Sample Investment Policy Statement for Participant Directed Plans

Investment Policy of the ABC Company 401(k) Plan

Introduction

ABC Company, Inc. (the “Company”) sponsors the ABC Company 401(k) Plan (the “Plan”) for the benefit of its employees. The Plan is intended to provide eligible employees with a source of retirement income through a combination of accumulated employee and employer contributions and investment returns.

The Plan is a tax-qualified retirement plan that is intended to meet the requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Plan is participant directed and is intended to meet the requirements of Section 404(c) of ERISA.

The Plan’s participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries should be able to direct the investment of their individual account balances among a broad range of investment options to construct diversified portfolios that reasonably span the spectrum of risk and return.
Purpose
The [Investment Committee/ABC Company, Inc.] (the “Named Fiduciary”) is charged with the responsibility for the investment of the assets of the Plan. To fulfill its fiduciary obligations with respect to the Plan, the Named Fiduciary has engaged in a logical and diligent process to select a menu of investment options that will provide Plan participants with the range of choices necessary to allow them to meet their retirement needs, and adequate protection against excessive investment risk.

This Investment Policy reflects the results of this process and sets forth the manner in which Plan investment options will be selected and monitored, consistent with the fiduciary standards of ERISA; namely that (1) all transactions undertaken must be in the sole interest of Plan participants and their beneficiaries to provide benefits and defray reasonable expenses of Plan administration in a prudent manner, and (2) assets shall be diversified in order to minimize the risk of large losses.

Specifically, this Investment Policy:

1. States the Named Fiduciary’s expectations, objectives, and guidelines with respect to the investment of Plan assets.

2. Defines the roles of those responsible for the Plan’s investments.

3. Establishes the number and characteristics of investment options offered.

4. Establishes procedures for selecting, monitoring and, if appropriate, replacing investment options.

5. Describes the Named Fiduciary’s approach to investment in Company Stock.

More specifically, the Named Fiduciary’s primary responsibilities are to:

1. Prepare and maintain the Investment Policy.

2. Select investment options to achieve stated investment objectives.

3. Make available asset classes with distinct risk and return profiles so that each participant may adequately diversify his or her account.

4. Avoid prohibited transactions and conflicts of interest.

5. Provide or make available investment education and communication to Plan participants.

6. Periodically review and evaluate the investment results of the selected investment options against established performance measurement criteria.

The Trustee
The trustee is responsible for collecting and holding Plan assets in trust for the exclusive purpose of providing benefits to Plan participants and their beneficiaries.

Investment Policy
Because the Plan is an individual account type plan, it is recognized that the participants bear the ultimate risk for how well their Plan investment elections perform over time. Therefore, in order to better meet diverse investment needs, time horizons, objectives and risk tolerances of the participants, the Named Fiduciary’s policy is to choose from a wide variety of asset classes.

At all times there must be a minimum of [complete] (at least three) investment categories represented among the Plan assets. There will be no maximum limit to the number of categories.

Investment Objectives
The Named Fiduciary’s overall investment objective is to offer participants a set of investment fund options that provide diversification of both asset classes and risk levels, in order that participants may invest on a long-term basis for retirement.
Asset Class Guidelines
In keeping with its policy of offering investments from a wide variety of asset classes, the Named Fiduciary has selected [insert asset classes, such as international, US stocks, bonds, cash, etc.] asset classes, which it believes will best meet the Plan's diverse investment needs.

Investment Option Selection
An investment option shall meet the following standards for selection:

1. The fund shall demonstrate adherence to the investment option's stated investment style.

2. Each investment option’s performance track record will be reviewed to determine if its performance is consistent with its investment objective and strategy. The investment option’s performance will be reviewed over various time periods (1,3,5,7 year(s), if available) and compared to its benchmark's and peer group's performance, if available, or such other standard as determined by the Named Fiduciary.

3. Each investment option shall have been in existence for at least [three years], unless otherwise determined by the Named Fiduciary.

4. No investment option shall have a front-end or back-end load sales charge in excess of 1%.

5. Each investment option shall have total expenses of no more than 1.25% of the average for its category, unless an exception is made by the Named Fiduciary.

In addition to the above selection standards, the Named Fiduciary shall also consider the following factors in selecting investment options:

1. The fund’s volatility (standard deviation) relative to its benchmark and peer group.

2. The consistency over time of the fund’s investment performance.

3. The closeness of the fund’s correlation to its asset class as identified in the Investment Policy as measured by its correlation to its benchmark.

4. The tenure of the fund’s management.

Performance Monitoring
Named Fiduciary Review and Monitoring
The Named Fiduciary, with the assistance of appropriate consultants, will review the results of all investments [(other than Company Stock)] on a [quarterly/semi-annual/annual] basis. In such a review, it will measure the performance of each fund against the appropriate performance benchmark and peer group. If the fund’s performance is acceptable, no further action is required. However, a more thorough review of a fund will be conducted if any of the following occurs:

1. A fund performs below the top 50% of its peer group over a three- and five-year period.

2. A fund’s three- and five-year volatility characteristic rises above the average for the appropriate peer group.

3. There is a material change in the fund’s investment style.

4. There is a change in the investment manager.

Watch List
Funds that consistently fall short of the performance criteria outlined in this Investment Policy will be placed on a “watch list” for further analysis and monitoring.

Company Stock
If Company Stock is offered as an investment option pursuant to the terms of the Plan, the Named Fiduciary will be responsible for managing the investment in Company Stock in accordance with the Plan document.
Policy Evaluation
The Named Fiduciary will review this Investment Policy at least annually to determine the continued feasibility of achieving its investment objectives. It is not expected that the Investment Policy will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy.

The Named Fiduciary acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Named Fiduciary intends to evaluate fund performance from a long-term perspective.

_________________________________   _________
Name of Named Fiduciary Member       Date

_________________________________   _________
Name of Named Fiduciary Member       Date

This Investment Policy Statement is not intended as, and does not constitute, legal advice. Fiduciaries are urged to seek the advice of their attorney as to their precise duties, responsibilities and liabilities in specific situations. Neither UBS Financial Services Inc. nor its employees provide tax or legal advice.

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