legislature made plain that the Superintendent should have broad authority to interpret and apply the new law:

[N]otwithstanding the relative inexperience with life insurance company demutualizations, the legislature hereby recognizes that the state's authority is broad enough, in requiring that any reorganization be fair and equitable, to bring within the scope of its regulatory review and approval any concepts related to demutualization, unanticipated as of the effective date of this legislation, that could materially affect a reorganization.

Id.

4. A domestic mutual life insurance company seeking to reorganize under Section 7312 is required, by action of three-fourths of its entire board of directors, to adopt a plan of reorganization that is consistent with the provisions of the statute and that the board finds to be fair and equitable to the policyholders of the company. § 7312(e)(1).

5. The plan of reorganization must: (1) demonstrate a purpose and specify reasons for the proposed reorganization; (2) be in the best interest of the mutual life insurer and its policyholders; (3) be fair and equitable to policyholders; (4) provide for the enhancement of the operations of the reorganized insurer; and (5) not substantially lessen competition in any line of insurance business. § 7312(c). The plan of reorganization must also set forth: (1) a demonstration of the purpose for the proposed reorganization; (2) the form of the reorganization; (3) the proposed charter of the reorganized insurer set out in accordance with Section 1201 and proposed by-laws which provide for the removal

of the word “mutual” from the name of the company; (4) the manner and basis by which the reorganization shall take place; (5) the consideration to be given to the policyholders in exchange for their policyholders’ membership interest or the manner of converting the policyholders’ membership interest into securities or other consideration; (6) the method of allocating the consideration among policyholders; (7) the method of operation of the participating business of the mutual life insurer comprised of its participating policies and contracts in force on the effective date of the reorganization; and (8) a plan of operation for the reorganized insurer, including actuarial projections for a ten-year period and a statement indicating its intentions with regard to issuing any nonparticipating business. § 7312(e).

6. Section 7312(d) authorizes four alternate methods of reorganization. Each method of reorganization authorized by paragraphs (1) through (3) of Section 7312(d) has a number of specific provisions. Paragraph (1) of Section 7312(d) (“Method 1”) authorizes, among other things, “a trust or other entity existing for the exclusive benefit of the policyholders and established solely for the purpose of effecting the reorganization,” to which the common shares of the reorganized insurer or its parent company are contributed on the effective date of the reorganization and from which the common shares are distributed to policyholders as specified in the plan of reorganization.

7. Paragraph (4) of Section 7312(d) (“Method 4”) authorizes:

(A) Any method approved by the superintendent under which the policyholders’ membership interest is converted into or exchanged for consideration determined by the

superintendent to be fair and equitable to policyholders and meeting the requirements of this section; (B) the consideration to be given to policyholders is allocated among the policyholders in a manner which is fair and equitable; (C) unless the superintendent determines that it is in the policyholders' interest to waive all or a part of this condition, the mutual life insurer does not, directly or indirectly, pay for any of the costs or expenses of a proposed reorganization whether or not such reorganization is effected. . . . ; and (D) in determining whether any reorganization is fair and equitable, the superintendent shall be guided by the legitimate economic interests of participating policyholders as delineated in this section.

8. Section 7312(e)(2) provides that the consideration to be given in exchange for the policyholders' membership interests may consist of "cash, securities of the reorganized insurer or securities of another institution or institutions, a certificate of contribution, additional life insurance or annuity benefits, increased dividends or other consideration or any combination of such forms of consideration." Further, Section 7312(e)(2) states that "[t]he consideration, if any, given to any class or category of policyholder need not be the same as the consideration given to any other class or category of policyholder."

9. The policyholders eligible to vote upon a proposed plan of reorganization and to receive consideration if the plan becomes effective are those whose policies or contracts are in force on the date the board of directors of the insurance company adopts the plan. § 7312(e)(3). Section 7312(a)(2) defines policyholder to mean "a person, as determined by the records of a mutual life insurer," who is deemed to be the "policyholder" of a life insurance policy, annuity contract, or accident and health

insurance policy which the insurance company is authorized to sell pursuant to Section 1113(a).

10. Section 7312(h)(1) authorizes the Superintendent to appoint one or more qualified, disinterested persons or institutions as consultants to advise him on any matters related to a proposed reorganization.

11. The Superintendent is required to hold a public hearing on the fairness of the terms and conditions of a proposed plan of reorganization, the reasons and purposes for the mutual life insurer to demutualize, and whether the reorganization is in the interest of the mutual life insurer and its policyholders and is not detrimental to the public. § 7312(i). The insurer is required to mail a notice of the time, place, and purpose of the hearing, and a notice of the date, time, and place for the policyholder vote on the plan, at least thirty days in advance to the last known address of each policyholder eligible to vote, as shown on the records of the company. The two notices may be combined and must include a copy of the plan and such explanatory information as the Superintendent may approve or require. § 7312(i), (k). In addition, the insurer is required to provide notice of the hearing, not less than fifteen days nor more than sixty days in advance, by publication in three newspapers of general circulation, at least one of which must be in the county in which the insurer has its principal office. § 7312(i).

12. Within sixty days after the conclusion of the public hearing, the Superintendent is required to approve the plan of reorganization if he finds that the proposed reorganization, in whole and in part, does not violate the New York Insurance

Law, is fair and equitable to the policyholders and is not detrimental to the public, and that, after giving effect to the reorganization, the reorganized insurer will have an amount of capital and surplus the Superintendent deems reasonably necessary for its future solvency. § 7312(j). The Superintendent may not disapprove of a plan of reorganization for the reason that the mutual life insurer selected one of the methods provided for in Section 7312(d) rather than another. *Id.*

13. A proposed plan of reorganization must also be approved by the affirmative vote of two-thirds of all votes cast by policyholders entitled to vote. § 7312(k)(2). The Superintendent is required to appoint insurance department personnel or other disinterested persons as inspectors to supervise the policyholder vote. § 7312(k)(4).

14. A plan that has been approved by the Superintendent and policyholders will take effect in accordance with its terms on the date when a copy of the plan, with the approval of the Superintendent endorsed on it, and a certification by the inspectors of the results of the vote, have been filed in the office of the Superintendent “or on such later date, if any, as may have been specified in or determined in accordance with said plan or pursuant thereto.” § 7312(l).

II. Procedural History

15. In late 1998, MetLife informed the New York State Insurance Department (the “Department”) that it had determined to formulate a plan to convert to stock form pursuant to Section 7312. MetLife advised the Department that, as part of its Plan of

Reorganization (the “Plan”):² (1) MetLife would create a new holding company, MetLife, Inc., a Delaware corporation (the “Holding Company”), to own all of the common stock of the converted insurer; (2) MetLife would establish the MetLife Policyholder Trust (the “Trust”) to hold the shares of common stock of the Holding Company (the “Common Stock”) issued to eligible policyholders as consideration in exchange for their policyholders’ membership interests; (3) MetLife would operate the majority of its individual participating policies as a “closed block” to ensure that the reasonable dividend expectations of the owners of such policies would be met after the reorganization; (4) the Holding Company would raise capital by means of an initial public offering of Common Stock (the “IPO”); and (5) subject to certain restrictions, policyholders holding Common Stock through the Trust would be able to sell their shares after the IPO on a commission-free basis.

16. In connection with the proposed reorganization of MetLife, the Superintendent appointed Fried, Frank, Harris, Shriver & Jacobson (“Fried Frank”) to serve as legal consultant, The Blackstone Group L.P. (“Blackstone”) to serve as financial consultant, Milliman & Robertson, Inc. (“M&R”) to serve as actuarial consultant, and Ernst & Young LLP (“E&Y,” and collectively with Fried Frank, Blackstone, and M&R, the “Consultants”) to serve as accounting consultant. Subsequently, the Superintendent

² Except as otherwise indicated, any capitalized term has the meaning set forth in the Plan or the Trust Agreement.

also appointed five Department employees as inspectors responsible for monitoring the policyholder voting process and appointed E&Y to assist these inspectors.

17. The draft Plan, draft MetLife Policyholder Trust Agreement (the “Trust Agreement”), draft Policyholder Information Booklets, Parts One and Two, draft actuarial documents, and other related materials were reviewed by the Department and its advisers. In addition, these documents and materials were the subject of meetings and discussions among the Department and its Consultants and MetLife and its advisers, including PricewaterhouseCoopers LLP (“PwC”), actuarial advisers, Goldman, Sachs & Co. (“Goldman, Sachs”) and Credit Suisse First Boston Corporation (“CS First Boston”), financial advisers (Goldman, Sachs and CS First Boston, collectively, the “Company Financial Advisers”), and Debevoise & Plimpton (“Debevoise”), legal advisers. Further, at the request of the Department and its Consultants or upon their own initiative, MetLife and its advisers submitted additional documents, materials, and information concerning significant issues presented by the Plan. As a result of these efforts, multiple drafts of the Plan, the Trust Agreement, the Actuarial Contribution Principles and Methodologies, the Actuarial Contribution Memorandum, and other related documents were submitted by MetLife and reviewed by the Department and its Consultants. In addition, multiple drafts of the Policyholder Information Booklets, Parts One and Two, as well as other policyholder disclosure materials, were submitted by MetLife and reviewed by the Department and its Consultants.

18. On September 28, 1999, the Board of Directors of MetLife (the “Board”) unanimously adopted the Plan and various exhibits and schedules thereto, including the Trust Agreement. As adopted, the Plan provided for, among other things, the formation of the Holding Company and the Trust, the establishment of a closed block, the completion of an IPO simultaneously with the effective date of the reorganization, and a commission-free program for policyholders holding Common Stock through the Trust to sell their shares or purchase additional shares, subject to certain restrictions (the “Purchase and Sale Program”).

19. In October 1999, MetLife proposed to augment the IPO, if necessary, with one or more Other Capital Raising Transactions, which might include public mandatorily-convertible preferred securities, public convertible preferred securities, or public debt securities, commercial paper, or bank borrowings. MetLife also determined that it might be necessary to limit the amount of cash that could be paid to certain policyholders allocated more than 25,000 shares of Common Stock who elect to receive their consideration in the form of cash. Accordingly, MetLife amended its Plan to provide for such additional measures. Subsequently, in January 2000, MetLife advised the Department of its proposal to conduct a public offering of mandatorily-convertible preferred securities, a proposal modified to include issuance of a capital note to fund the interest payments to be made on the mandatorily-convertible preferred securities.

20. The Plan, as amended, was adopted unanimously by the Board, on November 3 and 16, 1999. On November 3, 1999, MetLife, the Holding Company,

Wilmington Trust Company (“Wilmington Trust”), as Trustee, and ChaseMellon Shareholder Services, L.L.C. (“CMSS”), as Custodian, executed the Trust Agreement. A copy of the Plan, all the exhibits and schedules to the Plan, including the Trust Agreement, Policyholder Information Booklets, Parts One and Two, the Actuarial Contribution Memorandum, and related disclosure documents were submitted to the Department on November 24, 1999.

21. That day, MetLife began mailing notice of the public hearing and the policyholder vote by first-class mail to all policyholders eligible to vote. The notice advised policyholders that the Superintendent would conduct a hearing on the Plan on January 24, 2000 at the Grand Hyatt New York, commencing at 10:00 a.m., and that policyholders could vote on the Plan through February 7, 2000, by mail or by proxy or in person at the headquarters of MetLife, One Madison Avenue, on February 7, 2000, between 10:00 a.m. and 4:00 p.m. The notice was accompanied by: a ballot; cards listing the Eligible Policies owned by each policyholder, the form in which consideration for each such Policy would be paid, and, for policyholders eligible to receive stock, an option to elect to receive cash instead, subject to certain restrictions; voting instructions; a set of general questions and answers; the Policyholder Information Booklet, Part One, containing a copy of the Plan, the Trust Agreement, and the Purchase and Sale Program Procedures, a summary of the Plan and its exhibits and schedules, and other explanatory information; the Policyholder Information Booklet, Part Two, containing financial information about MetLife and the proposed reorganization; and a letter from the

Department describing the reorganization process. For certain policyholders, including the owners of industrial life insurance, for whom MetLife could not obtain correct, current addresses, the Company mailed an abbreviated notice of the proposed reorganization to the last known address of such policyholders, advising them that if they received the notice, they could call a toll-free telephone number to obtain the complete set of policyholder disclosure materials.

22. Notice of the public hearing was published in the State Register on December 8, 1999, and in The New York Times (National Edition), USA Today, Poughkeepsie Journal, Albany Times Union, and The Boston Globe on January 4, 2000.

23. The notice advised policyholders that they could register with the Department by January 20, 2000 to make an oral statement regarding the proposed reorganization at the public hearing and that they could submit a written statement to the Department by no later than February 7, 2000. Toll-free telephone numbers for policyholders to obtain additional information and materials from MetLife were included in the notice and the Policyholder Information Booklet, Part One, including a toll-free number to call on or after January 30, 2000 for information about the total number of shares allocated to each policyholder as consideration. The notice and copies of the Plan and all the exhibits and schedules to the Plan, including the Purchase and Sale Program Procedures and the Actuarial Contribution Memorandum, were made available for public inspection at the headquarters of MetLife during regular business hours and on the internet website of the Company.

24. MetLife completed its policyholder mailing on December 21, 1999. According to an affidavit MetLife submitted to the Department on January 14, 2000, the mailing was completed by no later than 30 days prior to the scheduled date of the public hearing and the MetLife policyholder vote, and the required notices were given to each eligible policyholder at the last known address of such eligible policyholder, as shown on the books and records of the Company.

25. The Superintendent conducted the public hearing on January 24, 2000. Approximately 150 people attended. Six witnesses presented oral statements and submitted written statements on behalf of MetLife: Robert H. Benmosche, Chairman of the Board, President and Chief Executive Officer; Stewart G. Nagler, Vice-Chairman of the Board of Directors and Chief Financial Officer; Gary A. Beller, Senior Executive Vice-President and General Counsel; Kenneth M. Beck of PwC; Jonathan Plutzik of CS First Boston; and Howard A. Silverstein of Goldman, Sachs. In addition, MetLife submitted a written opinion by Charles W. de Seve, President, American Economics Group, addressing the competitive effects of the demutualization. MetLife also submitted copies of the policyholder mailings, the Plan documents, and certain other materials, affidavits, and Board resolutions.

26. Twenty people, including MetLife policyholders and their representatives, registered with the Department to speak at the hearing. Nine people presented oral statements at the hearing; several of the speakers also submitted written statements. At the hearing, the Superintendent announced that the hearing record would be held open for

written submissions until February 14, 2000 and that the Department would make the oral testimony presented at the hearing available on its internet website. The hearing ended after approximately three hours, and all persons who had registered to speak at the hearing had the opportunity to do so.

27. The policyholder vote was completed on February 7, 2000. The inspectors of the Department certified that 2,761,746 eligible policyholders cast a vote upon the Plan -- either in person, by mail, or by proxy form -- and that 2,572,832 (93.16%) voted in favor of the demutualization.

28. The hearing record closed on February 14, 2000. The Department received a total of 165 letters and other written statements on the proposed reorganization, as well as written responses by MetLife and its advisers to certain of the letters and issues raised at the public hearing. All of these submissions were reviewed by the Department and its Consultants and were made part of the hearing record.

29. In February 2000, in response to a change in the financial services sector of the capital markets, MetLife informed the Department of its proposal to conduct private placements of Common Stock (the "Private Placements"), concurrently with the IPO, to two large institutional investors, Credit Suisse Group, or an affiliate, and Banco Santander Central Hispano, S.A., or an affiliate. Pursuant to Section 10.4 of the Plan and Section 7312(f), the Plan was amended to authorize a private placement. As amended, the Plan was adopted unanimously by the Board on March 9, 2000.

30. On April 3, 2000, the Department issued a letter pursuant to Section 1501(c) determining that, for purposes of Article 15 of the New York Insurance Law, neither the Trust nor the Trustee would, as a result of the proposed reorganization, be deemed to control MetLife, the Holding Company, or any other insurer or person controlled by the Holding Company so long as MetLife, the Holding Company, the Trust, and the Trustee comply with certain conditions set forth in the letter. The determination of non-control will remain in effect until revoked by the Superintendent in accordance with its terms.

III. Plan of Reorganization

31. In the certified resolutions adopting the Plan, the Board determined that:

- (1) the Plan is fair and equitable to policyholders of MetLife (as contemplated by Section 7312(e) of the New York Insurance Law);
- (2) reorganization pursuant to Section 7312(d)(4) under the method described in the Plan is the most appropriate method of reorganization under Section 7312(d) for MetLife to achieve the purposes set forth in Article I of the Plan for the reasons set forth in Section 3.2 of the Plan;
- (3) the Plan will not substantially lessen competition in any line of insurance business; and
- (4) the Plan is in the best interests of MetLife and its policyholders.

A. Purpose and Reasons for the Reorganization

32. The Plan states that the main purpose for the reorganization from mutual to stock form is to change the structure of the Company in a way that will increase its

potential for long-term growth and financial strength. The Plan further states that by becoming a stock company MetLife can raise money more efficiently and have greater flexibility to make acquisitions, which will enable the Company to increase its market leadership, financial strength, and strategic position and provide additional security to its policyholders.

33. The Plan provides that, as a result of the Reorganization, MetLife will become a stock insurance company subsidiary of the Holding Company, and that the Common Stock will be publicly traded. MetLife represents that it will thus be better able to acquire other companies and to raise capital more efficiently. MetLife further represents that conversion will facilitate the efforts of the Company to respond to changes in the laws relating to affiliations between insurance companies and other types of companies, such as banks.

34. Several policyholders objected to any reorganization of MetLife, alleging that conversion would: (1) dilute the focus of management from supervising the insurance business; (2) insulate management from accountability to policyholders; and (3) jeopardize employee and agent compensation and retiree benefits by the imposition of a “new” company-wide emphasis on profitability. In enacting Section 7312, however, the Legislature expressly determined that domestic mutual life insurers should have the authority to demutualize, provided that the interests of policyholders are also protected in the process. Objections to demutualization under any circumstances are contrary to this legislative intent.

35. Moreover, the statements in the Plan and the other submissions of MetLife to the Department with respect to the purpose and reasons for converting to stock form are consistent with the finding of the Legislature that “flexibility of corporate form can be an important factor in an environment of rapidly changing economic conditions.” Section 1 of L. 1988, ch. 683; amended L. 1988, ch. 684 §1 (Sept. 1, 1988), *reprinted in* N.Y. Ins. Law § 7312 note (McKinney Supp. 1999-2000) (legislative findings).

36. The Plan provides that the demutualization will “make it easier for [MetLife] to take advantage of changes in laws, if any, relating to affiliations between insurance companies and other types of companies, such as banks.” On November 12, 1999, President Clinton signed into law the Financial Services Modernization Act of 1999, also known as the “Gramm-Leach-Bliley Act.” The Gramm-Leach-Bliley Act provides for significant, comprehensive changes in the financial services industry. Among other things, the Gramm-Leach-Bliley Act rescinds former restrictions on affiliations among insurance companies, banks, and securities firms. By converting to a stock company and creating acquisition currency in the form of Common Stock, as MetLife proposes to do under the Plan, the Company will be better able to take advantage of these legislative changes. Conversely, if MetLife were to remain a mutual company, MetLife could be significantly disadvantaged as compared to its competitors which are stock companies and have equity capital to expend in acquisitions of, and mergers and consolidations with, other financial services companies.

37. One member of the public urged the Superintendent to conclude that the reorganization of MetLife is improper, because when the Company converted to mutual form in 1915, MetLife represented in public statements and published documents that the policyholders of MetLife would maintain their ownership “for all time.” The current policyholders of MetLife, however, are entitled to vote on a proposed reorganization pursuant to Section 7312 and have elected to approve such a reorganization and to exchange their Policyholders’ Membership Interest for consideration in compliance with the statute.

38. Finally, in reliance upon Sections 623 and 910 of the Business Corporation Law and Section 7119, certain policyholders objected that MetLife failed to advise policyholders of their dissenters’ rights under the law. Section 108(d) of the New York Insurance Law, however, exempts mutual insurance companies from the provisions of Articles Six and Nine of the Business Corporation Law, and Section 7119 confers appraisal rights only upon dissenting stockholders of a domestic stock insurance company, not upon policyholders of a mutual insurance company. The rights of policyholders of a domestic mutual life insurance company reorganizing to stock form are governed exclusively by Section 7312. Accordingly, MetLife had no obligation to advise policyholders of dissenters’ rights not legally available to them.

B. Major Features of the Plan

39. The Plan, adopted pursuant to Method 4, provides that, as part of the Reorganization, the Policyholders’ Membership Interests will be extinguished and Eligible

Policyholders will receive shares of Company Common Stock (to be exchanged for an equal number of shares of Common Stock and held through the Trust), cash, or Policy Credits, in each case in proportion to the Allocable Common Shares allocated to each Eligible Policyholder. The Plan states that the economic value of this compensation would not be available to Eligible Policyholders so long as MetLife remained a mutual company.

40. Article III of the Plan also summarizes the other major features of the reorganization:

- (1) the Closed Block Business will be operated by MetLife as a closed block of participating business for the exclusive benefit of the Policies included in the Closed Block, for policyholder dividend purposes only, and none of MetLife's other Policies will be included in the Closed Block;
- (2) all Participating Policies will continue to be Participating Policies in accordance with their terms;
- (3) the Trust will be established and operated in accordance with the Trust Agreement;
- (4) the Holding Company will conduct the IPO and encourage and assist in the establishment of a public market for shares of Common Stock in conjunction with the IPO;
- (5) subject to the provisions of the Plan, the Holding Company may conduct one or more Private Placements and Other Capital Raising Transactions;
- (6) the Holding Company will establish the Purchase and Sale Program, which, subject to certain limitations set forth in the Trust Agreement and the Purchase and Sale Program Procedures, will enable Trust Beneficiaries to purchase additional shares of Common Stock to be held in the Trust or to have their allocated Trust Shares withdrawn from the Trust for sale, in each case without the payment of commissions or other fees; and

(7) beginning on the first anniversary of the Plan Effective Date, Trust Beneficiaries will be able to withdraw all (but not less than all) of their allocated Trust Shares from the Trust.

41. The Plan provides that it will become effective on the date on which the closing of the IPO and any one or more Private Placements and Other Capital Raising Transactions occur (the “Plan Effective Date”). The Plan also provides that the Plan Effective Date will not occur later than the first anniversary of the date the Plan is approved by the Superintendent pursuant to Section 7312(j). The one-year period may be extended for one or more additional periods if requested by the Board and approved by the Superintendent.

42. MetLife submitted to the Department an opinion by Debevoise and a statement by Gary A. Beller, Senior Executive Vice President and General Counsel of MetLife, that the provisions of the Plan are consistent with the requirements of Section 7312 and do not violate the New York Insurance Law.

IV. The Trust

43. The use of a trust structure is expressly contemplated by Method 1 of Section 7312, and MetLife has proposed a variant of that structure under Method 4. MetLife has demonstrated to the Department that its reorganization presents circumstances uniquely suited to the use of a trust.

44. The Plan states that the Company has more than eleven million policyholders and that if each of these policyholders individually were to hold shares of Common Stock after the reorganization, the Holding Company would have a number of

stockholders several times greater than that of any of the largest U.S. public corporations. The Plan provides for MetLife to establish the Trust to hold the Common Stock allocated to policyholders. According to the Plan, the primary purpose of the Trust is to help the Holding Company efficiently manage the administration of the accounts of the Trust Beneficiaries and the costs associated with such a large number of stockholders in a manner that would not materially disadvantage Eligible Policyholders who receive Common Stock.

45. In proposing to use a trust structure, MetLife considered: (1) the administrative complexity of running a public company with a multi-million stockholder base, including the difficulty in obtaining a quorum for stockholder votes; (2) the extraordinary costs associated with mailings to millions of stockholders in compliance with the federal securities laws and in connection with the election of directors and other routine matters requiring stockholder voting; (3) the negative effect of such costs upon the projected earnings of MetLife, the IPO Price, and the corresponding value of consideration to be paid to Eligible Policyholders in the form of cash or policy credits; and (4) the difficulty the stock market could have in absorbing millions of shares of Common Stock from sales by policyholders within a brief period of time, the possible disorderly trading market that could result, and the negative effect of these conditions upon the IPO Price and the price at which Trust Beneficiaries could sell their Trust Shares for some time into the future.

A. The Trust Agreement

46. The Plan and the Trust Agreement provide that the Company will establish the Trust for the exclusive benefit of Trust Beneficiaries. Upon its reorganization, MetLife will issue to the Trust a number of shares of Company Common Stock equal to the number of Allocable Common Shares allocated under the Plan to Trust Eligible Policyholders. Trust Eligible Policyholders will be allocated an aggregate number of Trust Interests equal to the number of shares of Company Common Stock issued to the Trust and will thereby become Trust Beneficiaries. The Trust will then exchange the shares of Company Common Stock for an equal number of shares of Common Stock to be held for the benefit of the Trust Beneficiaries, each of whom will be allocated an individual number of Trust Interests equal to the number of shares of Common Stock held for such Beneficiary in the Trust. The Trust Interests represent undivided fractional interests in the Common Stock and other assets of the Trust beneficially owned by the Trust Beneficiaries through the Custodian, as the holder of record on the books of the Holding Company. Legal title to the Common Stock and all other assets of the Trust will be vested in the Trust.

47. Under the Trust Agreement, a Trust Interest will entitle a Trust Beneficiary to certain rights, including the right to: (1) receive dividends distributed upon Trust Shares; (2) have Trust Shares withdrawn from the Trust to be sold for cash through the Purchase and Sale Program, subject to certain restrictions; (3) deposit in the Trust additional shares of Common Stock purchased through the Purchase and Sale Program;

(4) elect to withdraw all Trust Shares after the first anniversary of the Plan Effective Date; and (5) instruct the Trustee to vote the Trust Shares of the Trust Beneficiary on certain matters.

48. The Trust will be administered by the Trustee, and certain record keeping services will be performed by the Custodian. The Trust Agreement requires that the Trustee and any successor Trustee must, at all times, be an institution duly authorized to act as a trustee in the State of Delaware and maintain a combined capital and surplus of at least \$150 million. Until the first anniversary of the Plan Effective Date, the appointment of any successor Trustee or successor Custodian will be subject to the approval of the Superintendent.

49. The Trust Agreement provides that the Holding Company will pay, or directly reimburse the Trustee or Custodian for, all costs and expenses relating to the Trust, in the case of the Trustee, and relating to the holding of Trust Interests, in the case of the Custodian, including, but not limited to, the fees and expenses of the Trustee and Custodian set forth in the Trust Agreement. The Holding Company, however, will not reimburse the Trustee or the Custodian for the expense of mailing to Trust Beneficiaries any proxy or other materials received by the Trustee on behalf of anyone but the Holding Company. In addition, the Trustee and the Custodian will be entitled to fees for their services as set forth, respectively, in a Fee Agreement between MetLife, the Holding Company, and Wilmington Trust, and a Trust Record Keeping Services Agreement

between MetLife, the Holding Company, and CMSS, copies of which have been submitted to the Department.

50. At the public hearing, it was suggested by one member of the public that Section 7312(e)(2) does not permit the use of Trust Interests. Section 7312(e)(2), however, states that consideration may take the form of “cash, securities of the reorganized insurer or securities of another institution or institutions, a certificate of contribution, additional life insurance or annuity benefits, increased dividends *or other consideration or any combination of such forms of consideration.*” (Emphasis added.) The use of Trust Interests to evidence beneficial ownership of the Trust Shares is permissible under Section 7312 and, in light of the benefits to be conferred upon policyholders through the use of a trust structure, is fair and equitable to Trust Eligible Policyholders.

B. Withdrawal of Trust Shares and Transfer of Trust Interests

51. The Plan and Trust Agreement provide that: (1) prior to the first anniversary and continuing for the duration of the Trust, Trust Beneficiaries may sell their shares, subject to certain restrictions, through the commission-free Purchase and Sale Program; (2) Trust Beneficiaries may withdraw all, but not less than all, of their Trust Shares from the Trust beginning on the first anniversary of the Plan Effective Date; and (3) upon withdrawing their shares from the Trust, Trust Beneficiaries will no longer be eligible to participate in the Purchase and Sale Program.

52. The right of Trust Beneficiaries to withdraw their Trust Shares will continue until the Trust is terminated. Trust Beneficiaries who withdraw their shares to hold, rather than to sell or transfer, will have the same rights, including voting rights, as the other stockholders of the Holding Company.

53. The Trust Agreement restricts the ability of Trust Beneficiaries to transfer ownership of their Trust Interests. Transfers will be permitted only in the following limited circumstances:

- (1) to a spouse or descendant;
- (2) to a charity qualifying for tax-exempt status under the Code;
- (3) to a trust established to hold Trust Interests on behalf of an employee benefit plan;
- (4) to a trust established for the exclusive benefit of a Trust Beneficiary, a spouse or descendants of a Trust Beneficiary, or a qualifying charity;
- (5) upon the death or bankruptcy of a Trust Beneficiary, through a will, or under applicable law;
- (6) to another entity if the Trust Beneficiary has merged or consolidated into, or sold substantially all of its assets to, that entity; and
- (7) from a trust holding an insurance policy or annuity contract in accordance with the terms of that trust.

Except for transfers from the estate of a deceased Trust Beneficiary to one or more beneficiaries taking by operation of law, no partial transfer otherwise permitted under the Trust Agreement will be given effect if the transfer would result in a transferee not owning a whole number of Trust Interests.

54. Several policyholders objected to the restrictions the Trust imposes upon the liquidity of their consideration. MetLife, however, emphasized the need to manage the entry into the public market of the unprecedented number of shares of Common Stock to be issued as part of the reorganization. According to MetLife, if the policyholders were free to sell these shares in the market immediately following the IPO (a situation known as market “overhang”), the public market for the Common Stock would be destabilized, adversely affecting the IPO Price, the subsequent trading price of the Common Stock, and the value of the consideration to be received by policyholders, whereas, if policyholders were prohibited from withdrawing their shares from the Trust for a year, except to sell through the Purchase and Sale Program, the “overhang” effect would be reduced substantially. In light of these considerations, the one-year restriction upon withdrawals from the Trust is fair and equitable.

C. Distributions and Dividends

55. The Trust Agreement provides that the Trustee will hold any distributions or dividends received upon the Trust Shares and any interest earned on such dividends until the date that the Trustee is required under the Trust Agreement to distribute distributions, dividends, and interest to the Trust Beneficiaries through the Custodian.

56. The Trust Agreement requires regular cash dividends received by the Trust during any six-month period ending on June 30 or December 31 to be distributed to the Trust Beneficiaries on the following July 31 or January 31, respectively, and it requires the Holding Company to set a payment date for the dividends so that they are distributed

to the Trust Beneficiaries within ninety days after the Trustee has received them. Pending such distribution, the dividends will be invested by the Trustee. Other cash dividends will be distributed on the first business day following the thirtieth day after the Trustee has received them. Distributions will include all interest accrued on the dividends during the period they are held in the Trust.

57. Alternatively, the Trust Agreement permits the Trustee to arrange with the Holding Company for direct payment by the Holding Company of cash dividends to Trust Beneficiaries at the same time as the payment of dividends to the stockholders of the Holding Company. MetLife informed the Department (as well as the Securities and Exchange Commission (the “SEC”) in the Company’s request for a no-action ruling) that it intends to make immediate dividend payments in accordance with this provision.

58. The Trust Agreement provides that any distribution of shares of Common Stock will be deposited in the Trust and held for the Trust Beneficiaries. If the Common Stock is exchanged for common stock of another company in connection with a merger or consolidation of the Holding Company with another company, or if rights are issued to Trust Beneficiaries through a stockholder rights plan, the new common stock or rights will be held in the Trust under the Trust Agreement. In all other cases, if the shares of Common Stock are exchanged for securities or other property, the Custodian will distribute the securities or other property to the Trust Beneficiaries based on the number of their allocated Trust Shares.

D. Fiduciary Duties

59. After MetLife reorganizes to stock form, the Company will be owned and controlled by the Holding Company, a publicly-traded Delaware corporation. Under the laws of Delaware, the directors of the Holding Company will owe a fiduciary duty to act in the best interests of the Holding Company and its stockholders.

60. Both the Plan and the by-laws of the Holding Company provide that each director of the Holding Company will take the interests of the Trust Beneficiaries into account as if they were stockholders of the Holding Company, except to the extent that any director determines, based on the advice of counsel, that to do so would violate his or her duties as a director under Delaware law. MetLife has advised the Department that it expects that the interests of Trust Beneficiaries and stockholders will not conflict and that consideration by Holding Company directors of the interests of Trust Beneficiaries should not violate Delaware law.

E. Voting Rights

61. In order to realize significant cost savings, the Plan provides that Trust Beneficiaries will be able to vote the Trust Shares only on corporate matters requiring stockholder votes which are outside of the ordinary course of business (“Beneficiary Consent Matters”), and not on routine corporate matters.

62. The Trust Agreement defines Beneficiary Consent Matters to include:

(1) the election or removal of directors of the Holding Company, where a contesting stockholder of the Holding Company, has in compliance with the provisions of the Holding Company’s by-laws and applicable law, given timely

notice of a proposal to (a) nominate one or more candidates or a slate of candidates for election as directors of the Holding Company in opposition to a nominee of the Holding Company's board of directors, (b) oppose one or more nominees of the Holding Company's board of directors for election, (c) remove one or more directors of the Holding Company for cause, or (d) nominate one or more candidates for election to fill a vacancy or vacancies resulting from the removal of one or more directors by the Holding Company's stockholders;

(2) the merger or consolidation of the Holding Company, into or with any person, the sale, lease, or exchange of all or substantially all of the property or assets of the Holding Company, or the recapitalization or dissolution of the Holding Company, in each case which requires a vote of the Holding Company's stockholders under applicable Delaware law;

(3) any other transaction that would result in an exchange or conversion of Trust Shares for cash, securities, or other property;

(4) a proposal requiring the board of directors of the Holding Company to amend or redeem rights under the Holding Company's stockholder rights plan, other than a proposal with respect to which the Holding Company has received advice of nationally-recognized legal counsel to the effect that the proposal is not a proper subject for stockholder action under Delaware law; and

(5) prior to the first anniversary of the Plan Effective Date, (a) the issuance of Common Stock after the Plan Effective Date at a price materially less than the then prevailing market price of the Common Stock, other than through an underwritten offering or to officers, employees, directors, or insurance agents of the Holding Company or any Subsidiary of the Holding Company pursuant to an employee benefit plan, when a vote of the Holding Company's stockholders with respect to the issuance is conducted or is required to be conducted under applicable Delaware law, (b) any matter that requires approval by a vote of more than a majority of the outstanding Common Stock of the Holding Company entitled to vote thereon under Delaware law, or the certificate of

incorporation or the by-laws of the Holding Company, or
(c) an amendment to the certificate of incorporation or by-laws of the Holding Company that is submitted for approval to the Holding Company's stockholders.

63. In connection with any Beneficiary Consent Matter, the Custodian will mail proxy materials to the Trust Beneficiaries, and the Trustee will vote, assent, or consent the aggregate number of Trust Shares in favor of and in opposition to the matter, or abstain from voting on the matter, in the same proportion as the voting instructions received from the Trust Beneficiaries.

64. On matters other than Beneficiary Consent Matters, the Trustee will vote, assent, or consent the Trust Shares in favor of and in opposition to the matter, or abstain from voting on the matter, in accordance with the recommendation given by the board of directors of the Holding Company to its stockholders, or if no recommendation is given, as directed by the board of directors of the Holding Company. Trust Beneficiaries will not be permitted to vote on non-Beneficiary Consent Matters.

65. Voting on such matters by recommendation or direction of the board of the Holding Company is not unreasonable. Based on the historically-low number of policyholders of the Company voting in Board elections, MetLife does not expect that a significant number of the Trust Beneficiaries are likely to participate as active stockholders of the Holding Company. Thus, without the Trust and the voting restrictions described above, the Holding Company would encounter significant difficulties in obtaining the necessary quorum for stockholder meetings and, as previously discussed,

would incur substantial costs and expenses adversely affecting the Holding Company, the IPO Price, and the value of the consideration received by the policyholders.

66. Certain members of the public have suggested that the policyholder mailings did not adequately disclose the voting restrictions to be imposed upon Trust Beneficiaries. The Department and its Consultants reviewed those materials in detail before they were mailed to policyholders and find no basis for this objection. The voting rights and restrictions were identified and explained in clearly-identified sections of the Policyholder Information Booklet, Part One, including a chart enabling policyholders to compare and contrast their voting rights before and after the demutualization. In addition, the Policyholder Information Booklet, Part One included complete copies of the Plan and the Trust Agreement, containing the specific provisions relating to policyholder voting rights. These disclosures were sufficient to allow policyholders to make an informed decision regarding the voting rights afforded to Trust Beneficiaries under the Plan.

F. Tender Offers, Exchange Offers, and Counter-Offers

67. The Trust Agreement also provides for Trust Beneficiaries to participate in tender offers, exchange offers, and counter-offers for the Common Stock on the same basis as the stockholders of the Holding Company. If such an offer is made, the Custodian will mail all materials received by the Trustee, the Custodian, or the Holding Company relating to the offer to all Trust Beneficiaries subject to the offer, and those Trust Beneficiaries will be able to tender or exchange their Trust Shares. If a Trust Beneficiary wishes to tender or exchange his or her Trust Shares, the Trustee will

withdraw the shares from the Trust and distribute them to the Program Agent for the Purchase and Sale Program. The Program Agent will tender or exchange the shares on the behalf of the Trust Beneficiary. Any shares not tendered or exchanged will be redeposited in the Trust. If there is a merger or consolidation of the Holding Company where stockholders of the Holding Company have the opportunity to elect to receive cash, stock, or other compensation, Trust Beneficiaries will also be given the same election with respect to their Trust Shares. These provisions are fair and equitable.

G. Termination of the Trust

68. The Trust Agreement provides for both a mandatory and a permissive termination of the Trust. Unless terminated earlier pursuant to the permissive provisions of the Trust Agreement, the Trust must be terminated on the first to occur of: (1) the ninetieth day after the date on which the Trustee receives written notice from the Holding Company that the total number of Trust Shares held by the Trust is equal to 10% or less of the outstanding shares of Common Stock, or (2) the date on which the last Trust Share is withdrawn, distributed, or exchanged.

69. Pursuant to the Trust Agreement, the board of directors of the Holding Company may also terminate the Trust: (1) on the ninetieth day after the date on which the Trustee receives written notice from the Holding Company that the total number of Trust Shares held by the Trust is equal to or less than 25% of the outstanding shares of Common Stock; (2) on the date the Trustee receives notice that, because of changes to laws or changes in facts or circumstances relating to the Trust, maintaining the Trust has

or is expected to become burdensome to the Holding Company or the Trust Beneficiaries; (3) if any rights issued under the stockholder rights plan adopted by the Holding Company and held by the Trust become separately tradable from the Trust Shares to which they relate; or (4) upon the entry of a court order for termination or dissolution of the Trust.

70. The Trust Agreement provides that, concurrently with the winding up of the Trust, the Holding Company, may, in its discretion, offer to purchase all or a portion of the remaining Trust Shares from the Trust Beneficiaries at a price equal to the average of the closing prices of the Common Stock on the 20 consecutive trading days preceding such offer. If, upon termination of the Trust, there is no currently-valid mailing address for a Trust Beneficiary, the Trust Shares and any other assets of the Trust allocated to that Trust Beneficiary will be distributed to the Holding Company to hold on behalf of the Trust Beneficiary in accordance with applicable law.

71. Based upon the foregoing considerations, the Superintendent has determined that (1) it is in the best interest of MetLife and its policyholders to establish the Trust, and (2) the operation of the Trust is fair and equitable to the policyholders of MetLife.

V. Purchase and Sale Program

72. The Plan provides for the establishment of the Purchase and Sale Program for Trust Beneficiaries to sell their Trust Shares and purchase additional shares of Common Stock (to be held in the Trust), subject to certain restrictions, on a commission-

free basis. The specific features of the Purchase and Sale Program are set forth in the Plan, the Trust Agreement, and the Purchase and Sale Program Procedures, Exhibit J to the Plan, which were printed in full in the Policyholder Information Booklet, Part One. Subject to certain restrictions, Trust Beneficiaries may use the Purchase and Sale Program both to buy and sell shares, on as many occasions as they wish, for the duration of the Trust. On or after the first anniversary of the Plan Effective Date, Trust Beneficiaries who withdraw all of their Trust Shares from the Trust will cease to be eligible to participate in the Purchase and Sale Program.

73. The Purchase and Sale Program will be administered by a Program Agent appointed by the Holding Company. The initial Program Agent will be CMSS, the Custodian of the Trust, and, as permitted by the Trust Agreement, a broker-dealer affiliate of CMSS will perform certain activities described in the Purchase and Sale Program. The SEC requires an independent program agent in corporate purchase and sale programs to ensure compliance with tender offer rules.

74. Until the first anniversary of the Plan Effective Date, the Holding Company must obtain the prior approval of the Superintendent before any amendment to the Purchase and Sale Program can take effect. After the first anniversary, the Holding Company must provide prior written notice of any amendment to the Trust Beneficiaries before the amendment can take effect. Upon receipt of the notice, Trust Beneficiaries who object to an amendment will be able to withdraw their shares from the Trust.

75. Purchases under the Purchase and Sale Program may be made at any time beginning on the first trading day following the ninetieth day after the date the Holding Company becomes subject to the reporting requirements of the Securities Exchange Act of 1934. Only Trust Beneficiaries with fewer than 1,000 Trust Interests may purchase additional shares of Common Stock (to be held in the Trust) through the Purchase and Sale Program. Trust Beneficiaries must purchase at least \$250 worth of shares or such smaller amount as would bring their ownership to 1,000 Trust Interests.

76. Sales under the Purchase and Sale Program may be made at any time after the later of: (i) the termination of any stabilization arrangements and trading restrictions in connection with the IPO, and (ii) the closing of all the over-allotment options of the underwriters that have been exercised and the expiration of all unexercised options in connection with the IPO -- both of which are expected to occur within thirty days after the IPO.

77. Generally, each Trust Beneficiary may elect to withdraw from the Trust some or all of the Trust Shares allocated to the Trust Beneficiary to sell through the Purchase and Sale Program, subject to the following limitations:

(1) each Trust Beneficiary holding 199 or fewer Trust Interests may elect to withdraw from the Trust for sale the number of shares of Common Stock held by the Trust equal to all, but not less than all, of the Trust Beneficiary's Trust Interests;

(2) each Trust Beneficiary holding more than 199 Trust Interests may elect to withdraw from the Trust for sale the number of shares of Common Stock held by the Trust equal to all or part of the Trust Beneficiary's Trust Interests, subject to

the limitation that partial withdrawals may be made only in increments of 100 shares, and that following any such withdrawal for sale of part of the Trust Beneficiary's Trust Interests, the Trust Beneficiary holds at least 100 Trust Interests; and

(3) for the first 300 days following the Plan Effective Date, each Trust Beneficiary holding more than 25,000 Trust Interests will be subject to certain aggregate volume limitations. Under the Purchase and Sale Program Procedures, if the total shares to be sold on the open market on behalf of all Trust Beneficiaries holding more than 25,000 Trust Interests on any day exceed the lesser of (i) 1/20th of 1% of the number of shares of Common Stock outstanding and (ii) 25% of the average daily trading volume for the 20 trading days (or such shorter period, if fewer than 20 trading days have elapsed since the Plan Effective Date) preceding the trade, the broker-dealer will only process trades on the open market up to that limit for Trust Beneficiaries holding more than 25,000 shares. The broker-dealer affiliate of the Program Agent will either defer the excess shares to the next trading day (which will be subject to the same volume limitations on that day) or sell the shares as principal through a block trade or through a nationally recognized brokerage firm that will sell the shares, as agent, at market clearing prices. For a period of 90 days following the Plan Effective Date, only CS First Boston and Goldman, Sachs, the lead managing underwriters for the IPO, may sell, as joint agents, the excess shares. After the first 300 days, these limitations will no longer apply and withdrawals for sale may be made as permitted under the Trust Agreement and the Purchase and Sale Program Procedures.

78. MetLife and the Company Financial Advisers considered the following issues, among others, when formulating the restrictions under the Purchase and Sale Program:

(1) that the policyholder overhang may have a negative impact on the IPO marketing effort potentially resulting in a lower IPO Price or post-IPO trading price;

(2) the need to impose temporary volume restrictions on sales of Trust Shares by Trust Beneficiaries holding large amounts of Trust Shares because of the risk that large sales of Common Stock in the first 12 months would depress the trading price of and cause erratic trading with respect to the Common Stock;

(3) the need to operate the Purchase and Sale Program efficiently; and

(4) the benefits to be gained by CS First Boston and Goldman, Sachs serving as exclusive agents to sell Trust Shares from any surplus arising under the Purchase and Sale Program for a limited time period of 90 days, due to their familiarity with the market as co-lead underwriters of the IPO.

79. The Superintendent, upon the advice of his Consultants, has determined that the provisions of the Purchase and Sale Program should result in material benefits to the Trust Beneficiaries. For example, the time and volume limitations on sales by Trust Beneficiaries should help address investor concerns related to market overhang and create a more orderly after-market for the Common Stock, which, in turn, should have a positive effect upon the IPO Price and the post-IPO trading price of the Common Stock and the value of the consideration received by policyholders. In addition, for the MetLife policyholders allocated fewer than 1,000 shares of Common Stock, the Purchase and Sale Program establishes a commission-free brokerage account through which these policyholders can buy and sell shares of Common Stock (up to the maximum ownership limit of 1,000 shares) for the duration of the Trust -- and from which they can withdraw their shares at any time after the first anniversary of the Plan Effective Date. The MetLife Purchase and Sale Program is fair and equitable to policyholders.

VI. The IPO, Private Placements, and the Other Capital Raising Transaction

80. The Plan provides that the conversion of MetLife to stock form and the IPO and one or more Private Placements and Other Capital Raising Transactions must occur simultaneously, within one year after the Superintendent approves the Plan, unless, at the request of the Company, the Superintendent agrees to extend the time period. This provision affords MetLife ample flexibility for conducting an IPO and one or more Private Placements and Other Capital Raising Transactions, but is also fair and equitable to the policyholders of MetLife, who will not surrender their Policyholders' Membership Interests until the Company is in a position to: (1) raise capital to fund the payment of consideration in the form of cash and policy credits; and (2) encourage and assist in the establishment of a public market for the Common Stock for the benefit, among others, of policyholders receiving consideration in the form of stock.

A. Terms of the IPO

81. In the Policyholder Information Booklet, Part Two, distributed beginning on November 24, 1999, MetLife stated its intention to offer publicly up to an aggregate of 864 million shares of Common Stock, assuming a range between \$14 and \$24 per share (the "PIB Range"). The Booklet stated that "the final IPO Price would be "established through arm's length negotiations with representatives of the underwriters . . . based on, among other things, prevailing market conditions, [MetLife's] historical performance, estimates of [MetLife's] business potential and earnings prospects, an assessment of

[MetLife's] management and consideration of the above factors in relation to market valuations of companies in related businesses.”

82. On February 29, 2000, MetLife filed with the SEC an amendment to its registration statement in which it disclosed that it had revised the terms of the IPO. The Company stated its intention to raise net proceeds of approximately \$2,381 million to \$2,738 million by offering 179 million shares of Common Stock, subject to an over-allotment provision of additional shares (which, if effected, would increase the total number of shares to 205,850,000 shares of Common Stock). The stock would be priced between \$13 and \$15 per share. This filing range differs from the PIB Range because, according to MetLife and the Company Financial Advisers, market conditions for life insurance stocks have changed significantly since November 1999 (the date of the initial pricing range).

83. MetLife represented to the Department that the revised pricing range of \$13 to \$15 per share is appropriate under current market conditions and will enable the Company to successfully complete the IPO. In reaching this conclusion, MetLife and the Company Financial Advisers examined other alternatives, including, among others, delaying the IPO and reducing the size of the offering. MetLife determined that the IPO should proceed as scheduled, however, because MetLife believes: (1) that the market conditions for life insurance stocks may not improve from current levels or may even continue to decline; (2) the overall direction of short-term interest rates has been upward, which often has a negative impact on the equity market in general and on financial service

stocks in particular; (3) in the opinion of the Company Financial Advisers, any near-term improvement in MetLife's financial performance or life insurance or broader equity market valuations might not translate into a material improvement in MetLife's IPO valuation; (4) reducing the size of the offering would not necessarily result in a meaningful increase in valuation or lead to a higher pricing range and pursuing such alternatives could have an adverse effect on the success of the IPO and/or trading in the secondary market; and (5) in completing the IPO at this point in time, MetLife would have an acquisition currency which would significantly improve the Company's flexibility and possibilities for growth at the earliest opportunity.

84. Certain members of the public proposed that the Department should require MetLife to be auctioned to the highest bidder. Although Section 7312(d)(1) permits the acquisition of a reorganized insurer by an unrelated entity, it does not require such an acquisition or an auction of the company. Moreover, Section 7312(j) expressly prohibits the Superintendent from disapproving a plan of reorganization for the reason that the insurer selected one of the methods provided for in the statute rather than another.

B. Subscription Rights

85. A domestic mutual life insurance company reorganizing under Method 4 is not required to provide consideration in the form of subscription rights to its eligible policyholders. The Plan does not include subscription rights or alternative methods for policyholders to purchase Common Stock at the IPO Price. MetLife and the Company Financial Advisers submitted that subscription rights: (1) would cause certain institutional

investors, whose ownership is necessary to ensure an orderly trading market, to acquire fewer shares of Common Stock; (2) would make the IPO process more expensive as a result of the extra costs of mailing materials to policyholders and handling subscription rights requests; and (3) could result in a loss of value to all policyholders, due to, among other things, the risk of a lower price from a less successful IPO marketing effort.

86. Certain policyholders have stated that the absence of subscription rights under the Plan is unfair. A subscription rights program, however, would add significant complexity, marketing risk, and cost to an IPO that is already among the most complex and largest public offerings in U.S. history. Further, policyholder participation in subscription rights offerings historically has been and is likely to remain very low. The Superintendent concludes that, in the circumstances of the MetLife reorganization, the Plan is fair and equitable to policyholders without the inclusion of a subscription rights program.

C. “Top-up” Mechanism

87. Section 7312 neither contemplates nor prohibits use of a mechanism (commonly referred to as a “top-up”) to increase consideration paid to policyholders receiving cash or policy credits in the event of an appreciation in the trading price of the common stock of a reorganized insurer or its new holding company shortly after the IPO. MetLife and the Company Financial Advisers submitted that: (1) a top-up mechanism would benefit policyholders receiving cash or credits only at the expense of policyholders receiving stock; and (2) the top-up mechanism would not be well-received by institutional

investors, reducing demand for the IPO of MetLife. They also noted that under the Plan the default form of consideration is stock, so that the great majority of policyholders will have the opportunity to participate in the performance of the Common Stock after the IPO.

88. The Superintendent concludes that, in the circumstances of the MetLife reorganization, the Plan is fair and equitable to policyholders without inclusion of a top-up mechanism.

D. Other Capital Raising Transaction

89. In the Policyholder Information Booklets, MetLife disclosed that the Board might decide that, because of market conditions, the amount of cash needed to satisfy cash elections, or other factors, it may be in the best interests of the Company and its policyholders to raise capital through one or more Other Capital Raising Transactions at the same time and in addition to the IPO. The Plan provides that the total proceeds raised in all Other Capital Raising Transactions shall not exceed one-third of the combined total proceeds raised in the IPO, the Private Placements, and all such other Transactions. The Plan further provides that if any Other Capital Raising Transactions are undertaken, they may take the form of a public offering of mandatorily-convertible preferred securities, a public offering of convertible preferred securities, or up to \$500 million aggregate principal amount of publicly offered debt securities, commercial paper issuances, or bank borrowings, or a combination of such offerings, issuances, and borrowings.

90. In a separate registration statement filed with the SEC on January 21, 2000, MetLife stated its intention to conduct an Other Capital Raising Transaction concurrently with the IPO, in which the MetLife Capital Trust I, a Delaware business trust (the “Capital Trust”) funded by the Holding Company, will issue units (the “Units”) to investors in an amount of \$1 billion, plus an additional amount if the underwriters exercise their over-allotment option. Each Unit will consist of: (1) a forward purchase contract (the “Forward Contract”) under which the investor agrees to purchase, and the Holding Company agrees to sell, shares of Common Stock approximately three years from the issue date at a premium over the IPO Price, and (2) a preferred security in the Capital Trust (the “Capital Security”), which initially may be held as collateral to secure the obligations of the investor under the Forward Contract. The transaction is structured to maximize the likelihood that ratings agencies will accord the Units a significant level of equity capital treatment. In addition, MetLife advised the Department that the interest payments on the Holding Company debentures used to fund the Capital Trust are expected to be tax deductible to the Holding Company.

91. The Capital Securities are expected to mature five years after the issue date, and will pay quarterly cumulative cash dividends for the first two and three-quarter years following the issue date. On the third anniversary of the issue date, the Holding Company will facilitate a “remarketing” of the Capital Securities, by which investors who have purchased the Units may sell their Capital Securities to fixed income investors for cash, and deliver the cash to MetLife in satisfaction of the Forward Contracts. To ensure that

the Capital Securities may be sold at approximately face value, the interest rate on the Capital Securities will be reset to approximate a market rate. In addition, the Holding Company will guarantee, on a subordinated and unsecured basis, dividend and liquidation payments of the Capital Securities. Moreover, under the terms of the Holding Company debentures used to fund the Capital Trust, holders of Capital Securities will have protections that are generally standard for holders of other corporate preferred securities, including provisions which prevent the declaration or payment of Common Stock dividends if payments on the debentures (which then flow through to the Capital Securities) are deferred.

92. MetLife intends to fund the interest payments to be made on the Capital Securities by a mandatorily convertible capital note (the “Capital Note”) issued by MetLife to the Holding Company simultaneously with the IPO, the Private Placements, and the Other Capital Raising Transaction. The interest payment dates of the Capital Note correspond to the payment dates of the Capital Securities, and provide for interest payments from the Company to the Holding Company in amounts equal to the distributions that the Holding Company will pay on the Capital Securities. The Capital Note is not assignable and will mandatorily convert into Company Common Stock on the fifth anniversary of the Plan Effective Date (the effective maturity date of the Capital Securities). In addition, MetLife will not be permitted to make any interest payments on the Capital Note without the approval of the Superintendent if the Company fails to meet the capital requirements provided for in Section 1323.

93. Section 1323 provides that a life insurance company may at any time or from time to time issue capital notes, subject to certain limitations on aggregate principal amount, if the Superintendent approves the terms of such capital notes as not being adverse to the interests of the insurer's policyholders. MetLife has demonstrated to the Department that the aggregate principal amount of the Capital Note is permitted under the terms of Section 1323.

94. MetLife and the Company Financial Advisers have represented that the Other Capital Raising Transaction will: (1) enhance the flexibility of MetLife in the event of difficult equity market conditions and a larger-than-anticipated level of cash elections; (2) enhance the IPO price and reduce IPO execution risk; and (3) enable MetLife to raise additional capital to cash-out a greater number of policyholders, thereby stabilizing the after-market for the Common Stock. The Superintendent has determined that permitting MetLife to conduct the Other Capital Raising Transaction would be in the best interests of the Company and its policyholders for the reasons described above, and that issuance of the Capital Note will not be adverse to the interests of policyholders.

E. Private Placements

95. On March 9, 2000, in response to recent developments in the capital markets, MetLife further amended the Plan to permit the Company to conduct Private Placements of Common Stock concurrently with the IPO. MetLife proposed to sell to each of Credit Suisse Group or an affiliate ("Credit Suisse") and Banco Santander Central Hispano, S.A. or an affiliate ("Banco Santander" and, collectively with Credit Suisse, the

“Investors”) between a minimum of 1.0% and a maximum of 4.9% (2.0% and 9.8%, in the aggregate) of the outstanding shares of Common Stock (the “Restricted Stock”). The exact number of shares to be sold and purchased will, subject to such minimum and maximum amount, be determined by the Company in its discretion, based on the advice of Goldman, Sachs or such other investment bank that is approved by the Superintendent. In exercising its discretion, the Company will take into consideration the number of orders for the shares of Common Stock in the IPO, the level of oversubscription, if any, in the IPO, the aggregate demand for the shares in the IPO, the Company’s judgment as to the quality of that demand and market conditions generally. The per share price for the shares of Common Stock sold in the Private Placements will be equal to the IPO Price.

96. In connection with the Private Placements, the Investors, the Holding Company, and the Company have entered into standstill agreements (the “Standstill Agreements”), pursuant to which, among other things, the Investors agreed, for a period of five years following the IPO, that the Investors may only increase their aggregate beneficial ownership of Common Stock up to, but no more than, 5.0% of the outstanding shares of Common Stock, subject to the prior approval of the Superintendent. Until the second anniversary of the IPO, neither the Investors nor the Company may amend any provision of the Standstill Agreements without the prior approval of the Superintendent. Thereafter, the Company must notify the Department of any amendment to the Standstill Agreements.

97. In addition, the Investors agreed, for a period of one year following the IPO, not to sell or transfer shares of the Restricted Stock, except to (1) their respective affiliates (who would be also be subject to the same restrictions described above) or (2) pursuant to a tender or exchange offer recommended by the Board. After the first anniversary of the IPO, the Investors may sell, transfer, or otherwise dispose of their shares of Restricted Stock, provided that, unless such sale is made through a registered public offering or pursuant to a tender or exchange offer to stockholders of the Company, such sale is not knowingly made to any person or group that would beneficially own more than 4.9% of the voting securities, unless the purchasers agree to substantially the same restrictions on the Restricted Stock as had the Investors. The Investors must notify the Department of any transfer of the Restricted Shares or any consents requested or granted in connection with the restrictions in the Standstill Agreements.

98. The Investors are granted qualified piggyback and demand registration rights, but Trust Beneficiaries holding more than 25,000 Trust Interests have priority with respect to registration rights under any offering pursuant to Section 3.3(c)(v) of the Plan.

99. According to Goldman, Sachs, the Private Placements: (1) would increase the likelihood of the successful execution of the IPO, assuming that other factors (including, but not limited to, market conditions and the level of demand from public institutional and retail investors for the Common Stock during the marketing of the IPO) remain constant; and (2) would reduce the number of shares to be sold to public investors (improving the likelihood of a successful IPO in comparison to other means available to

MetLife, such as, further increasing the size of the Other Capital Raising Transaction, reducing the amount of capital raised to repay debt incurred in connection with the acquisition of GenAmerica, or introducing proration of cash elections of policyholders allocated more than 25,000 shares).

100. Pursuant to Section 10.4 of the Plan and Section 7312(f), the Company is permitted to amend the Plan after the public hearing or the policyholder vote, without a further hearing or vote, unless the Superintendent determines that the amendment is materially disadvantageous to any of the policyholders. The Private Placements are not materially disadvantageous to any of the policyholders.

101. Because Credit Suisse is a principal involved in the Private Placement, the Department requested MetLife to obtain an additional opinion from an independent investment banking firm as to the fairness of the Plan, taking into account, among other things, the Private Placements. Accordingly, MetLife received an opinion from Merrill Lynch, dated as of March 17, 2000 (the "Merrill Lynch Opinion") which, assuming an IPO Price of not less than \$13, concludes that the exchange of the aggregate Policyholders' Membership Interests in MetLife for shares of Company Common Stock (to be exchanged for an equal number of shares of Common Stock and held in the Trust), cash, and Policy Credits in accordance with the Plan is fair from a financial point of view to Eligible Policyholders, taken as a group.

F. Offering and Supervisory Procedures

102. The Plan provides that the final terms of the IPO, the Private Placements, and any Other Capital Raising Transaction will be subject to the approval of the Superintendent, and written confirmation thereof must be delivered to MetLife or its underwriters prior to the IPO. The Plan also requires MetLife and the Holding Company to use their best efforts to ensure that the managing underwriters for the IPO and any Other Capital Raising Transaction conduct the offering process in a manner that is generally consistent with customary practices for similar offerings and afford to the Department and its financial advisers reasonable access to observe the offering process. Goldman, Sachs and CS First Boston will serve as the managing underwriters for the IPO and the Other Capital Raising Transaction.

103. The Plan provides that MetLife and the Holding Company will not enter into an underwriting agreement until the Department has received written confirmation (the "IPO Letter") from the Company Financial Advisers to the effect that MetLife, the Holding Company, and the underwriters have complied in all material respects with the foregoing requirements concerning the IPO, the Private Placements, and any Other Capital Raising Transaction. In addition, the Holding Company will not enter into a purchase agreement for the Private Placements without the approval of the Superintendent, unless the purchase agreement states that completion of the Private Placements is subject to approval by the Superintendent.

G. Pricing

104. The Plan requires that the final pricing decision on the IPO, the Private Placements, and any Other Capital Raising Transaction be made by pricing committees of the MetLife Board and the board of directors of the Holding Company, subject to ratification by each board. The Plan provides that the majority of the members of the pricing committees will consist of directors who are not officers or employees of MetLife or the Holding Company. In addition, employees, officers, directors of, or legal counsel to any of the underwriters for the IPO or the Other Capital Raising Transaction or any of the Investors are prohibited from serving on the pricing committees. One director of MetLife is “of counsel” for legal counsel to the underwriters, and one director of MetLife serves on the board of the parent company of CS First Boston. In addition, a director of MetLife was appointed to the board of Goldman, Sachs in February 2000. None of these persons will serve on the pricing committees.

105. The initial members of the pricing committees will consist of Robert H. Benmosche (Chairman), Curtis H. Barnette, William C. Steere, Hugh Price, and Charles Leighton. None of these persons is an employee, officer, director of, or legal counsel to any of the underwriters for the IPO or the Other Capital Raising Transaction or any of the Investors.

106. Members of the public objected to the provisions of the Plan permitting the IPO Price to be determined by pricing committees of the MetLife Board and board of directors of the Holding Company in consultation with Goldman, Sachs and CS First Boston, in their capacity as managing underwriters of the IPO. These objections stated

that the directors on the pricing committees might have an incentive to price the Common Stock too low because the options they will receive to buy shares of Common Stock, pursuant to the MetLife, Inc. 2000 Stock Incentive Plan (the “Stock Incentive Plan”) and MetLife, Inc. 2000 Directors Stock Plan (the “Directors Stock Plan”) proposed by the Company will be more valuable if the stock price is low at the date of grant. However, the officers and directors who serve on the pricing committees will not be eligible to receive stock options until one year after the Plan Effective Date, and then only at the then-current trading price, not the IPO Price. Options may be granted to senior officers only by a board committee consisting exclusively of outside directors. Moreover, officers and directors may not begin to exercise the stock options until two years after the Plan Effective Date.

107. Further, the Company has agreed to follow special procedures for pricing the Private Placements:

- (1) any private placement shares will be purchased at the IPO Price;
- (2) neither of the Investors may make the decision regarding sales of shares to them, or the number of shares that may be sold to them;
- (3) disclosure regarding possible purchases by the Investors will be made in the preliminary prospectus; if sales are made to either of the Investors, they will be made pursuant to written agreements, the terms of which will be disclosed in the final prospectus;
- (4) the offering process must be conducted in a manner that is generally consistent with customary practices for similar offerings;

(5) the Superintendent and his financial advisers will observe the offering process;

(6) the Superintendent and his financial advisers must approve all aspects of the IPO, including the price and the terms of any sale to the Investors; and

(7) the pricing committee of the Board of MetLife must approve the IPO Price. No member of that committee may be an employee, officer or director of the Investors and no employee, officer or director of the Investors will be present when the pricing committee makes the final determination of the IPO Price.

108. In addition, the Department requested Blackstone to deliver an opinion, dated as of the closing of the IPO, to the effect that the procedures employed by the underwriters in conducting the IPO were generally consistent with customary practices for initial public offerings to the extent reasonably comparable to the IPO (the “Blackstone IPO Procedures Opinion”).

H. Use of Proceeds

109. The Plan provides that if there is an IPO and one or more Private Placements and Other Capital Raising Transactions, the net proceeds will be:

(1) contributed to MetLife in an amount equal to the sum of (x) the amount required to be paid by MetLife to fund the payment of cash and crediting of Policy Credits pursuant to Section 7.3 of the Plan, and (y) an amount equal to an amount required to reimburse MetLife for the cash payments to be made by the Canadian branch of MetLife to the holders of policies included in the Canadian business sold to Clarica Life; and

(2) contributed to MetLife in an amount equal to the amount of the fees and expenses incurred by MetLife in connection with the Reorganization.

110. If any additional proceeds are raised in the IPO and one or more Private Placements and Other Capital Raising Transactions, net of underwriting commissions and related expenses, the net proceeds will be:

(1) retained by the Holding Company in an amount not exceeding \$240 million, or such greater amount as the Superintendent may approve, for working capital, payment of dividends on the Common Stock and other general corporate purposes;

(2) retained by the Holding Company in an amount not exceeding \$100 million, or such greater amount as the Superintendent may approve, to pay the fees and reimburse the expenses of the Trustee and Custodian; and

(3) to the extent that the net proceeds exceed the amounts described above, or to the extent the net proceeds are not used for the purposes described above, promptly contributed to MetLife by the Holding Company for the general corporate purposes of MetLife and to repay debt incurred in connection with the acquisition of GenAmerica.

111. The use of additional proceeds to provide working capital for and payment of dividends on the Common Stock of the Holding Company, to pay the fees and expenses of the Trustee and Custodian, and to enable the Company to pay down pre-existing debt is necessary to effectuate the capital and trust structure MetLife has proposed and is in the best interests of the Company and its policyholders.

112. As described above, MetLife expects that the proceeds of the IPO, any Private Placements, and any Other Capital Raising Transaction will be sufficient, among other things, to reimburse the Company an estimated \$315 million for the payments to be made to the holders of certain Canadian policies issued by MetLife and sold to Clarica

Life Insurance Company (“Clarica Life”) in July 1998, before MetLife announced its intention to demutualize. As part of that sale, the policyholders of these policies became policyholders of Clarica Life by operation of Canadian law; they are no longer MetLife policyholders and are not entitled as policyholders to receive consideration under the Plan. However, as a result of a commitment made by MetLife in connection with obtaining Canadian regulatory approval of the sale (the “Canadian Undertaking”), MetLife agreed that its Canadian branch would make cash payments to the holders of the transferred Canadian policies, in the event of a demutualization of MetLife. According to the terms of the Canadian Undertaking, the payments will be determined in a manner that is consistent with the treatment of, and fair and equitable to, Eligible Policyholders. It is appropriate for MetLife to raise proceeds in the IPO to discharge this pre-existing obligation, and it will not be unfairly dilutive to the interests of the policyholders of the Company to do so.

VII. Eligibility and Policyholder Consideration

113. Consistent with Section 7312(e)(3), the Plan provides that the policyholders eligible to vote on the Plan and receive consideration if the Plan becomes effective are those policyholders who were the owners on September 28, 1999 -- the date the Board of MetLife adopted the Plan (the “Board Adoption Date”) -- of one or more Policies deemed to be in effect on that date, based on the records of the Company and as determined in accordance with certain rules contained in the Plan. The Plan also provides that a Policy will not be deemed to have matured by death as of any date unless notice of such death

has been received by MetLife on or prior to that date, as shown on the records of the Company.

A. Group Policies and Contracts

114. In general, the Plan provides that the Owner of a Policy that is a group insurance policy or group annuity contract is the Person specified in the policy or contract as the policy or contract holder. For certain group policies and contracts, however, persons other than the named policyholder are treated as the Owners for purposes of the Plan. For certain group life and long-term disability insurance policies, each certificate issued to any person who exercised a portability, continuation, or paid-up insurance option is treated as a separate Policy and the certificate holder is treated as the Owner. For group insurance policies or group annuity contracts, issued or deemed issued to a trust established by or on behalf of MetLife, that provide coverage to the employees, participants, or members of more than one employer or entity, each certificate issued under the policy or contract is treated as a separate Policy and the certificate holder is treated as the Owner. For group annuity contracts, issued or deemed issued to a trust established by or on behalf of MetLife, each certificate issued under the contract that is qualified or intended to be qualified as an individual retirement account, a tax-sheltered annuity, or a tax-deferred annuity is treated as a separate Policy and the certificate holder is treated as the Owner. For group annuity contracts, issued to brokers or other intermediaries as agents for certain employers, plans, or entities, each participation

interest is treated as a separate Policy and the participating employer, plan, or entity is treated as the Owner.

115. For these group policies and contracts, MetLife has represented to the Department that (1) exercise of the coverage options causes the certificate holders to cease to be treated by the Company, for purposes of experience calculation, premium collection, or other aspects of policy administration, as part of the group policy, or (2) the named policyholder functions only as a passive vehicle for holding the group policy, whereas the certificate holders or participating employers, plans, or entities are effectively treated by the Company as, and exercise rights consistent with being, individual policy owners.

B. MetLife as Policyholder

116. To avoid any conflict of interest, the Plan provides that if the Company or any of its subsidiaries in which it owns a majority interest owns a Policy otherwise eligible for consideration, no consideration will be allocated or paid with respect to such Policy, unless the consideration is required to be used in whole or in part for the benefit of participants or employees who are covered under a MetLife ERISA Plan funded by that Policy.

117. With respect to any MetLife ERISA Plans that are Eligible Policyholders, the Plan requires the Company to retain an independent fiduciary to represent such Plans in connection with the demutualization. By letter agreement dated July 20, 1999, MetLife retained State Street Bank to serve as the independent fiduciary. Subject to certain

conditions provided for in the Plan and the exemption MetLife obtained from the Department of Labor, State Street Bank, in its capacity as independent fiduciary for the MetLife ERISA Plans, voted on the Plan, made the election for the MetLife ERISA Plans as to the form of consideration to be received under the Plan, and will confirm that the consideration to be received is held in a manner that meets the investment objectives and liquidity needs of the MetLife ERISA Plans.

C. MetLife Subsidiaries

118. According to the Plan, the owners of policies issued by the wholly-owned subsidiaries of MetLife -- including Metropolitan Insurance and Annuity Company, Metropolitan Tower Life Insurance Company, New England Life Insurance Company, Security First Life Insurance Company, Texas Life Insurance Company, and Metropolitan Property and Casualty Insurance Company -- are not eligible to vote or receive consideration in the reorganization of MetLife, because those subsidiaries are already stock insurance companies and the provisions of Section 7312 apply only to domestic mutual life insurers converting to stock form. For the same reason, policyholders of the insurance company subsidiaries of GenAmerica Corporation, which MetLife acquired as of January 6, 2000, are not entitled to participate in the reorganization of MetLife, because those insurers, now MetLife subsidiaries, are already stock companies.

D. Amount and Allocation of Consideration

119. Pursuant to the Plan, Eligible Policyholders will receive shares of Company Common Stock (to be exchanged for an equal number of shares of Common Stock and

held in the Trust), cash, or Policy Credits in exchange for the surrender of their Policyholders' Membership Interests. Eligible Policyholders who are not required by the terms of the Plan to receive cash or Policy Credits will receive consideration in the form of stock (to be held in the Trust), unless they elect to receive cash. MetLife has represented to the Department that the default to stock is intended to encourage the maximum number of Eligible Policyholders to continue to participate in the ownership of MetLife and to benefit from the appreciation, if any, of the Common Stock after the IPO is completed. Regardless of the form in which the consideration will be paid, the amount of consideration will be based upon the number of shares of Company Common Stock allocated to each Eligible Policyholder under the terms of the Plan. Consideration paid in the form of cash or Policy Credits will be calculated by multiplying the total number of shares allocated to each Eligible Policyholder by the IPO Price.

120. The payment of cash and the crediting of Policy Credits will be completed no later than sixty days after the Plan Effective Date, unless the Superintendent approves a later period. All consideration to be paid in the form of shares of Company Common Stock will be issued to the Trust (and then exchanged for an equal number of shares of Common Stock) to be held on behalf of the Trust Beneficiaries upon the Plan Effective Date.

121. A total of 700 million shares of Company Common Stock, representing 100% of the equity ownership of the Company prior to reorganization, will be allocated to Eligible Policyholders as consideration for the surrender of their Policyholders'

Membership Interests. Of this amount, approximately 493.5 million shares will be issued to the Trust (and exchanged for an equal number of shares of Common Stock), and the remainder will be paid out in the form of cash and policy credits.

122. Each Eligible Policyholder will be allocated a fixed component of consideration equal to ten shares of Company Common Stock (subject to adjustment as provided in the Plan), the aggregate of which will represent just under 16% of the 700 million shares. In addition, each Owner of a Participating Policy may be allocated a variable component of consideration, representing in the aggregate the remainder of the 700 million shares. For purposes of the Plan, a Participating Policy is defined as a Policy that: (1) provides for the right to participate in the divisible surplus of the Company if and to the extent that dividends are apportioned on the Policy; (2) does not by its terms provide that it is non-participating; or (3) is a supplementary contract, unless the supplementary contract (i) provides by its terms that it is non-participating and (ii) was assumed by assumption reinsurance by the Company.

123. Each Eligible Policyholder will be allocated a single fixed component of consideration regardless of the number or face amount of the Policies such Policyholder owns. Prior to demutualization, each policyholder was entitled to a single vote in the election of directors to the Board, regardless of the number or face amount of the Policies such policyholder owns. MetLife has represented to the Department that the fixed component of consideration is primarily intended to compensate Eligible Policyholders for the extinguishment of their right to vote, but also to ensure that all Eligible

Policyholders will receive at least a minimum amount of consideration, since not every Eligible Policyholder will be allocated a variable component of consideration.

124. Eligible Policyholders owning Participating Policies may also be allocated a variable component of consideration that takes into account, among other things, the estimated past and expected future contribution to the surplus of MetLife of all of the Participating Policies such Policyholder owns. If the contribution of each of the Participating Policies owned by an Eligible Policyholder is negative or zero, the Policyholder will be allocated only the fixed component of consideration. Allocation of the aggregate variable component of consideration to each Participating Policy is governed by the Plan and the Actuarial Contribution Memorandum.

125. Several policyholders objected that information about the number of shares allocated to each policyholder was not available from MetLife until one week before the deadline for voting on the Plan and that the value of the consideration allocated to each policyholder was not available prior to the deadline at all. Share allocation information, however, is not required to be provided to policyholders under Section 7312, and in prior reorganizations under the statute, such information has not been provided. In the notice of public hearing and policyholder vote mailed to policyholders at least 30 days prior to the hearing and 44 days prior to the deadline for voting, MetLife advised Eligible Policyholders that share allocation information would be available beginning on January 30, 2000, one week before the policyholder vote.

E. Opinions of Advisers

126. MetLife received and submitted to the Department an opinion dated November 16, 1999 from Kenneth M. Beck, a principal with PwC (the “Beck Opinion”), stating that the allocation of consideration to Eligible Policyholders as set forth in the Plan is fair and equitable to the policyholders of MetLife as required by Section 7312.

The Beck Opinion states, in relevant part:

[t]he distribution described in Article VII of the Plan takes into account the ratio of the positive sum of the estimated past and future contributions to MetLife surplus, if any, of each Participating Policy and Contract owned by each Eligible Policyholder to the total of all such positive sums Under Section 7312 of the New York Insurance law, there is no specific guidance given for the allocation of consideration in a “Method Four” reorganization, but policyholder contributions are specifically identified as an acceptable approach to the allocation of consideration under other methods of reorganization within this section of the law. In addition, the contribution method is recognized in the actuarial literature as an appropriate method. I therefore find that the use of “actuarial contribution” as the principal basis of allocation is fair and equitable.

127. The actuarial consultants of the Department, M&R, reviewed the Actuarial Contribution Memorandum and the Beck Opinion and, based upon the independent analysis of M&R, concurred with the Beck Opinion. In addition, Daniel J. McCarthy, a consulting actuary with M&R, issued an opinion (the “McCarthy Opinion”) to the Department dated January 24, 2000, and confirmed as revised on March 30, 2000, stating that the methods set forth in the Plan and the Actuarial Contribution Memorandum

allocate the consideration to be given to policyholders among policyholders in a fair and equitable manner. The McCarthy Opinion was based on a comparison of the methods used in the allocation to those that have been used in comparable demutualizations and an examination of relevant actuarial literature that describes recommended methods of allocation and sets forth underlying principles.

128. Some members of the public suggested that the use of the “historic-plus” methodology (which takes prospective, as well as historic, contributions to surplus into account) is inappropriate and, among other things, discriminates against older, smaller individual participating policies of the Company. Both PwC and M&R, agree, however that the “historic-plus” methodology is widely-recognized in actuarial literature as an appropriate measure for allocating the variable component of consideration, because it is based on a concept of the market value of the company -- a value derived from the capital and surplus of the company on the date of conversion as well as its future earnings potential. The Report of the Society of Actuaries Task Force (1987) states that the “historic-only” approach is, in contrast, “not a useful method and, in addition, the Task Force does not believe that it produces a theoretically correct measure of policyholder contributions, in the aggregate or policy-by-policy.” The “historic-plus” methodology is consistent with Section 7312, which does not favor one methodology over another, but instead requires that consideration be allocated to policyholders in a fair and equitable manner. Further, every major U.S. life insurance company demutualization since 1990 has used the “historic-plus” approach. Under the “historic-plus” method, all

policyholders alike are subject to the same standard with respect to the measurement of this contribution to capital and surplus. The “historic-plus” methodology thus does not discriminate in favor of large group policyholders.

129. In addition to the Merrill Lynch Opinion, MetLife received separate opinions from Goldman, Sachs and CS First Boston, each dated November 16, 1999 (the “Company Financial Advisers Opinions”), that the exchange of the aggregate Policyholders’ Membership Interests in MetLife for shares of Company Common Stock (to be exchanged for an equal number of shares of Common Stock and held in the Trust), cash, and Policy Credits in accordance with the Plan is fair from a financial point of view to policyholders who are Eligible Policyholders taken as a group. Goldman Sachs, CS First Boston, and Merrill Lynch will reaffirm their opinions as of the Plan Effective Date, taking into account any Other Capital Raising Transactions, the final IPO Price, and the Private Placements. It is a condition to the approval of the Plan that MetLife submits updated opinions from Goldman Sachs, CS First Boston, and Merrill Lynch as of the Plan Effective Date.

130. An objection has been raised to the fact that Goldman, Sachs and CS First Boston are serving both as underwriters to the transaction and as financial advisers to MetLife. Counsel to the Company Financial Advisers has indicated that it is common for investment firms acting as underwriters to provide financial advice and services, such as rendering fairness opinions. As further protection for policyholders, in no instance has the Department relied entirely on the opinions issued by the Company Financial Advisers

in making its own determinations, but rather has reviewed the entire record as well as relied upon the advice of its own Consultants.

131. The Department received an opinion from its investment banking consultant, Blackstone, dated March 10, 2000 (the “Blackstone Fairness Opinion”), to the effect that the Plan, taken as a whole, is fair to the Eligible Policyholders, as a group, from a financial point of view. Blackstone performed various financial analyses and reviewed various financial materials relating to MetLife, the Plan, and the Reorganization, as it deemed appropriate. Among other things, Blackstone reviewed the Policyholder Information Booklets (including the exhibits, financial statements, and opinions), the preliminary prospectuses prepared in connection with the IPO and the Other Capital Raising Transaction, the Stock Purchase Agreement between the Holding Company and the Investors, MetLife’s strategic business plan for 2000-2002, and annual statements as filed by MetLife with the Department. In reliance upon, among other things, the Blackstone Fairness Opinion, the Department has determined that the Plan is fair and equitable to the policyholders from a financial point of view.

F. Policyholders Required to Receive Policy Credits

132. The Plan provides that certain Eligible Policyholders are required to receive their consideration in the form of Policy Credits, which are an adjustment of policy values. These Policyholders include the owners of:

- (1) individual retirement annuities or tax sheltered annuities, in each case issued to an individual owner;

- (2) individual annuity contracts issued under tax-qualified plans directly to the plan participant;
- (3) individual life insurance policies issued under tax-qualified plans directly to the plan participant; and
- (4) life or health insurance funding accounts or guaranteed life insurance funding accounts.

These policyholders are required to receive Policy Credits in order to avoid unfavorable tax consequences to them that would result from the receipt of consideration in the form of cash or stock.

133. The value of the Policy Credits to be provided under the Plan will equal the number of shares allocated to the Eligible Policyholder multiplied by the IPO Price. The specific form of the Policy Credits to be provided under the Plan will be one of the following, depending on the Policy:

- (1) an increase in accumulation value, to which MetLife will apply no sales, surrender, or similar charges, or that will be further increased in value to offset any of these charges, under a Policy that is a deferred annuity;
- (2) an increase in the amount of the payments distributed, under a Policy that is in the course of annuity payments;
- (3) insurance or dividends with interest, as appropriate (depending upon whether the additional insurance option or the dividends with interest option has been selected with respect to the underlying Policy, provided that dividends with interest will apply where an option other than additional insurance or dividends with interest has been selected), under a Policy that is a life insurance policy; or
- (4) an increase in the retired lives reserve, under a Policy that is a life or health insurance funding account or a guaranteed life insurance funding account.

G. Policyholders Required to Receive Cash

134. The Plan provides that other Eligible Policyholders are required to receive their consideration in the form of cash. These Policyholders include:

- (1) policyholders whose mailing addresses are located outside the United States;
- (2) holders of industrial life Policies in reduced paid-up status where MetLife's records do not reveal a current mailing address;
- (3) policyholders for whom MetLife makes a good faith determination, subject to the approval of the Superintendent, that it would not be reasonably feasible or appropriate to provide compensation in the form of Common Stock; and
- (4) group Eligible Policyholders that are the owners of tax-qualified individual retirement annuities or tax sheltered annuities which elect to receive cash instead of Common Stock for those particular Policies.

135. MetLife has approximately 1.1 million policyholders for whom current addresses cannot be determined. Approximately 800,000 of these policyholders are holders of industrial life Policies for which MetLife is no longer collecting premiums. From 1988 through the current reorganization process, MetLife has made various efforts and expended approximately \$20 million to locate these policyholders. These efforts included, among other things, a "Family Reunion Program" consisting of a direct mail campaign, print advertisements containing a special 800 telephone number, and special communication and promotional events held throughout the United States.

136. In addition, after MetLife announced its intention to demutualize, the Company conducted a targeted advertising campaign, employed a private address search

service, and used search services provided by the United States Internal Revenue Service (“IRS”) and by various individual states. Through the use of these search services, MetLife located approximately 3,000 Eligible Policyholders previously thought to be “lost.” Although these 3,000 Eligible Policyholders did not receive notice of the proposed demutualization more than 30 days prior to the dates of the public hearing and the policyholder vote and were unable to vote on the Plan, MetLife provided them with the same packet of materials mailed to all other Eligible Policyholders and gave them the choice to elect to receive their consideration in cash (to the extent applicable). Their votes could not have affected the outcome of the voting overall and, therefore, their exclusion from this process did not render the Plan unfair or inequitable.

137. The Department and its Consultants have considered the efforts of MetLife to locate its “lost” policyholders, as well as the costs and benefits of requiring these and certain other classes of policyholders to receive consideration in the form of cash. For example, allocating Common Stock to missing policyholders would result in “dead shares” being held in the Trust, potentially affecting the outcome of votes on any Beneficiary Consent Matter. In addition, policyholders whose mailing addresses are located outside of the United States could receive Common Stock only if MetLife were to register the Common Stock in the country of residence of the policyholder, which could result in a significant cost to MetLife and delay the demutualization. For these reasons, paying cash to these groups of policyholders is fair and equitable.

H. Cash Election

138. Pursuant to the Plan, Eligible Policyholders who are not required to receive cash or Policy Credits will automatically receive shares of Common Stock (to be held in the Trust), unless they elected, by returning an election card to MetLife by February 7, 2000, to receive consideration in the form of cash. If the proceeds from the IPO, the Private Placements, and any Other Capital Raising Transaction, however, are not sufficient to fund the payment of cash to all Eligible Policyholders electing to receive cash, the Plan permits MetLife to pay cash to Eligible Policyholders as follows:

- (1) each individual Eligible Policyholder electing to receive cash will receive consideration in the form of cash;
- (2) each group Eligible Policyholder electing to receive cash and not allocated more than 25,000 shares will receive consideration in the form of cash; and
- (3) each group Eligible Policyholder electing to receive cash and allocated more than 25,000 shares will receive consideration in the form of (a) cash, with respect to the first 25,000 shares allocated, and (b) either shares of Common Stock (to be held in the Trust) or a combination of cash and shares of Common Stock (to be held in the Trust), with respect to the remaining allocated shares. Cash will be allocated on a pro rata basis, as specified in the Plan.

The proration provisions outlined above would not apply to any group Eligible Policyholder that is an owner of an individual retirement annuity or a tax sheltered annuity who elects to receive cash instead of Common Stock (to be held in the Trust), but only with respect to that policy.

139. The Company Financial Advisers have submitted that a limitation on cash-outs to group Eligible Policyholders allocated more than 25,000 shares would benefit all policyholders as a whole. Among other things, such limitations would: (1) enhance the flexibility of MetLife in the event of difficult market conditions and/or a larger than anticipated level of cash elections; (2) enhance the IPO Price and reduce IPO execution risk; and (3) result in a greater administrative expense savings for the Trust by cashing-out individual and small group Eligible Policyholders first. In addition, policyholders would be able to receive cash for at least 25,000 shares and would, subject to certain trading restrictions, be able to sell their shares commission-free after the IPO in the Purchase and Sale Program.

140. Pursuant to the Plan, the Holding Company may offer to group Eligible Policyholders holding more than 25,000 shares that elect to receive cash, but do not receive cash for all of their shares because limited funds are available for that purpose, registration rights to include their Trust Shares in an underwritten public offering of the Common Stock by the Holding Company during the two-year period following the Plan Effective Date. Each Trust Beneficiary could then elect to include some or all of its Trust Shares in the offering. The Holding Company would include all Trust Shares desired to be sold in the offering, unless, based on the advice of its financial advisers, the board of directors of the Holding Company determines that including all Trust Shares would have an adverse effect on the price, timing, or distribution of the offering. Those Trust Shares, if any, the inclusion of which would not have an adverse effect, would be included. The

Holding Company would prorate the number of Trust Shares that each Trust Beneficiary may include, as provided in the Plan. The Holding Company would bear the costs of conducting the offering, including the fees and expenses of the underwriters for the offering.

141. The Company has advised the Department, however, that it expects to be able to pay cash to all policyholders who submitted timely cash elections and not to prorate any cash requests.

VIII. The Closed Block

142. Section 7312(d) permits a domestic mutual life insurance company converting to stock form to operate its participating policies and contracts in force on the effective date of the reorganization as a “closed block,” for the exclusive benefit of those policies and contracts and for dividend purposes only. If a closed block is used, the statute requires the insurer to fund it with assets in an amount which, together with anticipated revenue from the participating business, is reasonably expected to be sufficient to support the business, including, but not limited to, provisions for payment of claims, expenses, and taxes, and to provide for continuation of current payable dividend scales, if the experience underlying such scales continues, and for appropriate adjustments in such scales if the experience changes.

143. Section 7312(d) provides that if a closed block is used, the assets funding the closed block must be determined as of the December 31 preceding the date on which the plan of reorganization was adopted (the “Statement Date”) and brought forward to the

effective date of the reorganization, using methods which would have been used had the closed block been established on the statement date with appropriate recognition of new issues. The statute also provides that none of the assets funding the closed block, including the revenue therefrom, may revert to the benefit of the stockholders of the reorganized insurer.

A. Establishment of the Closed Block

144. In accordance with Section 7312(d), MetLife will establish a Closed Block to ensure that the reasonable dividend expectations of policyholders who own Policies included in the Closed Block Business will be met. The Closed Block Business will generally consist of all classes of United States dollar denominated individual life insurance policies for which MetLife had a divided scale in effect for 1999, but only to the extent that such Policies are in force on any date between the Statement Date, December 31, 1998, and the Plan Effective Date. Company assets totaling \$ 31.9 billion -- an amount sufficient to support the Closed Block Business, as determined in the Closed Block Memorandum -- will be allocated to the Closed Block as of December 31, 1998 and brought forward to the Plan Effective Date in accordance with the Plan. The Department and M&R have determined that the Closed Block funding is reasonable and sufficient for purposes of Section 7312(d)(5)(B), which provides that “such closed block shall be allocated assets of the mutual life insurer in an amount which together with anticipated revenue from such business is reasonably expected to be sufficient to support such business including, but not limited to, provisions for payment of claims, expenses

and taxes, and to provide for continuation of current payable dividend scales, if the experience underlying such scales continues and for appropriate adjustments in such scales if the experience changes.”

145. At the public hearing, a member of the public suggested that the presence of a significant number of lost policyholders (primarily with industrial policies) could adversely affect the closed block calculations, because the actual mortality for those policies may vary from the assumed mortality, and MetLife’s estimate for claims incurred but not reported would be too low, since they did not reflect those lost policyholders who were already dead. MetLife has represented to the Department that the actual insurance exposure of Closed Block policies for which MetLife has no current addresses is relatively small, so any variations from assumed mortality will have no material effect on the Closed Block. Further, the Closed Block Memorandum, Schedule 2 to the Plan, provides that death claims on Closed Block policies which were incurred prior to the Statement Date (December 31, 1998), but reported after that date, will be paid from assets outside the Closed Block. Therefore, the existence of these lost policyholders should not adversely affect the dividend expectations of the Closed Block policyholders. Based on their own analysis, M&R and the Department concur in this conclusion.

146. A policyholder has suggested that the assumed reinvestment rates used in funding the Closed Block are not supported by current experience. MetLife, however, has represented to the Department that the reinvestment rates are based on current dividend calculation methodologies and current experience. The development of the

reinvestment rates has been reviewed extensively by PwC in the development of the Beck Opinion and by M&R in the development of the McCarthy Opinion. Both PwC and M&R believe that the rates are consistent with experience underlying the current dividend scale.

147. Certain policyholders objected that Closed Block funding is based on a single year's dividend experience, 1999, rather than the previous four years' dividend experience and that prior years' dividend levels should have been included in the disclosure materials. New York Insurance Law, however, does not require that multiple years' dividend experience be used to calculate the funding of the Closed Block, but simply that the funding be based on "current payable dividend scales." § 7312(d)(5)(B). Further, both PwC and M&R reviewed the dividend actions taken by MetLife in the five-year period 1995-1999, as well as the elements of financial experience underlying those actions, and determined that the practices, rates, and assumptions underlying the 1999 dividend scales were consistent with those used in prior years. Because the dividend practices in 1999 were consistent with prior years' dividend practices, it was unnecessary for MetLife to provide an actuarial opinion based on multiple years' dividend experience or to disclose prior years' dividend levels in the Policyholder Information Booklets.

B. Operation of the Closed Block

148. After the Statement Date, insurance and investment cash flows from operations of the Closed Block Business, the assets funding the Closed Block, the cash allocated to the Closed Block, and, as described in the Closed Block Memorandum, all

other assets acquired by or allocated to the Closed Block will be received by or withdrawn from the Closed Block in accordance with the principles set forth in the Plan.

149. The Closed Block will be charged for only the level of expenses that has been provided for in the funding of the Closed Block, as described in the Plan. Since expenses are under the control of the Company and because their allocation among different businesses is a discretionary matter, charging the Closed Block only with what was provided for in the funding insulates the policyholders from cost increases and allocation changes. Although policyholders will not benefit from future expense savings, they are protected from the risk of future expense increases arising from, among other things: (1) an increase in unit costs because of high lapse rates and a resulting smaller amount of business in force; (2) poor expense management by the Company; or (3) a reallocation of overhead expenses among lines of business. The Department notes that the major expense associated with policies, the cost of policy acquisition, has already been incurred at the time the policy was issued, so that any future changes in unit costs arising for other reasons would not be likely to have a significant impact on the dividend scales.

150. None of the assets allocated to the Closed Block, including the revenue therefrom, will revert to the benefit of the Holding Company or its stockholders. The Closed Block will continue in effect until the last Policy in the Closed Block is no longer In Force.

151. The assets in the Closed Block will be managed and reinvested in accordance with the Plan and the Closed Block Investment Guidelines filed with and approved in advance by the Superintendent. Generally, the Closed Block assets may be reinvested in the same asset classes that are allowed for investments made on behalf of the general account of MetLife. Except in certain limited circumstances, the Closed Block may not invest directly or indirectly in (1) real property if it can be reasonably known by MetLife that the Company or a Company Affiliate occupies any space in that property, or (2) debt, common or preferred stock, or other equity securities issued by MetLife or any Company Affiliate.

152. The investment policy of the Closed Block will be subject to an annual review completed by a qualified actuary and a qualified investment professional, appointed by the Board of MetLife. The actuary will present an annual opinion on certain investment aspects of the Closed Block and a report on Closed Block investment activities to the Board. Copies of the opinion and the report will be submitted to the Superintendent. In addition, after the Plan Effective Date, MetLife will submit supplemental financial and investment schedules for the Closed Block with each of its annual financial statements.

153. One policyholder objected to the inclusion of debt securities issued by Exeter Reinsurance Company (“Exeter”), a subsidiary of MetLife, among the assets with which the Closed Block initially was funded. MetLife agreed to remove the Exeter bonds and any other obligations of affiliates from the Closed Block and replace them with

securities of equal value from an unaffiliated issuer. Section 8.2(b) of the Plan provides that new investments acquired after the Statement Date on behalf of the Closed Block shall not include securities of entities controlled by MetLife, and the Closed Block Investment Guidelines referenced by the Plan provide that the initial Closed Block assets be chosen by the same criteria.

C. Policy Benefits and Dividends

154. The establishment and operation of the Closed Block will not modify or amend the provisions of the Policies included therein. MetLife will continue to pay guaranteed benefits under all Policies in accordance with their terms, including the Policies included in the Closed Block. If the assets allocated to the Closed Block, the investment cash flows from those assets, and the revenues from the Policies included in the Closed Block prove to be insufficient to pay the benefits guaranteed under the Policies included in the Closed Block, MetLife will be required to make such payments from its general funds.

155. Similarly, all Participating Policies that are part of the Closed Block Business will continue to be Participating Policies eligible for dividends. Dividends will be apportioned annually by the Board or a Board committee in accordance with applicable law and consistent with the objective of minimizing tontine effects and exhausting the assets of the Closed Block with the final payment made to the last Policy included in the Closed Block. Dividends may vary from time to time -- as they do currently -- reflecting changes in investment income, mortality, persistency, and other

experience factors. To the extent that, over time, cash flows from the assets allocated to the Closed Block and claims and other experience relating to the Closed Block Business are, in the aggregate, more or less favorable than assumed in establishing the Closed Block, total dividends paid to Closed Block policyholders in the future may be greater or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Although dividends are not guaranteed, MetLife could choose to support the payment of dividends on Policies in the Closed Block from the general funds of the Company.

156. The Plan requires MetLife to submit to the Superintendent every five years following the Plan Effective Date an opinion of an independent actuary as to the compliance by the Company with Plan provisions for setting dividend scales on Closed Block Policies.

D. The TNE Segment of the Closed Block

157. The Closed Block funding includes certain assets allocated for the exclusive benefit of the participating policyholders of The New England Mutual Life Insurance Company (“TNE”) who became MetLife policyholders when TNE was merged into MetLife in 1996. At the time of the merger, the Massachusetts Division of Insurance required that MetLife establish a separate segment in its general account for the purposes of determining the policy dividends payable to these former TNE policyholders. The segment consisted of the assets backing those policies, plus an additional amount of funds (the “Additional Assets”) which totaled \$156.5 million as of the Statement Date. The

merger documents mailed to TNE and MetLife policyholders stated that it was MetLife's intention, over time, to base dividends on these TNE policies not only on the net income on the assets in the TNE policy segment, but also to include an amount representing (on an after tax basis) the value of the Additional Assets.

158. According to the Closed Block Memorandum, the amount of the Closed Block funding is sufficient: (1) to permit the former TNE policyholders included in the Closed Block to continue to receive dividends based on the currently payable dividend scale (the 1999 dividend scale) as long as current experience continues; and (2) simultaneously to continue the reasonable dividend expectations of the MetLife policyholders included in the Closed Block. M&R has concurred with these projections. Accordingly, the allocation of Additional Assets to the TNE segment within the Closed Block is fair and equitable to the policyholders of MetLife included in the Closed Block and to the policyholders of the Company as a whole.

E. Other Participating Policies

159. Certain classes of individual Participating Policies will be excluded from the Closed Block but will remain eligible to receive dividends in accordance with their terms. In addition, the Plan requires the Company to establish baseline financial objectives for each such class of Policies, a basis for measuring deviations from such objectives, and a method by which such deviations will be reflected in the financial treatment of Policies within each such class. The Plan also establishes procedures by

which the Superintendent will monitor the compliance of MetLife with the requirements applicable to these Participating Policies excluded from the Closed Block.

F. Actuarial Opinions

160. The Beck Opinion, which MetLife received and submitted to the Department, states that:

(1) the objective of the Closed Block as being for the exclusive benefit of the policies included therein for policyholder dividend purposes only as set forth in Article VII of the Plan is consistent with Section 7312;

(2) the operations of the Closed Block as set forth in Article VIII of the Plan and described in the Closed Block Memorandum, including the determination of the required initial funding and the manner in which cash flows are charged and credited to the Closed Block, are consistent with the objectives of the Closed Block;

(3) MetLife's assets set aside as of December 31, 1998 (including subsequent adjustments as provided for in the Closed Block Memorandum) to establish the Closed Block, as set forth in Article VIII of the Plan (including the Closed Block Memorandum) are adequate because they are expected to produce cash flows which, together with anticipated revenues from the Closed Block Business, are reasonably expected to be sufficient to support the Closed Block Business including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for continuation of dividend scales payable in 1999, if the experience underlying such scales continues; and

(4) the Plan is consistent with the objective of the Closed Block as it provides a vehicle for MetLife's management to make appropriate adjustments to future dividend scales, where necessary, if the underlying experience changes from the experience underlying such dividend scales.

161. The Department also received an opinion from Daniel J. McCarthy, a consulting actuary with M&R, dated January 24, 2000, certifying, in accordance with Section 7312(h)(3), that the assets allocated to the Closed Block as of January 1, 1999 (including provision for subsequent adjustments) are in an amount which together with anticipated revenue from the Closed Block Business is reasonably expected to be sufficient to support such business including, but not limited to, provisions for the payment of claims, certain expenses and taxes, and to provide for continuation of dividend scales payable in 1999 if the experience underlying such scales continues, and for appropriate adjustment in such scales if the experience changes. In arriving at this opinion, Mr. McCarthy relied on a model, developed by M&R staff under his direction, of the business to be included in the Closed Block, as well as other actuarial analyses and projections performed by him or under his direction.

IX. Restrictions on Acquisition of Securities By MetLife Personnel

162. Section 7312(w) provides that prior to and for a period of five years following the date when the distribution of consideration to policyholders in exchange for their membership interests is completed, no officer, director, or employee of the mutual insurer or the reorganized insurer, including family members and their spouses, may directly or indirectly offer to acquire or acquire in any manner the beneficial ownership of any securities of the reorganized insurer or its new holding company unless the acquisition is: (A) made pursuant to a stock option plan approved by the Superintendent; (B) made pursuant to the plan of reorganization; (C) made by employees, including their

family members and their spouses, from a broker or dealer registered with the SEC at the then-quoted prices on the date of purchase; or (D) made by officers or directors, including their family members and their spouses, at least two years after the initial public offering from a broker or dealer registered with the SEC at the then-quoted prices on the date of purchase.

163. The Plan incorporates these restrictions. From the Adoption Date until the Plan Effective Date and thereafter until the fifth anniversary of the Plan Effective Date, no officer, director, or employee of MetLife, the Holding Company, or any Company Affiliate -- defined as an individual or entity controlling, controlled by, or under common control with the MetLife or Holding Company within the meaning of Section 1501 -- including their family members and spouses, may directly or indirectly offer to acquire or acquire in any manner the beneficial ownership of securities of MetLife or the Holding Company except for acquisitions made: (1) pursuant to the Stock Incentive Plan and the Directors Stock Plan approved by the Superintendent or pursuant to certain additional equity compensation plans or arrangements (the "Other Stock-Based Compensation Plans") identified in Schedule 3(c) to the Plan; (2) as an Eligible Policyholder pursuant to the Plan (provided that acquisitions made through the Purchase and Sale Program are subject to clauses (3) and (4) below); (3) by non-officer employees of MetLife, the Holding Company, or any Company Affiliate, including their family members and their spouses, through the Purchase and Sale Program or from a broker or dealer registered with the SEC at the then-quoted prices on the date of purchase; or (4) by officers or

directors of MetLife, the Holding Company, or any Company Affiliate, including their family members and their spouses, at least two years after the Plan Effective Date through the Purchase and Sale Program or from a broker or dealer registered with the SEC at the then-quoted prices on the date of purchase.

A. The Stock Incentive Plan

164. The Stock Incentive Plan permits the Compensation Committee of the board of directors of the Holding Company to grant stock options for the purchase of Common Stock to officers (including officers who are directors), employees, and insurance agents of MetLife, the Holding Company, and their affiliates after the first anniversary of the Plan Effective Date.

165. The Stock Incentive Plan provides that the options will vest in three equal installments on the first three anniversaries of the date of the grant, provided, however, that no option may be exercised prior to the second anniversary of the Plan Effective Date. Options granted under the Stock Incentive Plan are also subject to special vesting provisions following a recipient's death, disability, approved retirement, or following a divestiture of business or change of control.

166. The total number of shares of Common Stock that may be subject to options granted under the Stock Incentive Plan cannot exceed 5% of the total number of shares of Common Stock immediately outstanding after the Plan Effective Date, reduced by (1) the number of shares of Common Stock issuable pursuant to any stock options granted under the Directors Stock Plan, and (2) shares that may be issued pursuant to certain non-

qualified compensation plans under Schedule 3(c) of the Plan. The maximum number of shares which may be subject to award under the Stock Incentive Plan may not exceed 60% of the shares available under the Stock Incentive Plan prior to the second anniversary of the Plan Effective Date, 80% prior to the third anniversary of the Plan Effective Date, and 100% prior to the fourth anniversary of the Plan Effective Date.

167. The Compensation Committee may delegate its authority under the Stock Incentive Plan to the Chief Executive Officer (“CEO”) of the Holding Company to grant stock options to individuals below the rank of Senior Vice President. The CEO’s authority, however, is limited to granting options to purchase shares not exceeding 1.5% of the total number of shares authorized for issuance under the Stock Incentive Plan. Further, no individual may receive during any twelve-month period more than 5% of the total number of shares as to which the CEO is authorized to award options.

168. No amendment to the Stock Incentive Plan may be effective prior to the fifth anniversary of the Plan Effective Date without the consent of the Superintendent.

B. The Directors Stock Plan

169. The Directors Stock Plan permits the Nominating and Corporate Governance Committee (“Nominating Committee”) of the board of directors of the Holding Company to pay, in the form of Common Stock, up to one-half of the fees payable to the non-employee directors of the Holding Company for services rendered after the first anniversary of the Plan Effective Date. Any stock paid in lieu of fees may not be sold prior to the second anniversary of the Plan Effective Date. In addition,

beginning on the first anniversary of the Plan Effective Date, stock options for the purchase of Common Stock may be granted to directors of the Holding Company, but prior to the fifth anniversary of the Plan Effective Date such options may only be granted in lieu of certain cash fees otherwise payable. Options to purchase Common Stock are immediately vested, provided, however that they may not be exercised prior to the second anniversary of the Plan Effective Date.

170. Under the Directors Stock Plan, any eligible director may elect to receive all or a portion of the fees that would otherwise be paid in cash with respect to services rendered after the second anniversary of the Plan Effective Date in the form of Common Stock. Also, eligible directors may elect to defer the receipt of any shares issued in lieu of cash fees until after their service with the board of directors terminates. Dividends on the deferred shares will be credited to a stock account.

171. The total number of shares of Common Stock issuable under the Directors Stock Plan in lieu of fees cannot exceed 500,000 shares and, the total number of shares of Common Stock that may be subject to options granted under the Directors Stock Plan will be limited to .05% of the total number of shares of Common Stock immediately outstanding after the Plan Effective Date.

172. No amendment to the Directors Stock Plan may be effective prior to the fifth anniversary of the Plan Effective Date without the consent of the Superintendent.

C. Other Stock-Based Compensation Plans

173. The Plan provides that, subject to certain limits, officers, employees, and insurance agents of MetLife, the Holding Company, and any Company Affiliate may acquire shares of Common Stock under the Other Stock-Based Compensation Plans. The Other Stock-Based Compensation Plans consist of ten existing compensation plans listed under Schedule 3(c) to the Plan. These include a tax-qualified 401(k) plan, non-qualified auxiliary savings and investment plans, incentive compensation plans, and deferred compensation plans. In general, officers are permitted to receive stock under the Other Stock-Based Compensation Plans starting two years after the Plan Effective Date and non-officer employees are permitted to receive stock under such plans starting on the Plan Effective Date. Officers, employees, and insurance agents may invest their 401(k) accounts in stock and receive company matching contributions in the form of stock, receive their annual and long-term incentives in the form of stock, and allocate their deferred compensation plan accounts to stock and receive company matching contributions in the form of stock.

174. The receipt of stock under the Other Stock-Based Compensation Plans is subject to both individual and aggregate limits until the fifth anniversary of the Plan Effective Date. Officers may not individually receive more than 0.25% of the total number of shares outstanding immediately after the Plan Effective Date, reduced by the number of shares in respect of which options were granted to the officer. Further, the total number of shares available under the Other Stock-Based Compensation Plans that

primarily benefit senior officers and highly compensated employees may not, in the aggregate, exceed 5% of the total number of shares outstanding immediately after the Plan Effective Date, reduced by the number of shares in respect of which options are granted under the Stock Incentive Plan.

175. Amendments to the Other Stock-Based Compensation Plans to implement Schedule 3(c) provisions are allowed. However, prior to the fifth anniversary of the Plan Effective Date, no other amendment, revision, or change in plan administration with respect to the acquisition of stock to any Other Stock-Based Compensation Plan will become effective without the prior approval of the Superintendent.

176. The Superintendent is of the view that the Stock Incentive Plan, the Directors Stock Plan, and the Other Stock-Based Compensation Plans are in compliance with Section 7312(w), contain terms and provisions that are comparable to those of other large public companies, and are generally consistent with the equity compensation plans of other mutual insurers that recently converted to stock form.

X. Future Operations and Solvency

177. Section 7312(e)(1)(H) requires a domestic mutual life insurance company converting to stock form to submit with its plan of reorganization, among other things, a plan of operation for the reorganized insurer, including actuarial projections for a ten-year period and a statement indicating its intentions with regard to issuing any nonparticipating business. MetLife submitted a Plan of Operation and Actuarial Projection (the “Plan of Operation”) as Exhibit I to the Plan. The Plan of Operation contemplates the continuation

of the current operations of MetLife. Subsequent to the Plan Effective Date, MetLife expects to issue both non-participating and participating policies and contracts, and it has applied to the Department for a permit pursuant to Section 4231 authorizing it to issue participating policies and contracts in New York. The Department expects that this permit will be issued shortly.

178. Section 7312(c)(5) requires that a plan of reorganization must not substantially lessen competition in any line of business. At the public hearing, MetLife submitted an opinion, dated September 28, 1999, from Charles W. de Seve, President, American Economics Group, Inc. (the “AEG Opinion”). The AEG Opinion concludes that the reorganization of MetLife “will not substantially lessen competition in any line of insurance.” According to the AEG Opinion, the “reorganization [of MetLife] will serve to increase competition among sellers of insurance in the United States by giving [MetLife] greater access to capital and greater business flexibility” and better enabling MetLife “to compete with other firms in the market for insurance products.”

179. In support of these conclusions, the AEG Opinion states that:

- (1) reorganization will not alter any of MetLife’s selling practices, pricing, or lines of business in a significant manner, or cause a reduction in MetLife’s lines of business;
- (2) MetLife’s reorganization will not change the number of competitors in the life insurance industry or reduce any competitor’s ability to sell life insurance products; and
- (3) stock insurance companies offer competition products at competitive prices in the same manner as mutual insurance companies and, in addition, other mutual life insurance

companies have reorganized into stock form without reducing competition or raising prices.

180. The AEG Opinion states that as a result of its reorganization into stock company form, MetLife will not increase its existing market share in any of its lines of business.

181. Section 7312(j) requires the Superintendent to make certain findings before approving a proposed plan of reorganization, including a finding that, after giving effect to the reorganization, the reorganized insurer will have an amount of capital and surplus the Superintendent deems to be reasonably necessary for its future solvency. The Annual Statement of MetLife as of December 31, 1999 reported total surplus of \$7.630 billion, and an asset valuation reserve of \$3.109 billion. The Plan of Operation contains projections of the total capital of MetLife and surplus for the years 1999 through 2009. Based upon these submissions and analysis, the Superintendent is satisfied that MetLife will have an amount of capital and surplus after the reorganization reasonably necessary for its future solvency.

XI. Corporate Governance

182. As required by Section 7312(e)(1)(C), the Company has submitted a proposed charter and by-laws of MetLife as a domestic stock life insurance company set out in accordance with Article 12 of the New York Insurance Law.

183. MetLife also submitted copies of the proposed amended and restated certificate of incorporation and by-laws of the Holding Company (the “Charter and By-

Laws”). These documents contain a number of “anti-takeover” provisions including, among other things, a classified board of directors, advance notice requirements for stockholder proposals, supermajority voting for certain business combinations and amendments to the Charter and By-Laws, and prohibitions on stockholder actions by written consent, removing directors without cause, or calling a special meeting of stockholders. MetLife also adopted a shareholder rights plan, or “poison pill,” which would serve to discourage a hostile acquirer from purchasing 10% or more of the outstanding shares of the Common Stock.

184. MetLife and the Company Financial Advisers maintain that: (1) none of these provisions, individually or in the aggregate, prohibit an acquisition of MetLife; (2) such provisions, individually and in the aggregate, are now common in the charters and by-laws of public companies; and (3) the validity of these provisions has been upheld under Delaware law. MetLife maintains that these provisions ensure that any potential acquirer must negotiate an acquisition with the board of the Holding Company and allow the board time to consider all options in the best long-term interests of the stockholders.

185. MetLife and the Company Financial Advisers also have opined that: (1) the Trust does not have any material anti-takeover effect; (2) the terms of the Trust Agreement require the Trustee to solicit the Trust Beneficiaries in any contested election; (3) a Trust Beneficiary can participate in a tender or exchange offer or counter-offer or sell its shares in the marketplace at any time; and (4) the anti-takeover provisions, either alone or in conjunction with the Trust, will not adversely affect the market for the IPO,

the IPO Price or the trading price of the Common Stock subsequent to the IPO. The Company Financial Advisers have represented that the Private Placements, including the attendant standstill provisions and transfer restrictions, will not have an adverse impact on the market for the IPO, the IPO Price or the MetLife share price subsequent to the IPO.

186. In addition, Debevoise, and Richards, Layton & Finger, special Delaware counsel to MetLife, have submitted separate opinions, each dated May 4, 1999, that the provisions of the Charter and By-Laws, as then currently proposed, do not contravene the laws of the State of Delaware.

187. The Superintendent and the Consultants have determined that the provisions of the Charter and By-Laws are comparable to those of other recently-demutualized insurers and other large publicly-traded financial services companies.

188. Certain policyholders objected that the Charter and By-Laws and the Trust could entrench management of the Holding Company and prevent the stockholders of the Company from obtaining maximum value for their consideration. Section 7312 does not prohibit takeover defenses in the charter and by-laws of reorganizing insurers or their holding companies. MetLife and the Company Financial Advisers have represented to the Department that the inclusion of anti-takeover provisions in the Charter and By-Laws will not have an adverse impact on the market for the IPO or the future trading price of the Common Stock.

XII. Tax Matters

189. The Plan requires MetLife to secure either rulings from the IRS or favorable opinions of Debevoise or other nationally-recognized independent tax counsel, dated as of the Plan Effective Date, that, for Federal income tax purposes, as a result of consummation of the Plan:

(1) Policies issued by MetLife prior to the Plan Effective Date will not be deemed newly issued, issued in exchange for existing policies or newly purchased for any material federal income tax purpose;

(2) the crediting of consideration in the form of Policy Credits, will not result in a distribution to an employee or beneficiary that is subject to withholding, adversely affect the favorable tax status of certain Policies, nor result in the imposition of certain penalties for the holders of such Policies;

(3) Eligible Policyholders receiving solely Trust Interests will not recognize gain or loss for federal income tax purposes;

(4) Trust Beneficiaries will not recognize gain or loss for federal income tax purposes as a result of either the deposit of shares of Common Stock or Company Common Stock into the Trust or the withdrawal of Trust Shares from the Trust;

(5) the conversion of MetLife from a mutual life insurance company into a stock life insurance company under Section 7312 will qualify as a reorganization under the Code and MetLife will be a party to the reorganization within the meaning of the Code; and

(6) the Holding Company will not recognize any gain or loss for federal income tax purposes as a result of its issuance of Common Stock to the Trust, its receipt of shares of Company Common Stock, its cancellation, for no consideration, of its Common Stock previously issued to MetLife and held by MetLife immediately prior to the Plan Effective Date, or its sale of shares of Common Stock in the IPO for cash.

190. MetLife received the opinion of Debevoise, dated September 28, 1999 (the “Tax Opinion”) to the effect set forth above.

191. The Plan also requires that MetLife secure a favorable ruling from the IRS to the effect that the Trust will be classified as a “grantor trust” within the meaning of the applicable provisions of the Code. MetLife received a ruling of the IRS, dated September 22, 1999 (the “IRS Ruling”), to the effect set forth above.

XIII. Department of Labor Exemption

192. The Plan requires MetLife to apply to the United States Department of Labor for an exemption (the “DOL Exemption”) from any sanctions that might otherwise result, pursuant to Section 406 of the Employee Retirement Income Security Act, 29 U.S.C. § 1106(a), and Section 4975 of the Tax Code, with respect to receipt of consideration by qualified employee benefit plans. Notice of the proposed DOL Exemption was published, as required, in the Federal Register on November 24, 1999, and thereafter was mailed to interested persons for comment. The final DOL Exemption was published in the Federal Register on March 13, 2000.

XIV. Securities Laws Matters

193. Article V of the Plan requires that MetLife receive a favorable no-action letter or exemptive relief from the SEC to the effect that, among other things,:

- (1) the Trust Interests may be distributed to Trust Eligible Policyholders under the Plan without registration under the Securities Act, in reliance on the exemption provided under Section 3(a)(10) of that Act;

(2) Trust Beneficiaries who are “affiliates” (as defined in the Securities Act) may withdraw shares from the Trust and resell shares withdrawn from the Trust without registration under the Securities Act;

(3) the Purchase and Sale Program may be operated in accordance with this Plan, the Trust Agreement and the Purchase and Sale Program Procedures in compliance with the Securities Act and the Securities Exchange Act of 1934, as amended; and

(4) the Trust is not required to be registered under the Investment Company Act of 1940, as amended.

MetLife received favorable no-action and exemption relief from the SEC on November 17, 1999.

194. Article V of the Plan also requires that Debevoise or other nationally-recognized independent counsel, provide a blue sky memorandum to the effect that the Trust Interests may be distributed to Trust Eligible Policyholders under the Plan without registration, and without registration of the Holding Company, MetLife, or the Trust as a broker-dealer or issuer-agents, under state securities laws and insurance securities laws. Debevoise provided a blue sky memorandum to that effect on November 18, 1999.

XV. Expenses

195. Consistent with the authority conferred by Section 7312(d)(4)(C), the Superintendent determined that it is in the interest of the policyholders for MetLife to pay for the costs and expenses of the proposed reorganization. Accordingly, pursuant to Section 7312(p), MetLife and the Holding Company furnished the Superintendent with separate undertakings, satisfactory to the Superintendent, committing to pay for all of the

costs and expenses incurred in the reorganization, including those incurred by the Department.

XVI. Notice of Pendency

196. Section 7312(q) requires a domestic mutual life insurance company converting to stock form to send notice of the pendency of its plan of reorganization and the effect thereof, in a form approved by the Department, to all persons to whom the insurer delivers one or more policies, contracts, or certificates issued after the date on which the plan of reorganization is adopted and before the effective date of the plan. The notice must inform such persons that they may rescind the policy, contract, or certificate and obtain a refund of any amounts paid with respect thereto by providing written notice to the insurer or its agent within 10 days of receipt of the notice of pendency.

197. MetLife prepared several versions of a notice of pendency for use in connection with different policies and contracts issued after the Adoption Date and before the Plan Effective Date. The Department approved these notices for use and has required MetLife to submit a certification to the Department, as of the Plan Effective Date, that the Company complied in all respects with the requirements of Section 7312(q) (the “Notice of Pendency Certification”).

Conclusions and Decision

198. Based upon the foregoing, review of the Plan and the Exhibits and Schedules thereto, the opinions and certifications of the Consultants of the Department, such other documents and information as deemed appropriate, and in reliance upon the

agreements, representations, and commitments of MetLife and the Holding Company, it is hereby concluded, decided, or directed as follows:

199. The Plan demonstrates a purpose and specifies reasons for the proposed reorganization sufficient to comply with Section 7312(c)(1).

200. The reorganization of MetLife from a mutual insurer to stock company form, as set forth in the Plan, is in the best interest of MetLife and its policyholders, in compliance with Section 7312(c)(2).

201. The provisions of the Plan are fair and equitable to the policyholders of MetLife, in compliance with Section 7312(c)(3).

202. The reorganization of MetLife from a mutual insurer to stock company form, as set forth in the Plan, will provide for the enhancement of the operations of MetLife, in compliance with Section 7312(c)(4).

203. The reorganization of MetLife from a mutual insurer to stock company form, as set forth in the Plan, will not substantially lessen competition in any line of insurance business, in compliance with Section 7312(c)(5).

204. The Policyholders' Membership Interests will be exchanged for an aggregate amount of consideration that is fair and equitable to the policyholders of MetLife and meets the requirements of Section 7312, in compliance with Section 7312(d)(4)(A).

205. The consideration to be given to the policyholders of MetLife will be allocated among such policyholders in a manner which is fair and equitable, in compliance with Section 7312(d)(4)(B).

206. It is in the interest of the policyholders of MetLife that the costs of the Reorganization are to be borne by the MetLife, and the undertakings with respect to such costs provided by MetLife and the Holding Company are in compliance with Section 7312(d)(4)(C).

207. The provisions of the Plan are fair and equitable to the policyholders of MetLife, taking into account the legitimate economic interests of participating policyholders as delineated in Section 7312, in compliance with Section 7312(d)(4)(D).

208. Certain of the assets of MetLife have been allocated to the Closed Block as of December 31, 1998 (including provision for subsequent adjustments) in an amount that produces cash flows which, together with anticipated revenue from the Closed Block Business, can reasonably be expected to be sufficient to support the Closed Block Business, including, but not limited to, provisions for payments of claims and surrender benefits, certain expenses, and taxes, and to provide for continuation of current payable dividend scales, if the experience underlying such dividend scales continues and for appropriate adjustments in such scales if the experience changes, in compliance with Section 7312(d)(5).

209. Reasonable provisions have been established under the Plan for the appropriate financial treatment of individual Participating Policies excluded from the Closed Block.

210. The Plan was adopted by the Board of MetLife in compliance with Section 7312(e)(1).

211. The Plan sets forth a demonstration of the purpose of the proposed Reorganization, the form of the Reorganization, the manner and basis by which the Reorganization will take place, the consideration to be given to policyholders in exchange for their Policyholders' Membership Interests, the method of allocation of consideration among policyholders, the method of operation of the participating business In Force on the Plan Effective Date, and a Plan of Operations, including actuarial projections for a ten-year period and a statement indicating the intentions of MetLife with regard to issuing non-participating business, in compliance with 7312(e)(1)(A) through (H).

212. MetLife has applied for a revocable permit authorizing the Company to issue participating policies and contracts in New York State, in compliance with Section 7312(e)(1).

213. The Plan contains other conditions and provisions which the Board of MetLife deems necessary or advisable in connection with the Reorganization, in compliance with Section 7312(e)(1).

214. The consideration to be given in exchange for the Policyholders' Membership Interests is in compliance with Section 7312(e)(2).

215. Notice of the public hearing and the policyholder vote on the Plan was given to the Eligible Policyholders of MetLife, and newspaper publication was made, in compliance with Section 7312(e)(3), (i), and (k)(1).

216. The policyholder notices and accompanying documents, including the Policyholder Information Booklets, Parts One and Two, contained sufficient information about the proposed reorganization to enable Eligible Policyholders to make an informed decision regarding the Plan and, for that reason, were approved by the Superintendent pursuant to Section 7312(i), (k)(1).

217. MetLife complied substantially and in good faith with the requirement of providing notice of the public hearing and policyholder vote, and, consistent with Section 7312(s), its failure to provide timely notice to approximately 3,000 policyholders previously thought to be “lost” does not impair the validity of the Company’s actions pursuant to Section 7312 or entitle such persons to any injunctive or other equitable relief with respect thereto.

218. Copies of the Plan, as adopted, were submitted to the Superintendent in compliance with Section 7312(e)(4).

219. The public hearing was conducted in compliance with Section 7312(i).

220. The public hearing record was kept open for additional submissions by policyholders and members of the public until February 14, 2000, and, for purposes of the 60-day period in which the Superintendent must approve or disapprove the Plan pursuant to Section 7312(j), this Opinion and Decision has been timely issued.

221. A proposal to approve the Plan was submitted to policyholders and notice of the vote was provided to policyholders in compliance with Section 7312(k)(1).

222. Policyholders were entitled to vote on the Plan, in compliance with Section 7312(k)(2), and the Plan was approved by the affirmative vote of more than two-thirds of all votes cast by policyholders entitled to vote, in compliance with Section 7312(k)(2).

223. The Superintendent supervised and directed the vote as necessary to ensure a fair and accurate vote, in compliance with Section 7312(k)(3).

224. The Superintendent appointed certain Department personnel as inspectors of the vote and appointed E&Y to assist these inspectors, in compliance with Section 7312(k)(4).

225. Representatives of the policyholders either were or could have been present for the vote, in compliance with Section 7312(k)(5).

226. The policyholder mailing lists did not knowingly omit any policyholders eligible to receive notice of the reorganization, public hearing, and policyholder vote, and any inadvertent omissions were remedied to the satisfaction of the Department, in compliance with Section 7312(k)(6).

227. The documents and certifications required by Section 7312(k)(11) were provided to the Department.

228. The corporate existence of MetLife will continue in the manner provided for in Section 7312(m).

229. The directors and officers of MetLife will serve as directors and officers of MetLife after the Reorganization in the manner provided for in Section 7312(o).

230. The undertakings required by Section 7312(p) were provided to the Department.

231. The notice of pendency required by Section 7312(q) was provided to all persons to whom MetLife delivered policies or contracts issued after the Adoption Date and before the Plan Effective Date.

232. The acquisition of Common Stock prior to and for five years following the Plan Effective Date by officers, directors, and employees of MetLife, the Holding Company, and any Company Affiliate, including the family members of such persons and their spouses, meets the requirements of Section 7312(w).

233. As set forth in the Plan, proposed Reorganization of MetLife, in whole and in part, does not violate the New York Insurance Law, is fair and equitable to the policyholders of MetLife, and is not detrimental to the public, and after giving effect to the reorganization, MetLife will have an amount of capital and surplus reasonably necessary for its future solvency, in compliance with Section 7312(j).

234. The issuance of the Capital Note complies with the requirements of Section 1323(a) and is not adverse to the interests of MetLife's policyholders pursuant to Section 1323(b). Therefore, issuance of the Capital Note is hereby approved.

235. The foregoing Conclusions shall be subject to the following conditions, which, if they are not met prior to or on the Plan Effective Date, shall render this Opinion

and Decision and the approval of the Plan set forth herein null and void and of no further force and effect, unless an amended Opinion and Decision is issued:

- a. The Underwriting Agreements and any amendments thereto executed in connection with the IPO and any Other Capital Raising Transactions shall contain terms and provisions acceptable to the Superintendent.
- b. A copy of each of the Company Financial Advisers Opinions, the IPO Letter, the Tax Opinion, the Merrill Lynch Opinion, the Blackstone Fairness Opinion, the Blackstone IPO Procedures Opinion, and the Notice of Pendency Certification dated as of the Plan Effective Date, shall be delivered to the Superintendent on the Plan Effective Date.
- c. Final versions of documents and agreements submitted to the Department in draft form, including, without limitation, the Stock Purchase Agreements, the Standstill Agreements, and the Capital Note, are executed in the form submitted to the Department and are not amended or otherwise altered, and the final terms of the Private Placements are approved by the Superintendent.
- d. If, prior to one year from the date of this Opinion and Decision, the sale of the Common Stock pursuant to the IPO has not occurred, this Opinion and Decision and the approval of the Plan set forth herein

shall be null and void and of no further force and effect, unless an amended Opinion and Decision is issued.

236. The Superintendent will retain jurisdiction of all matters relating to the Reorganization of MetLife until the preceding conditions have been met.

237. All of the objections to the proposed reorganization raised at the public hearing, included in the written submissions made part of the record or otherwise submitted to the Department, have been considered. Upon consideration the record in its entirety, and for the reasons specified in this Order and Decision, none of these objections, individually or in the aggregate, merits a decision that the Plan is not fair and equitable as required by Section 7312 or that the Plan should not be approved as provided, and subject to the conditions set forth, herein.

238. For the reasons set forth herein, the proposed reorganization, in whole and in part, does not violate applicable law, is fair and equitable to the policyholders, and is not detrimental to the public, and, after giving effect to the reorganization, the reorganized insurer will have an amount of capital and surplus reasonably necessary for its future solvency.

THEREFORE, under Section 7312(j) the Plan shall be approved, as herein provided.

Based upon the foregoing, and subject to the satisfaction of each and every condition set forth herein, the Plan is APPROVED.

Dated: April 4, 2000
New York, New York

Neil D. Levin
Superintendent of Insurance