

What fees do I pay when participating in the Appia Inc. 401K Retirement Plan? For many participants, that question may come as a surprise. There's an assumption that the answer is, "None".

In fact, there are costs associated with your participation in the plan. While administration expenses are shared by the plan sponsor and plan participants, there are other costs that plan participants pay. And those expenses have an impact on the size of your account balance at retirement.

The information that follows is intended to provide you with a better understanding of expenses associated with your participation in the plan. You'll learn:

- How administration expenses are handled.
- What costs are associated with elective plan features (e.g., taking out a loan).
- What fees are associated with our plan's investment options.

In addition, you'll learn about rights you may have with respect to the plan's operation, how the plan's investments' performance compares to broad-based benchmarks, and where to go for additional information concerning the plan's investments.

The fees and expenses associated with our plan are not unusual. Almost all 401(k) plans have such costs. And the fees and expenses associated with our plan are reviewed regularly to make sure that they are competitive and reasonable. The objective of this communication is simply to provide you with more and better information for making investment and other plan-related decisions.

Remember, too, that investment-related fees should be placed in context. A somewhat higher fee may be perfectly appropriate if an investment better suits your needs and goals.

If you have any questions concerning the information that follows, contact Appia Inc at 919-225-4244.

Appia Inc. 401K Retirement Plan

This document contains important information concerning our retirement plan. The first section provides you with information about the plan in general, including any expenses you might incur through participation in the plan or through taking advantage of different plan features. The second section provides information about the plan's investment alternatives, including any fees or expenses associated with those investments.

If you have questions concerning any of this information, contact Appia Inc at 919-225-4244.

Plan Information

You give investment directions for your Plan account, selecting from investment choices provided under the Plan, as determined by Appia Inc.

You may change your investment choices anytime.

Other Plan-related Expenses

Retirement plans have different types of expenses.

Administration expenses – These are charges for services such as legal, accounting and recordkeeping expenses.

In our Plan, these expenses are paid partly by the Plan sponsor and partly by participants. A participant's share of these expenses is allocated on a pro rata basis. Your share of these expenses is based on the value of your account balance over the total assets in the Plan.

Verity Asset Management charges annually .10% on mutual funds and .20% on the Verity models and this is deducted quarterly based on the participant's average daily balance in the prior quarter. The quarterly deduction on the mutual funds would be at a rate of .025%. This would amount to \$.25 per \$1,000 of average daily balance. The quarterly deduction on the Verity models would be at a quarterly rate of .050% on the average daily balance. This would amount to \$.50 per \$1,000 of average daily balance during the past quarter. There is also an additional .50% charged annually by Hill, Chesson & Woody on all assets. This is charged at a rate of .125% per quarter on the average daily balance of a participant's holdings in the prior quarter. This would amount to \$1.25 per \$1,000 of a participant's prior quarter's average daily balance.

The Plan benefits from revenue sharing, and these payments offset some of the administration expenses. In the absence of revenue sharing, a participant's share of these expenses might be higher.

Forfeitures will be used towards paying Plan administration expenses.

Individual expenses – These are expenses you may incur if you take advantage of certain Plan features.

Loans – A \$75.00 processing fee for each new loan and an annual \$50.00 maintenance fee will be charged to your account.

Qualified Domestic Relations Order (QDRO) – The following QDRO-related expenses will be charged to your account:

- A \$0.00 processing fee for each domestic relations order
- An annual \$0.00 maintenance fee
- A \$35.00 charge for each check issued pursuant to the order

Distributions – The following distribution-related expenses will be charged to your account:

- A \$0.00 processing fee for each type of distribution requested
- An annual \$0.00 maintenance fee
- A \$35.00 charge for each check issued
- A \$35.00 charge for each in-service withdrawal requested
- A \$35.00 charge for each hardship withdrawal requested

Appia Inc. 401K Retirement Plan
Investment Options – 06/30/2012

This document includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to the specific Internet Web site address shown below or you can contact Appia Inc at 919-225-4244. A free paper copy of the information available on the Web site[s] can be obtained by contacting Appia Inc at 919-225-4244.

Document Summary

This section has two parts. Part I consists of performance information for plan investment options. This part shows you how well the investments have performed in the past. Part II shows you the fees and expenses you will pay if you invest in an option.

Part I. Performance Information

Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an option's principal risks is available on the Web site[s].

Table 1 – Variable Return Investments								
Name	Average Annual Total Return as of 06/30/2012				Benchmark			
	1 yr.	5 yr.	10 yr.	Since Inception	1 yr.	5 yr.	10 yr.	Since Inception
STOCK								
American Funds EuroPacific Growth Fund (R4) Additional information may be found at: americanfunds.com	-12.95%	-2.59%	7.37%	7.04%	-13.53%	-4.91%	6.52%	N/A Morningstar Developed ex US Index
Fidelity Nasdaq Composite Index Fund Additional information may be found at: fidelity.com	7.02%	3.25%	N/A	6.26%	4.25%	0.64%	6.08%	6.47% Morningstar US Market Index
Fidelity Select Biotechnology Portfolio Additional information may be found at: fidelity.com	27.97%	11.37%	11.23%	12.45%	4.25%	0.64%	6.08%	N/A Morningstar US Market Index
Vanguard 500 Index Fund (Inv) Additional information may be found at: vanguard.com	5.29%	0.14%	5.23%	10.49%	4.25%	0.64%	6.08%	N/A Morningstar US Market Index
Vanguard Emerging Mkt. Stock Index Fund (Inv) Additional information may be found at: vanguard.com	-15.90%	-0.29%	13.70%	7.34%	-13.53%	-4.91%	6.52%	N/A Morningstar Developed ex US Index
Vanguard Mid-Cap Index Fund (Inv) Additional information may be found at: vanguard.com	-2.88%	0.53%	7.70%	8.06%	4.25%	0.64%	6.08%	N/A Morningstar US Market Index
Vanguard REIT Index Fund (Inv) Additional information may be found at: vanguard.com	12.95%	3.05%	10.34%	10.94%	4.25%	0.64%	6.08%	N/A Morningstar US Market Index
Vanguard Small-Cap Index Fund (Inv) Additional information may be found at: vanguard.com	-1.51%	1.75%	7.98%	10.35%	4.25%	0.64%	6.08%	N/A Morningstar US Market Index
BOND								
PIMCO Total Return Fund (A) Additional information may be found at: pimco-funds.com	6.54%	8.75%	6.50%	6.97%	7.88%	7.11%	5.82%	N/A Morningstar Core Bond Index
Vanguard Inflation Protected Secs. Fund (Inv) Additional information may be found at: vanguard.com	11.76%	8.10%	6.98%	7.59%	7.88%	7.11%	5.82%	N/A Morningstar Core Bond Index
BLENDED								

Table 1 – Variable Return Investments								
Name	Average Annual Total Return as of 06/30/2012				Benchmark			
	1 yr.	5 yr.	10 yr.	Since Inception	1 yr.	5 yr.	10 yr.	Since Inception
Verity Aggressive Model	-4.87%	-4.16%	N/A	19.74%	4.25%	0.64%	6.08%	4.44%
Morningstar US Market Index Additional information may be found at: N/A								
Verity Core Model	-4.86%	0.16%	N/A	22.87%	4.25%	0.64%	6.08%	4.44%
Morningstar US Market Index Additional information may be found at: N/A								
Verity Moderate Model	0.20%	11.96%	N/A	27.46%	4.25%	0.64%	6.08%	4.44%
Morningstar US Market Index Additional information may be found at: N/A								
CASH/STABLE VALUE								
Federated Capital Preservation Fund (ISP)	1.56%	2.97%	3.45%	5.28%	0.03%	0.76%	1.69%	N/A
Morningstar Cash Index Additional information may be found at: federatedinvestors.com								

Part II. Fee and Expense Information

Table 2 shows fee and expense information for the investment options listed in Table 1. Table 2 shows the Total Annual Operating Expenses of the options in Table 1. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option. Table 2 may also show Shareholder-type Fees. These fees are in addition to Total Annual Operating Expenses.

Table 2 – Fees and Expenses			
Name / Type of Option	Total Annual Gross Operating Expense		Shareholder-Type Fees
	As a %	Per \$1000	
STOCK			
American Funds EuroPacific Growth Fund (R4)	0.85%	\$8.50	Redemption fee: 0%
Fidelity Nasdaq Composite Index Fund	0.59%	\$5.90	Redemption fee: 0.75% (for sales within 90 day(s) of purchase)
Fidelity Select Biotechnology Portfolio	0.83%	\$8.30	Redemption fee: 0.75% (for sales within 30 day(s) of purchase)
Vanguard 500 Index Fund (Inv)	0.17%	\$1.70	Redemption fee: 0%
Vanguard Emerging Mkt. Stock Index Fund (Inv)	0.33%	\$3.30	Redemption fee: 0%
Vanguard Mid-Cap Index Fund (Inv)	0.24%	\$2.40	Redemption fee: 0%
Vanguard REIT Index Fund (Inv)	0.24%	\$2.40	Redemption fee: 0%
Vanguard Small-Cap Index Fund (Inv)	0.30%	\$3.00	Redemption fee: 0%
BOND			
PIMCO Total Return Fund (A)	0.85%	\$8.50	Redemption fee: 0%
Vanguard Inflation Protected Secs. Fund (Inv)	0.20%	\$2.00	Redemption fee: 0%
BLENDED			

Table 2 – Fees and Expenses			
Name / Type of Option	Total Annual Gross Operating Expense As a %	Per \$1000	Shareholder-Type Fees
Verity Aggressive Model	0.82%	\$8.20	Redemption fee: 0%
Verity Core Model	0.69%	\$6.90	Redemption fee: 0%
Verity Moderate Model	1.02%	\$10.20	Redemption fee: 0%
CASH/STABLE VALUE			
Federated Capital Preservation Fund (ISP)	0.55%	\$5.50	Redemption fee: 0%

The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the Department of Labor’s Web site for an example showing the long-term effect of fees and expenses at http://www.dol.gov/ebsa/publications/401k_employee.html. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Please visit <http://www.investmentterms.com/> for a glossary of investment terms relevant to the investment options under this plan. This glossary is intended to help you better understand your options.