

CLIENT:

FIDELITY BOND

SECTION 412 OF THE EMPLOYEES' RETIREMENT INCOME SECURITY ACT

Section 412 of ERISA requires that each and every fiduciary of an employee benefit plan and every person who handles funds or other property of such a plan shall be bonded.

TYPE OF BOND

The type of bond required is a fidelity bond which may be obtained through your casualty insurance agent/approved surety company. Should you have any difficulty in getting the bond please contact our office and we will be happy to assist you.

AMOUNT OF BOND

The bond should be issued in an amount of at least 10% of the value of the funds handled. The minimum amount that the bond may be is \$1,000 and the maximum amount is \$500,000. As a practical consideration, your agent will probably recommend a bond for at least \$10,000. In addition, further coverage may be necessary when investments of the trust are held in certain arrangements that are considered to be "non-qualifying plan assets" as defined by the Department of Labor (see attached Addendum).

PERSONS TO BE COVERED

The person to be covered under the bond are all individual Trustees, all members of The Board of Directors, the Administrative committee and any persons who handle funds or other property of the plan.

In event that you are using a bank as trustee or have a fully insured plan, the law does not require you to include them in the coverage; however, all other fiduciaries must be included.

When you have obtained this coverage please let us know the name of the Insurance Company issuing the bond and the amount of the coverage. This information is necessary for the proper administration of your retirement plans.

BOND INFORMATION

Amount of bond: \$ _____

Name of Bonding Company: _____

Date obtained: _____

Please complete & return to: The Ryding Company

I hereby certify that the above information is correct.

By: _____

Title: _____

ADDENDUM TO SURETY BOND

On October 19, 2000, the EBSA of the U.S. Department of Labor issued final regulations requiring plans with generally fewer than 100 participants and the beginning of a plan year to engage an independent accountant for the purposes of an annual audit and report thereof, as part of the filing requirements of Form 5500 effective for each plan year beginning after April 17, 2001, unless one of the following conditions are met:

- (a) At the beginning of each plan year, at least 95% of the market value of the assets of the plan constitute “qualifying plan assets”; or
- (b) Every person who handles such assets that are considered not to be “qualifying plan assets” are bonded under ERISA Section 412 in an amount not less than 100% of the value of such non-qualifying plan assets in addition to 10% of the value of “qualifying plan assets”.

In addition to making available to any participant upon request, the Summary Annual Report for the plan shall include, with the exception of loans to a participant and certain self-directed accounts the following information:

- (c) The identities of the each regulated financial institution holding or issuing the “qualifying plan assets” and the market value(s) of such assets reported by the institution as of the end of the plan year; and
- (d) The name of the surety company issuing the ERISA bond, if 5% or more of the assets are non-qualifying; and
- (e) Information on how to request, without charge, a copy of evidence of any required bond or description of asset(s) in items “c” and “d” above; and
- (f) A notice stating the participants and/or beneficiaries should contact the PWBA if they are unable to examine or obtain copies as indicated in item “e” above.

Non-qualifying plan assets generally are considered to be investments other than:

- Assets held by a bank, credit union or domestic building and loan association.
- Assets held by an insurance company.
- Assets held by a registered broker-dealer under the Securities and Exchange Act of 1934.
- Investments and annuity contracts issued by an insurance company.
- Shares issued by a mutual fund company.
- Organizations under IRC Section 408 authorized to act as a trustee for IRA accounts.
- Assets held under an arrangement in which the participant or beneficiary has the opportunity to exercise control over the investments, when such individual(s) are furnished annually with a statement describing the total assets held by each such financial institution or trustee described herein on behalf of the plans.
- Participant loans meeting the requirements under ERISA Section 408(b) (1).
- Company stock considered “employer securities” under ERISA Section 407(d) (5).

With respect to your plan(s), coverage under this new law should be in place and continued as needed in order to be exempt from the audit requirements mentioned above. The costs involved in obtaining increased bond coverage compared to the costs of an independent Certified Public Account are significant. You may currently have coverage in excess of 10% of the total assets of the plan(s) that meet the coverage requirements for both the qualified and non-qualified portions of the plan’s assets.