

Heads Up

The Directed Account Plan Quarterly Review

October 2006

Thirteen Years Old ... and Going Strong!

by: Joe Montanaro - Executive Director

I had the privilege to address the TARPA Group a few weeks ago in San Francisco (a great gathering, go to www.tarpa.com for information on the next one). My audience was mostly pilot retirees or their beneficiaries who depend on the DAP for a monthly distribution. I have been giving TARPA an annual review since 1992 when I introduced our innovative retirement plan. This year was different since it will be my last year as Executive Director. This article is to share with you some of the points made in my review.

First, the plan is in very good shape. We have approximately one billion dollars in assets with 2,335 participants at the beginning of 2006. Plan performance (see back page) continues to be good and expenses remain under control. The average expense of the Directed Account Plan is around 65 basis points (.65 of one percent). That expense (which includes operations, administrative, and investment fees) varies depending on which option you are invested in but remains very competitive when compared with outside investment products.

The transition of my job will be seamless to the plan participants. I will be replaced by Captain Marty Zygmund, former Ozark/TWA Captain now with American Airlines. Marty presently serves as Chairman of the DAP Board of Directors. Marty will be replaced as Chairman by Captain Vince Lombardi, former TWA Captain and now with JetBlue. I will move to the Board as a Pilot Member representative so there will be no change in the personalities around the Board of Director's table. This is important since the Board has the fiduciary responsibility for the selection and monitoring of investment managers and all service providers for the DAP. The quarterly Board meetings are documented for review by auditors. The DAP Board composition is two pilot members, two plan sponsor members, and three "outside" members chosen from the investment community in order to bring their expertise to the DAP for the benefit of the participants. It has worked well for over thirteen years. I reported to TARPA that the change of roles triggered by my retirement will not effect the operation of the DAP. The shift of positions has opened up the need for an

Alternate Pilot Member to serve on the Board (See article on back page). I reviewed the plan performance with the group (see back page) and emphasized how well the Moderate Model Portfolio has served our retirees.

One of Many Moderate Model Success Stories

Captain John Doe

July 1993 Balance in DAP \$459,134

Total Distributions \$513,500

(158 @ \$3,250 = \$39,000/year; that is 8.5% of his starting balance)

September 1, 2006 DAP Balance \$600,297

Approximately 1,120 Retirees Receive Monthly Distributions

I think the success of Captain John Doe with the Moderate Portfolio answers the questions of whether you need an annuity or a different IRA instead of your DAP. Remember, his success came without a single transfer, a single call to the service center, or one investment decision since he decided in 1993 to stay in the DAP and in the Moderate Model Portfolio which is where we started everyone!

Looking back over the years since the TWA Pilots ALPA MEC (Oct. 1991) assigned Ken Turk and me the task of bringing a Directed Account Plan to the TWA Pilots, it has been a very rewarding journey. Many have a financial security that may not have been possible under the old "B" Plan. Over the years I have worked with dozens of spouses and children of deceased TWA Pilots who now have a DAP balance that would not have been available under the old rules prior to the DAP. I truly believe that many have been well served by the model portfolios we created and our Board has worked so hard to make effective. I have been privileged to serve the TWA Pilots and their families during a great second career. It has been the best education and I thank all of you for the opportunity. Call me at 314-739-7373 to answer any of your concerns about the transition or the Plan. I will be at the office until March 31, 2007.

The Directed Account Plan Board of Directors - 2006

Captain Marty Zygmund	Chairman – Active Pilot, American
Captain Vince Lombardi	Pilot Member – Active Pilot, Jet Blue
Mr. Dennis Pierce	CEO, Community America Credit Union
Mr. Jeff Kline	President/COO, Community America Credit Union
Mr. Britt Harris	Former President, Verizon Investment Management Co.
Mr. Don Phillips	Managing Director, Morningstar, Inc.
Ms. Ruth Hughes - Guden	Senior Relationship Manager, Invesco

Performance

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Fund Performance

as of September 30, 2006

Funds & Portfolios	2004	2005	Ytd 2006	3 yr. avg.	5 yr. avg.	10 yr. avg.
Stable Value Fund	4.89%	5.41%	3.86%	5.10%	5.12%	5.84%
Lehman Br. 1-3 yr. Govt./Treas.	1.07%	1.73%	3.11%	2.02%	2.93%	4.89%
Value Stock Fund	15.21	6.56	7.51	14.71	10.34	10.56
Russell 1000 Value Index	16.49	7.05	13.19	17.25	10.73	11.20
Equity Index Fund	11.96	6.16	7.93	12.96	8.04	8.38
Russell 3000 Index	11.95	6.12	8.02	13.00	8.08	8.70
Growth Stock Fund	13.62	9.68	-0.78	11.33	7.20	6.25
Russell 1000 Growth Index	6.30	5.26	2.97	8.35	4.42	5.45
International Stock Fund	17.38	18.92	13.03	21.85	15.39	9.31
MSCI EAFE Net Dividend	20.25	13.54	14.49	22.32	14.26	6.82
Div. Small Co. Stock Fund	15.19	5.30	5.59	13.93	12.00	9.85
Russell 2000 Index	18.33	4.55	8.69	15.48	13.78	9.06
Conservative Portfolio	8.41	5.80	5.62	8.73	6.97	7.55
Conservative Composite Index	6.33	3.67	6.11	7.26	5.52	6.91
Moderate Portfolio	11.17	7.79	5.50	11.37	8.70	8.37
Moderate Composite Index	9.44	5.18	7.03	10.28	7.31	7.10
Aggressive Portfolio	12.94	8.37	6.46	13.23	9.90	8.94
Aggressive Composite Index	12.13	6.05	8.16	12.64	8.97	7.61

An Opportunity to Serve the Directed Account Plan

The Directed Account Plan Board is seeking applicants for the Alternate Pilot Board Member position. Applicants must be a former TWA pilot and have a balance in the DAP to qualify for this position. Investment experience and education is important and will be considered in the selection process.

This individual serves as the alternate to the two Pilot Board Members who represent the Directed Account Plan participants. The Pilot Board Members' duty is to help oversee the Plan by utilizing their investment education and experience to insure that the participants are well served. Since this is an alternate position, this individual will train under the Pilot Board Members. In the event that an existing Pilot Board Member needs to be replaced, this individual will be considered for the vacancy.

Please contact the Plan Office at 314-739-7373 or email twadap@swbell.net to request a complete job description. Interested applicants should send a resume and short statement of interest in the position to:

Email - twadap@swbell.net
Mail - The Directed Account Plan
3221 McKelvey Road Ste. 105
Bridgeton, MO 63044

More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the DAP Service Center telephone voice response system, available 24 hours a day. Customer service representatives are available 8:30 am to midnight, Eastern time Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) or dial the AT&T direct country code and 877-833-9900 (call collect) outside the U.S. Use Social Security number and PIN to access your account.

The intent of this communication is to provide useful information, not investment advice. Each participant in The Directed Account Plan is ultimately responsible to make his or her own investment decisions.

Fund Component Weighting

These tables represent component weightings for individual investment funds as of September 30, 2006.

	Weightings	Net Value of Funds (\$MM)
Stable Value Fund		\$326.5
Cash/BGI Money Market	15%	
PRIMCO GIC	45%	
Wellington Core Bond	40%	
Value Stock Fund		56.5
BGI Value Index	20%	
Neuberger Berman Regency	20%	
Morgan Value Strategy	20%	
Goldman Sachs Mid Cap Value	15%	
T. Rowe Price Value	15%	
CGM Focus	10%	
Equity Index Fund		25.7
BGI US Equity Index	100%	
Growth Stock Fund		29.5
BGI Growth Index	40%	
Wellington Mid Cap Opport.	20%	
Turner Mid Cap Growth	20%	
Marsico Focus	20%	
International Stock Fund		40.8
BGI EAFE Index	14%	
Am Century Instl. Intl. Disc.	10%	
Am Century Instl. Intl. Growth	10%	
Templeton Instl. Foreign Equity	12%	
First Eagle Overseas	12%	
Oppenheimer Intl. Sm. Co. A	10%	
Thornburg Intl. Value	12%	
Marsico Intl. Opportunities	12%	
Dimensional Em. Mkts. Value	8%	
Diversified Small Co. Stock Fund		50.0
BGI Small Co. Index	30%	
Dimensional US Micro Cap Port.	15%	
Royce Opportunity	15%	
Legg Mason Opportunity	10%	
Century Small Cap Select Instl.	15%	
Third Avenue Small Cap Value	15%	
Conservative Portfolio		51.4
Moderate Portfolio		302.3
Aggressive Portfolio		24.5
Fidelity Funds Window		82.4
Total		\$989.6

Information was provided by The Directed Account Plan.
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The Directed Account Plan
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044-2551
314-739-7373
Informational Web Site: www.4twadap.com
Interactive Web Site: www.401k.com