

# Commission Recapture Sample Prospect Package

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Commission Recapture Services offered through Russell Implementation Services Inc., a registered investment advisor and broker-dealer, member FINRA & SIPC.

Unless otherwise noted, source for the data in this presentation is Russell Implementation Services Inc.

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June 17, 2010

Mr. John Doe  
President & CEO  
ABC Company  
909 A Street  
Tacoma, WA 98443

Dear Mr. Doe,

Russell Implementation Services Inc. ("**Russell**") is pleased to welcome ABC Company, on behalf of ABC Company Pension Fund (the "**Fund(s)**"), as a commission recapture client. Russell understands that ABC Company Pension Fund is the legal name of the fund, which is entering into a commission recapture arrangement with Russell. You have selected July 1, 2010, as the starting date for these arrangements.

Russell is a registered U.S. broker-dealer and member of FINRA and SIPC. The money managers of participating commission recapture clients route securities transactions through the brokers included in the attached Network of Brokers (each, a "**Network Broker**" and collectively, the "**Network of Brokers**"). Through the rebates Russell has negotiated with brokerage firms, the Fund will receive credits equal to 75% net commissions on all trades executed within the Russell commission recapture program ("**Program**"). Russell will retain the other 25% of the net commissions. For purposes of the Program, "net commissions" are defined as that portion of commission sent to Russell from the Network Brokers. You may use the credits to pay bona fide expenses of the Fund or receive cash rebates on a quarterly basis with the wire instructions that you provide to us. Russell may change this credit percentage upon 10 days' written notice to you. For more information on the Russell's commission recapture program visit [www.russell.com/cr](http://www.russell.com/cr).

The Fund's first commission recapture brokerage order under the current or modified terms of the Program constitutes your acceptance of them. The Fund's money managers must assure themselves that each transaction is appropriate for the Fund, retain the responsibility to seek best execution, and are under no obligation to place any specific trades through the Program. This letter and the trade confirmations will satisfy the confirmation requirements of the U.S. Securities Exchange Act of 1934, as amended. You may terminate this arrangement at any time without penalty by giving written notice to Russell.

U.S. Federal Law requires us to obtain, verify and record information that identifies each person or entity that opens an account. As a result, when you open an account to purchase or sell securities with our firm, we will ask for the legal name of the Fund, principal place of business address and where applicable, an identification number, such as a Tax Payer ID number. Russell

may also ask to see other identifying documents that will allow us to identify and verify the Fund's account. We appreciate your cooperation.

By countersigning this letter below, you acknowledge that you are authorized to enter into this arrangement on behalf of the Fund. Russell looks forward to serving you and to providing the Fund savings on its transaction costs. If you have any questions, please contact – Andrew Brown - 253-439-4266.

Best regards,

Russell Implementation Services Inc.

*Agreed and Acknowledged:*

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David Rothenberg  
Managing Director

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John Doe  
President & CEO  
ABC Company, on behalf of  
ABC Company Pension Fund

Date

Manager Contact Name

Firm

Address 1

Address 2

City, State, Zip code

Subject: Commission Recapture Program for insert specific fund name(s)

Dear:

Client has entered into a Commission Recapture ("CR") agreement with Russell Investments ("Russell"), wherein Russell has agreed to provide Client with cash credits and other services. Russell is a U.S. registered broker-dealer and a member of FINRA and SIPC.

This letter is to instruct you to participate in our CR program. This participation involves two key elements: communication to brokers of the demand for CR and execution of orders with those brokers. To effectively comply with this instruction, please use the following guidelines:

1. Instruct participating brokers to set up CR accounts.
2. Route [e.g., 25%] of the equity commission and up to 100% of commissions incurred from cash flows in or out of the account through Russell's "Network of Brokers" (see enclosure). Designate which trades are for CR at the point of allocation.
3. As part of your broker review process with all brokers, clearly communicate that CR is a service that client is expecting, and that CR is part of the service mix that you wish to purchase on our behalf.
4. The commission rate paid on a CR transaction shall be no different than the rate you would normally pay on transactions done via a similar execution venue. Block trading orders shall not be precluded from trading in the CR program.
5. Your fiduciary duties under ERISA (if applicable) and the securities laws surrounding best execution practices are applicable on each trade. Russell's CR broker list contains a range of established and highly regulated brokerage firms. If you believe you are unable to trade at the targeted levels with the participating brokers in aggregate while complying with best execution requirements please provide us detailed records of your analysis to explain why this is the case.
6. Unsatisfactory executions should be brought to the immediate attention of Client and Russell. This information (or the lack of it) may be used to assess your ability to achieve best execution within the program.

This program is very important to us as it helps manage our commission and trade flow assets. Please feel free to call me or Russell's commission management client relationship team at (800) 426-8118 if you have any questions.

Sincerely,

Enclosure

cc: Andrew Brown, Russell Investments – fax: (253) 779-1339 – email: [afbrown@russell.com](mailto:afbrown@russell.com)  
Susan Pearson, Russell Investments – fax: (253) 779-1339 – email: [spearson@russell.com](mailto:spearson@russell.com)

# CR Program Responsibilities

There are 4 key players involved in a commission recapture (CR) program and each player has different responsibilities.

## Client Responsibilities

- Work with Russell to establish appropriate participation targets for each of your managers; prepare and send CR instruction letters to each of your managers annually; monitor manager participation vs. targets.
- Notify Russell of changes to your plan(s) (i.e., manager hires/terminations, custodian and plan name changes).
- Ensure that managers are clear that their participation in CR is important to you.
- Review CR statements provided by Russell.

## Russell Responsibilities

- Work with client to establish appropriate participation targets for each of your managers; prepare and send CR instruction letters to each of your managers; monitor manager participation vs. targets for exclusive clients.
- Notify clients and investment managers of program changes (i.e., broker network additions/removals).
- Send client CR statements and payments or pay bona fide fund expenses with commissions generated.
- Reconcile incoming trade detail activity reported by brokers and managers.
- Send monthly statements to brokers and managers; facilitate resolution of discrepancies.

## Manager Responsibilities

- Clearly communicate to brokers that CR is part of the service mix that you wish to purchase on your client's behalf.
- Establish CR accounts with participating brokers.
- Route the requested percentage (i.e. 25%) of the equity commission as instructed by your client through Russell's Network of Brokers. Designate which trades are to "Credit Russell" at the point of allocation.
- Send monthly CR trade detail file in Excel to Russell and the executing brokers used.
- Review monthly statement provided by Russell. Work with Russell and broker(s) to resolve discrepancies.

## Broker Responsibilities

- Send a daily and/or monthly trade file with corresponding payment to Russell.
- Review monthly CR trade detail file provided by the manager; research and resolve discrepancies.
- Research and resolve missing trades and cancel misdirected trades upon receipt of the monthly statement provided by Russell.

For more information contact Russell's commission management team at (800) 426-8118 or [CR@russell.com](mailto:CR@russell.com).

## Disclosures

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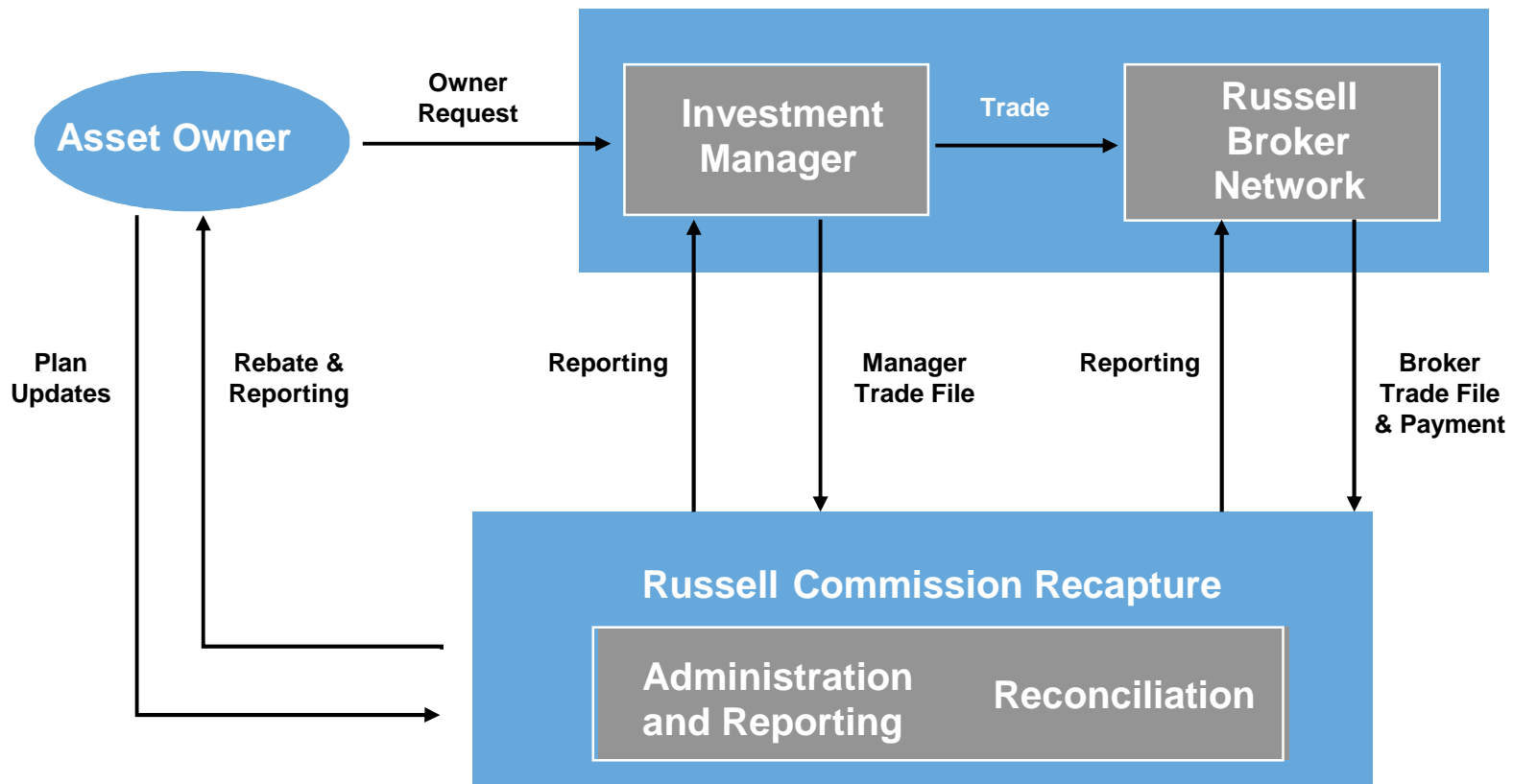
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Commission Recapture services are provided by Russell Implementation Services Inc.

First used: January, 2010.

RIS RC - 0665

# Commission Recapture mechanics



For illustrative purposes only.

# ABC Company

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Total
Beginning Balance	52,336	12,035	22,117	26,920	12,098	27,807	42,157	9,008	21,817	42,317	15,603	19,407	52,336
+ Commission Credits	12,035	10,082	4,802	12,098	15,709	14,350	9,008	12,809	20,500	15,603	3,804	3,174	133,974
(less) Payments	(52,336)	0	0	(26,920)	0	0	(42,157)	0	0	(42,317)	0	0	(163,730)
+ /(-) Journal Entries	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Ending Balance</b>	<b>12,035</b>	<b>22,117</b>	<b>26,919</b>	<b>12,098</b>	<b>27,807</b>	<b>42,157</b>	<b>9,008</b>	<b>21,817</b>	<b>42,317</b>	<b>15,603</b>	<b>19,407</b>	<b>22,581</b>	<b>22,581</b>

# ABC Company

Managers	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	YTD Total
Emerging Markets Manager	-	2,793.72	4,364.65	3,599.47	10,757.84
Global Equity Manager	-	-	-	3,566.78	3,566.78
US All Cap Manager	2,388.79	3,990.32	345.10	1,967.93	8,692.14
US Large Cap Manager	3,889.58	2,928.94	4,898.94	2,762.89	14,480.35
US Small Cap Manager	20,641.22	32,444.01	32,708.12	10,683.73	96,477.08
<b>Total Credits</b>	<b>26,919.59</b>	<b>42,156.99</b>	<b>42,316.81</b>	<b>22,580.80</b>	<b>133,974.19</b>

# ABC Company

Vendor	Amount	Month Paid	Invoice Reference	Detail
Russell - Commission Savings	(52,336.07)	JAN		RECAPTURE WIRE
Russell - Commission Savings	(26,919.59)	APR		RECAPTURE WIRE
Russell - Commission Savings	(42,156.99)	JUL		RECAPTURE WIRE
Russell - Commission Savings	(42,316.81)	OCT		RECAPTURE WIRE
<b>Total YTD</b>	<b>(163,729.46)</b>			

# ABC Company

## Global Equity Commissions

Manager	Target Percent	Fourth Quarter, 2009			12 Months to Fourth Quarter, 2009		
		Total Commission	Russell Network	Participation Percent	Total Commission	Russell Network	Participation Percent
Emerging Markets Manager	10%	84,239	10,108	12%	593,470	41,542	7%
Global Equity Manager	15%	45,533	7,298	16%	112,101	20,178	18%
REIT Manager	10%	12,861	930	7%	149,264	12,800	9%
US All Cap Manager	20%	92,700	13,905	15%	237,498	45,125	19%
US Large Cap Manager	25%	115,394	20,476	18%	245,426	51,410	21%
US Mid Cap Manager	20%	75,012	10,569	14%	127,055	21,599	17%
US Small Cap Manager	15%	5,263	473	9%	61,856	8,332	13%
<b>Totals</b>		<b>\$ 431,002</b>	<b>\$ 63,759</b>	<b>15%</b>	<b>\$ 1,526,670</b>	<b>\$ 200,986</b>	<b>13%</b>