

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549



03043553

FORM 11-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

or

PROCESSED

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FINANCIAL

- ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

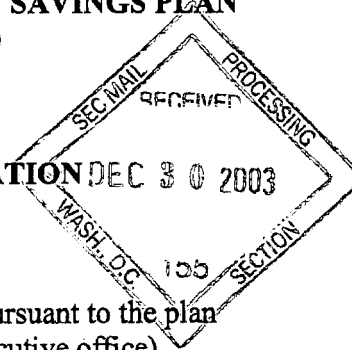
FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

Commission file number 0-11559

**KEY TRONIC 401 (k) RETIREMENT SAVINGS PLAN**  
(Full Title of the Plan)

**KEY TRONIC CORPORATION**  
4424 North Sullivan  
P.O. Box 14687  
Spokane, WA 99216

(Name of issuer of the securities held pursuant to the plan  
and the address of its principal executive office)



KEY TRONIC 401 (k) RETIREMENT SAVINGS PLAN

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Signatures

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Financial Statements

Attached are the Plan's financial statements and schedule prepared in accordance with the financial reporting requirements of ERISA.

F-1 – F-11

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the President and Chief Executive officer, responsible for administration of the Key Tronic 401 (k) Retirement Savings Plan has duly caused this Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Spokane, State of Washington, on December 23, 2003.

KEY TRONIC 401 (k) RETIREMENT SAVINGS PLAN

By  \_\_\_\_\_  
Name: Jack W. Oehlke  
Title: President and Chief Executive Officer

## **Independent Auditors' Report**

Board of Directors and Plan Committee  
Key Tronic  
401(k) Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Key Tronic 401(k) Retirement Savings Plan (the "Plan") as of June 30, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of June 30, 2003, and the changes in net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 11, 2003



LE MASTER &  
DANIELS PLLC

SPOKANE  
COLFAX  
GRANDVIEW  
MOSES LAKE  
OMAK  
OTHELLO

QUINCY  
TRI-CITIES  
WALLA WALLA  
WENATCHEE  
YAKIMA

ACCOUNTING

## INDEPENDENT AUDITORS' REPORT

AND

CONSULTING

SERVICES

Administrative Committee  
Key Tronic 401(k) Retirement Savings Plan  
Spokane, Washington

MEMBER OF

We have audited the accompanying statement of net assets available for benefits of the Key Tronic 401(k) Retirement Savings Plan as of June 30, 2002, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Key Tronic 401(k) Retirement Savings Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

THE

McGLADREY

NETWORK

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Key Tronic 401(k) Retirement Savings Plan as of June 30, 2002, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Le Master & Daniels PLLC*

Spokane, Washington  
November 25, 2002

**Key Tronic**  
**401(k) Retirement Savings Plan**

**Statements of Net Assets Available for Benefits**

<i>June 30,</i>	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
<b>Investments, at fair market value (Notes 2 and 3):</b>		
Money market funds	<b>\$ 1,978,550</b>	<b>\$ 2,523,912</b>
Mutual funds	<b>9,609,615</b>	<b>8,902,999</b>
Key Tronic Corporation common stock	<b>1,874,709</b>	<b>671,194</b>
Participant directed brokerage accounts	<b>182,912</b>	<b>173,292</b>
Participant loans receivables	<b>406,352</b>	<b>468,151</b>
<b>Total investments</b>	<b>14,052,138</b>	<b>12,739,548</b>
<b>Receivables:</b>		
Employer's contributions	<b>9,722</b>	<b>—</b>
Participants' contributions	<b>20,687</b>	<b>—</b>
<b>Total receivables</b>	<b>30,409</b>	<b>—</b>
<b>Net assets available for benefits</b>	<b>\$ 14,082,547</b>	<b>\$ 12,739,548</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# Key Tronic 401(k) Retirement Savings Plan

## Statements of Changes in Net Assets Available for Benefits

<i>Year ended June 30,</i>	<b>2003</b>	<b>2002</b>
<b>Additions to (deductions from) net assets attributed to:</b>		
<b>Investment income (loss):</b>		
Net appreciation (depreciation) in fair value of investments:		
Mutual funds	\$ (5,510)	\$ (1,255,320)
Key Tronic Corporation common stock	1,116,421	(691,368)
Participant directed brokerage accounts	40,938	(137,623)
Interest:		
Money market funds	23,565	51,669
Participant loans receivable	31,350	41,192
	<b>1,206,764</b>	<b>(1,991,450)</b>
<b>Contributions:</b>		
Employer's	380,263	363,388
Participants'	757,405	728,130
	<b>1,137,668</b>	<b>1,091,518</b>
<b>Total additions to (deductions from) net assets</b>	<b>2,344,432</b>	<b>(899,932)</b>
<b>Deductions from net assets attributed to:</b>		
Benefits paid to participants	993,381	788,496
Administrative expenses	8,052	5,402
<b>Total deductions from net assets</b>	<b>1,001,433</b>	<b>793,898</b>
<b>Net increase (decrease) in net assets</b>	<b>1,342,999</b>	<b>(1,693,830)</b>
<b>Net assets available for benefits:</b>		
Beginning of year	12,739,548	14,433,378
<b>End of year</b>	<b>\$ 14,082,547</b>	<b>\$ 12,739,548</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# Key Tronic 401(k) Retirement Savings Plan

## Summary of Accounting Policies

- Basis of Accounting** The financial statements of the Key Tronic 401(k) Retirement Savings Plan (the Plan) are prepared under the accrual method of accounting.
- Investments** Investments in mutual funds, money market funds and participant directed accounts are reported at quoted market value. Realized gains and losses on the sale of these investments are recognized on the average cost method. Participant loans are valued at cost, which approximates fair value. The net appreciation or depreciation in the fair value of investments presented in the statement of changes in net assets available for plan benefits represents the realized gains and losses on sales and the unrealized appreciation and depreciation in the fair value of investments.
- Payment of Benefits** Benefits are recorded when paid.
- Reclassifications** Certain prior year amounts have been reclassified to conform with the 2003 presentation. These reclassifications had no effect on the net assets available for benefits or changes in net assets available for benefits as previously reported.
- Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.
- Risks and Uncertainties** The Plan provides for various investment options in any combination of money market funds, mutual funds, Company stock and self-directed brokerage accounts. Investment securities of these types are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.



# Key Tronic 401(k) Retirement Savings Plan

## Notes to Financial Statements

### 1. Plan Description

The following summary description of the Plan provides general information only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

#### General

The Plan is a defined contribution plan established by Key Tronic Corporation (the Company or the Employer) effective July 1, 1993, as a merger of the Key Tronic Corporation Employee Stock Ownership Plan (ESOP) into the Key Tronic Corporation Variable Investment Plan. The Plan, which is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and all subsequent statutory revisions thereto, was created for the benefit of all eligible employees of the Company and subsidiaries. Effective July 1, 2002, the Plan became what is known as a Safe Harbor 401(k) plan. A Safe Harbor Plan complies with Code Section 401(k)(12) which permits the Plan to automatically meet the nondiscrimination requirements of the Code, therefore eliminating annual nondiscrimination testing of salary deferral and matching contributions.

#### Eligibility

Employees are eligible to participate after completing one hour of service. Participation in the Plan will then begin on the first day of the month following the date of hire. Leased employees, certain employees covered by a collective bargaining agreement and non-United States citizens are ineligible for Plan participation.

#### Contributions

Participants make voluntary tax-deferred contributions to the Plan through payroll deductions of up to 50% of compensation each pay period, providing that the contributions in any calendar year do not exceed the IRS calendar year limit. Effective July 1, 2002, the employer will make matching contributions of 100% of the first 3% of participant contributions and 50% of the next 2% of participant contributions. A participant who receives a qualified distribution from another qualified plan may make a rollover contribution to the Plan provided that certain conditions are met.

# Key Tronic 401(k) Retirement Savings Plan

## Notes to Financial Statements

### **Participant Accounts**

Individual accounts are maintained for each participant. Participants may designate that their contributions and account balances be invested in any combination of several available investment alternatives. Each participant's account is credited with the participant's contribution, the Employer's matching contribution and Plan earnings. Plan earnings are directly credited to participant accounts.

### **Participant Loans Receivable**

Participants may borrow a minimum of \$500 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Participants may have only one loan outstanding at a time. Loan transactions are treated as a transfer between the investment accounts and the participant loans account. Loan terms range from one to five years or up to ten years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates at the loan origination date (which approximate prime plus 1%), as determined by the Plan administrator. Interest rates outstanding at June 30, 2003, range from 5.25% to 10.50%. Principal and interest are paid ratably through payroll deductions. Additional payments may be made at any time by check.

### **Vesting**

All participants are immediately 100% vested in both employee and employer contributions.

### **Distribution of Benefits**

Participants are eligible to receive benefits upon termination of employment, attaining the age of 59½, or as hardship withdrawals subject to certain requirements. The account balance of a participant who dies while an employee of the Company will be paid to the participant's designated beneficiary. Benefits are paid under various options as defined in the Plan.

# Key Tronic 401(k) Retirement Savings Plan

## Notes to Financial Statements

### Administrative Expenses

Substantially all fees and expenses incurred for administration of the Plan are paid by the employer. Participants are charged a fee for certain services such as loan processing.

### Administration of the Plan

The Plan is administered by the employer in the form of an administrative committee consisting of management personnel. JP Morgan/American Century Services Corporation and UMB Bank, N.A. holds and invests Plan assets in accordance with directions from the administrative committee. Records of participant account activity are processed and maintained by JP Morgan American Century Services Corporation, which also performs other administrative support services for the Plan.

## 2. Investments

The fair market value of individual investments that represent 5 percent or more of the Plan's net assets are as follows:

<i>June 30,</i>	2003	2002
American Century Equity Index	\$ 2,102,533	\$ 2,096,319
American Century Prime Money Market Fund	1,978,550	2,523,912
Key Tronic Corporation Common Stock	1,874,709	671,194
American Century Income & Growth Fund	1,832,847	1,748,879
American Century Ultra Fund	1,624,872	1,529,842
American Century Value Fund	967,602	992,726
American Century Strategic Allocation: Moderate	909,423	837,805
American Century International Growth Fund	714,247	788,972
American Century Diversified Bond Fund	\$ 714,099	\$ 381,608

**Key Tronic**  
**401(k) Retirement Savings Plan**

**Notes to Financial Statements**

- 3. Party-in-Interest**      Certain Plan investments are shares of mutual funds managed by JP Morgan/American Century. JP Morgan/American Century holds and invests the Plan's assets and therefore, these transactions qualify as party in interest transactions. In addition, the investments in the Company's common stock are also considered party in interest transactions.
- 4. Termination of the Plan**      Although it has not expressed intent to do so, the Employer has the right to discontinue contributions and terminate the Plan by action of the Board of Directors, subject to the provisions of ERISA. Upon termination, all assets remaining in the Plan will be distributed to the participants in accordance with participant account values as of the date of termination.
- 5. Tax Status**      The Internal Revenue Service has determined and informed the Employer by a letter dated January 14, 2003, that the Plan was designed in accordance with the applicable requirements of the Internal Revenue Code.

# Supplemental Schedule



# Key Tronic 401(k) Retirement Savings Plan

**Schedule of Assets Held for Investment Purposes at End of Year  
June 30, 2003**

EIN: 91-0849125  
Plan Number: 001

(a)	(b) Identity of Issuer, Borrower Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
*	JP Morgan American Century	Equity Index	a	\$ 2,102,533
*	JP Morgan American Century	Prime Money Market Fund	a	1,978,550
*	JP Morgan American Century	Income & Growth Fund	a	1,832,847
*	JP Morgan American Century	Ultra Fund	a	1,624,872
*	JP Morgan American Century	Value Fund	a	967,602
*	JP Morgan American Century	Strategic Allocation: Moderate	a	909,423
*	JP Morgan American Century	International Growth Fund	a	714,247
*	JP Morgan American Century	Diversified Bond Fund	a	714,099
*	JP Morgan American Century	Strategic Allocation: Aggressive	a	428,652
*	JP Morgan American Century	Strategic Allocation: Conservative	a	188,897
*	JP Morgan American Century	Equity Income Fund	a	126,443
*	Various	Securities Held by Charles Schwab	a	182,912
*	Key Tronic Corporation	Common stock	a	1,874,709
*	Participant Loans	74 loans, ranging in interest rates from 5.25 to 10.50 percent		406,352
				<b>\$ 14,052,138</b>

\* Party-in-Interest

(a) The cost of participant-directed investments is not required to be disclosed.



**Key Tronic 401(k)  
Retirement  
Savings Plan**

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**Financial Statements and  
Supplemental Schedule**  
Years Ended June 30, 2003 and 2002

# Key Tronic 401(k) Retirement Savings Plan

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## Independent Auditors' Report

Board of Directors and Plan Committee  
Key Tronic  
401(k) Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Key Tronic 401(k) Retirement Savings Plan (the "Plan") as of June 30, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Key Tronic 401 (k) Retirement Savings Plan as of June 30, 2002, were audited by other auditors whose report dated November 25, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of June 30, 2003, and the changes in net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*BDO Seidman, LLP*

December 11, 2003

# Key Tronic 401(k) Retirement Savings Plan

## Statements of Net Assets Available for Benefits

<i>June 30,</i>	2003	2002
<b>Assets</b>		
<b>Investments</b> , at fair market value (Notes 2 and 3):		
Money market funds	\$ 1,978,550	\$ 2,523,912
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<b>Receivables:</b>		
Employer's contributions	9,722	—
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<b>Net assets available for benefits</b>	<b>\$ 14,082,547</b>	<b>\$ 12,739,548</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# Key Tronic 401(k) Retirement Savings Plan

## Statements of Changes in Net Assets Available for Benefits

<i>Year ended June 30,</i>	2003	2002
<b>Additions to (deductions from) net assets attributed to:</b>		
<b>Investment income (loss):</b>		
Net appreciation (depreciation) in fair value of investments:		
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- Payment of Benefits** Benefits are recorded when paid.
- Reclassifications** Certain prior year amounts have been reclassified to conform with the 2003 presentation. These reclassifications had no effect on the net assets available for plan benefits or changes in net assets available for plan benefits as previously reported.
- Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.
- Risks and Uncertainties** The Plan provides for various investment options in any combination of money market funds, mutual funds, Company stock and self-directed brokerage accounts. Investment securities of these types are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

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## Notes to Financial Statements

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# Key Tronic 401(k) Retirement Savings Plan

## Notes to Financial Statements

### **Participant Accounts**

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### **Participant Loans Receivable**

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### **Vesting**

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### **Distribution of Benefits**

Participants are eligible to receive benefits upon termination of employment, attaining the age of 59½, or as hardship withdrawals subject to certain requirements. The account balance of a participant who dies while an employee of the Company will be paid to the participant's designated beneficiary. Benefits are paid under various options as defined in the Plan.

# Key Tronic 401(k) Retirement Savings Plan

## Notes to Financial Statements

### Administrative Expenses

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## 2. Investments

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<i>June 30,</i>	<b>2003</b>	<b>2002</b>
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American Century Value Fund	<b>967,602</b>	992,726
American Century Strategic Allocation: Moderate	<b>909,423</b>	837,805
American Century International Growth Fund	<b>714,247</b>	788,972
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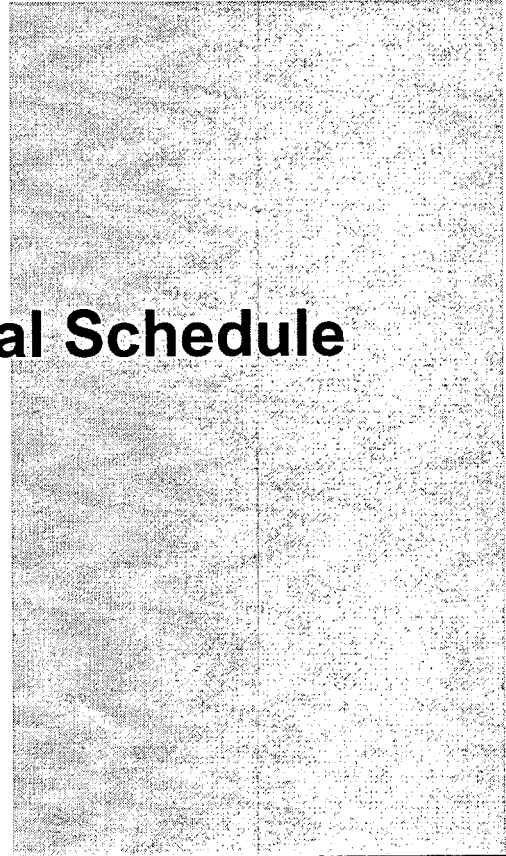
# Key Tronic 401(k) Retirement Savings Plan

## Notes to Financial Statements

- 3. Party-in-Interest** Certain Plan investments are shares of mutual funds managed by JP Morgan/American Century. JP Morgan/American Century holds and invests the Plan's assets and therefore, these transactions qualify as party in interest transactions. In addition, the investments in the Company's common stock are also considered party in interest transactions.
- 4. Termination of the Plan** Although it has not expressed intent to do so, the Employer has the right to discontinue contributions and terminate the Plan by action of the Board of Directors, subject to the provisions of ERISA. Upon termination, all assets remaining in the Plan will be distributed to the participants in accordance with participant account values as of the date of termination.
- 5. Tax Status** The Internal Revenue Service has determined and informed the Employer by a letter dated January 14, 2003, that the Plan was designed in accordance with the applicable requirements of the Internal Revenue Code.



# Supplemental Schedule



# Key Tronic 401(k) Retirement Savings Plan

**Schedule of Assets Held for Investment Purposes at End of Year  
June 30, 2003**

EIN: 91-0849125  
Plan Number: 001

(a)	(b) Identity of Issuer, Borrower Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
*	JP Morgan American Century	Equity Index	a	\$ 2,102,533
*	JP Morgan American Century	Prime Money Market Fund	a	1,978,550
*	JP Morgan American Century	Income & Growth Fund	a	1,832,847
*	JP Morgan American Century	Ultra Fund	a	1,624,872
*	JP Morgan American Century	Value Fund	a	967,602
*	JP Morgan American Century	Strategic Allocation: Moderate	a	909,423
*	JP Morgan American Century	International Growth Fund	a	714,247
*	JP Morgan American Century	Diversified Bond Fund	a	714,099
*	JP Morgan American Century	Strategic Allocation: Aggressive	a	428,652
*	JP Morgan American Century	Strategic Allocation: Conservative	a	188,897
*	JP Morgan American Century	Equity Income Fund	a	126,443
*	Various	Securities Held by Charles Schwab	a	182,912
*	Key Tronic Corporation	Common stock	a	1,874,709
*	Participant Loans	74 loans, ranging in interest rates from 5.25 to 10.50 percent		406,352
				<b>\$ 14,052,138</b>

\* Party-in-Interest

(a) The cost of participant-directed investments is not required to be disclosed.