

**Multistate Tax Commission – Project Regarding  
Partnership or Pass - Through Entity Income  
Ultimately Realized by an Entity That Is Not Subject to  
Income Tax**

**Executive Committee, May 10, 2012**

**TABLE OF CONTENTS (REFERENCING DOCUMENTS INCLUDED IN MARCH 7, 2012 MTC UNIFORMITY COMMITTEE PRESENTAION)**

- I. Wall Street Journal article: "More Firms Enjoy Tax-Free Status," January 10, 2012, by John D. McKinnon.

**John Hancock Life Insurance Company**

- II. 2011 SEC filing showing, pages 9-10, **John Hancock Life Insurance Company** (domicile Michigan) owns directly or indirectly through one or more LLCs: **John Hancock Distributors, LLC** (domicile Delaware); **John Hancock Investment Management Services, LLC** (domicile Delaware); **John Hancock Advisers, LLC** (domicile Delaware), and **John Hancock Funds, LLC** (domicile Delaware).
- III. 1999 SEC filing showing, page 12, the following two corporations within the John Hancock affiliated group: **John Hancock Advisers, Inc.** (domicile Delaware) and **John Hancock Funds, Inc.** (domicile Delaware).

**Hartford Life Insurance Company**

- IV. 2010 SEC filing showing, pages 14-15, **Hartford Life and Annuity Insurance Company** (domicile Connecticut) owns **Hartford Financial Services, LLC** (domicile Delaware), which owns **HL Investment Advisors, LLC** (domicile Connecticut), which owns **Hartford Investment Financial Services, LLC** (domicile Delaware).
- Same organization chart, page 14, showing Hartford Hedge Fund Company, LLC (domicile Delaware) owned by Hartford Life Insurance Company (domicile Connecticut).
- V. 1999 SEC filing showing, page 17, a similar organization structure as referenced *supra* in 2010 (see #IV): **Hartford Life & Accident Insurance Company** (domicile Connecticut) owns **Hartford Financial Services, LLC** (domicile Delaware), which owns **HL Investment Advisors, LLC** (domicile Connecticut), which owns **Hartford Investment Financial Services Company** (domicile Delaware) – which, however, is NOT listed as an LLC.
- VI. 1998 SEC filing showing, page 19, **Hartford Life Insurance Company** (domicile Connecticut) owns **Hartford Financial Services Corporation** (domicile Delaware), which owns **HL Investment Advisors, Inc.** (domicile Connecticut), which owns **Hartford Investment Financial Services Company** (domicile Delaware).

## **Pennsylvania Mutual Life Insurance Company**

- VII. 2011 SEC filing showing, pages 21-22, **Penn Mutual Life Insurance Company** (Penn Mutual) owns **Independence Square Properties, LLC**, which owns **Janney Montgomery Scott LLC**.
- VIII. 2005 “Report of Examination” filed with the Pennsylvania and Virginia insurance agencies, showing page 24, the same organizational relationship as to **Penn Mutual, Independence Square Properties LLC**, and **Janney Montgomery Scott LLC** in 2011 (see #VII).
- IX. 2000 SEC filing showing, pages 26-27, **Penn Mutual** owns **Independence Square Properties, Inc.** (not LLC, as is shown in 2005 and 2011, see #'s VII, VIII), which owns **Janney Montgomery Scott LLC**.
- X. 1999 SEC filing showing, pages 29-30, **Penn Mutual** owns **Independence Square Properties, Inc.**, which owns **Janney Montgomery Scott Inc.** (not LLC, as is shown in 2000, 2005 and 2011, see #'s VII, VIII, IX).



## THE WALL STREET JOURNAL

WSJ.com

BUSINESS | JANUARY 10, 2012

# More Firms Enjoy Tax-Free Status

By JOHN D. MCKINNON

StoneMor Partners LP, the publicly traded firm that specializes in running cemeteries, expects to see handsome profits in coming years as baby boomers age and die. But unlike its largest rivals, its corporate tax bill from the federal government will be zero.

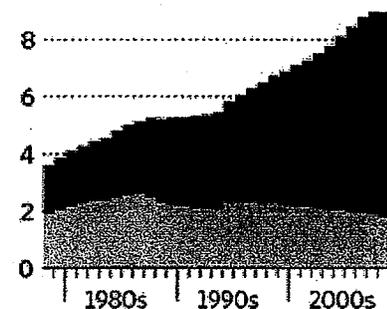
### On the Hike

Number of tax returns filed

Taxable corporations

Pass-through businesses

10 million



Source: IRS

StoneMor is among the many businesses organized so they don't pay a penny in federal corporate income tax. And yet such firms don't employ an army of accountants to shield profits in complex tax shelters. Their enviable tax position is perfectly legal and has been encouraged by Congress and state governments. Known as pass-throughs, these firms pass along profits to investors who pay taxes on those sums through their individual returns.

This exception has been around for decades, and has been broadened repeatedly in recent years as a way to spur entrepreneurship. Millions of small businesses have organized this way, but so too have some behemoths like private-equity giant Blackstone Group LP, construction firm Bechtel Group Inc. and pipeline firm Kinder Morgan.

The percentage of U.S. corporations organized as nontaxable businesses has grown from about 24% in 1986 to about 69% as of 2008, according to the latest-available Internal Revenue Service data. The percentage of all firms is far higher when partnerships and sole proprietors are included.

Old-line U.S. public companies generally remain taxable, and many complain that they must pay higher effective rates than foreign competitors. They are eagerly seeking a cut in the 35% U.S. corporate-tax rate, now one of the highest in the world. But increasingly they find themselves at odds politically with the growing breed of nontaxable firms.

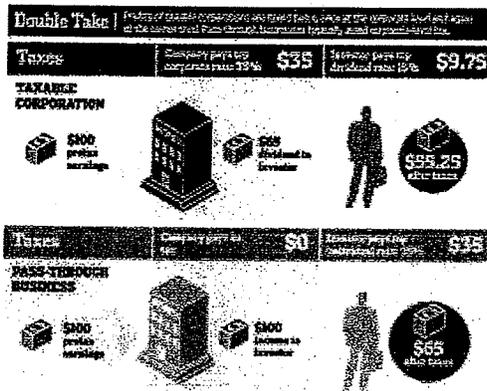
By some estimates, more than 60% of U.S. businesses with profits of \$1 million are structured as pass-throughs, the highest rate among developed countries. Their popularity is one big reason why federal corporate tax collections amounted to just 1.3% of GDP in 2010, well below their mark of 2.7% in 2006 and far beneath their peak of 6.1% in 1952.

Almost everyone in Washington appears to agree that the Byzantine corporate tax code needs a revamp. But on this point, the business community is split, presenting perhaps the biggest obstacle to any overhaul.

Many Democrats as well as some Republicans are willing to consider taxing the largest pass-throughs. It is a matter of fairness, they argue, and would also raise new revenue to help offset the cost of cutting tax rates.

On the other side, a Republican-backed coalition including building contractors, beer distributors, auto dealers and funeral directors argues that changing the rules will inhibit entrepreneurship, as well as hit their pocketbooks.

Various proposals for overhauling the tax code threaten to hit the untaxed entities to some degree, by curbing the business tax breaks they receive. And pass-throughs—unlike taxable corporations—would receive no benefit from a drop in the corporate rate.



Treasury Secretary Timothy Geithner has kicked the issue squarely back to lawmakers. "Congress has to revisit this basic question about whether it makes sense for us as a country to allow certain businesses to choose whether they're treated as corporations for tax purposes or not," Mr. Geithner said at a Senate Finance Committee hearing last year.

Pass-throughs are especially prevalent in industries such as agriculture, mining, construction, finance, real estate, professional services and entertainment. Businesses in these sectors often have relatively few owners and can rely on private financing to flourish. By contrast, public companies, with some exceptions, must organize as

taxable entities.

Analysts noted the tax advantage of pass-throughs when pipeline giant Kinder Morgan announced in October that it would buy rival El Paso Corp. in one of 2011's biggest tie-ups. Kinder Morgan holds nearly all of its assets in Kinder Morgan Energy Partners LP, a so-called master limited partnership, a nontaxable entity. El Paso, though, for various business reasons, has kept a large percentage of its assets in the standard taxable corporate form. A Kinder Morgan spokesman said energy MLPs were authorized by Congress "to promote the development of energy infrastructure" in the U.S.

KKR, the big private-equity concern, reported that it earned a total of about \$1.3 billion in 2010 through its pass-through ownership structure. KKR paid about \$74 million in corporate tax, largely through a taxable subsidiary. If KKR were instead organized as a single taxable corporation, it would have paid about \$523 million in corporate tax, counting both federal and state taxes, the company said. That means its pass-through structure saved it about \$449 million.

Some but not all of that tax savings disappears when the individual taxes paid by the owners also are considered. Even so, KKR's current pass-through structure saves at least \$277 million in taxes overall, compared to a taxable corporate structure, when all taxes are considered.

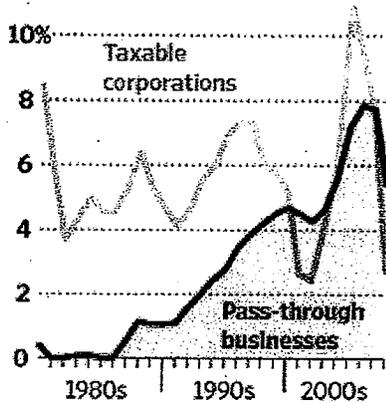
Many large pass-throughs are private, and few details have emerged about their tax status. Construction giant Bechtel Group, for instance, has become a frequent target for congressional critics who say it is inappropriately taking advantage of pass-through rules designed for smaller companies. The company declines to comment on how it is organized for tax purposes.

Nontaxed companies go by a smorgasbord of appellations, from Subchapter S corporations to limited liability companies and master limited partnerships, to even more specialized forms. A common example would be a limited liability partnership, such as a law or accounting firm, which distributes profits to its partners. The firm itself typically doesn't pay taxes. Instead, the federal government gets its cut by taxing partners' income. The late Donald Alexander, an IRS commissioner in the 1970s, called this "tax nirvana."

The concept gained momentum in the 1950s when Congress created the Subchapter S corporation, a relatively strictly defined designation aimed at encouraging start-ups and diluting the influence of corporate giants. It got a boost in the 1970s, when Hamilton Brothers Oil Co. persuaded Wyoming's legislature to approve a new form called the Limited Liability Company or LLC.

## Favorable Returns

Net income (less deficit) as a percentage of GDP



Source: IRS

Starting in the late eighties, when the IRS recognized LLCs as partnerships for tax purposes, other states quickly followed suit. By 2008, about 1.9 million LLCs were filing tax returns with the IRS. "I tell friends my biggest business error was not getting a royalty" on the idea, said A.J. Miller, the former Hamilton executive who led the effort.

Reagan-era tax cuts made the structures more attractive because corporate rates suddenly were significantly higher than individual rates. Top individual rates have since risen and now are at 35%, the same as top corporate rates.

But organizing as a pass-through for tax purposes is still attractive for most businesses, because it eliminates one layer of taxation. Corporate profits are typically taxed twice, first at the corporate level and secondly when they are paid out to individuals as dividends and capital gains. Investors in pass-throughs, therefore, often benefit from larger sums being distributed.

Congressional officials knew they were encouraging businesses to become pass-throughs. Even so, "there were a hell of a lot more pass-throughs

created than I think we expected," says J. Roger Mentz, a former Reagan Treasury official who helped guide the 1986 Act through Congress.

In 1987, amid a rush by businesses to convert to the pass-through form, Congress declared that publicly traded companies should also be taxable corporations. But it carved out a few exceptions that seemed narrow at the time. One was for companies in the energy and natural resources field. Another was for real estate. Still another was for certain financial firms.

Despite occasional recent threats by some lawmakers to try to block private-equity firms from using the pass-through technique, Blackstone Group and KKR took advantage of the rules for publicly traded partnerships a few years ago. In 2011, two more well-known financial firms, Carlyle Group LP and Oaktree Capital Management LP, filed to go public in the same manner.

Todd Molz, general counsel of Oaktree, said the industry's moves are appropriate, because they prevent another layer of taxation on earnings. Businesses owned by private-equity firms often pay corporate taxes. Shareholders of the private-equity firms pay tax on their payouts. So imposing a levy on the investment firm itself would create a third layer of tax on the same activity, he said.

Since 2004, StoneMor, based in Levittown, Pa., has been organized as a master limited partnership. That means it doesn't pay corporate-level taxes even though it is publicly traded and has grown to become one of the industry's larger firms. StoneMor filings indicate that the firm is structured to take advantage of the real-estate and financial exceptions.

The firm's chief aim in converting to an MLP was to encourage investors to look at its cash flow and yield, the way MLP's usually are valued, rather than by typical corporate measures of profitability, said Tim Yost, a company vice president. "This isn't a tax-avoidance" maneuver, he said. StoneMor's market capitalization recently hovered around \$450 million, up from \$120 million at the end of 2006.

Company materials tout StoneMor's "predominantly tax free" structure, and tax benefits for investors. But StoneMor has to pay some corporate tax through subsidiaries, for income such as casket sales that doesn't qualify for one of the MLP exceptions. And company officials note their investors pay taxes on their share of the profits.

The structure is so potentially valuable that one of StoneMor's directors has sought to replicate it with other companies, and has obtained a patent on an investment-fund strategy that involves converting corporations to master limited partnerships.

StoneMor's largest rivals in the death-care industry, as the firms dub themselves, are organized as traditional taxable corporations. Industry analysts say too much of their income comes from funeral services, which doesn't fit into any of the exceptions for publicly traded partnerships. Two of them, Service Corporation International and Carriage Services Inc., paid total tax rates of more than 40% each on their 2010 profits, counting federal and state corporate levies, according to their financial filings. They both declined to comment.

The administration has been working for months on a business-tax overhaul, but has yet to release it.

White House and Treasury spokesmen declined to comment. Some lawmakers have called for curtailing business tax deductions, with the additional revenue redeployed to help lower corporate tax rates. A few lawmakers—mostly Democrats—have floated the idea of imposing a tax on the largest pass-throughs.

But small-business groups and their allies in Congress, particularly Republicans, have pushed back on the idea of raising taxes on pass-throughs, warning that such a move could slow job creation. And the larger pass-through companies retain significant lobbying and political clout.

Most Republicans say they favor reducing both corporate and individual tax rates. "I don't know how you deal with the [corporate] rate without dealing with also the pass-through entities," Rep. Vern Buchanan (R., Fla.), whose own businesses are organized as pass-throughs, said at a House hearing in June. "It all has to be looked at."

**Write to** John D. McKinnon at [john.mckinnon@wsj.com](mailto:john.mckinnon@wsj.com)

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# JOHN HANCOCK LIFE INSURANCE CO (USA) SEPARATE ACCOUNT H

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 05/02/11

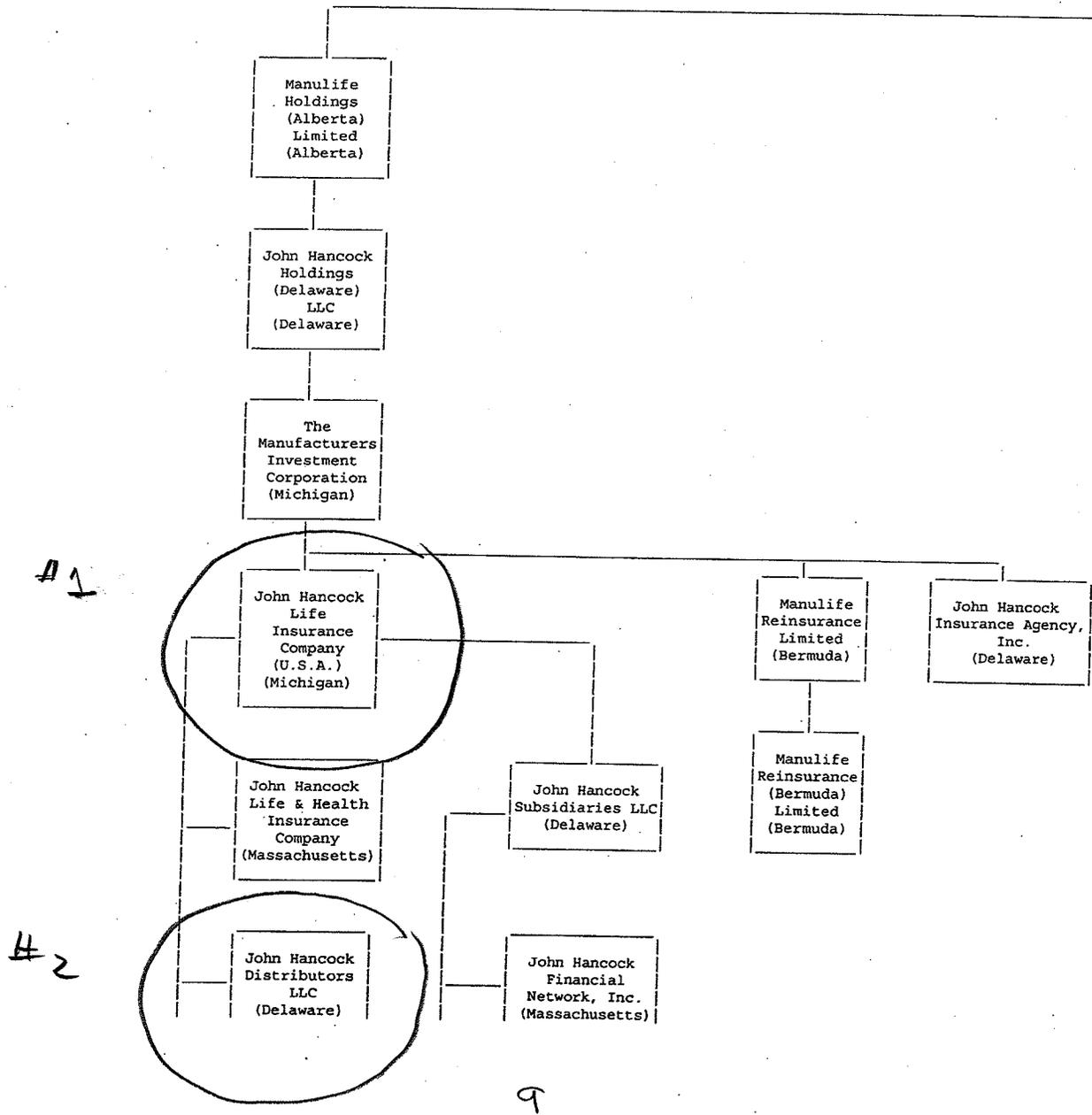
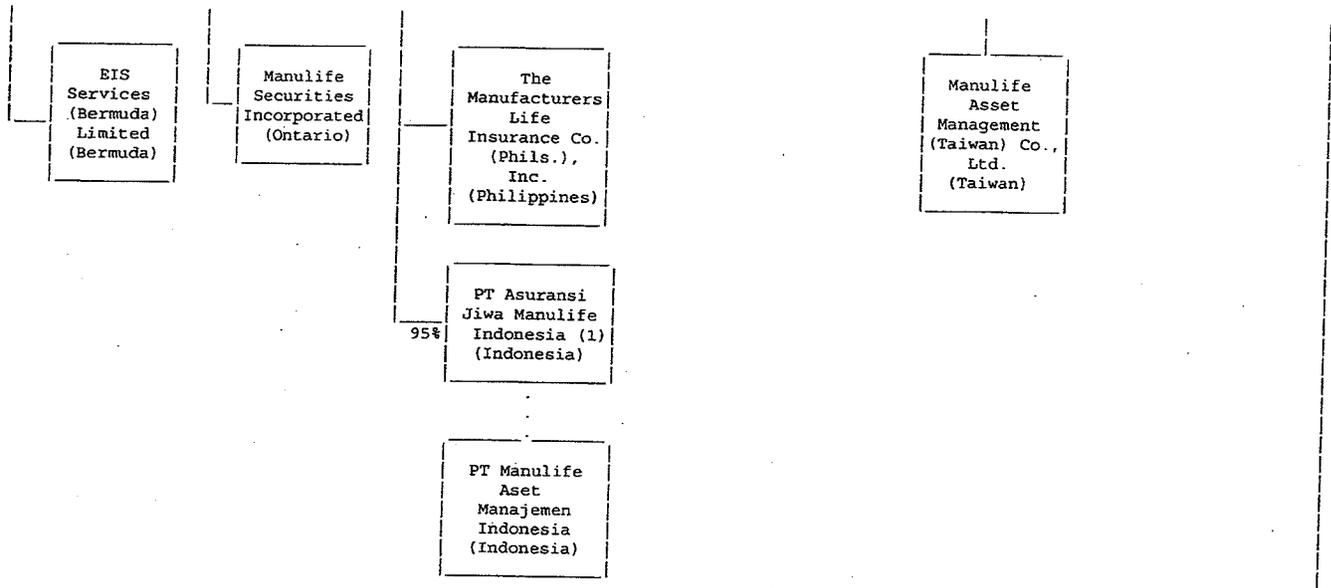
Address 601 CONGRESS STREET  
BOSTON, MA 02210  
Telephone 617-663-3000  
CIK 0000753892  
Fiscal Year 12/31

<http://access.edgar-online.com>

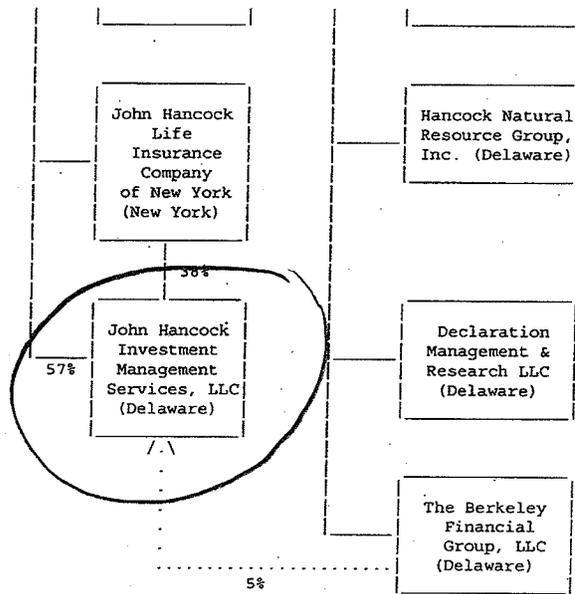
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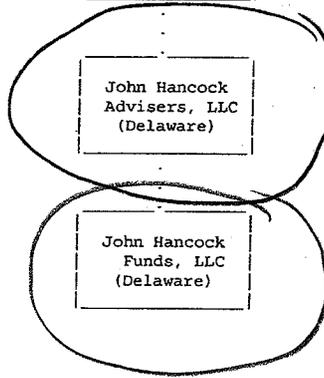




#3



#4



#5

..... Indirect Control  
\_\_\_\_\_ Direct Control

- (1) The remaining 5% equity of PT Asuransi Jiwa Manulife Indonesia is indirectly held by The Manufacturers Life Insurance Company
- (2) MFC Global Fund Management (Europe) Limited changed its name to Manulife Asset Management (Europe) Holdings Limited effective January 6, 2011.
- (3) MFC Global Investment Management (Japan) Limited changed its name to Manulife Asset Management (Japan) Limited effective January 11, 2011.

This chart displays voting shares. All entities are 100% controlled unless otherwise indicated.



# JOHN HANCOCK LIFE INSURANCE CO (U.S.A.) SEPARATE ACCOUNT Q

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 04/29/99

Address 601 CONGRESS STREET  
BOSTON, MA 02210  
Telephone 617-663-3000  
CIK 0001012969  
Fiscal Year 12/31

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John Hancock Advisers, Inc. (one of the wholly-owned subsidiaries of The Berkeley Financial Group) directly owns the following entities:

John Hancock Funds, Inc. (Delaware) John Hancock Advisers International, Ltd. (England) (99.9% of voting securities owned)  
Transamerica Fund Management Company (Delaware) Patriot Group, Inc. (Massachusetts)

**John Hancock Advisers International (Ireland) Ltd. (Ireland)**

**LEVEL FIVE**

John Hancock Funds, Ltd. (one of the wholly-owned subsidiaries of John Hancock Advisers, Inc.) directly owns John Hancock Insurance Agency, Inc. (Massachusetts)



# HARTFORD LIFE INSURANCE CO SEPARATE ACCOUNT SEVEN

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 05/03/10

Address	HARTFORD LIFE INSURANCE 200 HOPMEADOW STREET SIMSBURY, CT 06089
Telephone	860-843-5910
CIK	0000809013
Fiscal Year	12/31

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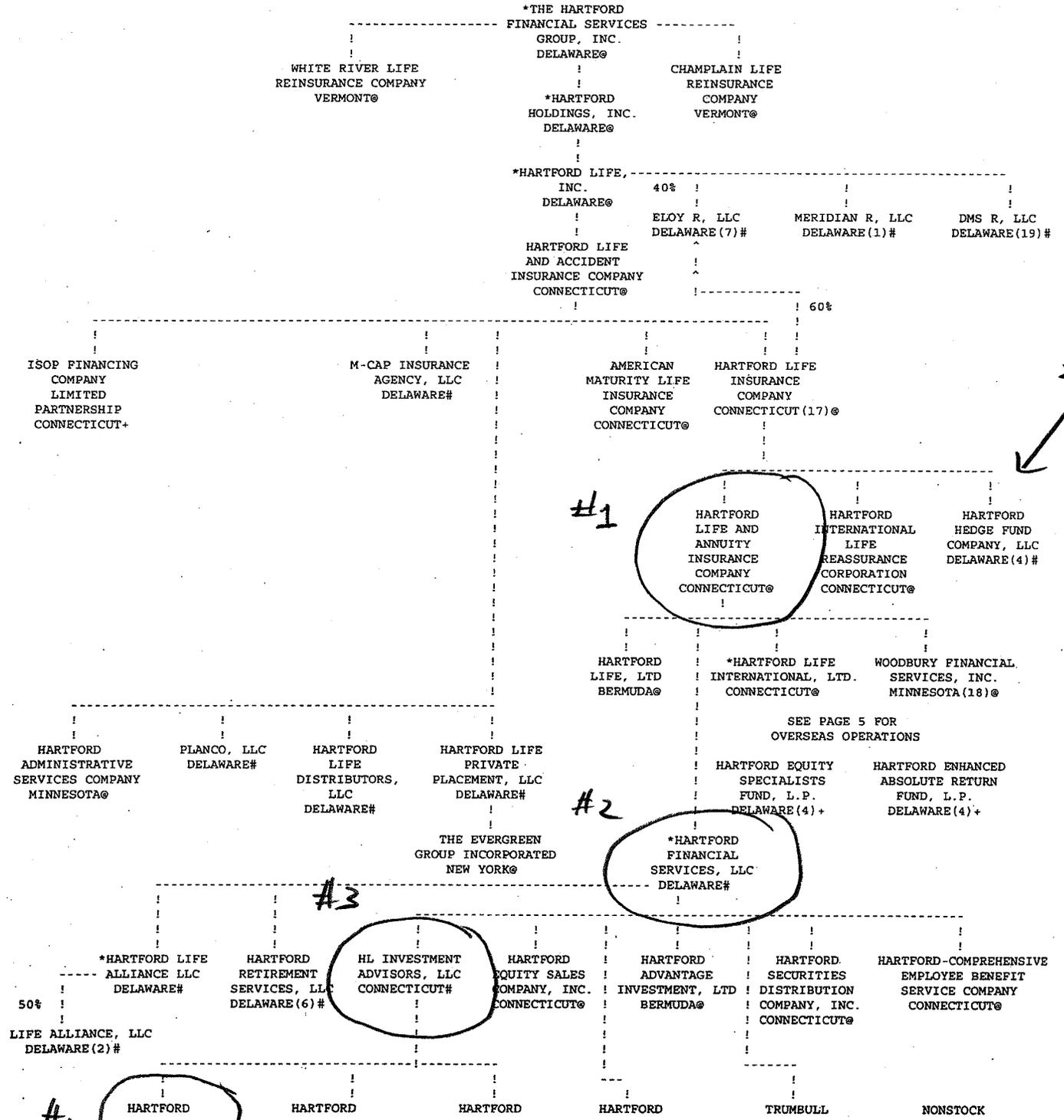
THE HARTFORD FINANCIAL SERVICES GROUP, INC.  
LEGAL ENTITIES ORGANIZATION

HARTFORD LIFE SUBSIDIARIES

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PAGE 4 OF 8 PAGES

SEE PAGE 1 FOR KEY AND CHANGES TO COMPANIES SEE PAGE 2 FOR HARTFORD FIRE SUBSIDIARIES SEE PAGE 3 FOR HARTFORD FIRE SUBSIDIARIES SEE PAGE 4 FOR HARTFORD LIFE SUBSIDIARIES SEE PAGE 5 FOR MUTUAL FUNDS SEE PAGE 6 FOR OVERSEAS OPERATIONS SEE PAGES 7 & 8 FOR FOOTNOTES



44

INVESTMENT FINANCIAL  
SERVICES, LLC  
DELAWARE#

INVESTOR SERVICES  
COMPANY, LLC  
CONNECTICUT#

INVESTMENTS  
CANADA CORP.  
CANADA@

INVESTMENT  
ADVISORY COMPANY, LLC  
DELAWARE(11)#

SECURITIES, LLC  
DELAWARE(13)#

-----  
THE HARTFORD  
CLUB IN  
SIMSBURY, INC.  
CONNECTICUT@

v

# HARTFORD LIFE INSURANCE CO SEPARATE ACCOUNT SEVEN

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 12/15/99

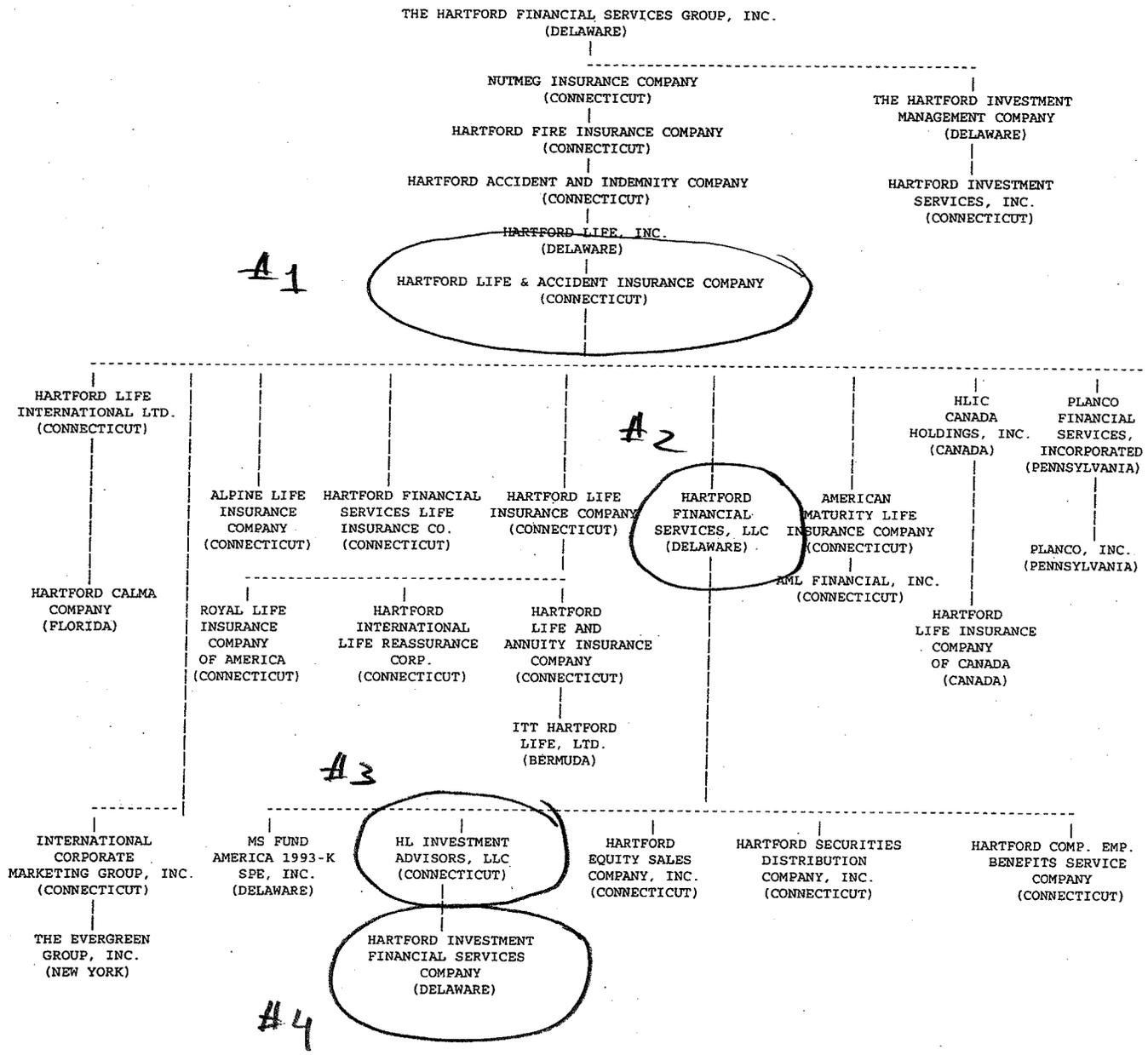
Address	HARTFORD LIFE INSURANCE 200 HOPMEADOW STREET SIMSBURY, CT 06089
Telephone	860-843-5910
CIK	0000809013
Fiscal Year	12/31

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ORGANIZATIONAL CHART





# HARTFORD LIFE INSURANCE CO SEPARATE ACCOUNT TEN

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 04/15/98

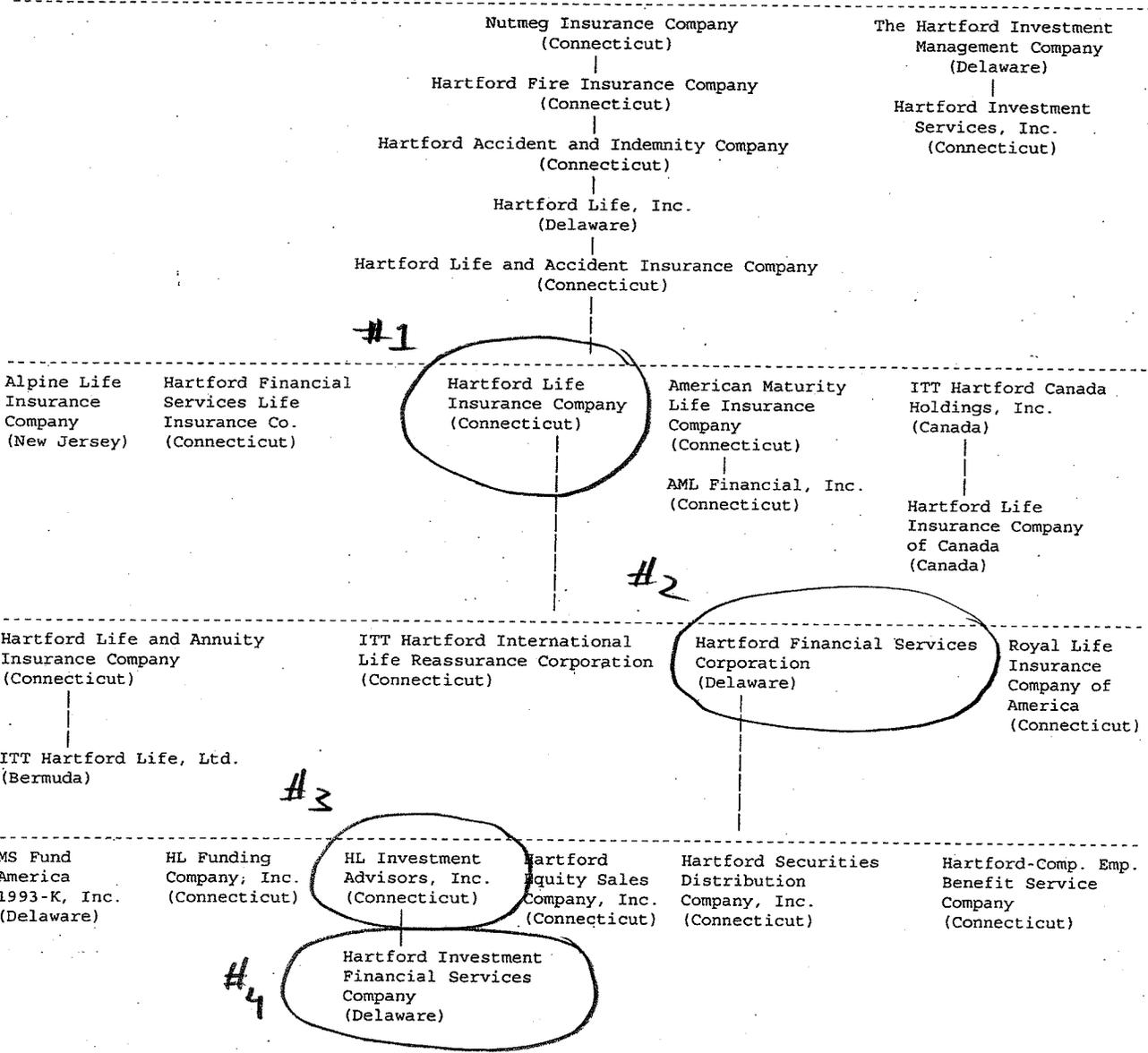
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SIMSBURY, CT 06089  
Telephone 860-843-5910  
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THE HARTFORD  
The Hartford Financial Services Group, Inc.  
(Delaware)



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# PENN MUTUAL VARIABLE ANNUITY ACCOUNT III

## FORM 485APOS

(Post-Effective Amendment (investment company, rule 485(a)))

Filed 10/12/11

Address	PENN MUTUALS INDEPENDENCE PL C30 600 DRESHER RD HORSHAM, PA 19044
Telephone	2159568835
CIK	0000702184
Fiscal Year	12/31

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<u>Name</u>	<u>Position and Offices with Depositor</u>
The Honorable Julia Chang Bloch (Ambassador)	Trustee of Penn Mutual
Edward G. Boehne	Trustee of Penn Mutual
Joan P. Carter	Trustee of Penn Mutual
William R. Cook	Trustee of Penn Mutual
Charisse R. Lillie	Trustee of Penn Mutual
Alan B. Miller	Trustee of Penn Mutual
Edmond F. Notebaert	Trustee of Penn Mutual
Robert H. Rock	Trustee of Penn Mutual
Anthony M. Santomero	Trustee of Penn Mutual

The business address of each of the Trustees and officers is The Penn Mutual Life Insurance Company, Philadelphia, PA 19172.

**Item 26. Persons Controlled By or Under Common Control with the Depositor or Registrant**

# 1

**Penn Mutual Wholly-Owned Subsidiaries**

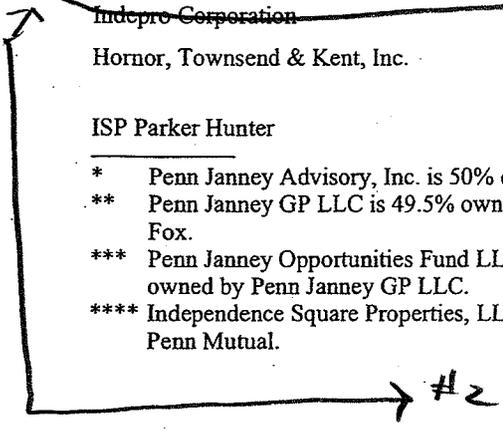
<u>Corporation</u>	<u>Principal Business</u>	<u>State of Incorporation</u>
The Penn Insurance and Annuity Company	Life Insurance and Annuities	Delaware
Independence Capital Management, Inc.	Investment Adviser	Pennsylvania
Penn Series Funds, Inc.	Investment Company	Maryland
Penn Janney Fund, Inc.	Investments	Pennsylvania
Penn Janney Advisory, Inc.*	Investment Adviser	Pennsylvania
Penn Janney GP LLC**	Investments	Delaware
Penn Janney Opportunities Fund LP***	Investments	Delaware

C-7

#2

<u>Corporation</u>	<u>Principal Business</u>	<u>State of Incorporation</u>
Independence Square Properties, LLC****	Holding Company	Delaware
Indepro Corporation	Holding Company	Delaware
Hornor, Townsend & Kent, Inc.	Registered Broker-Dealer and Investment Adviser	Pennsylvania
ISP Parker Hunter	Holding Company	Delaware

- \* Penn Janney Advisory, Inc. is 50% owned by Penn Mutual and 50% owned by Janney Montgomery Scott LLC.
- \*\* Penn Janney GP LLC is 49.5% owned by Penn Mutual, 49.5% owned by Janney Montgomery Scott LLC, and 1.0% owned by Richard Fox.
- \*\*\* Penn Janney Opportunities Fund LLP is 49.5% owned by Penn Mutual, 49.5% owned by Janney Montgomery Scott LLC, and 1.0% owned by Penn Janney GP LLC.
- \*\*\*\* Independence Square Properties, LLC is 95% owned by Penn Mutual and 5% owned by ISP Parker Hunter, which is 100% owned by Penn Mutual.



**Independence Square Properties, LLC**  
Wholly-Owned Subsidiaries

#3

<u>Corporation</u>	<u>Principal Business</u>	<u>State of Incorporation</u>
Walnut O Corporation	Investments	Pennsylvania
Janney Montgomery Scott LLC	Registered Broker-Dealer and Investment Adviser	Delaware

**Indepro Corporation**  
Wholly-Owned Subsidiaries

<u>Corporation</u>	<u>Principal Business</u>	<u>State of Incorporation</u>
Indepro Property Fund II Corporation	Investments	Delaware



Examination Warrant Number 05-LH-314Z

*For Informational Purposes Only*

Report of Examination

of

The Penn Mutual Life Insurance Company  
Horsham, Pennsylvania

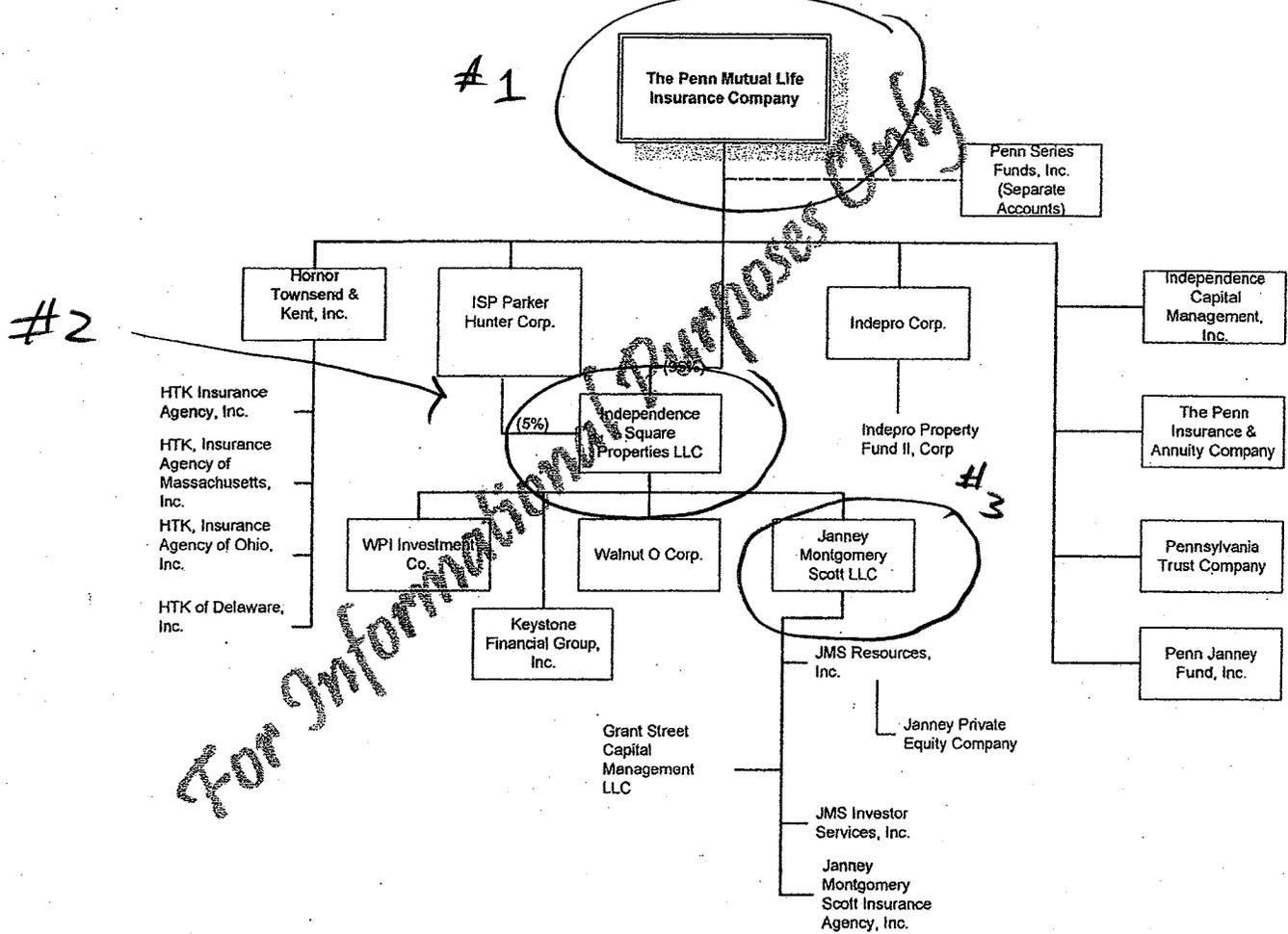
As of December 31, 2005

# The Penn Mutual Life Insurance Company

- 6 -

On October 31, 2005, HTK Insurance Agency of Texas, Inc, a subsidiary of Hornor, Townsend and Kent, was dissolved.

## CORPORATE ORGANIZATION STRUCTURE



## CORPORATE RECORDS

### MINUTES

Minutes of the meetings of the Board of Trustees and its various appointed committees were reviewed for the years under examination. These minutes revealed excellent attendance and active participatory oversight of the Company's operations and compliance with governing By-laws and regulations.



# PENN MUTUAL VARIABLE ANNUITY ACCOUNT III

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 04/24/00

Address	PENN MUTUALS INDEPENDENCE PL C30 600 DRESHER RD HORSHAM, PA 19044
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Item 26. Persons Controlled By or Under Common Control with the Depositor or Registrant

#1

Penn Mutual Wholly-Owned Subsidiaries

Corporation	Principal Business	State of Incorporation
The Penn Insurance and Annuity Company	Life Insurance and Annuities	Delaware
Independence Capital Management, Inc.	Investment Adviser	Pennsylvania
<del>Penn Janney Fund, Inc.</del>	Investments	Pennsylvania
Independence Square Properties, Inc.	Holding Company	Pennsylvania
The Pennsylvania Trust Company	Trust Company	Pennsylvania

#2

Independence Square Properties, Inc.

Independence Square Properties, Inc. Wholly-Owned Subsidiaries

Corporation	Principal Business	State of Incorporation
Penn Glenside Corporation	Real Estate Investment	Pennsylvania
Penn Wayne Corporation	Real Estate Investment	Pennsylvania
St. James Realty Corporation	Real Estate Investment	Pennsylvania
Investors' Mortgage Corporation	Real Estate Investment	Pennsylvania
Christie Street Properties, Inc.	Real Estate Investment	Pennsylvania
Indepro Corporation	Real Estate Investment	Delaware
Economic Resources Associates, Inc.	Real Estate Investment	Delaware
WPI Investment Company	Real Estate Investment	Delaware

#2

Corporation

Hornor, Townsend &  
Kent, Inc.  
Penn Tallahassee  
Corporation  
Janney Montgomery  
Scott Inc.

Principal Business

Registered Broker-Dealer and  
Investment Adviser  
Real Estate Investment  
  
Registered Broker-Dealer and  
Investment Adviser

State of Incorporation

Pennsylvania  
  
Florida  
  
Delaware

#3

Indepro Corporation  
Wholly-Owned Subsidiaries

Corporation

Indepro Property Fund I  
Corporation  
Indepro Property Fund II  
Corporation  
Commons One  
Corporation  
West Hazleton, Inc.

Principal Business

Real Estate Investment  
  
Real Estate Investment  
  
Real Estate Investment  
  
Real Estate Investment

State of Incorporation

Delaware  
  
Delaware  
  
Delaware  
  
Delaware

#3

Janney Montgomery Scott LLC  
Wholly-Owned Subsidiaries

Corporation

JMS Resources, Inc.  
JMS Investor Services,  
Inc.

Principal Business

Oil and Gas Development  
Insurance Sales

State of Incorporation

Pennsylvania  
Delaware

**Item 27. Number of Contract Owners**

As of March 31, 2000, there were:

44 -- owners of qualified individual variable annuity contracts;

0 -- owners of qualified group variable annuity contracts; 0 -- owners of certificates issued under qualified group variable annuity contracts;  
and

13 -- owners of nonqualified individual variable annuity contracts.

X

# PENN MUTUAL VARIABLE ANNUITY ACCOUNT III

## FORM 485BPOS

(Post-Effective Amendment (investment company, rule 485(b)))

Filed 04/27/99

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#1

**Penn Mutual Wholly-Owned Subsidiaries**

CORPORATION

The Penn Insurance and Annuity Company  
Independence Capital Management, Inc.  
~~Penn Janney Fund, Inc.~~  
**INDEPENDENCE SQUARE PROPERTIES, INC.**  
The Pennsylvania Trust Company

PRINCIPAL BUSINESS

Life Insurance and Annuities  
Investment Adviser  
Investments Holding Company  
Trust Company

STATE OF INCORPORATION

Delaware  
Pennsylvania  
Pennsylvania  
Pennsylvania

#2

**INDEPENDENCE SQUARE PROPERTIES, INC.**

#2

**INDEPENDENCE SQUARE PROPERTIES, INC. WHOLLY-OWNED SUBSIDIARIES**

CORPORATION

Penn Glenside Corporation  
Penn Wayne Corporation  
St. James Realty Corporation  
Investors' Mortgage Corporation  
Christie Street Properties, Inc.  
INDEPRO CORPORATION  
Economic Resources Associates, Inc.  
WPI Investment Company  
Hornor, Townsend & Kent, Inc.  
Penn Tallahassee Corporation

PRINCIPAL BUSINESS

Real Estate Investment  
Registered Broker-Dealer and Investment Adviser  
Real Estate Investment

STATE OF INCORPORATION

Pennsylvania  
Pennsylvania  
Pennsylvania  
Pennsylvania  
Pennsylvania  
Delaware  
Delaware  
Delaware  
Pennsylvania  
Florida

#3

CORPORATION  
 -----  
 JANNEY MONTGOMERY SCOTT  
 INC.

PRINCIPAL BUSINESS  
 -----  
 Registered Broker-Dealer and  
 Investment Adviser

STATE OF INCORPORATION  
 -----  
 Delaware

**INDEPRO CORPORATION  
 WHOLLY-OWNED SUBSIDIARIES**

CORPORATION  
 -----  
 Indepro Property Fund I  
 Corporation  
 Indepro Property Fund II  
 Corporation  
 Commons One Corporation  
 West Hazleton, Inc.

PRINCIPAL BUSINESS  
 -----  
 Real Estate Investment  
 Real Estate Investment  
 Real Estate Investment  
 Real Estate Investment

STATE OF INCORPORATION  
 -----  
 Delaware  
 Delaware  
 Delaware  
 Delaware

**JANNEY MONTGOMERY SCOTT, INC.  
 WHOLLY-OWNED SUBSIDIARIES**

CORPORATION  
 -----  
 Addison Capital  
 Management, Inc.  
 JMS Resources, Inc.  
 JMS Investor Services, Inc.

PRINCIPAL BUSINESS  
 -----  
 Investment Adviser  
 Oil and Gas Development  
 Insurance Sales

STATE OF INCORPORATION  
 -----  
 Pennsylvania  
 Pennsylvania  
 Delaware

**ITEM 27. NUMBER OF CONTRACT OWNERS**

As of March 31, 1999, there were 13 contracts being registered under this Registration Statement outstanding.

**ITEM 28. INDEMNIFICATION**

Section 6.2 of the By-laws of The Penn Mutual Life Insurance Company provides that, in accordance with the provisions of the Section, the Company shall indemnify trustees and officers against expenses (including attorneys' fees), judgments, fines, excise taxes and amounts paid in settlement actually and reasonably incurred in connection with actions, suits and proceedings, to the extent such indemnification is not prohibited by law, and may provide other indemnification to the extent not prohibited by law. The By-laws are filed as Exhibit 6(b) to Post-Effective