

408(B)(2) PLAN SPONSOR SOLUTIONS TRANSCRIPT

Part H: Appendix: Details of the Prudent Process

Date of Webinar: May 16, 2012

Webinar Panel: Moderator: Edward M. Lynch, Jr., Founder and Chief Executive Officer of Fiduciary Planned Governance, LLC. ("Ed")

Panelists: Mary Rosen, Associate Regional Director of the Department of Labor EBSA in Boston. ("Mary")

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Appendix: Details of the Prudent Process

Trained professionals that assist plan sponsors to determine the economic value of their plan's "necessity" and "reasonableness"

Valuation Process

- Collect plan data
- Assess needs, quality and importance
- Apply assumptions and forecast outcomes
- Weigh X Factors
- Calculate Target Price

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Affecting Valuation: X-Factors



Goal: Calculate an economic value of X-Factors

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X-Factor Valuation: 1 - Typical Plan

- The Plan

- Expenses of 115 bps exceed statistical benchmark of 112 bps
- Plan is close to industry norms in most respects.

- The Forecast

- Plan is forecasted to produce a 32% replacement income ratio for 68% of employees which exceeds industry norms.

- The Result

- The value of X-Factors are calculated to be 7% below industry norms.
- This shows that current costs are 10% above the target price and are reasonable due to the cost of changing.

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Inputs: Plan Data (Example 1 - Typical Plan)

Basic Plan Info

Total Plan Balance	Number of Participants	Contribution Rate	Average Age of Employees	Average Income
\$4,000,000	100	6.00%	40	\$40,000

Non-Partic. Employees	Number of Ex-Employees	Fee as % of Plan Assets	Statistical Fee Benchmark
35	25	1.15%	1.12%

Investments

Equity Percentage	Fixed Income Percentage	Stable Value Percentage	Cash Equiv. Percentage	Percentage of Blended
40%	20%	10%	5%	25%
				100%

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Inputs: Plan Sponsor (Participant) Perspective (Example 1 - Typical Plan)

Value of Services

Administration	Record Keeping	Investment Platform	Trustee Services	Custodian Services
H	H	H	H	H
5.0%	15.0%	5.0%	2.0%	3.0%

Participant Services	Investment Advice	Investment Management	Other Services	Exposure
H	H	H	N	Fiduciary Premium
20.0%	10.0%	40.0%	0.0%	0.0%

Service Quality Ratings

Trust of Plan Sponsor	Ease of Doing Business	Quality of Technology	Concerns with Plan	Areas of Conflict
M	M	L	N	N
0%	0%	-10%	0%	0%

Excellent (4 points)	Good (3 points)	Fair (2 points)	Poor (1 point)	Compliance Quality
	4	4	0	M
				0%

Inputs: Assumptions Used (Example 1 - Typical Plan)

Assumptions

Income Inflation	Principal Withdrawal %	Retirement Age	% of Savings in Plan
3%	5%	65	75%

Equity Appreciation	Fixed Income Appreciation	Stable Value Appreciation	Cash Equiv. Appreciation	Blended Appreciation
7%	4%	3%	2%	5%

Results: Target Price Calculation (Example 1 - Typical Plan)

Results

Years to Retirement	Participation Rate	Net Market Appreciation	Income Replacement	Success Factor
25	68%	5%	32%	3%

Relationship Factor	Service Quality	Service Factor	Service Scope	Risk Factor
-10%	2.50	0%	100%	0%

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Conclusion: Target Price & Reasonableness (Example 1 - Typical Plan)

Total Actual Price	Price Adjustment	Target Price	Target Price Difference	Is this Reasonable
\$46,000	-7%	\$41,664	-10%	Yes

Total plan expenses

X-Factors increase statistical benchmark by 7%

Target price after X-Factor calculations

Actual price is 10% higher than target price

The Conclusion: Plan services are reasonable after considering the cost of changing.

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Certification

Document and act on results

Certification Process

- Reasonable or Not Reasonable
- Recommendations
- Document results
- Review and accept results
- Implement changes when appropriate

Opinion Letter

Based on evaluations concluded on March 30, 2012 it is our opinion that, services provided do meet the three standards of being 1) necessary 2) reasonable and 3) that compensation paid for these services is reasonable.

Acknowledgement

I/We have reviewed the evaluations contained in this report and concur with its findings.

I/We have taken the following actions in response to these findings:

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Assumptions Used

Retirement Related

Annual Income Inflation	3%
% of Retirement \$ in Plan	75%
Expected Retirement Age	65
Retirement Withdrawal Rate	5%

Annual Investment Returns

Equities	7%
Fixed Income	4%
Stable Value	3%
Cash Equiv.	2%
Blended Investments	5%

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Computation of Target Price

Statistical benchmark used \$44,800

Summary of X-Factors:

Success Factors	+3%
Needs & Preferences	
Relationship Factors	-10% (trust, ease of doing business, etc.)
Service quality	+0%
Scope of services	100%
Risk Factors	+0%

Target price for this plan \$41,464

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Recommendations & Improvements

Recommendations

The Evaluation has identified the need to take the following actions:

- None

Plan Improvements

Adopting or eliminating the features indicated below should be considered in order to improve the effectiveness of the plan:

Plan Feature	Currently In Plan	Consider this Action	For this Reason
Automatic Enrollment	Yes	Re-enrollment	Increase participation
Automatic Escalation of Contributions	Yes	Increase default	Raise contributions

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Judgment of Reasonableness

Consideration	Finding	Conclusion
Potential Conflicts of Interest	None were identified.	Satisfactory
Resolution Method	N/A	N/A
Completeness, Accuracy, Usability	Disclosures have not yet been delivered.	N/A
Plan Success	Participation and deferral rates are below normal levels.	Attention is required
Necessity	All services are necessary.	Satisfactory
Comparability	Costs are marginally above the target price but not so much so as to incur the cost of converting to other service providers.	Satisfactory

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Conclusion

- Plan sponsors use results to:
 - Meet fiduciary obligation to evaluate plan
 - Be prepared to answer participants concerns
 - Prevent uninformed decisions to make changes
 - Affirm decision to use current providers
 - Adopt features that will improve plan
 - Demonstrate that a prudent process was used
- Service providers use results to:
 - Enhance relationship with plan sponsors
 - Illustrate the economic value of services provided
 - Be prepared to answer participants' concerns
 - Compete more effectively

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