



DEPARTMENT OF LABOR

Employee Benefits Security Administration

[Prohibited Transaction Exemption No. 2026-02; Application No. L-12004]

Exemption Involving the International Union of Operating Engineers Local Union 627 Training Fund of Oklahoma (the Plan or the Applicant) Located in Oklahoma City, OK

AGENCY: Employee Benefits Security Administration, Labor.

ACTION: Notice of exemption.

SUMMARY: This document provides notice of an individual exemption from certain prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (ERISA) and/or the Internal Revenue Code of 1986 (the Code). This exemption permits certain loans (the Loans) by the International Union of Operating Engineers Local Union 627 (Local 627) to the Plan, so the Plan can purchase heavy machinery.

DATES: Exemption date: This final exemption will be in effect as of [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

FOR FURTHER INFORMATION CONTACT: Nicholas Schroth, Office of Exemption Determinations, Employee Benefits Security Administration, U.S. Department of Labor, (202) 693-8571 (this is not a toll-free number).

SUPPLEMENTARY INFORMATION: The Plan previously submitted an exemption application to the Department requesting permission to engage in the Loans and to grant a security interest in the heavy machinery purchased by the Plan pursuant to the Loans (the Covered Transactions). In the application, the Plan stated that, among other things: (1) the Loans would have an interest rate set at two percentage points below the U.S. Prime lending rate, where such rate would not be lower than 1% or higher than 3%; and (2) the Plan would be represented by an independent fiduciary for all purposes with respect to the Loans.

After reviewing the Plan's application for an exemption, the Department tentatively determined that the Covered Transactions would be in the interest of, and protective of, the Plan and its participants and beneficiaries, and would also be administratively feasible. On September 10, 2025, the Department published a proposed exemption that would permit the Covered Transactions subject to certain conditions (the Proposed Exemption).¹ The Proposed Exemption invited interested persons to submit comments and hearing requests (where appropriate) to the Department regarding the Proposed Exemption. No comments or hearing requests were received by the Department.

Based on the record and representations made by the Applicant, the Department has determined to grant the Proposed Exemption. The exemption contains certain minor, non-substantive edits that more clearly define certain capitalized terms set forth in the Proposed Exemption. The terms of the exemption are set forth in Sections I and II below.

The Department makes the requisite findings under ERISA section 408(a) that the exemption is: (1) administratively feasible for the Department, (2) in the interest of the Plan and its participants and beneficiaries, and (3) protective of the rights of the participants and beneficiaries of the Plan, based on the Applicant's adherence to all the conditions and definitions of the exemption at all times. Accordingly, affected parties should be aware that the conditions and definitions incorporated in this exemption are, taken individually and as a whole, necessary for the Department to grant the relief requested by the Applicant. This exemption provides only the relief specified herein and does not provide relief from violations of any law other than the prohibited transaction provisions of ERISA.

The complete application file (L-12004) will remain available for public

¹ See 90 FR 436535.

inspection in the Public Disclosure Room of the Employee Benefits Security Administration, Room N-1515, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210 reachable by telephone at (202) 693-8673. For a more complete statement of the facts and representations supporting the Department's decision to grant this exemption, please refer to the Proposed Exemption.

General Information

The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under ERISA section 408(a) does not relieve a fiduciary or other party in interest from certain other provisions of ERISA, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of ERISA section 404, which, among other things, require a fiduciary to discharge their duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with ERISA section 404(a)(1)(B);

(2) As required by ERISA section 408(a), the Department hereby finds that the exemption is (1) administratively feasible for the Department, (2) in the interests of affected plans and of their participants and beneficiaries, and (3) protective of the rights of participants and beneficiaries of such plans;

(3) The exemption is supplemental to, and not in derogation of, any other ERISA provisions, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of determining whether the transaction is in fact a prohibited transaction; and

(4) The availability of this exemption is subject to the express condition that the material facts and representations contained in the application accurately describe all material terms of the transactions that are the subject of the exemption and are true at all times.

EXEMPTION²

The Department grants this exemption under the authority of ERISA section 408(a), and in accordance with the procedures set forth in the exemption procedure regulation.³

Section I. Covered Transactions

If the conditions in Section II are met, the restrictions of ERISA sections 406(a)(1)(A), (B), and (D), 406(b)(1), and 406(b)(2) will not apply to: one or more loans (the Loan(s)) by the International Union of Operating Engineers Local Union 627 (Local 627) to the International Union of Operating Engineers Local Union 627 Training Fund of Oklahoma (the Plan) for the Plan's purchase of heavy machinery equipment that will solely be used in the Plan's apprenticeship training (the Equipment); the Plan's repayment of the Loan(s) to Local 627; and the Plan's grant to Local 627 of a security interest in the Equipment, provided the conditions set forth in Section II are met.

² The Department notes that the availability of this exemption is subject to the express condition that the material facts and representations contained in the above referenced proposed exemption and the application L-12004 are true and complete at all times, and accurately describe all material terms of the transactions covered by the exemption. If there is any material change in a transaction covered by the exemption, or in a material fact or representation described in the application, the exemption will cease to apply as of the date of the change.

³ 29 CFR part 2570, subpart B (76 FR 66637, 66644, October 27, 2011).

Section II. Conditions

(a) The terms and conditions of each Loan are at least as favorable to the Plan and its participants and beneficiaries as the terms and conditions that the Plan could have obtained in an arm's-length transaction with an unrelated third party;

(b) The proceeds of each Loan are used solely for the Plan's acquisition of a specific piece of Equipment;

(c) The determination to enter into a Loan on behalf of the Plan must be made by a qualified independent fiduciary prudently selected by the Employer Trustees⁴ (the Independent Fiduciary);

(d) The interest rate on each Loan must be two (2) percentage points below the U.S. Prime Lending Rate, provided that the interest rate for any Loan will be not less than one (1) percent nor greater than three (3) percent;

(e) At the time a Loan is entered into, the interest rate on the Loan must not be greater than the interest rate on a substantially similar loan that could be obtained from an unrelated, third-party lender;

(f) With respect to each Loan, the Plan will not pay any fees or expenses, including any prepayment penalty, in connection with the Loan, or be subject to payment of any other amounts other than principal and interest, except that the Plan may pay direct expenses reasonably incurred by the Independent Fiduciary and the Independent Appraiser⁵ in the performance of their duties;

(g) Each Loan must be secured solely with the Equipment purchased with the Loan's proceeds. If the Plan defaults on a Loan, then 30 days after prior written notice

⁴ The term "Employer Trustees" refers to individuals who are appointed to serve on the board of trustees for the Plan by employers who are signatories to the related collective bargaining agreement.

⁵ The term "Independent Appraiser" is defined in Section II(1), below.

delivered to the Employer Trustees, Local 627 may declare the entire Loan immediately due and payable or commence proceedings to repossess the underlying Equipment securing the defaulted Loan. However, in such an event, the Plan will not be liable for any costs or expenses associated with the repossession of the Equipment, including legal fees, administrative fees, or expenses related to relocating any Equipment, and the Plan will not be liable for any amount remaining on the Loan. The terms of each Loan must provide that, if the Equipment that is the subject of the Loan is repossessed by Local 627 consistent with the terms of this exemption, and the Independent Fiduciary determines that the fair market value of the Equipment exceeds the Loan balance, then Local 627 must pay the Plan such excess within 30 days of the repossession;

(h) The trustees appointed by the employers of members of Local 627, which are signatories to the agreement establishing the Plan (collectively, or individually, the Employer Trustee(s)) must unanimously determine in accordance with their fiduciary duties of loyalty and prudence, in writing, that the Loan program complies with the terms of this exemption, is an appropriate means to finance the purchase of the Equipment and is in the best interests of the Plan and its participants and beneficiaries;

(i) The trustees appointed by Local 627 (collectively, or individually, the Union Trustee(s)) will not play any role in the operation of the Loan program and will not participate in any discussion or vote regarding the Loan program, except for the termination of the Loan program;

(j) The Independent Fiduciary represents that they understand and accept the duties and responsibilities to act as a fiduciary under ERISA when acting as a fiduciary on behalf of the Plan. The Independent Fiduciary must also perform the following tasks:

(1) Review the needs, assets and mission of the Plan, and determine that it is prudent for the Plan to enter into each Loan;

(2) Negotiate (if appropriate) and approve the terms and conditions of each Loan;

(3) Determine that the terms of each Loan are in the interests of, and protective of, the Plan and the Plan's participants or beneficiaries;

(4) Continuously represent the Plan's interests for all purposes with respect to each Loan, including:

(A) monitoring the Loan to ensure that the parties adhere to the terms and conditions of each Loan agreement;

(B) enforcing the Plan's rights under a Loan's terms and the Loan Procedures;⁶

(C) taking appropriate steps to ensure that participation in the Loan program remains in the best interest of the Plan and its participants and beneficiaries; and

(D) monitoring the Equipment to ensure its usage is consistent with the mission of the Plan;

(5) Ensure and verify that all the conditions of this exemption continue to be met;

(6) Notify the Department by email at e-OED@dol.gov upon discovering any conduct that violates the conditions for the exemption within seven (7) calendar days of the discovery, describing the conduct involved and steps taken or intended to be taken by the Independent Fiduciary to remedy the breach; and

(7) Annual Summary Reporting: Prepare a written report at the end of each calendar year containing a summary of any new and outstanding Loans made under the Loan program, including but not limited to a description of the Equipment purchased using proceeds from such Loans; and a certification that the Independent Fiduciary

⁶ The term "Loan Procedures" is defined in Section II(n), below.

determined, in accordance with its fiduciary duties under ERISA, that any new and outstanding Loans: (a) are necessary for the Plan's operation; (b) are on more favorable terms (including lower overall cost) to the Plan than those offered by a third-party lender for a comparable loan; (c) were entered into for the benefit of the Plan and not Local 627; and (d) meet all the requirements of the Loan Procedures and this exemption. The Annual Summary Report must be delivered to the Department and the Plan's trustees no later than March 31st of the year that immediately follows the year to which the Annual Summary Report corresponds. The Annual Summary Report must also describe any amendment to the Loan Procedures;

(k) The Independent Fiduciary's engagement agreement to provide services in connection with any transaction described in this exemption must not: (1) contain any provisions that violate ERISA section 410; (2) include any provision that provides for the direct or indirect indemnification or reimbursement of the Independent Fiduciary by the Plan or other party for any failure to adhere to its contractual obligations or to state or Federal laws applicable to the Independent Fiduciary's work; (3) or waive any rights, claims, or remedies of the Plan under ERISA, state, or Federal law against the Independent Fiduciary with respect to any transaction described in this exemption;

(l) The Independent Fiduciary has sole authority to retain the services of a qualified independent appraiser (the Independent Appraiser), if necessary, to value any of the Plan's Equipment (or parts of Equipment) that need to be purchased or replaced, provided that any such Independent Appraiser must meet the Department's definition for a qualified independent appraiser as provided in the Department's regulation codified at 29 CFR 2570.31(i) (as amended). Furthermore, the Independent Appraiser retained by the Independent Fiduciary may not enter into any agreement, arrangement or understanding with the Plan, or with the Independent Fiduciary on behalf of the Plan, that includes any provision that: (1) provides for the direct or indirect indemnification or reimbursement of

Independent Appraiser by the Plan or another party for any failure to adhere to its contractual obligations or to state or Federal laws applicable to the Independent Appraiser's work; or (2) waives any rights, claims or remedies of the Plan or its participants and beneficiaries under ERISA, the Code, or other Federal and state laws against the Independent Appraiser with respect to the transaction(s) that are the subject of the exemption;

(m) Termination of the Independent Fiduciary. The Employer Trustees must provide the Department with notice of the termination of the Independent Fiduciary's services contract for any reason within 15 business days after the Employer Trustees have knowledge of such termination. The Employer Trustees must notify the Department before retaining the services of a new Independent Fiduciary and entering into any Loan approved by such new Independent Fiduciary, and must provide a written report to the Department describing the methodology used by the Employer Trustees to select such Independent Fiduciary containing the information required by the Department's exemption procedure regulation at 29 CFR 2570.34(d) (as amended), including a certification that neither the proposed new Independent Fiduciary nor any entity related to such new Independent Fiduciary has a prior or current relationship with the Plan or Local 627. The Independent Fiduciary will be deemed approved by the Department within 10 business days unless the Department objects by electronic mail within such time period. The Department may approve or object to the proposed new Independent Fiduciary in its sole discretion based on factors established in the Department's regulation codified at 29 CFR 2570.31(j) (as amended);

(n) The Loan program is governed by a written set of procedures (Loan Procedures) requiring that:

(1) The terms of each Loan comply with the provisions of this exemption;

(2) Each Loan and each repayment of a Loan comply with the terms of the Loan program and the Loan Procedures;

(3) The Loan Procedures may be amended by the Employer Trustees if the amendment is consistent with this exemption and approved by the Independent Fiduciary, and the Independent Fiduciary may also propose to amend the Loan Procedures consistent with the terms of this exemption, in consultation with the Employer Trustees, to facilitate compliance with its obligations under the exemption; and

(4) The Loan program may be terminated by a majority vote of the Plan's Trustees after paying off all outstanding Loans between the Plan and Local 627, unless the Plan is prudently required to terminate the Loan program immediately, which termination may be by majority vote of the Employer Trustees only. Unless the Employer Trustees immediately terminate the Loan program, the Plan will provide Local 627 with 90 days' advance written notice of the Plan's intent to cease the Loan program and Local 627 must provide the Plan with 180 days' advance written notice of its intent to stop issuing Loans under the Loan program;

(o) All the material facts and representations set forth in the Summary of Facts and Representations as set forth in the Proposed Exemption for Certain Prohibited Transactions Involving the International Union of Operating Engineers Local Union 627 Training Fund of Oklahoma⁷ are true and accurate at all times; and

(p) The Plan will maintain, for six (6) years beginning immediately following any conduct that is taken in relation to any transaction that is detailed above in Section I, all records necessary to demonstrate that the conditions of this exemption have been met and make such records available to the Department within 30 calendar days of the Department's request.

⁷ See 90 FR 43635 (September 10, 2025).

Exemption date: The exemption will be in effect as of the date the grant notice is published in the *Federal Register*.

Signed at Washington, DC, this 17th day of February 2026.

Christopher Motta,

Acting Director, Office of Exemption Determinations, Employee Benefits Security

Administration, U.S. Department of Labor

[FR Doc. 2026-03827 Filed: 2/25/2026 8:45 am; Publication Date: 2/26/2026]