



*Registered Investment Advisor*

**401(k) Advisors, Inc.**

**Registered Investment Advisor**

**120 Vantis, Suite 400 Aliso Viejo, CA 92656**

**Phone: 949.460.9898**

**Fax: 949.460.9893**

**[www.401kadvisors.com](http://www.401kadvisors.com)**

**March 1, 2011**

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of 401(k) Advisors, Inc., a registered investment advisor. If you have any questions about the contents of this brochure, please contact us at 949.460.9898. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about 401(k) Advisors, Inc. is also available on the SEC's website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov). The IARD/CRD number for 401(k) Advisors, Inc., is 12154.

Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **New Brochure Replaces 401(k) Advisors, Inc. Form ADV Part II and Schedule F**

The 401(k) Advisors, Inc. brochure is substantially modified from its prior version, and contains new information for the benefit of our clients.

In this “Summary of Material Changes” we discuss only the material changes since the last annual update of this brochure in January 2010:

- 1) **Redesign.** The Securities and Exchange Commission (“SEC”) recently published amendments to the rules for firm brochures. This brochure is redesigned in narrative format and is materially different in its structure. This brochure also contains new information now required by the SEC’s new rules.
- 2) **Financial Advisor Biography.** Also included is the new Form ADV, Part 2B (each individual’s “Financial Advisor Biography”) for each Investment Advisory Representative who directly provide advice to clients. Please refer to the Form ADV, Part 2B Financial Advisor Biography, included as a separate document accompanying this brochure.
- 3) **Delivery of Amendments to this Brochure.** In the past 401(k) Advisors, Inc. has offered or delivered information about the firm’s qualifications and business practices to clients on at least an annual basis. The brochure is updated at least annually, in order to ensure that it remains current.

Pursuant to new SEC rules, 401(k) Advisors, Inc. will provide each of its clients with a summary of any material changes for subsequent annual updates to brochures by April 30th of each year. You will be provided with a new Brochure as necessary based on changes or new information, at any time, without charge.

Due to the changes to this brochure, it is suggested that clients review this document, in its entirety, upon receipt. Clients are also encouraged to review this brochure, and any questions they may possess regarding this brochure, with Jami Chapman, Chief Compliance Officer.

## Table of Contents

Advisory Services.....	4
Fees and Compensation .....	4
Types of Clients .....	10
Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Disciplinary Information .....	12
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	13
Brokerage Practices .....	14
Review of Accounts .....	15
Client Referrals and Other Compensation.....	16
Other Business Activities.....	16
Custody.....	19
Investment Discretion .....	20
Voting Client Securities.....	21
Financial Information.....	22
Requirements for State-Registered Advisors.....	23
Additional Information .....	24

### **Advisory Services and Fees**

401(k) Advisors, Inc. ("Advisor") provides comprehensive qualified and non-qualified retirement plan consulting, investment advice and fiduciary due diligence services, employee plan and investment education, asset allocation services, plan service provider proposal and vendor research and analysis, and plan design guidance to individuals, qualified and non-qualified retirement plan sponsors, and business entities. The Advisor provides Clients both Investment Advice (non-discretionary) and/or Investment Management (discretionary) investment Advisory services, based on scope of the engagement.

#### **Investment Advice (Plan Level)**

The Advisor shall provide research and analysis with regard to investment advice and fiduciary due diligence services for the Client. Services provided by the Adviser will not include any services with respect to employer securities or company stock. The Advisor shall also provide research and analysis that covers the investment products of several qualified and non-qualified retirement plan providers. The goal of the investment due diligence process is to establish a logical, technical, and comprehensive process that is consistently employed in the selection and ongoing monitoring of funds for plan sponsors and individuals, accompanied by an investment policy statement (for plan sponsors only), that defines the process utilized to recommend the investments to plan sponsors and individuals.

The Employer (Client of the Advisor), sponsors a Qualified (or nonqualified) Retirement Plan for the benefit of its employees. The Plan is a qualified or non-qualified employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974 (ERISA), as amended, if applicable. In addition, applicable Plans are intended to comply with ERISA Section 404(c).

The Advisor may employ many different calculations, processes, and screening techniques to arrive at specific recommended individual investments within the array of investments offered by each investment provider that is being analyzed including but not limited to the following:

- Investment analysis by asset class (domestic equity, international equity, income, hybrid/managed accounts), including market capitalization (small, medium, and large), and investment objective (value, blend, and growth orientation);
- Performance relative to other investments in the same asset class;
- Investment performance relative to benchmark performance for the same asset class;
- Percentile ranking of investment performance for the same asset class;
- Style-based analysis to determine the impact of an investment being managed differently than its stated investment objective (which is usually a combination of the stated market capitalization category, and investment objective category);
- Macro screens to eliminate long term under performing investments, funds with total managed assets of less than the minimum threshold deemed to be adequate by the Advisor;
- Review of Upside and Downside capture, to estimate upside potential and downside risk of each investment;
- Common objective risk and return statistical measurements, such as Sharpe ratio, Treynor ratio, standard deviation, alpha, and bets;

- Common statistically relevant manager value measurements such as information ratio and tracking error;
- R-squared, correlation coefficients, and other statistically relevant information;
- Excess return over the given performance benchmark;
- Short and long term historical analysis with any of the above measurements;
- Financial strength, stability, and reputation of the investment provider, and individual investments offered by and through the investment provider;
- Tenure and experience of investment management personnel;
- Investment philosophy, process, and style; and
- Investment fees.

The Advisor shall provide a draft of the statement of Investment Policy for Client's review. In addition, the Advisor will evaluate Client's existing Investment Policy Statement and provide recommendations that are consistent with assisting the Client meet their fiduciary obligations, if applicable, under ERISA Section 404(c).

#### **Investment Management (Plan Level)**

The Advisor shall be responsible, and maintains discretion, for the selection, mapping, and ongoing monitoring, of investments offered within the Plan. The Advisor hereby accepts co-fiduciary responsibility for such duties. The Client engages the Advisor for management of Plan assets and shall delegate specified authority and discretion to the Advisor for the selection, mapping, and ongoing monitoring (including replacement, as prudent), of investments offered within the plan. However, services provided by the Advisor under this Agreement will not include any services with respect to employer securities, company stock, or the design and monitoring of asset allocation model glide paths. The Advisor shall be responsible and possess discretion for the selection of investment options used to populate the asset allocation models. The Advisor shall also provide documentation supporting the investment due diligence in a regularly prepared Fiduciary Investment Review report. The Advisor will have an established investment due diligence process that is a logical, technical, and comprehensive process that is consistently employed in the selection, de-selection, and ongoing monitoring of funds for plan sponsors and individuals, accompanied by an investment policy statement, that defines the process utilized to guide decision making in the management of the Plan investments offered to plan sponsors and individuals.

The Client sponsors a Qualified Retirement Plan for the benefit of its employees. The Plan is a qualified employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974 (ERISA), as amended. In addition, the Plan is intended to comply with ERISA Section 404(c) and all regulations promulgated there under. The Client intends to engage their best efforts to comply with all requirements of ERISA Section 404(c) and the regulations there under.

The Advisor may employ many different calculations, processes, and screening techniques, to arrive at specific recommended individual investments within the array of investments offered by each investment provider that is being analyzed.

The Advisor shall provide the Client with the Investment Policy Statement for Client's review and inform the Client when, and if, there are any changes thereto. In addition, the Advisor will provide its services with the objective of meeting the Advisor's and Client's fiduciary obligations under ERISA Section 404 (a) and with the intent of meeting the requirements of ERISA Section 404 (c).

### **Asset Allocation Models**

The Adviser shall create, monitor, and adjust (when prudent) asset allocation models ("Models") designed to assist Plan Participants in finding the asset mix which is most likely to meet their investment objectives within acceptable parameters. Asset class sub-types may include, but are not limited to, domestic large cap value equity, domestic large cap growth equity, domestic mid-cap value equity, domestic mid-cap growth equity, domestic small cap value equity, domestic small cap growth equity, international equity, core fixed income, short term fixed income, high yield fixed income, and other appropriate asset classes and investments.

The Plans' Participants and Beneficiaries are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, Participants and Beneficiaries will be able to elect a Model that will direct their account balances into investments among a range of options to construct a diversified portfolio that falls within a reasonable span of the risk/return spectrum. Participants and Beneficiaries alone bear the risk of investment results from the investments selected, including investment allocation pursuant to selection of a Model.

The Adviser shall direct the rebalancing of accounts utilizing the Models pursuant to each Model's designed asset allocation on a regular basis.

The Client shall delegate all necessary discretion and authority to Adviser with regard to creation and monitoring of Models.

### **Employee Plan and Investment Education**

The Advisor may provide group employee enrollment, re-enrollment, and investment education support. The goal of this process is to help employees make educated and informed choices about the plan and investment allocation under the investment education guidelines set forth by the U.S. Department of Labor. Meetings are offered on a(n) annual, semi-annual, quarterly, or as requested basis. The scope of the meetings will be group and/or individual, and will be conducted on-site and/or as data conferencing.

### **Employee (Participant) Investment Advice**

The Adviser may assist Plan Participants in making asset allocation decisions for their investment portfolios (i.e. between equity and fixed income). The goal of this process is to assist Plan Participants in finding the asset mix which is most likely to meet their investment objectives within acceptable risk parameters. Asset class sub-types can include domestic large cap value equity, domestic large cap growth equity, domestic mid-cap value equity, domestic mid-cap growth equity, domestic small cap value equity, domestic small cap growth equity, international equity, core fixed income, short term fixed income, high yield fixed income, and other appropriate asset classes and investments.

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the options and asset allocation that they select.

### **401(k) Proposal Vendor Research and Analysis**

The Advisor may assist Clients with the selection of a plan provider or providers for their plan, based on detailed research and analysis of several vendors. The vendor review process includes an evaluation of administrative, recordkeeping, compliance, and employee communications services, administrative and investment-related fees, and an investment overview that incorporates a very similar analysis to the investment due diligence process described above.

### **Newsletter Campaign**

Monthly employer newsletter includes industry and marketplace updates, plan design and compliance suggestions, and legislative updates.

### **Plan Design Guidance**

The Advisor provides in-depth plan reviews that include an analysis of relevant design features, including: Age and length of service eligibility requirements; vesting; forfeitures; employer matching contributions formulas; entry and re-entry dates; and other pertinent design features.

### **Management of Conversion Process**

The Adviser provides services related to managing the conversion process when a Client has made the decision to change service providers. Services include the assignment of Consultants and Relationship Managers to facilitate plan conversion, sample letters and correspondence related to the plan conversion, and monitoring of the action items identified in the 401(k) Advisors Conversion Checklist.

### **Fiduciary Fitness Program**

The Adviser provides a full program overlay to systemize and document steps taken to meet fiduciary best practices and compliance requirements for qualified plans. The overlay includes an on-going gap analysis of Client's fiduciary and administrative responsibilities, fiduciary education, an annual Fiduciary Plan Review, and documentation of all best practices steps taken to meet fiduciary responsibilities. In particular the Fiduciary Plan Review includes an analysis of relevant design features, developments in the qualified plan landscape, educational modules, documentation processes for fiduciary responsibilities, administrative compliance checklists and reviews. The Adviser will also deliver a Reference Guide to assist the Client in understanding responsibilities and taking the proper steps to meet those responsibilities. The overlay will be documented in the Fiduciary Fitness Program Report Card, which will be updated as appropriate throughout the relationship between the Adviser and the Client.

### **General Plan Consulting Services**

401(k) Advisors will assign a Relationship Manager, who is responsible for responding to ongoing questions, concerns, and issues raised by the Client that are related to Client's qualified or non-qualified retirement plan. 401(k) Advisors may provide a "help email" address, and "1-800" phone consultation assistance for participants.

### **Fiduciary Role under ERISA**

For those services stated under Investment Advice (Plan Level) the Advisor acknowledges that it is a fiduciary with respect to the Plan under Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and, as such, is a co-fiduciary with the trustee(s) of the Client's Plan solely with respect to (a) the provision of investment education of the employer and/or plan participants (depending on the specific Advisory services provided); (b) the periodic reporting on, and analysis of, the investment options available under the Plan; and (c) the provision of advice to the trustee(s) regarding the elimination or addition of investment options available under the Plan; provided, however, that the trustee(s) acknowledge and agree that the trustee(s) have the final and conclusive responsibility for the investment options selected to be available under the Plan.

For those services stated under Investment Management (Plan Level), the Advisor acknowledges that it is a co-fiduciary with respect to the Plan under Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The co-fiduciary duties of the Advisor are limited to the selection, mapping, monitoring, and replacement of plan investment options for which they have explicit authorized discretionary control.

The Advisor will not be responsible for investment decisions made by individual Plan participants with respect to the investment of their accounts and/or investment into a model portfolio managed by Advisor, if applicable. The Advisor is not responsible for any fiduciary duties or responsibilities imposed on the Plan's fiduciaries under ERISA not explicitly contemplated in the services stated under the Investment Management (Plan Level) section. The

Advisor will not be responsible for investment decisions made by the Plan participants with respect to the investment of their accounts.

For those services stated under Employee (Participant) Investment Advice and/or Asset Allocation Models, the Advisor acknowledges that it is a limited scope fiduciary with respect to the Plan under Section 3(38) of ERISA. The Advisor is a fiduciary to the Plan under Section 3(38) of ERISA for only those services under this Agreement for which they have explicit authorized discretion over plan assets. The Advisor is authorized by the Client to exercise its best judgment in investing, selling and reinvesting cash and securities of Participants and Beneficiaries who have elected to use the Models, but only to the extent such actions relate to determining allocation based on the Models, adjustments thereof, or rebalancing of the Models. The Client does not authorize, nor does the Advisor accept, any discretionary authority outside the scope of this paragraph.

### **Fees**

For Advisor's services, Client will pay a fee based on either the market value of the Plan assets, or a flat fee in accordance with the schedule of fees described and selected below, unless otherwise agreed to by both parties. The fee range for the above services is negotiable, and may vary according to the facts and circumstances, including the scope of services to be provided, the duration of services and the size of the client (number of employees, plan or individual assets, and other demographic factors).

Under these services, clients will be charged a flat base fee plus a percentage of total Plan assets, based on the sliding scale below. Therefore, clients will be charged a total fee that is the sum of the base fee and the appropriate percentage fee for that portion of the Plan which falls within the value ranges as specified below. The Advisor may receive fees directly from a client (plan sponsor or individual), for providing any or all of the services described above.

In these instances, fees may be paid on a one-time only or ongoing basis, depending on the scope of the services, and the desired length of time that those services will be provided.

Advisor's fees are in addition to any fees assessed by the mutual funds that the Client's accounts are invested in. The annual fees will be determined based on the ending aggregate market value of the Plan assets each quarter and Client will not be charged a greater fee for that portion of the assets in the Client's account which falls below the aggregate size listed below.

### **Fee Structure**

#### **i. Asset-based Fee**

Asset-based fees may be charged based on the market value of the plan assets and may range from 0.01% - 1.25% of Plan assets, depending on the scope of the project and duration of services.

#### **ii. Flat Fee**

A flat fee may be charge ranging from \$10,000 – \$200,000 or more depending on the scope of the project and duration of services.

#### **iii. Per-participant Fee**

A per-participant fee may be charged ranging from \$50 - \$250 or more depending on the scope of the project and duration of the services.



**iv. Hourly Fee**

An hourly fee may be charged ranging from \$250 - \$350 depending on the scope of the project and duration of the services.

Fees for investment Advisory services are billed in arrears.

**Termination of Agreement**

This agreement may be terminated by either party upon providing written notification to the other party. Advisor will not accept any termination instructions, including account liquidation instructions, unless provided in writing by Client. In the event of termination of this agreement, Advisor shall have no obligation whatsoever to recommend any action with respect to the assets in Client's account. Advisor shall be paid its fees in connection with its services provided hereunder for the period to such termination. No assignment (as the term is defined in the Investment Advisors Act of 1940) of this agreement shall be made by the Advisor without written consent of Client.

Clients who wish to terminate this Agreement must notify the Advisor in writing within five (5) business days of its date of execution (shown below). If services are terminated within (5) business days from the date of executing this Agreement (shown below), services will be terminated without penalty. After the initial (5) business days, the Client may be responsible for payment of fees for the number of days services are provided by the Advisor prior to receipt of the notice of termination.

**Assets Under Management**

As of December 31, 2010 Advisor manages a total of \$6,123,115,795 on a non discretionary basis and \$120,195,334 on a discretionary basis.

### **Types of Clients**

Advisor provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, corporations and other business entities.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Types of Investments**

As investment Advisory associates of Advisor, Advisory associates of Advisor may suggest partnerships that invest in equipment leasing and alternative investment strategies among other investments. Limited Partnership units are generally illiquid, long-term investments. There is no assurance that the original value would be realized upon the sale of the units at the conclusion of the program.

### **Security Analysis Methods**

Asset allocation modeling involves the use of modern portfolio theory, using mean-variance optimization in developing appropriate allocations.

### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Advisor maintains a Code of Ethics that describes firm policies and procedures and how Advisor conducts business with its clients. Advisor clients depend on the firm to be trustworthy, honest and loyal to their interests as provided in Advisor's agreements with them and disclosures in the Advisor form ADV. Clients expect Advisor to protect the confidentiality of their personal and financial information and to provide timely and professional advice in accordance with Advisor agreements. All Advisor employees will receive a copy of the Code and must acknowledge in writing that he or she has received and read it.

All Advisor employees are expected to strive to act at all time in accordance with fundamental principles of openness, integrity, and honesty. This is in addition to the legal obligations that Advisor and all employees adhere to applicable federal securities laws including the rules and regulations adopted under the Investment Advisors Act.

Advisor does not generally recommend to clients, or buys or sells for client accounts, securities in which Advisor or a related person has a material financial interest, including acting as a general partner in a partnership in which Advisor solicits client investments; or Advisor or a related person acts as an investment Advisor to an investment company that Advisor recommend to clients.

Occasionally Advisor may recommend that clients buy a security in which Advisor or an associated person has an ownership position. Additionally, Advisor or an associated person of Advisor may purchase a security of the same class as securities held in a client's account. It is Advisor's policy not to permit associated persons to trade in a manner that takes advantage of price movements caused by clients' transactions.

## **Brokerage Practices**

### **Brokerage Recommendations**

Some of the Advisor's Advisory associates are registered representatives of Financial Telesis Inc., and may suggest that clients execute transactions through Financial Telesis Inc. If clients freely choose to execute transactions through Financial Telesis Inc., such Advisory representatives may receive the normal commissions and/or other compensation as sales agents resulting from any securities transactions, presenting associated persons with a conflict of interest. Furthermore, in implementing a plan through relationships maintained by associated persons, clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Clients are advised that they are under no obligation to implement the plan or its recommendations through the associated persons in their capacities as registered representatives. Clients may specify which broker-dealer to use or the Advisor may make recommendations. Generally, these recommendations are based on the Advisor's perception of the breadth of services offered, and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services.

### **Research and Other Soft Dollar Benefits**

Advisor does not engage in soft dollar benefits. Advisor does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services.

### **Block Trading**

Advisor does not engage in block trading.

**Best Execution:** Advisor does not execute trades in client accounts and therefore does not review for best execution.

### **Review of Accounts**

All reviews are conducted on a quarterly or semi-annual basis, using the same factors and comprehensive criteria at each review. Overall market changes and changes in the investment objectives of the fund are taken into account in the review process. Any material changes to a client's investment option may trigger a review, including, but not limited to; a change in the underlying manager, the removal of that specific investment option, or the mapping of the current investment option into another investment option by the plan provider. Account reviews are conducted by the designated investment adviser professional primarily responsible for each account.

As may be retained by clients, reports are individualized, thereby, the nature and frequency are determined by client need and the services offered. However, as clients may request, 401(k) Investment Advisors, Inc. may provide quarterly or semi-annual reports detailing research and analysis with regard to investment advice and fiduciary due diligence services. The research and analysis may cover the investment products of several qualified retirement plan providers. The goals of the investment due diligence process are to establish a logical, technical, and comprehensive process that is consistently employed in the selection and ongoing monitoring of funds for plan sponsors and individuals, accompanied by an investment policy statement (for plan sponsors only), that defines the process utilized to recommend the investments to plan sponsors and individuals.

### **Client Referrals and Other Compensation**

The Advisor adds new clients through introductions by referral sources, including financial planners, investment Advisor, accountants, attorneys, life insurance agents, pension consultants, third-party administrators, CPAs, health & welfare insurance agents, property and casualty insurance agents, and pension sales representatives employed by insurance company and mutual fund company 401(k) providers.

Under a typical arrangement, the referral source may be paid a one-time only fee or an ongoing percentage of the compensation that is paid to the Advisor for providing services. The exact financial arrangements may vary for each Client; however, each arrangement shall be in accordance with all federal, state, and self-regulatory organization (SRO) and insurance rules and regulations. Typically, referral sources are involved only in the initial introduction and possibly ongoing relationship management, and do not have any involvement in the services as provided by the Advisor.

The Advisor may pay a solicitor a referral fee in accordance with the requirements of *Rule 206(4)-3 of the Investment Advisors Act of 1940*, and any corresponding state securities law requirements. The solicitor, at the time of the solicitation, shall disclose the nature of the solicitor relationship, and shall provide each prospective client with a copy of the Advisor's written disclosure statement as set forth in Part II of Form ADV, including this Schedule F, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between the Advisor and the solicitor, including the compensation to be received by the solicitor from the Advisor.

### **Participation or Interest in Client Transactions**

In their capacity as registered representatives, associates of the Advisor may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan or other such plans as compensation for administrative services, representing a separate financial interest. As such, a conflict of interest may exist with respect to recommendations to buy or sell securities. In all cases, transactions are effected in the best interests of the client. The Advisor does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being observed by associated persons.

Associated persons may own an interest in or buy or sell for their accounts the same securities, which may be purchased or sold in the accounts of Advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored. Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell specific securities for their accounts based on personal investment considerations, which the Advisor does not deem appropriate to buy or sell for clients.



### **Other Business Activities**

401(k) Advisors, Inc. is owned by National Financial Partners, Corp., ("NFP") which owns other registered investment Advisors, broker-dealers, insurance agencies and other product and service providers ("NFP Affiliates"). From time to time, we may recommend that you purchase or sell products and services from or through NFP Affiliates and these NFP Affiliates and our firm may receive compensation as a result of such recommendations. A recommendation that you purchase or sell products or services by or through an NFP Affiliate may be deemed to create a conflict of interest since it could result in increased compensation to an NFP Affiliate of our firm.

National Financial Partners, Corp. owns a controlling interest in NFP Securities, Inc. NFP Securities, Inc. and Advisor are affiliated only by virtue of this common control. National Financial Partners Corporation is an independent financial services distribution network offering specialized financial services to high net-worth individuals and successful corporations. Some associated persons of Advisor may recommend securities or insurance products offered by NFP Securities, Inc., and receive normal commissions if products are purchased through them. Thus, a conflict of interest exists between the interests of the associated persons and those of the Advisory clients. The clients are under no obligation to purchase products recommended by these associated persons or to purchase products either through these associated persons or NFP Securities, Inc.

Under the rules and regulations of FINRA, NFP Securities, Inc., has obligations to maintain records and perform other functions regarding certain aspects of the investment Advisory activities of its registered representatives in relation to certain Advisory accounts for which its registered representatives provide investment advice. These obligations require NFP Securities, Inc., to coordinate with, and have the cooperation of the account custodian.

In order to fulfill its obligation, NFP Securities, Inc., has established a list of custodian and brokerage firms with which it has arranged to obtain the required cooperation, and which therefore may be utilized for custody of accounts directly advised either by registered representatives of NFP Securities, Inc., who are investment Advisors or other investment Advisory entities which are affiliated with registered representatives of NFP Securities, Inc. In certain instances, NFP Securities, Inc., will collect, as paying agent for the Advisor, the investment Advisory fee remitted to the Advisor by the account custodian, and NFP Securities, Inc., will retain a portion as a charge to the investment Advisor (not the client) for the functions NFP Securities, Inc., is required to carry out by FINRA. This fee will not increase execution or brokerage charges to the client or the fee the client has agreed to pay to the Advisor pursuant to the client's Advisory agreement. A portion of the fee retained by NFP Securities, Inc., may be re-allowed to other registered representatives of NFP Securities, Inc., who, as registered representatives of NFP Securities, Inc., are responsible for the supervision of other representatives and assist NFP Securities, Inc., with the functions described above.

As required by law, Advisor must disclose and does disclose several affiliated investment Advisors ("Affiliated Advisors") in response to certain items in Part I of its Form ADV, which is publicly available on the SEC website. The Affiliated Advisors are affiliated with Advisor solely by virtue of being under common control with National Financial Partners Corporation. These Affiliated Advisors have no material impact on the day to day business operations of Advisor nor are they involved in any way in the provision of Advisory services to a client's account.

On occasion Advisor may refer clients to other professionals for services that Advisor is unable to perform, primarily banking, accounting and/or legal services. In turn Advisor may receive referrals from these firms. Although there is no direct monetary benefit derived from these arrangements, they are mutually beneficial and provide an indirect benefit. Advisor will never base its referrals solely on any reciprocal arrangement in place. Reciprocal arrangements are a professional courtesy so a non-compete and nondisclosure agreement is the only formal document signed. Clients may review these agreements at any time.

Some associated person(s) of Advisor are registered securities representatives of Financial Telesis Inc., a registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and a registered investment

Advisor. Financial Telesis Inc. is a diversified financial services company engaged in the distribution of investment advice and investment products.

Some associated persons of the Advisor are insurance agents/brokers of various insurance companies. In such capacities, associated persons of the Advisor may receive normal commissions and/or other compensation associated with those activities. In addition, as registered representatives, associates may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan or other such plans as compensation for administrative services, representing a separate financial interest on the Advisory associate's behalf. As such, a substantial conflict of interest may exist with respect to recommendations to buy or sell securities. Such conflicts are disclosed in the applicable Advisory contract with clients.

In all cases, transactions are effected in the best interests of the client. Advisor does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being observed by Advisory associates.

### **Custody**

All assets in Client's account shall be held for safekeeping with a designated custodian as selected by the Client. Advisor shall not act as Custodian for any assets in the Client's account and shall not take possession of cash and/or securities of the Client's account. Advisor shall not be liable to Client for any act, conduct or omission by Custodian. Advisor is only authorized or empowered to issue instructions to Custodian or to request information about the Account from Custodian for the limited purpose of managing the asset allocation of the Models. The Advisor shall have no other discretion or control in regards to Custodian instruction.

### **Investment Discretion**

When applicable, the Advisor shall be responsible, and maintains discretion, for the selection, mapping, and ongoing monitoring, of investments offered within a particular Plan.

### **Voting Client Securities**

Advisor does not have nor will accept authority to vote client securities. Advisor requests that clients engage another party to determine how proxies should be voted. Advisor does not provide proxy voting services to its clients.

### **Financial Information**

Advisor may require a portion of a fee in advance but does not require or solicit prepayment of fees per client, six months or more in advance, does not maintain custody of client assets and therefore is not required to file financial information with the Securities & Exchange Commission or state of California.

### **Requirements for State-Registered Advisors**

(Advisor is registered as an investment advisor with the Securities & Exchange Commission and is Notice Filed with the California Department of Corporations)

Advisor and its Principal Executive Officers are not currently involved nor have they been involved in the past, in the following:

An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

Advisor and its Principal Executive Officers are not currently involved nor have they been involved in the past, in the following:

An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding

Advisor and its Principal Executive Officers are not currently involved nor have they been involved in the past, in the following:

- (f) an investment or an investment-related business or activity;
- (g) fraud, false statement(s), or omissions;
- (h) theft, embezzlement, or other wrongful taking of property;
- (i) bribery, forgery, counterfeiting, or extortion; or
- (j) dishonest, unfair, or unethical practices.

## **Additional Information**

### **Qualification Requirements: Education and Business Standards**

The Advisor requires certain licensing standards as well as certain level of business experience for giving investment advice to clients. All Advisors must be professionals with relevant industry experience and adequately demonstrate a certain level of expertise in investment analysis, theories and concepts. All Advisors are required to have their Series 7 and Series 66, or their Series 65 and Series 6. Advisors are regularly encouraged, and in some cases, required to meet certain educational goals over the year. Advisors will meet the examination and qualification requirements of the states where they conduct business.

### **401(k) Advisors, Inc. Privacy Policy**

Advisor and its Investment Advisor Representatives ("IARs") collect non-public personal information about its clients from applications and other forms, which they receive from their clients and from client communications. Advisor may also receive information from consumer reporting agencies.

Advisor may disclose all of the information that it collects to its IARs for use in the business that they independently conduct, and the IARs may disclose all of the information that they collect from their independent businesses to Advisor for use in its business. At such time as Advisor and the IAR terminate their relationship with one another, the information may be retained by both of them.

Advisor may also provide nonpublic personal information about its clients to non-affiliated third parties, as permitted by law. If you prefer that we not disclose non-public, personal information about you to non-affiliated third parties, you may opt out of those disclosures that is; you may direct Advisor not to make those disclosures (other than disclosures permitted by law). If you wish to opt out of disclosures to non affiliated third parties, you may call the following number or write to the following address:

401(k) Advisors, Inc.  
120 Vantis, Suite 400  
Aliso Viejo, CA 92656  
949.460.9898

Advisor restricts access to non-public personal information about Advisor clients to those IARs and employees who need to know that information to provide products or services to you. Advisor maintains physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information.

### **Advisor Business Continuity Plan**

Advisor has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan. We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our clients to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

**Contacting Us** – If after a significant business disruption you cannot contact us as you usually do you should call our alternative number 949.460.9898 or access the following web address [www.401kadvisors.com](http://www.401kadvisors.com).