

GALLAGHER BENEFIT SERVICES, INC. COMPENSATION DISCLOSURE STATEMENT

One of the core values highlighted in *The Gallagher Way* states, "We are an Open Society," and our open society extends to the compensation Gallagher receives. Gallagher's policy is complete disclosure of all forms of compensation. To achieve this purpose, the attached disclosure schedule reflects the commission or fee we will earn on coverage we will place on your behalf.

In general, Gallagher may be compensated as follows:

1. Gallagher companies are primarily compensated from commissions or fees received from the brokerage and servicing of policies handled for your account. As permitted by law, Gallagher companies may receive both commissions and fees.
2. Gallagher companies may access other facilities, including wholesalers, reinsurance intermediaries, underwriting managers and others that act as intermediaries for both Gallagher and other brokers in the insurance marketplace. If such a facility was utilized in the placement of your account, it may have earned and retained brokerage commission or fees for its work.
3. In placing, renewing, consulting on or servicing your insurance coverages, Gallagher companies may participate in contingent commission arrangements with insurance companies that provide for additional contingent compensation if certain underwriting, profitability, volume or retention goals are achieved. Such goals are typically based on the total amount of certain insurance coverages placed by Gallagher with the insurance company, not on an individual policy basis. As a result, Gallagher may be considered to have an incentive to place your insurance coverages with a particular insurance company.

Our clients are always our top priority and we take pride in the fact that we always put our clients first. Gallagher is committed to full transparency and we look to you for direction as to how Gallagher is to be compensated for the services it provides.

For Employers and Plan Sponsors Subject to ERISA:

This Disclosure Statement is being given to the Buyer (1) to make sure Buyer knows about GBS' and GBS affiliates' income before purchasing the insurance product and (2) for plans subject to ERISA, to comply with the disclosure, acknowledgment and approval requirement of Prohibited Transaction Class Exemption No. 84-24¹, which protects both Buyer and GBS².

It should also be noted that:

- GBS is not an affiliate of the insurer whose Contract is recommended. This means the insurer whose contract is recommended does not directly or indirectly have the power to exercise a controlling influence over the management or policies of GBS.

¹ Which allows an exemption from a prohibited transaction under Section 408(a) of the Employee Retirement Income Security Act of 1974 (ERISA).

² In making these disclosures, no position is taken, nor is one to be inferred, regarding the use of assets of a plan subject to ERISA to purchase such insurance.

- GBS' ability to recommend other insurance contracts is not limited by an agreement with the Insurance Carrier.
- GBS is effecting the transaction for the Plan(s) in the ordinary course of GBS business.
- The transaction set forth is at least as favorable to the Plan(s) as an arm's length transaction with an unrelated party.
- GBS is not a trustee of the Plan(s).
- GBS is neither the Plan Administrator of the Plan(s), a fiduciary of the Plan(s), nor an employer which has employees in the Plan(s).

For Plans subject to ERISA:

As stated above, ERISA requires Gallagher Benefit Services, Inc. (GBS) to make certain disclosures to you concerning the sale of insurance, and the compensation that GBS will receive from it. Disclosure must be made to an independent plan fiduciary for the ERISA Plan(s), and your acknowledgement confirms that you are agreeing that this is a reasonable transaction in the best interest of participants in your ERISA Plan(s). Please review the following disclosure schedule, and indicate your desire to proceed.

For more information on Gallagher's compensation arrangements, please visit www.ajg.com/compensation.

ANNUAL COMPENSATION DISCLOSURE SCHEDULE

What follows is the disclosure of our actual fees and/or commissions related to **City of Rochester Hills** ("Buyer's") Group Health Plan(s) and any relationships, or agreements Gallagher Benefit Services, Inc. ("GBS") has with the insurance company involved in this transaction.

GBS, as agent of record, will receive the following initial and renewal sale commissions expressed as percentage of gross premium payments, or fees as agreed upon by **City of Rochester Hills**:

Line of Coverage	Insurance Company	Effective Date	Commission ¹ / Supplemental Compensation ²	Direct Consulting Fees ³	Wholesaler, MGU, or Intermediary	Owned by AJG/GBS Yes (Y) No (N)
Medical, Rx, Dental, Vision	BCBSM	1/1/12	2.5% of the first \$250,000 1.5% of the next \$750,000 0.5% thereafter	N	N	N
Medical, Rx	BCN	1/1/12	3.8%	N	N	N
Medical, Rx	HAP	1/1/12	3% of the first \$25,000 6% of the next \$75,000 6.5% of the next \$150,000 5.5% of the next \$150,000 2% of the next \$600,000 0.5% thereafter	N	N	N
Dental	Delta Dental	1/1/12	2.5% of the first \$250,000 1.5% of the next \$750,000 0.5% thereafter	N	N	N
Dental	Delta Care	1/1/12	10%	N	N	N
Vision	NVA	1/1/12	2.5% of the first \$250,000 1.5% of the next \$750,000 0.5% thereafter	N	N	N
Basic Life/AD&D	Reliance Standard	1/1/12	10%	N	N	N

Voluntary Life/AD&D	Reliance Standard	1/1/12	6%	N	N	N
Short Term Disability	Reliance Standard	1/1/12	15%	N	N	N
Long Term Disability	Reliance Standard	1/1/12	15%	N	N	N

Thank you for your business and continued confidence in the services GBS provides to you and your employees. If you have any questions regarding this information or would like more detail, please feel free to contact me.

Gallagher Benefit Services, Inc.

By:  4-26-12
Date Signed

Title: 

If clients have specific questions about the compensation received by Gallagher and its affiliates in relation to their insurance placements, please contact your Gallagher representative for more details.

In the event a client wishes to register a formal complaint regarding compensation Gallagher receives, please send an email to Compensation_Complaints@ajg.com or send a letter to:

AVC Compliance Officer
c/o Internal Audit Department
Arthur J. Gallagher & Co.
Two Pierce Place
Itasca, IL 60143

¹ Commissions include all commissions/fees paid to GBS that are attributable to a contract or policy between a plan and an insurance company, or insurance service. This includes indirect fees that are paid to GBS paid by a third party, and includes, among other things, the payment of "finders' fees" or other fees to GBS for a transaction or service involving the plan.

² Gallagher companies may receive supplemental compensation referred to in a variety of terms and definitions, such as contingent commissions, additional commissions and supplemental commission.

³ Direct Consulting Fees include compensation to GBS paid for directly by the plan sponsor.