

Investment Policy Statement

Prepared on: January 30, 2013

Prepared for:

Sample 401k Client

1300 Liberty Ave
Pittsburgh PA 15222

Executive Summary

Client Name: Sample 401k Client
Client Type: Retirement Plans - Participant Directed
Client Subtype: Corporate Defined Contribution
Fiduciary Standard of Care: ERISA
Tax Id: 00-0000000
Current Assets: \$10,000,000

"Safe Harbor" Compliance Options:
404(c): Selected
Fiduciary Adviser: Selected
QDIA: Selected

This Investment Policy Statement should be reviewed by an attorney knowledgeable in this specific area of the law. Any change to this policy should be communicated in writing and on a timely basis to all interested parties. If any term or condition of this Investment Policy Statement conflicts with any trust and/or plan document, the document shall control, as long as such term or condition is consistent with the law.

Investment Options List

Money Market Taxable
Short-Term Bond
Intermediate Government
Intermediate-Term Bond
Inflation-Protected Bond
Target Date 2000-2010
Target Date 2016-2020
Target Date 2026-2030
Target Date 2036-2040
Large Blend
Large Value
Target Date 2051+
Large Growth
Mid-Cap Blend
Foreign Large Blend
Small Blend

Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the Investment Committee (Committee) in effectively supervising, monitoring and evaluating the management of the Retirement Plan (Plan). The Committee has the authority to oversee the investment of the Plan's assets. The Committee will discharge its responsibilities under the Plan solely in the interests of Plan participants and their beneficiaries.

The plan's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the committee's attitudes, expectations, objectives and guidelines for the investment of all of the plan's assets.
2. Encouraging effective communications between the committee and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment option on a regular basis.
4. Establishing the number and characteristics of offered investment options.
5. Providing rate-of-return and risk characteristics for each asset class represented by various investment options.
6. Complying with all ERISA, fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Plan assets.

Statement of Objectives

The Plan is a defined contribution plan started in 12/31/1999, and currently covers 1202 employees. Plan size is currently \$10,000,000 and annual contributions should total \$25,000. The purpose of the plan is to encourage employees to build long-term careers by providing eligible employees with a convenient way to save on a regular and long-term basis for retirement.

This IPS has been arrived at upon consideration by the Committee by a wide range of policies, and describes the prudent investment process the Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer participants the opportunity to diversify their investments in a manner appropriate to their retirement objectives and risk/return requirements.

The objectives of the Plan are:

- Have the ability to pay all benefit and expense obligations when due.
- Control costs of administering the plan and managing the investments.
- Refrain from giving what could be construed as investment advice except as may be provided by the Fiduciary Adviser operating under an eligible investment advice arrangement.
- Follow general "safe harbor" rules:
 - i. Use prudent experts (registered investment adviser (including mutual funds), bank, or insurance company) to make the investment decisions
 - ii. Demonstrate that the prudent expert was selected by following a due diligence process
 - iii. Give the prudent expert discretion over the assets
 - iv. Have the prudent expert acknowledge their co-fiduciary status (mutual funds are exempt from this requirement – the prospectus is deemed to serve as the fund's fiduciary acknowledgement).
 - v. Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.
- Follow additional ERISA 404(c) "Safe Harbor" requirements:
 - i. Notify plan participants that the plan sponsor intends to constitute a 404(c) plan
 - ii. Provide participants at least three investment options that have a different risk/return profile.
 - iii. Provide participants with sufficient information so the participant can make an informed decision about his or her selection of investment option(s); and
 - iv. Permit participants to change their investment strategy/allocation with a frequency that is appropriate in light of marketvolatility.
- Provide a Qualified default investment alternative defined as:
 - i. Age-based life-cycle or targeted retirement date funds or accounts
 - ii. Risk-based, balanced funds; or
 - iii. An investment management service.Employer stock is permissible if: (1) the stock is held or acquired by a pool investment vehicle; and (2) the stock is acquired as a matching contribution from the employer and the stock is held at the direction of the participant.
- Follow ERISA "fiduciary adviser" safe harbor rules:
 - i. Prudently selecting a qualified fiduciary adviser
 - ii. Have the fiduciary adviser acknowledge in writing: (i) fiduciary status to the plan and to the participants; (ii) all forms of compensation; and (iii) all conflicts of interest
 - iii. Determine that the fees and expenses for the fiduciary adviser are fair and reasonable for the level of services being rendered
 - iv. Monitor the activities of the fiduciary adviser, ensuring that both the arrangement between the plan sponsor and the fiduciary adviser, and the "eligible investment advice arrangement" (computer-based investment models and/or level fee) are audited on an annual basis.

Duties and Responsibilities

Investment Committee

As fiduciaries under the plan, the primary responsibilities of the Committee are:

1. Prepare and maintain this investment policy statement.
2. Prudently diversify the plan's assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the plan.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Custodian

Custodians are responsible for the safekeeping of the plan's assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the plan.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall plan since the previous report.
5. Maintain separate accounts by legal registration.

Investment Advisor

The Investment Advisor serves as an objective, third-party professional retained to assist the committee in managing the overall investment process. The Advisor is responsible for guiding the committee through a disciplined and rigorous investment process to enable the committee to meet the fiduciary responsibilities outlined above.

Fiduciary Adviser

The Fiduciary Adviser serves as an objective, third-party professional retained to provide specific investment advice to participants.

Asset Class Guidelines

The committee believes long-term investment performance, in large part, is primarily a function of asset class mix. The committee has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards. Historically while interest-generating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation.

On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting provided the participant's time horizon is sufficiently long (five years or greater)."

The following asset classes were selected and ranked in ascending order of "risk" (least to most) according to the most recent quarter's median 3-year Standard Deviation values.

Money Market Taxable
Short-Term Bond
Intermediate Government
Intermediate-Term Bond
Inflation-Protected Bond
Target Date 2000-2010
Target Date 2016-2020
Target Date 2026-2030
Target Date 2036-2040
Large Blend
Large Value
Target Date 2051+
Large Growth
Mid-Cap Blend
Foreign Large Blend
Small Blend

Implementation

Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iiii) a registered investment adviser. The committee will apply the following due diligence criteria in selecting each money manager or mutual fund.

fi360

fi360 Fiduciary Score Avg (3yr)

Threshold: <= 25 | Pass 1 of the last 1 quarters | Treat missing data values as a failure

*Please reference the fi360 Fiduciary Score Methodology document in Appendix C for additional details.

Expenses

Prospectus Net Exp Ratio (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Performance

10 Year Return (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

3 Year Return (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

5 Year Return (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Risk

Alpha (Optional)

Threshold: Top 50% of peer | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Operations

Style (Optional)

Threshold: No Style Drift | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Assets (Optional)

Threshold: >= 75 Mil | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Inception Date (Optional)

Threshold: >= 5 Years | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Manager Tenure (Optional)

Threshold: > 5 Years | Pass 1 of the last 1 quarters | Treat missing data values as a failure

In addition to meeting any required criterion, 6 of the 9 optional criterion must be satisfied to meet the overall Due Diligence Criteria.

Monitoring - Performance Objectives

The committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the committee intends to evaluate investment performance from a long-term perspective.

The committee is aware the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than quarterly, the committee will meet to review whether each investment; specifically:

1. The investment option's adherence to the Watch List Criteria identified below;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment option's organization.

Monitoring - Benchmarks

The Committee has determined it is in the best interest of the Plan's participants that performance benchmarks be established for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Peer Group

Foreign Large Blend
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Intermediate-Term Bond
Large Blend
Large Growth
Large Value
Mid-Cap Blend
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Short-Term Bond
Small Blend
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Target Date 2051+

Benchmark Index

MSCI ACWI Ex USA NR USD
Barclays US Treasury US TIPS TR USD
Barclays US Government TR USD
Barclays US Govt/Credit 5-10 Yr TR USD
S&P 500 TR
Russell 1000 Growth TR USD
Barclays ABS TR USD
S&P MidCap 400 TR
USTREAS T-Bill Auction Ave 3 Mon
Barclays Govt/Credit 1-5 Yr TR USD
Russell 2000 TR USD
Morningstar Lifetime Moderate 2010
Morningstar Lifetime Moderate 2020
Morningstar Lifetime Moderate 2030
Morningstar Lifetime Moderate 2040
Morningstar Lifetime Moderate 2050

Monitoring - Watch List Criteria

The decision to retain or terminate an investment option cannot be made by a formula. Also, extraordinary events do occur that may interfere with the investment option's ability to prudently manage investment assets. It is the committee's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option.

An investment option may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted, when:

fi360

fi360 Fiduciary Score Avg (3yr)

Threshold: ≤ 25 | Pass 1 of the last 1 quarters | Treat missing data values as a failure

*Please reference the fi360 Fiduciary Score Methodology document in Appendix C for additional details.

Expenses

Prospectus Net Exp Ratio (Optional)

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Inception Date (Optional)

Threshold: ≥ 5 Years | Pass 1 of the last 1 quarters | Treat missing data values as a failure

Manager Tenure (Optional)

Threshold: > 5 Years | Pass 1 of the last 1 quarters | Treat missing data values as a failure

In addition to meeting any required criterion, 6 of the 9 optional criterion must be satisfied to meet the overall Due Diligence Criteria.

Monitoring - Measuring Costs

The committee will review at least annually all costs associated with the management of the plan, including:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative Fees; costs to administer the plan, including record keeping, custody and trust services.
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the plan.

Investment Policy Review

The committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Prepared by

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Signature

Date

Name

Title/Position

Signature

Date

James Smith

Vice President

Steve Jenkins

CFO

Sally Booth

Treasurer

Appendix C: fi360 Fiduciary Score« Methodology

The fi360 Fiduciary Score« is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. For each investment with at least a three-year history, fi360 calculates the fi360 Fiduciary Score based on the following due diligence criteria: regulatory oversight, minimum track record, stability of the organization, assets in the investment, composition consistency with asset class, style consistency, expense ratio/fees relative to peers, risk-adjusted performance relative to peers, and performance relative to peers. Investments are evaluated at the conclusion of each month. If an investment does not meet an individual due diligence criterion, points are awarded. Investments that satisfy all of the due diligence criteria receive a fi360 Fiduciary Score of 0. Every other investment is given a Score of 1-100 based on their point total, and representing their percentile ranking within their peer group. The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investment fi360 Fiduciary Score. The Average Score is also calculated on a monthly basis. The fi360 Fiduciary Score represents a suggested course of action and is not intended, nor should it be used, as the sole source of information for reaching an investment decision. Visit fi360.com/fi360-Fiduciary-Score for the complete methodology document.