## 2007 Plan Expense Overview

The information below is based on un-audited but actual expense numbers in addition to estimates of investment manager fees for 2007. Expenses have decreased slightly from last year. The basis points listed below are not charged directly to you but taken s an adjustment to the daily NAV of each DAP Option

| Total Assets (12/31/07) | \$991,197,304 |
| :--- | ---: |
| Total * Operating Expenses <br> (Recordkeeping, Trustee, Administration, Personnel, Communication) | $\mathbf{1 , 8 5 5 , 0 9 7}$ |
| Operating Expenses * as a percent of assets | 19 |
| Approximate ** net *** investment manager fees | 29 |
| Other Mutual Fund Expenses **** | 8 |

Other Mutual Fund Expenses ****
Total DAP Fees and Expenses as a percent of assets - $\mathbf{5 6}$ basis points * net of transfer fees, ** mutual fund investment management fee avg., *** after administrative offsets, **** ncludes mutual fund transaction fees, $12 \mathrm{~b}-1$ fees, administrative fees, and all other asset-based costs incurred by the funds. Does not include transaction costs of particicipant activity, which is reflected in each BGI NAV, lowering BGI performance. Basis Point - one basis point is equal to $1 / 100$ th of one percen.

## DAP Option Expense Ratios

| Option (Basis Points) | Morningstar Average (Basis Points) |
| :--- | :--- |


|  | Option (Basis Points) | Morningstar Average (Basis Points) |
| :---: | :---: | :---: |
| Stable Value Value Stock | 28 | n/a |
|  | 94 | Large Value 94 |
|  |  | Mid Value 120 |
| Equity Index Growth Stock | 17 | n/a |
|  | 91 | Large Growth 107 |
|  |  | Mid Growth 121 |
| International Stock | 103 | 108 |
| Diversified Small Co. Stock | 103 | 110 |
| Conservative Model | 39 | 62* |
| Moderate Model | 61 | 64* |
| Aggressive Model | 72 | 93* |

## 2007 Manager Changes

| Added | Month | Option |
| :--- | :---: | :--- |
| T. Rowe Price Growth | $1 / 07$ | Growth Stock |
| Morgan Stanley US Small Cap Value Instl. | $3 / 07$ | Div. Sm. Co. Stock |
| Neuberger Berman Partners | $4 / 07$ | Value Stock |
| Royce International Value | $6 / 07$ | International Stock |
| iShares Morningstar Small Growth Index | $12 / 07$ | Div. Sm. Co. Stock |
| Removed | Month | Option |
| Neuberger Berman Regency | $4 / / 07$ | Value Stock |
| Century Small Cap Select | $12 / / 7$ | Div. Sm. Co. Stock |
| First Eagle Overseas | $12 / 07$ | International Stock |
|  |  |  |



The Directed Account Plan 2007 Year-End Review
January 2008

## DAP YEAR IN The following pages of this issue provide a summary of your DAP investment

 REVIEW 2 options. On pages two and three you'll find descriptions of your options along with graphs showing their growth and performance. On the last page there is ummary of your plan expenses, your plan asset balances/investment allocations, a review of the manager changes in 2007 nd plan contact information. Please study this annual review of your plan and do not hesitate to call the Plan Office with ny questions about your retirement plan. Your Investment Board, that includes your fellow pilots and participants, are working towards some improvements in 2008 which will be talked about in the next Heads Up issue. The latest plan news can always be found at www.4twadap.com under plan news.HOW STABLE VALUE WORKS Because the fixed income asset class has been in the news recently and participant have expressed the need to better understand our Stable Value Option, we have included an overview of this option. Stable value portfolios consist of GICs and high-quality bonds combined with wrapper agreements designed to maintain a stable net asset value


HOW WRAPPER AGREEMENTS WORK
Graph One (bottom-right) helps to explain how the wrapper agreement component of the Stable Value Option works. Wrapper agreements are designed to help preserve principal and provide a stable crediting rate as identified by the solid, bold line. The wrap agreement's crediting rate formula is designed to provide a stable return during rising or falling interest rates. The agreements smooth the impact of fluctuating interest rates and bond prices by amortizing the gains or losses over the duration of the portfolio. The smoothing function allows the stable value
portfolio yield to track the general direction of interest rate
changes without the day-to-day price volatility of traditional bond portfolios. The result is displayed on Graph Two (below)



## Reviewing The DAP Investment Options

THE MODEL PORTFOLIOS - The model portfolios have been created for the participant who does not want to
determine his or her own account asset allocation. The DAP Board of Directors has provided an appropriate asset allocation of the DAP investment options based on varying degrees of risk. Rebalancings occur periodically to maintain the target allocations for the options and models.


Investment Objective
This model is designed to provide balanced long-term asset allocation suitable for a majority of participants. The objective of this portfolio is capital growth and income. 35 percent of the assets is invested in the Stable Value Fund. 65 percent of this portfolio is diversified among the various equity funds.

Growth of \$10,000


## The Aggressive Model

Investment Objective
This model is suitable for younger articipants and those who are willing to accept more risk and higher volatility in thei investments. The objective of this portfolio is capital accumulation. 80 percent of its assets is allocated to equities. The Aggressive Model takes above-average risk in an attempt to achieve its goal of above-average returns.


THE INVESTMENT OPTIONS - The DAP Board of Directors applies their investment expertise and careful analysis to select a diversified group of managers that fit the objective for each of the following investment options.

## Stable Value Fund Investment Objective

This option is designed to provide investors with a return comparable to that of high quality bonds with less volatility. It invests in a combination of traditional investment contracts, security-backed investment contracts, actively managed bonds, CDs and cash. The benchmark is the Lehman Brothers 1-3 Year Govt./Treasury Index.

Growth of \$ 10,000
 investment managers. These value managers look for large or mid-cap stocks inat are factors such as the company's assets, sales, earnings, book value, growth potential, cash earnings, book value, growth potential, cash companies in the same industry. The companies in the same industry. The
benchmark is the Russell 1000 Value Index.
 ent Objective
This option is invested in a portfolio of equity securities. The investment objective is to closely approximate the capitalization weighted total rate of return of publicly traded securities represented by the 3000 largest companies. The benchmark for this option is the Russell 3000 Index.


Performance


Investment Objective
This option contains funds whose managers invest in stocks from companies with higher historical or expected growth rates in sales or earnings. The primary objective is capital apreciation The benchark for this option is option is the Russell 1000 Growth Index.

## International Stock Fund

Investment Objective
This option contains funds whose managers invest in securities across world markets. The primary objective is long-term growth of capital through a diversified portfolio of world market securities. Investment is in common stocks of foreign and some US companies. The benchmark for this option is the MSCI EAFE Net Dividend Index.


Growth of \$10,000


Performance


## Investment Objectiv

This option contains portfolios that typically include growth and value stocks of small to medium companies. The primary objective is capital appreciation through investment in equity securities that have significantly
better-than-average prospects for appreciation. Funds in this category tend to be more volatile than other equity investments. The benchmark for this option is the Russell 2000 Total Index.


Performance 3 HEADS UP JANUARY 2008

