

To: Trustees of PenChecks Employee Benefit Distribution Trust
From: Peter E. Preovolos
Cc: Joyce Annenberg, Michael Callahan, Peter Zebot, and James Kreder
Date: May 14, 2007



**PenChecks, Inc. Employee
Benefit Distribution Trust & Custodial Accounts
Investment Policy Statement**

I. Executive Summary and Background.

PenChecks, Inc. maintains two separate trusts and one custodial account for the exclusive benefit of current and former participants who are in pay status. For our purposes “pay status” is defined as someone who is eligible for a lump sum payment or who is receiving a periodic benefit payment whether from our Benefit Trust, Annuity Trust or our Non-Qualified Custodial account.

PenChecks, Inc. sole purpose is to act as an ancillary trustee or conduit for plan sponsors of qualified or non-qualified plans to efficiently, effectively and accurately act as the paying agent for those types of plans.

Due to the fact we are the paying agent, all funds held in our two trusts and custodial account must be highly liquid and predominately at zero risk.

Plan Sponsor:	PenChecks, Inc.
Trust created:	November 1994
Trust 1:	Ancillary Trust for Qualified Plans
Trust 2:	Ancillary Trust for Annuity/ Reoccurring Payments
Custodial Account 1:	Ancillary Custodial Accounts for Non-qualified Plans
Trustees:	Individuals – Cheri Kessner, Jim Norman, Peter E. Preovolos and Roger Sherman
Assets:	Vary daily, however, the average daily balance has grown to fifty-seven million dollars in 2007.
Investments:	Directed by the Trustees
Frequency:	Cash flows in and out of these accounts daily

The purpose of these two trusts and custodial account are primarily to retain funds on behalf of qualified and non-qualified plans and their Trustee(s) or Custodian(s). The funds are held for the exclusive benefit of terminated participants and are generally disgorged every three to five days on average. In some cases it can take longer, however, in no event longer than 90 days.

The PenChecks Trustees are charged with the safekeeping, overall management, accounting and administration of these funds. The trustees may outsource these functions, as they deem appropriate. Currently, the Trust pays benefits to some twenty-five thousand individuals annually and another seventy-two hundred recurring benefit checks annually.

It is anticipated in the next four years, the trust will grow the daily average flow on an annual basis of ten percent and checks issued by ten percent per year.

The types of payments processed through these three funds are as follows:

- Monthly recurring benefits
- Lump sum payments
- Rollovers to:
 - Traditional IRAs
 - Roth IRAs
- Non-qualified payments
- Cafeteria payments
- ESOP Dividends

Investment Options

The Investment options are limited primarily to zero or low risk investment. This means funds are to be invested in savings, certificates of deposits, money market, U.S. Government backed securities.

Given the nature of the turnover rate of funds in these account(s), the Trustees have agreed that no more than fifteen percent of the average daily balance updated quarterly can be held in investments other than savings, certificates of deposits, stable value funds and special annuity contracts.

Supplemental Investment Fund

This fund represents fifteen percent of the total daily average trust balance in any given quarter. This means these funds could be at risk because they will be invested in short term government paper such as U.S. Treasury Notes, U.S. Bonds and U.S. backed mortgages guaranteed by the U.S. Government.

During 2005 rates had fallen and the overall yield on many of the deposits had reached levels under two percent and our savings accounts got as low as thirty-five basis

points. This condition prompted the trustees to examine alternative forms of investments. By 2006, it selected Dana Investments to manage the Supplemental Fund as a pilot program.

II. Purpose of the Investment Policy Statement

The purpose of this statement is to outline for the trustees how they will discharge these responsibilities under the Trust and Custodial accounts solely in the interest of former plan participants and their beneficiaries.

III. Duties and Responsibilities

As fiduciaries under the PenChecks, Inc. Employee Benefit Distribution Trust and Non-qualified Custodial Account, the primary responsibilities of the Committee are:

- Prepare and maintain the IPS
- Provide sufficient asset classes with different and distinct risk/return profiles to diversify risk
- Prudently select investments given the extreme liquidity needs
- Control and account for all investments, record keeping and administration expenses associated with each account.
- Monitor all investments and investment advisors when applicable
- Avoid prohibited transactions or transaction, which will expose the accounts to undo risk or market fluctuations and conflicts of interest.
- When investing in any security with a potential market risk, the trustees will set aside from income no more than five percent of the market value of the investment as a loss reserve.

IV. Investment Consultant

The Trustees may retain an objective, third party Consultant to assist them in managing the overall investment process. The consultant will be responsible for guiding the Trustees through a disciplined and rigorous investment process to enable them to meet the fiduciary responsibility outlined above.

V. Investment Managers

The specific duties and responsibilities of each investment manager are to:

1. Manage the assets under their supervision in accordance with the guidelines outlined herein and in accordance with the trust and custodial accounts.
2. Exercise full investment discretion with respect to buying, managing and selling assets held in the portfolio of which they are given authority.
3. Each investment manager should keep detailed records of the voting on proxies as well as any other related actions and will comply with all applicable regulatory obligations.

4. Communicate, to the Trustees, all significant changes pertaining to the fund it manages or the firm itself such as changes in ownership, organizational structures, financial conditions and professional staff.
5. Use the same care, skill, prudence and due diligence under the circumstances then prevailing that of an experienced investment professional, acting in a like capacity. As with such matters, using like activities for retirement assets with like aims in accordance and compliance with ERISA and all applicable laws and regulations.

VI. Asset Class Guidelines

The trustee's believe short-term investments with limited to no risk of principle are primarily a function of asset class mix. The Trustees have reviewed the short-term performance characteristic of various asset classes in maintaining limited risk and obtaining the highest possible yield given the current interest rate **environment**.

VII. Asset Classes in Ascending Order of Risk

The following six asset classes were selected and ranked in ascending order of "risk" (least to most).

<u>Least Risk:</u>	Savings Accounts
	Certificate of Deposit
	U.S. Treasurer
	Short Term U.S. Bonds
	U.S. Mortgage Backed Securities
<u>Most Risk:</u>	Money Market

VIII. Diversification of Asset-Class Options

The above assets are the sole asset classes which can be used with no more than ten to fifteen percent of the total portfolio being invested in short term U.S. Government Bonds or Mortgage Backed Securities. When investing in such assets the Plan Sponsor will hold in reserve up to five percent of the value of the total portfolio as a reserve for investment loss.

IX. Investment Due-Diligence

When depositing funds with banks, insurance companies, or mutual funds, the following characteristics must be evaluated:

A. Banks

- (1) Provide the Following Capital Ratios
 - a. Tier 1 / Core Capital
 - b. Total Capital Ratio (Risk Based)
 - c. Total Capital Ratio (Tangible Equity Ratio)

- (2) The parent company's short-term independent ratings
 - a. From Moody's
 - b. From S&P
 - c. From Fitch
- (3) Parent Company's Long Term Independent Credit Ratings
 - a. From Moody's
 - b. From S&P
 - c. From Fitch
- (4) Comments on any recent changes in short and long-term credit ratings
- (5) Rating Forecast
 - a. From Moody's
 - b. From S&P
 - c. From Fitch
- (6) Describe the trust powers of your organization
- (7) Is there any current or pending litigation surrounding your services?
- (8) Who is the regulator for the trust bank?
- B. Insurance Companies – Rating of AM Best “A” and nothing less than an S&P “A” Rating
- C. Mutual Funds – No greater risk than what is identified under section VII.

Approved By:



PenChecks, Inc.
Corporate Officer

Accepted by Trustees:



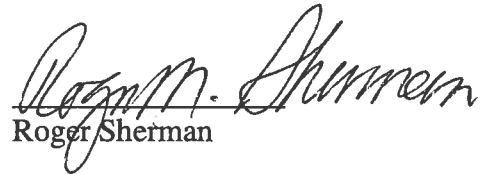
Peter E. Prevolos



Cheri Kessner



Jim Norman



Roger Sherman

WRITTEN ACTION OF THE
TRUSTEES FOR



PENCHECKS INC. EMPLOYEE BENEFIT DISTRIBUTION TRUST

Whereas, the Trustees deem it advisable to adopt certain amendments to the current Investment Policy Statement originally adopted on May 14, 2008.

Now therefore be it resolved, that Section IX entitled 'Investment Due-Diligence' of the Investment Policy Statement is amended to show the rating formula used to rate Banks or Thrifts as follows:

"When depositing funds with Banks or Thrifts, Insurance Companies, or Mutual Funds, the following characteristics and ratings must exist at the time of depositing any funds into said institutions:

A. Banks or Thrifts –

- (1) The individual Bank or Thrift ranking provided by the IDC Financial Quarterly reports shall be used to evaluate the strength and liquidity of any Bank or Thrift where trust funds will be or are currently deposited.
- (2) IDC Financial Bank or Thrift Ranking Categories:
 - 200 – 300 = Superior
 - 165 – 199 = Excellent
 - 125 – 164 = Average
 - 75 – 124 = Below Average
 - 2 – 74 = Lowest Ratios
 - 1 = Rank of One (Critically Under Capitalized per FDIC capital Definitions)
- (3) Under no circumstances, shall trust funds be held by a Bank or Thrift with a current IDC Financial ranking of less than 150. Any Bank or Thrift that currently holds PenChecks Trust Funds that falls below the 150 rating these funds must be withdrawn within 72 hours or sooner.

B. Insurance Companies – Rating of AM Best "A" plus an S&P Rating of "A" or better.

C. Mutual Funds – No greater risk than what is identified under Section VII of the Investment Policy Statement. "

Resolved further, that the Trustees must review the ratings of all institutions no less frequently than quarterly.

Resolved further, that the Trustees agree to make available to the Board of Directors and all those that use PenChecks services a copy of the Investment Policy Statement upon request.

Resolved further, that the Trustees have added a new Section X entitled 'Frequency of Reviews' to the Investment Policy Statement, consisting of the following provisions:

**"Trust Asset Allocation and Investment Rankings
Must be reviewed at a minimum quarterly"**

Resolved further, that this Amendment shall become effective November 30, 2008.

IN WITNESS WHEREOF, I hereby set my hand on behalf of all Trustees on this 30st day of November 2008.

Trustees Approval:



**Peter E. Prevolos /
Trustee and Committee Chairman**



James B. Norman / Trustee



Roger Sherman / Trustee



Cheri Kessner / Trustee