

INVESTMENT POLICY STATEMENT

**Washington and Lee University
Washington and Lee University Defined Contribution Plan**

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-1- Statement of Purpose

The primary purpose of the **Washington and Lee University Defined Contribution Plan** (the “Plan”) is to provide a retirement benefit for Plan participants and their beneficiaries by offering the opportunity for long-term capital accumulation.

The Plan is structured to offer participants and their beneficiaries a core set of reasonably priced designated investment alternatives with different risk and return characteristics, which, when combined, will allow for the construction of a portfolio intended to match most participant’s unique retirement investment objectives

Assets within the Plan may consist of contributions made by both participants and by **Washington and Lee University** (the “Company”). The contributions of the Company are vested following the schedule outlined in the Plan Document. All assets are subject to the investment direction of eligible participants or their beneficiaries.

This IPS does not impose on the Investment Fiduciaries any duties not imposed by ERISA in the absence of this IPS.

-2- Policy Goals & Objectives

The IPS is designed to provide meaningful direction for the Investment Fiduciaries of the Company and the designated Investment Consultant in the management of Plan investments. The policies within the IPS are not binding but serve as guidelines for the Investment Fiduciary in fulfilling their responsibility to exercise considered judgment in acting solely in the long-term interest of Plan participants and their beneficiaries. The IPS is largely based on a form provided by the Plan’s Investment Consultant and, as noted, is designed to serve as a general guideline. There may be specific circumstances that the Investment Fiduciary determines warrant a departure from the guidelines contained herein. The IPS is drafted consistent with the Employee Retirement Income Security Act of 1974 (“ERISA”) and is intended to help the Investment Fiduciary comply with ERISA Section 404(c) and subsequent Regulations adopted by the Department of Labor. In general the IPS:

- Establishes the roles and responsibilities of the Plan’s Investment Fiduciary and the Investment Consultant hired to assist in the fulfillment of the Investment Fiduciary’s duties;
- Identifies appropriate investment asset classes for inclusion in the Plan’s core menu of alternatives;
- Establishes a prudent process for selecting appropriate investment alternatives to be made available for participant direction;
- Designates an investment alternative to which all assets will be directed by the Plan’s Investment Committee in the absence of a positive election by a participant or beneficiary, which will serve as the Plan’s Qualified Default Investment Alternative within the meaning of ERISA 404(c)(5) (See Appendix E.);

- Establishes a prudent process by which selected investment alternatives generally will be monitored for compliance with this IPS;
- Develops model methods for adding new investment alternatives and for replacing existing investment alternatives that do not comply with the terms of the IPS.

-3- Roles & Responsibilities

The Company or Plan Committee as Investment Fiduciary:

Although it is intended that participants will direct their own investments under the Plan, the Company, as Investment Fiduciary, will select the array of core investments to be made available for participant investment and then provide on-going oversight of those investments.

The Company has chosen to appoint a Plan Investment Committee (the “Committee”) to assist in the fulfillment of its fiduciary responsibilities. (In contemplation of the continued appointment of a Committee, the words “Committee” and “Investment Fiduciary” are used interchangeably in this IPS.) The Company has established a governance procedure for the Committee that is described in a separate Committee Charter. If the Company disbands the Committee, the Company shall have the ability to exercise all authority granted to the Committee.

The Committee normally will review, at least on an annual basis, the acceptability of the universe of investments made available within the Plan’s chosen administrative environment, e.g. the Plan’s recordkeeper and trustee / custodian. The Committee will review the Plan’s core funds following the regimen outlined later in this IPS.

The Committee intends to discharge its fiduciary responsibilities with respect to the Plan with the assistance of an independent Investment Consultant. The Investment Consultant shall acknowledge that it is acting in a co-fiduciary relationship (as defined by §3(21)(A)(ii) of ERISA) with respect to the selection of investment manager(s) or mutual fund(s) available to the Plan within the platform provided by the Plan’s Administrator.

Investment Consultant:

Responsibilities of the Plan Investment Consultant include:

- Educating the Committee on issues concerning the selection of investment alternatives for the Plan;
- Assisting in the analysis and initial selection of core investment alternatives to be made available for participant investment;
- Assisting the Committee with the on-going review of the investment universe made available within the Plan’s chosen administrative environment;
- Assisting the Committee with the review of the performance of the selected core investment alternatives, on a quarterly basis, in comparison to their stated objectives and their relative performance and pricing as compared to their peers and designated benchmarks;

- Providing specific investment advice to the Committee with respect to the Plan, including, rendering advice as to the advisability of investing in, purchasing, holding, and selling securities or other property, on a regular basis, pursuant to a mutual understanding with the Committee, that the advice will serve as a primary basis for the Committee's investment decisions, and that the advice will be individualized based on the needs of the Plan.
- Assisting the Committee in the selection of additional or replacement investment alternatives to be made available for participant investment;
- Bringing information to the Committee, on an ad hoc basis as appropriate, that the Consultant feels may alter the Committee's assessment of a given investment alternative, asset class or strategy.

-4- Plan Investment Asset Classes

The Plan's investment menu is structured in accordance with contemporary investment theory, which holds that the asset allocation decision among a broad range of investment alternatives is the most critical determinant of a portfolio's long-term success or failure. The Committee's goal is to offer a core set of diversified investment alternatives that represent a broad range of different asset classes with different risk and return characteristics.

The Plan's core investments may include, but are not limited to, funds from the following broad asset classes: Capital Preservation, Fixed Income, Asset Allocation, including Balanced, Life Style and/or Target Date Funds, Domestic Equity, International Equity and Specialty. These asset classes are described in more detail in Appendices A and C of this IPS. (See Appendices A and C.)

-5- Investment Selection

As mentioned, the Committee has structured the Plan to offer participants and their beneficiaries a core set of reasonably priced investment alternatives with different risk and return characteristics. Selection of these investment alternatives is done in the context of the Plan's administrative environment which can impact the number, type and cost of investment alternatives available to the Plan. The Committee may also consider the method and payment of Plan expenses which can be altered by investment related decisions.

Once the Committee has selected the range of asset classes to be represented within the Plan the following screening criteria will be among those applied to the available actively managed funds:

- Fees – All investments must charge “reasonable” fees to investors. The expense ratio for a given investment should fall below the average expense ratio for the peer group. Exceptions may be made for investments that the Committee feels may produce performance that would justify higher than average fees.
- Style Consistency – Since each investment is chosen to fulfill a specific part of the Plan's overall investment lineup, investment managers should have demonstrated a consistency in investment style and performance. Some variation

can be allowed when a manager's given style moves in and out of favor, or when a manager's successful investments outgrow their initial investment classification.

- Volatility and Diversification – Unless chosen to deliver investment performance that is characteristic of a specific industry or sector of the investment spectrum, investment managers generally will be expected to maintain a broadly diversified portfolio and will be expected to avoid unreasonable overweighting in a given investment, industry or sector. Volatility, as measured by Standard Deviation, should be within reasonable ranges for the given peer group. Other risk measures, including Sharpe ratio, M^2 and beta, may be used as well.
- Performance – With few exceptions, all actively managed investments should rank in the top 50% of their given peer group for the 3 or 5 year annualized period at the time of their selection. While past performance is not indicative of future returns, peer-relative performance offers the Committee perspective on how the manager has performed over a reasonably demonstrative period of time relative to other choices. In addition to performance, the Committee should consider other variables including but not limited to fees, investment style purity and risk management practices in order to develop a holistic view about a strategy and its appropriateness within the plan. Passively managed index funds do not need to meet the same ranking criteria.
- Management & Organization – Manager tenure and industry experience are values to be emphasized, as is the strength and expertise of an investment's sponsoring organization. Sponsoring organizations are generally expected to adhere to accepted standards of ethical practice and to comply with all appropriate securities regulations. When necessary, preference will be given to investment management organizations with a proven commitment to the interests of long-term shareholders.
- Additional Factors – In addition to the above outlined factors, the Committee will also consider other factors, which may be less tangible, including fund specific situations and anomalies in the capital markets or in the Plan's unique situation.

After inclusion in the Plan each investment option is expected to maintain a high level of acceptability as described in the Investment Evaluation section of the IPS.

-6- Investment Evaluation

With the assistance of the Investment Consultant, the Committee will monitor the core investment options made available within the Plan to be sure that they remain in compliance with the criteria that caused them to be initially selected for inclusion under this IPS or such other or additional criteria as may be appropriate. In making investment decisions, the Committee will follow the Department of Labor's "prudence regulation" (DOL Reg. § 2550.404a-1). As part of that process, the Committee may consider the ranking of investment options relative to their

peers using a comprehensive rating system proprietary to the Investment Consultant. (See Appendices B, C, & D.)

The following criteria provide an outline for the evaluation process:

- On a quarterly basis, the Plan's Investment Consultant will provide the Committee with a comprehensive report of each core alternative's relevant performance and relative rankings against appropriate indexes and within appropriate peer groups. The Investment Consultant will review the report with the Committee, generally on a quarterly basis.
- The Investment Consultant will also communicate with the Committee on an ad hoc basis, as appropriate, concerning any material changes affecting any of the selected investment alternatives. Material changes may include management shifts, changes to the investment's pricing structure or significant changes in the investment's fundamental policies and procedures that the Investment Consultant feels warrant Committee review.
- The Committee normally will meet with the Investment Consultant, at least annually, to evaluate each alternative as well as the overall status of the Plan's Investment Policy Statement.
- If the Scoring System indicates that a given investment alternative may no longer meet the appropriate and reasonable standards to remain included in the Plan's core menu, the Committee will take appropriate steps.

-7- Replacement of Selected Investment Alternatives

Since the intention of the Plan is to provide opportunities for long-term asset accumulation for participants and beneficiaries, it is not expected that either the investment universe or specific investment alternatives normally will be changed or deleted frequently.

It is possible that changes may become desirable or necessary, however, based on the following factors:

- The addition of a new asset class or investment product or alternative that was not a part of the initial core menu. Such an addition will be subject to a similar selection regimen to that outlined earlier in the IPS.
- The elimination of a given asset class from the Plan's core menu.
- The desire to replace one of the Plan's core investment alternatives with another investment alternative that the Committee feels will more successfully deliver the desired asset class characteristics. Reasons may include, for example, the availability of alternatives that were not initially open for Committee consideration or a change in the performance or fee structure of a competing

alternative. It may also be true that a given alternative is no longer available through the Plan's chosen administrative environment. Alternatives can be removed or changed after a thorough comparative review using the regimen outlined earlier in the IPS.

The need to replace or eliminate one of the Plan's core investment alternatives after noncompliance with this IPS has been established or appears likely.

-8- Conclusion

It is understood that the guidelines set forth in this statement are meant to serve as a general framework for prudent management of the assets of the Plan. Changing market conditions, economic trends or business needs may necessitate modification of this Investment Policy Statement. Until such modification this document will provide the investment objectives and guidelines for the portfolio, subject to the caveats stated herein. This IPS may be modified by written approval of a majority of the Committee members or, if no such Committee exists, by the Company.

Approved by Washington and Lee University and adopted this 18th day of January, 2011.

[Signature] Treasurer + VP for Finance
Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Signature, Title

Approved by CAPTRUST Financial Advisors & adopted this 18th day of January, 2011.

[Signature] Vice President
Signature, Title

Appendix A –Asset Class Overview

Broad Asset Class	Description
Fixed Income	These investments generally invest the bulk of their assets in the fixed income, or “bond” markets. Investments in this category vary both in terms of the duration of their primary holdings (short term, intermediate term or long term) and in the quality of the issuers of their holdings (government to corporate issuers of varying quality).
Asset Allocation	These investments, like balanced funds, attempt to provide participants with broadly diversified collections of stocks, bonds and money market securities. Each manager specifies either a strategy (e.g. “aggressive”, “moderate” or “conservative”) or a target date (e.g. 2030, 2040, 2050, etc.) that drives the proportionate, or strategic, allocation it follows. Each manager will have its own restrictions, disclosed in its prospectus, which will govern the ranges it may allocate to any given investment or asset class.
Domestic Equity	<p>These investments generally invest the bulk of their assets in ownership (“equity”) securities, or stocks of companies whose headquarters and/or primary business is in the United States. Investments in this category vary both in their objectives (e.g. current income versus long term capital appreciation) and in the types of equity securities they specialize in. Some investments in this category focus on small capitalization or medium capitalization companies versus large capitalization companies. Some funds tend to look for companies whose earnings, or perceived value, are growing at faster rates than other companies (e.g. “growth”) while others focus their investments on companies who for various reasons may be selling for less than the manager believes is its real worth (e.g. “value”).</p> <p>Historically, investments focused on smaller and medium capitalization securities have thrived at different times and in different proportions to investments focused on large capitalization securities. Growth investments have also tended to excel at different times and in different proportion to value investments.</p>
International Equity	<p>These investments generally invest the bulk of their assets in ownership (“equity”) securities, or stocks of companies whose headquarters and/or primary business is outside of the United States. Investments in this category also include regionally focused managers that specialize in a particular part of the world, global managers that can invest in both U.S. and international markets, and emerging market managers that concentrate their investments in markets that are less mature than the world’s developed markets and so may provide opportunities for rapid growth. It is also generally true that higher growth opportunities are tempered significantly by higher risk for loss of capital, at least over shorter terms.</p> <p>Historically international markets have moved in very different cycles than their domestic counterparts.</p>
Specialty	These investments generally invest the bulk of their assets in ownership (“equity”) securities, or stocks of companies in a particular market segment. Historically investments focused on specialty securities have offered a significantly high risk for loss of capital, at least over shorter terms.

Broad Asset Class	Asset Class or Strategy	Benchmark Index	Peer Morningstar Category
Fixed Income	Fixed Income	BarCap Aggregate Bond Index BarCap Int Gov't/Corp Index	Multisector Bond Intermediate Term Bond
Asset Allocation	Allocation	S&P 500 / BarCap Agg Blend	Conservative Allocation Moderate Allocation World Allocation
Asset Allocation	Target Date Funds	Vintage Year Appropriate Morningstar Institutional Category for Target Date Funds	Vintage Year Appropriate Morningstar Institutional Category for Target Date Funds
Domestic Equity	Large Cap U.S. Equity	Russell 1000 Value S&P 500 Russell 1000 Russell 1000 Growth	Large Company Value Large Company Blend Large Company Blend Large Company Growth
Domestic Equity	Mid Cap U.S. Equity	Russell Mid Cap Value Russell Mid Cap Russell Mid Cap Growth	Medium Company Value Medium Company Blend Medium Company Growth
Domestic Equity	Small Cap U.S. Equity	Russell Small Cap Value Russell Small Cap Russell Small Cap Growth	Small Company Value Small Company Blend Small Company Growth
International Equity	International Equity	MSCI EAFE or MSCI ACWI	Foreign Large Value Foreign Large Blend Foreign Large Growth
Specialty	Specialty	Applicable Index	Applicable Peer Group

Appendix B – Investment Evaluation/Scoring System

The core investment options will be evaluated relative to their peers using a comprehensive rating system proprietary to the Investment Consultant. Note that the scoring system is designed to serve as an aid to the Committee when evaluating investment options, providing a baseline for measurement and discussion. The scoring system is not intended to be a self-contained algorithm that automatically triggers a fiduciary outcome or decision for a given score. Thus, the comments that follow should be considered in the context of a tool for the Committee's use, not a system that supplants the fiduciary's role in prudently evaluating investment options. In order to remain in good standing under the scoring system, each plan investment option should accumulate point totals within the acceptable ranges described below. The scoring system measures 7 quantitative areas and 2 qualitative (or subjective) categories, as outlined in the tables below:

Quantitative Scoring Areas	Weight	Min Score	Max Score	Description
Risk Adjusted Perf (3 Yr)	10%	1 Pt	10 Pt	Risk Adjusted Performance, or RAP, measures the level of return that an investment option would generate given a level of risk equivalent to the benchmark index.
Risk Adjusted Perf (5 Yr)	10%	1 Pt	10 Pt	
Perf vs. Peer Group (3 Yr)	10%	1 Pt	10 Pt	Performance vs. Relevant Peer Group measures the percentile rank of an investment option's returns relative to other available options in that category.
Perf vs. Peer Group (5 Yr)	10%	1 Pt	10 Pt	
Style Attribution (3 Year)	10%	1 Pt	10 Pt	Style Attribution, measured by R2, indicates the level of style purity of an investment option relative to the benchmark index.
Style Attribution (5 Year)	10%	1 Pt	10 Pt	
Expenses	10%	1 Pt	10 Pt	The Expense category measures an investment option's cost relative to other available options in that category.

Qualitative Scoring Areas	Weight	Min Score	Max Score	Description
Management Team	25%	1 Pt	25 Pt	Management Team measures the consistency and quality of an investment option's management group.
Investment Family Items	5%	1 Pt	5 Pt	Investment Family Items measures the stewardship of the investment option's parent company.

Total	100%	9 Pts	100 Pts	Overall Investment Score
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Point System:

Points are awarded in each of the categories of the scoring system according to the following methodologies. In the categories of Risk Adjusted Performance, Performance vs. Relevant Peer Group, and Expenses points are awarded according to where an investment option ranks on a

percentile basis relative to the rest of the peer universe. The table below illustrates this methodology:

% Rank	Top 10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	91-100%
Points	10	9	8	7	6	5	4	3	2	1

Points in the Style Attribution categories are collected by maintaining a level of style consistency, as measured by R², relative to the applicable benchmark. The table below illustrates this methodology:

R ²	100-80	79-70	69-60	59-50	<50
Points	10	7	4	1	0

Meanwhile, points in the qualitative areas of Management Team and Investment Family Items are awarded on the basis of merit and focus primarily on management team stability, consistency of investment philosophy, fund family stewardship, and corporate structuring.

If at any time the Committee concludes that a fund is not meeting the desired objectives or guidelines, the fund will be considered for termination. In general, in order to remain in good standing an option should total greater than 80 points under the adopted rating system. Options that total between 70 and 79 points will be marked for closer ongoing review by the Retirement Plan Committee. Meanwhile, options that score below 70 points will be considered for termination from the plan.

Scoring System	Min Score	Max Score
Good Standing	80 Pts	100 Pts
Marked for Review	70 Pts	79 Pts
Considered for Termination	0 Pts	69 Pts

When a Capital Preservation option is scored below green the Investment Consultant will clearly articulate to the Committee, at an appropriate time, the reasons for the scoring.

Depending on the type of Capital Preservation option being evaluated, multiple criteria, both quantitative and qualitative, may be used in establishing a rating. Such criteria may include, but are not limited to:

Quantitative

- Crediting Rate/Yield
- Market to Book Ratio
- Average Credit Quality of Portfolio
- Wrap provider/insurer diversification
- Average duration of securities in the portfolio
- Sector allocations

Qualitative

- Management team composition and tenure
- Management firm experience and stability

Appendix D - Target Date Fund Scoring

The scoring for Target Date Funds (TDFs) diverges from traditional asset classes (e.g. large cap growth, fixed income) due to factor considerations germane to TDFs. The principles behind TDF evaluation mirror those of the scoring system for traditional options yet the construction is slightly different. Each TDF family will receive an overall/aggregate numerical score as well as the corresponding recommendation for its overall/aggregate score (“In Good Standing”, “Marked for Review” or “Considered for Termination”). The Consultant believes that both qualitative and quantitative variables are essential to gauge TDFs, consistent with our traditional asset class scoring system.

The below section discusses the major categories on which each TDF will be scored as well as a description of our methodology by category.

Performance (20 Points Total)

Performance is broken into two categories: risk-adjusted and peer-relative, and both are evaluated on a three and five year basis. The Morningstar Institutional categories for TDF’s are divided by each TDF vintage year (vintage year is defined as the individual target date fund by year, for example the Fidelity Freedom 2035 Fund) into three categories: Conservative, Moderate and Aggressive. These categories define the peer groups by vintage year, taking into account variations across glidepaths and comparing each vintage year with a relevant peer group. Note that Morningstar reevaluates the Conservative, Moderate and Aggressive categories annually to account for TDF family changes, and categories will be adjusted to be consistent with Morningstar’s methodology. The Investment Consultant has determined that Morningstar’s methodology is appropriate and will continue to monitor its methodology to ensure that it remains appropriate.

Each TDF family’s vintage year is compared against its designated Morningstar peer group; then each vintage year’s peer-relative score is then aggregated to arrive at a total score and each TDF family’s relative score is ranked based on percentiles. This process is followed for three year peer-relative performance, five year peer-relative performance, three year risk-adjusted performance and five year risk-adjusted performance, providing us with four separate performance measures. The points are allocated based on the following system:

3 and 5 Year Risk-Adjusted and 3 and 5 Year Peer-Relative Scores

% Rank	Top 10%	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
Points	5	5	4	4	3	3	2	2	1	1

Once the points are allocated between the four groups, those scores are aggregated to arrive at a total performance score, and that score is adjusted based on the following system to recognize that not all of the TDFs that exist in the Morningstar categories are covered, and an equitable result based on our sample size is desired. Those adjustments are detailed below:

Overall Performance Adjustments

Raw Score (out of 20)	19-20	18	17	16	15	14	13 and below
Adjusted Score	20	19	18	17	16	15	13

This process yields a total performance score by TDF Family, taking into account various share classes across families by taking a simple average performance by vintage year across share classes, excluding “B” and “C” share classes where applicable.

Expenses (10 Points Total)

Expenses are central in TDF evaluation. All share classes are considered (with the exception of “B” and “C” share classes) when evaluating a TDF family’s expense profile; the expenses are averaged and a percentile distribution is created following our performance methodology. This percentile point distribution is as follows:

Overall Expense Scores

% Rank	Top 10%	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
Points	10	9	8	7	6	5	4	3	2	1

There is also an adjustment to account for the smaller sample size noted above to normalize the scores based on the maximum score obtained in the coverage universe, still yielding a true peer comparison. This is important given how small differentials can be across peers.

Glidepath Risk: Weightings of Equities and “Other” Asset Classes (10 points)

TDFs have varied assumptions across considerations such as savings rates, retirement date, longevity and other factors surrounding retirement. While each family’s assumptions may be justified, evaluating central tendencies through “the wisdom of the crowd” is a worthwhile way to measure two key risks inherent in TDFs: shortfall risk (not having enough money to retire) and market risk (having too much exposure to risky asset classes subject to greater loss potential). In essence, evaluating dispersion from mean is a way to evaluate how much market or shortfall risk a TDF family takes relative to all other options. This dispersion is measured based on the following methodology:

Glidepath Risk: Percentage of Equity and “Other” Asset Class scores

% Rank	Top 20%	21-39%	40-60%	61-79%	80-100%
Points	6	8	10	8	6

An adjustment for the smaller sample size (as noted above) is made by normalizing the scores based on the maximum score obtained in the coverage universe to yield a true peer comparison. This is important given how small differentials can be across peers.

Glidepath Risk: Regression to Global Equity Index (10 Points)

TDFs have demonstrated periods of equity-like risk despite broad diversification claims. Understanding beta, or the slope of the line of best fit in an ordinary least squares regression, helps analyze co-movement between variables. In this case, an assessment is made to determine how a TDF return series moves relative to a broad index of global equities, represented by 75% S&P 500 and 25% MSCI All-Country World Index ex-USA indices. Both three and five year betas are determined and averaged, and points are allocated based on the following system.

Glidepath: Regression to Global Equity Index Scores

3 and 5 Year Beta	Beta > .89	.70 < Beta < .<.89	Beta < .70
Points	6	8	10

As seen above, this system rewards TDFs with lower betas based on the view that investors can replicate equity beta elsewhere in their retirement plan or broad portfolio. TDFs should add value without relying on market beta.

An adjustment for the smaller sample size (as noted above) is made by normalizing the scores based on the maximum score obtained in the coverage universe to yield a true peer comparison. This is important given how small differentials can be across peers.

Portfolio Construction (10 Points)

Establishing solid portfolio management discipline and practices are important in improving the odds of TDF success. This is a qualitative assessment, and points are allocated based on the following variables based on conversations with managers, reviewing prospectuses/marketing materials and other supporting documentation regarding TDF methodology:

- Asset class granularity (how differentiated and thoughtful is the manager within the asset classes that constitute their funds; e.g. within fixed income do they have varied duration by vintage year or is it all core fixed income throughout)
- Hedging inclusion/capabilities across the portfolio or within asset classes
- Flexibility/adaptability based on market conditions
- Diversification potential of included asset classes
- Overall portfolio construction thoughtfulness

An adjustment for the smaller sample size (as noted above) is made by normalizing the scores based on the maximum score obtained in the coverage universe to yield a true peer comparison. This is important given how small differentials can be across peers.

Underlying Investment Vehicles (10 Points)

Implementation is also critical to TDF success. This category is evaluated through qualitative means, using the following variables in deriving an assessment:

- Transparency (how available is access to data and information regarding the portfolio's building blocks)

- Proprietary vs. non-proprietary investment vehicles (open architecture platforms get higher ratings)
- Securities overlap potential (lower the better)
- Securities lending practices (TDF managers who do not engage in this practice are preferred)
- Selection process (the more rigorous the better)

Again, an adjustment for the smaller sample size (as noted above) is made by normalizing the scores based on the maximum score obtained in the coverage universe to yield a true peer comparison. This is important given how small differentials can be across peers.

Fund Management (20 Points)

This measure is consistent with the traditional scoring system for discreet funds, with the key exception of a difference in weighting given to both the Fund Management (lower) and Fund Family (higher) criteria. TDFs, given their structure, are less dependent than discreet funds may be on the actions of specific fund managers. Since most, but not all, TDFs are comprised of proprietary underlying funds, the Investment Consultant gives increased emphasis here to the Fund Family criterion.

Fund Family (10 Points)

This measure is consistent with the traditional scoring system for discreet funds, with the key exception of a difference in weighting given to both the Fund Management (lower) and Fund Family (higher) criteria. Most TDFs, being comprised of proprietary underlying funds, are highly dependent upon the breadth and depth and quality of the Fund Family from which their component parts are drawn.

Appendix E – Qualified Default Investment Alternative

Qualified Default Investment Alternatives (QDIAs) are specific investments vehicles that are used when a plan participant or beneficiary fails to make affirmative investment elections. The Committee understands that there are specific notice and disclosure requirements that the Department of Labor asserts they must provide to participants and beneficiaries to use a QDIA properly. After reviewing the demographics of the Plan the Committee has decided to use a suite of target date funds to function as the Plan's QDIA.

In addition, the plan may elect to use a short-term money market account which is allowed to hold a participant's funds for no longer than 120 days, before transferring those funds automatically to the designated QDIA which has been elected.

Certain investment vehicles can provide QDIA protections for grandfathered sums. Our plan does not use grandfathered QDIA's.