DEFERRED COMPENSATION PLAN **Revised 2008**

SECTION 1. NAME: The name of this Plan is the County of Fresno Deferred Compensation Plan (hereinafter referred to as the Plan).

SECTION 2. PURPOSE: The primary purpose of the Plan is to attract and retain employees by permitting them to enter into agreements with the County of Fresno which will provide future payments in lieu of deferred current income upon death, retirement, or other termination of employment with the County.

SECTION 3. DEFINITIONS: For the purpose of this Plan, certain words or phrases used herein will have the following meanings:

3.1 "Employer" shall mean the County of Fresno.

3.2 "Employee" shall mean any County officer or employee who is occupying a permanent position and is designated in the County personnel and payroll records as a permanent employee, and any Superior Court Judge of the Fresno County Courts.

3.3 "Participant" shall mean an Employee who has elected to participate in the Plan.

3.4 "Participant Agreement" shall mean the agreement executed and filed by an Employee with the Employer, pursuant to Section 4, in which the Employee elects to become a Participant in the Plan.

3.5 "Compensation" shall mean the total of all amounts which would be paid by the Employer to or for the benefit of an Employee (if Employee were not a Participant in the Plan) for actual service for the period that Employee is a Participant.

3.6 “Gross Compensation” shall mean the total Compensation payable to an Employee before any deduction is made for payment of taxes, retirement system contributions, or any other deduction the employee may authorize, and before reduction of salary pursuant to participation in the Plan.

3.7 “Includible Compensation” shall mean compensation from the Employer, within the meaning of Code Section 415(c)(3) and the regulations thereunder.

3.8 “Employment Year” means the year beginning with January 1 and ending with the next following December 31, except that the first year for an Employee hired in “mid-year” shall be a short year beginning with the date of employment and ending the next following December 31.

3.9 “Retirement” means a termination of active service with the Employer and, after attainment of the age and service requirements of the County Employees’ Retirement Law of 1937, approval by the Fresno County Retirement Board of payment of benefits as provided in said Law. Retirement may also mean that period of time after separation from County service, but before initiation of retirement benefits, usually referred to as deferred retirement.

3.10 “Normal Retirement Age” means the earliest age at which the Participant may separate service from Employer and immediately receive an unreduced pension benefit. Normal retirement age must be indicated by a Participant in a written statement to be filed with the Employer as defined in the applicable retirement system sponsored by the Employer.

3.11 “Book Account” shall mean a bookkeeping record of Compensation deferred by each Participant and of interest, capital gains or losses, and other income attributable to said deferred compensation. Book Accounts shall be maintained in the name of each Participant.

3.12 “Council” shall mean the Deferred Compensation Management Council established in accordance with Section 6.2.

3.13 “Code” shall mean the Internal Revenue Code of 1986, as amended.

SECTION 4. <u>PARTICIPATION IN THE PLAN</u>:

4.1 Each Employee may elect to become a Participant in the Plan and defer payment of Compensation not yet earned by executing a Participant Agreement and filing it with the Employer prior to the beginning of the month for which the deferral is to be applied.

4.2 The amount of Compensation which may be deferred by a Participant is subject to the following limitations:

4.2(a) The minimum deferral per pay period at the time of entering into a Participant Agreement hereunder to defer compensation, or at the time of reentry following a withdrawal, or at the time a change in the amount to defer is made, shall be $10.00 or 1% of Gross Compensation. The maximum amount of deferred income a Participant may defer during the Employment Year shall not exceed the lesser of the applicable dollar amount as set forth in section 457(e)(15) of the Code; or 100 percent of the Participant's Includable Compensation; or as otherwise provided by law.

4.2(b) For one (1) or more of a Participant's last three (3) Employment Years ending before Participant attains Normal Retirement Age, the maximum amount a Participant may defer during the Employment Year shall not exceed the lesser of: (1) twice the applicable dollar limit as set forth in Section 457(e)(15) of the Code; or (2) the applicable dollar limit as set forth in Section 457(e)(15) of the Code plus any Employer provided compensation eligible for deferral that was not deferred for any prior taxable year which began after December 31, 1978. This Section 4.2(b) may be utilized one time only by any Participant.

4.2(c) Employees who are or who become Participants in this Plan and a tax shelter annuity program, and Employees who are or who become Participants in this Plan and any other plan authorized by Section 457 of the Code of shall be solely responsible for complying with the maximum limitations and coordination provisions of the law and shall hold the Employer harmless from any violation of any such provisions.

4.2(d) In applying paragraphs 4.2(a) and 4.2(b), an amount excluded during a taxable year under tax sheltered annuities for exempt organizations shall be treated as an amount deferred for limitation purposes.

4.2(e) All Participants who have attained age 50 before the close of the plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such contributions shall not, with respect to the year in which the contribution is made, be subject to any otherwise applicable limitation contained in Section 457 of the Code, or be taken into account in applying such limitations to other contributions or benefits under this Plan or any other plan. This provision shall not apply for any year in which Section 457(b)(3) of the Code applies.

4.2(f) An Employee may contribute a Rollover Contribution to the Plan. A Rollover Contribution is a Participant contribution or a direct rollover of an eligible rollover distribution as defined under Section 402(c)(4) of the Code. The Plan Administrator may require the Employee to certify, either in writing or in any other form permitted under rules promulgated by the IRS, that the contribution qualifies as a Rollover Contribution under the applicable provisions of the Code. If it is later determined that all or part of a Rollover Contribution was ineligible to be contributed to the Plan, the Plan Administrator shall direct that any ineligible amounts, plus earnings or losses attributable thereto (determined in a uniform and nondiscriminatory manner) be distributed from the Plan to the Employee as soon as administratively feasible. Separate accounting shall be maintained by the Plan Administrator for any Rollover Contribution not attributable to an Eligible Deferred Compensation Plan. Rollover Contributions will be nonforfeitable at all times.

4.3 A Participant Agreement shall remain in effect until it is terminated, amended, or superceded by a new Participant Agreement. During each Employment Year, an existing Participant Agreement may be amended to effect subsequent deferrals in accordance with the provisions of the Plan and the rules established by the Council. The amended Participant Agreement must be filed with the Employer in the pay period for which the deferral is to be applied.

4.4 A Participant may terminate further deferral of Compensation under the Plan by filing with the Employer an amended Participant Agreement terminating deferral of compensation in the pay period for which termination is to apply. To resume deferral of Compensation, a Participant must file with the Employer an amended Participant Agreement resuming deferral of compensation in the pay period for which referral is to apply. No previously deferred amounts shall be payable to an employee upon terminating further deferral of Compensation under the Plan unless otherwise due pursuant to Section 7 hereof.

4.5 Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

SECTION 5. DEFERRAL OF COMPENSATION: During each Employment Year in which the Employee defers Compensation, the Employer shall not pay the Employee full Compensation as is specified by the Employee in the Participant Agreement which has been executed and filed with the Employer. Compensation shall be deferred in amounts of not less than ten dollars ($10) or one percent (1%) of Gross Compensation each pay period of the Employee's Employment Year.

SECTION 6. ADMINISTRATION OF THE PLAN:

6.1 The Plan shall be administered by the Council appointed in accordance with Section 6.2, which shall have the sole authority to enforce the Plan and shall be responsible for the operation of the Plan in accordance with its terms. The Council shall determine all questions arising out of the administration, interpretation, and application of the Plan, which determinations shall be conclusive and binding on all persons.

6.2 The Deferred Compensation Management Council shall be comprised of the Auditor-Controller/Treasurer-Tax Collector, the County Administrative Officer, the Director of Personnel Services and three (3) members-at-large to be appointed by the County Administrative Officer, subject to the review of the Council. Members-at-large shall be selected from Plan Participants. Each Council member shall designate an alternate to serve on the Council in the member's absence. Alternates designated by members-at-large must be Plan Participants. The duty of the Council shall be to perform the following:

6.2(a) establish procedural rules and regulations facilitating operation of the Plan, and arrange for its administration by outside organizations if the Council deems it necessary;

6.2(b) review requests for emergency withdrawal of funds and determine the propriety of such withdrawals;

6.2(c) review periodically the condition of the deferred compensation fund and make changes in investment vehicles and media as appropriate.

6.3 The Employer shall establish a deferred compensation fund to which all deferred Compensation will be credited at such times as the Compensation would have been payable to an individual Employee if not a Participant in the Plan. At least annually, each Participant will be notified of the amount of Compensation deferred. Separate Book Accounts will be established for each Participant which will show all accumulated deferrals, administrative costs charge against said deferrals each year, interest accumulations and/or other investment performance, and the current balance of the account. The value of said account shall be reported as of December 31 of each year, no later than ninety (90) days following December 31, or as soon thereafter as possible.

6.4 On executing a Participant Agreement, the Employee shall designate the Employee's investment objective. The investment objective shall be used to measure the increase or decrease in value of the Participant's deferred compensation Book Account. A Participant may change the investment objective by filing a new Participant Agreement, or by direct electronic access. Such investment objective shall apply to (i) all amounts credited to the Participant's deferred compensation Book Account after the date of filing the revised investment objective and/or (ii) any or all amounts credited to the Participant's deferred compensation Book Account before the date of filing the revised investment objective, but in such case only with respect to periods after the date the revised investment objective is filed.

The deferred amount shall be held for the exclusive benefit of Participants and their Beneficiaries under one or more annuity contracts (within the meaning of Code Section 401(f)) which may provide for guaranteed rates of interest or variable investment options.

As used herein, “investment objective” means any investment specified as an option for the Employee for the purpose of measuring the value of the Participant’s deferred compensation Book Account and may include the following: mutual fund shares, interest deposits with a savings and loan association or banking institution, investments in debt and/or equity installments, an annuity contract with an insurance company, a trust deeds notes fund, or a pooled mortgage fund.

6.5 All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributed to such amounts, property or rights shall be held in trust or under one or more annuity contracts described in Section 401(f) of the Internal Revenue Code. Except as may otherwise be permitted or required by law, no assets or income of the Plan shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for Participants and their Beneficiaries or defraying reasonable expenses of administration of the Plan.

SECTION 7. DISTRIBUTION OF BENEFITS:

7.1 Time and Form of Distribution

Installment Payments - Upon becoming eligible for a distribution, a Participant may elect to receive so much of his or her Participant Account in installment payments made at least annually. A Participant may elect to vary the amount or frequency of any such payments at least once each calendar quarter. However, at no time may the installment payment period exceed the Participant's life expectancy.

Distribution On or After Age 70-1/2 or Severance From Employment - Upon becoming eligible for a distribution, a Participant may elect to commence distribution of his or her Participant Account in accordance with the payment options available under the Plan. A Participant who wishes to receive a distribution must submit a request to the Plan Administrator. Upon a valid request, distribution will commence as soon as administratively feasible.

7.2 Retirement – In event of retirement, the full amount credited to a Participant’s Book Account, plus or minus subsequent investment earnings, gains or losses, but less any Federal or State Income Taxes required to be withheld, shall be distributed to Participant in any one or more of the following ways:

7.2(a) In a lump sum.

7.2(b) In monthly, quarterly, semi-annual or annual installments over a period not greater than the joint life expectancies of the Participant and the Participant's spouse. Life expectancy shall be determined on the date of the initial installment distribution. Installment distributions shall be made in substantially equal payments, but no payment shall have a value of less than (the smaller of) fifty dollars ($50) or the balanced credited to the Participant's Book Account.

7.2(c) For any amount of deferred compensation, the Participant may elect to have benefits under the Plan attributable thereto paid in the form of an annuity under any option agreed to by the Council.

Participant's Book Account balances may be continued to be invested until cash is to be withdrawn for payment of benefits.

Minimum Distribution Requirements - Notwithstanding anything in this Plan to the contrary, distribution from the Plan shall commence and be made in accordance with Section 401 (a)(9) of the Code and, until the last calendar year beginning before the effective date of the final regulations under section 401 (a)(9) or such other date as may be published by the Internal Revenue Service, the regulations under section 401 (a)(9) that were proposed on January 17, 2001. Participants must commence distribution no later than April 1st following the later of (i) the calendar year in which the Participant attains age 70-1/2 or (ii) the calendar year in which the Participant retires.

7.3 Other Termination – In event of termination of employment for reasons other than those specified in Section 7.2, the full benefits credited to the Participant's Book Account, plus or minus investment gains or losses, less any administrative costs assessed by the media, less any Federal or State Income Taxes required to be withheld, shall be distributed to Participant in one of the ways described in Section 7.2. In those cases where the total amount credited to the Participant's Book Account(s) is less than $500, the Plan will pay them to the Participant immediately.

7.4 Death – In the event of the Participant's death, if distribution has not commenced prior to the death of the Participant:

7.4(a) A non-spousal Beneficiary must either;

(i) elect a distribution payable over a period not extending beyond the life expectancy of the non-spousal Beneficiary, commencing no later than the end of the calendar year following the calendar year in which the Participant died; or

(ii) elect a single-sum payment to be made no later than the end of the calendar year which contains the fifth anniversary of the date of death of the participant, otherwise, such single-sum payment shall be made by the end of such calendar year.

7.4(b) A spousal Beneficiary may elect a single-sum payment or a distribution payable over a period not extending beyond the life expectancy of the spousal Beneficiary. Distribution to the spousal Beneficiary must commence on or before the later of:

(i) the calendar year immediately following the calendar year in which the Participant died; or

(ii) the year the deceased Participant would have reached age 70-1/2.

7.5 Emergency Withdrawal – In the event of financial conditions imposing great hardship upon a Participant which are beyond the Participant's control, the Participant may apply for withdrawal of a portion or all of the amount credited to the Participant's Book Account. Participants are required to exercise the Loan provisions prior to applying for an emergency withdrawal under this Section as outlined in Section 8. The Council or its appointed designee shall review the requests and recommend withdrawal of funds in an amount Council or its appointed designee judges to be sufficient to resolve the financial crisis described by the Participant. Foreseeable financial needs for which a Participant may set aside funds, such as college tuition, will not qualify for emergency withdrawal. The kind of occurrence for which emergency withdrawals will be granted include serious health problems, sudden losses as may be caused by fire or other disaster, imminent foreclosure of or eviction from the Participant's primary residence, the need to pay for medical expenses and the need to pay for funeral expenses of a spouse or dependent (as defined in Code Section 152(a)). If such application for withdrawal is approved by the Council or its appointed designee, the withdrawal will be effective on date approved. Distribution shall be made in lump sum cash unless the Council determines it is in the interest of the Plan to distribute the funds in a different manner.

Distribution of all or a portion of a Participant's Book Account under this section shall disqualify said Participant from participating in the Plan for two (2) years.

7.6 Emergency Withdrawal After Distribution Begins – In the event of financial conditions imposing great hardship upon a Participant which are beyond the Participant's control, and which occur after the Participant has begun to receive payments of Compensation deferred at an earlier time, Participant may apply for withdrawal of all or a portion of the amount credited to the Participant's Book Account. The criteria established in Section 7.5 shall regulate administration of this section.

7.7 Transfer of Value of Participant's Account/Plan to Plan Transfers – In the event a Participant terminates employment with the Employer and accepts employment with a new employer, the Employer may propose to the new employer that the funds, assets and accumulations of said Participant's account be transferred to the new employer's eligible Deferred Compensation Plan. Transfer of any funds under this section will be subject to the following conditions:

7.7(a) The Plan receiving such amounts provides for the acceptance of the amounts;

7.7(b) The Plan provides that if the Participant separates from service in order to accept employment with another such entity, payout will not commence upon separation from service, regardless of any other provision of the plan, and amounts previously deferred can be transferred upon request; and

7.7(c) That the Employee will agree, in writing, to release the present Employer from any and all contractual obligations under the provisions of this Plan upon completion of the transfer of funds to the new employer.

The Employer shall also accept funds from other eligible deferred compensation plans provided that items listed above are met.

7.7 (d) Direct Rollovers - A distributee may elect to have all or any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the distributee.

For purposes of this section an Eligible Rollover Distribution means any distribution of all or any portion of the balance to the credit of the distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401 (a)(9) of the Code; or any amount that is distributed on account of hardship.

For purposes of this section an Eligible Retirement Plan means an eligible retirement plan that is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an eligible deferred compensation plan described in Section 457(b) of the Code which is maintained by an eligible employer described in Section 457(e)(1)(A) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in section 403(b) of the Code, or a qualified trust described in Section 401 (a) of the Code, that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined under section 414(p) of the Code.

For purposes of this section, a distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined under Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

For purposes of this section a Direct Rollover is a payment by the Plan to the Eligible Retirement Plan specified by the distributee.

7.7(e) Transfers In - If a transfer is associated with a distributable event and the Employee is eligible to receive an eligible rollover distribution as defined under Section 402(c)(4) of the Code, such transfer will be considered a Rollover Contribution.

7.7(f) Transfers Out - If a transfer is associated with a distributable event and the distribution is an eligible rollover distribution as defined under Section 402(c)(4) of the Code, such transfer will be considered a Direct Rollover.

7.7(g) Trustee to Trustee Transfers to Purchase Permissive Service Credit - A Participant may elect to have all or a portion of a his/her Participant Account directly transferred to a defined benefit governmental plan (as defined under Section 414(d) of the Code) if such transfer is:

(i) for the purchase of permissive service credit (as defined under Section 415(n)(3)(A) of the Code) under such plan; or

(ii) a repayment to which Section 415 of the Code does not apply by reason of subsection (k)(3) thereof.

7.8 Participation Accounts Not Exceeding Dollar Limit Under Internal Revenue Code 411(a)(11)(A).
Notwithstanding any provision of the Plan to the contrary, if the total amount of a Participant’s Book Account under the Plan does not exceed the dollar limit under Code Section 411 (a) (11) (A), the Participant may elect to receive (or the Employer may elect to pay to the Participant without the Participant’s consent) the total amount in a lump sum payable within 60 days of such election; provided, however, such amount may be distributed pursuant to this Section 7.8 only if: (a) no amount has been deferred under the Plan with respect to such Participant during the two-year period ending on the date of distribution, and (b) there has been no prior distribution under the Plan to such Participant to which this Section 7.8 applied.

SECTION 8. LOANS:

Code Section 72(p) provides for loans from qualified employer plans, including governmental plans. Plan participants may apply for a loan by completing a loan application.

8.1 To avoid being considered a distribution and includable in taxable gross income, loans under the Plan may not exceed an amount that is dependent upon the present value of the participant's nonforfeitable accrued benefit.

8.2 Loans will bear a reasonable rate of interest in order to satisfy the exclusive benefit requirement of Code Section 457(g)(1) and Code of Federal Regulations Section 1.457-8(a)(1).

8.3 Loans are repaid through payroll deduction. Repayments are returned to the Participant's Book Account according to his or her current investment election.

8.4 Loans need to be repaid in full within 90 ninety days of separation of employment or a default will occur. Loans in default will are considered distributions and are reportable income. In such event, Hartford Life will prepare the appropriate federal tax reporting forms.

SECTION 9. NON-ASSIGNABILITY: Subject to Section 11, the fullest extent permitted by law, the interest of a Participant in the contractual obligation of the Employer, established by the Plan, shall not be assignable, in whole or in part, directly or by operation of law or otherwise, in any manner, and no right or interest or a Participant in the Employer's contractual obligation shall be liable for or subject to any obligation or liability of such Participant.

SECTION 10. MISCELLANEOUS:

10.1 Status of Participants – Neither the establishment of the Plan nor any modifications thereof, nor the establishment of any Book Account, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the Employer except as herein provided; and, in no event, shall the terms of employment of any Employee or Participant be modified or in any way be affected hereby.

10.2 Condition of Plan – It is a condition of this Plan, and each Employee by participating herein expressly agrees, that the Participant shall look solely to the general assets of the Plan for the payment of any benefit to which the Participant is entitled under the Plan.

10.3 Governing Law – This Plan shall be construed, administered, and enforced according to the provisions of the California Government Code.

10.4 Employer Participation – Notwithstanding any other provisions of this Plan, the Employer may, subject to the limitations of Section 4.2, make additional deposits to a Participant's deferred compensation Book Account as additional Compensation for the services rendered by the Employee to the Employer during any Employment Year, provided the Employee has elected to have such additional Compensation deferred, invested and distributed, pursuant to this Plan, prior to the period in which the Compensation will be earned. Also, the Employer may make other additional depositions to the Plan, as the Employer may deem advisable, subject, however, to the limitations on deferrals set forth in Section 4.

SECTION 11 AMENDMENT AND TERMINATION:

11.1 The Employer may at any time and from time to time modify, amend, or terminate the Plan in whole or in part (including retroactive amendments) or cease deferring Compensation pursuant to the Plan, by making available to each Participant a written or electronic copy of such modification, amendment, or termination upon request or of a notice that it ceases deferring Compensation; provided, however, that Employer shall not have the right to reduce or affect the value of any Participant's Book Account or any rights accrued under the Plan prior to such modification, amendment, or termination, or cessation.

11.2 In the event of the termination of the Plan by the Employer under Section 11.1, the value of each Participant's Book Account will be distributed to the Participant or the Participant's beneficiary in the manner chosen by Participant in accordance with rules established by the Council.

THE COUNTY OF FRESNO DEFERRED COMPENSATION PLAN

INVESTMENT POLICY AND PROCEDURES STATEMENT

ESTABLISHED SEPTEMBER, 2006

PURPOSES

This Investment Policy and Procedures Statement has been developed for the County of Fresno Deferred Compensation Plan to describe:

- Plan objectives
- Investment option categories
- Investment option characteristics
- Standards of investment performance
- Investment fund evaluations
- Blackout Periods
- Prohibited securities
- Disclosure of fees, commissions and charges
- Investment communication to participants
- Investment education
- Review

PLAN OBJECTIVES

The County of Fresno Deferred Compensation Plan (Plan) is a long-term retirement savings vehicle which is intended to provide a supplemental source of retirement income for eligible participants. The investment options available from the Plan will cover a broad range of investment risk and potential reward appropriate for this kind of retirement savings program. Participants bear the risks and rewards of investment returns that result from the investment options that they select. The investment options (funds) made available will be determined by the County of Fresno Deferred Compensation Committee (Committee) and may be changed as a result of periodic reviews.

The mix of investment options appropriate for a participant depends on the combination of a number of factors, including, among others, age, current income, length of time to retirement, tolerance for investment risk, income replacement/supplement objectives, and a participant's other assets. To permit participants to establish different investment strategies, the plan may offer any number of investment categories, which have varying return and volatility characteristics, in order to allow the participants a broad and diversified portfolio. It is the responsibility of each participant to evaluate the investment options and to select an appropriate mix. A participant should consider, among others, the following risks:

Volatility: The risk of significant decreases in account value (including the loss of principal) over relatively short periods of time.

Accumulation: The risk of not accumulating sufficient assets to retire.

Understanding: The risk of investing for the wrong reasons.

Diversification: The risk of concentrating investments and suffering large losses from a single investment category or similar categories that do not perform well.

A risk/reward structure is basic to investments. Generally, those vehicles offering the greatest return over time also carry the highest risk or volatility of return. The inherent conflict between volatility and long-range accumulation can be lessened through diversification among asset classes. To provide participants the opportunity to select risk/reward strategies and to diversify the Deferred Compensation Plan assets, the Plan will offer a number of investment alternatives.

Participants can control their exposure to accumulation and volatility risks by allocating investments among these options. For example, a participant nearing retirement with high sensitivity to volatility risk might invest more heavily in the Stable Income Fund than a participant with many years to retirement. Many other investment options exist. This number and these types were selected because they: 1) each offer a distinct utility to the participants; 2) provide a spectrum of volatility and accumulation choices; and 3) can be administered, communicated and understood within practical constraints of the Plan's resources.

The Committee will attempt to provide plan participants with an array of suitable fund selections with an objective of reducing fund fees, expenses, and administration fees normally associated with these investments.

DESCRIPTION OF INVESTMENT OPTION CATEGORIES

A **Money Market Option** invests in cash equivalent securities with maturities of less than one year. The average quality of the portfolio must be A1, P1, or AAA. The objective of the fund is to protect underlying principal value and produce a reasonable level of current income. While the volatility risk of this option is the lowest, accumulation risk is the highest.

A **Stable Value Option** invests in book value investments which may include General Account annuity products, Separate Account Annuity products, Guaranteed Accumulation Accounts (GAAs), Guaranteed Investment Contracts (GICs), Bank Investment Contracts (BICs), "Synthetic" GIC arrangements and money market instruments, and may invest in intermediate term fixed income securities with a duration of 5 years or less. Investments may either be made directly or through pooled arrangements. The objective of the fund is to provide higher income than a money market fund while still providing no fluctuation in principal value.

A **Certificate of Deposit Option** with an issuer that guarantees a specific rate of return over a specific period of time. The objective of the fund is to provide guaranteed investment returns with a maximum of safety of principal.

A **Bond Option** invests in cash equivalents and marketable fixed income securities. The average duration of a portfolio should not exceed that of the Lehman Brothers Government/Corporate Bond Index by more than 10%. The average portfolio quality shall be AA (or a comparable rating) or better by Moody's, Standard & Poor's or Fitch's ratings services. Sector and issue concentration guidelines will be dictated by the state policies of the manager of the fund(s).

The investment objective is to provide longer-term preservation of capital while earning a high level of current income. However, principal values may fluctuate over time, primarily in response to changes in interest rates.

A **Balanced Option** invests in several asset classes (typically common stocks, bonds and money market instruments). Investment returns come from both current income and capital changes. Professional investment managers make the asset allocation decisions, and the option can be used by participants who do not wish to self-manage their asset mix. The Balanced Option is expected to produce higher longer-term returns than the Bond Fund option, although volatility may be greater.

Asset allocation, quality and sector concentration guidelines will be dictated by the stated policies of the manager or prospectus of a fund. The investment objective is to provide a diversified investment return of current income and capital appreciation.

A **Large Capitalization* (Large Cap) Option** invests in those companies that comprise the top 70% of the overall stock market capitalization. This asset class may contain value funds that invest in stocks of companies the investment fund manager believes the stock market undervalues and has the potential for market appreciation. This asset class may also contain growth funds that invests in stocks of companies the fund manager believes will grow at a faster rate than its peers or the corresponding market. This asset class may include funds that are blended to include both value and growth stocks. Stocks in this asset class may provide additional investment growth through the reinvestment of dividends.

A **Medium Capitalization* (Mid Cap) Option** invests in companies that comprise the next 20% of the overall stock market. This asset class may contain value funds that invest in stocks of companies the investment fund manager believes the stock market undervalues and has the potential for market appreciation. This asset class may also contain growth funds that invests in stocks of companies the fund manager believes will grow at a faster rate than its peers or the corresponding market. This asset class may include funds that are blended to include both value and growth stocks. Mid-sized companies may be less able to weather economic shifts or other adverse developments than larger, more established companies.

A **Small Capitalization* (Small Cap) Option** invests in companies that comprise the remaining 10% of the overall stock market capitalization. This asset class may contain value funds that invest in stocks of companies the investment fund manager believes the stock market undervalues and has the potential for market appreciation. This asset class may also contain growth funds that invests in stocks of companies the fund manager believes will grow at a faster rate than its peers or the corresponding market. This asset class may include funds that are blended to include both value and growth stocks. Small-sized companies may be less able to weather economic shifts or other adverse developments than larger, more established companies.

An **International / Global Equity Option** - The International Equity Option invests primarily in common stock of established non-U.S. issuers. This fund can be expected to be subject to risk factors not prevalent in domestic markets, including currency risk. The Global Equity Option (aka World Equity Option) invests in common stocks of established non-U.S. issuers as well as domestic common stocks as deemed appropriate by the fund managers. These funds are appropriate for a portion of a participant’s account for which additional risk is acceptable in exchange for diversification from options tied solely to domestic markets. Currency fluctuation will contribute to increased return volatility.

An **Index Fund** invests identically to the market index whose return it seeks to duplicate. The objective of an index fund is to provide market diversification and a market average rate of return reflective of the market segment represented by a given index, e.g., the Standard & Poor’s 500.

Asset Allocation Funds (Model Portfolios) offer an allocation of investments, principally stocks, bonds, and cash or cash equivalents that are appropriate for a given stage of an individual's investment life cycle. An aggressive asset allocation fund will have greater weighting in stocks than a moderate or conservative asset allocation fund. A conservative asset allocation fund will be more heavily weighted toward current income and protection of capital. The objective of an asset allocation fund is to provide a composite rate of return from current income and capital appreciation which is appropriate for a given stage of an individual's investment life cycle.

Sector or Specialty Funds invest in more narrow area of the economy such as technology or healthcare industries. These funds are appropriate for a portion of a participant's account for which additional risk is acceptable in exchange for diversification from options tied solely to broader markets. The narrow scope of the fund will contribute to increased return volatility**.**

Investment Style – If possible, in the area of domestic stock funds, the committee will offer the participants alternatives that reflect the different styles in investment management – Growth, Value and Blend.

*Market capitalization is determined by multiplying the total number of outstanding shares of stock by the market price of the stock. Market capitalization changes with the changes in the price of the stock and increasing or decreasing the outstanding number of shares. Currently, a company is categorized as large if the capitalization is over $7.5 billion; mid cap is over $1.25 billion up to $7.5; small cap is under $ 1.25 billion. However, this changes with significant swings in the stock market. To maintain consistency the 70%, 20%, 10% is used to determine equity asset classes.

INVESTMENT OPTION CHARACTERISTICS

	Money Market Option	Certificate of Deposit / Stable Value Option	Bond Option	Balanced Option	Large Cap Option	Mid Cap Option	Small Cap Option	Inter-national / Global Equity	Index Funds	Asset Allocation Funds	*Specialty or Sector Funds*
Investment Objective	Stable principal and income growth.	Moderate level of current income with stable principal value.	Higher level of current income and increasing principal appreciation values over the long-term.	Competitive returns from both current income and capital growth.	Moderate capital growth and above average current dividend income.	Long-term growth of capital, less emphasis on current income.	Maximum capital gains, little or no emphasis on income.	Long-term growth of capital, little or no emphasis on income.	Replicate the performance of a specific market index.	Preselected, diversified portfolios, managed as a single fund.	Generally long term capital gains, less emphasis on current income.
Invests Primarily In	Highest quality money market instrument s.	General and Separate Account Annuities, GICs, BICs, Money Market instruments, intermediate -term bonds.	Gov't, agency, investment grade corporate bonds.	Common stocks, investment grade bonds and money market instruments.	Common stocks of high quality, relatively mature companies with above average dividends.	Common stocks with prospects for growth superior to that of the broad market.	Common stocks that may be of smaller, higher risk businesses.	Common stocks of non-U.S. issuers with prospects for growth. Global may invest in non-U.S. as well as domestic common stocks.	Domestic stocks or international stocks or bonds, depending on the designated index.	Combinations of international stocks, domestic stocks, bonds, AND stable value, at varying proportions.	Assets in stock of a limited sector of the economy.
Primary Source of Return	Short-term interest income.	Intermediate -term interest income.	Long-term interest income, capital changes.	Capital growth, interest and dividend income.	Capital growth and reinvested dividends.	Capital growth and long-term growth of dividends.	Capital growth.	Capital growth.	Capital growth and/or income, depending on the designated index.	Growth and interest income.	Generally capital growth.

	Money Market Option	Certificate of Deposit / Stable Value Option	Bond Option	Balanced Option	Large Cap Option	Mid Cap Option	Small Cap Option	Inter-national Equity	Index Funds	Asset Allocation Funds	*Specialty or Sector Funds*
Volatility Risk Potential	Lowest	Very low	Moderate	Less than stocks but more than bonds.	Similar average volatility as the S&P 500.	High short-term volatility.	Higher short-term volatility. Periods of several years may elapse before showing superior performanc e.	Highest short-term volatility. Subject to risk factors not prevalent in the domestic markets, such as currency fluctuations.	From high to moderate short term volatility, depending on the designated index.	Low to moderate, depending on the allocation selected.	Higher short-term volatility. Periods of several years may elapse before showing superior performance
Minimum Participant Investment Time Horizon	Less than one year.	1 to 3 Years	1 to 3 Years	3 to 5 Years	4 to 5 Years	5 Years	5 to 10 Years	5 to 10 Years	3 to 5 years	1 to 5 years, depending on the allocation selected.	5 to 10 Years
Ten Year Accumulatio n Risk Potential	Highest	Moderate - High	Moderate	Moderate - Low	Low	Low	Low	Low	Moderate to Low, depending on the designated index.	Moderate to Low.	Low
Participant Perception	Safe	Safe. Transfer restrictions need to be carefully commun-icated.	The interest rate volatility concept may be hard to understand.	Most likely to be mis-understood. Hard to communicate.	Concept easy, differences from Growth Fund are subtle.	Concept easy, actual process sophisticated.	Concept easy. Participant s need to understand risks.	Concept may be mis-understood. Risk factors need to be communicat ed carefully.	Premise of index funds – duplicating performance of a specific market segment – must communicate.	Simple way to invest in a broadly diversified portfolio.	Concept may be mis-understood. Risk factors need to be communicat ed carefully.

Standards of Investment Performance

	3 Year Standard	5 Year Standard
Money Market Option	Competing Money Market Funds will be compared between industry providers.	Competing Money Market Funds will be compared between industry providers.
Stable Value Option	Competing Stable Value Funds will be compared between industry providers.	Competing Stable Value Funds will be compared between industry providers.
Bond Option	Total time-weighted rates of return that match or exceed the average return of a universe of fixed income funds.	Total time-weighted rates of return that match or exceed the average return of a universe of fixed income funds.
Balanced Option	Total time-weighted rates of return that match or exceed the average return of a universe of balanced funds with comparable asset allocation policies.	Total time-weighted rates of return that match or exceed the average return of a universe of balanced funds with comparable asset allocation policies.
Large Cap Option	Total time-weighted rates of return that match or exceed the average return of a universe of large cap funds.	Total time-weighted rates of return that match or exceed the average return of a universe of large cap funds.
Mid Cap Option	Total time-weighted rates of return that exceed the average return of a universe of mid cap funds.	Total time-weighted rates of return that exceed the average return of a universe of mid cap funds.

INVESTMENT FUND EVALUATIONS

POLICY:

The Committee retains the authority to periodically, but no less than annually, evaluate and deselect investment funds. Three (3) and five (5) year Standards of Investment Performance will be applied to all investment funds in the Plan. Each standard shall apply independently to the portfolio of each investment fund and is expected to be achieved net of investment management fees and expenses but not administrative, marketing, and enrollment fees, if any. For funds without comparable indices or peer groups, such as general account products, the Committee will compare the performance to other investment instruments in the market.

The evaluation process will be supported by data, which is derived from Morningstar, and include comparison of returns, expenses, volatility, and risk adjusted returns from the average of the A shares of funds within the peer group of the fund being reviewed.

If an investment fund fails to meet the minimum standards of investment performance outlined in this document, the Committee may take the following steps. The Committee may, in its discretion, if circumstances warrant, proceed directly to Step 2.

Exceptions – In certain circumstances there may be funds, generally specialty or niche funds that may have limited options within the investment vendor contract's selection. If these/this fund(s) does not meet the committees' investment standards, the committee at its discretion can keep the fund in its line up. An example of such fund would be a "sociably responsible" fund or a "green" fund.

PROCEDURE:

Step 1. The investment fund should immediately be placed on a one-year probation. Retention at the end of that one-year period will be contingent on the following:

- The fund should perform above the average of its investment management universe over three-year periods; or
- The fund should perform in the top half quartile of its investment management universe over the past one-year period; and
- Risk-adjusted returns should not exceed 130% of the relative index over the three-year period; and
- Performance over these periods will be reviewed to justify retention.

Investment funds that do not satisfy the retention criteria at the end of that one-year period will be considered for replacement—see Step 2.

Step 2. A fund search may be initiated and a replacement fund selected. Plan assets already deposited with the dropped fund will have a transition period of a length set by the Committee, but not less than **30 days**, in which he or she may transfer their assets to the replacement fund or a fund option of the participant's choice. During the transition period, reminders will be sent to participants monthly prior to eliminating the fund.

In the event a participant does not voluntarily select a replacement fund(s) by the end of the transition period, the Committee will direct the provider to transfer the current balance of the dropped fund to the replacement fund within the asset class with the same provider. In the event the same provider does not offer another investment in the same asset class, the dropped fund will be transferred to the stable value fund **(General Account with Hartford)** of that provider.

Other reasons for probationary review of investment funds may include:

1. Change of investment manager by fund provider
2. Change of subadvisor
3. Significant change in ownership or control
4. Significant change in fund management style or drift
5. Substantive change in portfolio turnover that significantly exceeds the fund's history
6. Any violation of SEC rules or regulations or breach of fiduciary duty
7. Operational difficulties concerning fund transfers or pricing
8. Excessive costs or trading practices
9. Negligible use by participants

Blackout Period

<u>POLICY:</u>

In accordance with the Sarbanes-Oxley Act of 2002, the Plan will give plan participants a minimum of 30-day advance notice of “blackout periods” affecting their rights to direct investments, take loans (if available) or obtain distributions. Blackout periods may occur when plans change record-keepers, record-keeping systems or investment options. Individual participants will receive a blackout notice that contains, among other things:

- The reasons for the blackout period,
- A description of the rights that will be suspended during the blackout period,
- The start and end dates of the blackout period,
- A statement advising participants to evaluate their current investments based on their inability to direct or diversify assets during the blackout period.

Prohibited Securities (Derivative Guidelines)

CASH EQUIVALENT HOLDING

<u>POLICY:</u>

Derivatives generally refer to financial instruments that derive their values from underlying cash market investments. Examples of derivatives include, but are not limited to, financial futures, forwards, options, options on futures, collateralized mortgage obligations and swaps.

The investment manager(s) shall not, in the money market option or the cash portion of any other option, enter into a derivatives contract, purchase securities on margin, or sell short unless expressly authorized to do so in writing by the Committee.

DISCLOSURE OF FEES, COMMISSIONS AND CHARGES

POLICY:

All fees, commissions and charges for each selected investment option must be fully disclosed to the Committee before the option can be made available to plan participants. That is, in its review of a fund's performance history, the Committee must be shown the fund's gross performance less all applicable fees, commissions and charges, and the resulting net return.

In addition, these fees, commissions and charges will be disclosed to all participants at enrollment and at any other time as appropriate. It will be disclosed to plan participants the nature of all variances between gross return and net return.

INVESTMENT COMMUNICATIONS TO PARTICIPANTS

POLICY:

Information about each investment option will be given or made available to Plan participants to help them to make informed investment choices. The Providers shall provide at least quarterly statements of fund performance to each participant.

Upon request, copies of investment fund prospectuses or similar equivalent information will be provided to participants as well as such other information as the Committee has available such as a list of underlying investments for a given fund.

INVESTMENT EDUCATION

POLICY:

It is the Committee's objective to provide participants with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a personal investment strategy for employees and facilitate the achievement of savings and retirement goals.

REVIEW

POLICY:

It is the intention of the Committee to review this document at least every three years and make necessary amendments.

If at any time a fund investment manager or provider feels that these policy standards cannot be met, or that the guidelines constrict management, the Committee should be notified in writing so that recommendation for changing the policy, if deemed appropriate, can be made by the Committee to the County.

Signed and dated in the County of Fresno on September 22, 2006:

Deferred Compensation Plan Committee:

____
Bart Bohn, County Administrative Officer

____
Vicki Crow, Auditor-Controller/Treasurer-Tax Collector

____
Ralph Jimenez, Director of Personnel Services

____
Bill Mar, Member-at-Large

____
Roberto Pena, Member-at-Large

____
Robert Werner, Member-at-Large

Investments by Fund as of February 17, 2009

Investment Choice	Units/Shares	Balance	% of Plan Assets
AIM Real Estate	6,097.14	$61,764.05	0.05%
AmCent Balanced	19,794.43	$229,219.52	0.20%
AmCent Equity Income	582,298.01	$3,161,878.23	2.69%
AF Growth Fund Amer	157,200.59	$2,966,375.12	2.52%
Artisan Internat'l	78,794.68	$1,004,632.17	0.85%
Artisan Mid Cap	51,890.27	$851,000.45	0.72%
Artisan MidCap Value	30,486.22	$362,786.02	0.31%
Baron Small Cap	21,113.55	$273,842.81	0.23%
DR INT TRM I	35,211.43	$392,607.47	0.33%
General	-	$49,316,462.46	41.97%
Htfd Cap App HLS	790,035.28	$17,935,328.82	15.26%
Htfd Div & Grwth HLS	170,068.07	$2,134,466.72	1.82%
Hartford Glbl EQ HLS	43,571.16	$235,882.27	0.20%
Htfd Global Hlth HLS	57,661.19	$608,165.32	0.52%
Htfd Global Grw HLS	294,219.61	$2,743,151.52	2.33%
Htfd Int Opps HLS	236,875.07	$1,678,722.47	1.43%
Htfd MidCap HLS	172,715.01	$2,633,219.96	2.24%
Htfd Money Mkt HLS	2,220,571.53	$2,220,571.53	1.89%

Investment Choice	Units/Shares	Balance	% of Plan Assets
Htfd Sml Company HLS	65,803.32	$658,443.32	0.56%
Htfd TotRet Bond HLS	141,132.11	$1,366,274.52	1.16%
Htfd US Gov Sec HLS	57,196.53	$590,771.99	0.50%
Keeley Small Cap Val	47,155.99	$640,849.96	0.55%
LifePath 2010	10,620.75	$105,676.47	0.09%
LifePath 2020	11,130.77	$125,443.79	0.11%
LifePath 2030	4,310.62	$41,942.34	0.04%
LifePath 2040	4,938.41	$55,408.96	0.05%
LifePath Retirement	10,139.83	$91,055.64	0.08%
MFS High Income	51,938.04	$127,248.19	0.11%
MFS Utilities	118,866.72	$1,286,137.94	1.09%
Oppen Capital App	123,703.02	$3,289,263.33	2.80%
Pax World Balanced	29,142.87	$475,028.81	0.40%
Putnam HY Advantage	49,368.10	$217,713.31	0.19%
Mgrs AMG Skyline SEP	96,198.41	$976,413.82	0.83%
SSgA S&P 500 Flgshp	413,205.33	$2,186,204.94	1.86%
Van Kampen Equity In	2,431,979.10	$14,300,037.11	12.17%
Victory Spec Val	45,892.38	$424,045.62	0.36%

Hartford Fees (for the period ending 01/31/2009)

Investment Choice	Underlying Fund Share Class	Invest Mgmt Fee	12b-1 Fee	Other Exp	Total Annual Underlying F.O.E.†	Program and Admin Expense††	Total Fees & Charges	Fees Received by The Hartford from Underlying Funds†††
Specialty								
AIM Real Estate	A	0.73%	0.25%	0.32%	1.30%	0.00%	1.30%	0.5
Htfd Global Hlth HLS	IA	0.83%	0.00%	0.05%	0.88%	0.00%	0.88%	0.46
MFS Utilities	A	0.62%	0.25%	0.18%	1.05%	0.00%	1.04%	0.67
International/Global								
Artisan Internat'l	INV	0.92%	N/A	0.30%	1.22%	0.00%	1.22%	0.35
Hartford Glbl EQ HLS	IA	0.95%	0.00%	0.10%	1.05%	0.00%	1.05%	--
Htfd Global Grw HLS	IA	0.70%	0.00%	0.06%	0.76%	0.00%	0.76%	0.47
Htfd Int Opps HLS	IA	0.67%	0.00%	0.08%	0.75%	0.00%	0.75%	0.46
Small Cap								
Baron Small Cap	--	1.00%	0.25%	0.06%	1.31%	0.00%	1.31%	0.4
Htfd Sml Company HLS	IA	0.68%	0.00%	0.04%	0.72%	0.00%	0.72%	0.47
Keeley Small Cap Val	A	0.94%	0.25%	0.15%	1.33%	0.00%	1.33%	0.35
Mgrs AMG Skyline SEP	--	1.37%	0.00%	0.02%	1.39%	0.00%	1.39%	0.4
Mid Cap								
Artisan Mid Cap	INV	0.94%	N/A	0.30%	1.23%	0.00%	1.23%	0.35
Artisan MidCap Value	INV	0.94%	N/A	0.26%	1.21%	0.00%	1.21%	0.35
Htfd MidCap HLS	IA	0.66%	0.00%	0.02%	0.68%	0.00%	0.68%	0.44
Victory Spec Val	A	0.79%	N/A	0.38%	1.17%	0.00%	1.17%	.45 + $16 Per Participant
Large Cap								
AmCent Equity Income	INV	0.96%	N/A	0.01%	0.97%	0.00%	0.96%	0.35
AF Growth Fund Amer	R4	0.24%	0.25%	0.16%	0.64%	0.00%	0.64%	0.35
Htfd Cap App HLS	IA	0.63%	0.00%	0.04%	0.67%	0.00%	0.67%	0.43
Htfd Div & Grwth HLS	IA	0.64%	0.00%	0.03%	0.67%	0.00%	0.67%	0.48
Oppen Capital App	A	0.56%	0.24%	0.27%	1.07%	0.00%	1.07%	0.25% + lesser of $12/participant or 0.25%
SSgA S&P 500 Flgshp	A	0.02%	0.00%	0.00%	0.02%	0.00%	0.02%	0
Asset Allocation/Balanced								
AmCent Balanced	INV	0.90%	N/A	0.00%	0.90%	0.00%	0.90%	0.35
LifePath 2010	I	0.76%	N/A	0.01%	0.77%	0.00%	0.77%	0.5
LifePath 2020	I	0.74%	N/A	0.01%	0.75%	0.00%	0.74%	0.5
LifePath 2030	I	0.72%	N/A	0.01%	0.73%	0.00%	0.73%	0.5
LifePath 2040	I	0.71%	N/A	0.01%	0.72%	0.00%	0.72%	0.5
LifePath Retirement	I	0.75%	N/A	0.02%	0.77%	0.00%	0.77%	0.5
Pax World Balanced	INV	0.50%	0.25%	0.20%	0.96%	0.00%	0.96%	0.35
Van Kampen Equity In	A	0.35%	0.25%	0.16%	0.76%	0.00%	0.76%	0.5

Investment Choice	Underlying Fund Share Class	Invest Mgmt Fee	12b-1 Fee	Other Exp	Total Annual Underlying F.O.E.†	Program and Admin Expense††	Total Fees & Charges	Fees Received by The Hartford from Underlying Funds†††
Bond								
DR INT TRM I	A	0.38%	N/A	0.42%	0.80%	0.00%	0.80%	0.5
Htfd TotRet Bond HLS	IA	0.46%	0.00%	0.04%	0.50%	0.00%	0.50%	0.37
Htfd US Gov Sec HLS	IA	0.45%	0.00%	0.01%	0.46%	0.00%	0.46%	--
MFS High Income	A	0.48%	0.30%	0.19%	0.97%	0.00%	0.97%	0.67
Putnam HY Advantage	A	0.66%	0.25%	0.14%	1.05%	0.00%	1.05%	0.5
Stable Value/Money Market								
Htfd Money Mkt HLS	IA	0.40%	0.00%	0.03%	0.43%	0.00%	0.43%	0.41

This table shows only the asset-based fees, charges and expenses deducted daily and associated with the investment choices of the group variable funding agreement. Please refer to the product prospectus or disclosure documents, as applicable, for information on other fees and charges that may apply to your plan's contract such as a contingent deferred sales charge, annual maintenance fee, and other fees or charges, if applicable.

† These are the Total Annual Fund Operating Expenses for each underlying fund as of its year-end. Total Annual Fund Operating Expenses are the expenses that are deducted from fund assets, including management fees, Rule 12b-1 distribution and/or service fees, and other expenses. Actual fees and expenses for the underlying funds vary daily. As a result, the fees and expenses for any given day may be greater or less than the Total Annual Fund Operating Expenses listed above in the table. More detail concerning each underlying fund's fees and expenses is contained in the prospectus for each fund.

†† This reflects the Program and Administrative Expense deducted from the assets of the Separate Account. For some Contracts, the Program and Administrative Expense is deducted from Separate Account assets on a daily basis at the annual rate shown above. For other Contracts, the Program and Administrative Expense is deducted on a quarterly basis at the annual rate shown above. If the Program and Administrative Expense under a Contract is insufficient to cover actual costs incurred by us, we will bear the loss. If the Program and Administrative Expense exceeds these costs, we will keep the excess as profit. We may use these profits, as well as fees and payments received from the fund families, for any proper corporate purpose, including, among other things, payment of sales expenses, including our expenses of paying compensation to broker-dealers, financial institutions and other persons for selling the Contracts. We expect to make a profit from the program and administrative charge.

††† The Hartford receives these fees and payments with respect to the underlying funds that are offered as investment choices to your Plan through the Contract. We consider these fees and payments, among a number of other factors, when deciding to include a fund in the menu of Funds that we offer through the Contract. We receive these fees and payments under agreements between The Hartford and the principal underwriters, transfer agents, investment advisors and/or other entities related to the Funds. These fees and payments may include asset based sales compensation and service fees under distribution and/or servicing plans adopted by funds pursuant to Rule 12b-1 under the Investment Company Act of 1940.

They may also include administrative service fees and additional payments, expense reimbursements and compensation sometimes referred to as "revenue sharing" payments. We receive these fees and payments for our own account and expect to make a profit on the amount of the fees and payments that exceed our own expenses, including our expenses of paying compensation to broker-dealers, financial institutions and other persons for selling the Contracts. Some of the funds are part of our own affiliated family of funds. In addition to any fees and payments The Hartford may receive with respect to those funds, one or more of our affiliates receives compensation from the funds, including among other things a management fee and Rule 12b-1 fees from the funds.