

Proposed New Prohibited Transaction Class Exemptions

The following chart summarizes the terms and conditions of the four newly proposed Department of Labor (“**DOL**”) prohibited transaction class exemptions (“**PTEs**”), as well as the DOL’s reasoning.

As used in the chart:

- **“Adviser”** means an individual who is a Plan fiduciary solely by reason of providing investment advice with respect to the Assets involved in the transaction, is an employee, independent contractor, agent or registered representative of a Financial Institution, and satisfies the applicable banking and securities laws with respect to the covered transaction.
- **“Affiliate”** of an Adviser or Financial Institution means:
 - Any person directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Adviser or Financial Institution. For this purpose “control” means the power to exercise a controlling influence over the management or policies of a person other than an individual;
 - Any officer, director, employee, agent, registered representative, relative (as defined in ERISA section 3(15)), member of family (as defined in Code section 4975(e)(6)) of, partner in, the Adviser or Financial Institution; and
 - Any corporation or partnership of which the Adviser or Financial Institution is an officer, director or employee or in which the Adviser or Financial Institution is a partner.
- **“Asset”** includes bank deposits, CDs, shares or interests in registered investment companies, bank collective funds, insurance company separate accounts, exchange-traded REITs, ETFs, certain corporate bonds, certain agency debt securities, U.S. treasury securities, insurance and annuity contracts, guaranteed investment contracts and equity securities within the meaning of 17 CFR Section 230.405 that are exchange-traded securities within the meaning of 17 CFR Section 242.600. An equity security that is a future or a put, call straddle or any other option or privilege of buying an equity security from or selling an equity security to another without being bound to do so is not an “Asset.”
- **“Debt Security”** means a “debt security” as defined in Rule 10b-10(d)(4) of the Securities Exchange Act of 1934 that is:
 - U.S. dollar-denominated and issued by a U.S. corporation pursuant to a registered offering;
 - An “Agency Debt Security” as defined in FINRA Rule 6710(l) or its successor; or
 - A “U.S. Treasury Security” as defined in FINRA Rule 6710(p) or its successor.
- **“Financial Institution”** means the entity that (i) employs the Adviser or otherwise retains such individual as an independent contractor, agent or registered representative and (ii) customarily purchases or sells Debt Securities for its own account in the ordinary course of its business, and that is:

- A registered investment adviser at the federal or state level;
 - A bank or similar financial institution supervised by the United States or a state, or a savings association; and
 - A registered broker or dealer.
- **“Impartial Conduct Standards”** require the fiduciary to meet the following conditions with respect to Plan assets involved in the relevant transaction:
 - The fiduciary acts in the **“Best Interest of the Plan”**.
 - **“Best Interest”** means the fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person would exercise based on the investment objectives, risk tolerance, financial circumstances and needs of the Plan, without regards to the financial or other interests of the fiduciary or any other party. Under this standard, the fiduciary must put the interests of the Plan ahead of its own financial interests or those of any affiliate or other party.
 - All compensation received by the fiduciary in connection with the transaction is reasonable in relation to the total services provided by the fiduciary to the Plan.
 - The fiduciary’s statements about recommended investments, fees, material conflicts of interest and any other matters relevant to the Plan’s investment decisions are not misleading.
 - A **“Material Conflict of Interest”** exists when the fiduciary or Financial Institution has a financial interest that could affect the exercise of its best judgment as a fiduciary in rendering advice to the Plan.
 - The fiduciary’s failure to disclose a Material Conflict of Interest relevant to the services the fiduciary is providing or other actions it is taking in relation to the Plan’s investment decisions is deemed to be a misleading statement.
- **“Plans”** generally refer to employee benefit plans subject to Title I of ERISA and IRAs.
- **“Proprietary Products”** means a product that is managed by the Financial Institution or any of its Affiliates.
- **“Related Entity”** means any entity other than an Affiliate in which the Adviser or Financial Institution has an interest which may affect the exercise of its best judgment as a fiduciary.
- **“Retirement Investor”** is a plan participant or beneficiary of a plan subject to Title I of ERISA with authority to direct the investment of assets in his or her plan account or to take a distribution; in the case of an IRA, the beneficial owner of an IRA; or a plan sponsor (or an employee, officer or director thereof) of a non-participant-directed ERISA plan that has fewer than 100 participants. Welfare plans can be Retirement Investors.
- **“Third Party Payments”** mean sales charges when not paid directly by the Plan, participant or beneficiary account or IRA, 12b-1 fees and other payments paid to the Financial Institution or an Affiliate or Related Entity by a third party as a result of the purchase, sale or holding of an Asset by a Plan, participant or beneficiary account, or IRA.

New PTE	Relief Provided/Transactions Covered	Conditions	Exclusions	DOL Rationale
Best Interest Contract Exemption	The receipt of compensation by Advisers, Financial Institutions, Affiliates and Related Entities for service provided in connection with a purchase, sale or holding of an Asset by a Plan, participant or beneficiary account, or IRA or as a result of an Adviser's and Financial Institution's investment advice to a Retirement Investor	<p><u>Written Contract</u></p> <p>Prior to recommending the purchase, sale or holding of an Asset, the Adviser and Financial Institution enter into a written contract with the Retirement Investor which includes the following:</p> <ul style="list-style-type: none"> Acknowledgement of fiduciary status with respect to any recommendations to purchase, sell or hold an Asset. Commitment to adhere to Impartial Conduct Standards. A warranty that the Adviser, Financial Institution and Affiliates will comply with all federal and state laws regarding the rendering of investment advice and payment of compensation with respect to the purchase, sale or holding of the Asset. A warranty by the Financial Institution that it adopted written policies and procedures designed to mitigate the impact of Material Conflicts of Interest and ensure that Advisers adhere to Impartial Conduct Standards. In formulating its policies and procedures, the Financial Institution has identified Material Conflicts of Interest and adopted measures preventing Material Conflicts of Interest from causing violations of the Impartial 	<p>The exemption does not cover receipt of prohibited compensation in the following circumstances:</p> <p>If the Adviser, Financial Institution or Affiliate is the employer of employees covered by the plan.</p> <p>If the Adviser or Financial Institution is a named fiduciary or plan administrator with respect to the ERISA plan.</p> <p>If the compensation received is a result of the Adviser engaging in a principal transaction with the plan, participant or beneficiary account, or IRA.</p> <p>If the compensation received by the Adviser or Financial Institution is a result of advice generated by an interactive website where the software provides investment advice based on personal information each Retirement Investor supplies to the website</p>	<p>The DOL is concerned that retail Retirement Investors are particularly vulnerable to abuse. The exemption is designed to protect these investors from the harmful impact of conflicts of interest while minimizing disruption to a retail market that relies upon many forms of compensation that ERISA would otherwise prohibit.</p> <p>The DOL believes that by requiring a contract as a condition of the proposed exemption, it creates a mechanism by which a Retirement Investor can be alerted to the Adviser's and Financial Institution's obligations.</p> <p>The DOL notes that while fiduciaries of ERISA plans are subject to ERISA section 404 standards of loyalty and prudence, the Internal Revenue Code contains no provisions that hold IRA fiduciaries to these standards. As a condition of relief both IRA and plan fiduciaries have to</p>

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		<p>Conduct Standards.</p> <ul style="list-style-type: none"> Neither the Financial Institution nor any Affiliate or Related Entity uses quotas, appraisals, performance or personnel actions, bonuses, contests, special awards, differential compensation or other actions or incentives that encourage Advisers to make recommendations that are not in the Best Interest of the Retirement Investor. <p><u>Contractual Disclosures include:</u></p> <ul style="list-style-type: none"> Any Material Conflicts of Interest. The Retirement Investor's right to obtain complete information about all of the fees associated with the Assets in which it is invested, including fees payable to the Adviser, Financial Institution and any Affiliates and Related Entities. Whether the Financial Institution offers Proprietary Products or receives Third Party Payments with respect to the Assets and the website address that discloses the compensation arrangements entered into by the Advisers and the Financial Institution. <p><u>Prohibited Contract Terms-</u> The contract must not contain:</p> <ul style="list-style-type: none"> Exculpatory provisions disclaiming or limiting liability for an Adviser's or 	<p>without any interaction or advice from the Adviser.</p> <p>If the compensation is received by a discretionary Adviser.</p>	<p>agree to and uphold the best interest and Impartial Conduct Standards. The DOL believes that the exemption contains conditions that are uniquely protective of IRA owners.</p> <p>Failure to comply with applicable federal or state law could result in contact liability for breach of warranty but would not result in the loss of the exemption as long as the breach did not involve a violation of one of the exemptions other conditions.</p>

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		<p>Financial Institution's violation of the contract's terms.</p> <ul style="list-style-type: none"> A waiver or qualification of a Retirement Investor's right to bring or participate in a class action or other representative action in a dispute with the Adviser or Financial Institution. <p><u>Additional Disclosures</u></p> <ul style="list-style-type: none"> The Financial Institution must maintain a public webpage, which is updated not less frequently than quarterly and written in a manner easily accessible to a Retirement Investor and the public. A point of sale disclosure must be provided to the Retirement Investor before the execution of a transaction which includes a chart that provides the Total Cost (acquisition, ongoing and disposition costs) to the Retirement Investor of investing in the Asset for 1, 5, and 10-year periods expressed in a dollar amount (the DOL provides a model chart). The Adviser or Financial Institution must provide each Retirement Investor with an annual written disclosure (which includes a list of each Asset purchased or sold and price, statement of dollar amount of all fees and expenses paid by the Retirement Investor and statement of total dollar amount of direct and indirect 		

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		<p>compensation) within 45 days of the end of the applicable year.</p> <ul style="list-style-type: none"> Webpage disclosure must be provided in a machine readable format of direct and indirect material compensation payable to the Adviser, Financial Institution and any Affiliate, including its source with respect to any Asset. The website must be freely accessible to the public. <p><u>If the Financial Institution limits the Assets available for purchase, sale or holding based on whether the Assets are Proprietary Products, generate Third Party Payments or for other reasons, the following additional conditions apply:</u></p> <ul style="list-style-type: none"> The Financial Institution must make a written finding that the limits it placed on the Assets made available to an Adviser do not prevent the Adviser from providing advice that is in the Best Interest of the Retirement Investor or otherwise adhering to the Impartial Conduct Standards. Any compensation received must be reasonable. The Adviser or Financial Institution must give the Retirement Investor clear written notice of the limitations placed on the Assets that the Adviser may offer for purchase, sale or holding by the Retirement Investor. 		<p>The DOL believes that the data provided on the webpage will provide information that can be used by financial information companies to analyze and provide information comparing the practices of different Advisers and Financial Institution. Such information allows a Retirement Investor to evaluate costs and Adviser's and Financial Institutions' compensation practices.</p>

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		<ul style="list-style-type: none"> The Adviser must notify the Retirement Investor if the Adviser does not recommend a sufficiently broad range of Assets to meet the investor's needs. <p><u>EBSA Disclosure</u></p> <p>The Financial Institution must notify the DOL of its intention to rely on this class exemption.</p> <p><u>Data Requests</u></p> <p>The Financial Institution must maintain the data that is accessible for examination by the DOL for 6 years.</p> <p><u>Recordkeeping</u></p> <p>The Financial Institution must maintain for 6 years the records necessary to enable employees of the DOL or Internal Revenue Service, any fiduciary, any participant, beneficiary or contributing employer and employee organization whose members are covered by a Plan or any IRA owner that engaged in the purchase, sale or holding of an Asset to determine whether the conditions of the exemption have been met.</p>		
Insurance and Annuity Exemption	A fiduciary's causing the purchase of an Asset that is an insurance or annuity contract by a non-participant-directed plan that has fewer than 100 participants, a participant or beneficiary account, or an IRA, from a Financial Institution that is an insurance company and	<p>The transaction must be effected by the insurance company in the ordinary course of its business as an insurance company.</p> <p>The combined total of all fees and compensation received by the insurance company and any Affiliate must not be in excess of reasonable compensation under the</p>	Proposed exemption is <u>not</u> available for purchases by plans that are covered by Title I of ERISA, where (i) the Adviser, Financial Institution or any Affiliate is the employer of employees covered by the plan or (ii) the Adviser and Financial	A Plan's purchase of an insurance or annuity product would be a prohibited transaction if the insurance company has a pre-existing relationship with the Plan as a service provider, or is otherwise a party in interest. In the

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	"party in interest".	<p>circumstances.</p> <p>The purchase must be for cash only.</p> <p>The terms of the purchase must be at arm's length.</p>	Institution is a named fiduciary or plan administrator with respect to the plan, or an Affiliate thereof, that was selected by a fiduciary who is not independent.	<p>DOL's view, this circumstance is common enough in connection with recommendations by Advisers and Financial Institutions to warrant proposal of an exemption for these types of transactions in conjunction with the Best Interest Contract Exemption. Since the existing exemption (PTE 84-24) which would often cover these transactions is proposed to be revoked with respect to transactions involving the purchase by IRAs of variable annuity contracts and other annuity contracts that are securities under federal securities law, the DOL decided to propose this "Insurance and Annuity Exemption" to ensure that relief is available for transactions involving IRAs but also for ease of compliance for transactions involving other retirement investors.</p>

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<i>Pre-Existing Transactions Exemption</i>	The receipt of compensation by an Adviser, Financial Institution, and any Affiliate and related entity, for services provided in connection with the purchase, holding or sale of an Asset, as a result of the Adviser's and Financial Institution's advice, that was purchased, sold or held by a Plan <u>before</u> the applicability date of the regulation.	<p>The compensation must not be excluded pursuant to Section I(c) of the Best Interest Contract Exemption.</p> <p>The compensation must be received pursuant to an agreement, arrangement or understanding that was entered into before the applicability date.</p> <p>The Adviser and Financial Institution must not provide additional advice to the Plan regarding the purchase, sale or holding of the Asset after the applicability date.</p> <p>The purchase or sale of the Asset must not be a non-exempt prohibited transaction on the date it occurred.</p>		The DOL believes there should be relief for investment professionals who may have provided advice before the applicability date of the regulation but did not consider themselves fiduciaries, and for Advisers and Financial Institutions who were considered fiduciaries before the applicability date, but who entered into transactions involving Plans before the applicability date in accordance with the terms of a PTE that has since been amended.
<i>Principal Transactions Exemption</i>	Permits an Adviser or Financial Institution to engage in the purchase or sale of a Debt Security in a principal transaction with a Plan, and receive a mark-up, mark-down or other payment for themselves or any Affiliate, as a result of the Adviser's or Financial Institution's advice.	<p><u>Written Contract</u></p> <p>Prior to engaging in the principal transaction, the Adviser and Financial Institution must enter into a written contract with the Retirement Investor, acting on behalf of the Plan, that incorporates the following:</p> <ul style="list-style-type: none"> Affirmative statement that the Adviser and Financial Institution are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment recommendation to the retirement investor regarding the principal transactions. 	<p>Proposed exemption does <u>not</u> include relief for the receipt by a fiduciary of consideration from a trading venue in connection with the execution of purchases and sales thereon (e.g., payment for order flow).</p> <p>Proposed exemption does <u>not</u> provide relief for Advisers who have full investment discretion with respect to Plan assets.</p>	The DOL is of the view that principal transactions involve a potentially severe conflict of interest when engaged in by a fiduciary with respect to a Plan. Of primary concern are issues involving liquidity, pricing, transparency and the fiduciary's possible incentive to "dump" unwanted assets. That said, the DOL recognizes that debt securities as common investments of

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		<ul style="list-style-type: none"> The Adviser and Financial Institution must affirmatively agree to, and comply with, the Impartial Conduct Standards. The Adviser and Financial Institution must warrant that: <ul style="list-style-type: none"> They will comply with all applicable laws regarding the rendering of investment advice and the purchase and sale of the Debt Security; The Financial Institution must adopt written policies and procedures reasonably designed to mitigate the impact of material conflicts of interest and to ensure that its individual Advisers adhere to the Impartial Conduct Standards; The Financial Institution must specifically identify material conflicts of interest and adopt measures to prevent such conflicts from causing violations of the Impartial Conduct Standards; and Neither the Financial Institution nor any Affiliate may use quotas, appraisals, performance or personnel actions, bonuses, contests, 	<p>Proposed exemption is <u>not</u> available for a transaction involving a plan covered by Title I of ERISA if the Adviser or Financial Institution (or any affiliate) is the employer of employees covered by the plan which is the recipient of the advice.</p> <p>Proposed exemption is <u>not</u> available if the Adviser or Financial Institution is a named fiduciary or plan administrator with respect to a plan covered by Title I of ERISA (or an affiliate thereof) that was selected to provide advice to the plan by a fiduciary who is not independent of them.</p>	<p>Plans may need to be sold on a principal basis because particular bond issues may be sold by only one or a limited number of financial institutions. As a result, the DOL has proposed this “Principal Transactions Exemption” to ensure that Plans would not face a reduced choice in the market for these debt securities.</p> <p>The DOL does not believe that there should be additional exemptive relief for principal transactions involving other types of assets (e.g., equity securities, futures, derivatives, currencies).</p>

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		<p>special awards, differentiated compensation or other actions or incentives to the extent they would tend to encourage individual Advisers to make recommendations regarding principal transactions that are not in the best interest of the retirement investor.</p> <ul style="list-style-type: none"> Certain disclosures are required regarding principal transactions, including circumstances under which the Adviser and Financial Institution may engage in principal transactions and identification and disclosure of material conflicts of interest associated principal transactions. <p><u>Debt Security</u></p> <p>The Debt Security being purchased or sold:</p> <ul style="list-style-type: none"> May not be issued by the Financial Institution or any Affiliate; May not be purchased by the Plan in an underwriting or underwriting syndicate in which the Financial Institution or any Affiliate is the underwriter or a member; May not possess a greater than a moderate credit risk; and Must be sufficiently liquid that the Debt Security could be sold at or near its fair 		

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		<p>market value within a reasonably short period of time.</p> <p><u>Other General Conditions</u></p> <ul style="list-style-type: none"> • The principal transaction must not be part of an agreement, arrangement or understanding designed to evade compliance with ERISA or the Internal Revenue Code, or to otherwise impact the value of the Debt Security. • The purchase or sale of the Debt Security must be for cash. • Certain pricing protection is required for the purchase or sale of the Debt Security. • Certain disclosure requirements must be met for the Adviser and Financial Institution. • Certain recordkeeping requirements are required for the Financial Institution. 		