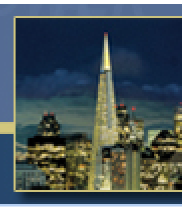
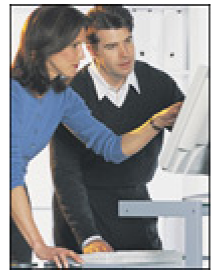
SPONSOR E-NEWS



TRANSAMERICA
RETIREMENT SERVICES

Welcome to the October 2007 edition of Sponsor E-News!

In this issue:



- **The Importance of an Investment Policy Statement**
- **Required Minimum Distributions: Preparing for Year End**
- ***Fiduciary Focus*: Prohibited Transactions**
- **Resources on www.TA-Retirement.com**

This month, we begin Sponsor E-News with an informative article on Investment Policy Statements and their importance to your plan.

We are also focusing on the Required Minimum Distributions events that occur each year when you have participants turning 70½.

Also, we continue to dig deeper into our *Fiduciary Focus* series. This month we have our sights set on prohibited transactions.

Lastly, we want to ensure you are getting the most out of our Web site and that you know about the great resources available to you.

To help convey important information to you quickly, our newsletter messages are color-coded:

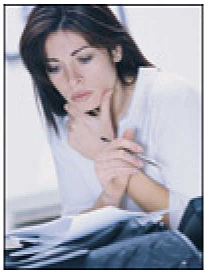
Action Required: Noted in red, these messages require action, such as a signature, by the Trustee or Fiduciary of the plan

Legislative / Compliance Update: Noted in blue, these messages discuss legislative or compliance-related topics.

For Your Information: Noted in green, these messages provide you with general information covering subjects such as participant education, product and service features, and helpful tips for using the Web site.

FOR YOUR INFORMATION

The Importance of an Investment Policy Statement



According to the Profit Sharing Council of America's 50th Annual Survey, 80.1% of all plans report having an Investment Policy Statement. Another 8.7% of plans reported that they were uncertain if their plan had an Investment Policy Statement. Developing an Investment Policy Statement is an indispensable part of managing your retirement plan. An Investment Policy Statement is a document that details guidelines established by the plan sponsor for making prudent investment management decisions, such as identifying acceptable classes of investments.

The Employee Retirement Income Security Act of 1974 (ERISA) does not require that a plan has a written Investment Policy Statement. However, ERISA counsel uniformly agrees that an Investment Policy Statement is a "Best Practice" for every plan. One of the primary questions asked by Department of Labor auditors is whether or not the employer has an Investment Policy Statement. In addition, adherence to an Investment Policy Statement helps protect fiduciaries from personal liability. Investment policy statements often:

- Define the plan's investment objectives
- Define the role of those responsible for the plan's investments
- Describe the criteria and procedure for selecting investment choices
- Establish investment procedures, measurement standards and monitoring procedures
- Describe ways to address investment choices that fail to satisfy established objectives
- Provide for appropriate diversification guidelines within investment vehicles.

To assist you in establishing an investment policy statement for your plan, Transamerica provides a customizable IPS that was drafted by Fred Reish, Managing Partner of the Los Angeles-based ERISA law firm Reish, Luftman, Reicher & Cohen, and is modeled after an Investment Policy Statement furnished by the Profit Sharing Council of America. This Investment Policy Statement is provided to assist sponsors of plans that utilize the investments and services offered by Transamerica Retirement Services and was specifically designed to integrate the Transamerica Investment Monitor selection and monitoring process.

We will be happy to work with you and your financial adviser to help you customize an Investment Policy Statement for your plan. Please contact us at (866) 498-4557 so we can discuss this in more detail.

LEGISLATIVE / COMPLIANCE UPDATE

Required Minimum Distributions: Preparing for the Year End

During November, Transamerica will send out our annual mailing to plan sponsors indicating which participants may be required to receive Required Minimum Distributions, according to our records.

The Internal Revenue Service requires that minimum distributions from qualified retirement plans begin by a given date.

The minimum distribution amount is calculated by Transamerica according to a specific formula. It must generally start no later than April 1st of the year following the calendar year in which the participant attains age 70½. A plan may, but is not required to, postpone the beginning date of the required minimum distribution for all participants who are not five percent owners to the later of (a) the calendar year in which the participant attains age 70½ or (b) the year in which the participant retires. Please review your plan documents to see what your plan provides.

You will need to provide participants with the Minimum Required Distribution form for completion. Instructions on how to fill out the form will be included in the upcoming mailing.

Follow these simple steps if you need additional forms:

- Log in to www.TA-Retirement.com with your sponsor id and password
- Click on Plan Administration on the left hand navigation
- Click on Participant Forms - you will find the link for the Minimum Required Distribution form.

LEGISLATIVE / COMPLIANCE UPDATE

Fiduciary Focus: Prohibited Transactions

Previously, we discussed a group of activities known as prohibited transactions. This month *Fiduciary Focus* will begin to examine prohibited transactions in more depth, beginning with prohibited transactions that result from sales, exchanges, or leases between a qualified plan and a party in interest (refer to the September edition of *Fiduciary Focus* for more detail on parties in interest).

Generally speaking, ERISA Section 406(a)(1)(A) prohibits any direct or indirect sale, exchange or lease between a plan and a party in interest. This prohibition applies equally to situations where the plan is the "giver" in the transaction and where the plan is the "receiver" in the transaction.

For example, a qualified plan that owned an office building rented space in that building to a union who was a party in interest to the plan. Doing so resulted in a prohibited transaction [*Dole v. Formica* (N.D. Ohio Sept. 30, 1991)]. In the Dole case, the transaction in question was a direct lease where the plan was the "giver" and a party in interest the "receiver".

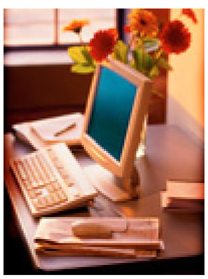
In-kind contributions to a qualified plan also may result in prohibited transactions within the sales, exchanges, or leases category. If in-kind contributions are given to a plan in exchange for a plan sponsor's obligation to make a cash contribution to the plan, a prohibited transaction occurs. For example, the plan document states that the sponsor will make an annual profit sharing contribution to the plan in a cash amount equal to five percent of the employer's net profits. Instead, the plan sponsor contributes real estate to the plan that has a value equal to five percent of the employer's net profits for the year, at the time of contribution.This exchange of real property for a cash obligation would be a prohibited transaction (DOL Interpretive Bulletin 94-3).

If a plan fiduciary is to fulfill the standard of care demanded by ERISA, he or she must carefully assess every transaction in which the plan engages to ensure that the transaction does not result in a direct or indirect sale, exchange or lease between a plan and a party in interest. Otherwise, a prohibited transaction may occur and the fiduciary will have failed to fulfill one or all of the four primary obligations he or she owes the plan. Under this category of transactions, such a fiduciary lapse has a high probability of causing harm to the plan participants and beneficiaries.

Next month, Fiduciary Focus will examine prohibited transactions resulting from loans or extensions of credit.

FOR YOUR INFORMATION

Resources on www.TA-Retirement.com



While you are probably familiar with the Web site features on TA-Retirement.com that provide help with your daily administration, such as Plan Information, Plan Funds, Plan Administration, and Plan Reports —you may not be aware of the offerings available under the "Resources" tab.

The "Resources" section of the Employer Web site contains many tools to help keep you informed and knowledgeable about all aspects of managing a retirement plan. You'll also find helpful tools for your participants.

Features include:

401(k) Day Materials
Find helpful information on what 401(k) Day is, tips on planning your own company 401(k) Day event, and downloadable materials for participants.

Sponsor Spotlight
This timely bulletin is filled with "good-to-know" information you can use in your day-to-day plan administration and employee communications.

Participant Education
Resources designed to assist your employees on their journey to retirement. The Investment Education and Planning tool includes e-Tips and educational presentations that are downloadable for installation on your company's intranet site.

Newsletters
Access an archive of Sponsor E-News and other publications.

Webcasts
Transamerica Web Conferences feature top industry experts covering topics such as fiduciary responsibility, investor behavior, and more.

Participant Tools

Access to frequently used participant tools, such as the Enrollment Workshop Online, AdviceSolutions flyer, TransDirect Phone Access, and Participant Forms.

Be sure to check it out!

We would also like to hear your suggestions and ideas for future topics for E-News. Please let us know how we can be of service to you by replying to this e-mail, or by calling (866) 498-4557. We look forward to hearing from you.

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[1] Cash flows are paid to the AAA/senior tranches before the lower subordinate tranches and they often have various levels of credit enhancement, such as third-party insurance and over-collateralization, which helps protect cash flows to investors.

[2] Transamerica Retirement Services ("Transamerica"), a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), 4 Manhattanville Road, Purchase, New York 10577, and Transamerica Life Insurance Company ("TLIC"), 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. Investment choices are available from Transamerica Retirement Services under contract form number TA-AP-2001-CONT, a group variable annuity contract underwritten by TFLIC, or under contract form numbers TGP-439-194, TGP-416-192/194, TGP-430-192/194, CNT-TALIAC 05-02 or CNT-TLIC 10-05, group variable annuity contracts underwritten by TLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Contract form and number may vary, and these investment choices may not be available in all jurisdictions. Fees and charges may apply. For complete information, contact your Transamerica representative.

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