

**SETTLEMENT AGREEMENT BETWEEN THE SECRETARY OF LABOR  
AND CONSULTING SERVICES GROUP, LLC,  
TRADING SERVICES GROUP, INC., AND JOE DAVID MEALS**

THIS SETTLEMENT AGREEMENT ("Agreement"), entered into as of the 13<sup>th</sup> day of February, 2009, by and between the Secretary of the United States Department of Labor ("the Secretary"), and Consulting Services Group, LLC ("CSG"), Trading Services Group, Inc. ("TSG"), and Joe David Meals ("Meals"), fully and finally resolves and settles the Secretary's claims arising from the Secretary's investigation of the services they provided to employee benefit plans covered by the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001, et seq.;

**WHEREAS**, the Secretary is responsible for the administration and enforcement of Title I of the ERISA;

**WHEREAS**, based on her investigation, the Secretary contends that from 2002 to 2006, CSG, TSG and Meals may have violated provisions of Title I of ERISA by allegedly receiving undisclosed and unauthorized compensation and failing to timely provide promised commission rebates to certain employee benefit plans covered by ERISA ("Client Plans");

**WHEREAS**, without admitting or denying the Secretary's allegations, CSG has improved its disclosures and procedures and CSG, TSG and Meals have agreed to the relief specified in this Agreement in order to address issues raised by the Secretary in the investigation;

**NOW THEREFORE**, in consideration of the mutual covenants recited herein and other valuable and sufficient consideration, the adequacy of which is acknowledged, the parties agree as follows:

## I. DISCLOSURES

A. Defendants agree to discharge their duties to all ERISA-covered employee benefit plans ("ERISA Plans") to which they provide services, now or in the future, in compliance with ERISA and all regulations promulgated by the Secretary, including but not limited to any regulations regarding the disclosure of fees, and agree not to take any action in the discharge of such duties that is inconsistent with their full compliance with ERISA and such regulations or with the terms of this Agreement.

B. CSG agrees not to provide services to any ERISA Plan without entering into a written agreement, contract or letter of understanding (regardless of form, hereafter referred to as "contract") with that ERISA Plan, specifying the services that are included in the contract. Before the contract is entered into, extended or renewed, CSG agrees to disclose in writing all of the information required by this Agreement to the fiduciary(ies) with authority to cause the ERISA Plan to enter into, extend or renew the contract ("ERISA Plan fiduciaries").

C. All contracts with ERISA Plans shall contain a provision stating that the person executing the contract on behalf of the ERISA plan has read the contract in its entirety and understands its provisions.

D. All contracts with ERISA plans shall state whether CSG or any affiliate will act as a fiduciary to the Plan, either within the meaning of ERISA § 3(21), 29 U.S.C. § 1103(21), or under the Investment Advisers Act of 1940, when providing services under the contract. If so, the contract will specify the services to be provided as a fiduciary.

E. The manner in which compensation or fees are expressed in the contract shall contain sufficient information to enable the responsible ERISA Plan fiduciaries to evaluate the

reasonableness of the compensation received by CSG. Every contract with an ERISA Plan must include, at a minimum, the following:

- (1) a description of all compensation and fees received, in any form, by CSG, from any source, related to the services provided to the ERISA Plan;<sup>1</sup>
- (2) a description of all compensation and fees received, in any form, by any affiliate of CSG;
- (3) if compensation or fees cannot be disclosed in specific monetary amount, a description of the compensation or fees using a formula, a percentage of the ERISA Plan's assets, or a per capita charge for each participant or beneficiary;
- (4) whether CSG or any affiliate expects to participate in, or otherwise acquire a financial or other interest in, any transaction to be entered into by the ERISA Plan in connection with the contract or arrangement (except to the extent that a description of fees or compensation was made previously in accordance with paragraphs I. (E)(1) and (E)(2) above), in which case the contract shall also contain a description of the transaction and CSG's participation or interest therein; and

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<sup>1</sup>For purposes of this Agreement, "Compensation or fees" include money or any other thing having more than nominal monetary value, including gifts, awards, and trips, received, or to be received, directly from the plan or plan sponsor or indirectly (i.e., from any source other than the plan, the plan sponsor, or the service provider) by the service provider or its affiliate in connection with the services to be provided pursuant to the contract or arrangement or because of the service provider's or affiliate's position with the plan. An "affiliate" of a service provider is any person directly or indirectly (through one or more intermediaries) controlling, controlled by, or under common control with the service provider, or any officer, director, agent, or employee of, or partner in, the service provider. Examples of compensation or fees that are covered by this definition include, but are not limited to: gifts, awards, trips for employees, research, finder's fees, placement fees, commissions or other fees related to investment products, sub-transfer agency fees, shareholder servicing fees, Rule 12b-1 fees, soft dollar payments, float income, fees deducted from investment returns, fees based on a share or gains or appreciation of plan assets, and fees based upon a percentage of the Plan's assets.

(5) the manner of receipt of all compensation and fees, including: whether the service provider will bill the plan, deduct fees directly from plan accounts, or reflect a charge against the plan investment; how any prepaid fees will be calculated and refunded when a contract or arrangement terminates; and an explanation of any pre-paid fees, how such fees are calculated, how such fees are refunded, and if necessary, how such fees are charged to the ERISA Plan.

F. If, before the contract is entered into, compensation or fees are disclosed using a formula or other alternate manner as described above, CSG must, on a quarterly basis, disclose to the ERISA Plan fiduciaries the actual monetary compensation or fees received from any source in connection with transactions involving ERISA plan assets.

G. Before entering into any contract with an ERISA Plan, CSG shall inform the responsible Plan fiduciaries of CSG's relationships or interests that may raise conflicts of interest for CSG in its performance of services for the Plan. The contract (or exhibits thereto) must explain all such relationships and all actual or potential indirect sources of compensation that could impact the manner in which CSG performs services. Every contract (or exhibits thereto) with an ERISA Plan must include, at a minimum, the following:

(1) a description of any material financial, referral, or other relationship with money managers, brokers, other ERISA Plan service providers, other clients of CSG, or any other entity that creates or may create a conflict during the provision of services by CSG under the contract, with disclosure of such relationships made to the extent that a reasonable ERISA Plan fiduciary would consider relationship significant during the prudent evaluation of CSG as potential service providers; and

(2) whether CSG or any affiliate will have the ability to affect its own compensation or fees, from whatever source, without the prior approval of an independent fiduciary of the ERISA Plan, in connection with the provision of services pursuant to the contract.<sup>2</sup>

H. The contract shall require CSG to disclose to the ERISA Plan fiduciaries any material changes to the information disclosed in the contract, whether new, existing or terminated, including but not limited to compensation or fees and conflicts of interest on a quarterly basis and in no event later than ninety (90) days of when CSG acquires knowledge of the material change.

I. Whenever CSG recommends to an ERISA Plan any investment or transaction (except to the extent that a description of fees or compensation was made previously in accordance with paragraphs I.(E)(1) and (E)(2) above), in which CSG or any affiliate expects to participate or expects to acquire a financial or other interest, or for which CSG or any affiliate will receive commissions or other payment, CSG must disclose in writing to the ERISA plan fiduciaries (1) a description of the investment or transaction and the participation or interest of CSG therein; (2) a description of all compensation and fees received, in any form, by CSG, from any source, related to the investment or transaction; and (3) a description of all compensation and fees received, in any form, by any affiliate of CSG relating to the investment or transaction.

## **II. OTHER PROCEDURES AND CONTROLS**

A. CSG agrees to adopt procedures and controls to ensure that its record keeping for ERISA Plans is accurate and complete and to insure that its invoices clearly and correctly reflect services provided to, costs incurred by, and credits or other monies owed to ERISA Plans. CSG

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<sup>2</sup> For example, but not by way of limitation, CSG shall disclose whether CSG will receive incentive, performance-based, float, or other contingent compensation, in which case CSG shall include in the contract a detailed description of the nature and form of payment of such compensation.

will take, at a minimum, the following steps with regard to all new and all existing ERISA Plan clients:

(1) Before entering into, renewing or extending any contract with an employee benefit plan, CSG will determine whether the prospective client is an ERISA Plan. CSG agrees to include in its contracts with ERISA Plans a requirement that each ERISA Plan provide within 10 (ten) days a copy of the plan document and most recent Form 5500. Upon entering into any contract with an ERISA Plan, CSG will request in writing a copy of the relevant Plan Document and a copy of the most recent Form 5500 if CSG has not already received them.

(2) CSG will enter into a separate contract for each ERISA Plan to which it provides services. A contract with an ERISA Plan may not be included in or "bundled" with a contract with the ERISA Plan's sponsor, any party in interest to the ERISA Plan, or any other person or entity.

(3) CSG will bill each ERISA Plan separately, regardless of affiliations.<sup>3</sup> To the extent that rebates are included on billing invoices to ERISA Plans, such rebates shall be clearly and separately identified as to amount and source to enable the responsible Plan fiduciaries to evaluate the reasonableness of the compensation received by CSG.

B. CSG and TSG shall ensure that all ERISA Plans receive (i) all amounts due under any commission recapture program, and (ii) 100% (one hundred percent) refund of all other consideration that CSG or TSG receives from third parties in connection with transactions involving the assets of the ERISA Plans.

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<sup>3</sup> For example, and not by way of limitation, ERISA Plans will not be invoiced together with the plan sponsor, and ERISA Plans related under a common plan sponsor will not be invoiced together.

C. CSG agrees to refrain from making inaccurate or misleading statements or inferences in marketing materials, correspondence or other documents, including but not limited to claims relating to rebates or "recaptures" of commissions and to the entities participating in rebates or the recapture program, except to the extent that it provides such rebates or "recaptures" of commissions in the manner and to the extent described in the foregoing documents.

D. To the extent that it has not done so already, TSG will establish, within 90 (ninety) days of date of this Agreement, written procedures relating to: TSG's fee and commission structure, its fee rebate program and commission recapture program, and its record keeping and billing practices. These written procedures will state, at a minimum, how the fees to be rebated to ERISA Plans are identified and handled and what steps are taken to ensure that its record keeping and billing practices are uniform and accurate. To the extent that it has not done so already, CSG will establish, within ninety (90) days of the date of this Agreement, written procedures relating to how CSG's investment consultants are compensated and what steps are taken to ensure that its record keeping and billing practices are uniform, accurate and designed to enable ERISA Plan fiduciaries to determine the reasonableness of CSG's compensation.

E. Within ninety (90) days of the date of this Agreement, CSG shall provide its investment consultants with a summary of the policies and procedures for ERISA clients relevant to investment consultants' job performance and shall hold a mandatory seminar for its investment consultants to review the relevant policies and procedures. Each investment consultant shall execute a written acknowledgement of receipt of the summary. Each new investment consultant hired by CSG will be provided a copy of the summary within ten (10) days of the first day of employment and shall execute a written acknowledgment of receipt of such summary. For purposes of this Agreement, "investment consultants" includes all CSG

employees who provide any investment advice to ERISA Plans. Copies of such written acknowledgements shall be maintained by CSG and provided to the Department of Labor upon request and without a subpoena.

F. Defendant Meals, to the extent that he serves as an investment consultant or otherwise provides investment advisory services, whether as an employee or consultant of CSG or in any other capacity, will not, directly or indirectly, individually or through any entity or any other person:

- (1) serve or act, for compensation or otherwise, as an ERISA compliance officer;
- (2) possess or exercise any supervisory authority over CSG financial consultants who provide services to any ERISA Plan;
- (3) exercise discretionary authority or discretionary control respecting management of an ERISA plan or disposition of its assets;
- (4) violate or participate in any violation of ERISA.

### **III. MONETARY RELIEF**

A. CSG has paid \$244,704.78 (Two Hundred Forty Four Thousand Seven Hundred Four Dollars and Seventy-Eight Cents) to Client Plans, had \$30,430 (Thirty Thousand Four Hundred and Thirty Dollars) of fees or other compensation that it or its affiliate received reversed by the entity paying the sums to CSG or its affiliate, and has credited \$2,668 (Two Thousand Six Hundred and Sixty Eight Dollars) against fees due on its client's account for a total of \$277,802.78 (Two Hundred Seventy Seven Thousand Eight Hundred and Two Dollars and Seventy-Eight Cents) that CSG or its affiliate has paid, reversed or credited to fully settle the Secretary's claims as described above (collectively, the "Settlement Amount").



B. CSG will be assessed a penalty under ERISA § 502(l), 29 U.S.C. § 1132(l), in the amount of ten percent (10%) of the Settlement Amount, which is \$27,780.28 (Twenty Seven Thousand Seven Hundred Eighty Dollars and Twenty-Eight Cents) ("Penalty Amount"), in connection with the settlement of this case. CSG waives the notice of assessment and service requirement of 29 C.F.R. § 2570.83, and, within ten (10) days of the date of this Agreement, will pay the Penalty Amount to the U.S. Department of Labor by sending a certified or cashier's check via regular mail to:

U.S. Department of Labor  
ERISA Civil Penalty  
P.O. Box 70942  
Charlotte, NC 28272-0942

or via overnight courier (e.g., Federal Express) to:

U.S. Department of Labor  
QLP Wholesale Lockbox - NC0810  
Lockbox # 70942  
1525 West WT Harris Blvd  
Charlotte, NC 28262

The check will be made payable to the United States Department of Labor and will reference EBSA Case No. 40-019327. The payment of this Penalty Amount is not tax-deductible.

C. Within twenty (20) days of the date of this Agreement, CSG will provide proof of the payments, reversals and credit constituting the Settlement Amount (to the extent not previously provided) and the Penalty Amount to the Secretary. Such proof may include copies of checks or other documents evidencing the payments made, copies of the check sent with respect to the Penalty Amount, correspondence or an affidavit confirming the reversals and an invoice reflecting the credit. Any proof provided under this paragraph will be sent to the Secretary's representative at the following address:

Rebecca C. Marshall, Regional Director  
Employee Benefits Security Administration  
61 Forsyth Street, SW  
Atlanta, GA 30303

#### IV. OTHER TERMS

A. This Agreement is a binding contract and all parties hereto are bound to perform hereunder. The respective obligations of CSG, TSG and Meals and the Secretary hereunder will be binding upon each of them and their respective successors and assigns, and the obligations of each will be fully enforceable by the other. CSG, TSG and Meals and the Secretary waive any challenge that any of them may have to the enforceability of this Agreement.

B. With respect to any action under Title I of ERISA against CSG, TSG and Meals, the running of the statute of limitations contained in ERISA § 413, 29 U.S.C. § 1113, will be tolled through and until such time as the Secretary\* acknowledges in writing through counsel that CSG has presented sufficient proof pursuant to paragraph III. C of this Agreement that it has satisfied its obligations under Paragraphs III. A and B of this Agreement. CSG, TSG and Meals will not assert in any manner the defense of statute of limitations, the doctrines of waiver, laches, or estoppel, or any other matter constituting an avoidance of the Secretary's claims that is based on the time within which such action was commenced by the Secretary. This document may be introduced as evidence of tolling in any such action brought by the Secretary against CSG, TSG and Meals. Not later than 60 (sixty) days after the signing of this Agreement, the Secretary's counsel will advise CSG, TSG and Meals whether they have has presented sufficient proof pursuant to paragraph III. C of this Agreement that they have satisfied their obligations under Paragraphs III. A and B of this Agreement. If CSG, TSG and Meals have presented such proof, the Secretary's counsel will promptly so acknowledge in writing.

C. No Party to this Agreement by executing this document waives any defense based on the statute of limitations, the doctrines of waiver, laches, or estoppel, or otherwise based on timeliness that may have arisen prior to the execution of the first tolling agreement executed by the Secretary and CSG, TSG and Meals or that may arise after the expiration of this Agreement.

D. The Secretary hereby releases CSG, TSG and Meals from all civil actions, claims and demands arising under ERISA that relate in any manner to the Secretary's investigation and/or allegations as described in this Agreement.

E. CSG, TSG and Meals and, as applicable, their agents, employees, representatives, assigns and successors in interest, do hereby release the Secretary and her officers, agents, attorneys, employees, and representatives, both in their individual and governmental capacities, from all actions, claims and demands of whatsoever nature, including those arising under the Equal Access to Justice Act or any statute, rule or regulation, that relate in any manner to the Secretary's investigation and/or allegations as described in this Agreement.

F. If any provision of this Agreement is declared null and void, such provision will be considered separate and apart from the remainder of this Agreement, which will remain in full force and effect.

G. This Agreement is not binding on any governmental agency other than the United States Department of Labor.

H. Each party to this Agreement will bear its own costs and fees in connection with this matter and any other proceeding or investigation incident thereto.

I. By entering into this Agreement, CSG, TSG and Meals represents that they have been informed by counsel of the effect and purpose of this Agreement and agree to be bound by its terms.

J. The parties agree that nothing in this Agreement constitutes a finding of liability by a court or an admission or denial of liability by any party and this Agreement reflects the parties' informal resolution of the matters contained herein without any administrative, civil or other proceeding being initiated against CSG, TSG or Meals.

K. The undersigned representatives each expressly acknowledge and represent that they are authorized and empowered to execute this Agreement on behalf of the parties represented and that they have fully disclosed any conflicts of interest relating to their representation for purposes of executing this Agreement.

L. The effective date of this Agreement is the date on which it is executed by the Secretary's duly authorized representative.

FOR THE SECRETARY OF LABOR:

Carol A. De Deo  
Deputy Solicitor for National Operations

TIMOTHY D. HAUSER  
Associate Solicitor  
Plan Benefits Security Division

RISA D. SANDLER  
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Office of the Solicitor

FOR CONSULTING SERVICES  
GROUP, LLC:

  
E. Lee Giovannetti, Chief Executive Officer

FOR TRADING SERVICES GROUP, INC.:

  
William H. Bessire, President

JOE DAVID MEALS:

