



DAP
A lifelong retirement plan

Heads Up

Directed Account Plan Quarterly Review

October 2012

Dividend Income in the DAP Model Portfolios

This past month, the Federal Reserve announced it was launching QE3 with another round of bond buying and a commitment to keep interest rates near zero for the next three years. The Fed's continued policy of interest rates at or near zero have made dividend paying stocks increasingly popular as investors search for a way to generate additional income from their portfolios. Dividend paying stocks offer in some instances, higher yields than current bond yields, bank CDs and money market funds with the potential for future increases in the dividends as well as the potential for capital growth. However as with all investments, "There is no free lunch." With this shift from fixed income investments to dividend-paying stocks, investors are adding more risk to their portfolios.

The ability to purchase individual dividend-paying stocks is not available through the Directed Account Plan. However DAP participants have the ability to generate dividend income and participate in capital growth through any of its five Equity Options or through various mutual funds offered in the Fidelity Mutual Fund Window/Brokerage Option. Another great way to participate in equity dividends, the growth of those dividends, and the potential for capital growth but at a reduced risk level, is through the DAP Model Portfolios. We've outlined the dividend yield, along with the annualized ten-year return, of the four Model Portfolios below in chart one. In the graph that follows, we've also shown the risk/return for the DAP's Model Portfolios and that of the S&P 500. We've displayed the S&P 500 as it represents 75% of the stock market and has a current yield of 1.94% as of 9/24/2012.

Some would say with the Stable Value yielding 3.34% and that yield not expected to change appreciably in the foreseeable future, why not just keep all my funds invested in Stable Value. For some participants this may be a viable strategy, but for those that know their portfolios will not only need current income but the potential to grow in the future to offset the effect of inflation, the Models are an excellent choice. Their ten-year returns through two large market declines, dividend yields, and most importantly constant rebalancing, offer an excellent way to have a good risk-adjusted portfolio.

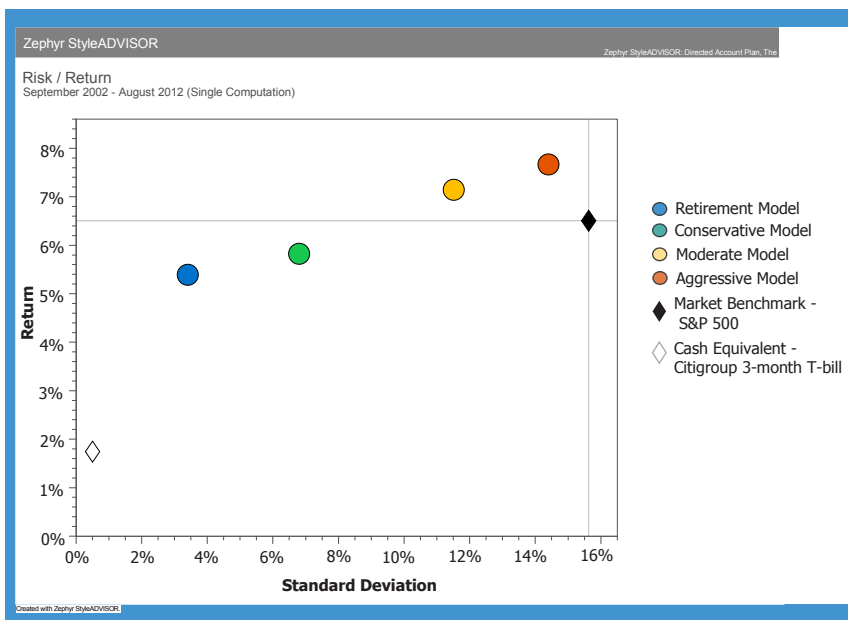
- Marty Zygmund
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Chart One: Ten Year Annualized Returns and Dividend Yields for the DAP Model Portfolios (as of August 31, 2012)

	Annualized 10 Year Return	Current Dividend Yield*
Retirement Model (80% Stable Value, 5% Value Stock, 10% Equity Index, 5% Intl. Stock)	5.13%*	3.03%
Conservative Model (60% Stable Value, 20% Value Stock, 20% Equity Index)	5.83%	2.64%
Moderate Model (35% Stable Value, 15% Value Stock, 15% Equity Index, 15% Growth Stock, 10% Intl. Stock, 10% Div. Sm. Co. Stock)	7.14%	1.93%
Aggressive Model (20% Stable Value, 15% Value Stock, 15% Equity Index, 15% Growth Stock, 10% Intl. Stock, 20% Div. Sm. Co. Stock)	7.67%	1.57%

* notes: The inception of the Retirement Model was May 2010. To create an annualized ten year return, we calculated a blend using the target allocation of the Retirement Model.

Graph One: Risk/Return Graph of the DAP Model Portfolios compared to the S&P 500 over a ten-year time period



* note: The inception of the Retirement Model was May 2010. To create an annualized ten year return, we calculated a blend using the target allocation of the Retirement Model.



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Performance

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Fund Performance

as of September 30, 2012 (in percentages)

Funds & Portfolios	2009	2010	2011	Ytd 2012	3 yr. avg.	5 yr. avg.	10 yr. avg.
Stable Value Fund	3.02	3.88	3.63	2.34	3.59	3.73	4.39
BC 1-3 Yr Gvt/Treas	1.41	2.40	1.56	0.44	1.49	2.94	2.92
Value Stock Fund	33.41	16.85	-8.33	14.49	8.89	-1.58	8.45
Russell 1000 Value Index	19.69	15.51	0.39	15.75	11.84	-0.90	8.17
Equity Index Fund	28.29	16.92	0.86	16.04	13.14	1.24	8.38
Russell 3000 Index	28.34	16.93	1.03	16.13	13.26	1.30	8.49
Growth Stock Fund	37.93	19.77	-3.31	15.49	12.58	1.96	9.40
Russell 1000 Growth Index	37.21	16.71	2.64	16.80	14.73	3.24	8.41
International Stock Fund	48.16	17.18	-16.36	10.59	4.18	-3.86	9.99
MSCI EAFE Net Dividend	31.78	7.75	-12.14	10.08	2.12	-5.24	8.20
Div. Small Co. Stock Fund	35.51	26.60	-5.13	15.37	12.61	2.27	9.89
Russell 2000 Index	27.17	26.85	-4.18	14.23	12.99	2.21	10.17
Retirement Portfolio	n/a	3.93	1.87	4.77	n/a	n/a	n/a
Retirement Composite Index	n/a	4.77	0.77	3.25	3.22	2.17	4.01
Conservative Portfolio	14.30	9.46	0.99	7.49	6.89	2.85	6.40
Conservative Composite Index	10.45	7.93	1.22	6.64	5.91	1.84	5.08
Moderate Portfolio	24.52	14.15	-2.33	10.42	8.50	2.17	8.03
Moderate Composite Index	19.18	11.67	-0.48	9.89	8.01	1.27	6.62
Aggressive Portfolio	30.20	16.93	-4.33	12.18	9.33	1.63	8.82
Aggressive Composite Index	23.27	14.38	-1.73	11.75	9.19	0.79	7.61

Fund Component Weighting

This table represents component weightings for individual investment funds as of September 30, 2012.

	Weightings	Net Value of Funds (\$MM)
Stable Value Fund		\$280.1
BlackRock Instl. Money Market Fund/CDs	14%	
Invesco Interest Income	46%	
Wellington Core Bond	40%	
Value Stock Fund		26.8
BlackRock Value Index	20%	
Neuberger Berman Large Cap Value	20%	
T. Rowe Price Value	20%	
JP Morgan Equity Income	15%	
Goldman Sachs Mid Cap Value Instl.	15%	
Sequoia	10%	
Equity Index Fund		17.6
BlackRock US Equity Index	100%	
Growth Stock Fund		20.4
BlackRock Growth Index	20%	
Marsico Focus	20%	
Wellington Mid Cap Opportunities	10%	
Turner Mid Cap Growth	10%	
T. Rowe Price Growth Stock	20%	
Primecap Odyssey Growth	20%	
* International Stock Fund		15.1
BlackRock EAFE Index	22%	
Templeton Intl. Foreign Equity	12%	
Thornburg International Value	12%	
Marsico International Opportunities	12%	
MFS International Value	10%	
Am Century International Growth	10%	
Dimensional Emerging Markets Value	8%	
Royce Global Value	6%	
TCW International Small Cap	8%	
Diversified Small Co. Stock Fund		30.8
BlackRock Small Co. Index	35%	
Dimensional US Micro Cap Portfolio	15%	
Royce Opportunity	15%	
Brown Capital Mgmt. Small Co. Instl.	15%	
Buffalo Small Cap	10%	
Lockwell Small Cap Value	10%	
Retirement Portfolio		16.0
Conservative Portfolio		71.0
Moderate Portfolio		171.4
Aggressive Portfolio		24.3
Fidelity Funds Window		62.6
Total		\$736.1

* The target allocation for the International Stock Option is reported as of 10/1/12 - MFS International Value was added on this date.

DAP Plan News

Update on Evaluation of the DAP Stable Value Option

The previous July Heads Up newsletter addressed the changes that have surfaced in the Stable Value arena. We talked about the Stable Value composition and how the insurance contracts (wrappers) function within the Stable Value Option. We addressed the rising costs of wrappers and the shortage of wrap providers that has driven a re-evaluation of this popular option in 401(k) plans. The incorporation of a Hybrid Fund was introduced as a possible alternative with graphs showing historical one-month returns and daily navs for this type of fund. As we had communicated, your Board of Directors addressed this issue in their third quarter board meeting.

The Board listened to presentations from Invesco - our current Stable Value Manager as well as presentations from Hybrid Fund providers. The Board decided that there would be no changes to the DAP Stable Value Option at this time. They will continue to monitor the performance and market environment for this option and we will continue to keep you posted in future Heads Up issues.

Manager Change in the International Stock Option

The American Century International Discovery Fund was replaced with the MFS International Value Fund in the International Stock Option. The Board conducted a manager search and believes that this change will enhance the performance of this option. The new target allocation, effective 10/1/12, is shown in the Fund Component Weighting table on this page.

Past performance is no guarantee of future results.

Asset allocation and diversification do not ensure a profit or guarantee against loss.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

Investing involves risk, including risk of loss. Generally, among asset classes, stocks are more volatile than bonds or short-term instruments.

Foreign investments involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

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 a.m. to midnight Eastern time Monday through Friday (excluding New York Stock Exchange holidays). 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 your 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.

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