

AGENDA AND NOTICE OF MEETING

STATE OF WISCONSIN DEFERRED COMPENSATION BOARD INVESTMENT COMMITTEE MEETING

Tuesday, March 25, 2008
1:00 p.m.

Department of Employee Trust Funds
801 West Badger Road, Conference Room GA
Madison, Wisconsin

The documents for this meeting are available on-line at:

http://etf.wi.gov/boards/agendas_dc.htm

To request a printed copy of any of the agenda items, please contact the Board Liaison, Sharon Walk, at 608-267-2417.

- | | |
|-----------|--|
| 1:00 p.m. | 1. Wisconsin Deferred Compensation –
Fund Performance Review for Period Ending December 31, 2007 |
| 1:45 p.m. | 2. Stable Value Fund Discussion |
| 2:05 p.m. | 3. Discussion of Implementation Details of Managed Accounts |
| 2:10 p.m. | 4. Miscellaneous <ul style="list-style-type: none">➤ News Article re: American Funds➤ Future Agenda Items |
| 2:15 p.m. | 5. Adjournment |

Times shown are estimates only.

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Sharon Walk, Department of Employee Trust Funds, PO Box 7931, Madison, WI 53707-7931. Telephone number: (608) 267-2417; Wisconsin Relay Service: 7-1-1; or e-mail: sharon.walk@etf.state.wi.us



STATE OF WISCONSIN
Department of Employee Trust Funds

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SECRETARY

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DATE: March 11, 2008

TO: Wisconsin Deferred Compensation Board Investment Committee

FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program

SUBJECT: 2007 Annual Investment Performance Review

The **2007 Annual Investment Performance Review**, prepared by Advised Assets Group (AAG), is presented for your review and comment. This memo summarizes the findings. In the report, AAG notes that the weighted average return for all Wisconsin Deferred Compensation (WDC) participants as of December 31, 2007, was 10.07%. AAG also comments on the following funds:

- *Calvert Social Investment Fund* – This fund was added to the WDC Plan in 2003 as the WDC's socially responsible investment fund option. While it outperformed all benchmarks over one year and most of its benchmarks over three years, it continues to underperform its benchmarks over the five-year period.
- *DFA U.S. Microcap* – This fund has struggled recently, with returns ranking it in the third quartile for four out of the last five quarters of rolling three-year quartile rankings. Over five years, this fund carries a higher standard deviation than its Morningstar category average, but has also yielded higher returns than the category over the same time period.
- *Fidelity Contrafund* – This fund returned 19.87% in 2007. It beat all of its benchmarks over all time periods. Morningstar named Contrafund manager Will Danoff its "Manager of the Year" for 2007.
- *Vanguard Target Retirement Funds* – The Board added these lifecycle funds to the WDC Plan in 2005. Overall, the returns from these funds are in-line with their composite indices over the one and three-year terms, but mostly lag their competitors' returns over the three-year term.

The details in the report demonstrate that the Board has done a good job of selecting investment options. Despite increased uncertainty in the economic markets, the majority of the WDC's investment options continued to meet or exceed established performance benchmarks.

Growth

During 2007, the WDC Program continued to experience steady growth in both new deferrals and investment income. As of December 31, 2007, the WDC had nearly 47,000 participants and assets exceeding \$2.29 billion. In comparison, at the close of 2006 the WDC had 44,100 participants and assets of just over \$2 billion, and at the end of 2005 the WDC had approximately 42,800 participants and assets of over \$1.8 billion.

Staff from the Department and AAG will be available at the Investment Committee meeting to discuss the report.

attachment

Reviewed and approved by Jean Gilding, Deputy Administrator,
Division of Retirement Services

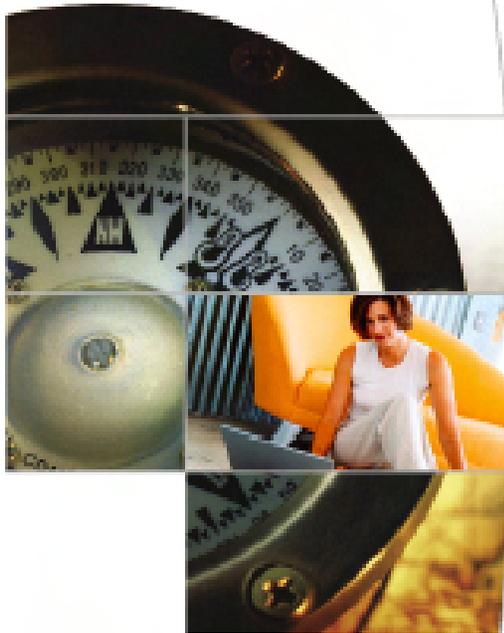
Signature

Date

Board	Mtg Date	Item #
DCIC	03/25/2008	1

**Wisconsin Deferred
Compensation Plan
Fund Performance Review**

December 31, 2007



AdvisedAssetsGroup

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Section

I. Executive Summary

- Plan Compliance Report Card
- Rolling 3 year Quartile Rankings
- Assets Summary
- Expense Ratio Summary
- Weighted Average Return

II. Fund Highlights and Observations

III. Performance Benchmarking

- Risk, Style Drift and Portfolio Construction

IV. Lifecycle Options

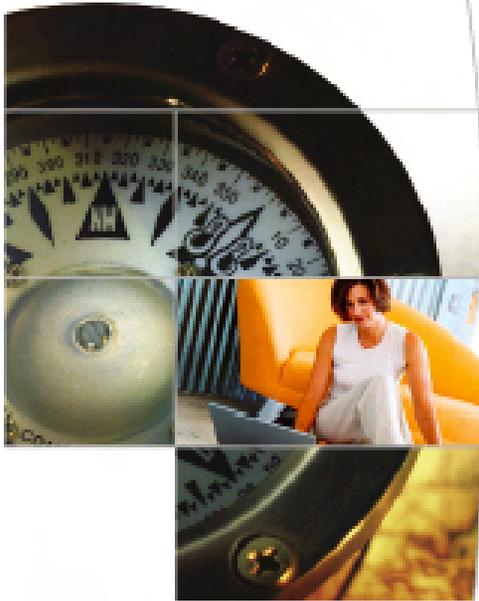
V. Economic Overview

- Morningstar Pages

VI. Investment Policy Statement and Benchmarks

Appendix: Glossary of Terms

Executive Summary



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= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
American Funds EuroPacific Gr R5	19.22	20.92	23.10	12.34	124,010.18	0.53
MSCI AC World Ex USA NR USD	16.65	19.88	24.02	--	--	--
MSCI EAFE Free NR USD	11.17	16.83	21.59	8.65	--	--
Lipper International Funds	12.41	17.18	20.83	8.80	--	--
Cat: Foreign Large Blend	12.71	17.22	20.31	7.94	3,867.00	1.51
Barclay's EAFE Equity Index Fund W	11.39	16.96	21.53	--	--	0.10
MSCI EAFE Ndr_D	11.17	16.83	21.59	8.66	--	--
DFA U.S. Micro Cap	-5.22	5.18	17.23	10.58	4,175.88	0.53
Russell 2000	-1.57	6.80	16.25	7.08	--	--
Russell Micro Cap TR	-8.00	3.22	15.87	--	--	--
Cat: Small Blend	-1.10	6.93	15.72	8.30	719.79	1.43
Barclay's Russell 2000 Index Fd	-1.59	6.74	16.08	--	--	0.05
Russell 2000	-1.57	6.80	16.25	7.08	--	--
T. Rowe Price Mid-Cap Growth	17.65	12.99	18.74	11.56	15,902.49	0.80
Lipper Mid Cap Growth	16.48	11.70	16.45	7.78	--	--
Russell Midcap Growth	11.43	11.39	17.90	7.59	--	--
Standard & Poor's Midcap 400	7.98	10.27	16.20	11.19	--	--
Cat: Mid Growth	15.09	11.23	16.33	8.06	883.80	1.52
Barclay's Mid Cap Equity Index Fund W	8.07	10.35	16.30	--	--	0.04
Standard & Poor's Midcap 400	7.98	10.27	16.20	11.19	--	--
Calvert Social Investment Equity I	10.53	8.64	11.10	8.39	1,215.76	0.67
Standard & Poor's 500	5.49	8.62	12.83	5.91	--	--
Calvert Social Index	3.23	6.15	10.98	--	88.74	0.21
Lipper MultiCap Core	6.48	8.68	13.35	7.03	--	--
Morningstar Socially Resp Large Cap Index	5.25	7.33	11.54	5.43	483.59	1.21
Fidelity Contrafund	19.78	15.80	17.99	10.72	72,968.96	0.90
Standard & Poor's 500	5.49	8.62	12.83	5.91	--	--
Lipper Growth Fund Average	14.21	8.66	11.74	5.00	--	--
Cat: Large Growth	13.35	9.11	12.75	5.28	3,368.29	1.40

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE:
Morningstar 12/31/2007


= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
Vanguard Inst Index Plus Info	5.50	8.63	12.84	5.98	68,555.82	0.03
Standard & Poor's 500	5.49	8.62	12.83	5.91	--	--
Vanguard Wellington Adm	8.48	10.12	12.44	8.47	49,110.76	0.17
Lipper Balanced Fund	5.93	7.05	9.63	5.64	--	--
Cat: Moderate Allocation	5.99	7.32	10.24	5.99	3,532.97	1.39
65% S&P Barra Value/35% Lehman Agg	3.86	8.32	11.30	6.69	--	--
Vanguard Long-Term Investment-Grade Adm	3.86	4.03	5.48	6.39	5,738.48	0.12
Lehman Brothers LT Corp A or Better	1.65	3.14	5.08	6.02	--	--
Cat: Long-Term Bond	3.10	3.75	5.86	5.68	633.94	0.84
Barclay's US Debt Index	7.01	4.58	4.44	--	--	0.05
Lehman Brothers Aggregate Bond	6.97	4.56	4.42	5.97	--	--
Federated U.S. Govt: 2-5 Yr Instl	9.18	4.40	3.40	5.25	730.99	0.60
Merrill Lynch 3-5 Year Treasury	9.86	4.68	3.72	5.79	--	--
Lipper Short-Inter U.S.	7.24	3.74	3.32	4.81	--	--
Cat: Short Government	5.87	3.58	2.66	4.31	479.97	0.93
Vanguard Adm Money Market	4.78	4.14	2.91	3.62	20,637.37	0.10
iMoneyNet Average Treasury MM	3.99	3.42	2.26	3.02	--	--

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE: Morningstar
12/31/2007

Rolling 3 Year Quartile Rankings

Name	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
American Funds EuroPacific Gr R5	90	83	81	75	88	86						
Calvert Social Investment Equity I	46	34	46	59	59	60						
DFA U.S. Micro Cap	29	51	39	44	48	55						
Federated U.S. Govt: 2-5 Yr Instl	94	55	39	91	40	34						
Fidelity Contrafund	96	94	96	99	98	99						
T. Rowe Price Mid-Cap Growth	68	66	78	82	77	83						
Vanguard Institutional Index Instl PI	57	57	54	62	74	67						
Vanguard Long-Term Inv Grade Adm	72	65	67	68	80	72						
Vanguard Wellington Adm	95	92	90	89	91	91						

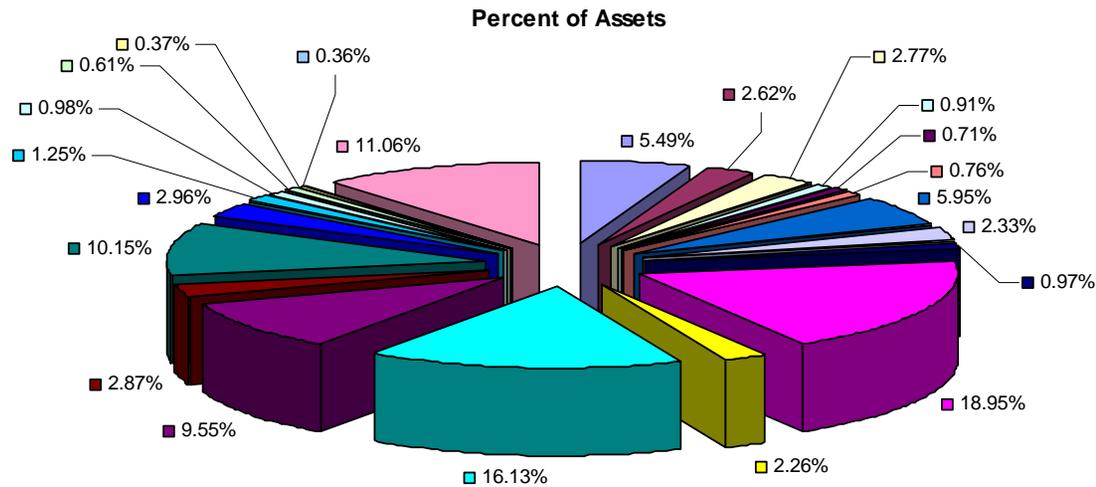
76-100	1st Quartile
51-75	2nd Quartile
26-50	3rd Quartile
1-25	4th Quartile

DATA SOURCE: Morningstar
12/31/2007

Plan Asset Summary

	Plan Inception Date	Fund Net Assets	WDC Assets in Fund	WDC as a Percentage of Fund Assets	Fund as a Percentage of WDC Assets	Number of Participants	Percentage of WDC Participants Utilizing Fund
American Funds EuroPacific Gr R5	01/28/2005	\$114,471,104,347	\$125,901,478.51	0.11%	5.49%	12,709	27.68%
Barclay's EAFE Equity Index Fund W	02/01/2001	N/A	\$60,110,975.85	N/A	2.62%	7,730	16.84%
DFA U.S. Micro Cap	02/01/1997	\$4,175,876,990	\$136,446,560.31	3.27%	5.95%	18,004	39.22%
Barclay's Russell 2000 Index Fd	02/20/2004	N/A	\$20,911,258.28	N/A	0.91%	4,423	9.63%
T. Rowe Price Mid-Cap Growth	02/01/1998	\$15,906,448,640	\$219,174,958.19	1.38%	9.55%	21,700	47.27%
Barclay's Mid Cap Equity Index Fund W	02/01/2001	N/A	\$63,491,754.80	N/A	2.77%	9,001	19.61%
Calvert Social Investment Equity I	04/18/2003	\$1,215,759,097	\$17,430,641.76	1.43%	0.76%	2,847	6.20%
Fidelity Contrafund	01/31/1994	\$72,968,956,723	\$434,894,510.94	0.60%	18.95%	26,289	57.26%
Vanguard Inst Index Plus Info	09/09/1990	\$68,555,823,223	\$232,944,076.56	0.34%	10.15%	18,269	39.79%
Vanguard Wellington Adm	10/26/2001	\$49,110,757,815	\$253,834,691.88	0.52%	11.06%	17,986	39.18%
Vanguard Long-Term Investment-Grade Adm	10/26/2001	\$5,738,484,104	\$67,826,704.37	1.18%	2.96%	10,165	22.14%
Barclay's US Debt Index	02/01/2001	N/A	\$16,193,166.78	N/A	0.71%	3,199	6.97%
Federated U.S. Govt: 2-5 Yr Instl	02/03/1992	\$731,924,778	\$22,189,794.39	3.03%	0.97%	3,989	8.69%
Vanguard Target Ret Income	07/29/2005	\$1,690,443,489	\$8,259,048.48	0.49%	0.36%	382	0.83%
Vanguard Target Ret 2015	07/29/2005	\$7,255,582,031	\$28,774,318.28	0.40%	1.25%	1,306	2.84%
Vanguard Target Ret 2025	07/29/2005	\$7,239,093,649	\$22,577,524.15	0.31%	0.98%	1,974	4.30%
Vanguard Target Ret 2035	07/29/2005	\$4,736,604,936	\$14,085,087.38	0.30%	0.61%	1,910	4.16%
Vanguard Target Ret 2045	07/29/2005	\$2,306,430,354	\$8,465,182.45	0.37%	0.37%	1,507	3.28%
Vanguard Adm Money Market	10/01/1993	\$20,637,373,890	\$65,798,807.28	0.32%	2.87%	10,382	22.61%
Stable Value Fund	09/01/1996	N/A	\$370,269,806.71	N/A	16.13%	15,374	33.49%
Schwab PCRA	02/17/2000	N/A	\$51,880,569.03	N/A	2.26%	1,444	3.15%
FDIC Option	12/31/1996	N/A	\$53,464,778.52	N/A	2.33%	2,940	6.40%

Total WDC Assets (as of 12/31/2007): \$2,294,925,694.90



American Funds EuroPacific Gr R5 - 5.49%	Barclay's EAFE Equity Index Fund W - 2.62%	Barclay's Mid Cap Equity Index Fund W - 2.77%
Barclay's Russell 2000 Index Fd - 0.91%	Barclay's US Debt Index - 0.71%	Calvert Social Investment Equity I - 0.76%
DFA U.S. Micro Cap - 5.95%	FDIC Option - 2.33%	Federated U.S. Govt: 2-5 Yr Instl - 0.97%
Fidelity Contrafund - 18.95%	Schwab PCRA - 2.26%	Stable Value Fund - 16.13%
T. Rowe Price Mid-Cap Growth - 9.55%	Vanguard Adm Money Market - 2.87%	Vanguard Inst Index Plus Info - 10.15%
Vanguard Long-Term Investment-Grade Adm - 2.96%	Vanguard Target Ret 2015 - 1.25%	Vanguard Target Ret 2025 - 0.98%
Vanguard Target Ret 2035 - 0.61%	Vanguard Target Ret 2045 - 0.37%	Vanguard Target Ret Income - 0.36%
Vanguard Wellington Adm - 11.06%		

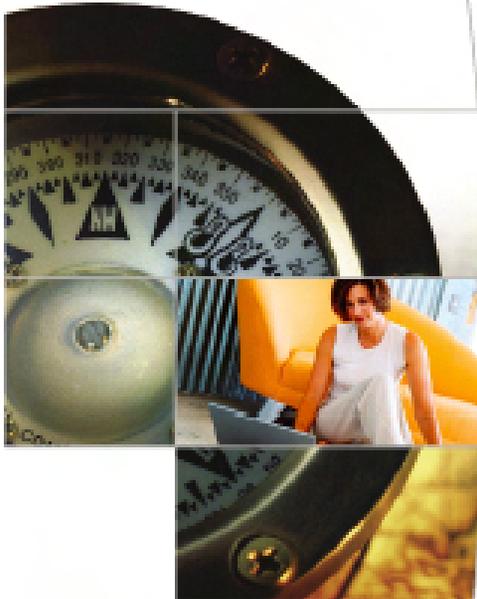
Fund Expense v. Category

Name	Expense Ratio
American Funds EuroPacific Gr R5	0.53
Cat: Foreign Large Blend	1.51
Barclay's EAFE Equity Index Fund W	0.10
Morningstar Foreign Large Blend Index	0.83
DFA U.S. Micro Cap	0.53
Cat: Small Blend	1.43
Barclay's Russell 2000 Index Fd	0.05
Morningstar Small Cap Blend Index	0.86
T. Rowe Price Mid-Cap Growth	0.80
Cat: Mid Growth	1.52
Barclay's Mid Cap Equity Index Fund W	0.04
Morningstar Mid Cap Blend Index	0.85
Calvert Social Investment Equity I	0.67
Morningstar Socially Resp Large Cap Index	1.21

Name	Expense Ratio
Fidelity Contrafund	0.90
Cat: Large Growth	1.40
Vanguard Inst Index Plus Info	0.03
Morningstar Large Cap Blend Index	0.62
Vanguard Wellington Adm	0.17
Cat: Moderate Allocation	1.39
Vanguard Long-Term Investment-Grade Adm	0.12
Cat: Long-Term Bond	0.84
Barclay's US Debt Index	0.05
Morningstar Intermediate Bond Index	0.42
Federated U.S. Govt: 2-5 Yr Instl	0.60
Cat: Short Government	0.93
Vanguard Adm Money Market	0.10
Average US Money Market Fund	0.65

- The weighted average return for the ETF participants as of 12/31/2007 was 10.07%
- Much of this can be attributed to a 18.95% weighting in the Fidelity Contrafund which returned about 20%
- Other contributing factors were:
 - 8% exposure to international investments which had an average return of 15.31%
 - An 10% weighting to the Vanguard Index which returned 5.50%
 - An 16% weighting to the Wisconsin Stable Value Fund which returned 5.11%
- Note: Participant weighted average return excludes the self directed brokerage accounts

Fund Highlights and Observations



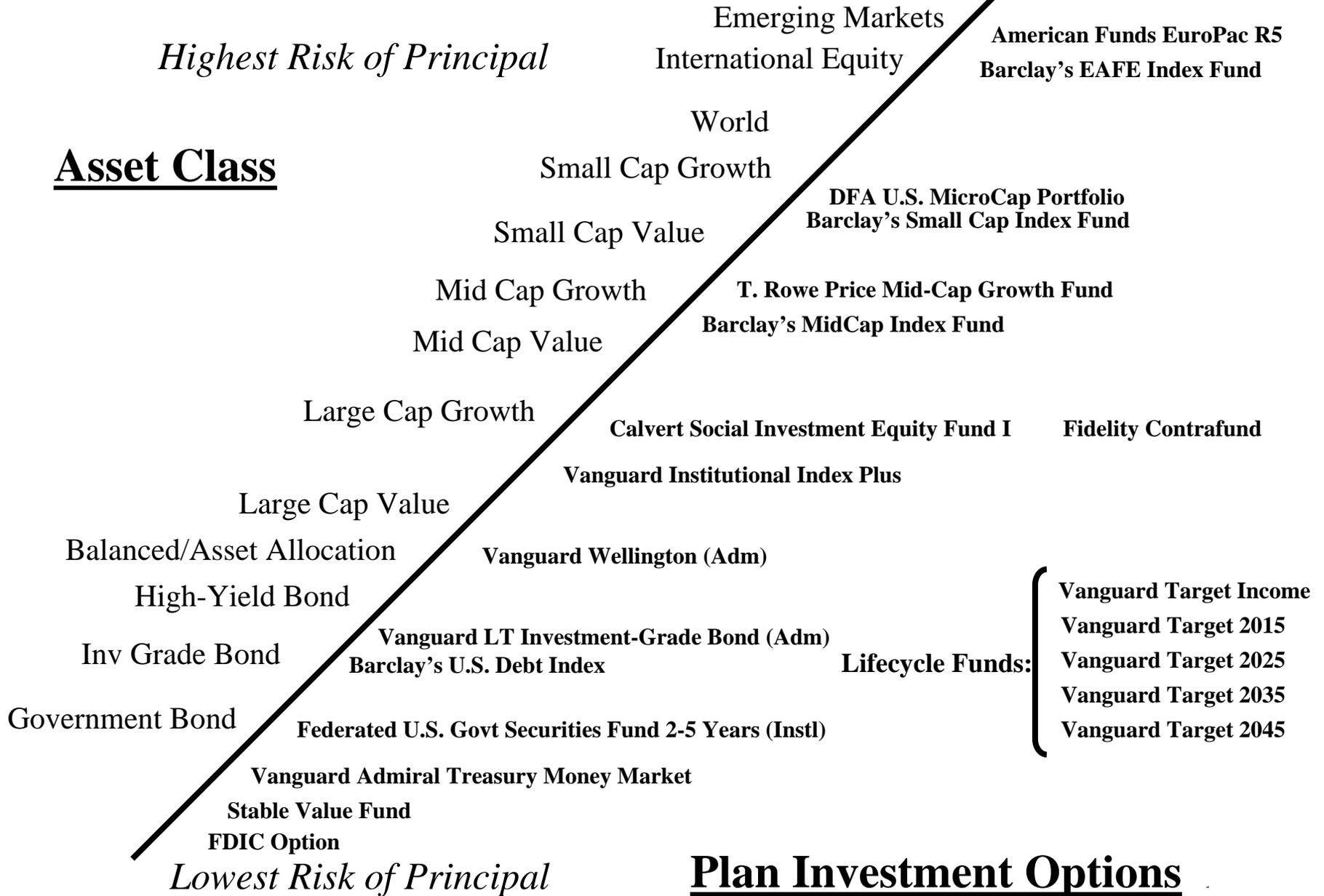
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Wisconsin Plan Options

Highest Risk of Principal

Asset Class

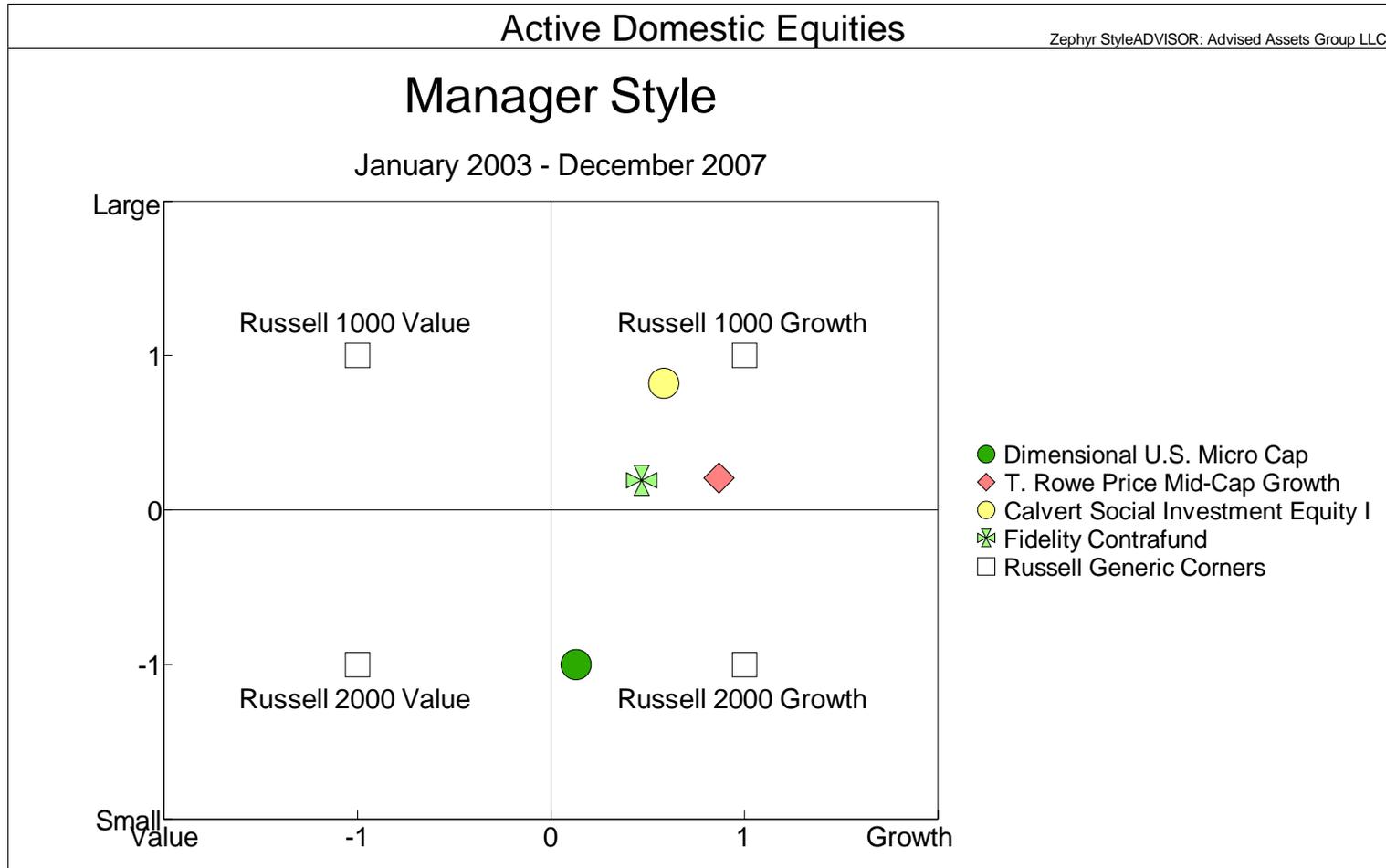


- Lifecycle Funds:**
- Vanguard Target Income
 - Vanguard Target 2015
 - Vanguard Target 2025
 - Vanguard Target 2035
 - Vanguard Target 2045

Plan Investment Options

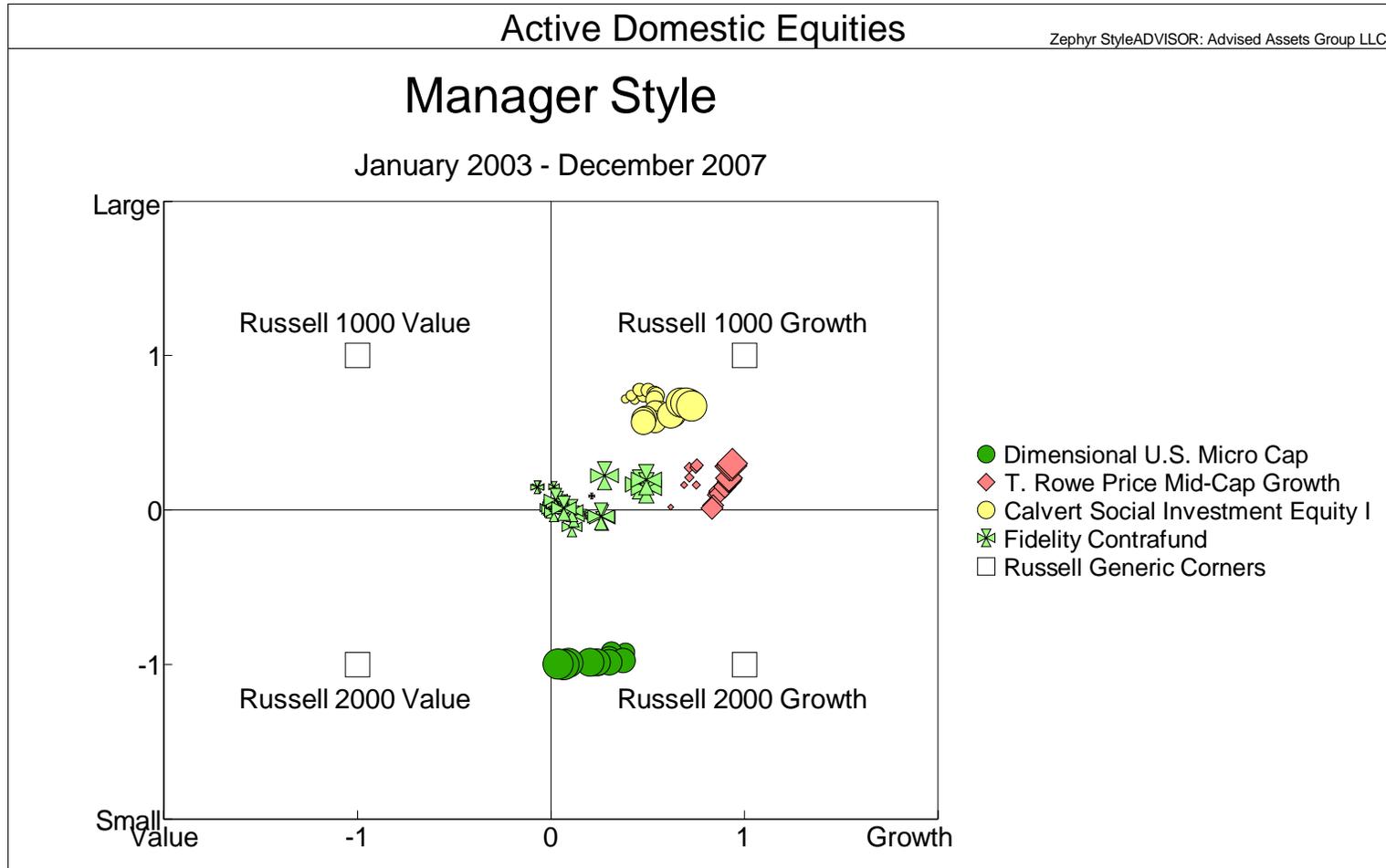
Manager Style

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



Manager Style Drift

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



- **American Funds EuroPac R5** continues to beat all of its benchmarks over 1 and 3 years and most of its benchmarks over 5 years. The fund maintains lower than average volatility and expenses. American Funds manages this fund using a multi-manager structure that combines both growth and value investing styles, some exposure to emerging markets, and low turnover.
- **Barclay's EAFE Equity Index Fund** tracked within 22 bps (net of fees) over the 1yr period.
- **DFA U.S. Microcap** invests in the smallest 4% of U.S. exchange listed stocks with an average market cap of just under \$290 million. The fund contains between 2,500 and 3,000 holdings giving it an index approach to investing. This fund carries a higher standard deviation than the Morningstar Category average over 5 years, but has rewarded its shareholders by generating a higher return than the category over that same time period.
- **Barclay's Russell 2000 Index Fund** tracked within 2 bps (net of fees) with the index over 1 year.

- **T. Rowe Price Mid Cap Growth** outperforms its benchmarks over 1,3, 5, and 10 years. This fund's attention to valuation, contrarian investment style, and the manager's willingness to look for opportunity outside of traditional growth areas have kept this fund near the top of the mid cap growth space. The manager's attention to valuation has also helped to limit its downside risk.
- **Barclay's Mid-Cap Equity Index** tracks within 9 bps (net of fees) of the index over 1 year.
- **Calvert Social Investment Equity** outperforms all benchmarks over 1 year, and most of its benchmarks over 3 years. However, it underperforms most of its benchmarks over 5 years. This concentrated socially conscious fund looks for companies with solid balance sheets and solid profit margins. The fund's stock selection in the consumer discretionary and IT sector was a drag on returns.
- **Fidelity Contrafund** beat all of its benchmarks across all time periods. Will Danoff who manages this fund was named Morningstar Manager of the Year for 2007. Good bets in energy and IT have helped the fund maintain strong performance. That said, this fund continues to keep volatility down and sports a low turnover. The fund's large asset base does bear some watching.

- **Vanguard Instl Index Plus Fund** tracks within 1 bp (net of fees) over 1 year.
- **Vanguard Wellington** outperforms its benchmarks over all time periods. This fund practices a value oriented, long-term investing style. The low expense ratio is also a plus for this fund. Helping the fund's returns was a trimmed down financial exposure and continued exposure to the energy sector. This fund's large asset base does bear watching.
- **Vanguard Long-Term Bond** posted strong returns over 1 and 3 years, and beats one of its benchmarks over 5 years. The fund's focus on investing in high quality bonds, rated A3 or better by Moody's, reduces credit risk, and a low expense ratio gives it an advantage over most of its peers. However, investors do face some interest rate risk given the fund's average duration is longer than most of its peers
- **Barclay's US Debt Index** has tracks within 4 bps (net of fees) over 1 year.

- **Federated U.S. Government: 2-5 Year Institutional** beats most of its benchmarks over the 1, 3, and 5 year periods. This fund carries a higher duration than most of its peers, so the rising interest rate environment was particularly hard on this fund's actual and relative returns. As interest rates have fallen this fund's performance has improved. The fund ranks in the top 5% of its category over the 1 year period.
- **Vanguard Admiral Treasury Money Market Fund** posted a 4.78% return over the 1 year period. It also beat its benchmark over all time periods.
- **FDIC Bank Option** return for the quarter ending 12/31/2007 was 4.13%. For 2007, the interest rate is calculated by taking 50% of 12 month LIBOR as of 1/1/2006 less 40 bps plus 50% of the 3 month LIBOR less 40 bps. This blended rate is calculated each quarter.
- **Wisconsin Stable Value Fund** has strong performance over the 1, 3, and 5 year periods returning 5.11%, 5.10%, and 5.09% respectively. The fund is managed by Galliard Capital who maintains a very good reputation throughout the industry as a top stable value manager.

American Funds-

NASD

On August 30, 2006 American Funds was fined \$5 million for directed-brokerage abuses. This is the first regulatory penalty dealt to the fund complex. The ruling from an NASD panel, punishes American Funds for allegedly improper sales agreements it had with brokers from 2001 to 2003. American Funds has stated publicly that they disagree with the panel's findings and intend to appeal the decision.

California Attorney General

In March 2005, the California Attorney General filed a complaint in state court against American Funds Distributors (AFD) and Capital Research and Management Company (CRMC), the investment adviser to American Funds. The complaint relates to the sufficiency of disclosure of additional payments AFD made to broker-dealer firms in recognition of the cost and efforts involved in educating financial advisers about American Funds. On November 22, 2005, the Superior Court of California in the County of Los Angeles dismissed the California Attorney General's complaint. On February 7, 2006, the California Attorney General filed a notice that he will appeal the Court's decision. On January 26, 2007, a California State Court of Appeals panel ruled against the dismissal of the case overturning the Superior Court's earlier decision to dismiss the case. American Funds points out that the decision of the panel focuses strictly on the legality of the California Attorney General pursuing suit against American Funds.

Private Party Litigation

American Funds is currently involved in a class action suit that alleges the fees charged to shareholders are excessive. American Funds believes the case has no merit, and are in the process of defending themselves.

Performance Benchmarking of Active Options



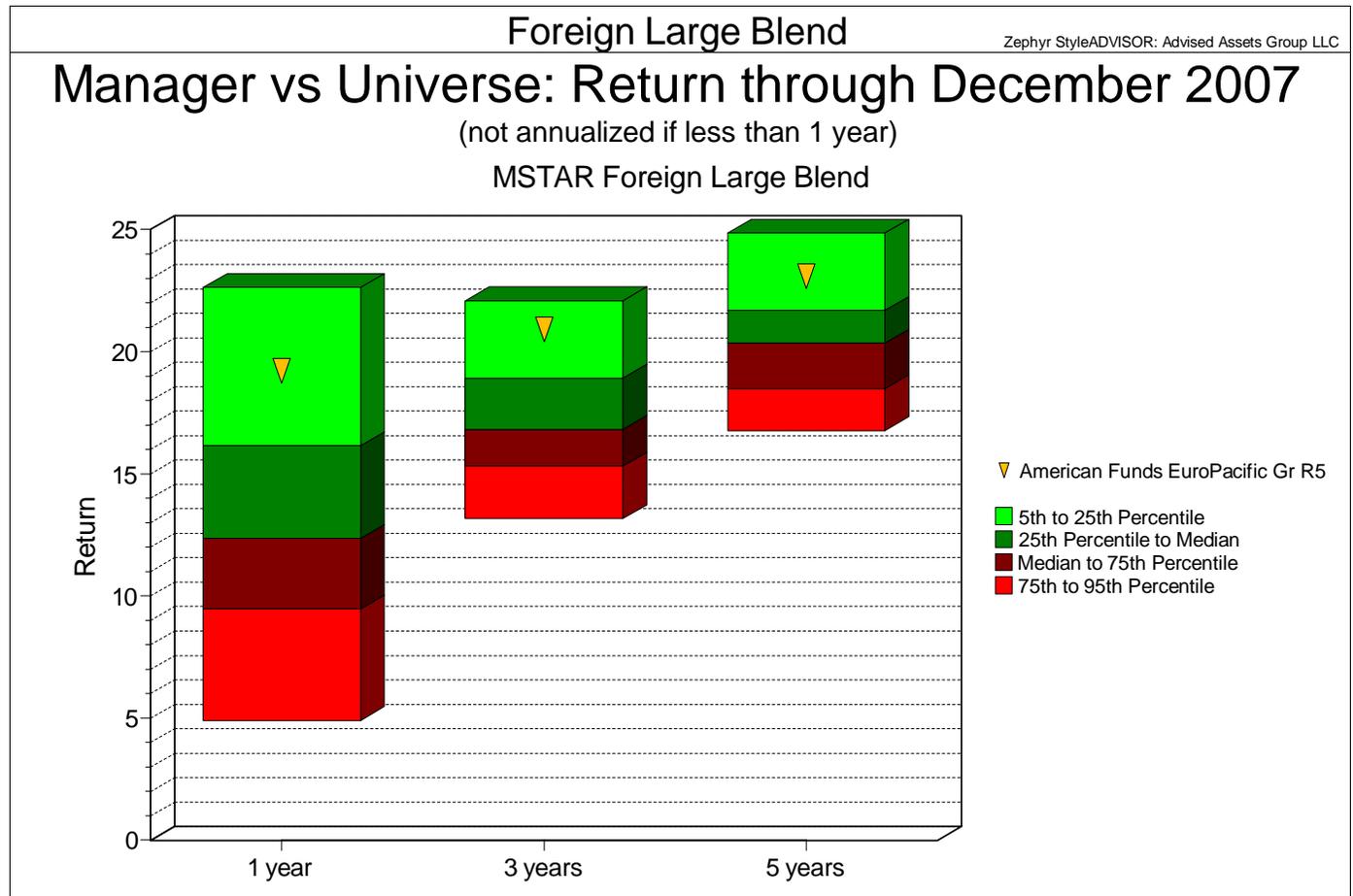
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Performance Benchmarking

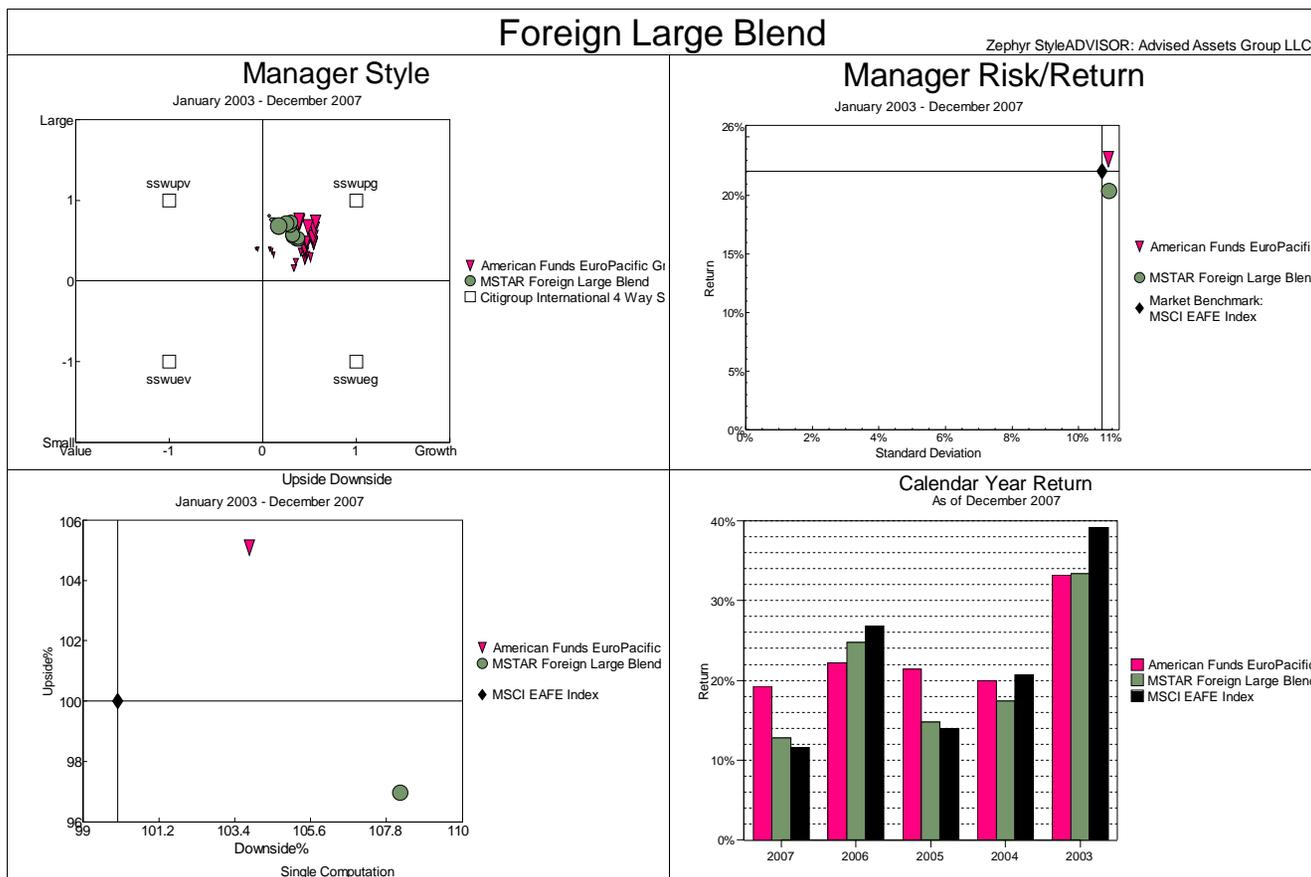
American Funds EuroPacific Growth Fund seeks long-term growth of capital. The fund normally invests at least 65% of assets in equity securities of issuers domiciled in Europe or the Pacific Basin. It may invest up to 20% of assets in securities issued in developing countries. Various factors will be considered when determining whether a country is part of Europe; a country will be considered part of the Pacific Basin if any of its borders touches the Pacific Basin. Note that the A shares are shown to the right for historical purposes. The plan uses the R5 Share class.

DATA SOURCE:
Morningstar
12/31/2007



	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
American Funds EuroPacific Gr R5	19.22	20.92	23.10	10	11	19.22	22.17	21.39	19.98	33.24
Cat: Foreign Large Blend	12.71	17.22	20.31	--	--	12.71	24.77	14.72	17.39	33.58

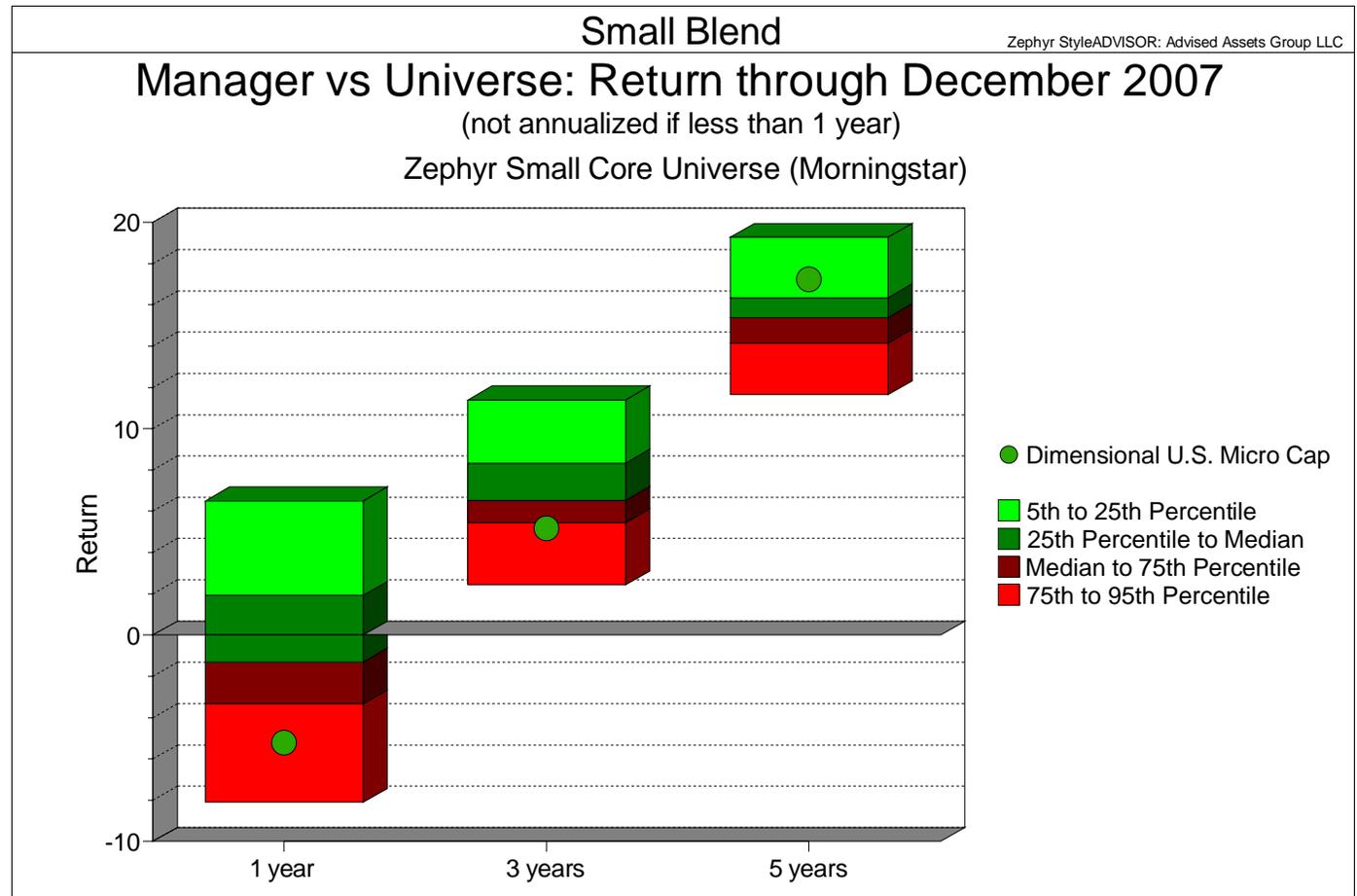
Risk Analysis



Name	Morningstar		Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	Assets		Turnover Ratio	Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr					in Top 10	Turnover Ratio			
American Funds EuroPacific Gr R5	4	10.27	10.89	114,471.10	6.48	469	17.70	27.00	24	0.53	
Cat: Foreign Large Blend	3	10.69	11.35	3,675.79	8.62	667	29.74	72.92	4	1.51	

Performance Benchmarking

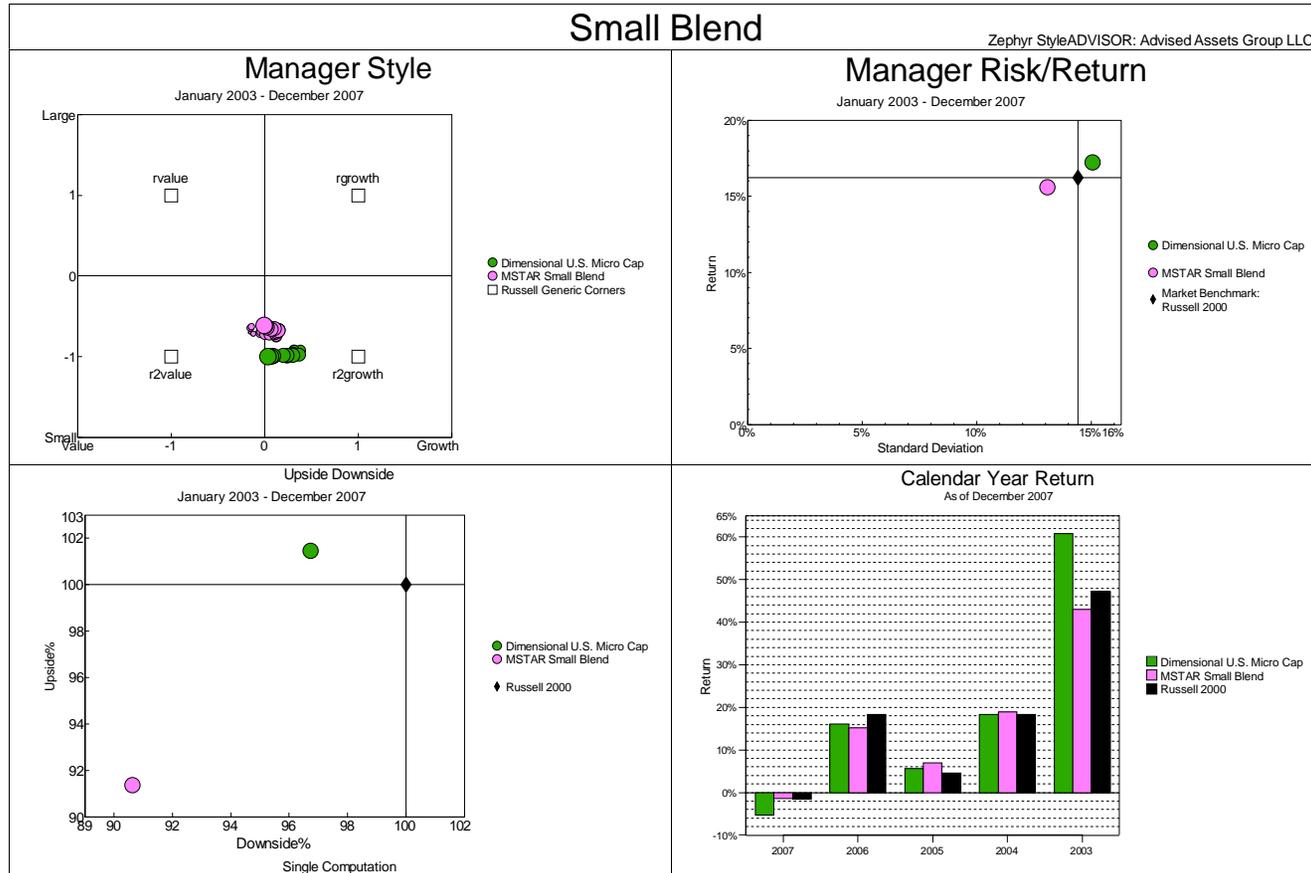
DFA U.S. Microcap seeks long-term capital appreciation. The fund invests in a diverse group of small companies with readily marketable securities. These companies may be traded on the NYSE, the AMEX, or over-the-counter market, but their market capitalizations must be comparable with those in the smallest quartile of the NYSE. The portfolio is re-balanced at least semiannually.



DATA SOURCE:
Morningstar
12/31/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
DFA U.S. Micro Cap	-5.22	5.18	17.23	71	21	-5.22	16.16	5.69	18.39	60.72
Cat: Small Blend	-1.10	6.93	15.72	--	--	-1.10	15.03	6.75	18.94	43.41

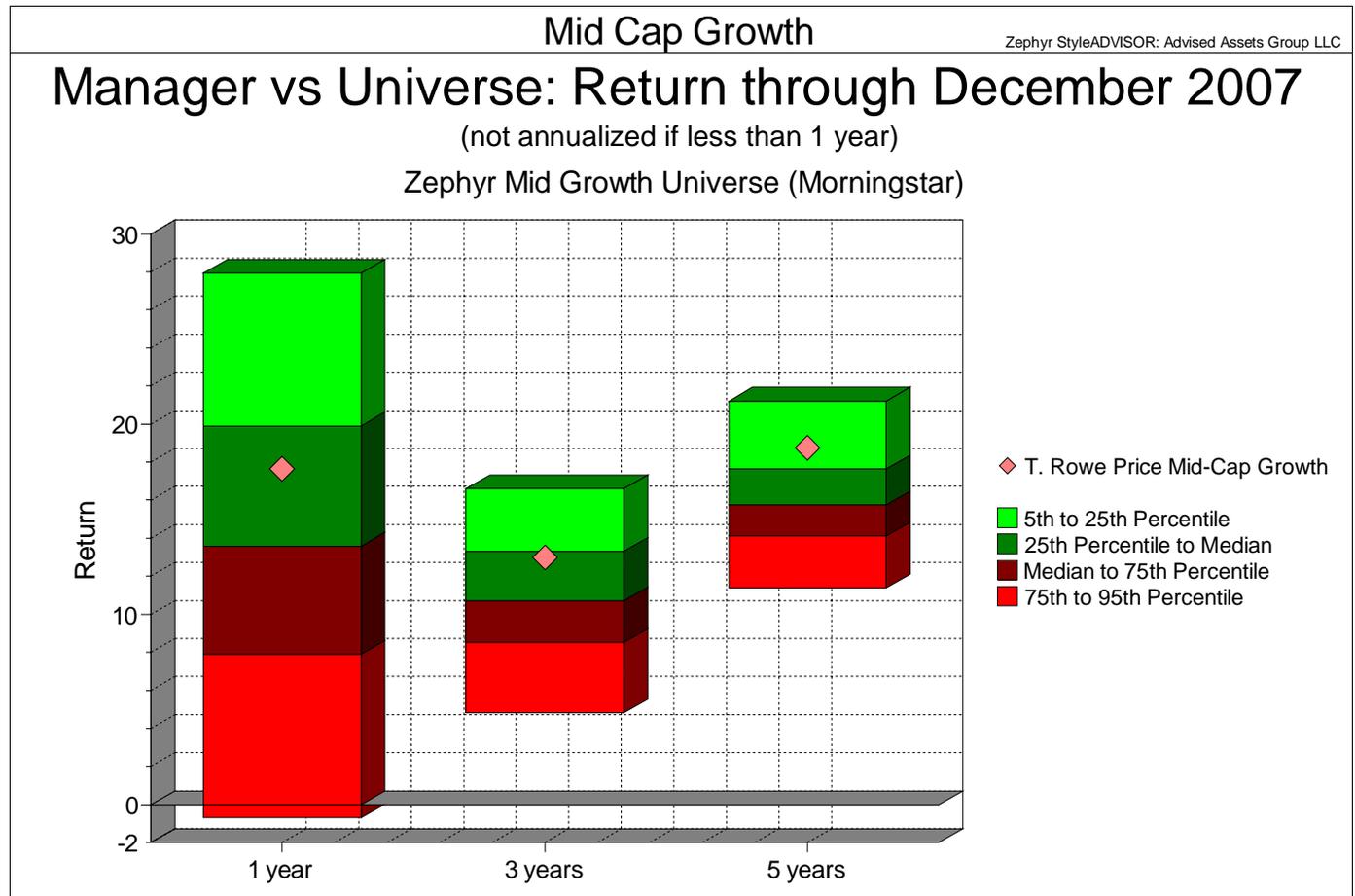
Risk Analysis



Name	Morningstar		Assets				Turnover Ratio	Mgr Tenure	Expense Ratio	
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings in Top 10				
DFA U.S. Micro Cap	3	13.55	15.07	4,175.88	0.35	1	100	24.00	13	0.53
Cat: Small Blend	3	12.83	13.78	717.83	7.98	502	24.60	84.83	6	1.43

Performance Benchmarking

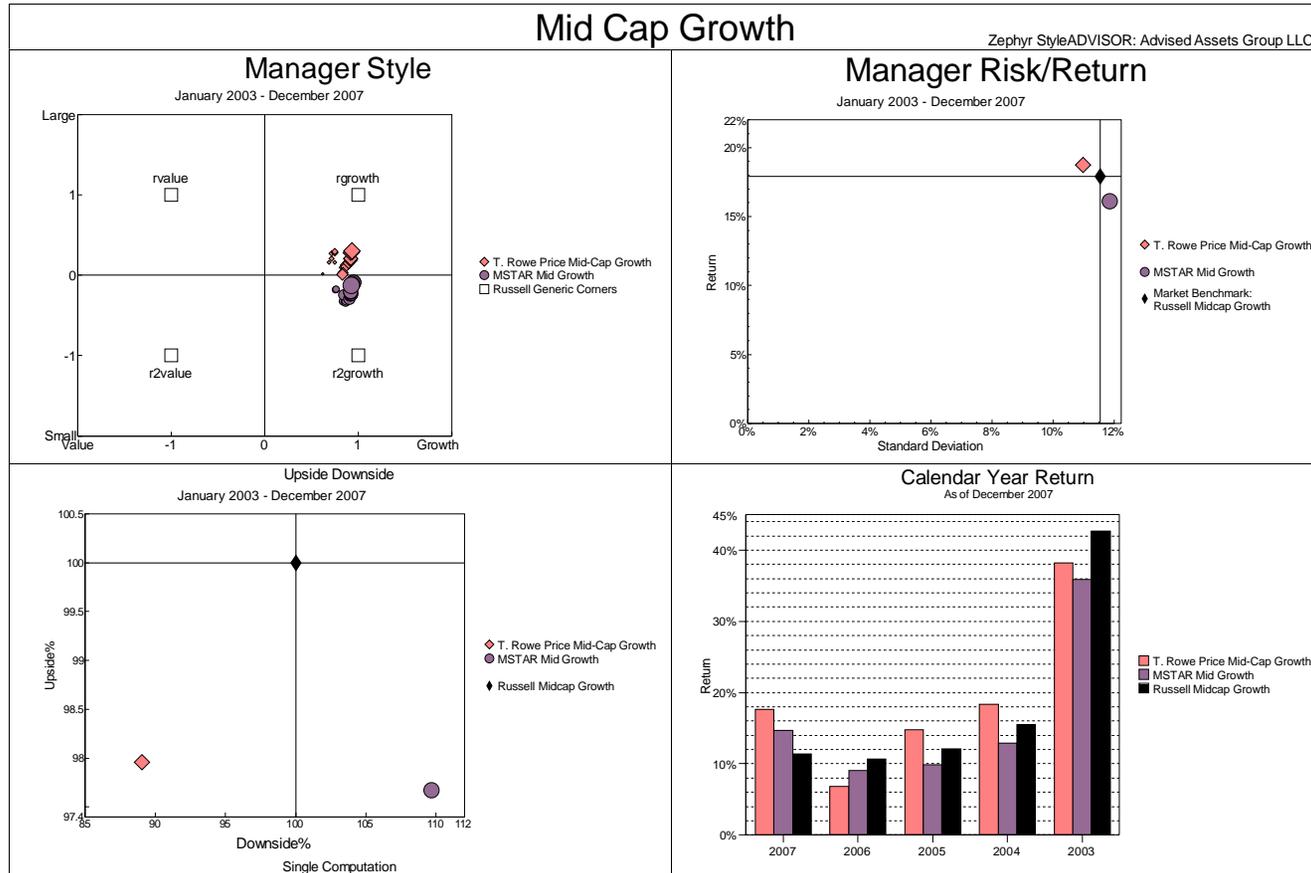
T. Rowe Price Mid Cap Growth Fund seeks long-term capital appreciation. The fund normally invests at least 80% of assets in mid-cap common stocks with above-average growth potential. The advisor seeks companies that offer proven products or services, have an above-average historical record of earnings growth, have the potential for sustaining growth, operate in industries experiencing increasing demand, or are reasonably valued.



DATA SOURCE:
Morningstar
12/31/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
T. Rowe Price Mid-Cap Growth	17.65	12.99	18.74	32	23	17.65	6.79	14.82	18.39	38.21
Cat: Mid-Cap Growth	15.09	11.23	16.33	--	--	15.09	9.00	9.84	13.23	35.96

Risk Analysis

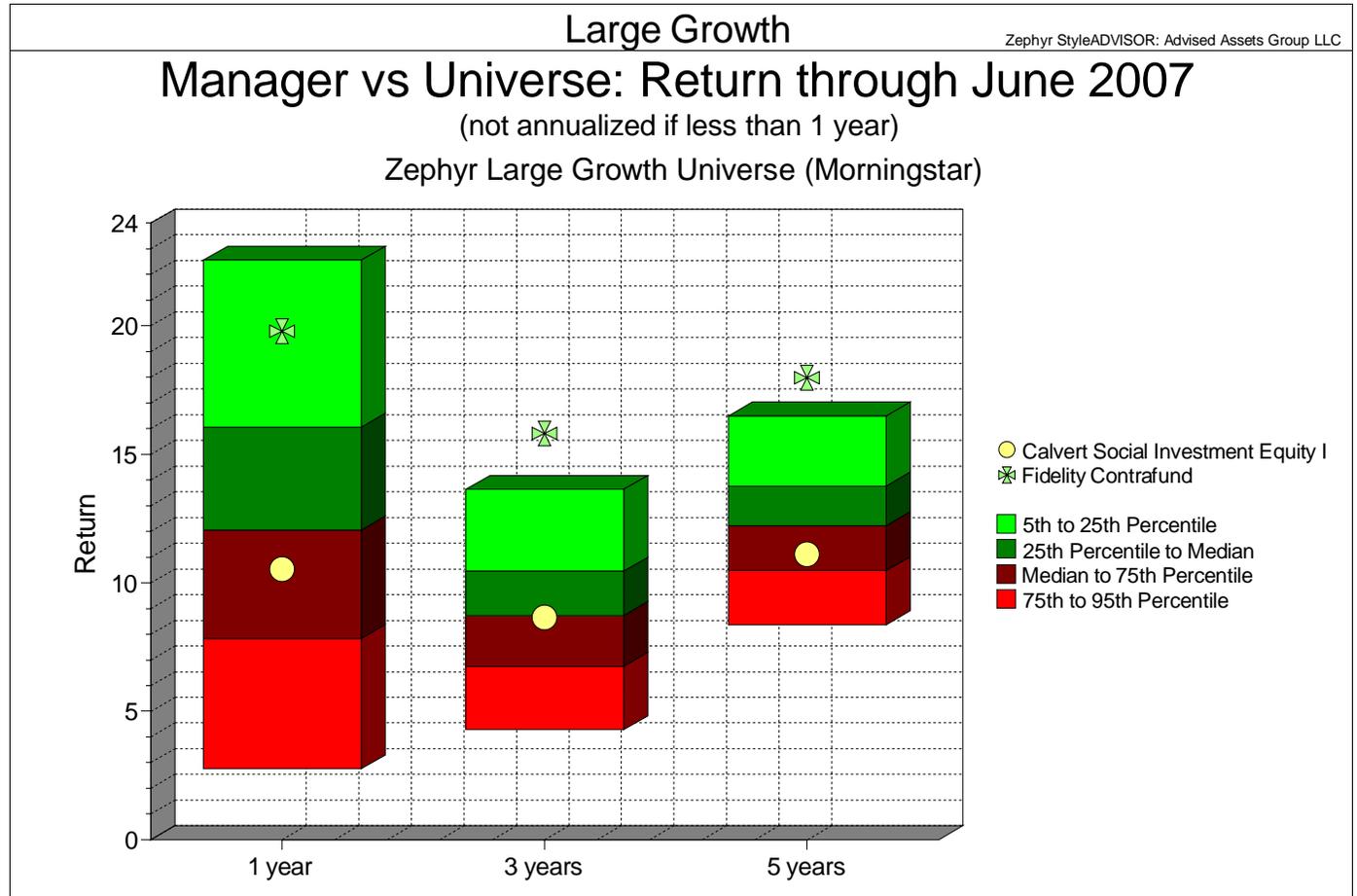


Name	Morningstar		Std Dev		Total Net		Assets		Turnover Ratio	Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Assets \$M	% Cash	Total # of Holdings	in Top 10				
T. Rowe Price Mid-Cap Growth	4	10.26	10.99	15,906.45	5.57	153	20.12	34.00	16	0.80	
Cat: Mid-Cap Growth	3	12.10	12.74	875.43	3.50	661	30.37	112.06	5	1.52	

Performance Benchmarking

Calvert Social Investment Fund seeks growth of capital. The fund invests with the philosophy that long-term rewards to investors come from those organizations whose products, services, and methods enhance the human condition and the traditional American values of individual initiative, equality of opportunity, and cooperative effort.

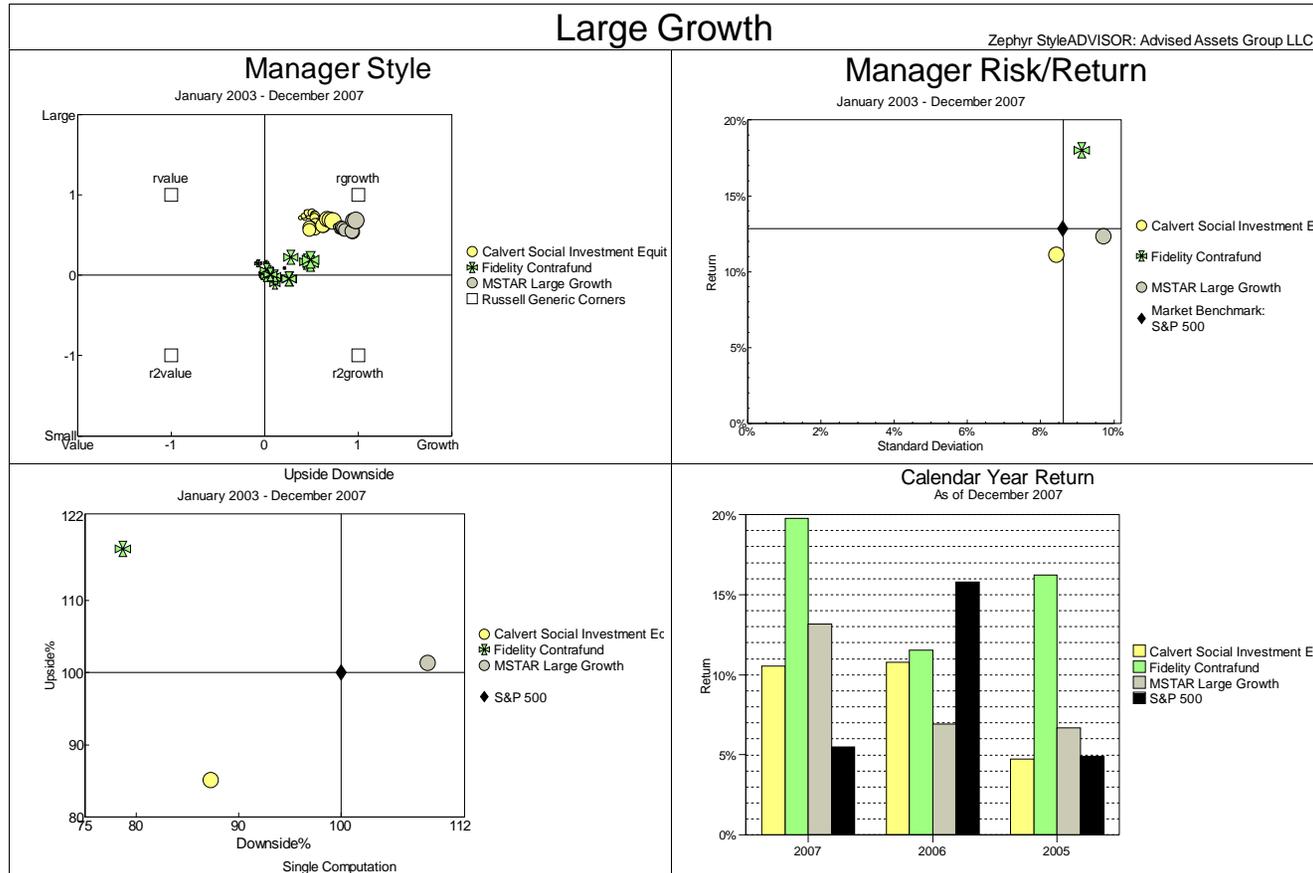
Fidelity Contrafund seeks capital appreciation. The fund invests primarily in the common stocks of companies believed to be undervalued. The types of companies in which the fund may invest include companies experiencing positive fundamental change such as new management team or product launch or companies that are undervalued in relation to securities of other companies in the same industry.



DATA SOURCE: Morningstar 12/31/2007

	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Calvert Social Investment Equity I	10.53	8.64	11.10	54	71	10.53	10.77	4.74	7.33	23.00
Fidelity Contrafund	19.78	15.80	17.99	4	5	19.78	11.54	16.23	15.07	27.95
Cat: Large Growth	13.35	9.11	12.75	--	--	13.35	7.05	6.71	7.81	28.66

Risk Analysis



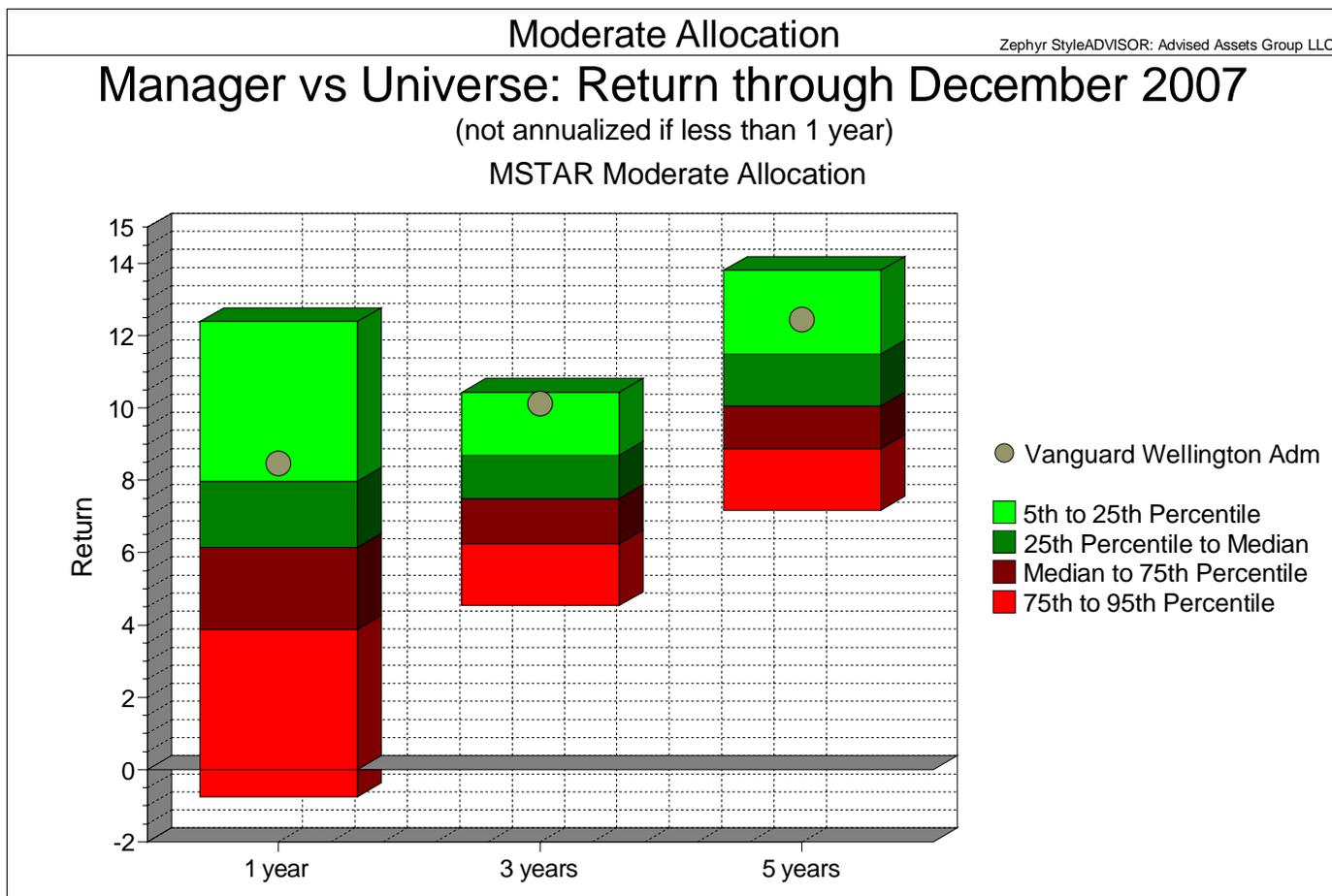
Name	Morningstar		% Assets							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
Calvert Social Investment Equity I	3	7.61	8.43	1,215.76	0.00	65	34.32	35.00	9	0.67
Fidelity Contrafund	5	9.14	9.12	72,968.96	10.05	410	35.32	76.00	17	0.90
Cat: Large Growth	3	10.09	10.50	3,227.25	3.83	499	35.92	98.65	6	1.40

Performance Benchmarking

Vanguard Wellington seeks moderate long-term capital growth and current income. The fund invests at least 60-70% of assets in dividend-paying value stocks, and to a lesser extent, non-dividend paying stocks of established medium-size and large-size companies. It may also invest 30-40% of assets in the following securities: high quality intermediate, long-term corporate, and U.S. government bonds with an average maturity of 5 to 15 years.

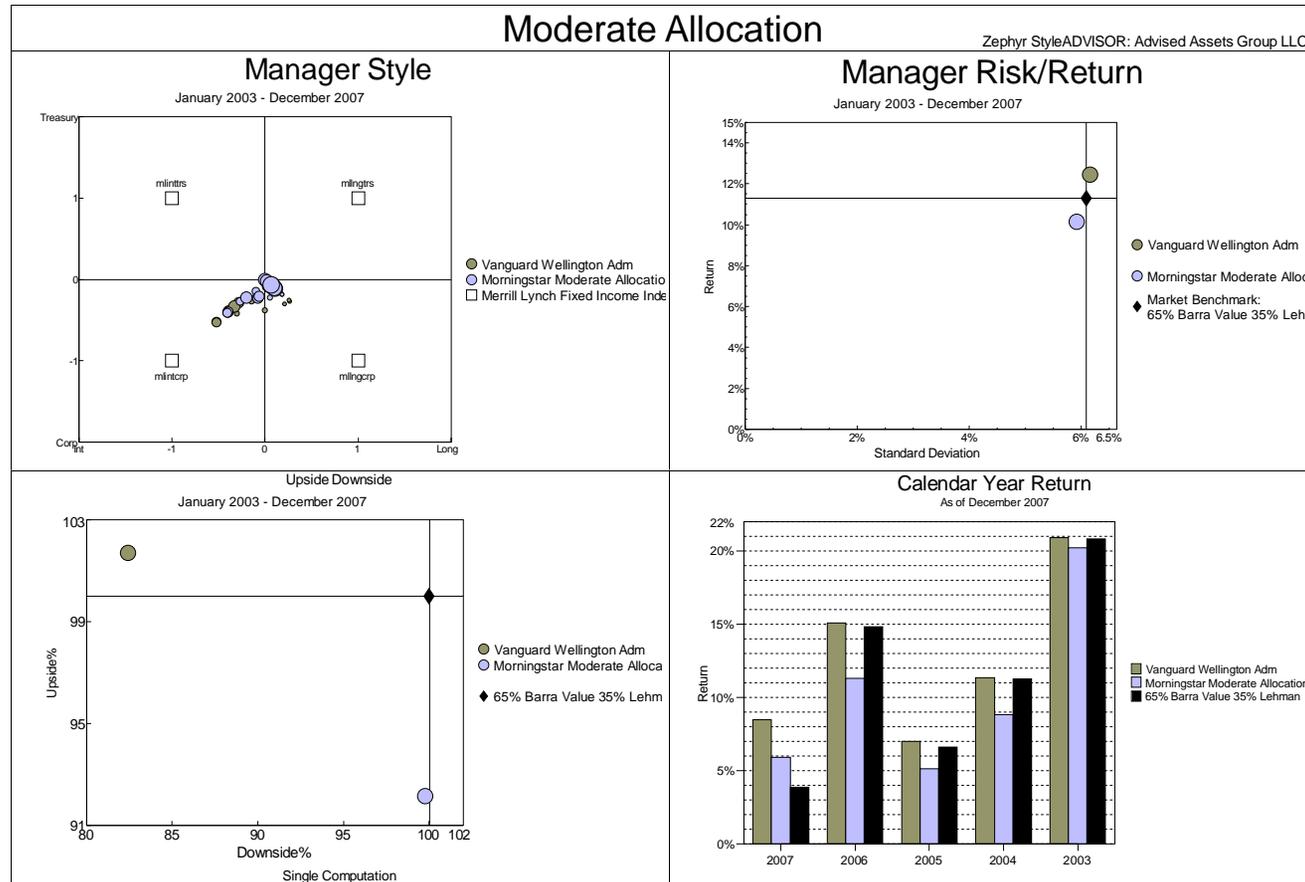
Note that the retail shares are shown to the right for historical purposes. The Plan uses the lower-cost Admiral share class.

DATA SOURCE:
Morningstar
12/31/2007



	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Vanguard Wellington Adm	8.48	10.12	12.44	5	13	8.48	15.07	6.99	11.34	20.90
Cat: Moderate Allocation	5.99	7.32	10.24	--	--	5.99	11.29	5.13	8.86	20.35

Risk Analysis



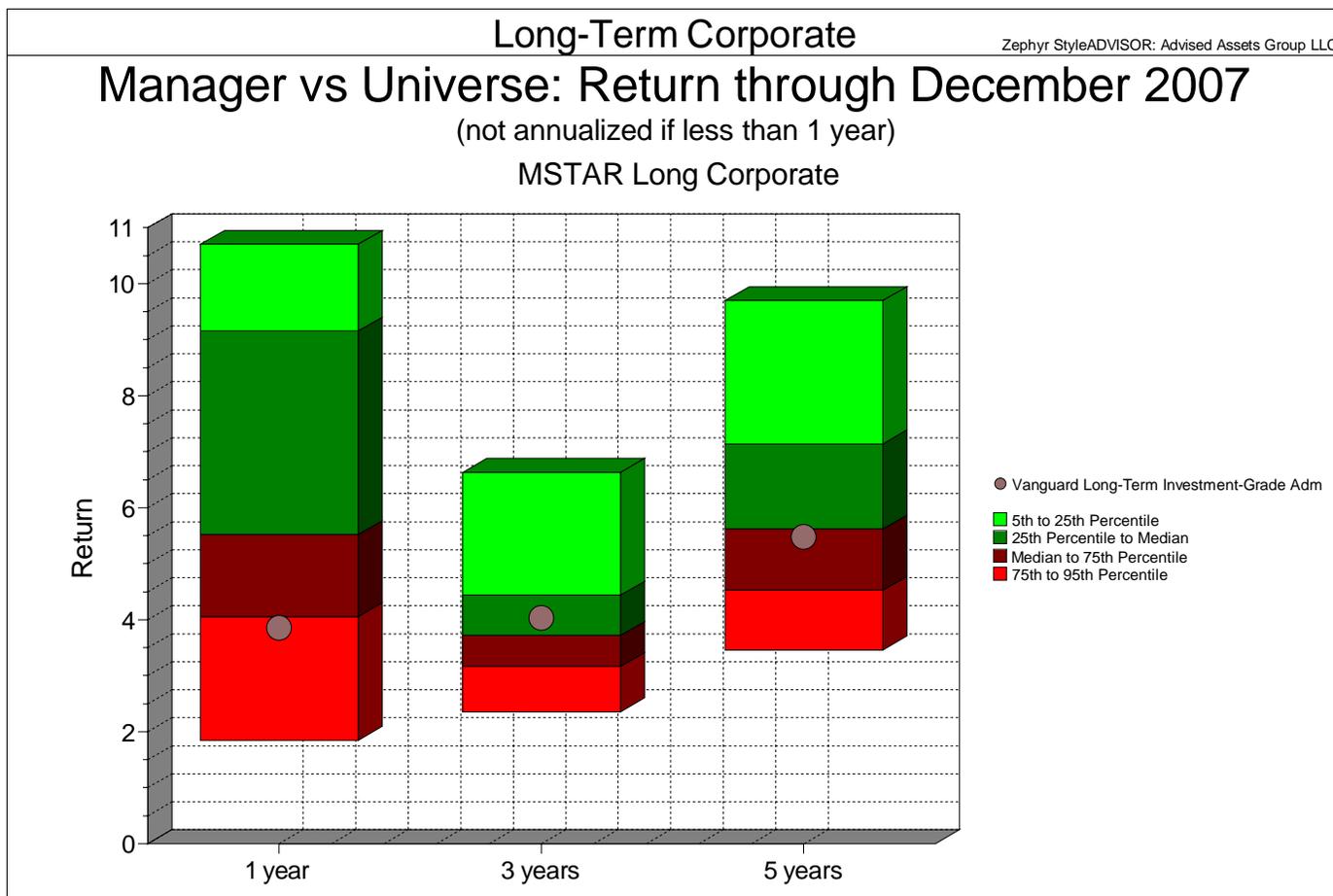
Name	Morningstar		Assets							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	% in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
Vanguard Wellington Adm	5	5.04	6.16	49,110.76	2.40	2552	17.13	25.00	5	0.17
Cat: Moderate Allocation	3	5.80	6.40	3,458.79	12.45	464	51.87	67.46	6	1.39

Performance Benchmarking

Vanguard Long-Term Investment-Grade Bond Fund seeks current income consistent with maintenance of principal and liquidity. The fund typically invests at least 80% of assets in high-quality corporate bonds; it invests at least 80% of assets in a combination of U.S. government securities and investment-grade corporate bonds. The average weighted maturity generally ranges from 15 to 25 years.

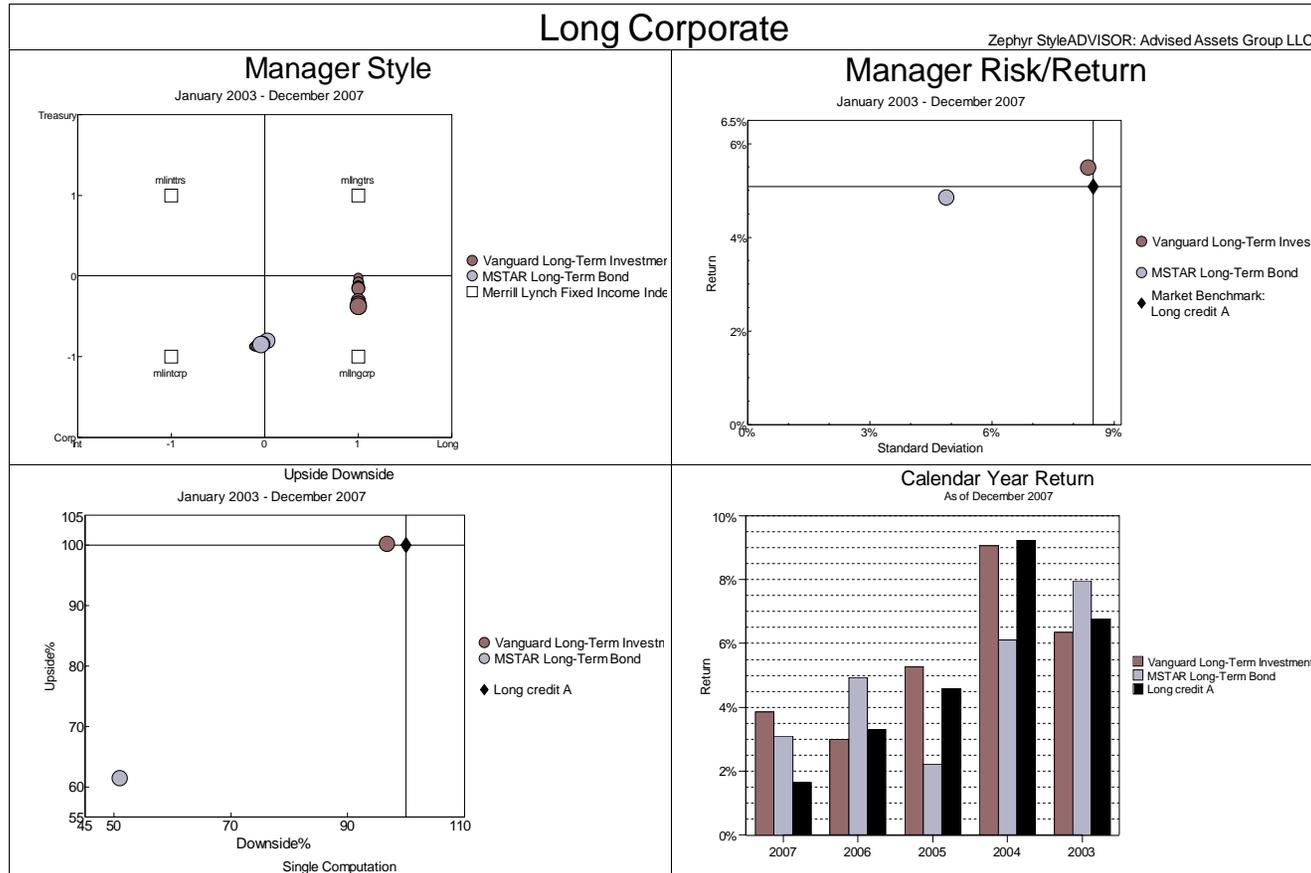
Note that the retail shares are shown to the right for historical purposes. The Plan uses the lower-cost Admiral share class.

DATA SOURCE:
Morningstar
12/31/2007



	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Vanguard Long-Term Investment-Grade Adm	3.86	4.03	5.48	28	61	3.86	2.99	5.27	9.06	6.36
Cat: Long-Term Bond	3.10	3.75	5.86	--	--	3.10	4.43	2.23	6.47	8.79

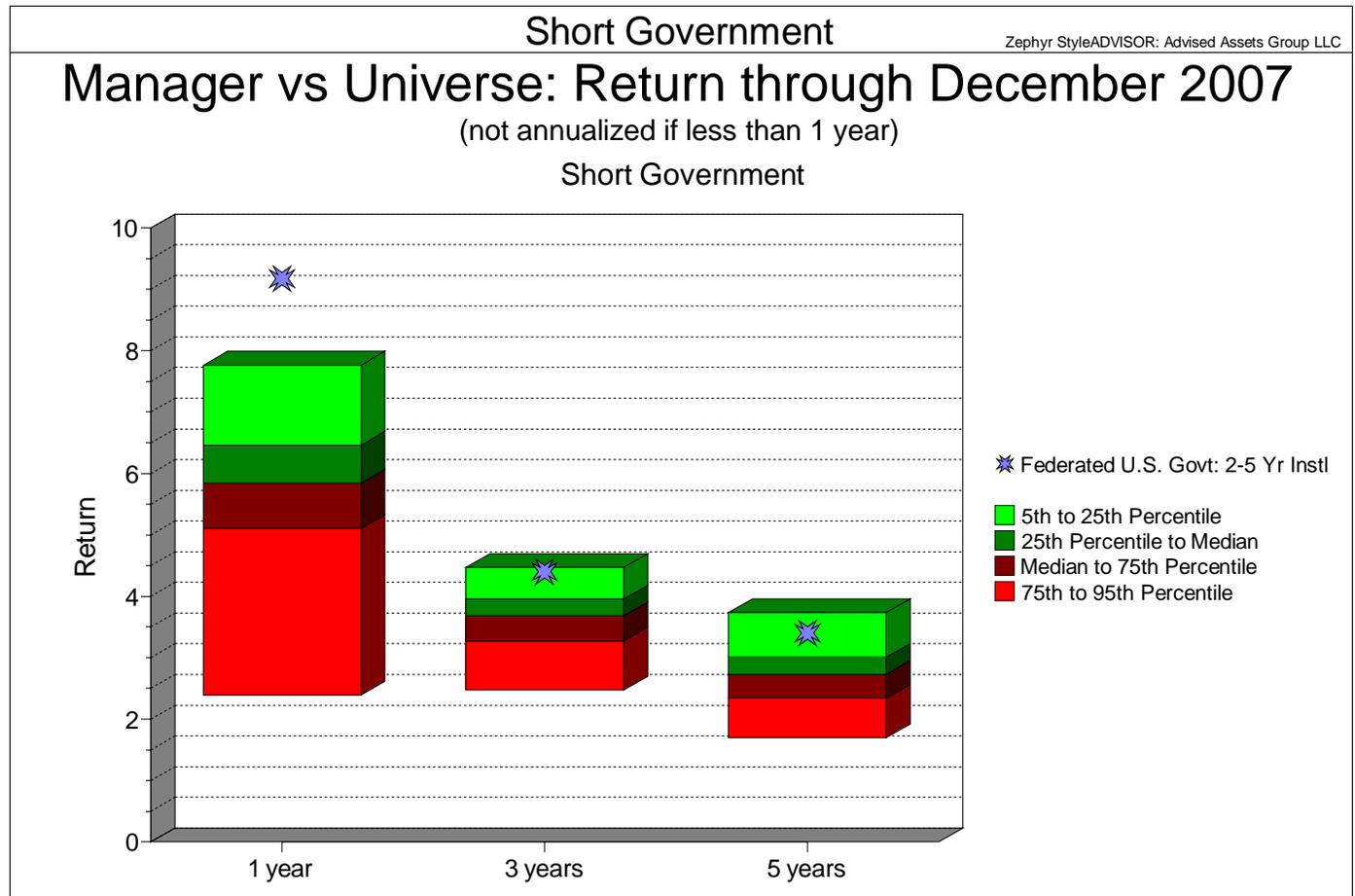
Risk Analysis



Name	Morningstar		Assets				Turnover Ratio	Mgr Tenure	Expense Ratio	
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings				in Top 10
Vanguard LT Investment-Grade Adm	2	6.80	8.36	5,738.48	0.58	224	15.82	15.00	14	0.12
Cat: Long-Term Bond	3	4.68	6.85	633.96	25.58	561	47.56	155.33	3	0.84

Performance Benchmarking

Federated U.S. Government Securities: 2-5 Year Trust seeks current income. The fund invests only in U.S. government securities with a dollar weighted duration between two and five years. It may enter into repurchase agreements.



DATA SOURCE: Morningstar 12/31/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annldz 3 Yr	Tot Ret Annldz 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Federated U.S. Govt: 2-5 Yr Instl	9.18	4.40	3.40	6	6	9.18	3.34	0.87	1.60	2.22
Cat: Short Government	5.87	3.58	2.66	--	--	5.87	3.67	1.26	1.46	1.45

Lifecycle Options



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Lifecycle Option Report Card

Name	Tot Ret		1 year	3 year	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	% Short Term	% US Stocks	% Non US Stocks	% Inv Grade Bond	% High Yield Bond
	3 Mo	6 Mo										
Vanguard Target Retirement 2015	-0.67	1.75	7.55	7.94	7.55	11.42	4.94	0	51	13	36	0
Fidelity Freedom 2015	-0.78	1.33	7.82	8.39	7.82	10.36	7.01	7	44	11	33	6
T. Rowe Price Retirement 2015	-1.60	-0.04	6.75	9.01	6.75	13.73	6.69	4	59	11.5	20.25	5.25
Composite Returns*			7.50	7.96	7.50							
Dow Jones Target 2015	0.60	3.58	7.78	7.59	7.78	9.49	5.54					
Vanguard Target Retirement 2025	-1.62	0.71	7.59	8.71	7.59	13.24	5.45	0	63	16	21	0
Fidelity Freedom 2025	-1.32	0.88	8.64	9.55	8.64	11.84	8.19	0	56	14	22	8
T. Rowe Price Retirement 2025	-2.30	-1.18	6.81	9.82	6.81	15.44	7.42	0	71	13.5	11.25	4.25
Composite Returns*			7.61	8.79	7.61							
Dow Jones Target 2025	-0.95	1.33	8.31	10.34	8.31	13.75	9.03					
Vanguard Target Retirement 2035	-2.23	-0.14	7.49	9.61	7.49	15.24	6.30	0	72	18	10	0
Fidelity Freedom 2035	-1.83	0.56	9.27	10.40	9.27	12.94	9.04	0	66	17	10	8
T. Rowe Price Retirement 2035	-2.79	-1.70	6.81	10.27	6.81	16.18	8.05	0	76.5	15	5.75	2.75
Composite Returns*			7.50	9.73	7.50							
Dow Jones Target 2035	-2.02	-0.20	8.48	11.90	8.48	16.25	11.10					
Vanguard Target Retirement 2045	-2.29	-0.20	7.47	10.06	7.47	15.98	6.95	0	72	18	10	0
Fidelity Freedom 2045	-2.03	0.51	9.50		9.50			0	68	17	4	10
T. Rowe Price Retirement 2045	-2.83	-1.67	6.84		6.84	16.15		0	76.5	15	5.75	2.75
Composite Returns*			7.50	10.15	7.50							
Dow Jones Target 2045	-2.25	-0.53	8.46	12.11	8.46	16.64	11.36					
Vanguard Target Retirement Income	1.63	4.63	8.17	5.94	8.17	6.38	3.33	5	24	6	65	0
Fidelity Freedom Income	0.08	1.47	4.83	4.99	4.83	6.37	3.78	40	20	0	35	5
T. Rowe Price Retirement Income	-0.10	1.71	6.10	6.96	6.10	9.98	4.87	30	35.25	6.25	24	4.5
Composite Returns*			8.09	5.96	8.09							
Dow Jones Target Today	1.44	4.12	6.48	5.20	6.48	6.52	2.64					

*Composite returns based on returns of passive benchmarks representative of the asset allocation of each fund. Benchmarks (per Vanguard) are the MSCI US Broad Market Index, Lehman Aggregate, Lehman US Treasury TIPS, 3 Month T-bill MSCI EAFE Index, and MSCI Emerging Markets Index

Lifecycle Option Observations

- Vanguard Target Retirement Funds are in-line with their composite indices over the 1 year and 3 year periods.
- Vanguard mostly trails the Dow Jones Indices.
- The Vanguard Target Retirement Funds are in-line with their competitors over the near term periods, but mostly trail over the 3 year period.
- Vanguard's target allocations give them equity exposure that is in-line with their competitors, and international exposure that is greater than most of their competitors.
- Vanguard has a smaller allocation to short term debt than its peers, but a greater allocation to investment grade bonds than its peers.

Economic Overview



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Key Themes:

- Turmoil in credit markets likely to continue in first months of 2008. Ongoing uncertainty surrounding structured products likely to keep stock markets volatile.
- Credit problems are spilling over into the broader economy; lending standards are tightening, impacting both the consumer and business. Investors worry about recession.
- The Fed has become more aggressive, cheering equity markets but providing the bond market with worries about inflation. For the foreseeable future, the Fed is likely to concern itself more with the increasing risks to economic growth rather than inflation.
- While earnings profits for most U.S. corporations are expected to soften further, stock valuations remain quite favorable, especially for larger companies with international exposure. This will help cushion the impact of further stock market volatility.
- Developed international markets are responding in varying degrees to credit problems and U.S. economic slowing. European markets may be peaking, while Japanese stocks look increasingly attractive to analysts.
- Emerging markets are still being propelled by strong growth, although the underlying economies should take a breather as the U.S. and Europe work through the present cycle. Investors should be wary of the possibility that a bubble is forming for the asset class as a whole.
- Long-term changes are taking place in the U.S. global economic structure. Markets will digest new information on a periodic basis, creating an environment more prone to volatility than investors have grown used to over the past few years. A disciplined long-term approach will serve most investors well in this environment.

Investors are concerned about recession in the U.S. as 2008 begins. While a definite risk, it needs to be viewed in perspective. Recent history shows that it's usually the anticipation leading up to a recession that depresses stock prices rather than the actual experience of the recession itself. Stocks normally begin to stabilize within a short period following the official recognition of the recession. In three of the last four recessions, stocks actually gained ground.

A number of analysts are anticipating that, just as the U.S. market led into this down cycle, it is historically likely that it will begin to strengthen before most other markets.

Global Economy

The collapse of the U.S. housing market bubble continues to reverberate, impacting economic activity to varying degrees throughout the world. While **global recession remains unlikely**, the increasing economic slowdown and risk of recession in the U.S. is making itself felt in myriad ways.

Most visible at present, of course, are the **ongoing problems in the credit markets**. Central Banks have been responding both by injecting liquidity directly into the banking system and by providing some easing of broad interest rates. Unfortunately, the sheer scale of the problems in the credit markets – mortgages, bond insurers, private equity and buyout activity, as well as all the uncertainty surrounding structured products – means that the world's large banks have some way to go yet to fully rebuild their capital structures; until that process completes, new credit issuance will remain limited, affecting both business and consumers.

Regions are being affected differently; the **developed economies in Europe are struggling with issues similar to those in the U.S.**, including home price deflation—particularly in Spain and the U.K.—and the unraveling of the structured products market. The business cycle there had not yet advanced as far as in the U.S., so the turmoil in the financial markets was offset to a degree by economic momentum that was still in a strong uptrend. In fact, the European Central Bank has yet to cut interest rates.

The developing economies of **Asia and Latin America are being affected by wholly different dynamics**. Strong internal growth and high savings rates, coupled with negligible participation in the structured products markets, translated to significantly less immediate reaction to the ongoing turmoil in the developed world. The impact there is likely to be felt as a more measured business slowdown. For instance, economies like Taiwan, Singapore and South Korea are already experiencing slowing in key areas such as electronics exports—the U.S. consumer, representing 19% of world economic activity, has pulled back on non-essentials. The cascading effect of this type of business slowdown will in part be the basis for overall slowing in these economies.

Given these effects, **the idea that developed and developing markets have somehow**

“decoupled” seems overblown. Still, the strong internal growth due to ongoing restructuring within both Europe and a large number of developing economies has effectively counterbalanced much of the deflationary effects from the U.S. housing market. “Desynchronization” seems a more accurate depiction of present economic activity, as new dynamics have certainly come into play. Global economic activity is being driven by a widening array of sources, providing a broader base of support. At the same time, economic ties between countries and regions have grown in both complexity and number. It seems more accurate, then, to note that developing economies have gained a measure of independence from the day-to-day impact of short-term economic disruptions in the developed world, but remain tied through longer-term business cycles.

This combination of increased interdependence and visible desynchronization actually complicates the job of central bankers. Their focus and primary influence is domestic, but global pressures increasingly have a countervailing effect that can limit the effectiveness of monetary actions. In the U.S., where growing economic weakness is the central issue, the Fed is under pressure to ease. Continued strong growth outside the U.S., however, means other central banks are more concerned with inflation. Pressure there has been to tighten. Easing in the U.S., then, weakens the dollar against other currencies, and imports inflation as U.S. purchasing power declines. The Fed has been increasingly torn between fighting inflation and stimulating the economy.

Further, **monetary stimulus may have a limited effect in this environment**. Each time the Fed has cut in the past few months, the equity markets have rallied for one day, then resumed their downward trend. This underscores the concern that the economy is facing structural issues that a less restrictive credit environment cannot entirely address.

Unarguably, there are myriad components of high importance to global economic growth. Over the past several months, there has been a slow unwinding of the vast leverage that had gradually grown within the credit markets. The ongoing uncertainty as to how and when this process will ultimately end is affecting both financial markets and business planning.

A strong case can be made that another important component for global growth is the ongoing health of the U.S. consumer. Despite the impressive economic gains being made worldwide, the U.S. remains the primary force in the global economy. *One fifth of world GDP is tied to the U.S. consumer.* In turn, the consumer constitutes an even more elemental force in the U.S. economy: fully 70% of domestic GDP is attributable to this sector.

The slow but constant increase in pressure on the U.S. consumer is a subject under much scrutiny. The deflation in home prices is only the latest challenge. Real income growth has been stagnating for decades. Households initially compensated by adding a second household income as women entered the workforce in record numbers. As the percentage of income taken up by healthcare, education and retirement steadily increased, Americans took on more household debt. Ultimately, of course, they tapped into their most important asset and utilized the equity in their homes. At each stage, **household balance sheets have become less resilient to financial shock.**

U.S. consumer spending has been a closely watched statistic these past few months; indeed, the “resiliency” of this sector has been lauded as one of the important pillars holding up the U.S. economy following the spread of the subprime contagion. Holiday spending was down, however, and the effects were felt from the local mall to Asian manufacturers. While much has been made of the strength in corporate balance sheets, it seems counterintuitive to expect robust overall economic growth when the engine that is the U.S. consumer is sputtering.

Global growth is set to slow to 4.6% in 2008, down from 5% in 2007. This is likely to be a net positive for the global economy, as it will lower inflationary pressure and allow central banks outside the U.S. to begin easing interest rates. Pressure will ease on the U.S. currency and, in turn, the U.S. consumer.

Regions

U.S. – what has long been characterized as a mid-cycle slowdown appears to be developing into a full-blown recession. Factors contributing to the economic slowdown include an ongoing decline in residential construction activity, a flattening of business equipment investment, financial market turbulence, tighter lending standards, a weakening

jobs market, eroding home prices and deteriorating consumer confidence. In the positive column, strong growth in much of the rest of the world, coupled with strong corporate balance sheets and a favorable exchange rate mean that most larger corporate entities will continue to do relatively well.

The Fed has been responding to increased downside economic risks slowly, but as the new year began, promised to move more aggressively “as the situation warrants.” Even with economic growth now at the top of the agenda, inflation remains a central concern. Oil prices continue to wreak havoc on the consumer price index. Even though oil prices are expected to moderate slightly, it seems doubtful that they’ll move back to levels below \$70. Long-term structural changes in the global economy—particularly the voracious energy appetite throughout the developing world—appear to have shifted equilibrium prices for both food and energy into new territory. This inflationary pressure doesn’t just affect the U.S., of course, but the concomitant erosion in U.S. purchasing power represented by the ongoing decline in the dollar makes the Fed’s job extremely difficult.

GDP growth in the U.S. is expected to run well below trend throughout 2008. Expectations run in a range from 0.9% to 1.5%, with the first half of the year possibly running in the negative.

Europe

Eurozone GDP growth was strong throughout the past year, gaining 2.9% in 2007. Business investment was stimulated by a continuing increase in exports. Unlike in the U.S., a robust business environment did not extend to any degree into the Continent’s consumer sector (the U.K. more so), so the expansion appears to have topped out in mid-year. This coincides with the beginning of a tightening cycle by the European Central Bank (ECB), and a currency that continued to gain in strength throughout the year.

The credit crisis extended well into the U.K., Germany and France, the big three economies in Europe. Many of their financial institutions are finding themselves in similar straits to their U.S. brethren, so those economies are also struggling with credit difficulties. Higher energy prices and strong currencies contribute to a less accommodative business environment; **growth throughout the region is expected to slow to 1.9% in 2008.**

As in the U.S., these factors provide competing priorities for the two central banks to consider. The Bank of England, dealing with softening in both housing and consumer spending, as well as the virtual implosion of a large mortgage lender, has lowered rates. Further cuts may be considered. The ECB, with a more benign environment, remains focused strongly on inflation. Concerns there center around the so-called “second round” effects from the run-up in energy prices; a move to tighten in the first half of 2008 is not out of the question.

Japan

Good strides have been made in the Japanese economy throughout the decade. Excess debt and capacity have been eliminated, paving the way for a self-sustaining recovery beginning in 2003. Business investment and consumer spending both have made positive contributions to growth in the period since, putting in place an expansion that is both more broad-based and resilient than past expansions, which were essentially export-led.

The last three quarters have proved disappointing, however. Housing has been contracting, and both business investment and consumer spending have stalled. Once again, the economy finds itself dependent on exports.

This puts Japan in a difficult position. A slowdown in the U.S. economy clearly affects it, and it is increasingly vulnerable to any pronounced slowdown in China. If there is a silver lining, it is that businesses in Japan have been operating in a difficult environment for the better part of two decades, and they know how to operate “lean and mean.” As the rest of the world cycles into its own more difficult environment, investors are likely to find that Japanese companies have already made the adjustments their competition is now facing.

Still, Japan struggles with deflationary tendencies, and it has few tools to combat it. Interest rates, at 0% for six years, remain at 0.5% going into 2008 – monetary stimulus is clearly not an option. An aging population and an environment where real incomes have not advanced in decades is likely to mean that Japan’s economy and its export-oriented corporations will once again pursue different paths.

GDP for 2008 is expected to be about 1.4%.

Developing Economies

Western investors are not used to thinking of the world’s developing economies in terms of “sustainability”; financial crises are still expected at every turn. Since the Asian crisis in 1998, though, a lot of these economies have put in place better economic and political structures. **Globalization has benefited these economies enormously**, and their participation in world trade flows is up commensurately. All of these factors have contributed to the current account surpluses that have been building now for years, culminating in their now becoming the *supplier of capital* to the developed economies as they deal with the self-inflicted pain of the credit crisis.

Most investors need to begin the process of thinking about these economies more broadly. While export is clearly still the major focus, some are exporting raw materials, but others have moved quite far up the chain into sophisticated manufactured products. Nearly all of them have an ongoing focus on building modern infrastructure that will ultimately allow them to compete on any playing field. The bottom line is, they are still big suppliers of raw materials, but they are now major consumers of those very same raw materials. This is a different set of dynamics than existed just a few short years ago.

Growth in most of these economies is likely to moderate in line with the slowing in the more developed economies. On a relative basis, however, look for the developing world to remain an important engine of growth.

Volatility – a fancy word for what happens when we are surprised. – Robert Schiller

Markets

Volatility characterized markets throughout the world in 2007, and investors should expect more of the same in 2008. This is market reaction to the ongoing uncertainty surrounding the unwinding of the leverage inherent in the structured products market. Both stock and bond markets are affected by the still-extending credit crisis, and inter-day market moves are to be expected.

Index	Asset Class	Q4	YTD
Russell 1000 Growth	Large Cap Growth	-0.77	11.81
Russell 1000 Value	Large Cap Value	-5.80	-0.17
Russell Mid Cap Growth	Mid Cap Growth	-1.70	11.43
Russell Mid Cap Value	Mid Cap Value	-5.97	-1.42
Russell 2000 Growth	Small Cap Growth	-2.10	7.05
Russell 2000 Value	Small Cap Value	-7.28	-9.78

Source: Russell

Sector Name	Q4 2007	YTD
Energy	4.73	34.56
Materials	.09	22.64
Industrials	-4.35	12.80
Consumer Disc	-10.25	-13.44
Consumer Staples	-0.97	14.03
Financials	-14.07	-18.42
Healthcare	0.14	8.02
Information Technology	-0.61	15.43
Media	-3.66	-15.77
Telecomm Services	-5.12	11.87
Transportation (DJ)	-5.17	1.43
Utilities	6.78	16.46

Source: Standard & Poor's

In the U.S., 2007 ushered out the long dominance of value stocks over growth stocks. The aging of both the business cycle and the bull market also shifted investors' focus away from smaller companies. Large companies not only have collective strength in their balance sheets, but benefit more from global trade and currency shifts. Smaller companies tend to be more dependent on the domestic economy.

Uncertainty about the credit crisis on financial markets has also extended to widespread uncertainty about the U.S. economy as a whole, adding new worries for stocks.

There was wide disparity in the performance of market sectors throughout the year, as well. Energy and Materials companies both benefited from the global economic boom, as did Information Technology companies. Healthcare and Utilities managed to stay in positive territory throughout the year, as well.

Not surprisingly, Financials led the pack to the downside. The good news here is that banks and brokerage houses are aggressively writing down their losses and bringing problem instruments directly onto their balance sheets. This is having the desired effect of wringing uncertainty regarding their actual value out of investors' minds. The market is actively pricing this sector, and a degree of comfort is slowly being restored.

Were only the same to be said for the Consumer Discretionary sector. The Housing industry falls within this sector, and analysts still expect more contraction in new residential construction. Most of that negative sentiment is probably already priced into the stocks of builders and suppliers. Still declining home values and increasing job uncertainty appear to be leading households to pull back on their overall spending, which is likely to challenge many manufacturers and retailers, at least over the near term.

Looking forward into 2008, most analysts believe that much of the bad news is already priced into the market. Large companies with solid balance sheets, particularly those with familiar brands and product lines that households routinely purchase, should weather this market downturn fairly well.

Sectors such as Energy and Materials, facing some measure of economic slowing worldwide, are likely to begin a consolidation phase. Few analysts expect past levels of gains to continue, at least for the near term. Orders for IT equipment are beginning to show signs of slowing as well.

Above all, this is most likely to be a "stock picker's market." Broad gains are not expected, but good companies should perform reasonably well. Active management has the opportunity to beat index returns in this environment.

Global stock markets ended the year in positive territory, with the developed markets represented by the EAFE Index (Europe, Australia, Far East) posting combined gains similar to those found in U.S. large and mid-cap growth stocks. Emerging markets, powered by strong economic growth, continued to provide investors with high average returns almost across the board.

	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
MSCI EAFE	11.63	11.63	17.32	22.08	9.04
Emerging Markets	39.78	39.78	35.60	37.46	14.53
S&P 500	5.49	5.49	8.62	12.83	5.91

Source: Zephyr Analytics

Country/Region	YTD	1 Yr	3 Yrs	5 Yrs
United Kingdom	8.39	8.39	15.00	19.15
Germany	35.93	35.93	27.14	31.62
France	14.03	14.03	19.53	23.49
Japan	-4.14	-4.14	8.59	15.11
Hong Kong	41.20	41.20	25.89	28.06
Eastern Europe	25.98	25.98	40.45	43.27
Latin America	50.67	50.67	48.15	51.13
Far East	37.04	37.04	31.38	31.05

Source: Zephyr Analytics

Regionally, market returns provide a good snapshot of which countries are benefiting most from the global themes of economic liberalization, trade globalization and infrastructure development. The U.S. and **U.K.**, long practitioners of liberal economic policies, benefit little internally from the kinds of deregulation happening in formally Socialist and Communist economies. **Japan** has completed a great deal of needed reform, but there are still many areas that hamper internal economic activity.

Germany and France are still enjoying a renaissance as they tear down old barriers, both the economic ones of Socialism and the physical ones represented by the Berlin Wall. As well, German companies in particular find their expertise in advanced-engineering products and services much in demand.

Emerging market countries are now referred to as developing economies, a linguistic shift that quite accurately portrays the sea change that has occurred in many countries of Asia and Latin America. During the 4th quarter, when global banks were busy writing off more than \$35 billion in mortgage-related securities, asset-backed commercial paper fell sharply, interbank lending nearly froze, and the U.S. and European central banks were announcing emergency funding arrangements, **these markets as an asset class still rose 3.6%**.

Looking into 2008, we find a more mixed environment for international markets. There

are few signs that the ongoing credit crisis is truly stabilizing; indeed, more areas continue to be affected. As credit generally contracts, it will likely have a dampening effect on business in developed countries. Some sectors, of course, will be more susceptible than others to this type of credit environment, so, as in the U.S. equities market, careful stock selection will be important.

In addition, the slowing in the key U.S. economy will affect the global business environment as a whole. **European markets** in particular face some headwinds from this combination of factors, and most market analysts expect these markets to struggle a bit this year.

In Asia, investor sentiment is largely dependent on developments in China. At present, China represents 6.8% of global output—greater than Brazil, Russia and India combined—and in 2008 is set to surpass Germany as the world's third largest economy. China's demand for raw materials—from ores and metals to meats and grains and, especially, for hydrocarbons—is the lynchpin for the growth in other emerging economies. Capital outflows from China are expected to continue supporting emerging Asian equities as well as markets rich in natural resources. Bottom line, emerging markets in Asia, which represent about 55% of the asset class, is much better positioned to weather a downturn in the U.S. economy than it was a decade ago.

For all developing economies, the long-term drivers of technology, media, and infrastructure development all remain in place. The market cycle itself, however, faces rising uncertainty. Even with the severe credit contraction taking place throughout the U.S. and European economies, **the developing world remains awash in cash.** Multiple years of high rates of growth have generated capital surpluses looking for a place to work. Petrodollars add to this stockpile, changing the world's financial balance. The rise of Sovereign Wealth funds and the entry into the markets of other newly-wealthy key players is another source of uncertainty that all markets struggle to digest.

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Because of the ongoing strength in the underlying economies of these markets, they are likely to continue to attract investor funds in 2008 and beyond. This creates the potential for bubbles to form, taking on a life of their own. As with the recent bubbles in U.S. residential real estate and the dot.coms before that, there is always the prospect of things turning ugly. Investors should keep this in mind in their asset allocations.

The Fixed Income markets have had a very interesting year. Yield curves in the first half of the year had nearly flattened as investors appeared to be almost indifferent to risk levels. That began to change to a degree in the second quarter, as both the European Central Bank and the Bank of England, responding to strong economic growth, began to raise interest rates. Investors slowly demanded more payment for riskier assets such as high yield corporate bonds and emerging market debt, but it wasn't until June that they seemed to awake fully to the problems in the U.S. subprime mortgage sector.

The action picked up smartly in the third quarter, with the realization that the problems with subprime were distributed fairly generously throughout the system via such structured products as collateralized debt obligations (CDOs) and structured investment vehicles (SIVs). Worse, they were highly leveraged. Thus began the credit contraction that is still affecting the economy and markets alike.

Investors subsequently fled to government bonds, stodgy and safe. Prices rose and yields fell, providing holders of these bonds a stellar two quarters. Holders of other fixed income instruments haven't fared quite as well.

Looking forward, while the Fed appears ready to continue cutting interest rates, the shorter end of the U.S. yield curve seems to have priced much of this in. The longer end is now grappling with worrisome inflation data. Most analysts generally agree that government bonds no longer provide attractive valuations. Many investors are looking now to inflation-protected bonds and, for the more risk tolerant, higher grade corporate bonds.

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Amer Funds EuroPac A

Analyst Pick Ticker AEPGX Load 5.75% NAV \$47.04 Yield 2.0% Total Assets \$114,471 mil Mstar Category Foreign Large Blend

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Like all American Funds, this offering boasts many experienced managers, most of whom have been with the company for more than a decade. Each manager runs his or her portion of assets independently of the others. A portion of the portfolio (less than 25% of assets) is run by the firm's analyst staff.

Strategy

The fund divides assets among several portfolio counselors (managers) whose investment philosophies vary from growth-focused to value-oriented. In the aggregate, the fund's portfolio is well diversified across countries and sectors, and its price multiples usually stay close to the category norms. Several of the managers like to pick up stocks on the cheap and then hold them for the long haul. The fund's turnover is quite low.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-9.66	17.98	9.27	14.13	32.91
2004	6.79	-1.83	0.47	13.63	19.69
2005	0.00	0.79	12.25	7.06	21.12
2006	7.54	-0.68	4.99	8.67	21.87
2007	2.92	8.43	5.23	1.29	18.96

Trailing	Total Return%	+/- MSCI EAFE	+/- MSCI Wd xUS	%Rank Cat	Growth of \$10,000
3 Mo	-11.70	2.50	2.52	10	8,830
6 Mo	-1.01	6.51	5.76	8	9,899
1 Yr	9.16	8.94	7.48	5	10,916
3 Yr Avg	18.01	4.19	3.50	10	16,434
5 Yr Avg	21.68	1.40	0.91	12	26,674
10 Yr Avg	11.06	3.93	3.54	4	28,548
15 Yr Avg	12.55	3.69	3.39	3	58,909

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	14.07	26	1.41	51
5 Yr (estimated)	19.02	30	1.02	53
10 Yr (estimated)	9.18	6	1.11	57

Potential Capital Gain Exposure: 29% of assets

Morningstar's Take by Michael Breen 11-01-07

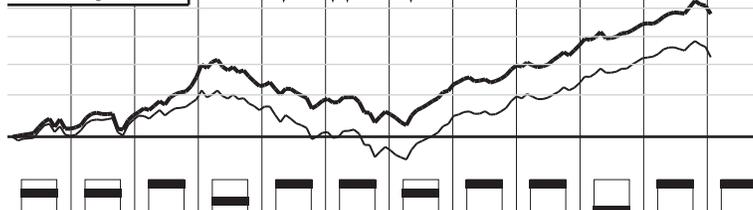
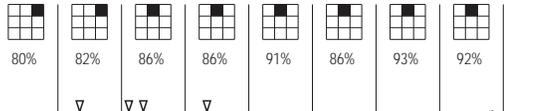
American Funds EuroPacific Growth is still special.

This fund continues to buck conventional wisdom. At more than \$120 billion in assets, it's the largest portfolio in its category by a wide margin: It's 4 times the size of the next-largest foreign large-blend fund. Many would say this makes the fund too big to maneuver. And when the fund took a breather in 2006 after trouncing its competitors in eight of the 10 prior years, some took it as a sign that the fund was permanently slowing down.

Such is not the case. For one, the fund lagged its peers in 2006, but still returned 21.9%—solid by anyone's standards. And its managers remain strong stock-pickers who handle the fund's big asset base with aplomb. Although the fund is underweight in the hot-performing energy sector, its picks have doubled the returns for the index's energy stocks so far in 2007. And several longtime top holdings, such as Bayer and America Mobile, have gained more than 50% in 2007. The fund is up 19.7% for the year to date through October 23, 2007, topping nearly all

Historical Profile

Return High
Risk Average
Rating ★★★★★
Highest



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	26.02	28.40	42.66	31.35	26.87	22.97	30.21	35.63	41.10	46.56	50.87	47.04
Total Return %	9.19	15.54	56.97	-17.84	-12.17	-13.61	32.91	19.69	21.12	21.87	18.96	-7.53
+/-MSCI EAFE	7.41	-4.39	29.94	-3.67	9.27	2.33	-5.68	-0.56	7.58	-4.47	7.79	1.71
+/-MSCI Wd xUS	6.92	-3.15	28.99	-4.49	9.23	2.19	-6.51	-0.69	6.65	-3.84	6.52	1.49
Income Return %	1.78	1.40	1.03	0.50	2.09	0.90	1.35	1.68	2.02	1.88	2.16	0.00
Capital Return %	7.41	14.14	55.94	-18.34	-14.26	-14.51	31.56	18.01	19.10	19.99	16.80	-7.53
Total Rtn % Rank Cat	32	38	17	60	4	20	49	20	7	82	9	12
Income \$	0.45	0.36	0.29	0.19	0.66	0.24	0.31	0.51	0.72	0.77	1.01	0.00
Capital Gains \$	1.93	1.26	1.39	3.74	0.00	0.00	0.00	0.00	1.32	2.71	3.63	0.00
Expense Ratio %	0.90	0.86	0.84	0.84	0.84	0.88	0.90	0.87	0.82	0.76	0.75	—
Income Ratio %	1.77	1.64	1.45	0.93	1.89	1.21	1.06	1.08	1.31	1.58	1.54	—
Turnover Rate %	26	31	32	29	37	27	29	25	30	35	27	—
Net Assets \$mil	18,854	20,798	34,783	31,496	27,153	22,601	29,908	36,920	45,485	56,109	63,433	58,035

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	2.88			
3 Yr	15.70	+ Avg	Avg	★★★★
5 Yr	20.25	+ Avg	Avg	★★★★
10 Yr	10.41	High	-Avg	★★★★★
Incept	13.59			

Other Measures	Standard Index MSCI EAFE	Best Fit Index MSCI Wd xUS
Alpha	3.9	3.4
Beta	0.98	0.97
R-Squared	92	93

Standard Deviation	11.44
Mean	18.01
Sharpe Ratio	1.14

Portfolio Analysis 09-30-07

Share change since 06-07	Total Stocks:300	Sector	Country	% Assets
+		Roche Holding Ltd	Health Switzerland	3.39
		Bayer	Ind Mtrls Germany	2.46
		Novo-Nordisk A S	Health Denmark	1.89
+		Banco Santander	Financial Spain	1.88
+		America Mobile ADR	Telecom Mexico	1.87
+		Hon Hai Precision Indust	Hardware Taiwan	1.51
		Nestle	Goods Switzerland	1.45
+		Samsung Electronics	Goods Korea	1.44
		Kookmin Bank	Financial Korea	1.40
		AXA	Financial France	1.36
-		Nokia	Hardware Finland	1.27
+		Brazilian Petroleum Corp	Energy Brazil	1.21
		Vodafone Grp	Telecom U.K.	1.17
		Reliance Industries Ltd	Ind Mtrls India	1.02
+		Inditex Grp	Goods Spain	1.01
+		MTN Grp Ltd	Telecom South Africa	0.98
		POSCO	Ind Mtrls Korea	0.92
		Linde	Ind Mtrls Germany	0.92
		Continental	Ind Mtrls Germany	0.89
		Koninklijke KPN	Telecom Netherlands	0.89

Current Investment Style

Value	Blnd	Growth	Market Cap %	Sector Weightings	% of Rel MSCI Stocks	3 Year EAFE High Low
			Giant 57.6	Info 21.72	1.73	
			Large 37.3	Software 0.80	1.51	1 0
			Mid 5.1	Hardware 8.48	2.17	10 6
			Small 0.0	Media 1.74	1.05	3 2
			Micro 0.0	Telecom 10.70	1.65	17 7
			Avg \$mil: 38,710	Service 40.61	0.93	
				Health 9.19	1.36	10 9
				Consumer 4.76	0.96	5 5
				Business 4.06	0.79	4 1
				Financial 22.60	0.84	26 22
				Mfg 37.68	0.86	
				Goods 14.25	1.08	18 14
				Ind Mtrls 13.20	0.76	13 10
				Energy 7.71	1.04	9 6
				Utilities 2.52	0.44	3 1

Value Measures	Rel Category	Value	Rel Category
Price/Earnings	14.73	1.00	
Price/Book	2.24	0.99	
Price/Sales	1.28	1.06	
Price/Cash Flow	8.81	0.99	
Dividend Yield %	2.87	0.98	
Growth Measures	% Rel Category	Value <th>Rel Category</th>	Rel Category
Long-Term Erngs	14.27	1.06	
Book Value	13.00	1.22	
Sales	10.12	1.04	
Cash Flow	16.50	1.08	
Historical Erngs	16.06	0.74	

Regional Exposure	% Stock
UK/W. Europe	54
N. America	3
Japan	10
Latin America	6
Asia X Japan	22
Other	5

Country Exposure	% Stock
Germany	10
U.K.	8
France	10
Switzerland	8
Japan	10

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Inception:	04-16-84	Sales Fees:	5.75%L, 0.25%S		
Advisor:	Capital Research & Mgmt Company	Management Fee:	0.69% mx./0.40% mn.		
Subadvisor:	None	Actual Fees:	Mgt:0.43% Dist:0.25%		
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr:\$813 5Yr:\$989 10Yr:\$1497		
		Income Distrib:	Annually		



DFA U.S. Micro Cap I

Ticker: DFSCX Load: None NAV: \$12.44 Yield: 1.8% Total Assets: \$4,176 mil Mstar Category: Small Blend

Governance and Management

Stewardship Grade:

Portfolio Manager(s)

A team of portfolio managers, led by Robert Deere, runs this offering. These folks are focused on implementing the fund's strategy. DFA's investment committee, which includes many famous academics, designed this strategy.

Strategy

The fund invests in the smallest 5% of U.S. exchange-listed stocks to take advantage of the small-cap effect. The portfolio contains anywhere between 2,500 and 3,000 holdings, but it does not contain REITs, newly minted IPOs, or firms that management identifies as merger candidates or too highly leveraged.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.99	27.35	12.56	16.77	60.72
2004	6.46	0.14	-4.32	16.06	18.39
2005	-6.43	3.93	6.78	1.78	5.69
2006	14.39	-7.11	-0.21	9.55	16.16
2007	1.66	4.35	-4.03	-6.91	-5.22

Trailing	Total Return%	+/- S&P 500	+/- Russ 2000	%Rank Cat	Growth of \$10,000
3 Mo	-15.47	-4.92	-1.91	82	8,453
6 Mo	-11.75	-7.43	-4.24	71	8,825
1 Yr	-13.46	-11.15	-3.67	75	8,654
3 Yr Avg	3.87	-3.41	-1.94	72	11,207
5 Yr Avg	15.90	3.86	0.64	26	20,913
10 Yr Avg	9.77	4.63	3.27	22	25,400
15 Yr Avg	12.43	2.45	3.09	19	57,974

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	2.13	61	1.68	43
5 Yr (estimated)	14.34	28	1.35	43
10 Yr (estimated)	7.75	25	1.84	78

Potential Capital Gain Exposure: 7% of assets

Morningstar's Take by Marta Norton 11-01-07

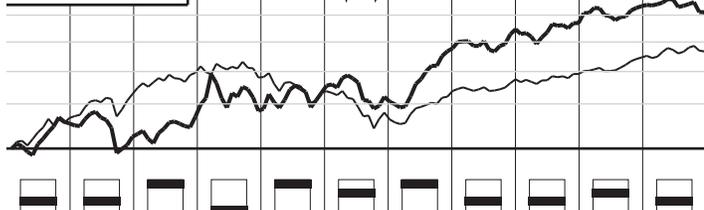
DFA U.S. Micro Cap has considerable appeal, but it's not appropriate for all investors.

Dimensional Fund Advisors bases this fund on economic theory that says small-cap stocks outpace their larger brethren. The fund owns the smallest 5% of exchanged-listed stocks (generally that means somewhere between 2,000 and 3,000 stocks) and stays diversified across industries and sectors. Lately, this approach hasn't borne out as economic theory suggests. The fund's 4.4% gain trails the S&P 500's 10.8% climb for the year-to-date period ending Oct. 15, 2007.

We're not worried by the lagging short-term returns. Small-cap stocks have been due a breather after a long multiyear rally. Plus, the fund has managed to outstrip the broad market over the long haul. Its annualized 13.7% return since its late 1981 inception edges past that of the S&P 500 and that of its typical small-blend rival. A low expense ratio and low transaction costs (the fund minimizes turnover and uses techniques like block trading to keep

Historical Profile

Return	Risk	Rating	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Above Avg	Above Avg	★★★ Neutral	11.78	10.76	12.61	9.64	10.01	8.53	13.32	15.12	14.77	15.70	13.47
			22.78	-7.32	29.79	-3.60	22.77	-13.27	60.72	18.39	5.69	16.16	-5.22
			-10.58	-35.90	8.75	5.50	34.66	8.83	32.04	7.51	0.78	0.37	-10.71
			0.42	-4.77	8.53	-0.58	20.28	7.21	13.47	0.06	1.14	-2.21	-3.65
			0.23	1.28	3.49	3.89	0.51	0.16	2.42	2.04	2.38	2.02	1.55
			22.55	-8.60	26.30	-7.49	22.26	-13.43	58.30	16.35	3.31	14.14	-6.77
			57	72	22	87	9	32	7	53	61	37	74
			0.03	0.15	0.38	0.49	0.05	0.02	0.21	0.27	0.36	0.30	0.24
			1.89	0.00	0.89	1.99	1.71	0.14	0.18	0.36	0.84	1.13	1.16
			0.60	0.59	0.61	0.56	0.56	0.56	0.56	0.16	0.55	0.53	—
			0.21	0.18	0.30	0.34	0.41	0.24	0.25	0.64	0.48	0.64	—
			28	26	23	37	—	—	—	—	—	24	—
			1,437	1,360	1,452	1,378	1,663	1,533	2,685	3,380	3,912	4,881	4,562



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
11.78	10.76	12.61	9.64	10.01	8.53	13.32	15.12	14.77	15.70	13.47	12.44	NAV
22.78	-7.32	29.79	-3.60	22.77	-13.27	60.72	18.39	5.69	16.16	-5.22	-7.65	Total Return %
-10.58	-35.90	8.75	5.50	34.66	8.83	32.04	7.51	0.78	0.37	-10.71	-1.65	+/-S&P 500
0.42	-4.77	8.53	-0.58	20.28	7.21	13.47	0.06	1.14	-2.21	-3.65	-0.83	+/-Russ 2000
0.23	1.28	3.49	3.89	0.51	0.16	2.42	2.04	2.38	2.02	1.55	0.00	Income Return %
22.55	-8.60	26.30	-7.49	22.26	-13.43	58.30	16.35	3.31	14.14	-6.77	-7.65	Capital Return %
57	72	22	87	9	32	7	53	61	37	74	76	Total Rtn % Rank Cat
0.03	0.15	0.38	0.49	0.05	0.02	0.21	0.27	0.36	0.30	0.24	0.00	Income \$
1.89	0.00	0.89	1.99	1.71	0.14	0.18	0.36	0.84	1.13	1.16	0.00	Capital Gains \$
0.60	0.59	0.61	0.56	0.56	0.56	0.56	0.16	0.55	0.53	—	—	Expense Ratio %
0.21	0.18	0.30	0.34	0.41	0.24	0.25	0.64	0.48	0.64	—	—	Income Ratio %
28	26	23	37	—	—	—	—	—	—	24	—	Turnover Rate %
1,437	1,360	1,452	1,378	1,663	1,533	2,685	3,380	3,912	4,881	4,562	4,176	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-13.46			
3 Yr	3.87	-Avg	+Avg	★★
5 Yr	15.90	+Avg	+Avg	★★★
10 Yr	9.77	+Avg	+Avg	★★★
Incept	12.77			

Other Measures	Standard Index	Best Fit Index
	S&P 500	Russ 2000
Alpha	-3.8	-1.8
Beta	1.38	1.01
R-Squared	69	97

Standard Deviation	Mean	Sharpe Ratio
14.10	3.87	0.03

Portfolio Analysis 10-31-07

Share change since 09-07	Total Stocks:0	Sector	PE	Tot Ret%	% Assets
Dimensional U.S. Micro C	—	—	—	—	100.00

trading efficient) have helped in that regard.

The higher long-term returns are attractive, but we'd suggest that investors do a gut check before investing here. Tiny companies are often in the early stages of development and while that gives them tremendous growth potential, they can also easily go bankrupt or, at the very least, face serious financial problems. As a result, this fund is much more volatile than the S&P 500 and the typical small-value fund. Moreover, the fund has been particularly hard hit in years like 1998, when small-cap stocks sold off sharply. Indeed, that year the typical small cap lost 3%, while this fund dropped more than 7%.

Thus, while this well-structured fund can be a good diversifier for investors with plenty of large-cap exposure, we recommend it only to those who can handle the fits and starts. Even then, we suggest investors limit it to a small portion, say 5%, of their total portfolios.

Current Investment Style

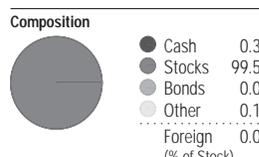
Value	Blind	Growth	Market Cap	%
			Giant	0.0
			Large	0.0
			Mid	0.3
			Small	39.8
			Micro	59.9
			Avg \$mil:	444

Value Measures	Rel Category
Price/Earnings	15.34 0.96
Price/Book	1.94 0.96
Price/Sales	0.92 0.92
Price/Cash Flow	7.17 0.87
Dividend Yield %	0.77 0.68
Growth Measures	% Rel Category
Long-Term Erngs	14.39 1.06
Book Value	3.48 0.41
Sales	-24.78 NMF
Cash Flow	-19.46 NMF
Historical Erngs	-14.91 NMF

Profitability	% Rel Category
Return on Equity	5.79 0.43
Return on Assets	1.21 0.21
Net Margin	5.38 0.54

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Info	20.45	1.03	
Software	5.76	1.44	6 6
Hardware	11.14	1.18	11 10
Media	1.28	0.44	2 1
Telecom	2.27	0.65	2 1

Service	50.13	1.19	
Health	15.53	1.28	16 15
Consumer	9.13	1.29	10 9
Business	11.44	2.57	13 11
Financial	14.03	0.76	16 13
Mfg	29.42	0.77	
Goods	6.25	0.68	7 6
Ind Mtrls	17.61	1.34	18 15
Energy	4.02	0.33	5 4
Utilities	1.54	0.42	2 1



Address:	1299 Ocean Ave Santa Monica, CA 90401 310-633-7885	Minimum Purchase:	\$0	Add: \$0	IRA: \$0
Web Address:	www.dfafunds.com	Min Auto Inv Plan:	\$0	Add: —	
Inception:	12-23-81	Sales Fees:	No-load		
Advisor:	Dimensional Fund Advisors Ltd	Management Fee:	—		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	N/A	Expense Projections:	3Yr:\$170	5Yr:\$296	10Yr:\$665
		Income Distrib:	Quarterly		

T. Rowe Price Mid Gr

Ticker: **RPMGX** Load: **Closed** NAV: **\$52.73** Yield: **0.1%** Total Assets: **\$15,906 mil** Mstar Category: **Mid-Cap Growth**

Governance and Management

Stewardship Grade: **A**

Portfolio Manager(s)

Brian Berghuis has run this offering since its June 1992 inception. He is assisted by comanager John Wakeman, and the two draw ideas from T. Rowe's strong corp of research analysts. Berghuis was named Morningstar's Domestic-Stock Manager of the Year for 2004.

Strategy

Manager Brian Berghuis looks for companies with sound business models that are growing rapidly. But unlike some other mid-growth managers, he pays close attention to valuations: The fund's average P/E is well below that of its typical rival. He also keeps the fund well diversified across sectors and does not let individual positions in the portfolio become too significant.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-1.32	19.62	4.20	12.36	38.21
2004	3.36	4.22	-2.14	12.32	18.39
2005	-2.25	4.12	8.17	4.28	14.82
2006	6.22	-4.69	-0.05	5.54	6.79
2007	3.24	11.53	3.45	-1.23	17.65

Trailing	Total Return%	+/- S&P 500	+/- Russ MG	%Rank Cat	Growth of \$10,000
3 Mo	-12.52	-1.97	-0.76	37	8,748
6 Mo	-4.84	-0.52	0.61	49	9,516
1 Yr	4.93	7.24	5.96	28	10,493
3 Yr Avg	10.97	3.69	1.63	26	13,665
5 Yr Avg	17.00	4.96	0.81	20	21,924
10 Yr Avg	10.55	5.41	3.66	13	27,264
15 Yr Avg	14.00	4.02	4.38	5	71,379

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	9.60	26	1.23	44
5 Yr (estimated)	16.06	20	0.80	41
10 Yr (estimated)	9.75	10	0.72	25

Potential Capital Gain Exposure: 26% of assets

Morningstar's Take by Bridget Hughes 12-07-07

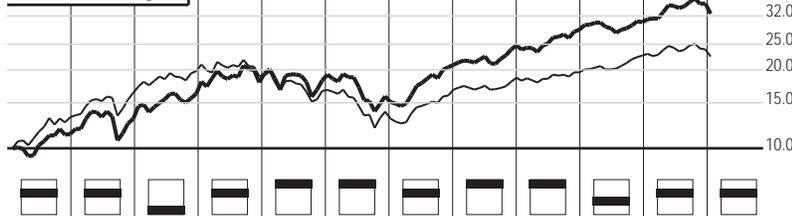
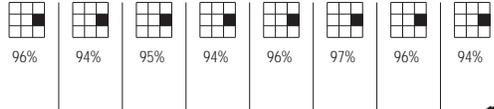
No surprise: The remarkably steady T. Rowe Price Mid-Cap Growth remains a favorite.

This fund is a model of consistency. That's true not only in its performance figures—it regularly lands in the mid-growth category's best third or better—but its Morningstar risk scores are below average, suggesting a stable ride. Its predictability extends to other areas. Manager Brian Berghuis has been with the fund since its mid-1992 inception. His 15-plus year tenure is more than three times as long as that of the average mutual fund manager—mid-cap growth or otherwise. Another member of this fund's investment advisory committee, John Wakeman, has worked with Berghuis for as long on the fund.

The portfolio's characteristics have also been reliable. Berghuis' unwavering commitment to his criteria—strong management teams, good business models, steady growth, and reasonable valuations—has produced a diversified portfolio, albeit with some emphases on health-care,

Historical Profile

Return: Above Avg
Risk: Below Avg
Rating: ★★★★★
Above Avg



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	28.60	34.08	40.13	39.79	39.40	31.04	42.90	49.88	54.14	53.69	57.67	52.73	NAV
Total Return %	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.79	17.65	-8.57	Total Return %
+/- S&P 500	-15.03	-6.58	2.74	16.53	10.91	0.88	9.53	7.51	9.91	-9.00	12.16	-2.57	+/- S&P 500
+/- Russ MG	-4.21	4.14	-27.51	19.18	19.17	6.19	-4.50	2.91	2.72	-3.87	6.22	-0.62	+/- Russ MG
Income Return %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.11	0.00	Income Return %
Capital Return %	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.64	17.54	-8.57	Capital Return %
Total Rtn % Rank Cat	47	39	85	26	7	24	33	13	15	64	37	44	Total Rtn % Rank Cat
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.06	0.00	Income \$
Capital Gains \$	0.30	0.73	1.88	3.27	0.00	0.00	0.00	0.90	3.15	4.07	5.33	0.00	Capital Gains \$
Expense Ratio %	0.95	0.91	0.87	0.86	0.89	0.88	0.87	0.83	0.80	0.80	—	—	Expense Ratio %
Income Ratio %	-0.14	-0.14	-0.09	-0.09	-0.35	-0.50	-0.44	-0.39	-0.12	0.14	—	—	Income Ratio %
Turnover Rate %	43	47	53	54	43	36	30	30	29	34	—	—	Turnover Rate %
Net Assets \$mil	1,839	3,310	5,243	6,589	6,739	5,713	9,869	12,651	15,187	14,629	16,905	15,213	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	4.93			
3 Yr	10.97	+ Avg	- Avg	★★★★
5 Yr	17.00	+ Avg	- Avg	★★★★
10 Yr	10.55	+ Avg	- Avg	★★★★
Incept	15.11			

Other Measures

	Standard Index	Best Fit Index
Alpha	3.1	1.8
Beta	1.18	0.94
R-Squared	78	93
Standard Deviation	11.39	
Mean	10.97	
Sharpe Ratio	0.60	

Portfolio Analysis 12-31-07

Share change since 09-07	Total Stocks:151	Sector	PE	Tot Ret%	% Assets	
		Smith International, Inc	Energy	17.5	-30.40	1.87
		⊖ Roper Industries, Inc.	Ind Mtrls	22.1	-10.46	1.81
		⊖ Amazon.com, Inc.	Consumer	89.3	-16.13	1.69
		⊖ VeriSign, Inc.	Software	—	-9.81	1.63
		⊖ Consol Energy, Inc.	Energy	35.8	1.80	1.61
		Ametek, Inc.	Ind Mtrls	22.0	-6.13	1.52
		EOG Resources	Energy	22.5	-1.67	1.51
		Juniper Networks, Inc.	Hardware	50.3	-18.22	1.49
		⊖ Rockwell Collins, Inc.	Ind Mtrls	17.9	-11.87	1.42
		DST Systems, Inc.	Business	5.7	-13.39	1.39
		International Game Tech.	Consumer	28.3	-2.50	1.24
		⊕ FLIR Systems, Inc.	Ind Mtrls	35.7	-3.16	1.23
		⊕ Harman International Ind	Goods	10.5	-36.97	1.14
		⊕ Lamar Advertising Compan	Business	87.7	-10.30	1.12
		⊕ Cephalon, Inc.	Health	—	-8.54	1.11
		⊕ The Western Union Compan	Business	20.8	-8.24	1.09
		⊖ Crown Castle Internation	Telecom	—	-13.32	1.05
		⊖ Chipotle Mexican Grill,	Consumer	49.5	-22.19	1.03
		SAIC, Inc.	Ind Mtrls	21.5	-6.06	1.02
		Seagate Technology	Hardware	7.6	-21.87	1.00

Current Investment Style

Value	Blind	Growth	Market Cap	%
			Giant	0.7
			Large	20.5
			Mid	69.5
			Small	9.2
			Micro	0.0
			Avg \$mil:	6,261

Value Measures	Rel Category
Price/Earnings	16.87 0.80
Price/Book	3.01 0.90
Price/Sales	1.69 0.92
Price/Cash Flow	13.12 1.04
Dividend Yield %	0.46 0.85
Growth Measures	% Rel Category
Long-Term Erngs	15.33 0.94
Book Value	10.06 0.67
Sales	14.55 1.61
Cash Flow	11.76 0.84
Historical Erngs	22.75 0.93

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Info	24.92	1.26	
Software	6.38	1.59	7 6
Hardware	11.41	1.21	13 10
Media	2.70	0.94	4 2
Telecom	4.43	1.27	6 4
Service	46.32	1.10	
Health	15.13	1.24	19 15
Consumer	13.75	1.94	14 11
Business	12.87	2.89	15 13
Financial	4.57	0.25	10 5
Mfg	28.77	0.76	
Goods	2.48	0.27	3 2
Ind Mtrls	15.11	1.15	15 9
Energy	11.18	0.93	11 8
Utilities	0.00	0.00	0 0

Composition	%
Cash	5.6
Stocks	94.4
Bonds	0.0
Other	0.0
Foreign	4.9
(% of Stock)	

Profitability	% Rel Category
Return on Equity	17.44 0.94
Return on Assets	6.48 0.77
Net Margin	8.54 0.74

Address: 100 East Pratt Street
Baltimore, MD 21202
800-225-5132
www.troweprice.com
Inception: 06-30-92
Advisor: Price Rowe T Services Inc /ta
Subadvisor: None
NTF Plans: N/A

Minimum Purchase: Closed
Min Auto Inv Plan: Closed
Sales Fees: No-load
Management Fee: 0.66%
Actual Fees: Mgt:0.66%
Expense Projections: 3Yr:\$255 5Yr:\$444 10Yr:\$990
Income Distrib: Annually

Add: — IRA: —
Add: —

Calvert Soc Inv Equity A

Ticker: CSIEX Load: 4.75% NAV: \$35.91 Yield: 0.0% Total Assets: \$1,216 mil Mstar Category: Large Growth

Governance and Management

Stewardship Grade:

Portfolio Manager(s)

Dan Boone is a manager for subadvisor Atlanta Capital Management, and he has run this fund since September 1998. Boone is assisted by three other portfolio managers, as well as a team of industry-specific analysts at his firm. Calvert does the fund's social screening.

Strategy

Lead manager Dan Boone and his team invest in 40-60 stocks with solid earnings histories and business franchises, as well as healthy balance sheets. Such firms tend to fetch a high price, but Boone attempts to buy them when they're trading at below-average valuations relative to their histories. The portfolio is screened according to Calvert's social-investment criteria, which eliminate alcohol, tobacco, gambling, and weapons companies, as well as firms with poor environmental records and poor labor practices.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-4.28	14.25	1.94	9.72	22.31
2004	-0.81	2.12	-3.30	8.92	6.69
2005	-2.21	2.49	2.46	1.42	4.16
2006	3.80	-2.46	3.92	4.71	10.16
2007	-0.64	5.45	5.04	-0.11	9.94

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	-9.26	1.29	2.26	5	9,074
6 Mo	-0.99	3.33	2.16	28	9,901
1 Yr	0.90	3.21	0.39	48	10,090
3 Yr Avg	6.36	-0.92	-0.62	56	12,032
5 Yr Avg	9.84	-2.20	-1.00	68	15,988
10 Yr Avg	6.83	1.69	4.14	16	19,361
15 Yr Avg	7.97	-2.01	0.00	51	31,590

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	4.05	74	0.57	26
5 Yr (estimated)	8.40	79	0.35	22
10 Yr (estimated)	5.82	16	0.46	24

Potential Capital Gain Exposure: 21% of assets

Morningstar's Take by Annie Sorich 11-21-07

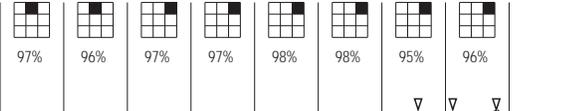
A manager change at Calvert Social Investment Equity is disappointing, but not a reason to abandon ship.

This fund's long-tenured manager, Dan Boone of subadvisor Atlanta Capital Management, will retire at the end of December, leaving Richard England at the helm. Although England has only been a manager since July 2006, he joined the firm in 2004, and Atlanta created a succession plan in 2001 (and sold 70% to asset manager Eaton Vance). Boone will remain at the firm managing high-net-worth portfolios and will contribute to the firm's research process. This isn't England's first stint as a portfolio manager, either. He worked as a comanager at Putnam Investors from 1996 to 2004 and as a manager of Putnam Health Sciences from mid-1997 through 2001. Along with England, William Hackney III and Marilyn Irvin will remain as comanagers, keeping the analyst team intact.

Much of the fund's success hinges on stock-picking ability. Management invests in

Historical Profile

Return Average Low Risk Rating ★★★ Neutral



Investment Style: Equity, Stock %

Manager Change: Partial Manager Change

Growth of \$10,000: Investment Values of Fund, Investment Values of S&P 500

Performance Quartile (within Category)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	23.28	25.80	29.88	31.72	31.06	26.40	32.29	34.45	35.30	37.30	38.61	35.91	NAV
Total Return %	19.33	10.89	23.17	11.61	0.67	-14.93	22.31	6.69	4.16	10.16	9.94	-6.99	Total Return %
+/- S&P 500	-14.03	-17.69	2.13	20.71	12.56	7.17	-6.37	-4.19	-0.75	-5.63	4.45	-0.99	+/- S&P 500
+/- Russ 1000Gr	-11.16	-27.82	-9.99	34.03	21.09	12.95	-7.44	0.39	-1.10	1.09	-1.87	0.81	+/- Russ 1000Gr
Income Return %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Income Return %
Capital Return %	-19.33	-10.89	23.17	11.61	0.67	-14.93	22.31	6.69	4.16	10.16	9.94	-6.99	Capital Return %
Total Rtn % Rank Cat	91	94	29	4	2	5	87	86	70	22	69	20	Total Rtn % Rank Cat
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Income \$
Capital Gains %	3.36	0.01	1.83	1.63	0.88	0.02	0.00	0.00	0.59	1.59	2.43	0.00	Capital Gains %
Expense Ratio %	1.20	1.16	1.22	1.13	1.24	1.29	1.29	1.24	1.25	1.23	1.21	—	Expense Ratio %
Income Ratio %	0.03	-0.14	-0.28	-0.20	-0.07	-0.12	-0.26	-0.32	0.08	-0.06	-0.01	—	Income Ratio %
Turnover Rate %	93	110	51	49	43	28	29	17	31	35	35	—	Turnover Rate %
Net Assets \$mil	146	157	203	253	312	380	619	783	883	948	978	903	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-3.90			
3 Yr	4.65	-Avg	Low	★★
5 Yr	8.78	-Avg	Low	★★
10 Yr	6.31	+Avg	-Avg	★★★★
Incept	7.88			

Other Measures	Standard Index S&P 500	Best Fit Index Russ 1000Gr
Alpha	-0.7	-0.3
Beta	0.95	0.86
R-Squared	87	95
Standard Deviation	8.62	
Mean	6.36	
Sharpe Ratio	0.26	

Portfolio Analysis 12-31-07

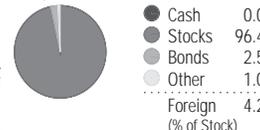
Share change since 11-07	Total Stocks:46	Sector	PE	Tot Ret%	% Assets	
+		Cisco Systems, Inc.	Hardware	19.4	-9.86	4.22
		Microsoft Corporation	Software	18.5	-8.43	3.98
		Procter & Gamble Company	Goods	20.7	-9.91	3.56
		FMC Technologies, Inc.	Energy	23.3	-15.06	3.55
		Colgate-Palmolive Compan	Goods	24.3	-0.96	3.49
		Aflac, Inc.	Financial	19.2	-2.47	3.27
		Medtronic, Inc.	Health	18.8	-7.27	3.19
		Cooper Industries, Ltd.	Ind Mtrls	12.9	-15.94	3.16
		Emerson Electric Company	Ind Mtrls	19.1	-10.48	2.96
		Respironics Inc.	Health	37.9	0.05	2.93
+		EOG Resources	Energy	22.5	-1.67	2.66
		Dover Corporation	Ind Mtrls	12.7	-12.50	2.58
		Air Products and Chemica	Ind Mtrls	18.6	-8.96	2.58
		Bank of New York Mellon	Financial	20.7	-4.03	2.55
*		FHLBA	—	—	—	2.54
		Kohl's Corporation	Consumer	12.8	-0.59	2.48
		Stryker Corporation	Health	29.5	-10.18	2.34
		Questar Corporation	Energy	17.9	-5.56	2.26
		Texas Instruments, Inc.	Hardware	17.8	-7.21	2.24
		SEI Investments Company	Business	20.8	-13.70	2.16

Current Investment Style

Value	Blind	Growth	Market Cap	%
Large	Blind	Growth	Giant	31.0
Large	Blind	Growth	Large	38.8
Mid	Blind	Growth	Mid	30.2
Small	Blind	Growth	Small	0.0
Micro	Blind	Growth	Micro	0.0
Avg \$mil:		31,071		

Value Measures	Rel Category	Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Price/Earnings	18.69	Info	22.95	1.16	
Price/Book	3.84	Software	7.18	1.79	7 2
Price/Sales	1.84	Hardware	15.77	1.67	16 10
Price/Cash Flow	12.86	Media	0.00	0.00	0 0
Dividend Yield %	0.93	Telecom	0.00	0.00	0 0
Growth Measures		Service	46.15	1.09	
Long-Term Erngs	14.13	Health	17.52	1.44	21 15
Book Value	10.71	Consumer	12.85	1.81	19 13
Sales	13.18	Business	6.15	1.38	14 5
Cash Flow	13.25	Financial	9.63	0.52	15 10
Historical Erngs	19.73	Mfg	30.90	0.81	
		Goods	7.31	0.80	7 4
		Ind Mtrls	14.80	1.12	17 11
		Energy	8.79	0.73	9 5
		Utilities	0.00	0.00	0 0

Composition



Profitability	% Rel Category
Return on Equity	25.16
Return on Assets	11.21
Net Margin	14.73

Address:	4550 Montgomery Ave Bethesda, MD 20814 800-368-2748	Minimum Purchase:	\$1000	Add:	\$250	IRA:	\$1000
Web Address:	www.calvert.com	Min Auto Inv Plan:	\$0	Add:	—		
Inception:	08-24-87	Sales Fees:	4.75%L, 0.25%S, 2.00%R				
Advisor:	Calvert Asset Management Co., Inc.	Management Fee:	0.50%, 0.20%A				
Subadvisor:	Atlanta Capital Management Co.	Actual Fees:	Mgt:0.70%	Dist:0.25%			
NTF Plans:	DATALynx NTF, Federated Tr NTF	Expense Projections:	3Yr:\$841	5Yr:\$1108	10Yr:\$1871		
		Income Distrib:	Annually				

Fidelity Contrafund

Ticker FCNTX **Load** Closed **NAV** \$66.16 **Yield** 0.6% **Total Assets** \$72,969 mil **Mstar Category** Large Growth

Governance and Management

Stewardship Grade: C

Portfolio Manager(s)

Will Danoff has been at the helm since September 1990 and is backed by Fidelity's deep research staff. He has adapted his style to the fund's size by holding more large caps, and he has cut the fund's turnover in recent years. He has also run Fidelity Advisor New Insights since its July 2003 inception.

Strategy

Call it forced evolution: As this fund's asset base grew in the 1990s, manager Will Danoff had to move away from mid-caps and small caps and adopt a growth-at-a-reasonable-price philosophy. He continues to own a substantial stake in mid-caps, but it is now dominated by larger fare. It has been more conservative than most of its large-growth rivals in recent years, with big underweightings in racy sectors such as technology. Danoff has reined in the fund's turnover considerably in recent years.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-2.15	11.83	5.02	11.34	27.95
2004	3.75	2.36	-0.63	9.04	15.07
2005	0.33	2.95	8.41	3.79	16.23
2006	4.75	-0.77	0.79	6.46	11.54
2007	1.41	7.50	7.16	2.53	19.78

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	-11.65	-1.10	-0.13	31	8,835
6 Mo	0.27	4.59	3.42	18	10,027
1 Yr	6.10	8.41	5.59	16	10,610
3 Yr Avg	12.51	5.23	5.53	5	14,242
5 Yr Avg	16.37	4.33	5.53	5	21,341
10 Yr Avg	9.65	4.51	6.96	4	25,124
15 Yr Avg	12.64	2.66	4.67	3	59,620

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	11.36	6	1.02	46
5 Yr (estimated)	15.64	5	0.63	39
10 Yr (estimated)	8.38	5	1.16	64

Potential Capital Gain Exposure: 26% of assets

Morningstar's Take by Greg Carlson 01-03-08

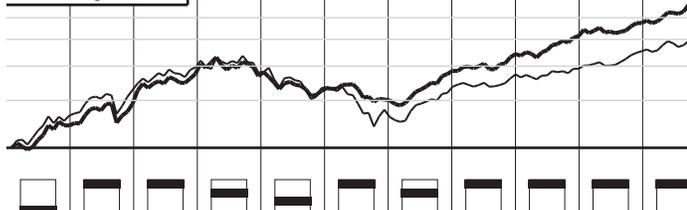
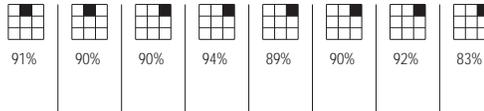
The veteran manager of Fidelity Contrafund is Morningstar's Domestic-Stock Manager of the Year, but can its future be as good as its past?

This closed large-growth fund isn't a perfect fit in its category. Manager Will Danoff, who's run the fund since 1990, employs a flexible approach. He likes firms with improving prospects, rather than potential turnaround situations, but he'll buy anything that fits that definition, from Internet-search leader Google to oil giant ExxonMobil. Thus, its performance is best measured against its benchmark, the S&P 500.

Versus the S&P, the fund rebounded strongly from a subpar 2006--it crushed the S&P by 14.3 percentage points in 2007. That success owes to solid picks such as Apple and oil-services provider Schlumberger. Apple is an instructive case--Danoff owned only a very tiny position when the firm was struggling through the bear market, but once its fortunes started improving in 2003, he slowly built it into a significant holding and has ridden the stock's

Historical Profile

Return High
Risk Below Avg
Rating ★★★★★
Highest



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	46.63	56.81	60.02	49.18	42.77	38.60	49.35	56.74	64.76	65.21	73.11	66.16
Total Return %	23.00	31.57	25.03	-6.80	-12.59	-9.63	27.95	15.07	16.23	11.54	19.78	-9.51
+/-S&P 500	-10.36	2.99	3.99	2.30	-0.70	12.47	-0.73	4.19	11.32	-4.25	14.29	-3.51
+/-Russ 1000Gr	-7.49	-7.14	-8.13	15.62	7.83	18.25	-1.80	8.77	10.97	2.47	7.97	-1.71
Income Return %	0.84	0.64	0.50	0.41	0.45	0.12	0.10	0.09	0.41	0.61	0.68	0.00
Capital Return %	22.16	30.93	24.53	-7.21	-13.04	-9.75	27.85	14.98	15.82	10.93	19.10	-9.51
Total Rtn % Rank Cat	85	7	21	40	51	2	39	5	3	14	19	67
Income \$	0.35	0.30	0.28	0.24	0.22	0.05	0.04	0.05	0.23	0.39	0.44	0.00
Capital Gains \$	4.56	4.22	10.22	6.62	0.00	0.00	0.00	0.00	0.97	6.49	4.48	0.00
Expense Ratio %	0.67	0.61	0.62	0.84	0.91	0.99	0.98	0.92	0.88	0.89	—	—
Income Ratio %	0.91	0.70	0.48	0.45	0.49	0.14	0.01	0.08	0.46	0.62	—	—
Turnover Rate %	144	197	177	166	141	80	67	64	60	76	—	—
Net Assets \$mil	30,809	38,821	46,927	40,220	32,321	27,695	36,051	44,484	60,094	68,576	80,864	72,969

Rating and Risk

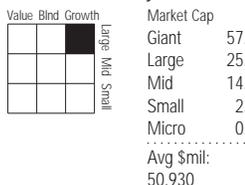
Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	6.10			
3 Yr	12.51	High	Avg	★★★★★
5 Yr	16.37	High	Avg	★★★★★
10 Yr	9.65	High	Low	★★★★★
Incept	13.17			

Other Measures	Standard Index	Best Fit Index
Alpha	4.6	1.4
Beta	1.13	0.80
R-Squared	77	87
Standard Deviation	10.97	
Mean	12.51	
Sharpe Ratio	0.74	

Portfolio Analysis 12-31-07

Share change since 11-07	Total Stocks:347	Sector	PE	Tot Ret%	% Assets	
+		Google, Inc.	Business	44.0	-18.39	5.42
		Apple, Inc.	Hardware	34.5	-31.66	3.71
-		Berkshire Hathaway Inc.	Financial	15.2	-3.95	3.19
+		ExxonMobil Corporation	Energy	12.4	-8.84	2.92
+		Hewlett-Packard Company	Hardware	16.3	-13.35	2.86
		Procter & Gamble Company	Goods	20.7	-9.91	2.10
+		Schlumberger, Ltd.	Energy	18.8	-23.08	1.79
-		America Mobile ADR	Telecom	26.7	-2.69	1.75
+		Genentech, Inc.	Health	27.4	4.61	1.54
		Walt Disney Company	Media	13.3	-5.82	1.34
-		Research in Motion, Ltd.	Hardware	84.8	-17.21	1.32
		Merck & Co., Inc.	Health	18.8	-20.30	1.27
+		Coca-Cola Company	Goods	25.2	-3.86	1.25
+		PepsiCo, Inc.	Goods	18.3	-10.66	1.21
		EnCana Corporation	Energy	10.9	-2.75	1.15
+		Brazilian Petroleum Corp	Energy	19.0	-3.58	1.00
+		Danaher Corporation	Ind Mtrls	19.7	-14.93	0.96
		Gilead Sciences, Inc.	Health	—	-0.70	0.92
-		Jacobs Engineering Group	Business	29.1	-20.05	0.85
		Cooper Industries, Ltd.	Ind Mtrls	12.9	-15.94	0.84

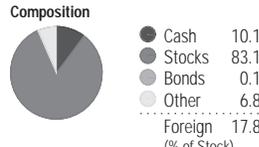
Current Investment Style



Value Measures	Rel Category
Price/Earnings	18.70 0.94
Price/Book	3.02 0.84
Price/Sales	2.15 1.08
Price/Cash Flow	13.48 1.02
Dividend Yield %	0.78 0.88
Growth Measures	% Rel Category
Long-Term Erngs	13.45 0.91
Book Value	14.50 1.01
Sales	10.35 0.90
Cash Flow	16.43 1.13
Historical Erngs	28.07 1.20

Sector Weightings	% of Stocks	Rel S&P 500	3 Yr High Low
Info	23.07	1.16	
Software	3.24	0.81	4 2
Hardware	15.21	1.61	16 5
Media	1.76	0.61	3 2
Telecom	2.86	0.82	7 3
Service	38.28	0.91	
Health	11.06	0.91	16 11
Consumer	4.10	0.58	9 4
Business	11.16	2.51	11 5
Financial	11.96	0.65	23 12
Mfg	38.64	1.02	
Goods	9.41	1.03	10 7
Ind Mtrls	14.30	1.09	18 10
Energy	14.07	1.17	18 8
Utilities	0.86	0.24	1 0

Composition	%
Cash	10.1
Stocks	83.1
Bonds	0.1
Other	6.8
Foreign	17.8



Profitability	% Rel Category
Return on Equity	23.05 1.03
Return on Assets	10.61 1.08
Net Margin	15.53 1.09

Address:	82 Devonshire Street Boston, MA 02109 800-544-9797	Minimum Purchase:	Closed	Add: —	IRA: —
Web Address:	www.fidelity.com	Min Auto Inv Plan:	Closed	Add: —	
Inception:	05-17-67	Sales Fees:	No-load		
Advisor:	Fidelity Mgmt & Research (FMR)	Management Fee:	0.71%		
Subadvisor:	Fidelity Mgmt & Rsrch Far East Inc	Actual Fees:	Mgt:0.71%	Dist: —	
NTF Plans:	Fidelity Retail-NTF, CommonWealth NTF	Expense Projections:	3Yr:\$287	5Yr:\$498	10Yr:\$1108
		Income Distrib:	Semi-Annually		



Vanguard Wellington

Analyst Pick Ticker Load NAV Yield Total Assets Mstar Category
 Pick VWELX None \$31.69 3.3% \$49,111 mil Moderate Allocation

Governance and Management

Stewardship Grade: A

Portfolio Manager(s)

John Keogh has been the lead fixed-income manager since 2006 but has been with Wellington Management, this fund's subadvisor, since 1983 and worked as a backup on this fund since 2004. Ed Bousa, who took over the equity portfolio at the end of 2002, did a solid job managing Putnam Equity Income from late 1992 through early 2000. He also runs Hartford Dividend & Growth.

Strategy

This fund's fixed-income and equity portfolios follow disciplined strategies. The bond portfolio typically emphasizes high-quality issues, but it has often taken on a modest amount of interest-rate risk. On the stock side, Ed Bousa looks for dividend-paying companies with modest valuations and decent fundamentals. The fund is typically light on technology stocks and has plenty of exposure to value-oriented fare.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.35	12.55	1.37	9.50	20.75
2004	2.19	0.41	1.65	6.58	11.17
2005	-0.53	1.71	4.22	1.31	6.82
2006	2.99	0.69	5.07	5.51	14.97
2007	1.14	4.91	3.01	-0.88	8.34

Trailing	Total Return%	+/- DJ Mod	+/- DJ US Mod	%Rank Cat	Growth of \$10,000
3 Mo	-4.64	1.82	1.27	11	9,536
6 Mo	0.67	1.43	2.10	14	10,067
1 Yr	4.54	1.30	4.36	12	10,454
3 Yr Avg	9.38	1.18	2.89	5	13,086
5 Yr Avg	12.14	-0.52	1.50	9	17,734
10 Yr Avg	7.97	0.41	1.10	7	21,529
15 Yr Avg	10.74	1.98	2.10	5	46,192

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	7.81	4	1.44	52
5 Yr (estimated)	10.75	9	1.24	57
10 Yr (estimated)	6.05	9	1.78	73

Potential Capital Gain Exposure: -6% of assets

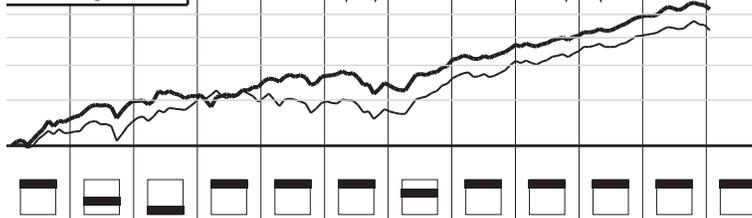
Morningstar's Take by Dan Culloton 12-13-07

Vanguard Wellington, once again, has done its job.

Investors usually sign up for this fund for a few simple reasons; stability is paramount among them. Recently the markets gave the fund a chance to demonstrate its ability to stay calm while the rest of the world trembled, and it delivered. When the broad equity market fell 4.5% in November and the typical moderate-allocation fund fell nearly as far, this fund shed 1.3%. Throughout this volatile year this fund also has held up well. Its more than 9% year-to-date gain through Dec. 12 beats both the broad stock and bond market and 80% of the moderate-allocation category.

Some prescient moves set the stage for the fund's strong showing. On the stock side of the portfolio, manager Ed Bousa trimmed the fund's exposure to financial stocks prior to 2007 because he saw many red flags, not the least of which was the mortgage and housing bubble. Bousa also stuck with big energy stocks, because he thinks tight supply and increasing demand will support their

Historical Profile	Return	Risk	Rating
Above Avg	64%	68%	66%
Below Avg	66%	66%	65%
Highest	65%	65%	66%



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	29.45	29.35	27.96	28.21	27.26	24.56	28.81	30.19	30.35	32.44	32.62	31.69
Total Return %	23.23	12.06	4.41	10.40	4.19	-6.90	20.75	11.17	6.82	14.97	8.34	-2.85
+/-DJ Mod	12.42	1.61	-13.59	12.56	6.70	0.15	-6.42	-1.98	-0.43	3.06	0.32	0.83
+/-DJ US Mod	4.03	-0.33	-8.44	5.96	4.03	3.66	-3.31	0.00	0.83	4.78	3.47	0.23
Income Return %	4.34	3.89	3.94	3.88	3.41	3.12	3.15	3.07	3.01	3.27	3.37	0.00
Capital Return %	18.89	8.17	0.47	6.52	0.78	-10.02	17.60	8.10	3.81	11.70	4.97	-2.85
Total Rtn % Rank Cat	19	56	80	11	5	10	43	17	20	8	22	23
Income \$	1.12	1.13	1.14	1.07	0.95	0.84	0.77	0.88	0.90	0.98	1.08	0.00
Capital Gains \$	1.57	2.44	1.50	1.48	1.12	0.00	0.00	0.91	0.97	1.40	1.42	0.00
Expense Ratio %	0.29	0.31	0.30	0.31	0.36	0.36	0.36	0.31	0.29	0.30	—	—
Income Ratio %	3.97	3.68	3.74	3.77	3.42	3.18	3.00	2.99	2.93	3.10	—	—
Turnover Rate %	27	29	22	33	33	25	28	24	24	25	—	—
Net Assets \$mil	21,812	25,761	25,529	22,799	21,724	19,495	24,326	28,328	26,251	29,675	30,979	30,036

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	4.54			
3 Yr	9.38	High	-Avg	★★★★★
5 Yr	12.14	+Avg	Avg	★★★★★
10 Yr	7.97	+Avg	-Avg	★★★★★
Incept	8.33			

Other Measures	Standard Index DJ Mod	Best Fit Index S&P 500
Alpha	1.7	3.0
Beta	0.83	0.58
R-Squared	85	88
Standard Deviation	5.33	
Mean	9.38	
Sharpe Ratio	0.91	

Portfolio Analysis 09-30-07

Total Stocks:113	Sectors	P/E Ratio	YTD Return %	% Net Assets
AT&T, Inc.	Telecom	21.6	-10.06	2.55
General Electric Company	Ind Mtrls	16.6	-8.39	2.04
Chevron Corporation	Energy	11.4	-14.97	1.80
Bank of America Corporati	Financial	9.4	2.18	1.75
ExxonMobil Corporation	Energy	13.6	-12.22	1.68
International Business Ma	Hardware	16.2	-4.71	1.61
Total SA ADR	Energy	11.1	-15.54	1.57
Citigroup, Inc.	Financial	7.9	-10.58	1.40
Exelon Corporation	Utilities	20.2	-4.41	1.37

Total Fixed-Income:2414	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Illinois St Go Bds 5.1%	06-01-33	109,510	102,579	0.20
FHLBA 4.875%		94,400	95,118	0.19
SIEMENS FIN NV		89,650	90,095	0.18
Unilever Cap 7.125%	11-01-10	77,000	81,706	0.16
Household Fin 6.375%	10-15-11	75,000	77,296	0.15
Hbos Plc Medium Tm Sb Nts	11-01-33	80,500	77,018	0.15
Hewlett Packard 5.25%		75,000	75,473	0.15
Goldman Sachs Grp 5.3%		75,000	74,974	0.15
State Str 5.375%		76,315	74,453	0.15

Equity Style	Style: Blend	Size: Large-Cap	Fixed-Income Style	Duration: Inter-M Term	Quality: High
Value Measures	Rel Category		Avg Eff Duration 1	5.5 Yrs	
Price/Earnings	15.37	0.97	Avg Eff Maturity	8.8 Yrs	
Price/Book	2.67	1.05	Avg Credit Quality	AA	
Price/Sales	1.64	1.14	Avg Wtd Coupon	5.71%	
Price/Cash Flow	9.93	0.97	Figure provided by fund as of 09-30-07		
Dividend Yield %	2.10	1.15			

Growth Measures	%	Rel Category	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Long-Term Erngs	9.78	0.79	Info	16.41	—	—
Book Value	9.80	0.89	Software	2.02	—	3 2
Sales	6.56	0.89	Hardware	5.62	—	6 4
Cash Flow	9.26	1.23	Media	3.61	—	5 4
Historical Erngs	14.70	0.81	Telecom	5.16	—	5 4
Market Cap %			Service	36.74	—	—
Giant	62.5	Small	Health	10.80	—	11 9
Large	34.5	Micro	Consumer	4.41	—	5 3
Mid	2.9	Avg \$mil:	Business	4.61	—	7 4
			Financial	16.92	—	19 17

Composition	%
Cash	2.4
Stocks	66.5
Bonds	31.0
Other	0.2
Foreign	20.4
(of Stock)	

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$10000	Add: \$100	IRA: \$10000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$10000	Add: \$50	
Inception:	07-01-29	Sales Fees:	No-load		
Advisor:	Wellington Management	Management Fee:	0.28%		
Subadvisor:	None	Actual Fees:	Mgt:0.28%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$97	5Yr:\$169	10Yr:\$381
		Income Distrib:	Quarterly		



Vanguard Long-Tm InvGrde

Analyst Pick: **WVESX** Load: None NAV: \$9.02 Yield: 5.8% SEC Yield: 5.82% Total Assets: \$5,738 mil Mstar Category: Long-Term Bond

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

Earl McEvoy of esteemed subadvisor Wellington Management Company has managed this fund since March 1994. McEvoy also runs Vanguard High-Yield Corporate and the bond portion of Vanguard Wellesley Income's balanced portfolio, where he has posted impressive results.

Strategy

The fund invests mainly in high-quality corporate bonds, but it may also invest up to 20% of assets in Treasuries and other government securities. Starting in mid-2001, the fund could invest up to 5% of assets in high-yield debt, but it has barely endeavored to do so yet. The fund's duration is kept within 20% of the Lehman Brothers Long Credit A or Better Index's, meaning that it tends to be more sensitive to interest-rate shifts than are many of its long-term bond peers. Over the past couple years, the fund's duration has ranged from 9.1 to 11.5 years.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	1.96	6.48	-2.18	0.04	6.26
2004	4.90	-5.01	6.48	2.67	8.94
2005	0.70	6.97	-3.22	0.86	5.13
2006	-3.63	-1.88	7.25	1.42	2.86
2007	0.64	-1.97	2.29	2.82	3.75

Trailing	Total Return%	+/- LB Aggreg	+/- LB LongTerm	%Rank Cat	Growth of \$10,000
3 Mo	1.12	-2.68	-1.45	64	10,112
6 Mo	4.58	-2.24	2.56	56	10,458
1 Yr	4.43	-4.38	-5.94	55	10,443
3 Yr Avg	3.02	-1.90	-3.38	68	10,934
5 Yr Avg	5.34	0.59	-2.14	67	12,971
10 Yr Avg	6.19	0.18	-1.81	25	18,232
15 Yr Avg	7.20	0.74	-1.22	1	28,374

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	1.02	68	1.94	75
5 Yr (estimated)	3.30	70	1.94	53
10 Yr (estimated)	3.76	23	2.29	87

Potential Capital Gain Exposure: 1% of assets

Morningstar's Take by Lawrence Jones 01-07-08

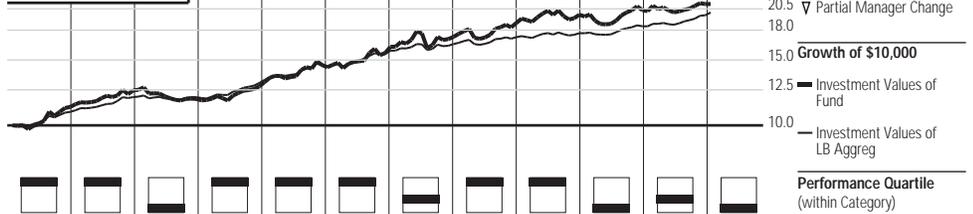
Vanguard Long-Term Investment Grade weathered 2007 and is well positioned for 2008.

The risks this fund faced over the past year changed dramatically, but we're impressed with management's ability to stay one step ahead of them. In early 2007, veteran manager Earl McEvoy was worried about leveraged buyout risk (widespread at the time), which can hurt corporate-heavy funds such as this one, as the added leverage used to finance a deal can impair firm ability to pay obligations. However, instead of retreating to the financials sector (often seen as less prone to buyouts) as many others did, McEvoy shifted assets to taxable munis and agency debt (recently near 9% and 6% of assets, respectively). Later in the year this had the effect of insulating returns from trouble in the financials sector, as the subprime mortgage meltdown and liquidity crisis hit that region of the market hard.

Moreover, as the liquidity crisis has depressed bond prices in various areas of the market, McEvoy

Historical Profile

Return: Average
Risk: Above Avg
Rating: ★★★ Neutral



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	9.26	9.29	8.11	8.45	8.68	9.23	9.27	9.55	9.52	9.25	9.06	9.02	NAV
Total Return %	13.78	9.21	-6.23	11.76	9.57	13.22	6.26	8.94	5.13	2.86	3.75	0.05	Total Return %
+/-LB Aggreg	4.13	0.52	-5.41	0.13	1.13	2.97	2.16	4.60	2.70	-1.47	-3.22	-1.63	+/-LB Aggreg
+/-LB LongTerm	-0.74	-2.56	1.42	-4.40	2.29	-1.59	0.39	0.38	-0.20	0.15	-2.85	-1.95	+/-LB LongTerm
Income Return %	7.21	6.56	6.25	7.30	6.86	6.60	5.85	5.77	5.53	5.61	5.81	0.49	Income Return %
Capital Return %	6.57	2.65	-12.48	4.46	2.71	6.62	0.41	3.17	-0.40	-2.75	-2.06	-0.44	Capital Return %
Total Rtn % Rank Cat	12	20	91	18	11	5	53	16	12	90	60	84	Total Rtn % Rank Cat
Income \$	0.61	0.59	0.56	0.57	0.56	0.56	0.53	0.52	0.52	0.52	0.52	0.04	Income \$
Capital Gains %	0.07	0.21	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains %
Expense Ratio %	0.28	0.32	0.30	0.30	0.30	0.32	0.31	0.28	0.25	0.25	0.25	—	Expense Ratio %
Income Ratio %	7.06	6.87	6.26	6.59	7.02	6.48	6.24	5.64	5.58	5.35	5.73	—	Income Ratio %
Turnover Rate %	30	33	43	7	17	39	33	11	16	9	15	—	Turnover Rate %
Net Assets \$mil	3,637	4,153	3,724	3,704	3,550	3,753	3,851	4,213	4,224	4,187	4,273	4,112	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	4.43			
3 Yr	3.02	-Avg	High	★★
5 Yr	5.34	-Avg	+ Avg	★★★
10 Yr	6.19	Avg	Avg	★★★★
Incept	8.66			

Other Measures	Standard Index	Best Fit Index
Alpha	-2.2	-1.3
Beta	2.04	1.02
R-Squared	79	97
Standard Deviation	6.66	
Mean	3.02	
Sharpe Ratio	-0.17	

Portfolio Analysis 09-30-07

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income:223				
Illinois St Go Bds 5.1%	06-01-33	145,000	135,823	2.37
FNMA 6.625%	11-15-30	100,000	118,041	2.06
FHLMC 6.25%	07-15-32	100,000	113,525	1.98
General Elec Cap 6.75%	03-15-32	95,975	106,316	1.86
FHLBA 5.5%		100,000	103,138	1.80
Deutsche Telekom Intl Fi	06-15-30	59,000	72,613	1.27
New York Life Ins 144A 5	05-15-33	70,275	68,403	1.19
At&T Wireless Svcs 8.75%	03-01-31	52,725	66,806	1.17
France Telecom Sa 8.5%	03-01-31	48,175	62,114	1.08
Natl Rural Utils Coop Fi	03-01-32	50,000	59,524	1.04
President&Fellow Harvard	10-01-37	55,000	58,112	1.01
Hutchison Whampoa Intl 1	11-24-33	50,000	56,334	0.98
Intl Busn Machs 7%	10-30-25	50,000	55,287	0.96
Hydro-Quebec 9.4%	02-01-21	40,000	54,730	0.96
New Jersey Econ Dev Auth	02-15-29	44,857	54,163	0.95
BANK AMER CHRLT NC MTN		55,000	53,955	0.94
Intl Bk For Recon&Dev 7.	01-19-23	43,320	53,816	0.94
Appalachian Pwr 6.7%		50,000	52,389	0.91
Wal Mart Stores 7.55%	02-15-30	45,000	52,047	0.91
Northn Sts Pwr 6.2%		50,000	51,579	0.90

Current Investment Style

Duration	Short	Int	Long	Quality
				High Med Low

1 figure provided by fund

Avg Eff Duration ¹	11.4 Yrs
Avg Eff Maturity	22.3 Yrs
Avg Credit Quality	A
Avg Wtd Coupon	6.68%
Avg Wtd Price	105.80% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	28.4	0.7
6% to 8%	61.9	1.4
8% to 10%	9.7	0.8
More than 10%	0.0	0.0

1.00=Category Average

Credit Analysis	% bonds 09-30-07
AAA	14
AA	27
A	43
BBB	14

Sector Breakdown	% of assets
US Treasuries	0
TIPS	0
US Agency	6
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	81
Asset-Backed	0
Convertible	0
Municipal	7
Corporate Inflation-Protected	0
Foreign Corporate	5
Foreign Govt	1

Composition	Cash	Bonds	Stocks	Other
	0.6	99.4	0.0	0.0

Special Securities	
Restricted/Illiquid Secs	7
Exotic Mortgage-Backed	0
Emerging-Markets Secs	0
Options/Futures/Warrants	No

Address: PO Box 2600
Valley Forge, PA 19482
800-662-2739
www.vanguard.com
Inception: 07-09-73
Advisor: Wellington Management Company, LLP
Subadvisor: None
NTF Plans: Vanguard NTF

Minimum Purchase: \$3000
Add: \$100
IRA: \$0
Add: \$50
Sales Fees: No-load
Management Fee: 0.26%
Actual Fees: Mgt:0.22%
Expense Projections: 3Yr:\$80 5Yr:\$141 10Yr:\$318
Income Distrib: Monthly

Federated US 2-5 Instl

Ticker: FIGTX Load: None NAV: \$11.60 Yield: 4.2% SEC Yield: — Total Assets: \$732 mil Mstar Category: Short Government

Governance and Management

Stewardship Grade: D

Portfolio Manager(s)

Don Ellenberger is in charge. Ellenberger, head of government bonds at Federated, joined the fund in June 2005 but has been at Federated since 1996. Previously, he was a portfolio manager at Mellon Bank.

Strategy

This fund stands apart from most in the short-term government category because it does not invest in mortgage-backed securities. Instead, it holds a mix of Treasuries and agency bonds. Duration is usually relatively long for its group, as the fund stays within 20% of the Merrill Lynch 3-5 Year Treasury Index. The fund's approach typically results in added interest-rate sensitivity relative to the peer group.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	0.99	1.67	-0.04	-0.40	2.22
2004	2.06	-2.44	2.02	0.02	1.60
2005	-1.05	2.18	-0.71	0.47	0.87
2006	-0.49	0.31	2.85	0.66	3.34
2007	1.63	-0.22	3.65	3.88	9.18

Trailing	Total Return%	+/- LB Aggr	+/- LB 1-5 YR GOVT	%Rank Cat	Growth of \$10,000
3 Mo	5.99	2.19	2.79	1	10,599
6 Mo	8.79	1.97	3.01	1	10,879
1 Yr	12.00	3.19	4.66	1	11,200
3 Yr Avg	5.31	0.39	0.90	1	11,679
5 Yr Avg	3.96	-0.79	0.37	3	12,143
10 Yr Avg	5.37	-0.64	0.16	1	16,872
15 Yr Avg	5.47	-0.99	-0.03	6	22,230

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	3.78	1	1.45	66
5 Yr (estimated)	2.55	2	1.36	69
10 Yr (estimated)	3.63	1	1.65	51

Potential Capital Gain Exposure: 3% of assets

Morningstar's Take by Miriam Sjoblom 09-13-07

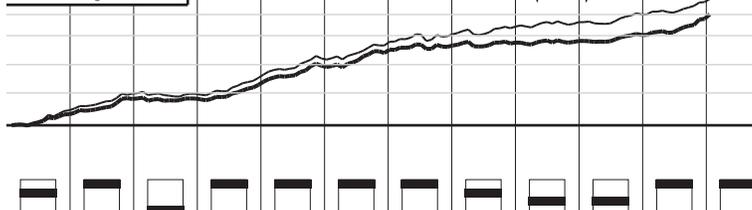
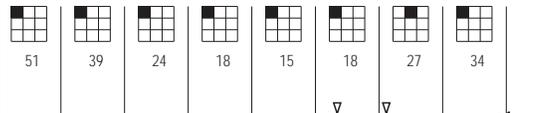
Federated U.S. Government: 2-5 Year is behaving itself.

We'd be concerned if this short-term government-bond fund weren't performing well right now amid very favorable conditions. With worries about subprime defaults spilling over into other sectors of the bond and equity markets, investors have been flocking to the safety of U.S. Treasury bonds. While increased demand has pushed Treasury prices higher, this fund, which invests strictly in Treasury and agency bonds, has gone to the head of its class, with a 5.41% return year to date as of September 10, 2007.

As recent performance demonstrates, this fund can clearly offer protection in times of market unrest. However, conditions won't always work in its favor. Whereas this fund avoids mortgage bonds of any type, many funds in this category have a sizable stake in agency mortgage bonds, which have little to no credit risk. This lack of mortgage exposure has been a boon for this fund lately, but it

Historical Profile

Return High
Risk High
Rating ★★★★★
Highest



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	10.63	10.91	10.35	10.77	11.09	11.67	11.52	11.30	10.97	10.86	11.35	11.60
Total Return %	7.12	8.11	-0.52	10.16	8.33	9.92	2.22	1.60	0.87	3.34	9.18	2.57
+/-LB Aggr	-2.53	-0.58	0.30	-1.47	-0.11	-0.33	-1.88	-2.74	-1.56	-0.99	2.21	0.89
+/-LB 1-5 YR GOVT	0.01	0.46	-2.48	1.07	-0.31	2.23	0.06	0.06	-0.61	-0.67	1.36	-4.90
Income Return %	5.71	5.40	4.71	5.91	5.33	4.56	3.53	3.54	3.83	4.34	4.51	0.37
Capital Return %	1.41	2.71	-5.23	4.25	3.00	5.36	-1.31	-1.94	-2.96	-1.00	4.67	2.20
Total Rtn % Rank Cat	27	2	91	8	11	3	12	34	73	73	1	1
Income \$	0.58	0.56	0.50	0.60	0.56	0.50	0.41	0.40	0.43	0.47	0.48	0.04
Capital Gains \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.54	0.54	0.55	0.56	0.57	0.57	0.57	0.57	0.59	0.58	0.58	—
Income Ratio %	5.42	5.58	5.13	4.80	6.23	4.29	4.29	3.44	3.55	3.82	4.35	—
Turnover Rate %	99	71	126	172	77	66	31	52	66	113	128	—
Net Assets \$mil	702	723	627	538	603	764	828	740	666	544	585	641

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	12.00			
3 Yr	5.31	High	High	★★★★★
5 Yr	3.96	High	High	★★★★★
10 Yr	5.37	High	High	★★★★★
Incept	7.18			

Other Measures

	Standard Index	Best Fit Index
Alpha	0.4	-0.2
Beta	0.95	1.05
R-Squared	82	99
Standard Deviation	3.05	
Mean	5.31	
Sharpe Ratio	0.30	

Portfolio Analysis 12-31-07

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income: 19				
FHLMC 5.125%	08-23-10	67,400	69,972	10.48
FNMA 5.125%	11-02-12	46,000	46,817	7.01
US Treasury Note 4.125%	08-31-12	45,000	46,295	6.93
US Treasury Note 4.75%	03-31-11	42,000	44,030	6.59
US Treasury Note 4.875%	04-30-11	40,000	42,101	6.30
US Treasury Note 4.25%	11-15-14	40,000	41,266	6.18
FNMA 5%	02-16-12	38,000	39,561	5.92
FHLMC 4.75%	01-18-11	37,000	38,117	5.71
US Treasury Note 4%	11-15-12	37,000	37,966	5.68
FNMA 6%	05-15-11	33,000	35,335	5.29
US Treasury Note 3.875%	05-15-10	30,000	30,577	4.58
FNMA 5.4%	04-02-12	30,000	30,084	4.50
US Treasury Note 3%	07-15-12	26,732	28,976	4.34
FHLMC 4.625%	10-25-12	27,000	27,787	4.16
FHLMC 4.75%	03-05-12	20,000	20,640	3.09
FHLBA 5.25%	01-14-09	16,000	16,190	2.42
FHLBA	10-27-11	15,000	15,354	2.30
US Treasury Note 4.25%	11-15-17	12,600	12,822	1.92
US Treasury Note 4.75%	05-31-12	10,000	10,543	1.58

Current Investment Style

Duration	Short	Int	Long
Quality	High	Med	Low

1 figure provided by fund

Avg Eff Duration ¹	3.0 Yrs
Avg Eff Maturity	3.9 Yrs
Avg Credit Quality	AAA
Avg Wtd Coupon	4.71%
Avg Wtd Price	103.57% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	100.0	1.2
6% to 8%	0.0	0.0
8% to 10%	0.0	0.0
More than 10%	0.0	0.0

1.00=Category Average

Sector Breakdown % of assets

US Treasuries	40
TIPS	4
US Agency	51
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	0
Asset-Backed	0
Convertible	0
Municipal	0
Corporate Inflation-Protected	0
Foreign Corporate	0
Foreign Govt	0

Composition

Cash	5.0	Bonds	95.0
Stocks	0.0	Other	0.0

Credit Analysis % bonds 12-31-07

AAA	100	BB	0
AA	0	B	0
A	0	Below B	0
BBB	0	NR/NA	0

Special Securities

Restricted/Illicit Secs	0
Exotic Mortgage-Backed	—
Emerging-Markets Secs	0
Options/Futures/Warrants	No

Address:	5800 Corporate Drive Pittsburgh, PA 15237-7000 800-341-7400	Minimum Purchase:	\$25000	Add: \$0	IRA: \$25000
Web Address:	www.federatedinvestors.com	Min Auto Inv Plan:	\$0	Add: —	
Inception:	02-18-83	Sales Fees:	No-load		
Advisor:	Federated Investment Mgmt Comp	Management Fee:	0.40%, 0.15%		
Subadvisor:	None	Actual Fees:	Mgt: 0.40%	Dist: —	
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr: \$265	5Yr: \$460	10Yr: \$1025
		Income Distrib:	Monthly		



Vanguard Inst Idx

Ticker: VINIX Load: None NAV: \$126.08 Yield: 2.0% Total Assets: \$68,556 mil Mstar Category: Large Blend

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Donald Butler, who joined Vanguard in 1992, has been involved with the day-to-day management of this fund since 2000 and has been lead manager since 2005.

Strategy

The core of the fund's strategy is simple: Manager Donald Butler buys and holds the stocks that compose the S&P 500 Index. Butler attempts to add value on the margins by opportunistically buying futures contracts, among other strategies, and he actively pursues ways to reduce trading costs.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.15	15.41	2.63	12.16	28.66
2004	1.69	1.72	-1.87	9.23	10.86
2005	-2.14	1.37	3.60	2.08	4.91
2006	4.21	-1.44	5.66	6.69	15.78
2007	0.63	6.27	2.05	-3.35	5.47

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000	%Rank Cat	Growth of \$10,000
3 Mo	-10.57	-0.02	0.02	40	8,943
6 Mo	-4.34	-0.02	-0.07	43	9,566
1 Yr	-2.33	-0.02	0.12	43	9,767
3 Yr Avg	7.27	-0.01	-0.50	39	12,343
5 Yr Avg	12.02	-0.02	-0.57	37	17,639
10 Yr Avg	5.18	0.04	-0.28	37	16,570
15 Yr Avg	10.01	0.03	-0.06	28	41,829

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	6.97	24	0.28	10
5 Yr (estimated)	11.68	27	0.30	15
10 Yr (estimated)	4.71	29	0.45	19

Potential Capital Gain Exposure: 18% of assets

Morningstar's Take by Dan Culloton 01-22-08

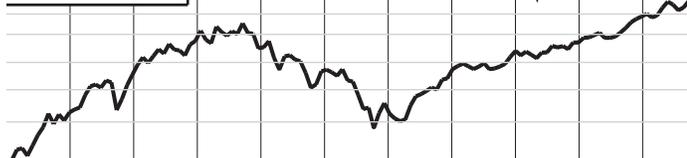
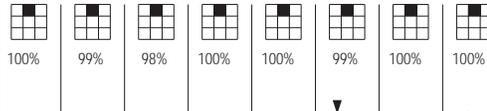
Vanguard Institutional Index, which tries to approximate the market average, is anything but.

This fund's recent results may not make you clamor to chase its returns, but it's a better core fund option than most of its large-blend peers. The fund's trailing annualized returns through early January 2008 are just north of mediocre. Part of the blah showing is a hangover from the past few years when small-cap stocks, which are in short supply here, did better than large-cap fare. The fund also hasn't owned enough of the aggressive-growth stocks that roared in 2007, such as Apple, to completely make up for suffering value-oriented holdings, such as Citigroup.

This fund, however, remains as solid as it ever was. It passively tracks the S&P 500 Index, which may not be the perfect gauge of the broad domestic-stock market because of its lack of small-cap exposure and more-subjective construction methods. The index and fund, however, are diversified across big, solid, market-leading U.S.

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	89.56	112.85	134.01	120.72	104.89	80.45	101.78	110.70	114.01	129.59	134.14	126.08
Total Return %	33.36	28.79	21.17	-8.94	-11.93	-22.03	28.66	10.86	4.91	15.78	5.47	-6.01
+/-S&P 500	0.00	0.21	0.13	0.16	-0.04	0.07	-0.02	-0.02	0.00	-0.01	-0.02	-0.01
+/-Russ 1000	0.51	1.77	0.26	-1.15	0.52	-0.38	-1.23	-0.54	-1.36	0.32	-0.30	-0.01
Income Return %	2.03	1.59	1.35	1.05	1.14	1.35	1.91	2.00	1.86	1.98	1.99	0.00
Capital Return %	31.33	27.20	19.82	-9.99	-13.07	-23.38	26.75	8.86	3.05	13.80	3.48	-6.01
Total Rtn % Rank Cat	11	14	36	52	36	39	26	34	57	21	49	38
Income \$	1.39	1.42	1.51	1.40	1.38	1.41	1.53	2.02	2.05	2.24	2.56	0.00
Capital Gains \$	0.71	0.90	0.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Income Ratio %	1.77	1.46	1.25	1.10	1.27	1.57	1.74	2.00	1.87	1.87	1.87	1.87
Turnover Rate %	7	11	14	11	8	10	13	5	9	8	8	8
Net Assets \$mil	15,348	22,338	28,918	26,406	24,165	20,361	29,458	34,990	39,154	45,243	45,847	43,486

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-2.33			
3 Yr	7.27	Avg	Avg	★★★★
5 Yr	12.02	Avg	Avg	★★★★
10 Yr	5.18	Avg	Avg	★★★★
Incept	10.31			

Other Measures	Standard Index S&P 500	Best Fit Index S&P 500
Alpha	0.0	0.0
Beta	1.00	1.00
R-Squared	100	100
Standard Deviation	8.52	
Mean	7.27	
Sharpe Ratio	0.36	

Portfolio Analysis 09-30-07

Share change since 06-07	Total Stocks:507	Sector	PE	Tot Ret%	% Assets
⊖ ExxonMobil Corporation		Energy	12.4	-8.84	3.79
⊕ General Electric Company		Ind Mtrls	15.9	-4.27	3.14
⊕ AT&T, Inc.		Telecom	20.0	-6.44	1.91
⊖ Microsoft Corporation		Software	18.5	-8.43	1.76
⊕ Citigroup, Inc.		Financial	7.6	-3.23	1.72
⊕ Bank of America Corporat		Financial	10.0	7.08	1.65
⊕ Procter & Gamble Company		Goods	20.7	-9.91	1.62
⊕ Cisco Systems, Inc.		Hardware	19.4	-9.86	1.49
⊕ Chevron Corporation		Energy	10.2	-10.56	1.48
⊕ Johnson & Johnson		Health	17.8	-5.00	1.41
⊖ American International G		Financial	9.6	-5.68	1.28
⊕ Pfizer Inc.		Health	23.1	3.07	1.25
⊕ International Business M		Hardware	16.1	-0.57	1.18
⊖ J.P. Morgan Chase & Co.		Financial	10.3	9.15	1.15
⊕ Intel Corporation		Hardware	20.2	-20.67	1.12
⊕ Altria Group Inc.		Goods	13.2	0.16	1.08
⊕ ConocoPhillips		Energy	12.5	-9.12	1.06
⊕ Apple, Inc.		Hardware	34.5	-31.66	0.99
⊕ Google, Inc.		Business	44.0	-18.39	0.97
⊕ Verizon Communications I		Telecom	19.3	-10.35	0.95

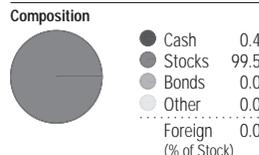
Current Investment Style

Value	Blind	Growth	Market Cap %
Large	52.2		52.2
Large	36.7		36.7
Mid	11.0		11.0
Small	0.1		0.1
Micro	0.0		0.0
Avg \$mil:	57,509		

Value Measures	Rel Category
Price/Earnings	15.72 1.00
Price/Book	2.68 1.03
Price/Sales	1.52 1.06
Price/Cash Flow	10.84 1.05
Dividend Yield %	1.76 1.09
Growth Measures	% Rel Category
Long-Term Erngs	10.61 0.91
Book Value	11.29 0.98
Sales	9.40 1.09
Cash Flow	9.40 1.04
Historical Erngs	17.09 0.93

Sector Weightings	% of Stocks	Rel S&P 500	3 Yr High Low
Info	20.96	1.06	
Software	3.61	0.90	4 3
Hardware	10.44	1.10	10 9
Media	3.16	1.10	4 3
Telecom	3.75	1.08	4 3
Service	42.50	1.01	
Health	11.70	0.96	13 12
Consumer	7.23	1.02	9 7
Business	3.89	0.87	4 3
Financial	19.68	1.07	22 20
Mfg	36.53	0.96	
Goods	8.69	0.95	9 8
Ind Mtrls	12.81	0.97	13 12
Energy	11.54	0.96	12 9
Utilities	3.49	0.96	4 3

Profitability	% Rel Category
Return on Equity	22.14 1.01
Return on Assets	8.26 0.99
Net Margin	14.67 1.04



Address:	Po Box 2600 Valley Forge, PA 19482 800-997-2798	Minimum Purchase:	\$500,000	Add: \$100	IRA: \$0
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$500,000	Add: \$50	
Inception:	07-31-90	Sales Fees:	No-load		
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.05%		
Subadvisor:	None	Actual Fees:	Mgt:0.05%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$16	5Yr:\$28	10Yr:\$64
		Income Distrib:	Quarterly		

Vanguard Target Rtmt Inc

Analyst Pick: **None** Ticker: **VTINX** Load: **None** NAV: **\$11.09** Yield: **3.9%** Total Assets: **\$1,690 mil** Mstar Category: **Target-Date 2000-2014**

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because the components here all are index offerings, shareholders tap into Vanguard's skill at running index funds.

Strategy

This fund seeks to provide current income and, to a lesser extent, capital appreciation. It is heavily weighted toward fixed-income securities. As of the end of October 2007, it had 45% invested in Vanguard Total Bond Market Index and 20% in TIPS through Vanguard Inflation-Protected Securities. With 5% stored in cash, the remaining 30% of the portfolio's assets are devoted to equities, with 24% invested in Vanguard Total Stock Market Index.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	3.15	-1.72	2.16	3.15	6.82
2005	-0.76	2.79	0.47	0.81	3.33
2006	0.19	-0.47	3.82	2.76	6.38
2007	1.77	1.58	2.95	1.63	8.17

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2010	%Rank Cat	Growth of \$10,000
3 Mo	-0.27	6.19	0.60	6	9,973
6 Mo	4.35	5.11	0.54	3	10,435
1 Yr	7.18	3.94	0.40	2	10,718
3 Yr Avg	5.88	-2.32	-0.63	28	11,870
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	4.55	30	1.26	53
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 4% of assets

Morningstar's Take by Marta Norton 12-13-07

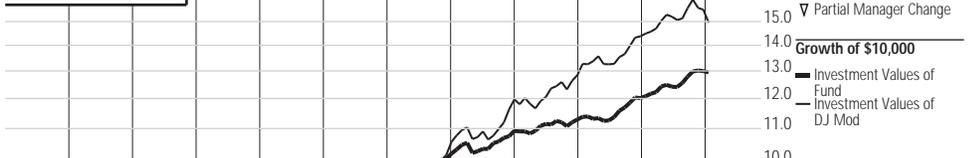
Vanguard Target Retirement Income is a good way to keep investing simple.

There are plenty of target-retirement fund providers out there, but Vanguard's lineup still manages to stand out. Unlike many competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. Moreover, as can be expected from Vanguard, expenses are kept admirably low. Indeed, this particular fund has a 0.21% expense ratio, which gives it a significant advantage over its pricier competitors.

One complaint investors might have is the conservative asset allocation. A few years after their target dates, the funds in the series will fold into this fund and adopt its 30%/70% split between stocks and bonds. Others, such as those from T. Rowe Price, stick with stocks for much longer. The bigger stake in bonds limits the bumps in the road, but it also hurts return potential, because stocks

Historical Profile

Return: Average
Risk: Below Avg
Rating: ★★★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.18	10.52	10.44	10.70	11.13	11.09	NAV
Total Return %	—	—	—	—	—	—	—	6.82	3.33	6.38	8.17	-0.36	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-6.33	-3.92	-5.53	0.15	3.32	+/-DJ Mod
+/-DJ Target 2010	—	—	—	—	—	—	—	-3.94	-0.42	-1.52	0.44	0.35	+/-DJ Target 2010
Income Return %	—	—	—	—	—	—	—	3.38	3.95	3.79	4.08	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	3.44	-0.62	2.59	4.09	-0.36	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	42	62	76	3	11	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.05	0.34	0.41	0.39	0.43	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.02	0.00	0.02	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	3.62	3.80	4.21	4.03	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	1	—	22	3	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	47	407	734	897	1,555	1,690	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	7.18	—	—	—
3 Yr	5.88	Avg	-Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	6.29	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	0.3	0.3
Beta	0.30	0.30
R-Squared	41	41
Standard Deviation	2.78	—
Mean	5.88	—
Sharpe Ratio	0.53	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Bond Market Index	—	—	—	—	44.98
Vanguard Total Stock Mkt Idx	—	—	—	—	23.38
Vanguard Inflation-Protected Secs	—	—	—	—	19.91
Vanguard European Stock Index	—	—	—	—	3.62
Vanguard Pacific Stock Index	—	—	—	—	1.63
Vanguard Emerging Mkts Stock Idx	—	—	—	—	1.06
Vanguard Total Stock Market ETF	—	—	—	—	0.70

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend
Size: Large-Cap

Value Measures	Rel Category
Price/Earnings	15.62 1.00
Price/Book	2.48 1.02
Price/Sales	1.38 1.01
Price/Cash Flow	10.07 1.01
Dividend Yield %	1.93 1.01
Growth Measures	% Rel Category
Long-Term Erngs	14.40 1.17
Book Value	10.05 0.94
Sales	0.20 0.07
Cash Flow	4.08 1.72
Historical Erngs	17.36 0.94
Market Cap %	
Giant	44.6 Small 5.0
Large	30.8 Micro 1.7
Mid	17.9 Avg \$mil: 31,602

Composition

Cash	6.0
Stocks	30.1
Bonds	63.8
Other	0.1
Foreign	20.6 (% of Stock)

Fixed-Income Style

Duration: Interm-Term
Quality: High

Value Measures	Rel Category
Avg Eff Duration	1 5.1 Yrs
Avg Eff Maturity	8.97 8.0 Yrs
Avg Credit Quality	AAA
Avg Wtd Coupon	4.58%
*figure provided by fund as of 09-30-07	
Sector Weightings	% of Stocks
Info	19.36
Software	3.20
Hardware	8.97
Media	2.89
Telecom	4.30
Service	43.47
Health	10.50
Consumer	6.94
Business	5.23
Financial	20.80
Mfg	37.15
Goods	8.94
Ind Mtrls	13.94
Energy	10.49
Utilities	3.78

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Quarterly		

Vanguard Target Rtmt 2015

Analyst Pick

Ticker VTXVX

Load None

NAV \$12.59

Yield 2.7%

Total Assets \$7,256 mil

Mstar Category Target-Date 2015-2029

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this is a fund composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of October 2007, it had 35.5% of assets in Vanguard Total Bond Market Index, 51.5% in Vanguard Total Stock Market Index, 7.3% in Vanguard European Stock Index, 3.2% in Vanguard Pacific Stock Index, and 2.5% in Vanguard Emerging Markets Stock Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.78	-0.56	0.75	5.89	9.04
2005	-1.16	2.26	2.21	1.57	4.94
2006	2.44	-1.11	4.22	5.53	11.42
2007	1.77	3.86	2.43	-0.67	7.55

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	-6.19	0.27	1.62	12	9,381
6 Mo	-0.32	0.44	1.51	15	9,968
1 Yr	2.52	-0.72	0.06	9	10,252
3 Yr Avg	6.95	-1.25	-2.40	42	12,233
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	6.18	29	0.72	11
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 3% of assets

Morningstar's Take by Marta Norton 12-13-07

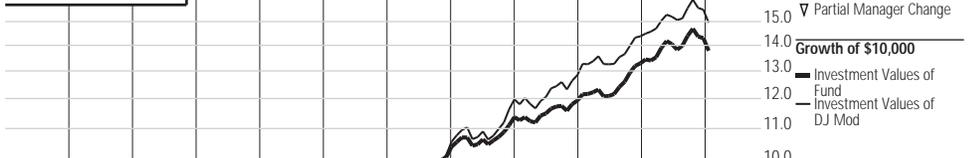
Vanguard Target Retirement 2015 is worthy of serious consideration.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are kept admirably low. This particular fund has a 0.21% expense ratio, which gives it a significant advantage over its pricier competitors.

Impressive underlying funds add to the lineup's appeal. Vanguard Total Stock Market, the core equity holding that claims 52% of this fund's assets, is well diversified and benefits from the expertise of a longtime manager. Core bond holding Vanguard Total Bond Market, which has 36% of the fund's assets, has similar advantages. Aside from 2002's slipup, its management has closely tracked its benchmark. Plus, we're pleased with the other

Historical Profile

Return Average
Risk Low
Rating ★★★
Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.43	11.17	11.46	12.46	13.06	12.59	NAV
Total Return %	—	—	—	—	—	—	—	9.04	4.94	11.42	7.55	-3.60	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-4.11	-2.31	-0.49	-0.47	0.08	+/-DJ Mod
+/-DJ Target 2025	—	—	—	—	—	—	—	-5.89	-4.09	-2.33	-0.76	0.81	+/-DJ Target 2025
Income Return %	—	—	—	—	—	—	—	1.92	2.33	2.71	2.73	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	7.12	2.61	8.71	4.82	-3.60	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	46	78	62	32	20	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.20	0.26	0.31	0.34	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	2.69	3.11	3.04	2.93	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	1	1	15	5	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	50	707	2,293	4,355	7,273	7,256	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	2.52	—	—	—
3 Yr	6.95	Avg	Low	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	7.97	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.6	0.5
Beta	0.83	0.58
R-Squared	88	91
Standard Deviation	5.24	—
Mean	6.95	—
Sharpe Ratio	0.49	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	49.50
Vanguard Total Bond Market Index	—	—	—	—	36.35
Vanguard European Stock Index	—	—	—	—	7.31
Vanguard Pacific Stock Index	—	—	—	—	3.26
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.31
Vanguard Total Stock Market ETF	—	—	—	—	1.26

Total Fixed-Income:0

Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend
Size: Large-Cap

Value Measures	Rel Category
Price/Earnings	15.63 1.00
Price/Book	2.48 1.02
Price/Sales	1.38 1.03
Price/Cash Flow	10.08 1.02
Dividend Yield %	1.92 1.02
Growth Measures	% Rel Category
Long-Term Erngs	14.50 1.12
Book Value	10.06 0.95
Sales	0.15 0.07
Cash Flow	4.05 4.31
Historical Erngs	17.46 0.97
Market Cap %	
Giant	44.5 Small 5.0
Large	30.8 Micro 1.7
Mid	17.9 Avg \$mil: 31,555

Composition



Fixed-Income Style

Duration: Interm-Term
Quality: High

Value Measures	Rel Category	Avg Eff Duration 1	4.6 Yrs
Avg Eff Maturity	—	—	7.3 Yrs
Avg Credit Quality	—	—	AAA
Avg Wtd Coupon	—	—	5.52%
*figure provided by fund as of 09-30-07			
Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Info	19.41	—	—
Software	3.22	—	3 3
Hardware	9.00	—	9 8
Media	2.89	—	4 3
Telecom	4.30	—	4 4
Service	43.47	—	—
Health	10.53	—	12 10
Consumer	6.96	—	9 7
Business	5.23	—	5 5
Financial	20.75	—	24 21
Mfg	37.13	—	—
Goods	8.91	—	10 8
Ind Mtrls	13.92	—	14 12
Energy	10.52	—	11 8
Utilities	3.78	—	4 3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Vanguard Target Rtmt 2025

Analyst Pick

Ticker VTTVX

Load None

NAV \$13.05

Yield 2.4%

Total Assets \$7,239 mil

Mstar Category Target-Date 2015-2029

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of October 2007, it had 20.5% of assets in Vanguard Total Bond Market Index, 63.4% in Vanguard Total Stock Market Index, 9.0% in Vanguard European Stock Index, 4.0% in Vanguard Pacific Stock Index, and 3.1% in Vanguard Emerging Markets Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.85	-0.28	0.37	6.95	10.11
2005	-1.32	2.14	2.79	1.78	5.45
2006	3.23	-1.32	4.34	6.55	13.24
2007	1.84	4.89	2.37	-1.62	7.59

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	-8.47	-2.01	-0.66	48	9,153
6 Mo	-2.10	-1.34	-0.27	46	9,790
1 Yr	0.94	-2.30	-1.52	34	10,094
3 Yr Avg	7.35	-0.85	-2.00	32	12,371
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	6.72	15	0.59	1
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 4% of assets

Morningstar's Take by Marta Norton 12-13-07

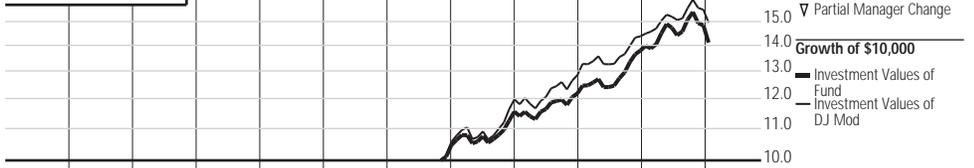
Vanguard Target Retirement 2025 is among the market's best one-size-fits-all funds.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are admirably low. This particular fund has a 0.21% expense ratio, which gives it a big edge over pricier competitors.

Some might take issue with the lineup's conservative asset allocation. A few years after their target dates, the funds in the series will fold into Vanguard Target Retirement Income and adopt its 30%/70% split between stocks and bonds. Rivals such as T. Rowe Price stick with stocks for much longer. More in bonds limits volatility, but it can also hurt returns, because stocks tend to earn more over the long haul. But because investors interested in risking more volatility for higher returns can simply

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.51	11.39	11.77	13.04	13.72	13.05	NAV
Total Return %	—	—	—	—	—	—	—	10.11	5.45	13.24	7.59	-4.88	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-3.04	-1.80	1.33	-0.43	-1.20	+/-DJ Mod
+/-DJ Target 2025	—	—	—	—	—	—	—	-4.82	-3.58	-0.51	-0.72	-0.47	+/-DJ Target 2025
Income Return %	—	—	—	—	—	—	—	1.71	2.11	2.46	2.38	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	8.40	3.34	10.78	5.21	-4.88	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	23	66	32	31	56	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.18	0.24	0.29	0.31	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	2.33	2.84	2.66	2.43	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	3	2	22	4	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	30	708	2,529	4,605	7,309	7,239	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	0.94	—	—	—
3 Yr	7.35	Avg	Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	8.62	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.9	0.4
Beta	1.04	0.73
R-Squared	88	94
Standard Deviation	6.52	—
Mean	7.35	—
Sharpe Ratio	0.47	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	61.42
Vanguard Total Bond Market Index	—	—	—	—	20.87
Vanguard European Stock Index	—	—	—	—	9.10
Vanguard Pacific Stock Index	—	—	—	—	4.03
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.89
Vanguard Total Stock Market ETF	—	—	—	—	1.69

Total Fixed-Income:0

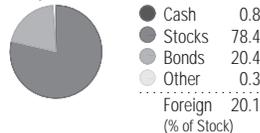
Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend
Size: Large-Cap

Value Measures	Rel Category
Price/Earnings	15.63 1.00
Price/Book	2.48 1.02
Price/Sales	1.38 1.03
Price/Cash Flow	10.08 1.02
Dividend Yield %	1.92 1.02
Growth Measures	% Rel Category
Long-Term Erngs	14.51 1.13
Book Value	10.06 0.95
Sales	0.15 0.07
Cash Flow	4.05 4.31
Historical Erngs	17.47 0.97
Market Cap %	
Giant	44.5 Small 5.0
Large	30.8 Micro 1.7
Mid	17.9 Avg \$mil: 31,557

Composition



Fixed-Income Style

Duration: Interm-Term
Quality: High

Value Measures	Rel Category	Avg Eff Duration 1	4.6 Yrs
Avg Eff Maturity	—	—	7.3 Yrs
Avg Credit Quality	—	—	AAA
Avg Wtd Coupon	—	—	5.52%
*figure provided by fund as of 09-30-07			
Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Info	19.41	—	—
Software	3.22	—	3 3
Hardware	9.00	—	9 8
Media	2.89	—	4 3
Telecom	4.30	—	4 4
Service	43.46	—	—
Health	10.52	—	12 10
Consumer	6.96	—	9 7
Business	5.23	—	5 5
Financial	20.75	—	24 21
Mfg	37.13	—	—
Goods	8.91	—	10 8
Ind Mtrls	13.92	—	14 12
Energy	10.52	—	11 8
Utilities	3.78	—	4 3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Vanguard Target Rtmt 2035

Analyst Pick: **VTTHX** Ticker: **VTTHX** Load: **None** NAV: **\$13.78** Yield: **2.1%** Total Assets: **\$4,737 mil** Mstar Category: **Target-Date 2030+**

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of October 2007, it invested 9.8% of assets in Vanguard Total Bond Market Index, 72% in Vanguard Total Stock Market Index, 10.2% in Vanguard European Stock Index, 4.5% in Vanguard Pacific Stock Index, and 3.5% in Vanguard Emerging Markets Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.92	0.46	-0.64	8.98	11.95
2005	-1.62	1.82	4.00	2.04	6.30
2006	4.49	-1.41	4.35	7.20	15.24
2007	1.87	5.66	2.14	-2.23	7.49

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	-10.09	-3.63	1.23	19	8,991
6 Mo	-3.35	-2.59	1.44	23	9,665
1 Yr	-0.19	-3.43	-0.17	27	9,981
3 Yr Avg	8.12	-0.08	-2.34	32	12,639
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	7.62	14	0.46	2
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 4% of assets

Morningstar's Take by Marta Norton 12-13-07

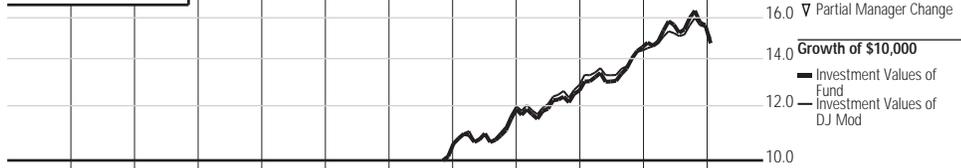
Vanguard Target Retirement 2035 is an excellent way to keep it simple.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike many competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are admirably low. This particular fund has a 0.21% expense ratio, which gives it an edge over pricier competitors.

Some might take issue with the lineup's conservative asset allocation. A few years after their target dates, the funds in the series will fold into Vanguard Target Retirement Income and adopt its 30%/70% split between stocks and bonds. Rivals such as T. Rowe Price stick with stocks for much longer. More in bonds limits volatility, but it can also hurt returns because stocks tend to earn more over the long haul. We don't consider this a sticking point, however, because investors interested in

Historical Profile

Return: Average
Risk: Below Avg
Rating: ★★ ★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.63	11.73	12.26	13.87	14.62	13.78	NAV
Total Return %	—	—	—	—	—	—	—	11.95	6.30	15.24	7.49	-5.75	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-1.20	-0.95	3.33	-0.53	-2.07	+/-DJ Mod
+/-DJ Target 2040	—	—	—	—	—	—	—	-4.66	-5.06	-1.40	-0.99	0.64	+/-DJ Target 2040
Income Return %	—	—	—	—	—	—	—	1.60	1.79	2.12	2.09	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	10.35	4.51	13.12	5.40	-5.75	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	43	87	35	38	24	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.17	0.21	0.26	0.29	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	1.70	2.33	2.21	2.09	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	2	—	14	1	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	19	373	1,402	3,050	4,860	4,737	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-0.19	—	—	—
3 Yr	8.12	Avg	-Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	9.74	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.9	0.7
Beta	1.24	0.88
R-Squared	91	96
Standard Deviation	7.72	—
Mean	8.12	—
Sharpe Ratio	0.50	—

Portfolio Analysis 09-30-07

Total Stocks:0	Sectors	P/E Ratio	YTD Return %	% Net Assets
Share change since 06-30-07	—	—	—	—
Vanguard Total Stock Mkt Idx	—	—	—	69.86
Vanguard European Stock Index	—	—	—	10.33
Vanguard Total Bond Market Index	—	—	—	9.95
Vanguard Pacific Stock Index	—	—	—	4.60
Vanguard Emerging Mkts Stock Idx	—	—	—	3.30
Vanguard Total Stock Market ETF	—	—	—	1.96

Total Fixed-Income:0	Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—	—

Equity Style	Fixed-Income Style
Style: Blend	Duration: —
Size: Large-Cap	Quality: —
Value Measures	Rel Category
Price/Earnings 15.63	1.00
Price/Book 2.48	1.02
Price/Sales 1.38	1.04
Price/Cash Flow 10.08	1.03
Dividend Yield % 1.92	1.02
Growth Measures	% Rel Category
Long-Term Erngs 14.53	1.10
Book Value 10.06	0.96
Sales 0.15	0.11
Cash Flow 4.05	15.00
Historical Erngs 17.49	0.95
Market Cap %	
Giant 44.5	Small 5.0
Large 30.8	Micro 1.7
Mid 17.9	Avg \$mil: 31,549

Composition	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
● Cash 0.6	Info 19.41	—	—	—
● Stocks 89.2	Software 3.22	—	3	3
● Bonds 9.8	Hardware 9.00	—	9	8
● Other 0.3	Media 2.89	—	4	3
Foreign 20.1	Telecom 4.30	—	4	4
(% of Stock)	Service 43.46	—	—	—
	Health 10.52	—	12	10
	Consumer 6.96	—	9	7
	Business 5.23	—	5	5
	Financial 20.75	—	24	21
	Mfg 37.13	—	—	—
	Goods 8.91	—	10	8
	Ind Mtrls 13.92	—	14	12
	Energy 10.52	—	11	8
	Utilities 3.78	—	4	3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Vanguard Target Rtmt 2045

Analyst Pick: Ticker: VTIVX Load: None NAV: \$14.23 Yield: 2.1% Total Assets: \$2,306 mil Mstar Category: Target-Date 2030+

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund holds a diverse mix of stocks and bonds. As of the end of October 2007, it had 71.9% of assets in Vanguard Total Stock Market Index, 10.3% in Vanguard European Stock Index, 4.5% in Vanguard Pacific Stock Index, and 3.4% in Vanguard Emerging Markets Index. The remaining 9.9% was devoted to bonds through Vanguard Total Bond Market Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.89	0.82	-1.17	10.11	12.89
2005	-1.76	1.62	4.70	2.32	6.95
2006	5.25	-1.44	4.29	7.20	15.98
2007	1.89	5.69	2.14	-2.29	7.47

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	-10.09	-3.63	1.23	19	8,991
6 Mo	-3.38	-2.62	1.41	24	9,662
1 Yr	-0.19	-3.43	-0.17	27	9,981
3 Yr Avg	8.69	0.49	-1.77	9	12,840
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	8.22	2	0.43	1
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -10% of assets

Morningstar's Take by Marta Norton 12-13-07

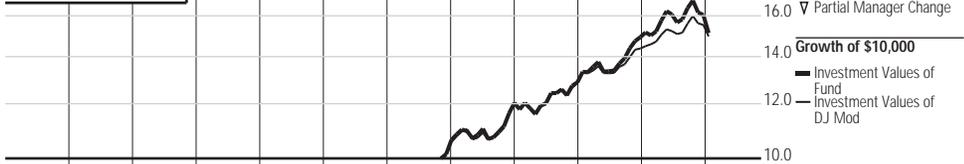
Young investors looking for simplicity should consider Vanguard Target Retirement 2045.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are admirably low. This particular fund has a 0.21% expense ratio, which gives it an edge over pricier competitors.

Some might take issue with the lineup's conservative asset allocation. A few years after their target dates, the funds in the series will fold into Vanguard Target Retirement Income and adopt its 30%/70% split between stocks and bonds. Rivals such as T. Rowe Price stick with stocks for much longer. More in bonds limits volatility, but it can also hurt returns, because stocks tend to earn more over the long haul. We don't consider this a sticking point, however, because investors interested in

Historical Profile

Return: Above Avg
Risk: Below Avg
Rating: ★★★★★ Highest



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.71	11.93	12.57	14.32	15.09	14.23	NAV
Total Return %	—	—	—	—	—	—	—	12.89	6.95	15.98	7.47	-5.70	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-0.26	-0.30	4.07	-0.55	-2.02	+/-DJ Mod
+/-DJ Target 2040	—	—	—	—	—	—	—	-3.72	-4.41	-0.66	-1.01	0.69	+/-DJ Target 2040
Income Return %	—	—	—	—	—	—	—	1.49	1.59	1.99	2.09	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	11.40	5.36	13.99	5.38	-5.70	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	19	74	23	39	22	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.07	0.16	0.19	0.25	0.30	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.01	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	1.38	2.07	2.03	2.08	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	7	7	3	1	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	7	142	626	1,446	2,374	2,306	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-0.19	—	—	—
3 Yr	8.69	+ Avg	- Avg	★★★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	10.49	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.6	1.0
Beta	1.31	0.89
R-Squared	92	97
Standard Deviation	8.05	—
Mean	8.69	—
Sharpe Ratio	0.55	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	69.89
Vanguard European Stock Index	—	—	—	—	10.49
Vanguard Total Bond Market Index	—	—	—	—	9.98
Vanguard Pacific Stock Index	—	—	—	—	4.62
Vanguard Emerg Markets Stk Idx Fd	—	—	—	—	3.18
Vanguard Total Stock Market ETF	—	—	—	—	1.83

Total Fixed-Income:0	Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—	—

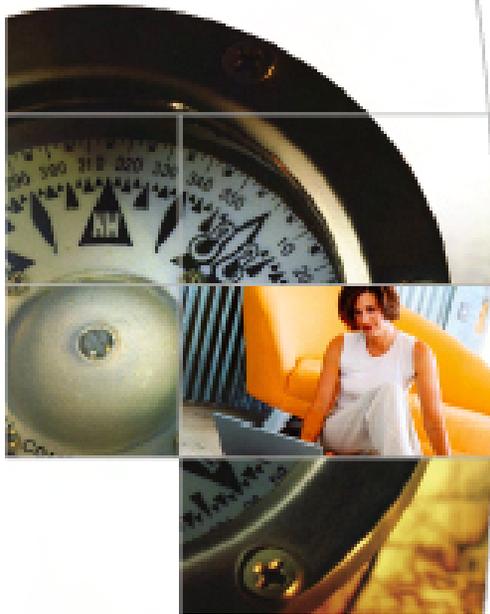
Equity Style	Style: Blend	Size: Large-Cap	Value Measures	Rel Category	Fixed-Income Style	Duration: —	Quality: —
Price/Earnings	15.63	1.00	Avg Eff Duration 1	—			
Price/Book	2.48	1.02	Avg Eff Maturity	—			
Price/Sales	1.38	1.04	Avg Credit Quality	—			
Price/Cash Flow	10.08	1.03	Avg Wtd Coupon	—			
Dividend Yield %	1.92	1.02	*figure provided by fund				

Growth Measures	%	Rel Category	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Long-Term Erngs	14.42	1.09	Info	19.40	—	—
Book Value	10.05	0.95	Software	3.21	—	3 3
Sales	0.16	0.12	Hardware	9.00	—	9 8
Cash Flow	4.05	15.00	Media	2.89	—	4 3
Historical Erngs	17.37	0.94	Telecom	4.30	—	4 4
Market Cap %			Service	43.48	—	—
Giant	44.6	Small 5.0	Health	10.53	—	12 10
Large	30.8	Micro 1.7	Consumer	6.96	—	9 7
Mid	17.9	Avg \$mil: 31,593	Business	5.23	—	5 5
Composition			Financial	20.76	—	24 21

Composition	Cash	Stocks	Bonds	Other	Foreign
	0.6	89.2	9.8	0.3	20.2
					(% of Stock)

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Investment Policy Statement and Fund Benchmarks



AdvisedAssetsGroup

Put Our Power Behind You™

Investment Benchmarks

Investment Product	2007 Performance Benchmarks
American Funds EuroPacific Growth R5	1 MSCI EAFE Free Index* 2 Lipper International Funds Average* 3 MSCI All Country World Index ex-USA* 4 Morningstar Foreign Large Cap Blend Category Average**
Barclay's EAFE Equity Index Fund	1 MSCI EAFE*
DFA U.S. Microcap Portfolio	1 Russell 2000 Index* 2 Russell Microcap Index** 3 Morningstar Small Blend Category Average**
Barclay's Small Cap Equity Index Fund	1 Russell 2000 Index*
T. Rowe Price MidCap Growth Fund	1 Lipper Mid Cap Growth Funds Average* 2 Russell Mid Cap Growth Index* 3 S&P 400 Mid Cap Index* 4 Morningstar Mid Cap Growth Category Average**
Barclay's MidCap Equity Index Fund	1 S&P MidCap 400 Index*
Calvert Social Investment Equity Fund- Institutional Class	1 S&P 500 Index* 2 Lipper Multi-Cap Core Funds Average* 3 Calvert Social Index** 4 Morningstar Socially Responsible Large Cap Fund Average**
Fidelity Contrafund	1 S&P 500 Index* 2 Lipper Growth Fund Average* 3 Morningstar Large Growth Category Average**
Vanguard Institutional Index Fund (Plus Shares)	1 S&P 500 Index*
Vanguard Wellington Fund (Admiral Shares)	1 Lipper Balanced 2 Morningstar Moderate Allocation Funds Average** 3 Composite 65% S&P 500/35% Lehman Aggregate Index**
Vanguard Long-Term Investment Grade-Fund (Admiral Shares)	1 Lehman Brothers LT Corporate A * 2 Morningstar LT Corporate Category Average**
Barclay's U.S. Debt Index Fund	1 Lehman Brothers Aggregate Bond Index*
Federated U.S. Government Securities Fund 2-5 Years (Instl)	1 Merrill Lynch 3-5 Year Treasury Index* 2 Lipper Short-Intermediate U.S. Government Average* 3 Morningstar Short-term Government Category**
Vanguard Admiral Treasury Money Market Fund	1 iMoneyNet Money Fund Report Average 100% Treasury Fund*
Stable Value Fund (Galliard)	1 Five Year Constant Maturity Treasury Rate (CMT)* 2 Hueler Analytics Pooled Fund Universe Average*
FDIC Option- M&I Bank of Southern Wisconsin	1 50% 3-Month LIBOR/50% 12-Month LIBOR
Vanguard Lifecycle Funds	1 Composite benchmarks based on asset allocation of funds

*Represent benchmarks used by the fund. **Represent benchmarks used by the Board.

Wisconsin Deferred Compensation Program
Deferred Compensation Board
Investment Policy Statement
Approved by the Deferred Compensation Board November 1998
Revision for February 2005

Objective

The Wisconsin Deferred Compensation Program (WDC) will provide participants with the ability to invest pre-tax income in a broad range of investment alternatives with diverse risk and return characteristics. The Deferred Compensation Board's goal is to ensure the WDC offers sufficient investment choices to meet participants' needs when establishing their personal retirement savings portfolio.

Investment Spectrum

The Board will maintain a core investment spectrum, normally between eight and twenty options, to ensure sufficient choices are available and are reasonable in number to allow the average participant to decide which options best meet their personal needs. The spectrum will be comprised of fixed options and publicly traded mutual fund options from the following categories:

1. *Fixed income/cash investments - FDIC insured bank account option, stable value fund, or money market mutual fund.*
2. *Bond mutual funds - government or corporate bond funds, domestic or international, active or passive management.*
3. *Balanced mutual fund – combining equity and bond investments in one option.*
4. *Domestic large cap equity mutual funds – including both active and passive (index) investments; funds with investment objectives that may include: growth and income, growth, aggressive growth, value, and blend of growth and value.*
5. *Domestic small and mid cap equity mutual funds – growth, value or blend.*
6. *International or foreign equity mutual funds – growth, value or blend.*
7. *Lifecycle funds – age-based portfolios for multiple time horizons.*

Selection Process

The Board may from time to time provide additional investment alternatives and may change the categories of funds offered to maintain a broad spectrum to address participants' changing needs or changes to the investment industry. The Board has established minimum criteria for selecting and evaluating the options offered by the WDC.

Mutual fund options are selected from the universe of publicly traded funds through a comprehensive search process. For an option to be considered for the WDC, it must meet the established minimum requirements in regard to: asset size, years in operation, costs (expense

ratio and sales fees), and historical performance. Once the initial screening has occurred, options are further analyzed based on criteria that includes, but is not limited to: short and long term performance as compared to peer group average and benchmarks, risk/return measurements, manager tenure, and industry ratings (such as *Morningstar*). Fixed income investments must also meet minimum criteria established by the Board (see attachment 1) and are selected from a competitive request for proposal process.

Evaluation Process

To ensure options continue to be suitable for offering to WDC participants and are consistent with the established investment policy, the Board completes a comprehensive evaluation each year.

Performance benchmarks are specifically established for each investment option and include a comparison to their peer group average, an appropriate index measurement, and an internal benchmark identified by the fund manager. Volatility is also measured by an analysis of risk versus return.

If the Board determines an option is no longer acceptable for continued offering, the Board may close the investment to new participant elections or initiate the process to phase the option out of the WDC and require participants to move account balances to an alternate choice. The steps in the review process are as follows:

- 1. A determination is made that a fund is unacceptable for offering. The Board can either close the fund to new elections and proceed with step 2, or initiate the phase out process to remove the fund from the WDC and skip step 2 and 3 and go directly to step 4.*
- 2. As a result of the next year's annual review, if it is determined to once again be acceptable, the fund is re-opened to participant elections.*
- 3. If improvements have occurred but it is not completely meeting all established criteria and/or there are remaining questions about its performance in can be continued in it's current closed status for an additional year.*
- 4. If the review demonstrates that the fund continues to be unacceptable for offering, the Board can initiate the process to phase it out of the WDC over a minimum of a one-year period (as required in Wisconsin Administrative Code ETF 70.08(3)).*
- 5. Participants are instructed to re-direct deferrals to an alternate choice within a period of not less than six-months from the original notification. If this action is not taken, deferrals being directed into the option being removed will automatically be redirected to an alternate option as designated by the Board.*
- 6. Participants are instructed to transfer existing balances to an alternate choice within a period of not less than one year from the original notification. If this action is not taken, account balances not exchanged out of the option being removed will automatically be redirected to an alternate option as designated by the Board.*

Responsibilities

Deferred Compensation Board – The Board is responsible for selecting appropriate investment options for offering by the WDC and monitoring the selections to ensure they continue to be acceptable for long-term retirement savings.

Investment Providers – The companies contracted to provide an investment option to the WDC are responsible for following the investment objectives that were either, identified during the competitive bid process (for fixed income options) or stated in their fund prospectus (for mutual funds).

Department of Employee Trust Funds and Administrative Services Provider Staff – Staff is responsible for completing the annual evaluation to monitor the WDC investment choices and providing sufficient analysis and information on which the Board can base decisions regarding maintaining, removing or adding investment options to the WDC. Staff is also responsible for providing sufficient information about the available investment choices and how to structure a retirement savings portfolio to enable participants to make informed decisions.

Participants – Investment decisions are the full responsibility of participants and their beneficiaries. Although the Board monitors the options that are being made available, participants are responsible for deciding which, if any, of the available choices are the most appropriate for their supplemental retirement savings needs.

Minimum Criteria for Selecting and Evaluating Fixed Income Options	
Bank Option	<ul style="list-style-type: none"> • FDIC insured • Capital ratio as required by US government to maintain FDIC coverage • Minimum size - \$1 billion in assets
Insurance Option	<ul style="list-style-type: none"> • Top rating received by at least 2 rating agencies • No rating below a Double A or equivalent • Total capital (equivalent to total assets minus total liabilities) equal to at least 5% of invested assets • High risk assets (non-investment grade bonds and non-performing real estate loans and investments) under 200% of total capital • Performance returns compared to blended 5-year Treasury rates, or other index as appropriate
Stable Value Fund Manager	<ul style="list-style-type: none"> • Minimum five years experience managing stable value assets • Minimum \$2 billion in discretionary assets under management • Investment guidelines and performance benchmark as approved by Board
Minimum Criteria for Selecting and Evaluating Mutual Fund Options	
Selection Criteria: <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> • Minimum 5 year operating history – may be waived for index funds • Expense ratio [internal expense charge plus any 12(b)1 fee] not greater than the mean for the appropriate peer group • 5-year rolling average performance must equal or exceed appropriate benchmark or index • Minimum total asset size of \$400 million – may be waived for certain categories of funds • Anticipated WDC assets not greater than 5% of total fund (determined by comparing current WDC asset levels in a comparable fund) • No loads or sales charges unless they are waived for the WDC • Not a sector fund
Monitoring Criteria: <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> • Performance must meet or exceed one or more of established benchmarks – benchmarks used include, but are not limited to 1) peer group average, 2) appropriate index as determined by Board, and 3) internal benchmark assigned by fund manager. • For specialty funds selected for reasons other than performance (e.g., socially responsive funds or lifecycle funds), performance will only be evaluated based on a comparison to the funds peer group of funds with same specialty objective. [Participants will be fully advised that fund is selected for reasons other than investment returns.] • WDC assets in fund no greater than 10% of the total mutual fund assets • After 5 years in WDC, minimum of 3% of participants or 3% of assets.

Glossary



AdvisedAssetsGroup

Put Our Power Behind You™

Glossary

12b-1 Fee The maximum annual charge deducted from fund assets to pay for distribution and marketing costs. Although usually set on a percentage basis, this amount will occasionally be a flat figure.

Actively managed fund A fund manager buys and sells securities attempting to outperform the market as a whole.

Adjustable Bonds A bond whose coupon is reset periodically—usually every six months to three years. At the reset date, the coupon is set equal to some base index, such as the one-year constant Treasury rate, plus a spread (or margin). When interest rates are falling, these bonds do better than an in-year Treasury, but when interest rates rise, they can lag Treasury yields.

Aggressive Growth (Objective) Funds that seek rapid growth of capital and that may invest in emerging market growth companies without specifying a market capitalization range. They often invest in small or emerging growth companies and are more likely than other funds to invest in IPO's or in companies with high price/earnings and price/book ratios. They may use such investment techniques as heavy sector concentrations, leveraging, and short-selling.

Alpha A measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates the fund's underperformance, given the expectations established by the fund's beta.

Annual Returns Total returns calculated on a calendar-year basis. The annual return for a fund will be the same as its trailing 12-month total return only at year-end.

Annualized Returns Returns for periods longer than one year are expressed as "annualized returns." This is equivalent to the compound rate of return which, over a certain period of time, would produce a fund's total return over that same period.

Asset Allocation (Objective) Income and capital appreciation are dual goals for funds in this objective. Managers often use a flexible combination of stocks, bonds, and cash. Managers may shift assets based on analysis of business-cycle trends.

Average Credit Quality Gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio.

Average Effective Duration A measure of a fund's interest-rate sensitivity--the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a five-year duration.

Average Effective Maturity Used for taxable fixed-income funds only, this figure takes into consideration all mortgage prepayments, puts, and adjustable coupons; it does not, however, account for call provisions. The number listed is a weighted average of all the maturities of the bonds in the portfolio, computed by weighing each maturity date (the date the security comes due) by the market value of the security.

Balanced (Objective) Funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed-income securities at all times.

Basis Point One-hundredth of a percentage point. For example, 50 basis points equals .50%.

Beta A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Beta is calculated by comparing a fund's excess return over Treasury bills to the market's excess return over Treasury bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

Bonds Interest-bearing certificates of indebtedness or IOUs. While bonds' rates of return remain fixed, bond prices change in relation to interest rates — when interest rates go up, bond prices go down, and vice versa. However, bond funds are variable funds and fluctuate with market conditions.

Bond funds Contrary to individual bonds, which offer a guaranteed rate of return, bond funds are variable funds and their returns may rise or fall depending on market conditions. Funds with 70% or more of their assets invested in bonds are classified as Bond Funds. Bond funds are divided into two main groups: Taxable Bond and Municipal Bond. Taxable Bond Fund categories include the following: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort-Bond, International-Bond, High-Yield Bond, Emerging-Markets Bond and Multisector Bond.

Breakpoint The investment amount at which investors in a load fund qualify for a discount on the fund's sales charges.

Glossary

Broker A firm or individual that acts as an intermediary between a buyer and a seller of securities, thereby earning a commission on the transaction. Unlike a broker-dealer, a broker does not own the securities that he or she sells.

Callable Bond A bond that can be repaid early, at the issuer's discretion. A callable bond allows an issuer to refinance debt at a lower rate, should interest rates drop below the coupon rate on the bond. If interest rates have dropped significantly since the date of issue, a callable bond will trade as though its maturity were shortened to the call date, which is the earliest time at which the bond can be redeemed.

Capital Appreciation The taxable income generated when a security is sold. The amount of appreciation is measured by subtracting the purchase price from the sale price.

Capital Gains Taxable income generated only when a security is sold. This figure is calculated by subtracting the purchase price from the sale price. Under IRS regulations, funds must distribute 98% of their capital gains each year to avoid paying taxes on them. Shareholders pay taxes on these distributions, even if the gains are reinvested. Further capital gains can be generated by selling shares in a fund for more than the original purchase price.

Capitalization The total dollar value of all stock issued by a company. Small-cap stocks are issued by companies with market cap less than \$1 billion. Mid-cap stocks are issued by medium-sized companies with market cap anywhere from \$1 billion to \$5 billion. Large-cap stocks include companies with market cap greater than \$5 billion.

CMOs Collateralized mortgage obligations are derivative securities, created by chopping up mortgage pass-throughs or whole loans into various slices in order to redistribute the cash flows (both principal and interest payments) from the underlying bonds. The CMO group, except for adjustable-rate mortgage funds, includes PACs (planned amortization class bonds), floating- and inverse-floating-rate CMOs, and accrual or Z-tranche bonds, among other varieties.

Consumer Price Index (CPI) This index measures the changes in prices of goods and services purchased by urban households. Many pension and employment contracts are tied to changes in consumer prices, as protection against inflation and reduced purchasing power.

Corporate Bond--General (Objective) Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

Corporate Bond--High Quality (Objective) Offerings that seek income by investing at least 65% of their assets in corporate debt securities rated A or higher. They generally maintain average ratings of AA or better.

Corporate Bond--High Yield (Objective) Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

Current income Results when a stock pays a dividend or a bond makes an interest payment. This is the value of your investment increased. With current income, you get a fairly stable pattern of income — which generally means reduced volatility. (Stock dividends must be declared, and are not predictable.)

Diversification Spreading your money over many different types of investments. Contrary to putting all your eggs in one basket, diversification can help protect your savings because when one investment is doing poorly, another may be doing well. This does not guarantee against loss of value in your investments.

Dividends The distribution of earnings to stockholders by a company. Dividends are usually paid out from current earnings.

Domestic equity funds are placed in a category based on the style and size of the stocks they typically own. The style and size parameters are based on the divisions used in the investment style box: Value, Blend, or Growth style and Small, Medium, or Large median market capitalization.

Domestic Hybrid Category Used for funds with stock holdings of greater than 20% but less than 70% of the portfolio.

Dow Jones Industrial Average Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value--one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

Duration A time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

Equity-Income (Objective) Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

Glossary

Equity style box is a matrix that shows a fund's investment style. Nine boxes represent two variables: the size of the companies invested in (small-cap, mid-cap, large-cap), and whether a fund is growth, value, or blend oriented. Morningstar recalculates the style of each fund on a monthly basis. The equity style box is shown below (areas are shaded according to risk — the darker the area, the higher the risk associated with the investment).

Value	Blend	Growth	
1	2	3	Large
4	5	6	Medium
7	8	9	Small

Excess Returns A component found in Morningstar Return, Morningstar Risk, and the Morningstar Rating. This figure is calculated by subtracting the monthly returns of the three-month Treasury-bill from the monthly returns of the fund during the same time period.

Exchange-Traded Funds (ETFs) are not mutual funds in the traditional sense; rather, they are hybrid instruments combining aspects of common stocks and mutual funds and offering many the benefits of both. ETFs are products that trade like stocks. They mimic stock indexes and are passively managed just like an index fund. Because ETFs trade throughout the day just like a stock, investors have the ability to choose the timing and know the price of the transaction.

Expense Ratio The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.

FHLMC mortgages The Federal Home Loan Mortgage Commission, a federally-sponsored corporation that packages huge pools of individual mortgages and carves these pools up as mortgage-backed securities. This provides diversification, and consequently lower risk for mortgage investors. Although FHLMC securities are not directly backed by the federal government, it is implicitly recognized that the government would step in were there a likelihood that they would default.

Fixed-income style box is similar to the equity style box. Fixed income style boxes represent a bond fund's investment style. A fixed-income style would be the intersection of its duration (short, intermediate, and long) and the quality of the bonds selected for the portfolio (high, medium, low). Listed below is the matrix using the fixed-income style groupings (again, the darker the shading, the higher the risk).

Short	Int.	Long	
1	2	3	High
4	5	6	Medium
7	8	9	Low

Flagship Fund Not to be confused with the Flagship Family of funds, a flagship fund is typically the oldest of a management company's funds, or one that boasts the largest number of assets. Such funds often bear the management company's name.

Foreign Stock Category An international fund having no more than 10% of stocks invested in the United States.

Fund of Funds A fund that specializes in buying shares in other mutual funds rather than individual securities. Quite often this type of fund is not discernible from its name alone, but rather through prospectus wording (i.e.: the fund's charter).

Geometric Mean Return A compounded and annualized rate of return.

GNMA mortgages These are mortgage pass-through securities issued by the Government National Mortgage Association. These bonds are backed by the full faith and credit of the U.S. government.

Government Bond--General (Objective) Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

Glossary

Government Bond--Mortgage (Objective) Funds that seek income by generally investing at least 65% of their assets in securities backed by mortgages, such as securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Government Bond--Treasury (Objective) Treasury funds that seek income by generally investing at least 80% of their assets in U.S. Treasury securities.

Growth (Objective) Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income (Objective) Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Guaranteed Certificate Fund All money deposited into a certificate during a "deposit period" earns a guaranteed rate of return, credited daily until maturity. Backed by the general assets of the certificate issuer.

High-Yield Bond Category A fund with at least 65% or more of bond assets in bonds rated below BBB.

Index Fund A fund that tracks a particular index and attempts to match returns. While an index typically has a much larger portfolio than a mutual fund, the fund's management may study the index's movements to develop a representative sampling, and match sectors proportionately.

Individual Retirement Account (IRA) A personal retirement plan. Taxes on earnings are deferred until money from the account is withdrawn.

Industrial Cyclical Sector Includes aerospace and aerospace industries, building supplies, industrial-building products, business equipment, chemicals, machinery (both light and industrial), metals fabrication (iron, steel, coal, and rare metals), paper and packaging, and photo equipment. Some examples of companies in this sector include Boeing, Canon, Caterpillar, Eastman Kodak, Georgia Pacific, Potash, and Sherwin-Williams.

Information Ratio The information ratio is a measure of the consistency of excess return. This value is determined by taking the annualized excess return over a benchmark (style benchmark by default) and dividing it by the standard deviation of excess return.

Institutional Fund Any fund that meets one of the following qualifications:

a) has the word "institutional" in its name.

b) has a minimum initial purchase of \$100,000 or more.

c) states in its prospectus that it is designed for institutional investors or those purchasing on a fiduciary basis.

International Equity Funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include Europe, Japan, International Hybrid, Latin America, Diversified Pacific, Pacific ex. Japan, Specialty Precious Metals, Diversified Emerging Markets, World Stock, and Foreign Stock. Foreign investments involve special risks, including currency fluctuations and political developments.

Lehman Brothers 1-3 Year Government Bond Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government). These bonds also must have maturities of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Aggregate Index Composed of the Lehman Brothers Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Credit Listed for corporate bond-general and high-quality funds. This index tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Government Bond Index Listed for government-bond general and Treasury funds. Because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations, this index is effective for tracking portfolios holding non-mortgage government securities. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Govt/Credit Represents a combination of the Government and Corporate Bond indices. The returns published for the index are total returns, which include reinvestment of dividends. For more information, view the Lehman Brothers Web site or call 212-526-1000.

Glossary

Lehman Brothers Intermediate Government Index Includes those indexes found in the LB Government Index which have a maturity of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Government/Corporate Index Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Treasury This index includes treasury bonds with maturates of at least one year and up to 10 years with an outstanding par value of at least 100 million. They include fixed-rate debt issues, rated investment grade or higher by Moody's Investor Services, Standard & Poor's Corporation, or Fitch Investor's Service (in that order). Treasuries include all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Credit Serves as a measure of all public-issued nonconvertible investment-grade corporate debts that have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Term Government Index Includes those indexes found in the LB Government index which have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Mortgage-Backed Securities Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA). The returns published for the index are total returns, which include reinvestment of dividends.

Life Cycle These funds are geared toward investors of a certain age or with a specific time horizon for investing. Typically they are grouped together in sets (i.e. conservative, moderate, and aggressive portfolios).

Linear Scale Linear graphs are scaled so that equal vertical distances represent the same absolute dollar value change. A drop from \$10,000 to \$9,000, for example, is represented in the same way as a drop from \$100,000 to \$99,000.

Logarithmic Scale Used for graphs, a scale that reveals percentage changes. A given percentage move takes up the same amount of space as another move of equal percentage. A change from 100 to 200, for example, is presented in the same way as a change from 1000 to 2000.

Maturity Short-term bonds mature (or come due) in less than four years. Intermediate-term bonds mature in four to ten years. Long-term bonds mature more than ten years from the date of purchase. The longer the term, the higher the risk and the rate of potential return.

Management Fees The management fee is the percentage deducted from fund assets to pay an advisor or subadvisor. Often, as the fund's net assets grow, the percentage deducted for management fees decreases. For example, a particular fund may report a management fee of 0.40% on the first \$500 million in assets, 0.35% on all assets between \$500 million and \$1 billion, and 0.30% on assets in excess of \$1 billion. Thus, if the fund contains \$1.5 billion in total net assets, the advisor scales back its management fees accordingly. Alternatively, the fund may compute the fee as a flat percentage of average net assets. The management fee might also come in the form of a group fee (G), a performance fee (P), or a gross income fee (I). Note: The management fee is just one (albeit a major) component of a fund's costs. The overall expense ratio is the most useful number for investors. Actual fees are also noted in this section.

Market-Neutral Funds These are funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions. Funds in this group match the characteristics of their long and short portfolios, keeping factors such as price-to-earnings and industry exposure similar. Stock picking, rather than broad market moves, should drive a market-neutral fund's performance.

Median Market Capitalization The median market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. It is the trimmed mean of the market capitalizations of the stocks in the fund's portfolio.

Modern Portfolio Theory (MPT) Statistics Alpha, beta, and R-squared are modern-portfolio-theory measures of a fund's relative risk, based on least-squares regression of a fund's excess returns on the excess returns of a market index. Standard deviation is not considered an MPT statistic because it is not generated through the same formula or mathematical analysis as the other three statistics.

Money market funds Best described as short-term versions of bonds. These relatively low-risk variable funds hold very short-term securities such as U.S. government securities, certificates of deposit, cash and cash equivalents. Investments in Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money in Money Market funds.

Glossary

Morley Stable Value Index A hypothetical portfolio comprised of a weighted blend of 50% five-year stable value contracts, 30% three-year stable value contracts and 20% 30-day prime commercial paper. The five-year component consists of 60 hypothetical five-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 60 months. The three-year component consists of 36 hypothetical three-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 36 months.

Morningstar was founded in 1984 to provide investors with useful information for making intelligent, informed investment decisions. The company's first product, originally named the Mutual Fund Sourcebook, proved to be innovative in its ability to tap into an underserved market. Soon a demand grew for an even more in-depth and analytical publication, leading to the launch of Morningstar Mutual Funds in late 1986.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, we estimate where it will fall before assigning a more permanent category. When necessary, we may change a category assignment based on current information.

MSCI EAFE Ndrtr_D Listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns published for the index are total returns, which include reinvestment of dividends.

MSCI Europe Ndrtr_D Listed for Europe stock funds. This index measures the performance of stock markets in Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Ireland, Portugal, and the United Kingdom. Total returns date back to December 1981. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

MSCI Pacific Ndrtr_D Formerly known as MS Pacific, this index is listed for Pacific stock funds and measures the performance of stock markets in Australia, Hong Kong, Japan, New Zealand, and Singapore, and Malaysia. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns we publish for the index are total returns, which include reinvestment of dividends.

MSCI World Ndrtr_D Includes all 23 MSCI developed market countries. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

Mutual fund An investment option that pools money from many shareholders and invests it in a group of stocks, bonds, or other securities. Also known as an open-end investment management company, mutual funds are securities required to be registered with the SEC.

NASD (National Association of Securities Dealers) A self-regulatory organization for the securities industry with jurisdiction over certain broker-dealers. The NASD enforces broker-dealers' compliance with securities regulations, including the requirement that they maintain sufficient levels of net operating capital. It also conducts market surveillance of the over-the-counter (OTC) securities market.

NAV Stands for net asset value, which is the fund's share price. Funds compute this value by dividing the total net assets by the total number of shares.

NASDAQ Composite Index Measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures.

Net Assets The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

Ndrtr_D: Noted for various Morgan Stanley indexes, Ndrtr_D indicates that the index is listed in US dollars, with net dividends reinvested. Ndrtr_D indexes take into account actual dividends before withholding taxes, but excludes special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

NYSE (New York Stock Exchange Composite) Serves as a comprehensive measure of the market trend for the benefit of investors who are concerned with general stock market price movements. The index is a composite of all common stocks listed on the NYSE and four sub-groups--Industrial, Transportation, Utility, and Finance.

Options/Futures/Warrants Options and futures may be used speculatively, to leverage a portfolio, or cautiously, as a hedge against risk.

Glossary

OTC (over the counter) A name for a security that is not listed on an exchange. The OTC is the major trading market for all US bonds, as well as many small- and large-capitalization stocks. Whereas non-OTC stocks trade on the floor of actual stock exchanges, OTC issues are traded via telephone and computer networks connecting dealers in stocks and bonds. The dealer may or may not be a member of a securities exchange, but he or she must be a member of the NASD.

Price/Book Ratio The weighted average of the price/book ratios of all the stocks in a fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain.

Price/Earnings Ratio The weighted average of the price/earnings ratios of the stocks in a fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents, so that larger positions have proportionately greater influence on the fund's final P/E.

Price/Cash Flow This represents the weighted average of the price/cash-flow ratios of the stocks in a fund's portfolio. Price/cash-flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency. Because accounting conventions differ among nations, reported earnings (and P/E ratios) may not be comparable across national boundaries. Price/cash-flow attempts to provide an internationally-standard measure of a firm's stock price relative to its financial performance.

Prospectus A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Prospectus Objective Indicates a particular fund's investment goals, based on the wording in a fund's prospectus.

R-Squared Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Regression A mathematical tool used to study the way that two sets of numbers interact with each other. Regression measures how much of one number's changes might be caused by or linked to how much another number changes.

Returns Based Style Analysis In 1988, William F. Sharpe, Nobel Laureate and Professor of Finance at Stanford University, wrote an article for the Investment Analyst Review entitled "Determining a Fund's Effective Asset Mix". In this article, he demonstrated that a manager's style could be determined by analyzing portfolio returns, as opposed to holdings. This was done mathematically by comparing the manager's returns to the returns of a number of style indexes. This discovery revolutionized style and performance analysis and provided the basis for the StyleADVISOR suite of software.

Since its debut in 1993, StyleADVISOR has been the style analysis package of choice for the large institutional marketplace. Our client list has grown to include over 250 plan sponsors, consultants, and money managers. They use StyleADVISOR to determine, for themselves, using only monthly or quarterly returns, the style and consistency of managers and funds. They create custom style benchmarks, do performance, risk-return, upside downside market capture analyses, manager to peer universe comparisons, asset allocation, and much more. StyleADVISOR also enables them to perform manager searches, create custom universes, evaluate competitors, and monitor aggregate portfolios.

Risk Basically there are four types of risk: 1) inflation risk means your money may not earn enough in the long run because as prices go up the value of your money goes down; 2) market risk means you could lose money because the price of a stock may go down; 3) credit risk means a company or organization that borrowed your money may not be able to pay it back; and 4) interest rate risk means you could lose money because as interest rates go up the value of bond investments goes down.

Risk-Free Rate of Return Three-month T-bills are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Risk/Return Graph The Manager Risk/Return Graph displays the risk/return characteristics of a manager and compares them to a benchmark, universe or other managers. It plots Return on the vertical axis and a Risk Statistic on the horizontal axis.

The chart has crosshairs that provide a basis for comparison by dividing the graph into four quadrants. The crosshairs are centered at either the Market Benchmark, the Style Benchmark or the median of the Universe, depending on the options you select. A relatively aggressive manager, for example, is likely to fall in the Northeast corner relative to the crosshairs centered at the universe median, with both more risk and more return.

Glossary

Russell 1000 Consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 1000 Growth Market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 1000 Value Market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 2000 Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 2000 Growth Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 2000 Value Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 3000 Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market. The returns published for the index are total returns, which include reinvestment of dividends.

S&P 500/BARRA Growth Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as growth make up the S&P 500/BARRA Growth Index. In general, growth companies tend to have high price-to-earnings (P/E) ratios, low dividend yields, and above-average earnings growth rates.

S&P 500/BARRA Value Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as value make up the S&P 500/BARRA Value Index. In general, value companies tend to have low P/E ratios, high dividend yields, and below-average earnings growth rates.

S&P 400 MidCap Index The S&P 400 MidCap Index consists of 400 U.S. companies that have market capitalization from \$1 billion to \$5 billion. The index includes approximately 312 industrial companies, 10 transportation companies, 41 utilities, and 37 financial companies.

S&P 500 Index® Standard & Poor's 500 Index® is a benchmark for the United States stock market. It's a list of the 500 largest publicly traded companies, which include 400 industrial companies, 20 transportation companies, 40 utilities, and 40 financial companies.

S&P Small Cap 600 Index The Standard & Poor's SmallCap 600 Index consists of 600 U.S. companies that have market capitalization less than \$1 billion. The index includes approximately 499 industrial companies, 18 transportation companies, 27 utilities, and 56 financial companies. Equity securities of companies with small market capitalization may be more volatile than securities of larger, more established companies.

SEC Yield A calculation based on a 30-day period ending on the last of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Share Classes Shares of the same fund that offer different shareholder rights and obligations, such as different fee and load charges. Common share classes are A (front-end load), B (deferred fees), C (no sales charge and a relatively high annual 12b-1 fee, such as 1.00%). Multi-class funds hold the same investment portfolio for all classes, and differ only in their surrounding fee structure.

Sharpe Ratio A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 36-month period by dividing a fund's annualized excess returns by its annualized standard deviation.

Glossary

Socially Conscious Any fund that invests according to non-economic guidelines. Such funds may make investments based on such issues as environmental responsibility, human rights, or religious views. A socially conscious fund may take a pro-active stance by selectively investing in, for example, environmentally-friendly companies, or firms with good employee relations. This group also includes funds that avoid investing in companies involved in promoting alcohol, tobacco, or gambling, or in the defense industry.

Standard Deviation A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Stocks Ownership in a company. Stocks are sold by the company and then bought/sold among investors. Risks involved include the company not performing up to expectations or that the price of your stock will fall.

Style Benchmark The concept of the style benchmark was first introduced by Nobel Laureate William F. Sharpe in 1988 and referred to as the "Effective Asset Mix". A quadratic optimizer is used to find a combination of the selected indices that would best track (have the highest correlation to) a given return series. For example, if a domestic equity manager optimization found that a weighted composite of 20% Russell Large Value, 10% Russell Large Growth, 60% Russell Small Value, 5% Russell Small Growth, and 5% T-bills had a 92% R-squared to that manager's returns, it could be said that 92% of this manager's performance may be attributed to his "style". The remaining 8% is unexplained variance due to stock selection, etc.

Tax-deferred earnings You don't have to pay taxes on any earnings in your 401(k) until you withdraw your money. The money in a 401(k) can grow faster than with other types of savings plans, because the earnings you accumulate, if any, are also tax-deferred.

Treynor Ratio The Treynor Ratio is a measure of performance per unit of market risk. It is the portfolio's excess return over the risk-free rate divided by the portfolio's beta to the selected benchmark. Also known as the Reward to Volatility Ratio.

Turnover Ratio The turnover rate of a fund is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in that fund. If a fund consistently showed a 20% turnover ratio, for example, it would suggest that--on average--that fund holds a security for five years before selling it. A fund with a 200% turnover ratio pretty much changes its portfolio wholesale every six months.

Upside / Downside Market Capture Graph StyleADVISOR's Upside / Downside Market Capture graph displays the percentage of benchmark movement captured by a manager in both up and down markets. The graph plots the manager's upside capture ratio (vertical axis) against the downside capture ratio (horizontal axis). The capture ratio is the manager's return divided by the benchmark's return, or the percentage of the benchmark's return that was "captured" by the manager. The Upside capture ratio is computed for periods when the market has a positive return. The Downside capture ratio is computed for periods when the market has a negative return.

Variable funds Investments that fluctuate with market conditions. Unlike guaranteed investments, such as bonds or CDs, variable funds don't guarantee a specific rate of return. They do offer potential for higher earnings in return for higher degree of market risk.

Wilshire 4500 Listed for small-company funds, measures the performance of all U.S. common equity securities excluding the stocks in the S&P 500. The returns published for the index are total returns, which include reinvestment of dividends.

Wilshire 5000 Measures the performance of all U.S. common equity securities, and so serves as an index of all stock trades in the United States. The returns published for the index are total returns, which include reinvestment of dividends.

World Stock Category An international fund having more than 10% of stocks invested in the US. Also known as global funds. Foreign Investments involve special risks, including currency fluctuations and political developments.

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Galliard Capital Management, Inc.



GALLIARD CAPITAL
MANAGEMENT

Experience. Consistency.
Performance.

State of Wisconsin Deferred Compensation Plan

March 25, 2008

Presenters:
Mike Norman
Principal

John R. Caswell, CFA
Managing Partner

Galliard Capital Management

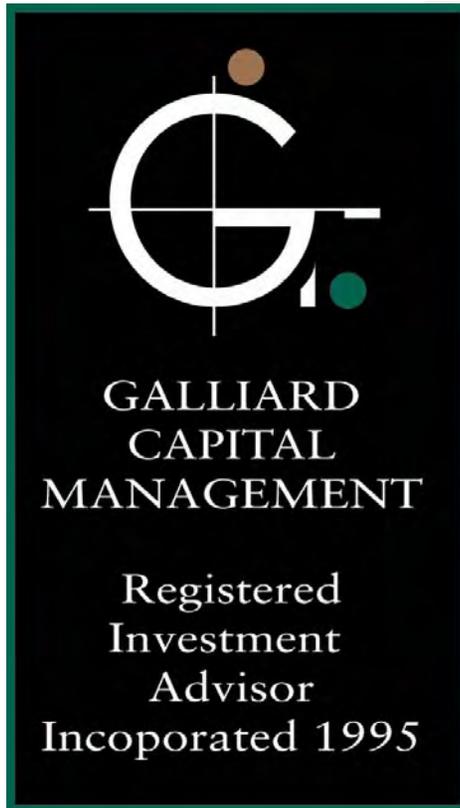
Section I: Economic Review – February 2008

Section II: State of Wisconsin Deferred Compensation
Plan Portfolio Review

Appendix: Wells Fargo Stable Return Fund

Galliard Overview

Fixed Income and Stable Value Specialists



Galliard Update

2008 - \$30.1 Billion

- Stable value performance continues to be superior
- New business growth was strong
 - 48 new mandates
 - New assets in excess of \$5.7 Billion
- Substantial progress on key management objectives
 - Staffing additions
 - Website
 - Technology enhancements
 - Core Plus

1995 - \$2.0 Billion

Our client focus and organizational stability have been the key to our long term success

Section I

Economic Overview

February 2008

Broadening Crisis of Confidence...

- Fallout in the housing market continued as further housing price declines and increasing mortgage delinquencies broadened credit concerns and eroded investor confidence. Fourth quarter mortgage delinquency data continued to rise, reaching 5.82% (Fig. 1).
- New home sales figures fell significantly. Sales dropped to the lowest level in 12 years at the end of 2007 and the downward trend continued into 2008 (Fig. 2).
- U.S. Treasury yields have continued to move lower in shorter and intermediate maturities as investor flight to quality persists (Fig. 3).

Fig. 1: Mortgage Delinquency Rates

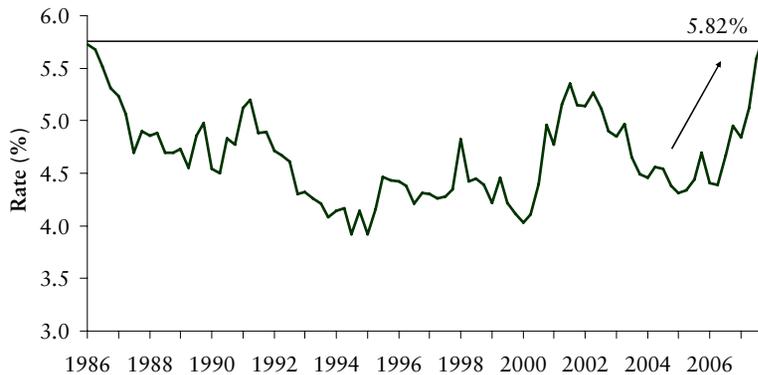


Fig. 2: New Home Sales

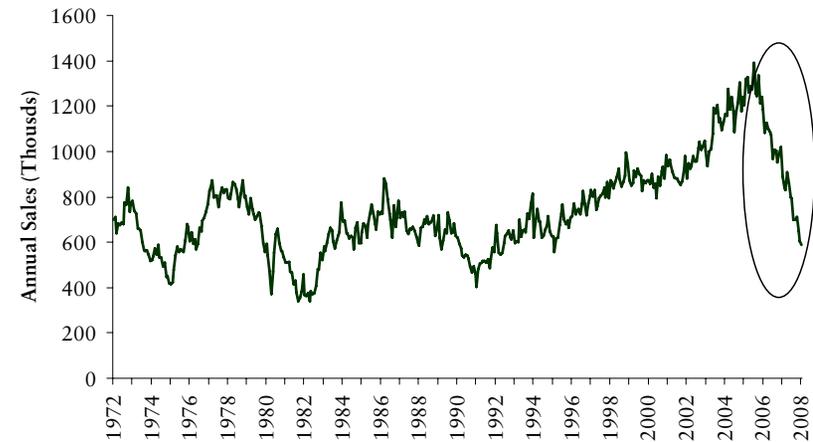
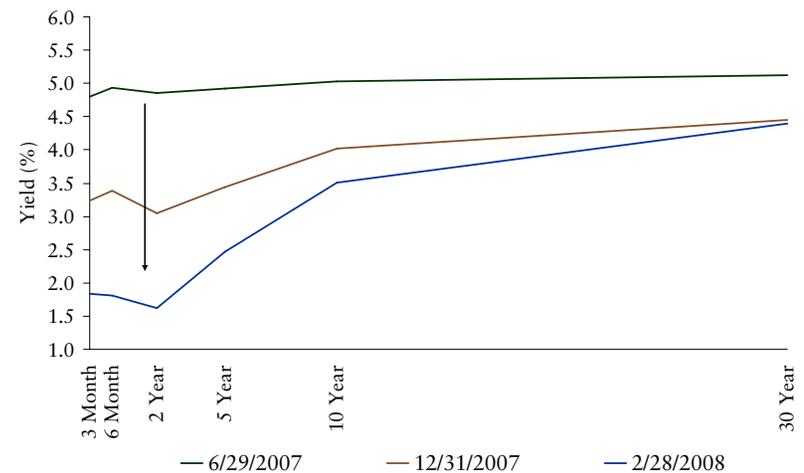


Fig. 3: U.S. Treasury Yield Curve



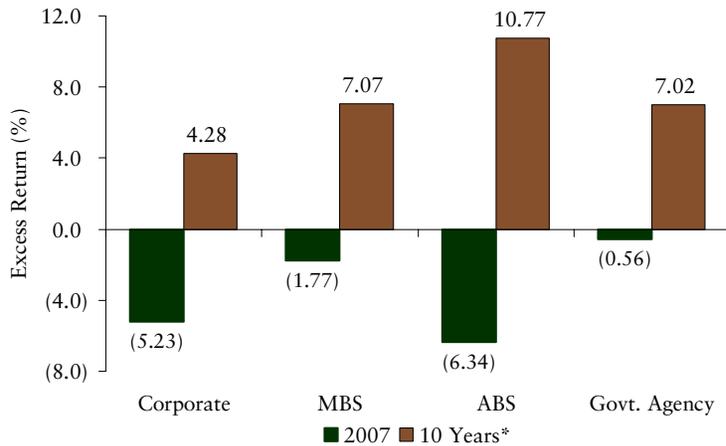
Economic Overview

February 2008

Has Caused the Credit Markets to Seize Up...

- As would be expected in this type of market environment, all spread product underperformed versus Treasuries during 2007 (Fig. 1).
- Corporate spreads versus Treasuries, after reaching historically tight levels, have widened at all quality levels as investors sought safer ground (Fig. 2).
- Structured securities were also heavily impacted. The option adjusted spreads (OAS) of major structured sub-sectors have moved dramatically wider versus historic levels (Fig. 3).

Fig. 1: Lehman Brothers Excess Returns versus Treasuries



* Ending 12/31/2007

Fig. 2: Corporate Spreads vs. Treasuries

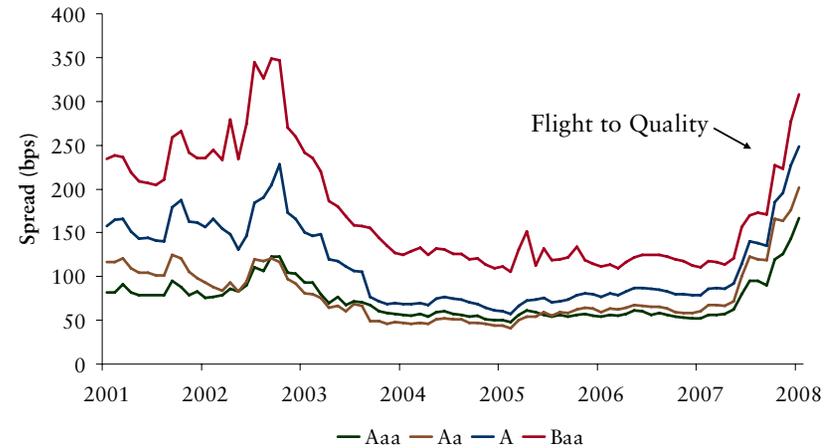
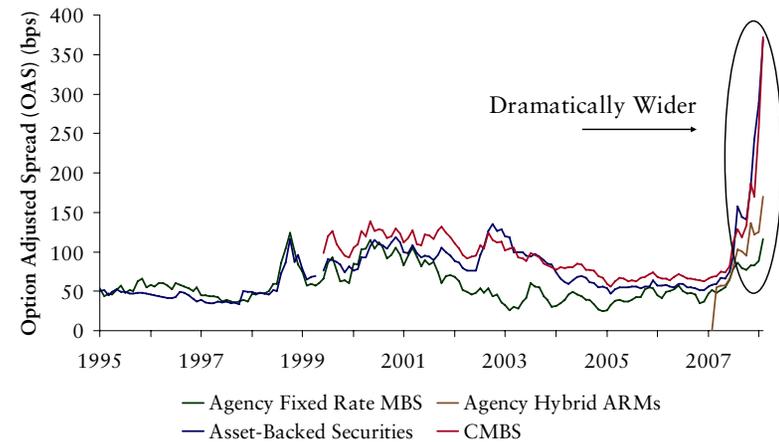


Fig. 3: Structured Product OAS to Treasuries



Economic Overview

February 2008

And Economic Growth to Slow...

- Preliminary real GDP growth was 0.6% during the fourth quarter fueling the likelihood of a significant economic slowdown, or even recession, in the coming months.
- The Leading Economic Indicators have turned negative in recent months signaling a slowing economy (Fig. 1). The February ISM Manufacturing Index also indicated a contraction as it fell below 50 to 48.3 (Fig. 2).
- Preliminary job growth was negative for the first time in four years as employers trimmed 22,000 and 63,000 jobs in January and February respectively (Fig. 3).

Fig 1: Leading Economic Indicators (YOY % Chg)

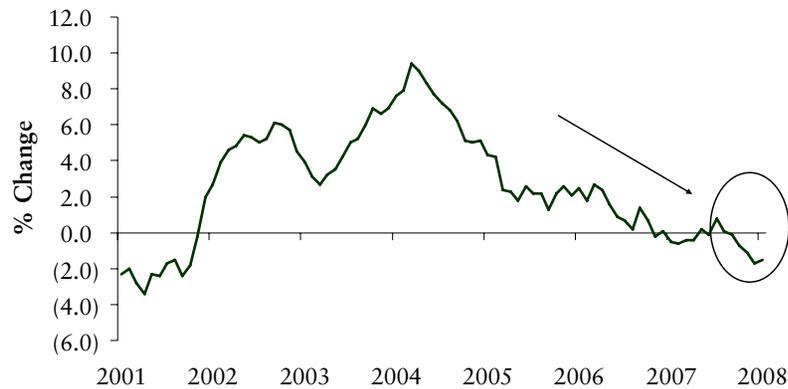


Fig. 2: ISM Manufacturing Index

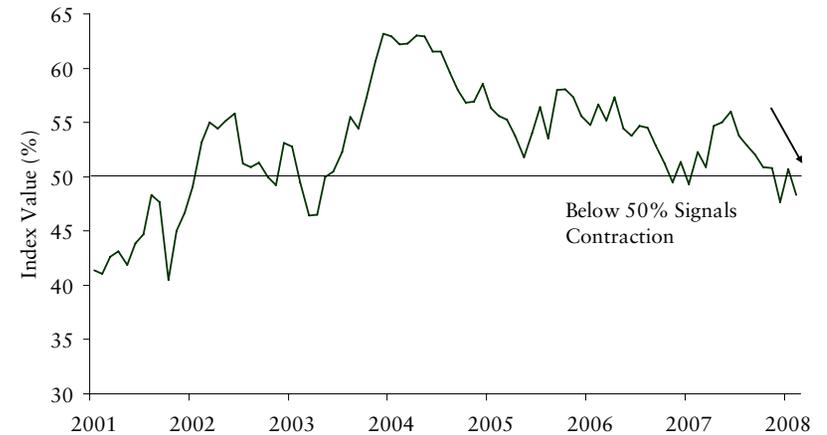
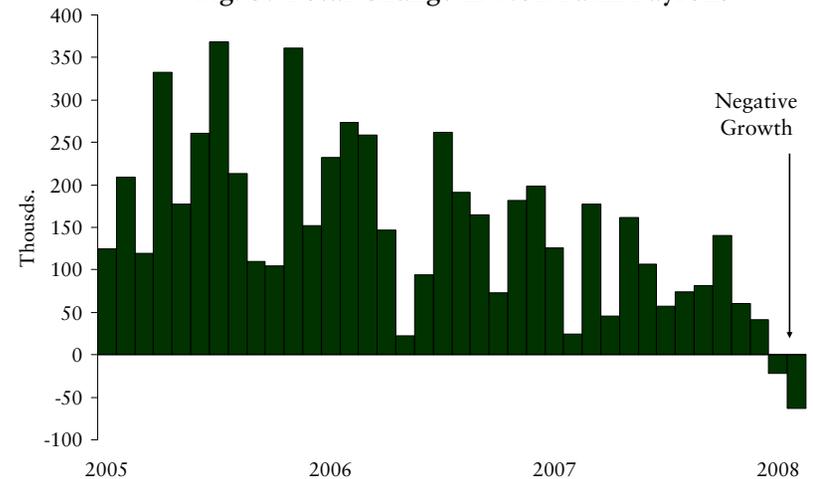


Fig. 3: Total Change in Non Farm Payrolls



Economic Overview

February 2008

Prompting Additional Fed Easing.

- The Fed eased twice in January, lowering the Federal Funds rate to 3.00%. The market is anticipating additional rate cuts in the coming months (Fig. 1).
- Inflation concerns remained on the back burner as the Fed focused on the liquidity crisis and possibility of recession. However, core measures remain above target levels (Fig. 2).
- In addition, commodity prices continue to rise as a result of increasing global demand (Fig. 3) while easier monetary policy adds further pressure to the already weak U.S. dollar.

Fig. 2: Core PCE Deflator and Core CPI (YOY % Chg)

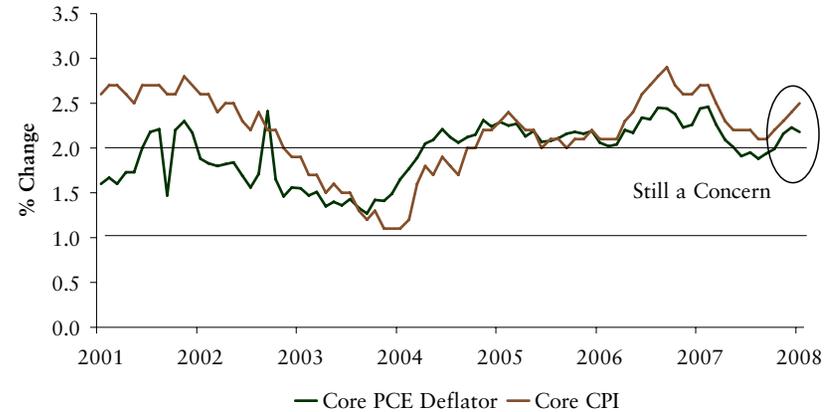


Fig. 1: Fed Funds 30-Day Forward Rate

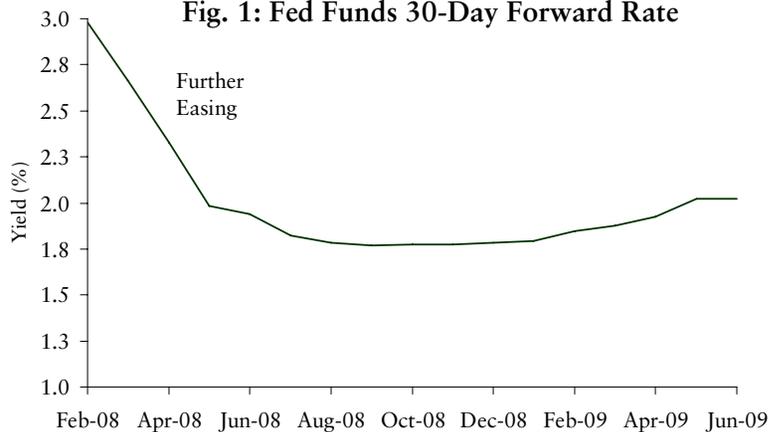


Fig. 3: US Commodity Prices
Dow Jones AIG Commodity Index



Economic Overview

February 2008

Market Outlook

- Significant chance of recession
 - Housing market continues to suffer
 - Pressures on consumers mount (inflation, slowing growth)
- Additional easing by Federal Reserve
 - 2% Fed Funds Rate likely
 - Yield curve to steepen further
- Market illiquidity likely through summer
 - Deleveraging
 - Re-pricing of risk
- Attractive opportunities exist in selected sectors of fixed income markets

Section II

Stable Value Portfolio Review

Fourth Quarter 2007

Annualized Investment Performance*

Periods Ending December 31, 2007

	<u>4Q07</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio (before inv. mgmt. fees)	1.32	5.30	5.30	5.29	5.29	5.88
Portfolio (net of inv. mgmt. fees)	1.27	5.11	5.11	5.10	5.09	5.68
5 Year Constant Maturity Treasury Yield	0.93	4.42	4.42	4.40	3.92	4.42

Calendar Year Performance

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Portfolio (before inv. mgmt. fees)	5.30	5.39	5.19	5.18	5.41
Portfolio (net of inv. mgmt. fees)	5.11	5.20	4.99	4.97	5.19
5 Year Constant Maturity Treasury Yield	4.42	4.74	4.05	3.43	2.97

Market Indices

3 Month Treasury Bills	4.55	4.95	3.54	1.67	1.07
Consumer Price Index	4.05	2.54	3.42	3.26	1.88

* Returns for periods of less than one year are not annualized.

** Galliard's management of this portfolio began July 1, 1998.

Stable Value Portfolio Review

As of 12/31/07

Portfolio Characteristics

Total Assets	\$373,091,904	Blended Yield (Before fees)	5.27%
Weighted Average Quality	Aa1/AA	Blended Yield (Net of fees)*	5.18%
Market Value to Book Value Ratio	100.7%	Effective Duration	3.86 years

**Net of investment management and other fees

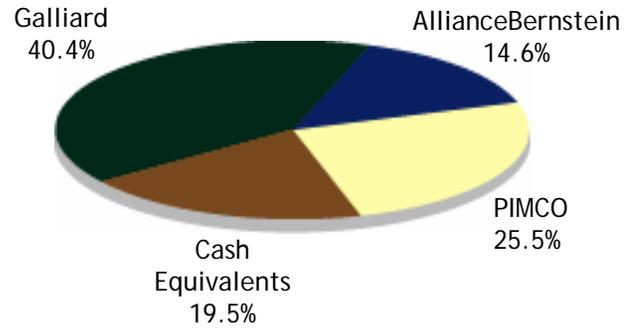
Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>12/31/07</u>	<u>% of Portfolio</u> <u>9/30/07</u>
Cash Equivalents*	72,834,245	19.5%	19.9%
Security Backed Contracts	300,257,660	80.5%	80.1%
PIMCO	95,191,497	25.5%	25.2%
AllianceBernstein	54,432,100	14.6%	14.6%
Galliard	150,634,063	40.4%	40.3%
Total	\$373,091,904	100.0%	100.0%

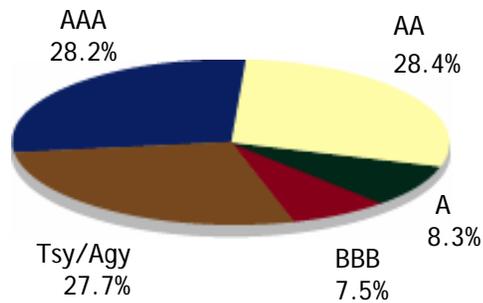
Stable Value Portfolio Review

As of 12/31/07

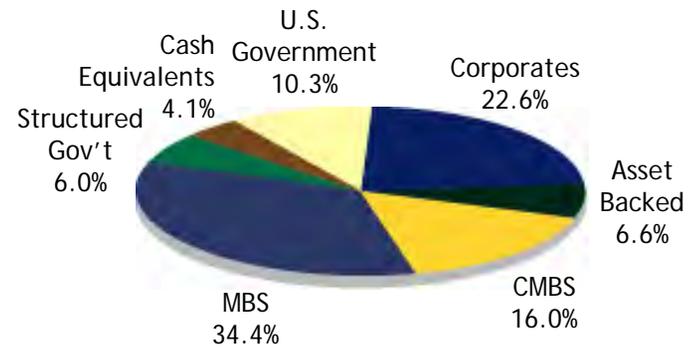
Portfolio Distribution



Underlying Fixed Income Credit Quality

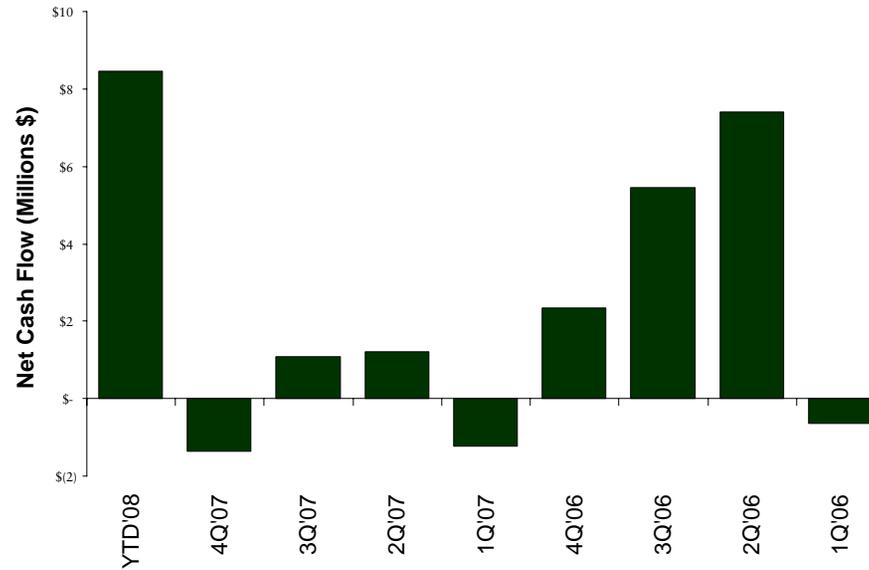


Underlying Fixed Income Asset Allocation



Stable Value Portfolio Review

Historical Cashflows



	YTD'08	4Q'07	3Q'07	2Q'07	1Q'07	4Q'06	3Q'06	2Q'06	1Q'06
Beginning Market Value	\$ 373,091,904	\$ 369,754,872	\$ 364,168,916	\$ 358,432,662	\$ 355,260,849	\$ 348,381,998	\$ 338,600,898	\$ 327,006,383	\$ 323,618,500
Contributions	\$ 10,711,335	\$ 5,427,511	\$ 8,924,361	\$ 7,914,636	\$ 7,665,773	\$ 8,979,200	\$ 9,677,090	\$ 11,161,226	\$ 6,265,119
Withdrawals	\$ (2,242,616)	\$ (6,781,550)	\$ (7,852,688)	\$ (6,691,477)	\$ (8,905,122)	\$ (6,631,498)	\$ (4,224,337)	\$ (3,749,067)	\$ (6,900,946)
Net Flow (\$)	\$ 8,468,719	\$ (1,354,039)	\$ 1,071,673	\$ 1,223,159	\$ (1,239,349)	\$ 2,347,702	\$ 5,452,753	\$ 7,412,159	\$ (635,827)
Net Flow (%)	2.20%	-0.36%	0.29%	0.34%	-0.35%	0.66%	1.57%	2.19%	-0.19%
Investment Return	\$ 3,256,396	\$ 4,691,071	\$ 4,514,282	\$ 4,513,095	\$ 4,411,161	\$ 4,531,150	\$ 4,328,347	\$ 4,182,356	\$ 4,023,710
Ending Market Value	\$ 384,817,019	\$ 373,091,904	\$ 369,754,872	\$ 364,168,916	\$ 358,432,662	\$ 355,260,849	\$ 348,381,998	\$ 338,600,898	\$ 327,006,383

Stable Value Portfolio Review

Portfolio Commentary

- Current portfolio net yield (5.17%) is above market rates
 - 2 year U.S. Treasury 1.68%
- Portfolio weighted quality is high (AA)
 - Low exposure to subprime collateral (1.1%)
- Portfolio broadly diversified by sector and issuer
- Attractive opportunities to invest new cashflows
- AllianceBernstein on watch for underperformance

State of Wisconsin Stable Value Fund
Portfolio Holdings
12/31/2007

Security Description	Current Value (\$)	% of Portfolio	Crediting Rate/Yield (%)	Maturity	Yrs to Maturity	Moody's	S&P
Cash & Equivalents							
Cash Receivable / (Payable)	-103,853	0.0	5.19		0.0	Aaa	AAA
Total Cash & Equivalents	-103,853	0.0	5.19		0.0	Aaa	AAA
Funds							
Stable Value Funds							
Wells Fargo Stable Return Fund	72,938,098	19.5	5.09	10/2/2010	1.0	Aa1	AA+
Total Stable Value Funds	72,938,098	19.5	5.09		1.0	Aa1	AA+
Total Funds	72,938,098	19.5	5.09		1.0	Aa1	AA+
Security Backed Contracts							
Targeted Benchmark							
Natixis Financial Products Inc.	59,854,873	16.0	5.31	7/18/2012	4.6	Aa2	AA
Monumental Life Ins. Co.	90,273,957	24.2	5.31	7/18/2012	4.6	Aa3	AA
J.P. Morgan Chase Bank N.A.	90,273,957	24.2	5.31	7/18/2012	4.6	Aaa	AA
Union Bank of Switzerland AG	59,854,873	16.0	5.31	7/18/2012	4.6	Aaa	AA+
Total Targeted Benchmark	300,257,660	80.5	5.31		4.6	Aa1	AA
Total Security Backed Contracts	300,257,660	80.5	5.31		4.6	Aa1	AA

State of Wisconsin Stable Value Fund
Portfolio Holdings
12/31/2007

Security Description	Current Value (\$)	% of Portfolio	Crediting Rate/Yield (%)	Maturity	Yrs to Maturity	Moody's	S&P
Total Fund	373,091,904	100.0	5.27		3.9	Aa1	AA

Appendix

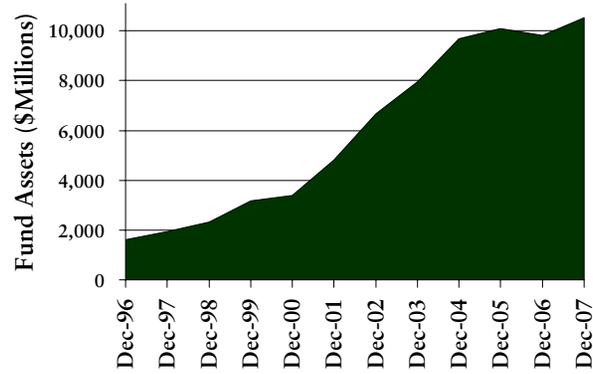
Appendix

➤ **Wells Fargo Stable Return Fund**

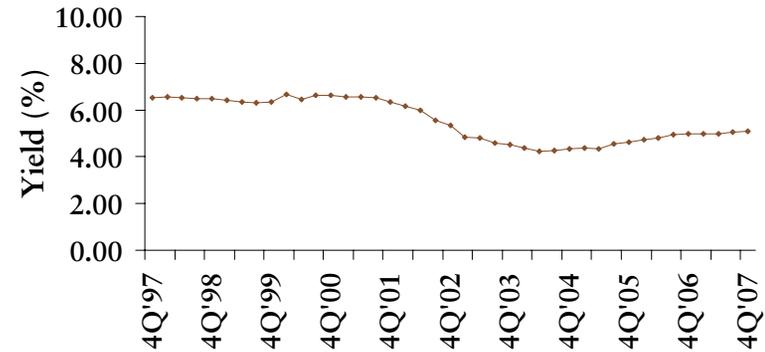
Wells Fargo Stable Return Fund

History of Steady Growth and Stable Yields

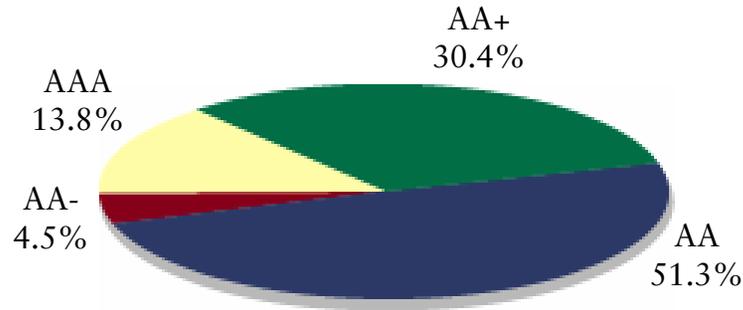
Fund Assets



Fund Yield



Contract Issuer Quality



Top Five Contract Issuers

Issuer	S&P Rating
Monumental Life Ins. Co.	AA
Bank of America, N.A.	AA+
AIG Financial Products Corp.	AA+
J.P. Morgan Chase Bank, N.A.	AA
ING Life Ins. and Annuity Co.	AA

The Fund has a long history of providing attractive yields and steady asset growth

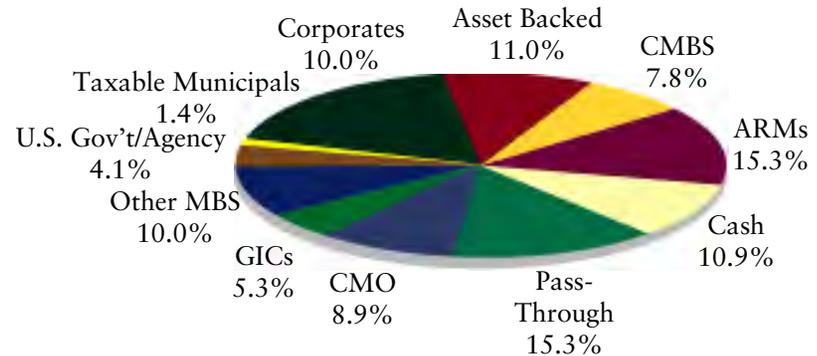
Wells Fargo Stable Return Fund

December 31, 2007

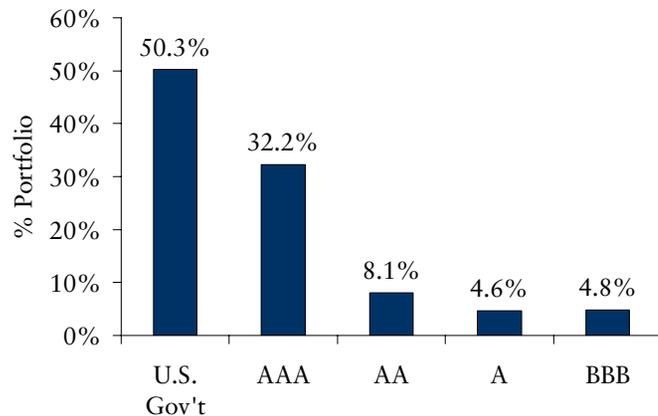
Fund Characteristics

Total Assets: \$10,524,754,503
Avg. Quality (contract level): AA+
Avg. Quality (underlying level): AA+
Effective Duration: 2.9 years
Blended Yield*: 5.09%
Number of Contract Issuers: 22
Number of Plans Invested: 3,598
<i>*Before Fees</i>

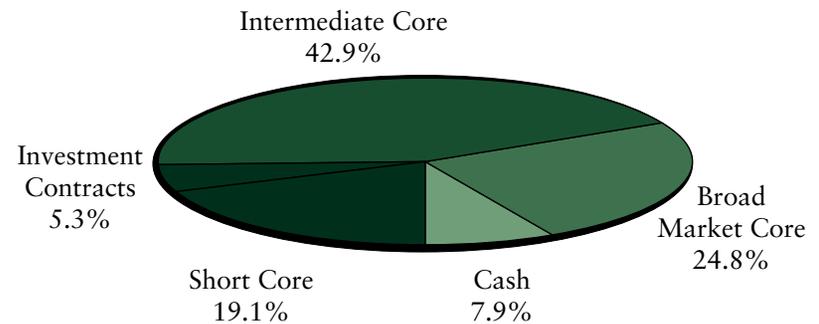
Broad Sector Diversification



Strong Credit Quality



Strategy Diversification





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David A. Stella
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<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: March 14, 2008
TO: Wisconsin Deferred Compensation Board Investment Committee
FROM: Shelly Schueller, Director
Wisconsin Deferred Compensation Program
SUBJECT: Managed Accounts -- Reality Investing Draft Agreements, Implementation
Timeline and Draft Awareness Campaign

This memo is for discussion purposes. Staff is seeking a recommendation from the Committee to present this information to the Board at the May 6, 2008, meeting.

Throughout 2007 and in early 2008, the Board discussed a new type of service available to participants called "managed accounts." Managed accounts services provide interested individuals with additional financial management services. The Wisconsin Deferred Compensation (WDC) Program's administrative service provider, Great-West Retirement Services (GWRS), has a division known as Advised Assets Group (AAG), which has worked with Ibbotson Associates (a subsidiary of Morningstar as of 2006) to develop "Reality Investing," which is their version of managed accounts services.

Further analysis regarding the merits of providing a managed accounts service to Wisconsin Deferred Compensation Program (WDC) participants was delegated by the Board to the Investment Committee. Most recently, the Board directed the Investment Committee to review the draft Reality Investing agreement and the proposed implementation timeline and education materials. These documents are attached for your review and comment.

Reality Investing Draft Agreements

If the Board decided to add Reality Investing, a separate contract between the Board and Advised Assets Group must be arranged, as the current administrative services contract does not address Reality Investing. Staff has been negotiating contract language with AAG. The most current draft is attached. Staff seeks the Investment Committee's comments and approval to present the agreement to the Board at the May 6, 2008, meeting.

You will also find attached AAG's completed *FORM ADV: Uniform Application for Investment Adviser Registration Part II*. This form provides information about the investment adviser and its business, such as the type of services offered and fees, types of clients, methods of analysis used, conditions for managing accounts and other business activities.

Reviewed and approved by Jean Gilding, Deputy Administrator,
Division of Retirement Services

Signature

Date

Board	Mtg Date	Item #
DCIC	03/25/2008	3

I have also included a sample of the draft agreement for a participant who would choose to use Reality Investing. The *Participant Terms and Conditions Agreement* includes general provisions acknowledging GWRS/AAG as a fiduciary and an indemnification statement that a participant must agree to prior to using the service.

Implementation Timeline

If the Board approves adding Reality Investing to the WDC, GWRS staff would begin implementing an awareness campaign approximately 45 days after approval. This means that if the Board approved offering managed accounts to WDC participants at its May 6, 2008, Board meeting, Reality Investing marketing materials would be available by July 2008.

Awareness Campaign

The Department and GWRS have discussed the main concepts that should be included in an awareness campaign announcing this new service. The goal would be to announce the addition of Reality Investing and to provide participants with additional information on the benefits of using this new service.

As outlined in the attached draft awareness campaign planning materials, this would likely include the following:

- Dedicating the quarterly newsletter to announcing Reality Investing
- Providing additional Reality Investing information on the WDC's Web site
- Including a Reality Investing promotional piece in quarterly statements
- Targeting WDC participants that may benefit the most from further diversifying their WDC assets:
 - Sending postcards on promoting Reality Investing and advertising group meetings to participants with large balances in the Vanguard money market fund.
 - Including customized Reality Investing news on WDC participants' home page, if the participant is invested in two or fewer investment options.
- Incorporating Reality Investing information into the existing WDC enrollment presentation
- Creating a specific Reality Investing presentation that further describes the services available and how participants may benefit by using it. Use posters to promote these meetings at employer locations
- Customizing existing WDC materials to include Reality Investing (brochures, flyers, etc.) information

Staff would continue to work with GWRS to refine the draft awareness campaign and ensure that a thorough and coordinated member education plan is developed and executed.

Department staff will be available at the Investment Committee meeting on March 25, 2008, to discuss this memo and all attachments.

- Attachments:
- 1) Draft AAG Reality Investing Agreement
 - 2) AAG FORM ADV Uniform Application for Investment Adviser Registration Part II
 - 3) Draft Participant Terms and Conditions Agreement
 - 4) Draft Awareness Campaign

ADVISED ASSETS GROUP, LLC
Advisory Services AGREEMENT

Please read the following terms and conditions carefully before using or enrolling in any of the services described below. Your use of any service will signify your consent to be bound by the terms and conditions set forth in this Agreement.

Fees for the Service

Fees for each service are shown below. The fees are assessed on a quarterly basis and the chart below reflects the quarterly and annually fee amount.

Guidance	Quarterly Fee	Annual Fee
	No Fee	No Fee

Advice	Quarterly Fee	Annual Fee
	\$6.25	\$25

Managed Accounts	Quarterly Fee	Annual Fee
Participant Account Balance		
<\$100,000	0.125%	0.60 %
Next \$150,000	0.10%	0.50 %
Next \$150,000	0.075%	0.40 %
>\$400,000	0.05%	0.30 %

For example, if your account balance subject to Managed Accounts is \$50,000, the maximum annual fee is 0.60 % of the account balance. The amount collected quarterly would be 0.15% based upon your account balance on the day of fee assessment as described above. If your account balance subject to Managed Accounts is \$500,000, the first \$100,000.00 will be subject to a maximum annual fee of 0.60 % (quarterly 0.15%), the next \$150,000 will be subject to a maximum annual fee of 0.50 % (0.125%), the next \$150,000 will be subject to a maximum annual fee of 0.40 % (0.1%), and any amounts over \$400,000 will be subject to a maximum annual fee of 0.30 % (0.075%). All fees are assessed on a quarterly basis. For example, the maximum quarterly fee for an account balance less than \$100,000 (subject to maximum annual fee of 0.60%) would be 0.15% as demonstrated above.

The fees for Advice and Managed Accounts will generally be debited from your account within the last five (5) to seven (7) business days of each quarter; however, if you cancel participation in Managed Account Investor, the fee will be based on your account balance on the date of cancellation and will be debited from your account within five (5) to seven (7) business days of the cancellation date. Use of online investment advice at any time during a quarter will result in your account being debited the quarterly fee. If your Plan terminates its agreement with AAG, the fee, based on your account balance on the date of termination, will be debited within the last five (5) to seven (7) business

days of that quarter. If your Plan terminates its service agreement with Great-West Life & Annuity Insurance Company ("Great-West"), the fee, based on your account balance on the date of termination, will be debited upon termination. The fee you are charged depends on the Plan you participate in, and in certain instances, the fee for the Managed Account Investor may actually be lower than the fee depicted below.

DISCLAIMERS

Advised Assets Group, LLC ("AAG") uses reasonable care, consistent with industry practice, in providing services to you. We do not guarantee the future performance of your account or that the investments we recommend will be profitable. Investment return and principal value will fluctuate with market conditions, and you may lose money. The investments we may recommend, or purchase for your account, if applicable, are subject to various risks, including without limitation business, market, currency, economic, and political risks. AAG does not provide advice for, recommend allocations of, or manage individual stocks (including employer stock), self-directed brokerage accounts, guaranteed certificate funds, or employer-directed monies, even if they are available for investment in your Plan. We do not select the investment options available for investment in your Plan. By recommending allocations among the available investment options, we are not endorsing the selection of particular investments options available in your Plan.

AAG will not be liable to you for any loss caused by (1) our prudent, good faith decisions or actions, (2) following your instructions, or (3) any person other than AAG or its affiliates who provides services for your account. AAG will not be liable to you for any losses resulting from your disclosure of your personal information or your PIN number to third parties even if the purpose of your disclosure is to enable such person to enroll you in, or cancel your enrollment in, Advisory Services. AAG is not responsible for voting proxies for the securities in your account. We do not guarantee that the services or any content will be delivered to you uninterrupted, timely, secure, or error-free.

TO THE MAXIMUM EXTENT PERMITTED BY LAW, AAG DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES AND THE SERVICE CONTENT, AND ALL INFORMATION DERIVED FROM THEM, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, QUALITY, ACCURACY, TITLE, NON-INFRINGEMENT, AND IMPLIED WARRANTIES ARISING FROM COURSE OF PERFORMANCE OR COURSE OF DEALING. IN ADDITION, ALTHOUGH AAG INTENDS TO TAKE REASONABLE STEPS TO PREVENT THE INTRODUCTION OF VIRUSES OR OTHER DESTRUCTIVE MATERIALS TO THE SERVICE, AAG DOES NOT WARRANT THAT THE SERVICE OR CONTENT CONTAINED IN THEM WILL BE UNINTERRUPTED OR ERROR FREE, OR THAT ANY INFORMATION OR OTHER MATERIAL ACCESSIBLE THROUGH THE SERVICE IS FREE OF ERRORS, VIRUSES, WORMS, OR OTHER HARMFUL CONTENT.

LIMITATION OF LIABILITY

YOU UNDERSTAND THAT IN NO EVENT WILL AAG OR ITS OFFICERS, DIRECTORS, SHAREHOLDERS, PARENTS, SUBSIDIARIES, AFFILIATES, EMPLOYEES, CONSULTANTS, AGENTS, LICENSORS OR ANY DATA PROVIDER BE LIABLE FOR ANY CONSEQUENTIAL, PUNITIVE, INCIDENTAL, SPECIAL OR INDIRECT DAMAGES, LOSS OF BUSINESS REVENUE OR LOST PROFITS, WHETHER IN AN ACTION UNDER CONTRACT, NEGLIGENCE OR ANY OTHER THEORY EVEN IF WE ARE ADVISED OF THE POSSIBILITY OF SUCH.

INDEMNIFICATION

You agree to indemnify, defend and hold harmless AAG and its officers, directors, shareholders, parents, subsidiaries, affiliates, employees, consultants, agents and licensors from and against any and all third party claims, liability, damages and/or costs (including but not limited to reasonable attorneys' fees) arising from your failure to comply with this Agreement, the information you provide us, your infringement of any intellectual property or other right of a third party, or from your violation of applicable law.

DESCRIPTION OF SERVICES

Your employer or plan sponsor has agreed to make one or more of the below services offered by AAG available to you. **To determine which services your employer or plan sponsor has agreed to make available to you, please refer to the communication materials provided by AAG or ask your employer or plan sponsor.** AAG offers the following investment advisory services; guidance, advice, and managed accounts through Advisory Services:

On-Line Investment Guidance: The On-Line Guidance Investor is geared toward participants who wish to manage their own retirement accounts. Participants are provided access to on-line guidance tools.

On-Line Advice Investor: On-Line Advice Investor is geared toward participants who wish to manage their own retirement plans while taking advantage of on-line guidance and investment advice. You are provided on-line guidance and investment advice for a personalized recommended investment portfolio. The recommended investment portfolio is based on information drawn from your Plan account profile and from the investment options available in your Plan. You may then implement the recommended investment portfolio and manage your retirement account on-line. AAG does not provide advice for, or recommend allocations of, individual stocks (including employer stock), self-directed brokerage accounts, guaranteed certificate funds, or employer-directed monies.

Managed Account Investor: Managed Account Investor is geared toward participants who wish to have a qualified financial expert select among the available investment options and manage their retirement accounts for them. You will receive a personalized investment portfolio that reflects your Plan investment options and your retirement timeframe, life stages and overall financial picture, including assets held outside the Plan (if you elect to provide this information), which may be taken into consideration when

determining the allocation of assets in your Plan account (AAG will not provide advice for, recommend allocations of, or manage your outside or non-Plan assets). Under the Managed Account Investor service, AAG has discretionary authority over allocating your assets among the core investment options, without your prior approval of each transaction. AAG is not responsible for either the selection or maintenance of the investment options available within your Plan. AAG does not provide advice for, or recommend allocations of, individual stocks (including employer stock), self-directed brokerage accounts, guaranteed certificate funds, or employer-directed monies. Your balances in any of these investment options or vehicles may be liquidated, subject to your Plan's and/or investment provider's restrictions.

Managed Account Investor account assets in the Plan's core investment options will be automatically monitored, rebalanced and reallocated every quarter by AAG, based on data resulting from the methodologies and software employed by the Independent Financial Expert, to respond to market performance and to ensure optimal account performance over time. You will receive an account update and forecast statement annually and can update your personal information at any time by calling AAG at your Plan's existing toll-free customer service number or by visiting your Plan's web site.

IMPORTANT: The projections or other information generated by [name of investment analysis tool] regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

The Advisory Services methodology is powered by Ibbotson Associates. Ibbotson first builds stable, consistent asset allocation models at various risk levels. Based on Monte Carlo simulations of the participant's resources, liabilities, and human capital, an appropriate asset level portfolio is selected and a savings rate and a retirement age are determined that best suits each participant's situation. The asset class level model portfolios are revisited annually. Investment options from the plan's menu are then selected to implement each asset-level model portfolio. These investment options are monitored and rebalanced quarterly.

Your acceptance of the terms and conditions of this Agreement constitutes your authorization for AAG to deduct the quarterly fee. The fees are subject to change. AAG reserves the right to offer certain plans discounted fees or other promotional pricing.

Certain investment options in your Plan may charge a redemption fee. Redemption fees vary in amount and application from investment option to investment option. It is possible that transactions initiated by AAG under On Line Advice or Managed Account Investor may result in the imposition of a redemption fee on one or more investment options available in your Plan. Any redemption fees will be deducted from your account balance.

If you participate in Managed Account Investor, you must allocate all of your account balance to the Managed Account Investor service. You may not invest in other core investment options while also participating in Managed Account service. Once enrolled in Managed Account service, you will no longer be able to make investment allocation changes to your account online, via paper, or through your Plan's existing toll-free customer service number. This includes functionality for fund-to-fund transfers, change fund allocations, or utilization of dollar cost averaging and/or rebalancer. Once enrolled,

you retain full inquiry access to your account and you may still request and be approved for loans and take a distribution. The aforementioned functionality will be restored to your account the next same business day markets you cancel participation in Managed Account service.

You may cancel participation in Managed Account Investor at any time by completing the cancellation form available online or by calling AAG at your Plan's existing toll-free customer service number.

GENERAL PROVISIONS

AAG acknowledges that it is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to investment advice (On Line Advice Investor) and investment management (Managed Account Investor). AAG is not a fiduciary with respect to guidance. You may not assign this Agreement. We may not assign this Agreement (within the meaning of the Investment Advisors Act of 1940 ("Advisors Act")) without your consent. This Agreement is entered into in Denver, Colorado and governed by and construed in accordance with the laws of the State of Colorado, without regard to its conflict of law provisions. You agree that proper forum for any claims under this Agreement shall be in the courts of the State of Colorado for Arapahoe County or the United States District Court, District of Colorado. The prevailing party shall be entitled to recovery of expenses, including reasonable attorneys fees. This agreement constitutes the entire Agreement between you and AAG with respect to the subject matter herein. If for any reason a provision or portion of this Agreement is found to be unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to affect the intent of the parties, and the remainder of this Agreement will continue in full force and effect. No failure or delay on the part of AAG in exercising any right or remedy with respect to a breach of this Agreement by you shall operate as a waiver thereof or of any prior or subsequent breach of this Agreement by you, nor shall the exercise of any such right or remedy preclude any other or future exercise thereof or exercise of any other right or remedy in connection with this Agreement. Any waiver must be in writing and signed by AAG. All terms and provisions of this Agreement, including without limitation "Disclaimers," "Limitation of Liability," "Indemnification," "Intellectual Property," and "Privacy Policy," which should by their nature survive the termination of this Agreement, shall so survive. This Agreement will automatically terminate upon termination of your Plan's agreement with AAG, or upon termination of your Plan's service agreement with Great-West. Nothing in this Agreement shall be construed to waive compliance with the Advisors Act, ERISA, or any applicable rule or order of the Department of Labor under ERISA. AAG shall not be liable for any delay or failure to perform its obligations hereunder if such delay or failure is caused by an unforeseeable event beyond its reasonable control, including without limitation: act of God; fire; flood; earthquake; labor strike; sabotage; fiber cut; embargoes; power failure; lightning; supplier's failures; act or omissions of telecommunications common carriers; material shortages or unavailability or other delay in delivery; government codes, ordinances, laws, rules, regulations or restrictions; war or civil disorder, or acts of terrorism. AAG reserves the right to modify this Agreement at any time. You agree to review this Agreement periodically so that you are aware of any such modifications. Your continued participation in Advisory Services shall be deemed to be your acceptance of the modified terms of this Agreement. This Agreement shall inure to the benefit of AAG's successor and assigns.

INTELLECTUAL PROPERTY

All content provided as part of Advisory Services, including without limitation names, logos, methodologies, and news or information provided by third parties, is protected by copyrights, trademarks, service marks, patents, or other intellectual property and proprietary rights and laws (“Intellectual Property”) and may constitute trade secrets, as defined by applicable law. All such Intellectual Property is the property of their respective owners and no rights or licenses are granted to you as a result of your participation in Advisory Services.

PRIVACY POLICY

AAG protects your privacy. We have strict policies in place to keep your personal information private. A summary of AAG policies and procedures to protect the privacy and security of your personal information is set forth below.

Types of Information We Collect. AAG collects personal information about you from your plan sponsor or employer, from applications or other forms that you complete, from your plan or service provider, and from our affiliates you have conducted business with. Such information includes without limitation, your name, address, age, salary, number of dependents, plan account balances and contributions. You may provide us with additional personal information about your investments and preferences at any time. We also keep records of all transactions in your account and any communications about your account.

Security of Your Information. We have strict procedures to protect your privacy. They include physical, administrative, and technical safeguards.

Access to Information. The only employees who have access to your personal information are those who need it to service your account, or to provide you with products or services.

Our Information-Sharing Practices. AAG will not disclose, sell, share, or reveal your personal information except in the following circumstances:

- We have your authorization to share your personal information with third parties;
- We need to share your personal information with our affiliates who provide a product or service you have requested or to maintain, service or administer your account (for example, our affiliated broker-dealer that executes transactions in your account; such affiliates do not have the right to use your personal information other than in the performance of services necessary to assist us);
- We need to share your personal information with your employer, plan sponsor and/or plan provider in order to provide the services described in our contract with your employer, plan sponsor and/or plan provider; or
- We are required by law to disclose your personal information (for example, in response to a subpoena, governmental or regulatory request, or to protect against fraud or other illegal activity).

Analysis. We may perform analyses based on data about our customers. Such data will not contain personally identifiable information.

Our Treatment of Information about Former Customers. Protecting your privacy goes beyond our relationship with you as a participant in Advisory Services. If this relationship ends, we will not share your personal information with third parties, except as law permits.

Customer Right To Change Information. To correct, amend or supplement your personal information, you may contact us at your Plan's existing toll-free customer service number.

ABOUT ADVISED ASSETS GROUP, LLC

AAG, a wholly owned subsidiary of Great-West, is a registered investment advisor with the Securities and Exchange Commission. AAG provides guidance, advisory and management solutions to defined contribution and deferred compensation plans and participants.

Since its inception, AAG has focused on establishing, refining and continually improving the process of investment planning for plan sponsors and participants. By blending best practices investment approaches with personalized plan data and leading industry knowledge and expertise, AAG aspires to create effectively-built, diversified retirement solutions that maximize outcomes for plan participants while minimizing fiduciary risk to plan sponsors.

Additional information about the services provided by AAG may be found in AAG's Form ADV Part II, which is available free of charge online at www.advisedassetsgroup.com, upon request by calling AAG at your Plan's existing toll-free customer service number or writing AAG at: 8515 East Orchard Road, Greenwood Village, Colorado 80111.

Interest in Participant Transactions. AAG, its officers and employees may purchase securities for their own accounts and these securities may be the same as those recommended to, or invested for, you (e.g. shares of the same mutual fund).

ABOUT IBBOTSON ASSOCIATES

AAG has teamed with Ibbotson Associates, a recognized industry leader in asset allocation and investment analytics tools, to provide the underlying investment advice and portfolio management methodology that will power Advisory Services.

Ibbotson Associates, founded by Professor Roger Ibbotson in 1977, is a leading authority on asset allocation, providing products and services to help investment professionals obtain, manage and retain assets. The company's business lines include investment consulting and research, planning and analysis software, wealth forecasting, educational services and a widely used line of NASD-reviewed presentation materials.

With offices in Chicago, New York and Tokyo, Ibbotson Associates markets its integrated product line to institutional money managers, insurance companies, plan sponsors and consultants, financial planners, brokers, mutual fund firms, hedge funds, banks and small money managers.

AAG reserves the right to replace the Independent Financial Expert in its sole discretion and without your approval. AAG will notify you of any fee changes resulting from the Independent Financial Expert being replaced. In the event AAG terminates its relationship with the current Independent Financial Expert and is unable to contract with a suitable replacement Independent Financial Expert, this Agreement shall automatically terminate upon written notice from AAG.

ACCEPTANCE OF TERMS AND CONDITIONS OF ADVISORY SERVICES AGREEMENT

To determine which services your employer or plan sponsor has agreed to make available to you, please refer to the communication materials provided by AAG or ask your employer or plan sponsor.

If you agree to the terms and conditions set forth herein, you will be enrolled the service you requested that is offered under Advisory Services. Your acceptance of the terms and conditions shall signify your consent to be bound by the applicable provisions of this Agreement, as they relate to the Online Investment Guidance, Online Investment Advice, or Managed Account services. Please note that upon enrollment in the Managed Account service, any currently initiated transfers or transactions will be cancelled, unless the market has already closed for the day.

If you do not agree to the terms and conditions set forth herein, you will not be enrolled the service you requested that is offered under Advisory Services.

REALITY INVESTING® ADVISORY SERVICES AGREEMENT

This Reality Investing® Service Advisory Services Agreement (this "Agreement") is entered into as of the ___ day of _____, 2008 by the Wisconsin Deferred Compensation Program (the "Plan Sponsor") and Advised Assets Group, LLC ("AAG"), located at 8515 East Orchard Road, Greenwood Village, Colorado 80111.

RECITALS

Whereas, the Plan has established defined contribution plans under the Internal Revenue Code (the "Plan"); and

Whereas, the Plan Sponsor has selected Great-West Retirement Services ("GWRS"), a division of Great-West Life & Annuity Insurance Company ("Great-West"), to provide administrative and other services to the Plan as set forth in the service agreement between the Plan Sponsor and Great-West ("Service Agreement"); and

Whereas, AAG, a wholly owned subsidiary of Great-West, provides investment guidance, advisory and discretionary managed account services ("Reality Investing®") to defined contribution plan participants; and

Whereas, AAG has conducted a rigorous review and evaluation of participant level advisory service providers and has selected an independent financial expert ("Independent Financial Expert") to provide such services to AAG for use under Reality Investing, and has negotiated certain pricing arrangements for AAG clients; and

Whereas, the Independent Financial Expert has developed a methodology and proprietary software and technology used to provide participant level investment advice and discretionary managed account services; including personalized Internet-based guidance, investment advisory services and discretionary managed account services with respect to investment choices held within defined contribution plans; and

Whereas, the Plan Sponsor desires to make Reality Investing available to participants ("Participants") in the Plan in accordance with Appendix A, attached hereto and incorporated herein; and

Whereas, AAG will assist the Plan Sponsor in the establishment of Reality Investing and with the ongoing review and monitoring of the services provided by the Independent Financial Expert and will facilitate the Participants' access to the Reality Investing;

Now therefore, the parties hereto, in consideration of the mutual covenants and representations herein contained, do hereby agree as follows:

TERMS

Article 1 Selection

Plan Sponsor hereby agrees to retain AAG as investment adviser to the Plan to provide the services selected on Appendix A, as described in Article 2.

Article 2 Services

2.1 AAG will make available Reality Investing to Participants in accordance with Appendix A. Reality Investing includes one or more of the following:

Online Investment Guidance – AAG’s online investment guidance tool (the “Guidance Service” is geared toward Participants who wish to manage their own retirement accounts. Participants are provided access to on-line guidance tools.

Online Investment Advice – AAG’s online investment advice service (the “Advice Service” is geared toward Participants who wish to manage their own retirement accounts while taking advantage of on-line guidance and investment advice. Participants are provided on-line guidance and investment advice for a personalized recommended investment portfolio. The recommended investment portfolio is based on information drawn from the Participant’s defined contribution account profile and from the core investment options (“Core Investment Options”) available in the Plan. Core Investment Options are those investment options selected for use in the Plan by Plan Sponsor which provide investment choice under the following asset categories: Fixed Income/Cash, Bond, Large Cap, Small/Mid Cap, and International. Core Investment Options do not include any employer stock alternatives or self-directed brokerage option alternatives. The Participant then implements the recommended investment portfolio and manages his or her retirement account on-line.

Managed Account Service – AAG’s discretionary managed accounts (Managed Account”) is geared toward Participants who wish to have a qualified financial expert select among the Plan’s available Core Investment Options and manage their retirement accounts for them. The Participant receives a personalized investment portfolio that reflects the Plan Core Investment Options and the Participant’s retirement timeframe, life stages, risk tolerance and overall financial picture, including assets held outside the Plan (if the Participant elects to provide this information), which may be taken into consideration when determining the allocation of assets in the Participant’s Plan account (AAG does not provide advice for, recommend allocations of, or manage a Participant’s outside or non-Plan assets). Under Managed Account, AAG has discretionary authority over allocating among the available Core Investment Options, without prior Participant approval of each transaction.

Managed Account assets in the Plan’s Core Investment Options will be automatically monitored, rebalanced and reallocated every quarter by AAG based on data resulting from the methodologies and software employed by the Independent Financial Expert to respond to market performance and to ensure optimal account performance over time. Participants will receive an account update and forecast statement annually and can update personal information at any time by calling AAG at the Plan’s toll-free customer service number, or visiting the Plan’s web site.

Under Reality Investing, AAG does not provide advice for, recommend allocations of, or provide management services for individual stocks, self-directed brokerage accounts, guaranteed certificate [any funds with a liquidity restriction will not receive any advice allocation] funds, or employer-directed monies. A Participant's balance in employer-directed monies may be liquidated, subject to Plan and/or investment provider restrictions. Participants may be required to liquidate the above-referenced funds prior to or as a condition of enrolling in Managed Accounts, subject to Plan and/or investment provider restrictions.

AAG will on an ongoing basis review the methodology and services of the Independent Financial Expert and integrate the Plan's Core Investment Options into Reality Investing. AAG will provide the Plan Sponsor periodic written reports of Participant usage of Reality Investing

The Plan must select and at all times maintain Core Investment Options which cover the following broad asset categories in order to use Online Investment Advice and the Managed Account Service under Reality Investing: Fixed Income/Cash, Bond, Large Cap, Small/Mid Cap, and International. The asset classes and Core Investment Options must meet the requirements of the Independent Financial Expert which may be amended from time to time. Should the requirements of the Independent Financial Expert not be met, AAG and the Independent Financial Expert has the right to suspend Reality Investing until the requirements of the Independent Financial Expert are satisfied. The Independent Financial Expert is solely responsible for determining the adequacy of exposure to the aforementioned asset classes and for determining the core asset class exposures needed for the provision of Online Investment Advice and the Managed Accounts Service.

Reality Investing will not be available for participant use for seven (7) to ten (10) business days following changes to the investment option lineup. AAG and Ibbotson need to conduct a new analysis of the available investment option array to accommodate these changes. This analysis will take approximately 7 to 10 business days, during which time, the Online Investment Guidance, Advice, and Managed Account services will not be available for participant use. Once the analysis is complete, the Online Investment Guidance, Advice, and Managed Account services will once again be available.

2.2 Plan Sponsor hereby authorizes AAG to offer Reality Investing to Participants in accordance with Appendix A, using Participant information provided to AAG by Participants, the Plan Sponsor or its agents, and/or AAG's affiliates. Plan Sponsor acknowledges and agrees that Reality Investing will be provided by AAG based on the methodology and proprietary software provided by the Independent Financial Expert.

2.3 Plan Participants shall pay all AAG fees, in accordance with Appendix A, for the respective services utilized. Plan Sponsor authorizes Great-West to serve as collection agent for AAG and deduct fees from Plan Participant accounts that affirmatively enroll in Reality Investing, online or by paper enrollment, and become actual users, in accordance with Appendix A.

2.4 AAG has authorized GWFS Equities, Inc. ("GWFS") and its licensed agents and registered representatives who are GWRS employees (collectively referred to as "Solicitors") to solicit, refer and market AAG's Reality Investing advisory services to potential and current investment advisory clients. GWFS is a Broker/Dealer, registered

with the SEC and is an affiliate company of AAG. The licensed agents and registered representatives of GWFS are employees of Great-West Life & Annuity Insurance Company (“GWLA”). AAG and GWFS, are wholly-owned subsidiaries of GWLA.

Article 3 Representations and Warranties

3.1 Both Parties. Each party hereto represents, warrants and consents that (a) it is authorized to enter into and perform its obligations under this Agreement; (b) any actions by, or filings with, any governmental body required for the party to enter into and perform its obligations under this Agreement have been taken or made or will be taken or made when required; (c) entering into and performing its obligations under this Agreement does not violate any applicable law, rule or regulation or its organizational documents or any other binding instrument; (d) this Agreement has been duly executed and delivered; and (e) it will perform its obligations in compliance with all applicable laws, rules and regulations.

3.2. AAG

(a) AAG represents that it is registered as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”). AAG agrees to maintain the required federal or state investment advisory registrations that permit it to perform its obligations under this Agreement. AAG acknowledges and agrees that it may be deemed to be a fiduciary of the Plan(s) under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), if applicable, to the extent it provides investment advice or management to Participants under Reality Investing.

(b) AAG represents that the Independent Financial Expert is not affiliated with AAG or Great-West and that AAG has entered into an agreement with the Independent Financial Expert. AAG’s agreement with the Independent Financial Expert includes representations that the Independent Financial Expert: (a) is registered as an investment adviser under the Advisers Act, and (b) will maintain the required federal or state investment advisory registrations that permit it to perform its obligations under its agreement with AAG.

3.3 Plan Sponsor. Plan Sponsor represents that it is the Plan fiduciary with the authority to execute this Agreement on behalf of the Plan and its Participants and commit to the terms of this Agreement. Plan Sponsor, by itself and on behalf of the Plan, represents and acknowledges that it has received and read AAG’s Form ADV Part II (or equivalent), consistent with Rule 204-3 of the Advisers Act. Plan Sponsor acknowledges that the Core Investment Options offered through the Plan(s) were chosen by the Plan Sponsor and not by AAG, Great-West or the Independent Financial Expert.

Article 4
Term, Termination & Substitution of Independent Financial Expert

4.1 Term and Termination of this Agreement. This Agreement shall be effective as of the date stated above (the “Effective Date”) and continue in force for three years from the Effective Date (“Initial Term”). This Agreement shall renew automatically for successive one (1) year terms (“Renewal Term(s)”) unless one party provides the other party with written notice of its intent not to renew the Agreement no less than ninety (90) days prior to the end of the Initial Term or any subsequent Renewal Term. This Agreement may be terminated prior to the end of the Initial Term or any Renewal Term in the following circumstances:

- (a) Plan Sponsor may terminate this Agreement upon written notice to AAG if Plan Sponsor determines in good faith that the Agreement is not consistent with its fiduciary duties under ERISA, if applicable, or applicable state law;
- (b) If Plan Sponsor determines that AAG has materially failed to meet its service commitments to the Plan as set forth in this Agreement, and if AAG has failed to cure such deficiencies within sixty (60) days of its receipt of Plan Sponsor’s written notice of such deficiencies, then Plan Sponsor may terminate this Agreement upon written notice to AAG;
- (c) Either party may terminate this Agreement upon written notice in the event of default by the other party if the defaulting party has failed to cure such deficiencies within sixty (60) days after its receipt of the non-defaulting party’s written notice of deficiencies;
- (d) In the event that Plan Sponsor terminates its Service Agreement with Great-West, or the Service Agreement expires pursuant to its own terms, this Agreement shall automatically terminate, effective on the same date the Service Agreement between Plan Sponsor and Great-West terminates or expires; or
- (e) AAG may terminate this Agreement under the conditions set forth in Section 4.2;
- (f) Either may terminate this Agreement without cause upon ninety (90) days written notice to other party; or
- (g) The parties may mutually agree to terminate this Agreement at any time.

Upon termination of this Agreement for any reason, all Actual Users, as defined in Appendix A, will be immediately restricted from using Reality Investing.

4.2 Substitution of the Independent Financial Expert. During the term of this Agreement, AAG reserves the right to replace the Independent Financial Expert in its sole discretion. AAG will promptly notify the Plan Sponsor of any such change. In such event, a replacement Appendix A will be provided to Plan Sponsor, if, in AAG's sole discretion, a replacement Appendix A is deemed necessary. In the event AAG is unable to contract with a suitable replacement Independent Financial Expert, this Agreement shall automatically terminate upon written notice to the Plan Sponsor.

Article 5 Confidentiality

5.1 AAG and the Independent Financial Expert's Confidential Information. Plan Sponsor acknowledges that information regarding AAG, the Independent Financial Expert, and Reality Investing including, without limitation, the databases, hardware, software, programs, engine, protocols, models, displays and manuals, including, without limitation, the selection, coordination, and arrangement of the contents thereof are intellectual property and trade secrets, proprietary to AAG and/or the Independent Financial Expert, as applicable, and constitute "Confidential Information." Plan Sponsor acknowledges that all nonpublic information regarding the business and affairs of AAG and the Independent Financial Expert including, but not limited to, business plans, agreements with third parties, fees, services, customers, and finances, constitute Confidential Information.

5.2 Plan Sponsor's Confidential Information. All nonpublic information regarding the Plan, the business and affairs of the Plan Sponsor, all Plan Sponsor intellectual property and all personal information of Participants including, but not limited to, the names, addresses, social security numbers, financial information and compensation data of the Participants, learned by AAG or the Independent Financial Expert in the performance of this Agreement constitutes Confidential Information of the Plan Sponsor. Notwithstanding the foregoing, AAG may provide nonpublic information it learns about Participants to the Plan Sponsor and the plan provider for reporting purposes.

5.3 Non-Confidential Information. Anything in this Agreement to the contrary notwithstanding, the term "Confidential Information" does not include information regarding a party which (i) was, is or becomes generally available to the public other than as a result of a disclosure by the receiving party or any of its affiliates, agents or advisors, (ii) was or becomes available to a party or its affiliates from a source other than the disclosing party or its affiliates or advisors, provided that such source is not bound by a confidentiality agreement for the benefit of the disclosing party, (iii) was within a party's possession prior to being furnished by or on behalf of the other party provided that the sources of such information were not covered by a confidentiality agreement in favor of the party owning the confidential information, provided such confidentiality agreement was known to the receiving party at the time the information is obtained.

5.4 Treatment of Confidential Information. Confidential Information will be used by a party solely in connection with the performance of its obligations under this Agreement. Each party will receive the Confidential Information in confidence and not disclose it to any third party except as may be necessary to perform its obligations under this Agreement or as agreed to in writing by the other party. Each party further agrees to take or cause to be taken all reasonable precautions to maintain the secrecy and confidentiality of the Confidential Information. Neither party may disclose, and shall

make reasonable efforts to prevent the disclosure of, any part of the Confidential Information to another person. Confidential Information may be disclosed to a party's directors, officers, employees, consultants, representatives, and the Plan's recordkeeper (each a "Representative") who need to know in order to further the purposes and intent of this Agreement. Disclosure of Confidential Information may be made to such Representative only after the Representative has been informed of the confidential nature of such information and has agreed to be bound by the terms of this Agreement's confidentiality provisions.

Article 6 Miscellaneous

6.1 Notwithstanding anything else contained herein, this Agreement may be amended, supplemented or restated only with the written consent of both parties. The parties agree that they will amend, supplement or restate this Agreement as necessary to comply with changes to applicable law, as amended from time to time.

6.2 This Agreement and its Appendices constitute the entire agreement between the parties relating to the subject matter hereof.

6.3 This Agreement will be governed by, and interpreted according to, Wisconsin law without regard to its conflict of law principles, except to the extent it may be preempted by federal law.

6.4 Plan Sponsor acknowledges that neither AAG nor Great-West makes any representation concerning the tax treatment regarding an election by a Plan Sponsor to pay (or have the Plan or Participant pay) for Reality Investing.

6.5 AAG is not liable for any losses a Participant may incur if the value of his or her account should decrease related to the Participant's use of any component of Reality Investing and/or the Participant's investment decisions in following, or not following, any investment advice produced through Reality Investing except as provided in Section 6.7.

6.6 Neither party shall be liable for any delay or failure to perform its obligations (other than a failure to comply with payment obligations) hereunder if such delay or failure is caused by an unforeseeable event beyond the reasonable control of a party, including without limitation: act of God; fire; flood; earthquake; labor strike; sabotage; fiber cut; embargoes; power failure, e.g., rolling blackouts, electrical surges or current fluctuations; lightning; supplier's failures; act or omissions of telecommunications common carriers; material shortages or unavailability or other delay in delivery; lack of or delay in transportation; government codes, ordinances, laws, rules, regulations or restrictions; war or civil disorder, or act of terrorism.

6.7 Indemnity and Limitation of Liability.

(a) AAG agrees to indemnify the Plan, Plan Sponsor, and their employees, hold them harmless and defend them from any Liability (as defined below) including reasonable attorney's fees incurred by the Plan or Plan Sponsor, directly resulting from the following: (i) any breach of fiduciary duty by AAG; (ii) AAG's gross negligence or willful misconduct by AAG or the Independent Financial Expert, to the extent that such Liability is not caused by the Plan Sponsor's breach of this Agreement, or caused by or attributable to an

act or omission, negligence, or willful misconduct of the Plan Sponsor or a Participant user and subject to Sections 6.5 and 6.6 above. This clause will not be construed to bar any legal remedies AAG may have for the Plan, Plan Sponsor's or their employees' gross negligence, willful misconduct or failure to fulfill their obligations under this contract.

For purposes of this Section 6.7, "Liability" means liability, damages, losses and expenses, including reasonable attorneys' fees.

Neither party will be responsible to the other party for any Liability attributable to an act or omission of a Participant user, the other party, or a third party. NO PARTY WILL BE LIABLE FOR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, INDIRECT OR PUNITIVE DAMAGES, EVEN IN THE EVENT OF A FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY OR IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Each party's indemnity extends to the other party's fiduciaries, agents, directors, officers, trustees, custodians and employees. Either party's indemnity obligations will be reduced to the extent that its ability to manage the claim is materially harmed by any failure of the other to give prompt notice of the claim, complete information and reasonable assistance to defend or settle the claim. The indemnity does not cover any Liability for which the indemnified party actually receives reimbursement or indemnification from another person, including under a liability insurance policy. Any finding that any aspect of this indemnification provision is unenforceable by operation of law will not affect any other portion of this provision.

6.8 If any provision of this Agreement is invalid or unenforceable, the remainder of the Agreement will remain in effect.

6.9 Except as specifically provided herein, neither party may assign any of its rights or obligations under this Agreement without the written consent of the other party, which will not be unreasonably withheld or delayed. This Agreement will bind and inure to the benefit of the parties as well as their permitted successors and assigns.

6.10 The failure of a party to enforce any provision or obligation of this Agreement will not constitute a waiver of the provision or obligation or of any future obligation. A party's delay or failure in performance resulting from causes or conditions beyond its reasonable control will not constitute a breach or default.

6.11 Notices will be in writing and sent to the address specified in this Agreement or to any new address the party has supplied.

6.12 AAG currently maintains an Errors and Omission Liability Insurance policy in the amount of \$5,000,000 in the aggregate.

IN WITNESS WHEREOF, this Agreement has been executed by the parties as of the date stated above.

By: _____
Print Name: _____
Title: _____
Address: _____

Advised Assets Group, LLC

By: _____
Print Name: _____
Title: _____
Address: 8515 E. Orchard Road, 10T2
Greenwood Village, CO 80111
(Fax) 303-737-6544

APPENDIX A – REALITY INVESTING TERM SHEET

Plan Sponsor: Wisconsin Deferred Compensation Program

Plan(s): 98971-01

Target Rollout Date: 07/01/2008

Initial Term: Three years from the Effective Date.

A. Participant Fees.

Participant means an employee who is enrolled in and has established an account in the Plan. Participants that enroll in any of the below services become actual users (“Actual Users”).

Reality Investing includes access to the three services described below. Please check the box next to each service you would like AAG to make available to Participants.

- Online Investment Guidance -- An online tool that provides personalized asset allocation assistance without recommending any one specific fund. There is no fee for using Online Investment Guidance.
- Online Investment Advice – An online tool that provides personalized investment option specific recommendations based upon a participant’s financial situation. The fee for Online Investment Advice is \$25.00 per year, or \$6.25 per quarter. This fee can be paid for by the Plan Sponsor or the Plan Participant. If it is paid for by the Participant, the fee will be debited from the accounts of those Actual User accounts within the last five (5) to seven (7) business days of each quarter; however, if the Actual User cancels his or her enrollment in Online Investment Advice, the fee will still be debited from the Actual User’s account within the last five (5) to seven (7) days prior to the end of the quarter that the cancellation was processed. As well, if the Plan terminates its Service Agreement with GWRS, the fee will be debited upon such termination. Enrollment in the Online Investment Advice at any time during a quarter will result in the Actual User account being debited, or the Plan Sponsor incurring the charge for the quarterly fee.

Plan Sponsor agrees the Online Investment Advice fee will be paid for by a Plan Participant, as described above, unless the following box is checked.

- Plan Sponsor Pay
- Managed Account Service – The tiered pricing described in the table below applies to Managed Account Service. Actual Users will be charged a quarterly fee based on their account balance that AAG manages on the day the fee is debited. The fee will generally be debited from the Actual User’s account within the last five (5) to seven (7) business days of each quarter. If the Actual User cancels participation in the Managed Account Service, the fee will be based on the Actual User’s account balance on the date of cancellation and will be debited from the Actual User’s account within five (5) to seven (7) business days prior to the end of that quarter. As well, if the Plan terminates its Service Agreement with GWRS, the fee will be debited upon such termination. The fee for an Actual User is depicted below.

<i>Participant Account Balance</i>	<i>Managed Account Annual Fee</i>
First \$100,000 of account balance	0.60 %
Next \$150,000, up to \$250,000 account balance	0.50 %
Next \$150,000, up to \$400,000 account balance	0.40 %
Amounts greater than \$400,000	0.30 %

For example, if an Actual User's account balance subject to Managed Account Service is \$50,000, the fee is 0.60% of the account balance. If the account balance subject to Managed Account Service is \$500,000, the first \$100,000 will be subject to a fee of 0.60%, the next \$150,000 will be subject to a fee of 0.50%, the next \$150,000 will be subject to a fee of 0.40%, and amounts over \$400,000 will be subject to a fee of 0.30%.

Plan Sponsor agrees the Managed Account Service fee will be paid for by a Plan Participant, as described above, unless the following box is checked.

Plan Sponsor Pay

AAG reserves the right to offer certain plan discounted fees or other promotional pricing.

Actual Users must allocate all of their account balance to the Managed Account Service. Partial management of the account whereby Actual Users can invest in other Core Investment Options while also participating in the Managed Account Service is not an option. Once enrolled in the Managed Account Service, Actual Users will no longer be able to make allocation changes to their accounts online, via paper, or through the Plan's existing toll-free customer service number. In addition, Actual Users will not be able to make fund-to-fund transfers, change fund allocations, or utilization of dollar cost averaging and/or rebalancer. Actual Users may still request and be approved for loans, take a distribution, and retain full inquiry access to their account. All of the aforementioned functionality will be restored to the Actual User's account no later than the next business day markets are open after they cancel their participation in the Managed Account Service.

Actual Users may cancel their participation in Managed Account Service at any time by completing the cancellation form available online through the Plan web site or by calling AAG at the Plan's existing toll-free customer service number.

B. Set-Up Fee: Included. Set-up services include analyzing features of system parameters of the Plan and the underlying investments, assigning unique portfolio accounts for Actual Users and testing systems environments. If additional set-up services are required, any fees will be separately negotiated.

C. Communication and Ongoing Maintenance Fee: Included. The communication and ongoing maintenance fee includes monitoring the use of Reality Investing, and integrating Reality Investing communications into the Plan's overall communications campaign, including enrollment materials, forms, web site, and group meetings.

At least one mailing to a broad range of Participants regarding Managed Account Service may be included in the standard services package for which there is no

additional fee. Standard materials may include a discussion of Reality Investing in enrollment/education materials, on the web site, and/or in personalized Participant materials if the Plan is providing a full payroll data interchange file. Additional or custom Participant communications materials will be used by AAG and may be paid for by AAG, Great-West or the Plan Sponsor, as negotiated on a case-by-case basis. Such additional or custom communications may include targeted marketing techniques based upon participant demographical and/or account data (including but not limited to age, income, deferral rates, current investment elections) to identify participants who may benefit from participation in the Managed Account Service. The participants identified will be targeted for additional solicitations or other marketing efforts designed to educate them regarding the features of the Managed Account Service.

The dedicated representative(s) of the Plan, Plan Sponsor, Great-West and AAG, as applicable, will facilitate communications regarding Reality Investing.

Reporting: On a quarterly basis, AAG shall provide Plan Sponsor with a report on the number of Actual Users enrolled in Reality Investing.

Addition of New Plans: Tax-deferred plans not listed at the top of this Appendix A that are added to Plan Sponsor's program after the Effective Date will not be included in this Agreement, and will be subject to additional fees.

FORM ADV

Uniform Application for Investment Adviser Registration

Part II - Page 1

OMB APPROVAL	
OMB Number:	3235-0049
Expires:	July 31, 2008
Estimated average burden hours per response.	9.402

Name of Investment Adviser: Advised Assets Group, LLC					
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone number:
8515 E. Orchard Rd. 10T2	Greenwood Village	CO	80111	(303) 737-5724	

This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any governmental authority.

Table of Contents

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	Continuation Sheet	Schedule F
	Balance Sheet, if required	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1. A. Advisory Services and Fees. (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

- Applicant:**
- (1) Provides investment supervisory services **70%**
 - (2) Manages investment advisory accounts not involving investment supervisory services %
 - (3) Furnishes investment advice through consultations not included in either service described above.....**2%**
 - (4) Issues periodicals about securities by subscription %
 - (5) Issues special reports about securities not included in any service described above %
 - (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities**25%**
 - (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities.... %
 - (8) Provides a timing service %
 - (9) Furnishes advice about securities in any manner not described above**3%**

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- (1) A percentage of assets under management (4) Subscription fees
- (2) Hourly charges (5) Commissions
- (3) Fixed fees (not including subscription fees) (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients - Applicant generally provides investment advice to: (check those that apply)

- A. Individuals E. Trusts, estates, or charitable organizations
- B. Banks or thrift institutions F. Corporations or business entities other than those listed above
- C. Investment companies G. Other (describe on Schedule F)
- D. Pension and profit sharing plans

Answer all items. Complete amended pages in full circle amended items and file with execution page (page 1).

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | |
|--|---|
| <p>A. Equity securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input type="checkbox"/> (2) securities traded over-the-counter</p> <p><input type="checkbox"/> (3) foreign issuers</p> <p><input type="checkbox"/> B. Warrants</p> <p><input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper)</p> <p><input checked="" type="checkbox"/> D. Commercial paper</p> <p><input checked="" type="checkbox"/> E. Certificates of deposit</p> <p><input type="checkbox"/> F. Municipal securities</p> <p>G. Investment company securities:</p> <p><input type="checkbox"/> (1) variable life insurance</p> <p><input checked="" type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Futures contracts on:</p> <p><input type="checkbox"/> (1) tangibles</p> <p><input type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input type="checkbox"/> (1) real estate</p> <p><input type="checkbox"/> (2) oil and gas interests</p> <p><input type="checkbox"/> (3) other (explain on Schedule F)</p> <p><input type="checkbox"/> L. Other (explain on Schedule F)</p> |
|--|---|

4. Methods of Analysis Sources of Information and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|---|
| <p>(1) <input type="checkbox"/> Charting</p> <p>(2) <input checked="" type="checkbox"/> Fundamental</p> <p>(3) <input type="checkbox"/> Technical</p> | <p>(4) <input type="checkbox"/> Cyclical</p> <p>(5) <input checked="" type="checkbox"/> Other (explain on Schedule F)</p> |
|---|---|

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|--|---|
| <p>(1) <input checked="" type="checkbox"/> Financial newspapers and magazines</p> <p>(2) <input type="checkbox"/> Inspections of corporate activities</p> <p>(3) <input checked="" type="checkbox"/> Research materials prepared by others</p> <p>(4) <input type="checkbox"/> Corporate rating services</p> | <p>(5) <input type="checkbox"/> Timing services</p> <p>(6) <input type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission</p> <p>(7) <input type="checkbox"/> Company press releases</p> <p>(8) <input checked="" type="checkbox"/> Other (explain on Schedule F)</p> |
|--|---|

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|--|---|
| <p>(1) <input checked="" type="checkbox"/> Long term purchases
(securities held at least a year)</p> <p>(2) <input type="checkbox"/> Short term purchases
(securities sold within a year)</p> <p>(3) <input type="checkbox"/> Trading (securities sold within 30 days)</p> <p>(4) <input type="checkbox"/> Short sales</p> | <p>(5) <input type="checkbox"/> Margin transactions</p> <p>(6) <input type="checkbox"/> Option writing including covered options
uncovered options or spreading strategies</p> <p>(7) <input checked="" type="checkbox"/> Other (explain on Schedule F)</p> |
|--|---|

Answer all items. Complete amended pages in full circle amended items and file with execution page (page 1).

5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes No
(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
 - (1) broker-dealer
 - (2) investment company
 - (3) other investment adviser
 - (4) financial planning firm
 - (5) commodity pool operator, commodity trading adviser or futures commission merchant
 - (6) banking or thrift institution
 - (7) accounting firm
 - (8) law firm
 - (9) insurance company or agency-
 - (10) pension consultant
 - (11) real estate broker or dealer
 - (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and w

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes No

(If yes, describe on Schedule F)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Schedule F of Form ADV, Part II.

B. Describe below the nature and frequency of regular reports to clients on their accounts

See Schedule F of Form ADV, Part II

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

12 Investment or Brokerage Discretion.

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- | | | |
|---|---|--|
| (1) securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold?..... | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

- B. Does applicant or a related person suggest brokers to clients?..... Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|---|--|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance..... Yes No

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: Advised Assets Group, LLC	SEC File Number: 801-58105	Date: 6/01/2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item IA of Part I of Form ADV: Advised Assets Group, LLC		IRS Empl. Ident. No.: 84-1532243
Item of Form (identify)	Answer	
Item 1D	<p>INVESTMENT ADVISORY SERVICES AND FEES</p> <p>I. <u>Participant Level Advisory - Related Services</u></p> <p>Advised Assets Group, LLC (“AAG”), a registered investment adviser, provides a full suite of investment advisory services; comprised of sophisticated retirement planning suite of services, offered directly through its Reality InvestingSM product and indirectly through a private label arrangement with the institutional partners: online investment guidance, online investment advice and discretionary managed accounts. Reality Investing is offered to participants of 401(k) and other retirement plans through proprietary software and methodologies developed and employed by Ibbotson Associates (“Ibbotson”), a registered investment adviser. ¹</p> <p>1. Guidance</p> <p>A. Description of Services.</p> <p>AAG’s online investment guidance tool (the “Guidance Service”), developed by Ibbotson, provides participants with access to sophisticated but easy-to-use online account planning and advisory tools that assist the participant with asset class selection and account management. Educational materials and analytical tools include individual retirement goal forecasting as defined below. The Guidance service, education and other investment-related services do not constitute investment advice under the Investment Advisers Act of 1940, as amended.</p> <p>B. Fees.</p> <p>Participants may be assessed a fee for the Guidance Service depending on their plan sponsor. Plan sponsors may pay this fee on behalf of participants who actually use this service.</p> <p>2. Advice</p> <p>A. Description of Services.</p> <p>AAG’s online investment advice service (the “Advice Service”) offers retirement planning advice through an internet-based software program, created by, and proprietary to, Ibbotson.¹ The Advice Service is comprised of retirement goal forecasting and advice on allocating investments.</p> <p>(a) Retirement Goal Forecasting. Using information provided by participants, the plan, AAG and its affiliates, the Advice Service gauges a participant’s retirement goals and develops an estimate of the chances that the participant will reach his or her retirement goals. The Advice Service provides these forecasts through the use of assumptions and hypothetical financial and economic scenarios based upon analysis of historic returns, volatility, cross-correlations, calculated</p>	

risk premiums, and other factors. It analyzes a broad range of possible future scenarios to estimate the final result of a participant's investments under a variety of circumstances, including interest rate fluctuations, inflation and market conditions. These estimates attempt to produce a forecast reflecting the percentage of scenarios in which the participant's annual retirement income would meet or exceed the participant's goal. The participant can then interact with the Advice Service to see how changes in the participant's decisions about their savings, expected age, level of investment risk, and retirement income goal may affect the system's forecast.

The forecasts offered through the Advice Service are not guarantees of future results but are only reasonable estimates based upon the interaction of numerous factors, including the information supplied, various assumptions, and estimates and other considerations. The Advice Service relies on historical performance and other data — all of which have limitations. As a result, the forecast developed and advice and recommendations provided are not guarantees that participants will achieve their retirement goals. Participants are advised that they should use the Advice Service only as a tool in their retirement planning and not as a substitute for their own informed judgment.

(b) Advice on Allocating Investments. Once the Advice Service has estimated a participant's chances of achieving their desired retirement income, it analyzes the participant's retirement plan savings rate, investment option selections, savings rate outside the plan and the participant's chosen retirement age and recommends changes to any or all of these factors to increase the participant's chances of achieving their retirement income goal. Investment options upon which the Advice Service makes its recommendations are limited by the type of investment opportunities available in a specific participant's retirement plan core investment option menu. Neither AAG nor Ibbotson select the investment options that are available to participants in their plans.

Participant Obligations. Participants are responsible for implementing their investment decisions either manually or online through the Advice Service. Participants are also responsible for reviewing their retirement accounts periodically to monitor changes in the market and the value of their investments. Neither AAG nor Ibbotson have an obligation to update any information for a specific participant or to proactively contact the participant. Participants are advised that their failure to review and update their account through the Advice Service, as needed, will materially affect the value of the service provided.

Limitations on the Advice Service. The advice and recommendations provided through the Advice Service are estimates only and are based on the responses provided by the participant and other information provided by, or about, the participant. Some of the information provided in conjunction with the Advice Service is provided by independent third parties. Neither AAG nor Ibbotson make any guarantees or warranties, express or implied, as to the accuracy, timeliness, or completeness of such information. The Advice Service is subject to the general market and financial conditions existing at the time of such usage. The participant is solely responsible for the completeness, accuracy and timeliness of their inputs and for reviewing and updating their inputs with the Advice Service.

The Advice Service does not recommend investing in any individual stocks, including any stock of a participant's employer that may be an investment option under their retirement plan. Neither AAG nor Ibbotson selects the investment options that are available to participants in their plan, and participants are informed when accessing the Advice Service that the advice should not be considered an approval or endorsement of the available options.

Participant Communications. The use and storage of any information including, without limitation, a participant's account number, password, identification, portfolio information, account balances and any other information available on a participant's personal computer is provided at the participant's sole risk and responsibility. The participant is responsible for providing and maintaining the communications and equipment (including personal computers and modems) and telephone or options services required for accessing and utilizing electronic or automated services, and for all communications service fees and charges incurred by the participant in accessing these services.

Agreements. Plans and plan sponsors make the Advice Service available to participants. Participants must agree to the terms of an online user agreement in order to use the Service. The agreements impose a number of restrictions on the scope of services provided and also limit AAG's liabilities in providing the services. Any plan or participant that does not comply with the terms of the agreements holds AAG harmless for any loss resulting from their non-compliance. AAG and Ibbotson, as applicable, reserve all rights under copyright, patent, trademark, and other intellectual property laws. AAG disclaims all warranties with respect to the Advice Service and plans and plan sponsors agree that AAG shall not bear any responsibility for either errors or failures caused by the malfunction of any computer systems or any computer viruses or related problems that may be associated with the use of the Advice Service.

B. Fees.

Participants that actually use the Advice Service are charged a flat fee per quarter. The fee is debited from participants' accounts within the last five (5) to seven (7) business days of each quarter. Plan sponsors may pay this fee on behalf of the participants who actually use this service. If the participant's employer or plan terminates its service agreement with the plan's recordkeeping service provider, the fee will be debited upon such termination. Use of the Advice Service at any time during a quarter will result in the participant's account being debited the quarterly fee or the plan sponsor incurring a fee on behalf of the participant.

Termination. Participants may cancel participation in the Advice Service at any time online or by calling AAG at their plan's toll-free customer service number.

3. Managed Accounts

A. Description of Services.

AAG offers discretionary managed accounts ("Managed Account(s)", a professional and flexible asset management program created by, and proprietary to, Ibbotson. AAG, based on data resulting from the methodologies and software developed and employed by Ibbotson, selects among the available core investment options (for example, mutual funds in the fixed income/cash, bond, large cap, small/mid cap, and international asset classes) selected by the plan and manages participant retirement accounts for them. Core investment options do not include employer stock or self-directed brokerage options. Participants receive a specific investment portfolio that reflects the plan's core investment options and the participant's retirement timeframe, life stages, risk tolerance and overall financial picture, including assets held outside the plan (if the participant provides such information), which may be taken into consideration when determining the allocation of assets in the participant's account. Management is not provided for such non-plan assets. Under Managed Accounts, AAG has discretionary authority over allocating among

the available core investment options, without prior participant approval of each transaction. Neither AAG nor Ibbotson is responsible for either the selection or maintenance of the core investment options available within plans.

Participant account assets in the core investment options are automatically monitored, rebalanced and reallocated every quarter by AAG based on data resulting from the methodologies and software employed by Ibbotson to respond to market performance and the personal financial circumstances of the participant over time. Participants receive an account update and forecast statement annually and can update their personal information at any time by calling AAG at their plan's toll-free customer service number or by visiting the Plan's website.

Limitations. Individual stocks, self-directed brokerage accounts, guaranteed certificate funds, or employer-directed monies are not eligible for management under Managed Accounts. Participant balances in any of these investment options or vehicles must be liquidated, subject to plan and/or investment provider restrictions, or they cannot be enrolled in the Managed Account service. Participants must allocate all of their account balance to Managed Accounts. Partial management of the account whereby participants invest in other core investment options while also participating in Managed Accounts is not an option. Once enrolled, participants are no longer able to make allocation changes to their accounts online, via paper, or through their plan's toll-free customer service number. This includes functionality for fund-to-fund transfers, change fund allocations, the dollar cost averaging tool, and/or the rebalancer tool. Participants may still request and be approved for loans, take a distribution, and retain full inquiry access to their account. As with any investment methodology, the past performance and historical returns used to select particular investments may not be indicative of future performance. There is no guarantee that any investment portfolio will achieve its investment objective.

Termination. Participants may cancel their participation in the Managed Account service at any time by completing the cancellation form available online or by calling AAG at their plan's toll-free customer service number. However, the allocation of their investment options will not change unless the participant makes an allocation change after cancellation to their account online or by contacting AAG at their plan's toll-free customer service number. All of the aforementioned functionality is restored to the participant's account within the next business day markets are open after they cancel their participation in Managed Accounts.

Ibbotson Methodology. Ibbotson first builds stable, consistent asset allocation models at various risk levels. Based on Monte Carlo simulations of the participant's resources, liabilities, and human capital, an appropriate asset level portfolio is selected and a savings rate and a retirement age are determined that best suits each participant's situation. The asset class level model portfolios are revisited annually. Investment options from the plan's menu are then selected to implement each asset-level model portfolio. These investment options are monitored and rebalanced quarterly.

Agreements. Plans and Plan Sponsors make Managed Accounts available to participants. Participants may agree to the terms of an online "click wrap" user agreement to enroll in the service. The agreements impose a number of restrictions on the scope of services provided and also limit AAG's liabilities in providing the services. Any plan or participant that does not comply with the terms of the agreements holds AAG harmless for any loss resulting from their non-compliance. In certain instances, Plan Sponsors may authorize AAG to enroll participants automatically in Managed Account. In such instances, participants will be given a defined period of time in which to "opt-out" of the Managed Account service without incurring a fee.

B. Fees.

Participants are charged a quarterly fee for Managed Accounts based on the plan and the participant's account balance that AAG manages on the day the fee is debited. The quarterly fee for Managed Accounts is fully disclosed to participants prior to, or at the time of enrollment in the enrollment disclosure materials provided to participants. In addition, the fee is disclosed to participants in the online user agreement at the time the participant enrolls in Managed Accounts. The fee for Managed Accounts varies and is negotiated between AAG and the plan sponsor. The maximum fee that may be charged to participants is .90%. AAG reserves the right to offer discounted fees or other promotional pricing.

The fee is generally debited from the participant's account within the last five (5) to seven (7) business days of each quarter; however, if a participant cancels participation in Managed Account, the fee will be based on the participant's account balance on the date of cancellation, but will not be debited from the participant's account until the last five (5) to seven (7) business days of the quarter. If the participant's employer or plan terminates its service agreement with the plan's recordkeeping service provider, the fee will be debited upon such termination.

Certain investment options may charge a redemption fee. Redemption fees vary in amount and application from investment option to investment option. It is possible that transactions initiated by AAG under Managed Accounts may result in the imposition of a redemption fee on one or more investment options available in a plan. Any redemption fees will be deducted from participant account balances.

Limitations to Investment Management Services.

AAG's Reality Investing is not available to clients on the Balance Forward technology platform.

II. Plan-Level Advisory – Related Services

A. Description of Services – Nondiscretionary Services

AAG provides a range of non-discretionary Plan level consulting services to both defined contribution and defined benefit plans, as outlined below.

Services provided are dependent upon the stated requirements of the plan sponsor ("the client"). Both the size of the client and the services contracted for between the client and AAG's parent and/or affiliate company(ies) are a consideration in developing servicing guidelines.

1. Services include:

- a. General consultation to Boards, Committees and/or other oversight groups concerned with the Plan in regard to investment analysis and monitoring. AAG, will from time to time, provide commentary in relation to the broad economy, the financial markets and the specific investment options contained in the Plan.
- b. Guidance in the development of appropriate investment guidelines, including objectives, timelines and investment options and specifically, the plan's Investment Policy Statement ("IPS").
- c. Development and monitoring of model portfolios that will effectively address the requirements of the Plan.
- d. In-depth evaluation of funds and/or other investment options contained in the Plan; standard analysis will include historical performance and a statistical

analysis of current portfolio composition. The statistical guidelines have been formalized into a document known as the Fund Performance Review (“FPR”). AAG will employ both industry best practices and sophisticated software modeling in its process. Standard software tools include MorningStar and Zephyr StyleADVISOR.

- e. Portfolio/Fund Manager screening and evaluation designed to assist in searches to expand or replace Plan investment offerings.

2. Fees.

Flat fees are negotiated in accordance with the services to be provided. With certain non-ERISA plans, fees may be negotiated and collected directly by AAG. More generally, fees will be negotiated and collected by AAG’s parent company. Also, one or more AAG’ affiliates may receive revenue from the fund families for providing certain recordkeeping, distribution and/or administrative services.

Limitations. The provision of the services outlined above is, at all times, conducted solely in the capacity of consultant; the Plan Fiduciary is ultimately responsible for any and all decisions surrounding the selection and oversight of all investment offerings. Risks associated with the investment options can vary significantly with each particular investment category and the relative risks of categories may change under certain economic conditions. Past performance and historical returns used to select particular investment is no guarantee of future performance. Current performance may be lower or higher due to market volatility.

B. Description of Services-Discretionary Services

Plan Asset Allocation Services.

AAG offers certain investment management services to pension and defined contribution plans, tax-exempt endowments and foundations that utilize investment vehicles supported by AAG’s proprietary methodology. With respect to the investment management services AAG may be given complete discretionary authority to supervise and direct the investment and reinvestment of assets in clients’ accounts.

AAG may provide these services pursuant to an agreement directly with the plan or may provide such services on behalf of the plan, pursuant to an agreement between AAG and Orchard Trust Company, an affiliate of AAG.

AAG will assign a portfolio manager to each client account. This portfolio manager will be responsible for executing the plan’s investment objectives pursuant to the plan’s IPS. Plan Sponsors will be provided with a proprietary FPR package each quarter. Portfolio managers will conduct an annual review with each Client of the plan’s IPS, model portfolios, investment manager and/or investment selections and the activity within the account over the past year. Portfolio managers will also be available for client consultations on an as-needed basis

Specific investment model portfolios will be created for the plan based on software developed by an Independent Financial Expert and investment options specific to that plan’s profile will be selected to fill the asset class selection/weightings provided by the model.

AAG follows a strict process methodology that:

- 1) Establishes investment objectives and guidelines with the Plan Sponsor through a formalized IPS process;
- 2) Develops and assigns an appropriate model portfolio for each IPS;
- 3) Selects specific investment options to complete the model portfolios;
- 4) Provides proprietary performance analysis and detailed reporting; and

5) Monitors and adjusts the model portfolios, on a defined periodic basis.

Limitations to Investment Management Services.

AAG provides investment management services only for plans that utilize investment vehicles supported by its proprietary methodology. In addition, Plan assets outside of AAG's defined investment vehicles, while not advised upon, may be held in trust on behalf of the plan by AAG's affiliate, Orchard Trust Company.

Fees/Fee Schedule.

Plan sponsors are charged a quarterly fee for plan asset allocation services and participant investment services. The fees for these services vary and are negotiated between AAG and the plan sponsor. The maximum fee that may be charged to a plan sponsor is 0.25% of plan assets. AAG reserves the right to offer discounted fees or other promotional pricing.

III. Risk-Based Asset Allocation Portfolios

For participants that self-direct their assets, a continuum of risk-based asset allocation portfolios may be offered. The selection of a specific portfolio provides a participant with a portfolio tailored to a risk profile. Each risk profile is constructed by selecting from investment options within the Plan in concentrations established by utilizing software developed by an Independent Financial Expert.

Other Fees

Fees for separate investment education services are negotiable depending on the extent of the educational program.

Plans, plan sponsors, or employers may incur one-time or regular licensing, integration or ongoing maintenance fees relating to the development and maintenance of the software necessary to implement and operate the services for participants.

Fees for additional technical or maintenance services, including without limitation telephone, fax, or e-mail support, are separately charged and are based upon the nature of the services.

Methods of Analysis

For the Guidance Service, AAG provides online account planning and advisory tools that are developed by Ibbotson. The Guidance tools assist the participant in making determinations with respect to asset class selection and account management. Education materials and analytical tools include individual investment analyses and information on retirement planning and investing.

For the Advice Service, AAG uses the proprietary software of Ibbotson that analyzes historic returns, volatility, cross-correlations, calculated risk premiums, and other factors to develop individualized recommendations as to the allocation of assets within individual retirement plans. The software allows Ibbotson to analyze a broad range of numerous possible future scenarios to estimate how a participant's investments might turn out under a variety of circumstances, including fluctuations in interest rates, inflation and market conditions. These estimates attempt to produce a forecast reflecting the percentage of these scenarios in which the participant's annual retirement income would meet or exceed their goal.

Once the software has estimated a participant's chances of achieving their desired retirement income, it analyzes the participant's retirement plan savings rate,

Item 4A(5)

	<p>investment selections, savings rate outside the retirement plan and the participant's chosen retirement age and recommends changes to any or all of these factors to increase the participant's chances of achieving their desired retirement income.</p> <p>Although the Advice Service may recommend buying and selling assets based on changes in market conditions, individual preferences, and other criteria, it is generally anticipated that the dominant mode of advice will recommend holding long-term positions.</p> <p>For Managed Accounts, AAG uses the proprietary software and methodologies of Ibbotson, as described above. Ibbotson first builds stable, consistent asset allocation models at various risk levels. Based on Monte Carlo simulations of the participant's resources, liabilities, and human capital, an appropriate asset level portfolio is selected and a savings rate and a retirement age are determined that best suits each participant's situation. The asset class level model portfolios are revisited annually. Investment options from the plan's menu are then selected, pursuant to the above-described analysis with respect to the Managed Account Service, to implement each asset-level model portfolio. These investment options are monitored and rebalanced quarterly.</p>
Item 4B(8)	<p><u>Sources of Information</u></p> <p>In preparing FPRs for plans, AAG utilizes Morningstar DataLab pursuant to a licensing agreement with Morningstar.</p> <p>The main sources of information used by Ibbotson with its proprietary software include historic prices for mutual funds and broad asset categories (e.g., large-capitalization U.S. equity returns, money market returns, foreign equity returns, etc.), as well as current market data and information that can be derived there from (e.g., the yield curve). Participant information provided by the participant, the plan or plan sponsor, and AAG and its affiliates are also used by Ibbotson with the software in connection with the Advice Service and Managed Accounts.</p>
Item 4C(7)	<p><u>Investment Strategies</u></p> <p>See description of Ibbotson's methodology under Item 1D above.</p>
Item 5	<p><u>Education and Business Standards</u></p> <p>AAG generally requires that those involved in determining or giving investment advice have at least a college education, a minimum of (4) years of investment experience, and a Series 65 license, or an equivalent or other applicable professional designation.</p>
Item 6	<p><u>Education and Business Background</u></p> <p>Name: David G. McLeod Managing Director, Advised Assets Group, LLC</p> <p>DOB: 9/1/62</p> <p>Education: Bachelor of Commerce, University of Manitoba, Winnipeg, Manitoba, Canada Certified Management Accountant, NASD Series 27 license</p> <p>Background: Great-West Life & Annuity Insurance Company (Since 1990)</p> <p>Name: Al Cunningham Director, Advised Assets Group, LLC</p> <p>DOB: 3/10/53</p> <p>Education: Bachelor of Commerce, Concordia University, Montreal, Quebec, Canada</p>

<p>Item 9B</p>	<p><u>Participation or Interest in Client Transactions</u></p> <p>GWFS may provide wholesaling, direct sales, enrollment and/or communication services to retirement plans and their participants for which AAG may also provide its services. For this service, GWFS may receive fees either from the plan or from the investment provider. Participants may allocate assets pursuant to the Advice Service that result in GWFS receiving compensation from plan investment options. AAG may allocate participant assets pursuant to Managed Accounts that result in GWFS receiving compensation from plan investment options. Any such allocations are based on Ibbotson's proprietary software, not determinations made by AAG. Because Ibbotson is unaffiliated with AAG and GWFS, AAG does not believe there is a conflict of interest. However, in all instances, AAG's affiliation with GWFS is disclosed.</p>
<p>Item 9D</p>	<p>Investment options into which participant assets may be allocated, pursuant to the Advice Service or Managed Accounts, may be through a fixed and variable deferred annuity issued by Great-West or FGWLA. Because Ibbotson is unaffiliated with AAG, Great-West, FGWLA and their affiliates, AAG does not believe there is a conflict of interest. However, in all instances, AAG's affiliation with Great-West and/or Great-West's affiliates, as applicable, will be disclosed.</p>
<p>Item 9E</p>	<p>The parent company of AAG, Great-West and an affiliate company, Orchard Capital Management, LLC may buy or sell securities for itself that it also recommends to clients. In the case of publicly traded security, no conflict exists. For private issues, allotments are negotiated by Great-West, Orchard Capital Management and the client.</p> <p><i>Code of Ethics.</i></p> <p>In addition, AAG has adopted a written Code of Ethics in compliance with Rule 204A-1 of the Investment Advisers Act of 1940 ("Advisers Act"). The Code sets forth standards of business conduct expected of advisory personnel and requires AAG's access personnel, among other things, to report their personal securities holdings and transactions in accordance with federal securities laws, rules and regulations. A copy of the Code will be provided upon a client's or prospective client's request.</p>
<p>Item 10</p>	<p><u>Conditions For Managing Accounts</u></p> <p>AAG does not impose a minimum dollar value of assets for starting or maintaining a managed account. AAG does not provide investment advice for, or manage, individual stocks, self-directed brokerage accounts, guaranteed certificate funds, or employer-directed monies within the Managed Account program. Participants with allocations to Managed Accounts must allocate all of their account balance to Managed Accounts (participants may not participate in Managed Accounts and manage of portion of their account on their own). Once enrolled in Managed Accounts, participants are not able to make allocation changes to their accounts online, via paper, or AAG Adviser Representatives through their plan's toll-free customer service number. In addition, participants are not able to make allocation changes to their account while enrolled in Managed Accounts. This includes fund-to-fund transfers, change fund allocations, the dollar cost averaging tool, and/or the rebalancer tool, among others.</p> <p>Investment Management Services</p> <p>AAG does not impose a minimum dollar amount of assets for initiating or maintaining investment management services to plan clients, but investment management services will only be provided for plan clients who utilize proprietary investment vehicles supported by proprietary methodology.</p>

Item 11

Review of Accounts

A. Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels, and triggering factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Under the Managed Account service, participant assets in the plan's core investment options are automatically monitored, rebalanced and reallocated every quarter by AAG, based on data resulting from the methodologies and software developed and employed by Ibbotson, to respond to market performance and the personal financial circumstances of the participant over time.¹ Plan investment options are updated quarterly. Participants may update personal information at any time online, by completing a form, or by calling AAG at their plan's toll-free customer service number.

The Guidance and the Advice Services provided by AAG to participants are developed by Ibbotson.

The methodologies used by Ibbotson to power the Guidance, the Advice, and Managed Account services will be reviewed by AAG annually to ensure that they are consistent with investment advisory best practices, current technology, applicable law, and the terms of the agreement between AAG and Ibbotson.

For discretionary Investment Management Services at a plan level, model portfolios will be reviewed and updated at least annually. Participant balances in risk based asset allocation portfolios will be rebalanced quarterly.

B. Describe below the nature and frequency of regular reports to clients on their accounts.

Under the Managed Account service, participants receive an account update and forecast statement annually.

Under the Advice Service, participants may review their accounts and generate their own reports at any time. Participants may update their personal information or make changes to investment options online or via their plan's toll-free customer service number at any time should a significant change occur in their personal circumstances.

AAG communicates regularly with plans and/or plan sponsors to report participant utilization of the services and to provide Fund Performance Reviews, if applicable. The nature and frequency of AAG's communications with plan sponsors depends on the terms of the agreement between AAG and the plan or plan sponsor. AAG also communicates with plan sponsors upon their request.

Item 12

Investment or Brokerage Discretion

GWFS, an affiliate of AAG is a limited broker/dealer. GWFS may provide enrollment and communication services to retirement plans for which AAG may also provide its services. Most clients for whom AAG provides services leaves the selection of broker-dealers to effect trading or processing of transactions to the discretion of AAG. All mutual fund trading that occurs as a result of AAG's services is through GWFS.

Under Managed Accounts, the investment options to be bought or sold are determined by Ibbotson's proprietary software and methodology. However, each plan sponsor or

<p>Item 13B</p>	<p>plan will select the universe of investment options available within each plan. Neither AAG nor Ibbotson is responsible for either the selection or maintenance of the investment options available within plans.</p> <p>Under Managed Accounts, the amount of investment options to be bought or sold is determined by Ibbotson's proprietary software and methodology. The asset allocation components of Ibbotson's software and methodology limit the amount of investment options that can be bought or sold.</p> <p>For accounts in which AAG has full discretionary authority, AAG will have complete discretion and authority to make all investment decisions with respect to the types and amounts of securities to be bought or sold, what broker will be used to effect the transaction and the commission rates to be paid. Any limitations on the discretionary authority shall be defined in the written authority provided to AAG.</p> <p><u>Additional Compensation</u></p> <p>Compensation For Client Referrals/Reality Investing</p> <p>AAG may pay cash compensation or referral fees to broker-dealer firms that are not affiliated with AAG for soliciting and referring plan sponsors and their participants to enroll in AAG's advisory services and to enroll in Managed Accounts. Such compensation for referrals may result in a higher fee charged to participants based on the total assets in Managed Accounts.</p> <p>AAG has also authorized its affiliate partners, GWFS and its licensed agents and registered representatives and Orchard Trust Company ("OTC") and its employees to solicit, refer and market AAG's advisory services to plan sponsors and their participants. Pursuant to a solicitor's agreement between AAG and its affiliated partners, AAG may pay a fee for solicitation activities of GWFS, OTC and their employees which will be calculated annually based on generated revenue received by AAG. Such bonus compensation will not increase the fees paid by the plan and/or their participants. Any compensation paid by AAG for solicitation activities is pursuant to a written agreement and is paid in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940.</p>
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Complete amended pages in full, circle amended items and file with execution page (page 1).

¹ Certain clients of AAG may use online investment advice through proprietary software and methodology developed and employed by Financial Engines, Inc., a registered investment adviser.

Wisconsin Deferred Compensation Program Reality InvestingSM Awareness Campaign

4/9/2007



Great-West
RETIREMENT SERVICES™

The Power of PartneringSM



Goals

Using a coordinated approach that includes delivering the announcement of Reality Investing via various communication channels and supporting the efforts of field personnel at different locations, our primary goal is to educate Wisconsin employees about this added benefit to the Wisconsin Deferred Compensation Program (WDC).

Strategies

- » Incorporate the Reality Investing message in the existing enrollment presentation
- » Create a Reality Investing presentation to educate current participants and non-participants about the service
- » Send a targeted mailing/invitation to a select group of participants who have a large portion of their investments in the Vanguard Money Market Fund.
- » Include a Reality Investing stuffer in quarterly statements touting features and benefits of the new services
- » Dedicate a quarterly newsletter to the topic of Reality Investing
- » Release targeted Web messaging to participants who are invested in two or fewer investment options
- » Design posters that reinforce the Reality Investing meetings and provide meeting logistics
- » Promote Reality Investing in one-on-one meetings

Strategy 1: Incorporate Reality Investing message in existing enrollment presentation

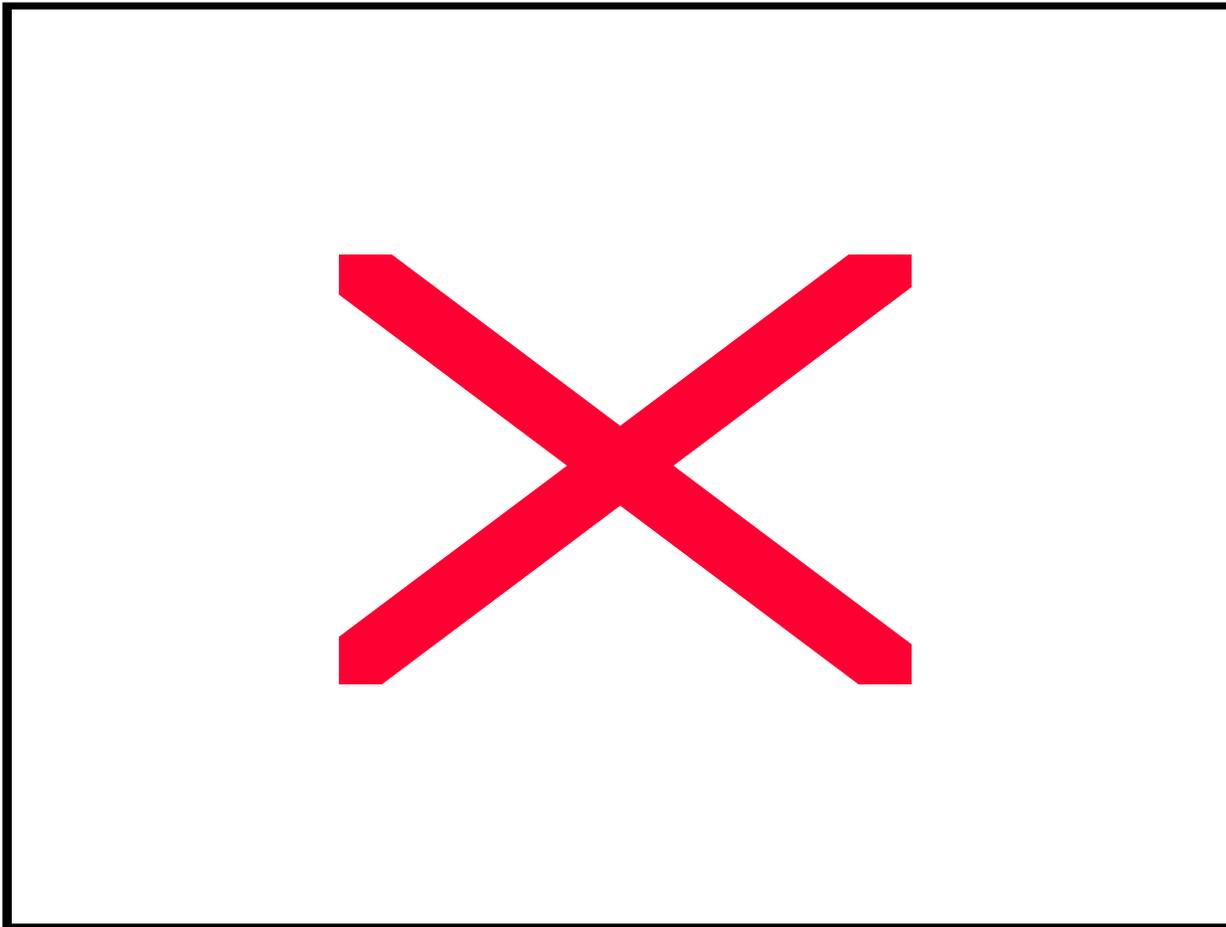
Presentation

- »Audience: All employees
- »Timing: One month after date of adoption
- »Communication Channel: Deliver PowerPoint presentation in group meetings

In addition to retirement planning and investment education, this seminar will include education on the service offerings of Reality Investing. The presentation will include a quiz that helps employees determine their investor type and suitability for Reality Investing. Forms and personal instruction will also be available to individuals who would like to enroll.



Presentation Slide Sample



Strategy 2: Create Reality Investing presentation

Presentation

- »Audience: All employees
- »Timing: One month after date of adoption
- »Communication Channel: Deliver PowerPoint presentation in group meetings

This presentation provides a description of each service in the Reality Investing suite, as well as helps attendees identify their own investor type and how they may benefit from Reality Investing. Focusing on participants who are overwhelmed with, confused by and uninterested in managing their retirement accounts, the presentation highlights challenges of account management and how Reality Investing alleviates those challenges.



Presentation Sample

		What's Your Reality?
	PROFESSIONAL ADVICE ON YOUR 457 PLAN REALITY INVESTING SM	Which Investor Are You? Do It Myself Help Me Do It Do It for Me
 Great-West RETIREMENT SERVICES SM	 AdvisedAssetsGroup <i>Put Our Power Behind YouSM</i>	
THE POWER OF PARTNERING SM		



Strategy 3: Mail a postcard invitation to a targeted group of participants

Postcard

- »Audience: Participants who have a large portion of their investments in the Vanguard Money Market Fund
- »Timing: Two - Five months after date of adoption
- »Communication Channel: Mail postcards to WDC participant homes

Keeping with the same Reality Investing theme carried throughout the presentations, this postcard serves two purposes. First, it raises awareness of the new Program service and builds interest among Program participants. Second, it identifies the recipient as one who does not have proper account diversification and needs better account management. The postcard invites them to a group and/or individual meeting within their segmented ZIP code area.



Postcard Sample



my reality

I'm a: _____

Are you ready to take advantage of an enhancement—called **Reality Investing**—that will soon be available as part of the **Proselect T.A.R.T.** program? All you have to do to get set up with an investment strategy that is right for you is tell us some characteristics about yourself.

So how do you picture yourself? Use the lines above to tell us a little bit about you and then bring this postcard to one of the upcoming Reality Investing meetings. All meeting attendees will be entered into a drawing to WIN one of 10 Polaroid cameras.



I'm *not* an investment expert.

ported on www.koodinart.com. Everyone who attends will walk away with something—and some of the lucky ones will WIN a Polaroid camera.

The fact of the matter is that with Reality Investing, everyone is a winner. If nothing else, you'll walk away from the meeting knowing that you now have an enhanced service offering that can help you build a retirement strategy that is unique to your needs and will help you reach your goals.

Pat Doe
 1234 Any Street
 Anytown, U.S.A. 12345



Strategy 4: Include a stuffer in quarterly statements

Statement Stuffer

- »Audience: All WDC participants
- »Timing: One quarter following the date of adoption
- »Communication Channel: Mail to WDC participants as an enclosure with quarterly account statements

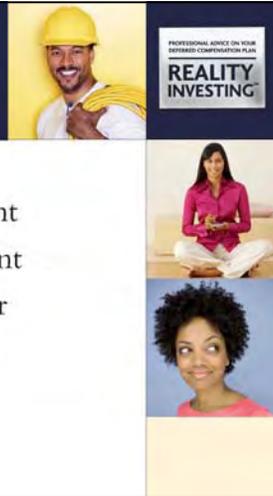
This piece is one-fourth the size of letter-size paper, or a “bucksip,” and briefly describes each investor type and the service that best fits each investor type. Participants naturally want to compare themselves to each of the investor types and determine whether they want to take advantage of the Reality Investing services.



Sample of Statement Stuffer

Reality InvestingSM

Regardless of who you are in the real world, you may not be an investment expert. And no matter what level of interest you have in making investment decisions or how much time you may—or may not—have to manage your account, Reality Investing has three valuable services for you—Managed Account, Advice and Guidance.



As a Do-It-For-Me InvestorSM, the *Managed Account* service could be the answer to that one question you often ask yourself: “Isn’t there somebody who can just take care of my retirement planning for me?”



As a Help-Me-Do-It InvestorSM, the *Advice* service may be a good fit. You have a good grasp of investing principles, but you may want some help with your fund selection.



As a Do-It-Myself InvestorSM, some *Guidance* may be all you need. You have a good grasp of investing principles, but you may be looking to validate your investment decisions.

Contact your Plan representative today, and sign up for the service that fits your reality!

Great-West Retirement Services refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Reality Investing provides three levels of service, including managed account, guidance and advice services offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser. Securities, when offered, are offered through GWFS Equities, Inc. AAG and GWFS Equities, Inc. are wholly owned subsidiaries of Great-West Life & Annuity Insurance Company. Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Great-West Retirement ServicesSM, Reality InvestingSM, Do-It-For-Me InvestorSM, Help-Me-Do-It InvestorSM, Do-It-Myself InvestorSM, The Power of PartneringSM and Put Our Power Behind YouSM are service marks of Great-West Life & Annuity Insurance Company. All rights reserved. Not intended for use in New York. Form# G3921

Strategy 5: Dedicate the quarterly newsletter to Reality Investing

Newsletter

- »Audience: All WDC participants
- »Timing: One quarter after the date of adoption
- »Communication Channel: Mail to WDC participant homes as an enclosure with quarterly account statement

This newsletter would be used in place of the standard quarterly newsletter that participants receive. It would include a lead article that is specific to the benefits and enhancements that Reality Investing provides. It would also detail the different services offered as part of Reality Investing and include the investor style quiz and associated quiz results. The newsletter would also provide the complete meeting schedule, which would list the various dates, times and locations where meetings would be held.



Newsletter Sample



S.T.A.R.T.[®]

SMART

Summer 2004

Announcing a New Service for Hoosier S.T.A.R.T. Participants

By Auditor of State Connie Niss

Over the years, I have enjoyed being able to communicate many different improvements to Hoosier S.T.A.R.T.[®] to help you grow your retirement accounts. We have continuously sought improvement to ensure Hoosier S.T.A.R.T. continues to be a viable way for Indiana employees to save and plan for retirement. Today, I am pleased to announce a service enhancement that will provide additional value for participants. This new service offering is called Reality InvestingSM.

Reality Investing is a three-tiered service that answers some of the most challenging questions we all face as we plan for retirement:

1. Where should I invest?
2. How much should I save?
3. Will I have enough?

As part of this new service, you can choose the level of assistance you may need when making your investment decisions. Your choices include Online Investment Guidance (free), Online Investment Advice (\$6.25 per quarter) and a Managed Account service (0.30%-0.60% of your account balance annually). These services are structured to cater to different investor styles. Whether you are a knowledgeable investor who prefers to take a hands-on approach or someone who does not have the time or inclination to manage your Hoosier S.T.A.R.T. investment options, you'll find a service that meets your needs.

As part of the launch of this program enhancement, group meetings are scheduled throughout the state to provide more education on the value Reality Investing can offer. Approximately 200 meetings will be held at 60 different locations over the next four weeks, which will allow everyone an opportunity to attend. I encourage you to take the time to attend a meeting that is convenient for you.

The importance of saving for retirement cannot be overemphasized. It is one of the most critical things

you can do today that you will thank yourself for down the road. But it's about more than just saving—it's about saving the right way to meet your unique goals. Reality Investing can give you confidence that you're on the right track. By attending one of the scheduled meetings, you'll gain new insight into your own investing style.

I am truly excited about the prospects that Reality Investing brings to Hoosier S.T.A.R.T. participants. It is my hope that you'll share my excitement and attend an upcoming meeting to learn how to put yourself in a position to enjoy a more secure financial future.

Auditor's Corner

Introducing Reality InvestingSM

Regardless of who you are in the real world, you may not be an investment expert. And you may not even know what type of investor you are or maybe should be. So what type of investor are you? Answer the questions below to help you find out.

1. Do you have the time necessary to manage your account? Yes No
2. Do you subscribe to or regularly read any financial news publications? Yes No
3. Do you understand how changing market conditions might affect the value of your account? Yes No
4. Do you know how much money you will need to retire? Yes No
5. Do you know how to invest your money to achieve your goals? Yes No

Do-It-For-Me InvestorSM

If you answered yes to three times, and you answered no to questions 1 and 5, you might be a

Help-Me-Do-It InvestorSM

If you answered yes three to four times, you might be a

Do-It-Myself InvestorSM

If you answered yes four or five times, you might be a

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Introducing Reality Investing

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Do-It-For-Me Investor. The Managed Account service could be the answer to that one question you often ask yourself, "Isn't there somebody who can just take care of this for me?"

With the Managed Account service, a qualified financial professional makes investment choices for you. The fees are based on your personal goals and financial situation. Your account is monitored and rebalanced over time as market fluctuations and life changes occur to ensure your strategy stays on track. The fee for this convenient service ranges from .30% to .60% of your account balance, depending on your account balance, and is reduced as your balance increases.



"As a Marquette Cave spelunker, I know exactly what it feels like to be in the dark. So when it comes to my retirement strategy, I'm all for exploring a service that will shed some light on the right investments for my unique needs."

Help-Me-Do-It Investor. The Advice service may be a good fit. You have a good grasp of investing principles, but you may want some help with your fund selection.

Even if you know that the difference between small cap and large cap has nothing to do with the size of your kid, the Reality Investing Online Investment Advice service can help you make investment decisions based on your chosen retirement goals. The fee for the Online Investment Advice service is only \$6.25 every three months.



"If I can get quality investment advice for about 50 cents a week, I'll take it. That leaves me with the time and peace of mind to take an occasional trip to South Bend to watch the Fighting Irish defend their home turf."

Do-It-Myself Investor. Some guidance may be all you need. You have a good grasp of investing principles, but you may be looking to validate your investment decisions. You may not be an investment expert yet, but there's a chance you could become one. After participating in the Managed Account service or using the Online Investment Advice service, you might want to try doing it yourself. If you are up to the challenge—or already do it yourself—the free Online Investment Guidance service is there for you.



"I've run in several mini-marathons and hiked every mile of the Monon Trail. With those accomplishments under my belt, I think I'm up for the challenge of investing on my own. But I wouldn't mind a little nudge in the right direction."

enroll in the Reality Investing service that best fits your reality, visit the Web site at www.hoosierstart.com or call (877) 728-6738 (option 2).¹

REALITY INVESTING | PROFESSIONAL ADVICE ON YOUR DEFERRED COMPENSATION PLAN

Real and Virtual (RV) are may be limited or unavailable during periods of peak demand, market volatility, system upgrades/maintenance or other reasons. 100% Invested products (like private equity) products and advice services offered by Admiral Asset Group, LLC (AAG), a liability limited investment adviser. Securities, when offered, are offered through CREF Equities, Inc. AAG and CREF Equities, Inc. are wholly owned subsidiaries of The Life & Annuity Insurance Company. Representatives of CREF Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed. Great-West Retirement Services, Reality InvestingSM, Do-It-For-Me InvestorSM, Help-Me-Do-It InvestorSM and Do-It-Myself InvestorSM are service marks of Great-West Life & Annuity Insurance Company. All rights reserved. Not intended by or for New York. Form CR1060N 04/01/06.

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Strategy 6: Release targeted Web messaging

Web Messaging

- »Audience: Participants who are invested in two or fewer investment options
- »Timing: One quarter after the date of adoption
- »Communication Channel: Participant's personalized home page

This element of the Reality Investing education campaign targets Web users as they log on to their accounts. The Web message, which reads, “Did you know that your Program offers personalized account management service?...”, is shown in the upper right-hand corner of the participant's personalized home page if he/she is invested in two or fewer investment options. When the participant clicks on the link, he/she is directed to the Reality Investing section of the WDC Web site. From there, he/she can learn more about the service, including how to enroll.



Sample of Targeted Web Messaging

My Account Reality InvestingSM Online File Cabinet[®] Education Tools

Log Out Home Print
Change Plan Go

Welcome LINDI JONES, ABC Organization
Your current balance is \$236.51

Last Sign On: Thu, Apr 5, 2007 07:28 PM EDT

Online File Cabinet[®]
Tired of keeping track of all the statements you receive? Want a convenient and secure way to access your quarterly statements online...then check out [Online File Cabinet[®]](#) and let us help you simplify your life.

Your Financial Planning Resource
We are pleased to offer you articles from our provider of participant education, SmartMoney Custom Solutions. Please check out some valuable personal finance information by clicking on the links below.
-- Updated February 18, 2007

The Investment Styles in Your Workplace Retirement Savings Plan
You may find it confusing to sort through the different investment options in your retirement

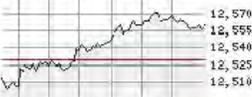
Personalize LINDI's Page

What's your reality?
Between your work life and home life, you are a lot of different things to a lot of different people, but chances are, you're not an investment expert. And even if you do feel like you are qualified to make the right financial decisions to meet your retirement goals, you may not have the time or desire to do it. To find out more about the professional advisory services your Plan offers, [click here](#).

Learn more about Reality Investing Enroll in Managed Accounts

Market Indices

Dow Jones Industrial Average



10	11	12	1	2	3
DJIA	12,580.20	▲	30.15	0.24%	
Nasdaq	2,471.34	▲	12.65	0.51%	
S&P 500	1,443.76	▲	4.30	0.30%	

4:30 PM ET -4/5/2007
©BigCharts.com

Did you know the WDC offers account management services? Learn more here.

Strategy 7: Design posters that include Reality Investing meeting logistics

Poster

- »Audience: All Program participants
- »Timing: One week prior to the first group meetings
- »Communication Channel: Various state and local employer locations

The posters are designed to give people a final reminder of upcoming meetings scheduled at their work location. Each poster will be customized with special “I’m a...” descriptions that state employees can relate to (e.g., “I’m a Packers backer,” “I’m a cheddar lover,” etc.). For maximum effectiveness, they should be posted three to five days prior to the meeting. A space will be provided at the bottom of the posters where the date, time and meeting location can be written. The posters also serve to communicate to those who did not receive or opted not to read the postcard or statement insert.



Strategy 8: Promote Reality Investing in group and one-on-one meetings

Group Meetings

- » Audience: All employees
- » Timing: Immediately following the date of adoption
- » Communication Channel: Various state and local employer locations

As WDC representatives continue to conduct individual and group meetings in the field, they will promote Reality Investing to participants who may be able to take advantage of the service. We will position Reality Investing as an additional benefit of the Program for WDC participants that is designed to help them achieve their retirement goals.

