

As you may know, The Securities and Exchange Commission (SEC) voted to adopt Rule 22c-2 under the Investment Company Act of 1940 to address the recent market timing and frequent trading issues in the mutual fund industry and are expected to publish final amendments to the Rule within the next few months. Please note that the Rule requirements are subject to change.

We have been working with The Charles Schwab Corporation, which has been actively involved with industry discussions on this topic, and we are developing solutions to comply with the new Rule. We are happy to provide you with the following information regarding Rule 22c-2 and its impact on financial providers, plan sponsors, and plan participants.

### **SEC Rule 22c-2 Requirements** (as of May, 2006)

#### ***Implement Shareholder Information Agreements***

Under Rule 22c-2, Funds must enter into a shareholder information agreement with each financial intermediary that trades directly with the Fund where the intermediary is required to provide shareholder and transaction information. If the Fund does not enter into an agreement with the financial intermediary, the Fund must prohibit the financial intermediary from purchasing Fund shares for itself or others.

The shareholder information agreements also require each financial intermediary to provide shareholder and transaction information for all persons trading through its account with the Fund, which would include plan participants trading through a retirement plan that has an account with that intermediary.

Consequently, Charles Schwab expects to amend its servicing agreements with [MVP Plan Administrators, Inc.](#), as your plan's record-keeper, to address our obligation to provide any requested shareholder information necessary to meet the requirements of Rule 22c-2.

Money market funds, exchange traded funds, and any fund that permits short-term trading are excepted from Rule 22c-2.

#### ***Provide Shareholder and Transaction Information to Funds***

Under the shareholder information agreements, financial intermediaries that submit purchases directly to the Fund (including broker/dealers and trust companies, like Schwab) must provide, promptly upon Fund request, the taxpayer identification or social security number of all shareholders who have placed trades in the Fund, and the amounts and dates of those transactions.

#### ***Implement Trading Restrictions***

Intermediaries must restrict individual investors from trading upon direction by a Fund.

Additionally, the Rule stipulates that mutual funds are permitted (but not required) to impose a redemption fee not to exceed 2% to recoup the costs incurred as a result of short-term trading. The allowable redemption period should not be less than seven business days.

#### **Impact to Plan Sponsors and Participants**

As a retirement plan sponsor, you should be aware of the following effect on your company's retirement plan and its plan participants:

- Plan participant information—specifically, the social security number and transaction types, amounts and dates—may be requested by each Fund, and we will need to provide the information to Schwab for delivery to the Fund as required by Rule 22c-2. Please note that if we do not provide the requested plan participant's information, we may be restricted from making future purchases or exchanges of Fund shares in our retirement plan accounts.
- Plan participants found to be in violation of the Fund's market timing policies must, upon Fund request, be restricted from trading Fund shares.

**MVP Plan Administrators, Inc.**